



**Bakrie
Sumatera
Plantations**

CONSOLIDATED FINANCIAL STATEMENTS

For Nine Months Period Ended
September 30, 2005 and 2004

THE COMPANY THAT CARES

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PT Bakrie Sumatera Plantations Tbk. and Subsidiaries

Consolidated Balance Sheets

As of September 30, 2005 and 2004

(In thousand Indonesian Rupiah, Except Par Value)

	Notes	2005	2004
Assets			
Current Assets			
Cash and cash equivalents	2c,4	46,852,140	16,017,320
Trade receivables	2d,5		
Third parties - net of allowance for doubtful accounts of Rp 248,541 in 2005 and Rp 4,180,540 in 2004	27	47,932,984	15,767,267
Related parties - net of allowance for doubtful accounts of Rp 22,000,000 in 2004 and 2005	2e, 27,41	27,559,024	25,362,047
Other receivables	2d,6		
Third parties - net of allowance for doubtful accounts of Rp 64,710 in 2005 and 2004		112,330,507	1,103,511
Related parties	2e,41	4,295,863	3,645,194
Inventories	2f,7	45,685,992	33,241,666
Prepaid taxes	8,38	11,287,045	446,349
Prepaid expenses	2g,9, 27a	4,034,829	1,860,474
Advances	10	22,750,674	25,711,114
Total Current Assets		322,729,058	123,154,942
Non-Current Assets			
Due from a related party - net of allowance for doubtful accounts of Rp 2,991,629 in 2005 and 2004	2d,2e,12,41	2,432,329	1,547,681
Due from plasma	2l,13,43	57,498,321	31,427,966
Deferred tax assets	2u,2w,38	1,957,280	40,512,159
Investments in shares of stock - net of allowance for unrecoverable investments in shares of stock of Rp 511,353 in 2005 and 2004	2b,2w,11,41	1,186,549	2,310,501
Plantations	2h,14,27		
Mature plantations - net of accumulated depreciation of Rp 172,482,772 in 2005 and Rp 133,719,605 in 2004		355,865,231	341,398,205
Immature plantations		80,894,947	78,137,239
Property, plant and equipment - net of accumulated depreciation of Rp 119,195,044 in 2005 and Rp 153,628,394 in 2004	2i,2j, 2k,15,27	253,774,693	231,615,105
Goodwill - net of accumulated amortization of Rp 4,558,753 in 2004 and Rp 1,714,632 in 2004	2n,16	89,148,694	2,485,368
Other assets			
Restricted funds	17	13,012,792	13,019,601
Business project development	2q,18	12,257,044	-
Deferred charges - net	20, 19	325,155	4,881,465
Deferred expenses land right - net of accumulated amortization of Rp 494,577 in 2005	2i, 20	9,922,235	-
Others	2m	8,913,724	906,762
Total other assets		44,430,950	18,807,828
Total Non-Current Assets		887,188,994	748,242,052
Total Assets		1,209,918,052	871,396,994

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

	Notes	2005	2004
Liabilities and Stockholders' Equity			
Current Liabilities			
Trade payables	21		
Third parties		46,672,908	18,571,875
Related parties	2e,41	-	141,537
Other payables	22		
Third parties		15,926,014	8,989,738
Related parties	2e,41	7,300,194	12,435,811
Accrued expenses	23	21,267,807	8,014,077
Taxes payable	2u,24,38	15,105,214	14,846,185
Dividends payable	32	750,120	421,328
Advances on sales	25	33,559,587	3,369,310
Short-term loan	26	-	43,010,000
Current maturities of:			
Long-term loan	27	37,682,180	33,768,378
Obligation under capital lease	2k,15,28	633,105	31,592
Total current liabilities		178,897,129	143,599,831
NON-CURRENT LIABILITIES			
Due to a related party	2d,29,41	20,960,752	39,650,614
Deferred tax liabilities	2u,38	34,737,765	16,899,523
Long-term debts - net of current maturities			
Long-term loan	27	514,100,750	511,777,240
Obligation under capital lease	2k,15,28	1,256,827	440,861
Total non-current liabilities		571,056,094	568,768,238
Stockholders' Equity			
Capital stock - Rp 100 par value in 2005 and Rp 500 par value in 2004			
Authorized - 4,144,000,000 shares in 2005 and 828,800,000 shares in 2004			
Issued and fully paid - 2,331,000,000 shares in 2005 and 248,640,000 shares in 2004	30	233,100,000	124,320,000
Additional paid-in capital - net	2p,31	147,256,406	44,548,000
Retained earnings (deficits)		79,608,423	(9,839,075)
Total Stockholders' Equity		459,964,829	159,028,925
Total Liabilities and Stockholders' Equity		1,209,918,052	871,396,994

