

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

Consolidated Financial Statements
For The Six Months Period Ended June 30, 2006 and 2005
and

Accountant's Review Report

TABLE OF CONTENTS

	Page
I. DIRECTORS' STATEMENT LETTER	
II. ACCOUNTANT'S REVIEW REPORT	i
III. CONSOLIDATED FINANCIAL STATEMENTS	
- Consolidated Balance Sheets	1-2
- Consolidated Statements of Income	3
- Consolidated Statements of Changes in Stockholders' Equity	4
- Consolidated Statements of Cash Flows	5
- Notes to Consolidated Financial Statements	6-62



**Bakrie
Sumatera
Plantations**

**DIRECTORS' STATEMENT LETTER RELATING TO THE RESPONSIBILITY ON THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2006 AND 2005
PT BAKRIE SUMATERA PLANTATIONS TBK. AND SUBSIDIARIES**

We, the undersigned:

- | | | |
|-------------------------------|---|---|
| 1. Name | : | Ambono Janurianto |
| Office Address | : | Wisma Bakrie Lt. 1
Jl. H.R. Rasuna Said Kav B-1
Jakarta 12920 |
| Domicile as stated in ID Card | : | Jl. Ibnu Armah No. 54 RT.01/ RW.04
Pangkalan Jati , Depok |
| Phone Number | : | 021 - 7698369 |
| Position | : | President Director |
| 2. Name | : | Harry M. Nadir |
| Office Address | : | Wisma Bakrie Lt. 1
Jl. H.R. Rasuna Said Kav B-1
Jakarta 12920 |
| Domicile as stated in ID Card | : | Jl. Lubuk Kasih Blok R
No.30 RT. 001/RW. 025 Jatiwaringin
Pondok Gede, Bekasi |
| Phone Number | : | 021- 84993893 |
| Position | : | Director |

State that:

1. We are responsible for the preparation and presentation of the consolidated financial statements.
2. The consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia.
3. a. All information contained in the consolidated financial statements is complete and correct,
b. The consolidated financial statements do not contain misleading material information or facts, and do not omit material information and facts.
4. We are responsible for the Company and its Subsidiaries's internal control system.

This statement letter is made truthfully.

Kisaran, August 10, 2006

President Director



Ambono Janurianto

Director

Harry M. Nadir

PT Bakrie Sumatera Plantations Tbk

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BKR

db&d

Doli, Bambang, Sudarmadji & Dadang

Registered Public Accountants

License No. : KEP - 007/KM.5/2006

Jl. Raya Kalimalang Blok - E No. 4F

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No. : 226/OL-2.20806/DBSD

Accountants' Review Report

**The Stockholders, Board of Commissioners and Directors
PT Bakrie Sumatera Plantations Tbk.**

We have reviewed the accompanying consolidated balance sheets of PT Bakrie Sumatera Plantations Tbk. and its Subsidiaries as of June 30, 2006 and 2005, the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months period ended June 30, 2006, in accordance with Statements on Standards for Accounting and Review Services issued by the Indonesian Institute of Accountants. All information included in these financial statements is the representation of the Company's management.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Doli, Bambang, Sudarmadji & Dadang



Drs. Sudarmadji Herry Sutrisno, AK., MM.

License No. 98.1.1062

August 10, 2006

This Report is Originally Issued in Indonesian Language.

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Balance Sheets
As of June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Par Value)

	Notes	2006	(As restated - see Notes 2r and 39) 2005 *)
Assets			
Current Assets			
Cash and cash equivalents	2c,4	69,575,259	21,051,254
Short term investment	2c,4	24,943,500	24,943,500
Trade receivables	2d,5		
Third parties - net of allowance for doubtful accounts of Rp 248,541 in 2006 and Rp 4,180,539 in 2005	27	71,472,734	27,640,655
Related parties - net of allowance for doubtful accounts of Rp 22,000,000 in 2006 and 2005	2e,27,41	18,855,482	25,775,301
Other receivables	2d,6		
Third parties - net of allowance for doubtful accounts of Rp 64,710 in 2006 and 2005		60,201,217	15,478,996
Related parties	2e,41	14,259,623	7,758,354
Inventories	2f,7,27	83,605,675	40,280,978
Prepaid taxes	8,38a	20,626,232	4,276,714
Prepaid expenses	2g,9,27a	2,801,432	3,373,686
Advances	10	24,503,495	14,091,992
Total current assets		<u>390,844,649</u>	<u>184,671,430</u>
Non-Current Assets			
Due from a related party - net of allowance for doubtful accounts of Rp 2,991,628 in 2006 and 2005	2d,2e,12,41	3,705,321	2,132,900
Due from plasma	2l,13,43a,43b	76,423,616	50,342,499
Deferred tax assets - net	43c,43d,43e	5,937,618	44,123,729
Investments in shares of stock - net of allowance for unrecoverable investments in shares of stock of Rp 511,353 in 2006 and 2005	2u,38b		
Plantations	2b,2w,11	1,205,097	1,197,271
Mature plantations - net of accumulated depreciation of Rp 191,157,147 in 2006 and Rp 167,605,394 in 2005	2h,14,27	404,263,898	355,374,630
Immature plantations		92,800,823	84,467,321
Property, plant and equipment - net of accumulated depreciation of Rp 140,039,775 in 2006 and Rp 184,158,078 in 2005	2i,2j,2k,15,27	283,330,041	336,476,170
Goodwill - net of accumulated amortization of Rp 8,097,702 in 2006 and Rp 3,379,103 in 2005	2n,16,37	85,610,548	90,329,146
Other assets			
Restricted funds	17	3,850,074	13,012,791
Business project development	2q,18	41,534,695	4,775,654
Deferred charges - net	2o,19	27,474,520	-
Deferred expenses of land rights - net of accumulated amortization of Rp 762,312 in 2006 and Rp 424,931 in 2005	2i,20	11,368,376	9,991,881
Others	2m	590,847	895,946
Total other assets		<u>84,818,512</u>	<u>28,676,272</u>
Total non-current assets		<u>1,038,095,474</u>	<u>993,119,938</u>
Total Assets		<u>1,428,940,123</u>	<u>1,177,791,368</u>

*) Excluding the accounts of PT Air Muring that were acquired by PT Huma Indah Mekar, a Subsidiary, on November 30, 2005.

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

Please See Accountants' Review Report.

This Report is Originally Issued in Indonesian Language.

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Balance Sheets (Continued)

As of June 30, 2006 and 2005

(In thousand Indonesian Rupiah, Except Par Value)

	Notes	2006	(As restated - see Notes 2r and 39) 2005 *)
Liabilities and Stockholders' Equity			
Current Liabilities			
Trade payables - third parties	21	66,140,324	30,709,155
Other payables	22		
Third parties		16,001,731	11,726,526
Related parties	2e,41	2,967,830	4,791,338
Accrued expenses	23	20,659,425	19,660,123
Taxes payables	2u,24,38	50,376,880	16,861,206
Dividends payable	32	19,756,970	750,117
Advances on sales	25	33,168,564	35,322,453
Short-term loan	26	-	33,000,000
Current maturities of:			
Long-term loan	27	102,716,202	50,102,903
Obligation under capital lease	2k,15,28	536,697	1,292,540
Total current liabilities		312,324,623	204,216,361
Non-Current Liabilities			
Due to a related party	2e,29,41	18,606,586	36,299,523
Deferred tax liabilities - net	2u,38b	12,411,978	9,087,277
Retirement benefit liabilities	2r,39	32,204,331	29,559,423
Long-term debts - net of current maturities:			
Long-term loan	27	502,407,567	491,641,131
Obligation under capital lease	2k,15,28	300,901	1,007,770
Total non-current liabilities		565,931,363	567,595,124
Stockholders' Equity			
Capital stock - Rp 100 par value in 2006 and 2005			
Authorized - 4,144,000,000 shares in 2006 and 2005			
Issued and fully paid - 2,331,000,000 in 2006 and 2005	30	233,100,000	233,100,000
Additional paid-in capital - net	2p,31	147,256,406	147,256,406
Retained earnings		170,327,731	25,623,477
Total stockholders' equity		550,684,137	405,979,883
Total Liabilities and Stockholders' Equity		1,428,940,123	1,177,791,368

*) Excluding the accounts of PT Air Muring that were acquired by PT Huma Indah Mekar, a Subsidiary, on November 30, 2005.

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

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PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Statements of Income
For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Income Per Share)

	Notes	2006	(As restated - see Notes 2r and 39) 2005 *)
NET SALES	2t,5,33,41	451,782,853	336,811,647
COST OF GOODS SOLD	2t,14,15,34,41	290,484,763	227,661,520
GROSS PROFIT		161,298,090	109,150,127
OPERATING EXPENSES:	2r,2t,15,35,39		
Selling		5,201,418	2,297,681
General and administrative		40,786,120	34,771,147
Total Operating Expenses		45,987,538	37,068,828
INCOME FROM OPERATIONS		115,310,552	72,081,299
OTHER INCOME (EXPENSES)			
Gain (loss) on foreign exchange - net	2s,26,27	28,328,886	(20,899,642)
Interest income	2c,4	1,268,853	378,895
Gain on sales/ disposal of property, plant and equipment	15	72,150	52,775
Interest and financial expenses	36	(24,639,568)	(20,160,993)
Loss on written off plantations	14	(980,970)	(810,191)
Miscellaneous - net	37	(2,529,222)	(3,452,798)
Total Other Income (Expenses)		1,520,129	(44,891,954)
INCOME BEFORE TAX BENEFITS (EXPENSES)		116,830,681	27,189,345
TAX BENEFITS (EXPENSES)	2u,38		
Current period		(35,283,157)	(9,011,349)
Deferred		(611,858)	12,789,991
Total Tax Benefits (Expenses)		(35,895,015)	3,778,642
NET INCOME		80,935,666	30,967,987
INCOME PER SHARE - BASIC	2v,40	35	13

*) Excluding the accounts of PT Air Muring that were acquired by PT Huma Indah Mekar, a Subsidiary, on November 30, 2005.

*The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.
Please See Accountants' Review Report.*

This Report is Originally Issued in Indonesian Language.

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah)

	Capital Stock Issued and Fully Paid	Additional Paid in Capital - Net	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2005	233,100,000	147,256,406	28,219,592	408,575,998
Previous year adjustment as effect of implementation of PSAK No. 24 (Revised 2004)	-	-	(19,578,101)	(19,578,101)
Balance, January 1, 2005 - restated (see Notes 2r and 39)	233,100,000	147,256,406	8,641,491	388,997,897
Dividend payment	-	-	(13,986,001)	(13,986,001)
Net income for the period - restated (see Notes 2r and 39)	-	-	30,967,987	30,967,987
Balance, June 30, 2005 *)	233,100,000	147,256,406	25,623,477	405,979,883
Balance, January 1, 2006	233,100,000	147,256,406	110,371,065	490,727,471
Dividend payment	-	-	(20,979,000)	(20,979,000)
Net income for the period	-	-	80,935,666	80,935,666
Balance, June 30, 2006	233,100,000	147,256,406	170,327,731	550,684,137

*) Excluding the accounts of PT Air Muring that were acquired by PT Huma Indah Mekar, a Subsidiary, on November 30, 2005.

*The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.
Please See Accountants' Review Report.*

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PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Statements of Cash Flows
For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah)

	2006	(As restated - see Notes 2r and 39) 2005 *)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	442,037,024	359,986,796
Cash paid to suppliers and employees	(324,694,229)	(218,925,446)
Cash received from operations	117,342,795	141,061,350
Interest received	1,268,853	378,895
Interest payment (Notes 23 and 36)	(24,836,045)	(19,939,971)
Income tax payment	(24,732,363)	(10,362,278)
Net Cash Provided from Operating Activities	69,043,240	111,137,996
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in other assets	127,263	2,811,306
Proceeds from sale of property, plant and equipment (Note 15)	133,000	52,775
Acquisition of property, plant and equipment (Note 15)	(25,803,055)	(31,973,718)
Increase in business project development	(22,246,885)	(1,739,745)
Payment of deferred expenses of land rights	(500,000)	-
Net Cash Used for Investing Activities	(48,289,677)	(30,849,382)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debts:		
Bank	626,175,000	-
Payment of long-term debts:		
Bank (Note 27)	(556,457,921)	(35,131,119)
Obligation under capital lease	(535,515)	(944,151)
Transportation	(137,196)	783,625
Increase of deferred charges	(27,474,521)	-
Increase in due from plasma (Note 13)	(8,141,799)	(21,608,842)
Increase in due from a related party (Note 12)	(690,861)	(530,081)
Dividend payment	(1,970,434)	(13,657,212)
Decrease in due to a related party (Note 29)	-	(25,674,356)
Increase in other payables	616,965	-
Net Cash Provided from (Used for) Financing Activities	31,383,718	(96,762,136)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,137,281	(16,473,522)
EFFECT OF FOREIGN EXCHANGE TO CASH FLOW	3,166,490	5,117,386
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,271,488	32,407,390
CASH AND CASH EQUIVALENTS AT END OF PERIOD	69,575,259	21,051,254
SUPPLEMENTAL CASH FLOWS INFORMATION		
Non-cash activities:		
Reclassification of immature plantations to mature plantations	12,833,712	14,982,377
Reclassification of construction in progress to property, plant and equipment	12,598,575	21,829,230
Reclassification of immature to seedlings plantations	2,058,215	-
Disposal of immature plantations	752,389	-
Disposal of mature plantations	228,581	810,191
Reclassification of seedlings to mature plantations	45,319	-

*) Excluding the accounts of PT Air Muring that were acquired by PT Huma Indah Mekar, a Subsidiary, on November 30, 2005.

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

Please See Accountants' Review Report.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

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 Amerikane 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 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 Sumatera.

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 30, 31 and 32). 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, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

1. GENERAL (Continued)

c. The Structures of the Company and Subsidiaries

As of June 30, 2006 and 2005, the Company has direct and indirect ownerships in subsidiaries as follows:

2006				
Subsidiaries	Domicile	Percentage of Ownership	Start of Commercial Operations	Total Assets
<i>Direct ownership:</i>				
PT Bakrie Pasaman Plantations	West Sumatera	99.00%	1998	Rp 394,538,054
PT Agrowiyana	Jambi	99.93	1998	144,136,444
PT Agro Mitra Madani	Jambi	85.00	2004	77,653,303
PT Huma Indah Mekar	Lampung	96.55	1992	163,216,996
<i>Indirect ownership:</i>				
PT Air Muring (through PT Huma Indah Mekar) (see Note 3 point b)	Bengkulu	96.55	1998	35,525,719

Based on Extraordinary Shareholders' General Meeting, held on May 3, 2005 which has been notarized by Notarial Deed No. 82 of Agus Madjid, S.H., dated May 31, 2005, the Shareholders of PT Huma Indah Mekar (HIM) agreed that investment in PT Bakrie Pasaman Plantations (BPP) amounting to Rp 400 million, consist of 80 shares, each amounted to Rp 5 million which has been placed in HIM, as a term and condition of stock exchange between PT Agrowiyana (Agro) and HIM, which Agro transferred its all shares in BPP to HIM and in contrary HIM will issue its authorized stock.

On September 29, 2005, the Company and PT Bakrie Pasaman Plantations (BPP) sold all of its shares in PT Kilang Vecolina (KV) to PT Unggul Sejahtera Abadi (USA) in accordance to the Deed of Shares Sale and Purchase of KV No. 24 and 25 of Yurisa Martanti, S.H., at the same date. Regarding those transfer, the Company's ownership, either directly or indirectly becomes nil and therefore KV has no longer been consolidated in the consolidated financial statement for the six months period ended June 30, 2006 (see Note 3 point a).

2005				
Subsidiaries	Domicile	Percentage of Ownership	Start of Commercial Operations	Total Assets
<i>Direct ownership:</i>				
PT Bakrie Pasaman Plantations	West Sumatera	99.00%	1998	Rp 382,656,230
PT Kilang Vecolina (see Note 3 point a)	West Java	96.25	2000	141,052,864
PT Agrowiyana	Jambi	99.93	1998	112,833,567
PT Agro Mitra Madani	Jambi	99.99	2004	81,464,512
PT Huma Indah Mekar	Lampung	100.00	1992	79,558,087

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

1. GENERAL (Continued)

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

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 hectares and 4,370 hectares, respectively, with each useful life of landrights until 2038 and 2029, and oil palm processing.
PT Agrowiyana	Oil palm plantations in Tungkal Ulu, Jambi is 4,686 hectares with useful life of landrights until 2039.
PT Agro Mitra Madani	Oil palm processing
PT Huma Indah Mekar	Rubber plantations and processing in Panumangan Baru, Tulang Bawang Tengah, Lampung is 4,407 hectares with useful life of landrights until 2010 and 2019.
PT Air Muring	Rubber plantations and processing in jalan Desa Air Muring, Putri Hijau Sebelat, North Bengkulu is 3,639 hectares with useful life of landrights until 2026.

d. Employees, Board of Directors and Commissioners

The members of the Company's boards of commissioners and directors as of June 30, 2006 and 2005 are as follows:

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 Sulistyono Umar	- Commissioner	3. Bambang Aria Wisena	- Director
4. Yuanita Rohali	- Commissioner	4. Howard James Sargeant	- Director
		5. M. Iqbal Zainuddin	- Director

As of June 30, 2006 and 2005, the Company and its Subsidiaries have had approximately 8,866 and 8,428 permanent employees, respectively (unaudited).

Salaries and other compensation benefits incurred for the Company's commissioners and directors amounted to Rp 2.33 billion and Rp 1.77 million for the six months period ended June 30, 2006 and 2005, respectively.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

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 Agency (BAPEPAM) and Manual Presentation of Financial Statements issued by the Jakarta Stock Exchange for plantation companies which offer their shares to the public.

The consolidated financial statements have been prepared on the historical cost basis, except for certain property, plant and equipment, which were 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 the six months period ended June 30, 2006 exclude the accounts of PT Kilang Vecolina which was deconsolidated on September 29, 2005.

The consolidated financial statements for the six months period ended June 30, 2005 exclude the accounts of PT Air Muring which was acquired by PT Huma Indah Mekar, a Subsidiary, on November 30, 2005 (*see Note 3 point b*).

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 and Subsidiaries'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.

On acquisition, the assets and liabilities of a Subsidiary are measured at their fair values at the date of acquisition. Any excess of the acquisition cost over the fair values of the identifiable net assets acquired is recognized as goodwill and amortized. When the cost of acquisition is less than the interest in the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, the fair values of the acquired non-monetary assets are reduced proportionately until all the excess is eliminated. The excess remaining after reducing the fair values of non-monetary assets and liabilities acquired is recognized as negative goodwill, treated as deferred revenue and recognized as revenue on a straight-line method.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

2. ACCOUNTING POLICIES (Continued)

c. Cash and Cash Equivalents

Cash consists 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.

Time deposits with maturities of three months or less at the time of placement are stated as "Short Term Investment". Deposits are stated as fair value.

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 period.

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.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

2. ACCOUNTING POLICIES (Continued)

e. Transactions with Related Parties (Continued)

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.

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

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.

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 20 to 30 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.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

2. ACCOUNTING POLICIES (Continued)

i. Property, Plant and Equipment (Continued)

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

	<u>Years</u>
Road, bridges and ditches	10 - 30
Buildings and improvements	8 - 20
Machinery and equipment	5 - 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 period.

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 presented as "Deferred Expenses of Land Rights" accounts which are presented separately from other deferred charges accounts.

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 year 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.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

2. ACCOUNTING POLICIES (Continued)

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.

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.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

2. ACCOUNTING POLICIES (Continued)

q. Business Development Projects

Expenses incurred in connection with the Company and Subsidiaries' 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.

At the end of 2005, the Company and Subsidiaries started implemented PSAK No 24 (Revised 2004), "Retirement Benefit". Under PSAK No 24 (Revised 2004), an actuarially method "Projected Unit Credit" is determined as a base of the calculation of estimated liabilities for retirement benefit of employees. The excess or deficits of liabilities arising from the first implementation of this Statements over the liabilities, which are recognized by the Company based on past accounting regulation, is adjusted to the financial statements for the six months period ended June 30, 2006. The financial statements for the six months period ended June 30, 2006 are restated as if the Company and Subsidiaries have already implemented PSAK No. 24 (Revised 2004) from the beginning of the previous year.

s. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amount at the rate 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 period.

As of June 30, 2006 and 2005, the exchange rates used were Rp 9,300 and Rp 9,713 for US\$ 1, respectively.

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).

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

2. ACCOUNTING POLICIES (Continued)

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 (loss) 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 differing product based on industrial and geographical segments.

3. ACQUISITION AND DIVESTMENT OF SUBSIDIARIES

- a. Based on Deed of Shares Sale and Purchase of KV No. 24 and 25 of Yurisa Martanti, S.H., dated September 29, 2005, the Company and PT Bakrie Pasaman Plantations (BPP), a Subsidiary, transferred its all shares in PT Kilang Vecolina to PT Unggul Sejahtera Abadi for Rp 30 billion.
- b. In accordance to the Deed of Shares Sale and Purchase of PT Air Muring (AM) No. 112 and 113 of Sutjipto, S.H., dated November 30, 2005, PT Huma Indah Mekar (HIM), a Subsidiary acquired 100% ownership (10,000 shares) in PT Air Muring from Bengkulu Rubber Company Ltd. The cost of acquisition is amounted to US\$ 6,295,000 (equivalent of Rp 62.92 billion). The acquisition is recorded based on purchase method.

According to PT Asian Appraisal Indonesia, an independent appraisal, the fair value of property, plant and equipment of PT Air Muring, based on its fair market value as of August 31, 2005 is amounting to Rp 66.9 billion (*see Notes 14 and 15*).

The difference between cost and fair value asset and liabilities that can be identified based on an independent appraisal report become negative goodwill amounting to Rp 3.71 billion. The fair value of non monetary asset aquisition decline proportionally, until all the difference of negative goodwill eliminated (*see Notes 14 and 15*).

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	2006	2005
Cash:		
Rupiah	2,890,464	1,417,832
Bank - third parties:		
Rupiah Accounts:		
PT Bank Niaga Tbk.	7,186,025	687,783
PT Bank Mandiri (Persero) Tbk.	6,254,541	7,424,803
PT Bank Rakyat Indonesia (Persero) Tbk.	1,632,430	1,836,101
PT Bank Pembangunan Daerah Bengkulu	830,316	-
Standard Chartered Bank	739,593	-
PT Bank Negara Indonesia (Persero) Tbk.	202,335	411,325
PT Bank Muamalat Indonesia	95,006	157,045
PT Bank Mega Tbk.	46,572	46,356
PT Bank Pembangunan Daerah Sumbar	-	2,727,003
PT Bank Central Asia Tbk.	-	206,155
The Hongkong and Shanghai Banking Corporation	-	162,011
PT Bank Internasional Indonesia Tbk.	-	2,747
PT Bank Danamon Tbk.	-	429
US Dollar Accounts:		
Raiffeisen Zentral Bank Osterreich, Singapore	37,200,005	-
PT Bank Niaga Tbk.	5,220,531	135,564
PT Bank Mandiri (Persero) Tbk.	4,245,391	995,418
Standard Chartered Bank	3,027,578	-
PT Bank Negara Indonesia (Persero) Tbk.	2,434	-
PT Bank Sumitomo Mitsui Indonesia	2,038	2,189
The Hongkong and Shanghai Banking Corporation	-	4,838,493
Total	69,575,259	21,051,254

As of June 30, 2006, PT Bakrie Pasaman Plantations, a Subsidiary, has a short term investment on a 7% interest rate per year deposits, placed in PT Bank Niaga Tbk. amounting to Rp 24.94 billion. This investment is presented as "Short Term Investment" in the consolidated balance sheets.

5. TRADE RECEIVABLES

The details of trade receivables are as follows:

a. Third parties:

	2006	2005
<u>US Dollar:</u>		
PT Intan Surya Pratama (US\$ 1,391,005 in 2006 and US\$ 970,210 in 2005)	12,936,342	9,423,652

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

5. TRADE RECEIVABLES (Continued)

a. Third parties (Continued):

	<u>2006</u>	<u>2005</u>
Wilmar Trading Pte., Ltd. (US\$ 815,245 in 2006)	7,581,775	-
Eatland Produce, Singapore (US\$ 640,166 in 2006)	5,953,539	-
Tong Teik Pte. Ltd., Singapore (US\$ 581,373 in 2006)	5,406,767	-
Sri Trang International, Singapore (US\$ 447,104 in 2006 and US\$ 75,297 in 2005)	4,158,068	731,365
Amtel Investment Holding, Singapore (US\$ 344,400 in 2006)	3,202,920	-
Welcome Trading Co. Pte. Ltd., Singapore (US\$ 197,359 in 2006)	1,835,443	-
PT Bitung Guna Sejahtera (US\$ 173,347 in 2006 and US\$ Nil in 2005)	1,612,128	-
Healthcare Glovindo Medan (US\$ 117,458 in 2006 and US\$ 81,340 in 2005)	1,092,355	790,063
PT WRP Buana Multicopora (US\$ 120,776 in 2005)	-	1,173,099
PT Medisafe Technologies, Singapore (US\$ 60,144 in 2006 and US\$ 58,998 in 2005)	559,335	573,048
Danesi Latex, Brazil (US\$ 35,785 in 2006)	332,801	-
Chemapol Asia Pte., Ltd, Singapore (US\$ 12,236 in 2006)	113,795	-
Kuok Oils (US\$ 351,191 in 2005)	-	3,411,119
PT Mandiri Inti Buana Medan (US\$ 152,268 in 2005)	-	1,478,976
PT Intan Hevea Indonesia (US\$ 32,722 in 2005)	-	317,833
Centrotrade Germany (US\$ 18,546 in 2005)	-	180,139
Others (each below of Rp 100 million)	22,745	8,840
Total US Dollar	44,808,013	18,088,134
<u>Rupiah:</u>		
PT Intan Surya Pratama	11,232,123	6,012,849
PT Raberindo Pratama	3,585,823	-
PT Muliaraya Internusa	2,607,304	-
PT Goodyear Sumatra Plantations	2,027,575	2,027,575
PT Garuda Mas Perkasa, Medan	1,880,294	-
PT Asia Karet Medan	1,440,239	-

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

5. TRADE RECEIVABLES (Continued)

a. Third parties (Continued):

	2006	2005
PT Bitung Guna Sejahtera	1,076,935	-
PT Sugih Instrumendo Abadi	963,600	-
PT Abergummi Medical	705,600	-
PT Musim Mas	543,327	-
PT Dharma Medipro Serang	308,000	139,700
PT Sanggala Nuansadharm	-	2,975,275
PT Nuansa Karya Cipta	-	934,669
CV Pribumi Jaya	-	317,325
PT Pribumi Jaya - Simalungun	-	442,042
UKS Syahrial Sirait	-	134,035
Others (each below of Rp 100 million)	542,442	749,590
Total	26,913,262	13,733,060
Less allowance for doubtful accounts	(248,541)	(4,180,539)
	26,664,721	9,552,521
Total trade receivables from third parties - net	71,472,734	27,640,655

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

	2006	2005
Current up to 30 days	37,257,604	15,987,084
31 days to 60 days	3,363,292	3,394,451
61 days to 90 days	24,231	2,892,153
More than 90 days	31,076,148	9,547,506
	71,721,275	31,821,194
Less allowance for doubtful accounts	(248,541)	(4,180,539)
Total	71,472,734	27,640,655

During the six months period ended June 30, 2006 and 2005, there is no mutation of allowance for doubtful accounts. At the end of 2005, there is mutation of allowance for doubtful accounts amounted to Rp 3.93 billion resulting from deconsolidation of PT Kilang Vecolina by the Company in September 29, 2005 (see Note 3 point a).

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

	2006	2005
Rupiah	26,913,262	13,733,060
US Dollar	44,808,013	18,088,134
	71,721,275	31,821,194
Less allowance for doubtful accounts	(248,541)	(4,180,539)
Total	71,472,734	27,640,655

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

5. TRADE RECEIVABLES (Continued)

b. Related Party (see Note 41):

	2006	2005
PT Bakrie Rubber Industry:		
In Rupiah	40,855,482	23,707,949
In US Dollar (US\$ 2,477,850 in 2005)	-	24,067,352
Total	40,855,482	47,775,301
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total trade receivable from related party	18,855,482	25,775,301

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

	2006	2005
Current up to 30 days	-	106,262
31 days to 60 days	-	331,716
61 days to 90 days	-	369,892
More than 90 days	40,855,482	46,967,431
	40,855,482	47,775,301
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total	18,855,482	25,775,301

There is no mutation of allowance for doubtful accounts during the six months period ended June 30, 2006 and 2005.

The Company provided an allowance for doubtful accounts amounted to Rp 22 billion during the six months period ended June 30, 2006 and 2005 which the management of the Company believes that the allowance for doubtful accounts is adequate to cover possible losses from non-collectible of the accounts.

On December 29, 2005, the Company and PT Bakrie Rubber Industry agreed to use Rp 6,840/US\$ 1 as the currency of the receivable for US\$ 2,500,000.

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

	2006	2005
Rupiah	40,855,482	23,707,949
US Dollar	-	24,067,352
	40,855,482	47,775,301
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total	18,855,482	25,775,301

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

5. TRADE RECEIVABLES (Continued)

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

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

On June 30, 2006, all trade receivables are pledged as collateral for long-term credit facilities obtained by the Company from RZB - Austria (see Note 27 point e). While, on June 30, 2005, all trade receivables were pledged as collateral for long term credit facilities obtained by the Company and Subsidiaries from Credit Suisse First Boston and PT Bank Mandiri (Persero) Tbk. (see Notes 27 point a, b and d).

6. OTHER RECEIVABLES

This account consists of:

a. Third parties:

	2006	2005
PT Kilang Vecolina	56,444,057	-
PT Asia Makmur Lestari	2,188,392	14,387,553
Patients of Ibu Kartini Hospital	312,795	605,254
PT Tatar Anyar Indonesia	230,000	-
Rudy Tan	-	129,974
Others (each below of Rp 100 million)	1,090,683	420,925
	<u>60,265,927</u>	<u>15,543,706</u>
Less allowance for doubtful accounts	(64,710)	(64,710)
Total	<u>60,201,217</u>	<u>15,478,996</u>

Receivable from PT Kilang Vecolina (KV) is a receivable of the Company from KV which has not been paid until the date of sale of investment in KV by the Company and PT Bakrie Pasaman Plantations, a Subsidiary.

Receivable from PT Asia Makmur Lestari is receivable arising from novation of payables by PT Huma Indah Mekar, a Subsidiary. This receivable will be paid in March 2006. During the six months period ended June 30, 2006, the Company has received the payment amounting to Rp 12.20 billion.

Receivable from patients of Ibu Kartini Hospital represents receivable regarding to hospital services owned by the Company. Ibu Kartini Hospital is the Company's hospital that serves medical services to communities and companies in the Company's surrounding. The receivable is bills of the Company to customers of Ibu Kartini Hospital.

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

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

6. OTHER RECEIVABLES (Continued)

b. Related parties (see Note 41):

	<u>2006</u>	<u>2005</u>
Employee cooperative	9,057,768	3,785,254
Staff and employee	5,201,855	3,973,100
Total	<u>14,259,623</u>	<u>7,758,354</u>

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

7. INVENTORIES

Inventories consist of:

	<u>2006</u>	<u>2005</u>
Raw materials		
Rubber	17,255,054	907,105
Fresh fruit bunches	656,699	461,582
	<u>17,911,753</u>	<u>1,368,687</u>
Work-in-process		
Rubber	3,003	10,804
Finished goods		
Rubber	28,282,847	14,096,504
Crude palm oil	11,181,780	1,744,653
Palm kernel	917,106	215,543
	<u>40,381,733</u>	<u>16,056,700</u>
Seedlings		
Rubber	2,688,110	1,345,067
Palm oil	2,516,760	-
	<u>5,204,870</u>	<u>1,345,067</u>
Materials and supplies		
Fertilizers and chemicals	13,289,089	10,906,881
Spare parts and supplies	6,815,227	10,592,839
	<u>20,104,316</u>	<u>21,499,720</u>
Total	<u>83,605,675</u>	<u>40,280,978</u>

As of June 30, 2006, all inventories of the Company and Subsidiaries are pledged as collateral for long-term credit facilities obtained from RZB - Austria (see Note 27 point e). While, June 30, 2005, all inventories of the Company and Subsidiaries were pledged as collateral for long-term credit facilities obtained from Credit Suisse First Boston and PT Bank Mandiri (Persero) Tbk. (see Notes 27 point a, b and d).

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

7. INVENTORIES (Continued)

Certain inventories are covered by insurance against losses from fire and other risks under blanket policies amounting to Rp 7.63 billion and US\$ 2.76 million during the six months period ended June 30, 2006 and Rp 7.78 billion and US\$ 4.65 million during the six months period ended June 30, 2005, which in the opinion of the Company's and Subsidiaries' management is adequate to cover possible losses arising from such risks.

8. PREPAID TAXES

This account consists of :

	2006	2005
VAT in	14,256,505	-
PPH 21	-	472,730
Estimated claim tax refund:		
Current period (see Note 38 point a)	1,463,902	2,808,387
Previous year	4,905,825	995,597
Total	20,626,232	4,276,714

9. PREPAID EXPENSES

This account represents prepayments of:

	2006	2005
Insurance	971,454	1,214,635
Agency fee	941,903	225,166
Rent	395,313	483,839
Others	492,762	1,450,046
Total	2,801,432	3,373,686

10. ADVANCES

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

	2006	2005
Suppliers		
PT Graha Dura Ledong Prima	9,045,248	-
PT Tidar Kerinci Agung	-	2,000,000
Others (each below of Rp 1 billion)	4,968,795	2,077,070
Total suppliers	14,014,043	4,077,070

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

10. ADVANCES (Continued)

	2006	2005
Contractor	5,697,771	6,519,581
Travelling	382,932	284,509
Others	4,408,749	3,210,832
Total	24,503,495	14,091,992

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	
	2006	2005	2006	2005
PT United Sumatera Rubber Products	10.00%	10.00%	511,353	511,353
PT Sarana Jambi Ventura	2.29%	2.27%	167,925	160,099
PT Sarana Sumatera Barat Ventura	0.46%	0.46%	37,172	37,172
Total			716,450	708,624
Advance on investment in shares of stock:				
PT Prasetia Utama			1,000,000	1,000,000
			1,716,450	1,708,624
Less allowance for unrecoverable investment in shares of stock			(511,353)	(511,353)
Net			1,205,097	1,197,271

Based on PT Sarana Jambi Ventura (SJV)'s Shareholders' General Meeting, held on April 27, 2005, the shareholders approved the distribution of cash and stock dividend from retained earnings of 2004. The portion of stock dividend for PT Agrowiyana, a Subsidiary, amounted to Rp 10.72 million is recorded as an additional of cost of investment.

Based on PT Sarana Sumatera Barat Ventura (SSBV)'s Shareholders' General Meeting, held on March 9, 2005, the shareholders approved of cash and stock dividend from retained earnings of 2004. The portion of stock dividend for PT Bakrie Pasaman Plantations, a Subsidiary, amounted to Rp 1.70 million is recorded as an additional cost of investment.

In 2002, PT Bakrie Pasaman Plantations (BPP), a Subsidiary, invested 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, 2006 and 2005, 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.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

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. As of June 30, 2006 and 2005, net due from a related party is amounting to Rp 3.71 billion and Rp 2.13 billion, respectively.

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 six months period ended June 30, 2006 and 2005, there was no mutation of allowance for doubtful accounts and the Company's management believes 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:

	2006	2005
a. Primary Cooperative Credit for the Members (KKPA)	46,773,498	37,733,732
b. Perkebunan Inti Rakyat (PIR) - Plasma	29,650,118	12,608,767
Net	76,423,616	50,342,499

a. This account represents advances given by Subsidiaries awaiting for 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), in connection with cooperation agreements between PT Agrowiyana, 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 has been funded by PT Bank Muamalat Indonesia, as a new lender (see Note 43 point d). 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 43 point c). Since on March 6, 1998, the projects have been financed by the Subsidiary instead of by the Danamon.

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 e).

This Report is Originally Issued in Indonesian Language.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

13. DUE FROM PLASMA (Continued)

The details and changes of the Plasma project are as follows:

2006			
	Funded by Bank	Advances from Subsidiaries	Amount
Balance January 1, 2006	71,989,529	68,281,817	140,271,346
Development cost	1,766,081	5,143,839	6,909,920
Other expenses	-	705,266	705,266
Payment by plasma	(1,412,864)	2,292,694	879,830
Balance June 30, 2006	72,342,746	76,423,616	148,766,362

2005			
	Funded by Bank	Advances from Subsidiaries	Amount
Balance January 1, 2005	72,006,639	28,733,658	100,740,297
Development cost	16,672,864	11,178,589	27,851,453
Other expenses	-	5,384,974	5,384,974
Payment by plasma	(1,429,974)	(1,432,247)	(2,862,221)
Installment to executory bank	-	6,477,525	6,477,525
Balance June 30, 2005	87,249,529	50,342,499	137,592,028

The details of aging schedule of plasma are as follows:

	2006	2005
Current up to 30 days	2,793,440	6,915,665
31 days to 60 days	35,734	2,145,040
61 days to 90 days	50,221,254	561,785
More than 90 days	23,373,187	40,720,009
Total	76,423,615	50,342,499

PT Agrowiyana and PT Bakrie Pasaman Plantations, Subsidiaries, do not provide any allowance for doubtful account since the Subsidiaries' management believe that the allowance for doubtful accounts is adequate to cover possible losses from non-collectible of the accounts.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

14. PLANTATIONS

Plantations consist of:

a. Mature Plantations

2006				
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Carrying Value</u>				
Rubber	228,159,481	6,225,055	638,936	233,745,600
Oil palm	355,021,469	6,653,976	-	361,675,445
	583,180,950	12,879,031	638,936	595,421,045
<u>Accumulated Depreciation</u>				
Rubber	59,852,296	4,651,857	410,355	64,093,798
Oil palm	118,446,950	8,616,399	-	127,063,349
	178,299,246	13,268,256	410,355	191,157,147
Net Book Value	404,881,704			404,263,898
2005				
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Carrying Value</u>				
Rubber	154,523,542	14,402,825	2,062,269	166,864,098
Oil palm	355,536,374	579,552	-	356,115,926
	510,059,916	14,982,377	2,062,269	522,980,024
<u>Accumulated Depreciation</u>				
Rubber	52,541,891	3,269,505	1,252,078	54,559,318
Oil palm	104,045,549	9,000,527	-	113,046,076
	156,587,440	12,270,032	1,252,078	167,605,394
Net Book Value	353,472,476			355,374,630

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

	2006 (In Ha)	2005 (In Ha)
Kisaran - North Sumatera	15,941	15,964
Pasaman - West Sumatera	8,412	8,663
Tungkal Ulu - Jambi	3,994	3,855
Tulang Bawang Tengah - Lampung	3,669	3,669
Bengkulu	2,078	-
Total	34,094	32,151

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

14. PLANTATIONS (Continued)

a. Mature Plantations (Continued)

Beginning balance of mature rubber plantations in 2006, include excess acquisition cost over the fair value of mature plantations in relation with an independent appraisal report from acquisition of PT Air Muring by PT Huma Indah Mekar, a Subsidiary. The excess is amounting to Rp 40.37 billion. Depreciation expense of mature plantations arising from the excess acquisition cost over the fair value above during the six months period ended June 30, 2006 is amounting to Rp 672.90 million. Accumulated depreciation of rubber mature plantations arising from the excess acquisition cost over the fair value above is amounting to Rp 897.19 million.

Depreciation expense of mature plantations for the six months period ended June 30, 2006 and 2005 is amounting to Rp 13.27 billion and Rp 12.27 billion, respectively.

Addition of mature rubber plantation included reclassification from seedlings amounting to Rp 45.32 million.

b. Immature Plantations

	2006			
	Beginning Balance	Additional Cost	Reclass to Mature	Ending Balance
<u>Carrying Value</u>				
Rubber	64,389,131	15,241,193	6,932,124	72,698,200
Oil palm	25,382,051	3,432,764	8,712,192	20,102,623
Total	89,771,182	18,673,957	15,644,316	92,800,823

	2005			
	Beginning Balance	Additional Cost	Reclass to Mature	Ending Balance
<u>Carrying Value</u>				
Rubber	55,576,425	14,301,219	14,402,825	55,474,819
Oil palm	22,264,085	7,307,969	579,552	28,992,502
Total	77,840,510	21,609,188	14,982,377	84,467,321

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

	2006 (In Ha)	2005 (In Ha)
Kisaran - North Sumatra	3,511	3,467
Tungkal Ulu - Jambi	424	287
Bengkulu	243	-
Total	4,178	3,754

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

14. PLANTATIONS (Continued)

b. *Immature Plantations (Continued)*

Beginning balance of immature rubber plantations in 2006, include excess acquisition cost over the fair value of mature plantations in relation with an independent appraisal report from acquisition of PT Air Muring by PT Huma Indah Mekar, a Subsidiary. The excess is amounting to Rp 288 million.

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. During the six months period ended June 30, 2006 and 2005, no interest expense was capitalized.

Deduction of immature rubber plantation included reclassification to seedlings amounting Rp 2.06 billion.

As of June 30, 2006, the whole plantations of the Company and certain Subsidiaries, are pledged as collateral for long-term loan obtained from RZB - Austria (see Note 27 point e). On June 30, 2005, the whole plantations of the Company and certain Subsidiaries were pledged as collateral for long-term loan obtained from Credit Suisse First Boston, PT Bank Niaga Tbk. and PT Bank Mandiri (Persero) Tbk. (see Notes 27 point a, b, c and d).

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

During the six months period ended June 30, 2006 and 2005, the Company incurred loss from replanting (land clearing area) from mature plantation and immature plantation amounting to Rp 980.97 million and 810.19 million, respectively, which is presented as part of "Other Income (Expenses) - Loss on Written Off of Plantations" in the consolidated statements of income.

15. PROPERTY, PLANT AND EQUIPMENT

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

	2006			
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land	24,092,021	23,400	-	24,115,421
Roads, bridges and ditches	30,260,498	2,625,493	-	32,885,991
Buildings and improvements	90,191,854	4,196,953	35,231	94,353,576
Machinery and equipment	163,131,996	6,458,124	659,259	168,930,861
Transportation equipment	22,547,128	2,379,597	168,902	24,757,823
Furniture and office equipment	11,942,473	1,084,442	4,840	13,022,075
Total	342,165,970	16,768,009	868,232	358,065,747
<u>Asset Under Capital Lease</u>				
Transportation equipment	6,375,648	-	-	6,375,648

This Report is Originally Issued in Indonesian Language.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

2006				
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Construction-in-Progress</u>				
Roads, bridges and ditches	2,158,002	2,284,153	2,029,812	2,412,343
Buildings and improvements	26,738,286	12,960,720	2,380,686	37,318,320
Machinery and equipment	14,752,997	6,339,859	7,682,116	13,410,740
ORACLE application software	1,250,000	414,667	347,121	1,317,546
Transportation equipment	-	10,234	-	10,234
Rehabilitation area	2,557,715	-	-	2,557,715
Furniture and office equipment	1,647,027	413,335	158,840	1,901,522
Total	49,104,027	22,422,968	12,598,575	58,928,420
Total Carrying Value	397,645,645	39,190,977	13,466,807	423,369,815
<u>Accumulated Depreciation and Amortization Direct Ownership</u>				
Roads, bridges and ditches	11,101,452	158,997	-	11,260,449
Buildings and improvements	34,270,416	3,310,222	54,655	37,525,983
Machinery and equipment	60,583,794	6,285,751	608,854	66,260,691
Transportation equipment	13,129,448	1,529,951	139,894	14,519,505
Furniture and office equipment	7,205,445	834,471	3,979	8,035,937
Total	126,290,555	12,119,392	807,382	137,602,565
<u>Asset Under Capital Lease</u>				
Transportation equipment	2,126,196	311,014	-	2,437,210
Total Accumulated Depreciation and Amortization	128,416,751	12,430,406	807,382	140,039,775
Net Book Value	269,228,894			283,330,041
2005				
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land	28,163,863	-	-	28,163,863
Roads, bridges and ditches	24,829,217	4,218,062	-	29,047,279
Buildings and improvements	93,609,844	8,731,148	-	102,340,992
Machinery and equipment	251,663,759	24,577,507	45,609	276,195,657
Transportation equipment	16,233,595	2,892,577	466,772	18,659,400
Furniture and office equipment	10,091,337	662,632	2,683	10,751,286
Total	424,591,615	41,081,926	515,064	465,158,477
<u>Asset Under Capital Lease</u>				
Transportation equipment	5,168,908	2,268,584	489,800	6,947,692

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2005			
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Construction-in-Progress</u>				
Roads, bridges and ditches	3,572,287	3,200,183	4,930,227	1,842,243
Buildings and improvements	5,870,877	3,896,526	825,773	8,941,630
Machinery and equipment	45,997,742	4,117,355	16,031,981	34,083,116
ORACLE application software	2,200,000	-	-	2,200,000
Transportation equipment	-	41,249	41,249	-
Furniture and office equipment	-	1,461,090	-	1,461,090
Total	57,640,906	12,716,403	22,319,030	48,528,079
Total Carrying Value	487,401,429	56,066,913	22,834,094	520,634,248
<u>Accumulated Depreciation and Amortization Direct Ownership</u>				
Roads, bridges and ditches	9,255,094	780,564	-	10,035,658
Buildings and improvements	33,267,477	2,289,233	-	35,556,710
Machinery and equipment	112,510,370	6,303,363	45,609	118,768,124
Transportation equipment	10,846,342	989,191	466,772	11,368,761
Furniture and office equipment	6,130,622	668,828	2,683	6,796,767
Total	172,009,905	11,031,179	515,064	182,526,020
<u>Asset Under Capital Lease</u>				
Transportation equipment	1,442,832	499,433	310,207	1,632,058
Total Accumulated Depreciation and Amortization	173,452,737	11,530,612	825,271	184,158,078
Net Book Value	313,948,692			336,476,170

During the six months period ended June 30, 2006 and 2005, deductions on property, plant and equipment includes write-off of obsolete property, plant and equipment. Loss on written off property, plant and equipment arising from that transaction is amounting to Rp 72.15 million and Rp 52.78 million presented as "Other Income (Expenses) - Loss on Disposal of Property, Plant and Equipment in the consolidated statements of income.

The details of depreciation charged are as follows:

	2006	2005
Cost of goods manufactured	10,688,086	9,516,655
General and administrative expense	1,742,320	1,703,750
Total	12,430,406	11,220,405

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Deductions on property, plant and equipment represent sales and write-off of obsolete property, plant and equipment with details as follows:

	2006	2005
Assets sold		
Book value	60,850	-
Selling price	133,000	52,775
Gain on sale of property, plant and equipment	72,150	52,775

The details of construction-in-progress are as follows:

	2006		
	Percentage of Completion	Accumulated Cost	Estimated Completion Date
Buildings and improvements (see Notes 43 point i and j)	58.52% - 80%	37,318,320	September 2006
Machinery and equipment (see Note 43 point g)	16% - 85%	16,629,816	April 2007
Roads, bridges and ditches	40% - 90%	4,970,050	December 2006
Transportation equipment	90%	10,234	July 2006
Total		58,928,420	
		2005	
	Percentage of Completion	Accumulated Cost	Estimated Completion Date
Roads, bridges and ditches	20% - 80%	1,842,243	November 2005
Buildings and improvements (see Note 43 point i and j)	5% - 75%	8,941,630	February - June 2006
Machinery and equipment (see Note 43 point g)	20% - 90%	37,744,206	December 2005
Total		48,528,079	

Additions of property, plant and equipment for the six months period ended June 30, 2006 and 2005 consist of reclassification of construction in progress amounted to Rp 12.60 billion and Rp 21.83 billion, respectively, to related account.

Beginning balance of property, plant and equipment in 2006, include excess acquisition cost over the fair value of property, plant and equipment in relation with an independent appraisal report from acquisition of PT Air Muring by PT Huma Indah Mekar, a Subsidiary. The excess is amounting to Rp 3.2 billion. Depreciation expense of property, plant and equipment arising from the excess acquisition cost over the fair value above for the six months period ended June 30, 2006 is amounting to Rp 107.47 million. Total accumulated depreciation arising from the excess acquisition cost over the fair value above amounting to Rp 143.30 million.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company and Subsidiaries' management believes that there is no impairment of assets in June 30, 2006 and 2005.

Property, plant and equipment under direct ownership are covered by insurance against losses from fire, earthquake and other risks under blanket policies of Rp 538.76 billion and Rp 530.96 billion in June 30, 2006 and 2005, respectively, which in the opinion of the Company's and Subsidiaries' management is adequate to cover possible losses from fire and other risks.

As of June 30, 2006, all property, plant and equipment of the Company and certain Subsidiaries, consisting of machineries, land and building are pledged as collateral to the long-term debts obtained from RZB - Austria (see Note 27 point e). While as of June 30, 2005, all property, plant and equipment of the Company and certain Subsidiaries, consisting of machineries, land and building were pledged as collateral to the long-term debts obtained from Credit Suisse First Boston and PT Bank Mandiri (Persero) Tbk. (see Notes 27 point a, b and d).

Construction in progress of building and improvements for the six months period ended June 30, 2006 and 2005, includes the development of oil palm factory project of the Company and certain Subsidiaries (see Notes 43 point i and j).

16. GOODWILL

The excess cost over net asset of Subsidiaries (goodwill) are as follows:

	<u>2006</u>	<u>2005</u>
Balance at beginning of the period	87,969,847	92,688,445
Less amortization, presented under "Other Income (Expenses) - Miscellaneous Net" in the consolidated statements of income (see Note 37) (2,359,299) (2,359,299)
Balance at end of the period	<u>85,610,548</u>	<u>90,329,146</u>

17. RESTRICTED FUNDS

Restricted funds consist of:

	<u>2006</u>	<u>2005</u>
a. PT Bank Muamalat Indonesia	3,620,000	3,620,000
b. PT Bank Danamon Indonesia Tbk. :		
Current account	159,221	159,221
Time deposits	-	8,628,117
c. PT Bank Pembangunan Daerah Sumatera Barat	70,853	605,453
Total	<u>3,850,074</u>	<u>13,012,791</u>

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

17. RESTRICTED FUNDS (Continued)

- a. 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 d).
- b. Cash in banks, time deposits, and non-interest bearing time deposits represent cash balances of PT Agrowiyana (Agro), a Subsidiary, placed in PT Bank Nusa Nasional (BNN), related party. Since 2000, this account has been transferred to PT Bank Danamon Indonesia Tbk. (Danamon), since BNN was merged with Danamon.(see Note 43 point c).
- 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 PT Bakrie Pasaman Plantations (BPP), a Subsidiary. 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 to 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 Notes 43 point c1 and c2).

18. BUSINESS DEVELOPMENT PROJECT

	2006	2005
Central Kalimantan Project	16,473,465	978,441
Tebo Project	15,871,457	2,545,868
Sarolangun Project	8,488,103	1,063,809
Biodiesel Project	584,459	-
Batanghari Project	117,211	109,059
Tembilahan Project	-	78,477
Total	41,534,695	4,775,654

On June 30, 2006 and 2005, this account consists of the expenses incurred by PT Agrowiyana, a Subsidiary regarding to the development project plan of oil palm plantations in Kabupaten Muara Tebo, Jambi of 12,500 Ha, Kabupaten Sarolangun, Jambi of 12,500 Ha and Pangkalan Bun, Central Kalimantan of 37,500 Ha.

Until June 30, 2006, the development project plan of oil palm plantations in Central Kalimantan is still in blocking area, while the area for seedling of oil palm is still in progress and has already available for seedling oil palm for 28 Ha. The number of seedlings grown at the seedling sites is 816,997 seeds. Total disbursement until June 30, 2006 is amounting to Rp 16.47 billion, which consists of seedling, infrastructure and equipment, operational expense.

Until June 30, 2006, the development project plan of oil palm plantations in Kabupaten Muara Tebo has already reached operations of the land clearing stage area for oil palm seedlings and has already used to seed oil palm which is located in Tebo I of 22.2 Ha and Tebo II of 28.5 Ha. The receipt of seedlings is amounted to 594,693 seeds. Total disbursement until June 30, 2006 is amounting to Rp 15.87 billion, which consists of seedling, infrastructure and equipment, operational expense and land acquisition cost.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

18. BUSINESS DEVELOPMENT PROJECT (Continued)

Until June 30, 2006, the development project plan of oil palm plantations in Kabupaten Sarolangun has already reached operations of the land clearing stage area for oil palm seedlings and has already used to seed oil palm for 13.86 Ha and the receipt of seedlings is amounted to 745,844 seeds. Total disbursement until June 30, 2006 is amounting to Rp 8.49 billion, which consists of seedling, infrastructure and equipment, operational expense and land acquisition cost.

19. DEFERRED CHARGES

In 2006, this account represents cost of loan obtained by the Company from RZB - Austria, Singapore branch for refinancing the existing loan of the Company obtained from Credit Suisse First Boston, Singapore. Regarding to the transaction above, as of June 30, 2006 the deferred charges is amounting to Rp 27.47 billion.

20. DEFERRED CHARGES OF LANDRIGHTS

This account consists of:

	2006	2005
Deferred charges of landright	12,130,688	10,416,812
Accumulated amortization	(762,312)	(424,931)
Total	11,368,376	9,991,881

Mutation of accumulated amortization of deferred charges of landrights are as follows:

	2006	2005
Beginning balance	603,903	245,288
Amortization expense current period	158,409	179,643
Ending balance	762,312	424,931

21. TRADE PAYABLES - THIRD PARTIES

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

	2006	2005
<u>US Dollar:</u>		
PT Riau Alamindo Sejahtera (US\$ 2,077,788 in 2006 and US\$ 977,441 in 2005)	19,323,424	9,493,882
PT Sumber Agrindo Sejahtera (US\$ 712,412 in 2006 and US\$ 354,961 in 2005)	6,625,436	3,447,737

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

21. TRADE PAYABLES - THIRD PARTIES (Continued)

	2006	2005
<u>US Dollar (Continued):</u>		
PT Sari Persada Raya (US\$ 531,726 in 2006 and US\$ 84,174 in 2005)	4,945,052	817,578
Adei Plantation & Industry (US\$ 109,076 in 2006)	1,014,408	-
PT Gresik Cipta Sejahtera (US\$ 97,146 in 2006)	903,457	-
Sphere Corporation Sdn. Bhd. (US\$ 62,235 in 2006 and US\$ 75,742 in 2005)	578,785	735,682
CV Multimas Chemindo (US\$ 169,008 in 2005)	-	1,641,578
PT Rolimex Kimia Nusamas (US\$ 48,697 in 2005)	-	472,998
Others (each below of Rp 500 million)	1,147,841	324,525
	<u>34,538,403</u>	<u>16,933,980</u>
<u>Rupiah:</u>		
CV Multimas Chemindo	2,863,931	939,120
PT Adei Plantation & Industry	2,734,625	-
PT Bintika Kusuma	2,231,399	805,304
KUD Suka Makmur	2,146,479	-
KUD Swakarsa	1,869,541	-
PT Kwalaintan Sawit Selatan	1,816,240	2,413,238
Petani pirtrans	1,589,323	-
PT Riau Alamindo Sejahtera	1,359,703	-
UD Pertiwi	1,019,509	-
PT Karya Mitra Andalan	991,309	-
PT Silva Inhutani Lampung	931,337	-
PT Perdana Agro	783,099	513,105
PT Ukindo	700,634	519,767
PT Torpika Abadi	693,750	693,750
Mitra Kuningan Lestari	633,532	-
PT Pertani	620,231	-
PT Gresik Cipta Sejahtera	599,229	-
PT Tri Agung Jaya	539,091	-
PD Kencana Agung	-	668,320
Others (each below of Rp 500 million)	7,478,959	7,222,571
	<u>31,601,921</u>	<u>13,775,175</u>
Total	<u>66,140,324</u>	<u>30,709,155</u>

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

21. TRADE PAYABLES - THIRD PARTIES (Continued)

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

	<u>2006</u>	<u>2005</u>
Current up to 30 days	21,430,403	14,641,482
31 days to 60 days	12,137,704	5,941,514
61 days to 90 days	6,768,582	3,717,422
Over than 90 days	25,803,635	6,408,737
Total	<u>66,140,324</u>	<u>30,709,155</u>

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

	<u>2006</u>	<u>2005</u>
US Dollar	34,538,403	16,933,980
Rupiah	31,601,921	13,775,175
Total	<u>66,140,324</u>	<u>30,709,155</u>

22. OTHER PAYABLES

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

	<u>2006</u>	<u>2005</u>
<u>Third parties:</u>		
PT Sri Sumatera Sejahtera	9,867,448	-
PT Gotong Royong Djaya	2,425,117	-
PTP Nusantara III	1,252,248	-
PT Triroyal Timur Raya	1,162,417	3,616,379
PD Persada Indonesia	590,207	-
Rye Investment Ltd.	-	2,627,387
Others (each below of Rp 500 million)	704,294	5,482,760
	<u>16,001,731</u>	<u>11,726,526</u>
<u>Related parties (see Note 41):</u>		
PT Dana Pensiun Bakrie	2,725,237	4,347,970
PT Bakrie Corrugated Metal Industry	242,593	242,593
PT Asuransi Ikrar Lloyd	-	200,775
	<u>2,967,830</u>	<u>4,791,338</u>
Total	<u>18,969,561</u>	<u>16,517,864</u>

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

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

23. ACCRUED EXPENSES

This account consists of:

	2006	2005
Salaries and fringe benefits	16,686,712	12,909,819
Professional fees	513,284	533,101
Electricity, telephone and water	314,941	748,878
Jamsostek	25,146	265,207
Interest	-	295,678
Others	3,119,342	4,907,440
Total	20,659,425	19,660,123

24. TAXES PAYABLE

Taxes payable consist of:

	2006	2005
<u>Income taxes:</u>		
Article 21	656,142	-
Article 23	982,516	3,060,370
Article 25	2,702,685	1,240,990
Article 26	5,079,155	2,788,361
Article 29 (see Note 38)	38,045,544	6,758,953
Land and Building Tax	2,910,838	2,327,105
Local Government Tax	-	809
Value Added Tax	-	684,618
Total	50,376,880	16,861,206

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:

	2006	2005
CV Pribumi Jaya	19,475,102	-
PT Mahakarya Inti Buana Medan	5,258,224	-
PT Bridgestone Sumatra Rubber Estate	2,159,437	-
PT Swasthi Parama Mulya	1,569,472	-
Euroma Rubber Industry Sdn., Bhd., Malaysia	1,177,825	-
Leonard Djajali	729,804	14,625,100
PT Inti Benua Perkasatama	674,545	-
PT Musim Mas	-	7,606,041
PT Multimas Nabati	-	6,350,000
PT Bukit Kapur Reksa	-	5,225,982
Tong Teik Pte., Ltd.	-	407,369
Others (each below of Rp 500 million)	2,124,156	1,107,961
Total	33,168,565	35,322,453

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

26. SHORT TERM LOAN

PT Kilang Vecolina (KV), a Subsidiary, obtained a convertible notes issued by Japan Asia Investment Co., Ltd (JAIC), which was transferred by JAIC to PT Mega Marga Raya (MMR) on November 18, 2003. The balance of short term loan as of June 30, 2005 is amounted to Rp 33 billion.

27. LONG-TERM DEBTS

Long-term debts consist of the following:

	2006	2005
<u>Third parties:</u>		
a. Credit Suisse First Boston, Singapore (US\$ 50,229,996 in 2005)	-	487,883,952
b. PT Bank Mandiri (Persero) Tbk., Jambi - Loan for Nucleaus Estate Projects	-	2,689,238
c. PT Bank Niaga Tbk.	-	12,925,114
d. PT Bank Mandiri (Persero) Tbk. (KI Effective in US\$) (US\$ 1,444,875 in 2005)	-	14,034,074
PT Bank Mandiri (Persero) Tbk. (KI IDC in US\$) (US\$ 96,787 in 2005)	-	940,092
PT Bank Mandiri (Persero) Tbk. (KI Effective in Rp)	-	12,511,549
PT Bank Mandiri (Persero) Tbk. (KMK in Rp)	-	7,800,000
PT Bank Mandiri (Persero) Tbk. (KI IDC in Rp)	-	1,553,124
e. Raiffesen Zentralbank, Osterreich AG (RZB - Austria), Singapore (US\$ 65,000,000 in 2006)	604,500,000	-
f. Procurement of operational vehicle	623,769	1,406,891
Total	605,123,769	541,744,034
<u>Current portion of long-term debts:</u>		
a. Credit Suisse First Boston, Singapore (US\$ 3,430,000 in 2005)	-	33,315,590
b. PT Bank Mandiri (Persero) Tbk., Jambi - Loan for Nucleaus Estate Projects	-	2,689,238
c. PT Bank Mandiri (Persero) Tbk. (KI Effective in US\$) (US\$ 298,795 in 2005)	-	2,902,200
PT Bank Mandiri (Persero) Tbk. (KI IDC in US\$) (US\$ 24,709 in 2005)	-	240,000
PT Bank Mandiri (Persero) Tbk. (KMK in Rp)	-	7,800,000
PT Bank Mandiri (Persero) Tbk. (KI Effective in Rp)	-	2,000,000
PT Bank Mandiri (Persero) Tbk. (KI IDC in Rp)	-	144,446
d. Raiffesen Zentralbank, Osterreich AG (RZB - Austria), Singapore (US\$ 11,000,000 in 2006)	102,300,000	-
e. Procurement of operational vehicle	416,202	1,011,429
Total current portion of long-term debts	102,716,202	50,102,903
Long-term portion - net - third parties	502,407,567	491,641,131

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

27. LONG-TERM DEBTS (Continued)

- 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, whereby Credit Suisse First Boston, Singapore Branch acting 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 a facility agent), the Hongkong and Shanghai Banking Corporation Limited, Medan Branch (as a security agent) and the Hongkong and Shanghai Banking Corporation, Singapore Branch (as an 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 were 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 June 30, 2005, 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.

During the six months period ended June 30, 2006, the Company has fully paid the loan principal of US\$ 46.8 million (equivalent to Rp 426.35 billion) due in 2006 and interest of US\$ 785,362 (equivalent to Rp 7.30 billion), which was funded by syndicated loan obtained from RZB - Austria by the Company (see Note 27 point e).

During the six months period ended June 30, 2005, the Company has installed the loan principal of US\$ 2.37 million (equivalent to Rp 22.69 billion) and interest of US\$ 1.67 million (equivalent to Rp 15.99 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 Agro's receivables, inventories, plantations, property, plant and equipment and shares of stock (see Notes 5, 7, 14 and 15).

During the six months period ended June 30, 2005, Agro has repaid the principal and interest amounting to Rp 2.90 billion and Rp 416.11 million, respectively. This loan was already fully paid on the end of the fourth quarter of 2005.

- c. Credit facility for special purpose from PT Bank Niaga Tbk. to PT Huma Indah Mekar (HIM), 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.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

27. LONG-TERM DEBTS (Continued)

During the six months period ended June 30, 2005, HIM has paid its principal and interest of this loan amounting to Rp 5 billion and Rp 585.73 million.

- d. Investment credit facilities (KI), which were obtained from PT Bank Mandiri (Persero) Tbk. to PT Agro Mitra Madani (AMM), a Subsidiary, in Rupiah and US Dollar for 6 years since the first withdrawal include grace period for one and a half year 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 for KI in Rupiah and in US Dollar of 15.25% and 9.5% per year respectively, since September 1, 2005 the rates become 16% and 9.75% per year.

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 property, plant and equipment amounting to Rp 70.5 billion (see *Notes 5 and 7*).

During the six months period ended June 30, 2006, AMM has fully paid the principal amounting to Rp 30.82 billion consist of US\$ 1.23 million (equivalent to Rp 11.19 billion) and Rp 19.63 billion and interest amounting to Rp 987.42 million consist of US\$ 27,965 (equivalent to Rp 732.65 million) and Rp 254.77 million, which was funded by syndicated loan obtained from RZB Austria by the Company (see *Note 27 point e*).

During the six months period ended June 30, 2005, AMM has fully paid the principal amounting to Rp 5.26 billion consist of US\$ 311,222 (equivalent to Rp 3.02 billion) and Rp 2.24 billion and interest amounting to Rp 2.62 billion consist of US\$ 83,992 (equivalent to Rp 815.81 million) and Rp 1.81 billion.

- e. On November 30, 2005, PT Huma Indah Mekar (HIM), a Subsidiary, obtained loans from Raiffeisen Zentralbank Osterreich AG (RZB - Austria) of the Singapore branch through a credit facility amounting to US\$ 6,900,000. The loans are used by HIM to acquire PT Air Muring (see *Note 3 point b*) and bearing interest loan of 5% above LIBOR per annum.

During the six months period ended June 30, 2006, HIM has fully paid the principal and interest of US\$ 6.9 million (equivalent to Rp 62.86 billion) and US\$ 136,999 (equivalent to Rp 1.28 billion), which was funded by syndicated loan obtained from RZB - Austria by the Company.

On February 17, 2006, the Company entered into a syndicated loans agreement with 6 foreign banks, Raiffesen Zentralbank, Osterreich AG (RZB - Austria), Singapore branch as an agent and offshore account bank and Standard Chartered Bank, Jakarta branch as a security agent. The loans amounted to US\$ 69 million divided into 3 tranches, tranche A facility of US\$ 9 million, tranche B facility of US\$ 30 million and tranche C facility of US\$ 30 million.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

27. LONG-TERM DEBTS (Continued)

The loan is used to:

1. Refinance the existing loans
 - Company's syndicated loans to Credit Suisse First Boston due to in 2006 (see Note 27 point a)
 - PT Agro Mitra Madani's, a Subsidiary, loan to PT Bank Mandiri Tbk. (see Note 27 point d) and
 - PT Huma Indah Mekar's, a Subsidiary, loan to RZB Austria, Singapore branch (see Note 27 point e)
2. Capital expenditures and working capital.

The repayment schedule of this loan is as follows:

1. Tranche A : based on the annual extended time in each year. The Company may extend its due date in a year of each year until 3 years or December 31, 2008.
2. Tranche B: repayment in 12 installments quarterly starting in first quarter in 2006. The First quarter amounted to US\$ 1.5 million, second and third quarters amounted to US\$ 2.5 million and fourth quarter amounted US\$ 3.5 million.
3. Tranche C: payment for each year in 3 years amounted to US\$ 1 million for the first and second years, respectively, and US\$ 28 million for the third year.

The rate of interest is LIBOR plus margin applicable to each tranche is as follows:

1. Tranche A: 1.70 % per annum plus 0.25 % an extension fee annually
2. Tranche B: 2.25 % per annum
3. Tranche C: 3.40 % per annum

The Company should pay to the agent as follows:

1. Commitment fee of 0.5 % per year for each tranche
2. Agency fee
3. Security agency fee
4. Onshore account bank fee
5. Offshore account bank fee

Penalty on late payment will be charged of an interest 2% per annum from the due date until the date of payment. The Company should also fulfill this conditions as follows:

1. Keeping the ratio as determined below:

Debt service coverage ratio	: not less than 1.75:1
Off-take coverage ratio	: not less than 1.75:1
Forward debt service coverage ratio	: not less than 1.75:1
Gearing ratio	: not more than 2:1
Current ratio	: not less than 1:1 and
Security coverage ratio	: not less than 1.25:1
2. Keeping CPO extraction not below 19%.
3. Appraising all Company's and Subsidiaries' property, plant and equipment by an independent appraisal, which is approved by the agent and submitting the appraisal report at least 60 days from Company and Subsidiary's closing date.

This loan is collateralized under Company and Subsidiaries' land, receivable, insurance claim and certain property, plant and equipment.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

27. LONG-TERM DEBTS (Continued)

During the six months period ended June 30, 2006, the Company has installed the loan principal of US\$ 4 million (equivalent to Rp 36.43 billion) and interest of US\$ 1.41 million (equivalent to Rp 14.47 billion).

- f. 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 for the period ended June 30, 2006 and 2005 ranges from 2006 to 2008 and 2005 to 2007, respectively. 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	2006	2005
PT Astra International Auto 2000	Vehicle	302,394	550,537
PT Orix Indonesia Finance	Transportation equipment	286,116	1,074,603
PT Oto Multiartha	Vehicle	198,450	384,161
PT Bank Niaga Tbk.	Vehicle	45,780	181,735
Kopkar Tungkal Ulu	Vehicle	4,858	11,178
PT Dipo Star Finance	Vehicle	-	88,136
PT Federal International Finance	Vehicle	-	9,960
Total		837,598	2,300,310
Less current maturities		(536,697)	(1,292,540)
Long-term portion		300,901	1,007,770

The future minimum lease payment under capital lease as of June 30, 2006 and 2005 are as follows:

	2006	2005
For the six months period ended June 30:		
2005	-	455,948
2006	526,813	1,153,628
2007	507,503	807,437
2008	40,615	33,111
Total	1,074,931	2,450,124
Less lease expense	(237,333)	(149,814)
Obligation under capital lease	837,598	2,300,310
Less obligation under capital lease - current portion	(536,697)	(1,292,540)
Long-term portion	300,901	1,007,770

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

29. DUE TO A RELATED PARTY

	<u>2006</u>	<u>2005</u>
PT Bakrie & Brothers Tbk.	<u>18,606,586</u>	<u>36,299,523</u>

The amount due to PT Bakrie & Brothers Tbk. (BB) represents reimbursement of expenses incurred by BB on behalf of the Company (see Notes 41 and 42).

30. CAPITAL STOCK

The details of the Company's shares of ownership as of June 30, 2006 and 2005 are as follows:

2006			
<u>Stockholders</u>	<u>Number of Shares</u>	<u>Percentage of Ownership</u>	<u>Amount</u>
Bakrie (BSP) Limited	652,680,000	28.00%	65,268,000
PT Bakrie & Brothers Tbk.	617,970,000	26.51%	61,797,000
Public	<u>1,060,350,000</u>	<u>45.49%</u>	<u>106,035,000</u>
Total	<u>2,331,000,000</u>	<u>100.00%</u>	<u>233,100,000</u>
2005			
<u>Stockholders</u>	<u>Number of Shares</u>	<u>Percentage of Ownership</u>	<u>Amount</u>
Bakrie (BSP) Limited	652,680,000	28.00%	65,268,000
PT Bakrie & Brothers Tbk.	294,270,000	12.62%	29,427,000
HSBC Bank PLC	172,607,812	7.40%	17,260,781
PT Panin Sekuritas	161,605,187	6.93%	16,160,519
Public	<u>1,049,837,001</u>	<u>45.05%</u>	<u>104,983,700</u>
Total	<u>2,331,000,000</u>	<u>100.00%</u>	<u>233,100,000</u>

31. 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).

There is no movement during the six months period ended June 30, 2006 and 2005. The balance of additional paid-in capital - net as of June 30, 2006 and 2005 is amounting to Rp 147.26 billion.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

32. DIVIDENDS

Based on the Company's Shareholders' General Meeting held on June 1, 2006 which was notarized by Notarial Deed No. 1 of Sutjipto, S.H., M.Kn., the Company's Shareholders approved to declare cash dividend from retained earnings of 2005 amounting to Rp 20.98 billion or Rp 9 per share to the Shareholders (see Note 47).

Based on the Company's Shareholders' General Meeting held on May 18, 2005 which was notarized by Notarial Deed No. 29 of Agus Madjid, S.H., the Company's Shareholders approved to declare cash dividend from retained earnings of 2004 amounting to Rp 13.99 billion or Rp 6 per share to the Shareholders listed on June 16, 2005.

Based on the Company's Shareholders' General Meeting held on June 24, 1999 and June 29, 1998, the shareholders approved the declaration of one-for-five stock dividend based on the market price of Rp 1,450 (full amount) per share totaling Rp 60.09 billion and cash dividend totaling Rp 15.54 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 August 19, 1999 and August 27, 1998.

As of June 30, 2006 and 2005, dividends payable amounted to Rp 19.76 billion and Rp 750.12 million, respectively.

33. NET SALES

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

	2006	2005
Rubber	248,814,841	150,050,882
Oil palm and derivatives	203,966,590	187,768,862
Fresh fruit bunches	51,254,801	43,418,435
Total before elimination	504,036,232	381,238,179
Elimination	(52,253,379)	(44,426,532)
Total after elimination	451,782,853	336,811,647

During the six months period ended June 30, 2006 and 2005, total sales to related parties amounted to Rp 52.25 billion or (11.57% of total sales) and Rp 44.36 billion or (13.19% 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:

	Amount		Percentage to Total Net Sales	
	2006 (six months)	2005 (six months)	2006 (six months)	2005 (six months)
Customers				
PT Musim Mas	91,745,647	110,266,480	20.31%	32.74%
PT Agro Mitra Madani, a Subsidiary *)	51,060,690	43,279,749	11.30%	12.85%
Others (each below of 10%)	308,976,516	183,265,418	68.39%	54.41%
Total	451,782,853	336,811,647	100.00%	100.00%

*) In 2006 and 2005, eliminated

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

34. COST OF GOODS SOLD

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

	2006	2005
Production cost:		
Material used and processing cost	163,398,090	122,951,650
Purchases fresh fruit bunches	117,362,032	64,694,572
Collecting	44,530,122	26,432,786
Depreciation and amortization	24,114,751	23,063,058
Salary, wages and fringe benefits	5,817,512	4,811,446
Others	1,448,118	805,938
	<u>356,670,625</u>	<u>242,759,450</u>
Raw material		
Beginning	1,596,671	1,030,556
Ending	(17,911,752)	(1,206,894)
Work in process		
Beginning	615	351,393
Ending	(3,002)	(9,970)
Finished goods		
Beginning	18,743,868	14,982,004
Ending	(40,381,733)	(15,531,885)
Purchase finished goods from third parties	<u>24,022,850</u>	<u>29,713,398</u>
Total before elimination	342,738,142	272,088,052
Elimination	(52,253,379)	(44,426,532)
Total after elimination	<u>290,484,763</u>	<u>227,661,520</u>

During the six months period ended June 30, 2006 and 2005, total purchase of the Company and Subsidiaries amounted to Rp 156.15 billion and Rp 81.57 billion, respectively. The details of suppliers with purchase more than 10% of total purchase of the Company and Subsidiaries are as follows:

Suppliers	Amount		Percentage to Total Purchases	
	2006 (six months)	2005 (six months)	2006 (six months)	2005 (six months)
PT Agrowiyana, a Subsidiary ^{*)}	51,060,690	43,279,749	32.70%	53.06%
PT Laxindo	43,985,588	-	28.17%	-
PT Sari Persada Raya	17,808,551	8,313,066	11.40%	10.19%
Others (each below of 10%)	<u>43,296,656</u>	<u>29,980,717</u>	27.73%	36.75%
Total	<u>156,151,485</u>	<u>81,573,532</u>	<u>100.00%</u>	<u>100.00%</u>

*) In 2005 and 2004, eliminated

During the six months period ended June 30, 2006 and 2005, total purchase to related parties amounted to Rp 52.25 billion or (33.46% of total purchases) and Rp 44.43 billion or (54.46% of total purchases).

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

35. OPERATING EXPENSES

The details of operating expenses are as follows:

	2006	2005
<u>Selling Expenses:</u>		
Docking and loading	5,128,301	1,787,804
Sales and bank commissions	7,456	900
Others	65,661	508,977
Selling expenses	5,201,418	2,297,681
<u>General and Administrative Expenses:</u>		
Salaries and fringe benefits	14,955,139	10,640,670
Professional fees	7,908,109	3,125,833
Contribution payable	3,441,552	1,840,091
Office	2,597,107	1,713,992
Travelling	2,351,090	1,502,999
Taxes	2,303,052	5,525,253
Employee retirement benefit (see Note 39)	1,800,896	1,590,706
Depreciation and amortization (see Note 15)	1,742,320	1,703,750
Communication	1,403,134	904,843
Allocation from head office	1,160,497	-
Severance pays	245,981	1,840,091
Other administrative expenses (each below of Rp 1 billion)	6,064,014	8,226,636
	45,972,891	38,614,864
General charges capitalized to immature plantations	(5,186,771)	(3,843,717)
General and Administrative Expenses - net	40,786,120	34,771,147
Total Operating Expenses	45,987,538	37,068,828

36. INTEREST AND FINANCIAL EXPENSES

The details of interest and financial expenses are as follows:

	2006	2005
Raiffesen Zentralbank (RZB) - Austria	15,717,161	881,408
Credit Suisse First Boston, Singapore	7,107,410	15,913,933
Bank administration	1,638,397	173,823
Transportation equipment loan	176,600	159,899
PT Bank Mandiri (Persero) Tbk.	-	3,031,930
Total - Net	24,639,568	20,160,993

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

37. MISCELLANEOUS - NET

The details of miscellaneous - net are as follows:

	<u>2006</u>	<u>2005</u>
Amortization of goodwill	(2,359,299)	(2,359,299)
Others - net	(169,923)	(1,093,499)
Total - Net	(2,529,222)	(3,452,798)

38. INCOME TAX

Tax benefits (expenses) of the Company and Subsidiaries consist of:

	<u>2006</u>	<u>2005</u>
Current tax		
Company	12,016,818	-
Subsidiaries	23,266,339	9,011,349
Deferred tax		
Company	1,403,181	1,508,268
Subsidiaries	(791,323)	(14,298,259)
Total	35,895,015	(3,778,642)

a. Current Tax

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

	<u>2006</u>	<u>2005</u>
Income before provision for income tax per consolidated statements of income (after extraordinary item)	116,830,681	27,189,346
Additions (deductions):		
Income of Subsidiaries before provision for income tax	(74,554,786)	(25,866,893)
Company's portion on income of Subsidiaries	49,720,471	28,794,503
Amortization of goodwill	2,359,299	2,359,299
Income before provision for income tax attributable to the Company	94,355,665	32,476,255

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

38. INCOME TAX (Continued)

a. Current tax (Continued)

	<u>2006</u>	<u>2005</u>
Fiscal correction:		
Timing differences:		
Amortization of deferred charges	(66,328)	(83,306)
Capitalization of general charges	(5,186,771)	(3,843,718)
Depreciation and amortization of property, plant and equipment	(279,196)	(1,955,563)
Provision for retirement benefit	855,026	855,026
Total timing differences	(4,677,269)	(5,027,561)
Permanent differences:		
Non deductible expenses	659,704	689,350
Company's portion on income of Subsidiaries	(49,720,470)	(28,794,503)
Interest income subjected to income tax article 23 final	(503,236)	(100,440)
Total permanent differences	(49,564,002)	(28,205,593)
Estimated income (loss) of the Company as of Annual Tax Return (SPT)	40,114,394	(756,899)
Fiscal loss compensation of the Company	-	(2,568,946)
Estimated income (loss) of the Company	<u>40,114,394</u>	<u>(3,325,845)</u>

The calculation of current income tax expenses is as follows:

	<u>2006</u>	<u>2005</u>
Estimated taxable income:		
Company	40,114,394	(3,325,845)
Provision for income tax - current:		
Company	12,016,818	-
Subsidiaries	23,266,339	9,011,349
Total provision for income tax - current	<u>35,283,157</u>	<u>9,011,349</u>

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

38. INCOME TAX (Continued)

a. Current tax (Continued)

The calculation of income tax payable (claim) for the six months period ended June 30, 2006 and 2005 is as follows:

	2006	2005
Provision for income tax - current:		
Company	12,016,818	-
Subsidiaries	23,266,339	9,011,349
Total provision for income tax - current	<u>35,283,157</u>	<u>9,011,349</u>
Prepayment of income tax:		
Company:		
Article 22	67,439	37,238
Article 23	56,000	34,500
Article 25	5,581,785	-
	<u>5,705,224</u>	<u>71,738</u>
Subsidiaries:		
Article 22	8,803	3,353
Article 23	94,086	-
Article 25	8,398,293	7,062,555
	<u>8,501,182</u>	<u>7,065,908</u>
Total prepayment of income tax	<u>14,206,406</u>	<u>7,137,646</u>
Estimated income tax payable (Article 29) for the current year:		
Company	6,311,594	-
Subsidiaries	16,229,059	4,682,090
	<u>22,540,653</u>	<u>4,682,090</u>
Estimated claim for income tax - current year:		
Company	-	71,738
Subsidiaries	1,463,902	2,736,649
	<u>1,463,902</u>	<u>2,808,387</u>

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

38. INCOME TAX (Continued)

b. Deferred tax

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

	2005	2004
Estimated deferred income tax on timing differences using the maximum tax rate (30%) Company:		
Amortization of deferred charges	(19,898)	(24,992)
Capitalization of general charges	(1,556,031)	(1,153,115)
Depreciation and amortization of property, plant and equipment	(83,759)	(586,669)
Provision for retirement benefit	256,508	256,508
Deferred income tax - Company	(1,403,180)	(1,508,268)
Deferred income tax - Subsidiaries:		
PT Bakrie Pasaman Plantations	960,275	14,900,457
PT Huma Indah Mekar	55,901	65,892
PT Agrowiyana	87,387	(192,551)
PT Kilang Vecolina	-	222,823
PT Agro Mitra Madani	(312,241)	(698,362)
Total deferred income tax - Subsidiaries	791,322	14,298,259
Estimated deferred income tax	(611,858)	12,789,991

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

	2005	2004
<u>Deferred Tax Asset</u>		
Subsidiaries:		
PT Bakrie Pasaman Plantations	4,609,400	3,089,676
PT Huma Indah Mekar (consolidation)	1,328,218	828,004
PT Kilang Vecolina	-	39,734,103
PT Agro Mitra Madani	-	471,946
Total deferred income tax assets in the consolidated financial statements	5,937,618	44,123,729

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

38. INCOME TAX (Continued)

b. Deferred tax (Continued)

	2005	2004
<u>Deferred Tax Liabilities</u>		
Company:		
Provision for retirement benefit	6,866,502	7,425,927
Capitalization of general expense	(11,878,185)	(8,634,735)
Allowance for unrecoverable investment in shares of stock and doubtful accounts - net	14,012,217	14,012,217
Allowance for bad debt expense	1,800,000	1,800,000
Capital lease transaction	24,328	24,328
Net book value of property, plant and equipment	(16,088,062)	(14,352,058)
Sales correction	(475,063)	(1,050,072)
Deferred foreign exchange difference	(2,266,578)	(4,516,578)
	(8,004,841)	(5,291,061)
Subsidiaries:		
PT Agrowiyana	(3,359,682)	(3,796,216)
PT Agro Mitra Madani	(778,307)	-
PT Huma Indah Mekar (consolidation)	(269,148)	-
Total deferred income tax liabilities in the consolidated financial statements	(12,411,978)	(9,087,277)
Deferred tax assets (liabilities) - net	(6,474,360)	35,036,452

39. RETIREMENT BENEFITS

The Company and Subsidiaries have the following retirement benefit plans:

Defined retirement benefit plan

The Company and Subsidiaries have defined retirement benefit plans covering substantially all of their eligible permanent employees. 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 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.

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

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

39. RETIREMENT BENEFITS (Continued)

As of June 30, 2006 and 2005, the Company and Subsidiaries provide an allowance for retirement benefit based on the latest calculation of PT Sienco Aktuarindo Utama, an independent actuary firm as of December 31, 2005, whose report dated March 1, 2006, 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)

As of June 30, 2006 and 2005, retirement benefit liabilities presented in the consolidated balance sheet is amounting to Rp 32.20 billion and Rp 29.56 billion, respectively.

During the six months period ended June 30, 2006 and 2005, the Company and Subsidiaries provide an allowance for retirement benefit amounting to Rp 1.80 billion and Rp 1.59 billion, and presented as "General and Administrative Expense - Retirement Benefits" in the statements of income for current period.

The Company's and Subsidiaries' management believe that employee benefit liabilities as of June 30, 2006 and 2005 are adequate to cover the requirements of Labor Law No.13, 2003.

The Company's and Subsidiaries' employees are also covered by a compulsory social security plan called "JAMSOSTEK" set up by an agency of the Indonesia Government.

In accordance with implementation of PSAK No.24 (Revised 2004), financial statements for the year ended June 30, 2005 have been restated to reflect such changes with the effects as follows:

	As previously Reported	As restated
Retirement benefit liabilities	-	29,559,423
Deferred tax liabilities - net	29,574,844	9,087,277
Retirement benefit	-	1,590,706
Tax benefits (expenses) - deferred	1,329,437	12,789,991
Net income	24,146,514	30,967,987
Retained earnings beginning of year	28,219,592	8,641,491
Total stockholders' equity	418,736,509	405,979,883

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

40. BASIC INCOME PER SHARE

The following is the computation of basic income per share as of June 30, 2006 and 2005:

Earning	2006	2005
Net income	80,935,666	30,967,987
Number of shares	Shares	Shares
Weighted average of shares to compute income per share	2,331,000,000	2,331,000,000
Basic income per share (full amount)	35	13

41. 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 revenue
2.	PT Bakrie & Brothers Tbk.	Affiliated	Payable of reimbursement expense
3.	Dana Pensiun Bakrie	Affiliated	Contribution payable
4.	PT Asuransi Ikrar Lloyd	Affiliated	Insurance premium payable
5.	PT United Sumatra 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	
	2006	2005	2006	2005
	Rp	Rp	%	%
<u>Account receivables (see Note 5):</u>				
PT Bakrie Rubber Industry	40,855,482	47,775,301	2.841	4.056
Allowance for doubtful accounts	(22,000,000)	(22,000,000)	(1.530)	(1.870)
Total Related Parties - Net	18,855,482	25,775,301	1.311	2.186
<u>Other receivables (see Note 6):</u>				
Employee cooperative	9,057,768	3,785,254	0.630	0.321
Staff and employee	5,201,855	3,973,100	0.362	0.337
Total Related Parties - Net	14,259,623	7,758,354	0.992	0.658

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

41. BALANCES AND TRANSACTION WITH RELATED PARTIES (Continued)

	Amount		Percentage to Total Assets/Liabilities Revenues/Expenses	
	2006	2005	2006	2005
	Rp	Rp	%	%
<u>Investment in shares of stocks</u> <i>(see Note 11):</i>				
PT United Sumatera Rubber Product	511,353	511,353	0.036	0.043
PT Sarana Jambi Ventura	167,925	160,099	0.012	0.014
PT Sarana Sumatera Barat Ventura	37,172	37,172	0.002	0.003
	716,450	708,624	0.050	0.060
<u>Advance on investment in shares of stocks</u> <i>(see Note 11):</i>				
PT Prasetia Utama	1,000,000	1,000,000	0.069	0.085
	1,716,450	1,708,624	0.119	0.145
Provision for unrecoverable investment in shares of stocks	(511,353)	(511,353)	(0.036)	(0.043)
Total Related Parties - Net	1,205,097	1,197,271	0.083	0.102
<u>Due from a related party</u> <i>(see Note 12):</i>				
PT Bakrie Rubber Industry	6,696,949	5,124,528	0.466	0.435
Less allowance for doubtful account	(2,991,628)	(2,991,628)	(0.208)	(0.254)
Total Related Party - Net	3,705,321	2,132,900	0.258	0.181
<u>Due to a Related Party</u> <i>(see Note 29):</i>				
PT Bakrie & Brothers Tbk.	18,606,586	36,299,523	1.294	3.082
<u>Other payables (see Note 22):</u>				
Dana Pensiun Bakrie	2,725,237	4,347,970	0.189	0.369
Bakrie Corrugated Metal Industry	242,593	242,593	0.017	0.021
PT Asuransi Ikrar Lloyd	-	200,775	-	0.017
	2,967,830	4,791,338	0.206	0.407

The sales transactions with related parties have been conducted under terms and conditions similar to 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.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

43. AGREEMENTS AND COMMITMENTS

- a. On January 15, 2005, PT Bakrie Pasaman Plantations (BPP), a Subsidiary, entered into an agreement with Koperasi Plasma Nagari Parit (KPNP) regarding to oil palm plantation conversion.

According to the agreement, the Company agreed to:

- Transfer the plantations which will be converted for 250.60 hectares to KPNP in accordance with the measurement by Regional Office of West Sumatera Land Agency;
- The distribution of return is counted under monthly net yield crops (Fresh Fruit Bunches) after the Company's deduction of 30% allocated for loan installment;
- The Company has obligation to buy the fresh fruit bunches which is produced by KPNP.

- b. On June 14, 2005, PT Bakrie Pasaman Plantations (BPP), a Subsidiary, entered into cooperation agreement with Koperasi Unit Desa Sungai Aur I (KUD SA I) to oil palm plantations management, improvement and financing. Meanwhile on June 17, 2005, BPP entered into the same agreement with Koperasi Unit Desa Parit. The areas are 4,570 hectares for KUD SA I and 1.800 hectares for KUD Parit.

In relation to the agreement, BPP agreed to:

- Buy the whole yield of oil palm plantations of KUD SA I and KUD Parit
- Deduct revenue of FFB (before deductions of production cost) for 30% for KUD SA I and 35% for KUD Parit

Regarding to the above cooperation agreement, therefore previous agreement is no longer valid.

- c. 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 June 30, 2006 about 1,407.52 (78%) hectares of the KUD Parit area and 1,676.60 (72%) 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 June 30, 2006 about 1,513.54 (67%) 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 for point 1 and 2, respectively.

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 17).

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

43. AGREEMENTS AND COMMITMENTS (Continued)

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.

- d. On September 13, 2000, PT Agrowiyana (Agro), a Subsidiary, 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, 2006, the loans facility which had been withdrawn from BMI amounted to Rp 71.98 billion. Meanwhile, total advance agreed is amounted to Rp 42.45 billion for KUD Suka Makmur and Rp 27.19 billion for KUD Swakarsa.

In the loans 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.

As of June 30, 2006, approximately 4,915.31 hectares were planted.

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

- e. PT Agrowiyana (Agro) was 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 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.

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.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

43. AGREEMENTS AND COMMITMENTS (Continued)

As of June 30, 2006, approximately 2,663.31 hectares were planted.

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

- f. 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. At the end of 2005, the percentage of completion has reached 100%.
- g. 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).
- h. 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 design planning, supervisory during the construction period and commissioning. The sum of contract amounts to US\$ 216,000 (see Note 15).
- i. 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).
- j. On December 15, 2004, the Company entered into agreement with PT Triroyal Timurraya 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.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

44. SEGMENT INFORMATION (Continued)

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

	2006			
	Rubber	Oil palm and Derivatives	Elimination	Consolidated
REVENUES				
External parties	248,814,840	255,221,392	(52,253,379)	451,782,853
Intersegment	-	-	-	-
COST OF GOODS SOLD				
External parties	142,354,153	200,383,989	(52,253,379)	290,484,763
Intersegment	-	-	-	-
Total cost of goods sold	142,354,153	200,383,989	(52,253,379)	290,484,763
RESULT				
Segment result	106,460,687	54,837,403	-	161,298,090
OPERATING EXPENSES UNALLOCATED				45,987,538
OPERATING PROFIT				115,310,552
Interest and financial expenses				(24,639,568)
Gain (loss) on foreign exchange - net				28,328,886
Others - net				(2,169,189)
INCOME BEFORE TAX				116,830,681
TAX EXPENSE				35,895,015
NET INCOME				80,935,666
Segment Assets				
Plantations	242,350,000	254,714,718	-	497,064,718
Machineries and equipment	7,966,364	94,703,803	-	102,670,167
Investment in associate companies	145,189,173	343,946,180	(487,930,257)	1,205,096
Unallocated assets	-	-	-	828,000,142
Total Assets	395,505,537	693,364,701	(487,930,257)	1,428,940,123
Segment liabilities				
Unallocated liabilities	86,254,208	296,668,523	(10,271,637)	372,651,094
Equity	-	-	-	505,604,891
	-	-	-	550,684,138
Total Liabilities and Equity	86,254,208	296,668,523	(10,271,637)	1,428,940,123

This Report is Originally Issued in Indonesian Language.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

44. SEGMENT INFORMATION (Continued)

	2005			
	Rubber	Oil palm and Derivatives	Elimination	Consolidated
REVENUES				
External parties	150,050,881	231,187,297	(44,426,531)	336,811,647
Intersegment	-	-	-	-
COST OF GOODS SOLD				
External parties	94,595,278	177,492,773	(44,426,531)	227,661,520
Intersegment	-	-	-	-
Total cost of goods sold	94,595,278	177,492,773	(44,426,531)	227,661,520
RESULT				
Segment result	55,455,603	53,694,523	-	109,150,126
OPERATING EXPENSES UNALLOCATED				37,068,828
OPERATING PROFIT				72,081,298
Interest and financial expenses			(20,160,993)	
Gain (loss) on foreign exchange - net			(20,899,642)	
Others - net			(3,831,319)	
INCOME BEFORE TAX				27,189,344
TAX EXPENSE				3,778,642
NET INCOME				30,967,986
Segment Assets				
Plantations	167,779,596	272,062,352	-	439,841,948
Machineries and equipment	4,628,034	99,443,402	-	104,071,436
Investment in associate companies	96,916,047	320,315,207	(416,033,983)	1,197,271
Unallocated assets	-	-	-	632,680,713
Total Assets	269,323,677	691,820,961	(416,033,983)	1,177,791,368
Segment Liabilities	48,550,710	291,295,608	(10,271,637)	329,574,681
Unallocated liabilities	-	-	-	442,236,803
Equity	-	-	-	405,979,884
Total Liabilities and Equity	48,550,710	291,295,608	(10,271,637)	1,177,791,368

This Report is Originally Issued in Indonesian Language.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

44. SEGMENT INFORMATION (Continued)

Geographics Segment

The analysis of revenues based on market geographical location are as follows:

	<u>2006</u>	<u>2005</u>
Domestics		
North Sumatera	154,252,942	172,184,051
Jambi	52,253,376	44,419,070
Jabotabek	46,018,878	29,108,517
West Sumatera	23,207,255	20,491,551
West Java	9,097,322	1,178,500
Central Java	-	694,250
	<u>284,829,773</u>	<u>268,075,939</u>
Export		
Asia	150,859,537	48,923,103
United States of America	11,906,739	11,083,575
Europe	4,186,804	8,729,030
	<u>166,953,080</u>	<u>68,735,708</u>
Total	<u>451,782,853</u>	<u>336,811,647</u>

45. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	<u>2006</u>	
	<u>Foreign Currency</u>	<u>Equivalent Rupiah</u>
Assets:		
Current:		
Cash and cash equivalent	US\$ 5,343,868	49,697,977
Trade receivable	US\$ 4,818,065	44,808,007
Liabilities:		
Short-term:		
Trade payable	(US\$ 3,713,807)	(34,538,403)
Long-term loans matured within one year	(US\$ 11,200,000)	(102,300,000)
Advances on sales	(US\$ 532,299)	(4,950,380)
Long-term:		
Long-term loan - net of current portion matured within one year	(US\$ 54,000,000)	(502,200,000)
Monetary liabilities in foreign currency- net		<u>(549,482,799)</u>

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

44. SEGMENT INFORMATION (Continued)

	2005	
	Foreign Currency	Equivalent Rupiah
Assets:		
Current:		
Cash and cash equivalents	US\$ 614,811	5,971,664
Trade receivables	US\$ 4,340,109	42,155,485
Advances on purchase	US\$ 21,874	212,462
Liabilities:		
Short-term:		
Trade payables	(US\$ 1,743,435)	(16,933,983)
Accrued expenses	(US\$ 32,375)	(314,458)
Advances on sales	(US\$ 43,057)	(418,211)
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		(472,185,158)

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 "Relinquishment of the Land Right Concerning to the City Design of Kisaran" and based on Agrarian Affairs Ministry Decision/National Agrarian Agency Head No. 66/HGU/DA/85/B/51 about the revision of the rightholder 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 landright of 1,408 hectares gradually to be developed as 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. Up until the six months period ended June 30, 2006, 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 tons 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 tons and Rp 868 million for 58 employees, respectively.

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

For The Six Months Period Ended June 30, 2006 and 2005
(In thousand Indonesian Rupiah, Except Otherwise Stated)

46. CONTINGENCIES (Continued)

- c. On December 6, 2005, PT Shamrock Manufacturing Corpora (“Shamrock”) has sued to the District Court of South Jakarta against Plantations & General Investment PLC, as the first defendant (“PGI”), Bengkulu Rubber Company, as the second defendant (“BRC”), The Anglo Indonesia Corporation, as the third defendant (“AIC”), Rabobank International, as the fourth defendant and PT Air Muring, a Subsidiary, as the fifth defendant due to claim arised by one of Shamrock’s customer whereas Shamrock should pay a penalty of US\$ 28,426,294.75. The penalty was charged to Shamrock because of its failure to deliver the order. Based on Shamrock’s opinion the failure was caused by the cancellation made by PGI, BRC and AIC to sale their shares in PT Air Muring to Shamrock.

On November 2005, PT Huma Indah Mekar, a Subsidiary, has taken over shares of PT Air Muring owned by BRC and AIC.

Based on the legal analysis made by Aji Wijaya, Sunarto Yudo & Co, PT Air Muring’s lawyer, on June 26, 2006, the lawsuit filed by Shamrock is an error de persona.

47. SUBSEQUENT EVENTS

On July 18, 2006, the Company has already paid cash dividend to the shareholders listed on July 4, 2006 (see Note 32).