PT Bakrie Sumatera Plantations Tbk, and Subsidiaries
Consolidated Statements of Income

For The Nine Months Period Ended September 30, 2005 and 2004
(In thousand Indonesian Rupiah, Except Income Per Share)

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
NET SALES	2t,2w,5,33,41	606,431,166	448,318,009
COST OF GOODS SOLD	2t,2w,15,34,41	401,194,681	280,282,337
GROSS PROFIT		205,236,485	168,035,672
OPERATING EXPENSES:	2t,2w,15,35,39,42		
Selling		3,641,069	1,239,026
General and administrative		41,571,647	32,874,257
Total Operating Expenses		45,212,716	34,113,283
INCOME FROM OPERATIONS		160,023,769	133,922,389
OTHER INCOME (EXPENSES)			
Interest income	2c,4	876,153	479,855
Interest and financial expenses	27,36 (	31,624,807)	(21,812,446)
Loss on foreign exchange - net	25,26,27 (	49,109,342)	(40,783,116)
Gain on sale of investment			
In Subsidiary	3	20,441,315	-
Miscellaneous - net	37 (	5,999,446)	14,741,197
Other Income (Expenses) - Net		(65,416,127)	(47,374,510)
INCOME BEFORE PROVISION FOR INCOME TAX		94,607,642	86,547,879
PROVISION FOR INCOME TAX	2u,38		
Current	(	26,331,757)	(26,865,837)
Deferred	(	2,901,052	324,073
Total Provision for Income Tax		(29,232,809)	(26,541,764)
NET INCOME		65,374,833	60,006,115
INCOME PER SHARE - BASIC	2r,40	<u>28</u>	<u>241</u>

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

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

	Notes	Capital Stock Issued and Fully Paid	Additional Paid-in Capital	Retained earnings (Deficits)	Total Stockholders Equity
Balance, January 1, 2004		124,320,000	44,548,000	(69,845,190)	99,022,810
Net income for the year		-	-	60,006,115	60,006,115
Balance, September 30, 2004		124,320,000	44,548,000	(9,839,075)	159,028,925
Previous year adjustment as effect of implementation of PSAK No. 47	2i	-	-	2,141,128	2,141,128
Increase in capital stock through right issue	30,31	108,780,000	102,708,406	-	211,488,406
Net income for period October - December, 2004		-	-	35,917,537	35,917,537
Balance, December 31, 2004 - restated		233,100,000	147,256,406	28,219,590	408,575,996
Net Income for the year		-	-	65,374,833	65,374,833
Cash Dividend		-	-	(13,986,000)	(13,986,000)
Balance, September 30, 2005		233,100,000	147,256,406	79,608,423	459,964,829

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

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	610,387,037	411,473,670
Cash paid to suppliers and employees	(301,605,113)	(296,595,703)
Cash received from operations	308,781,924	114,877,967
Interest received	876,153	98,169
Interest payment	(31,624,807)	(23,966,554)
Income tax payment	(39,096,002)	(21,022,463)
Net Cash Provided from Operating Activities	238,937,268	69,987,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(76,184,034)	(28,868,181)
Increase in development projects	(9,221,135)	-
Increase in investments in shares of stock	(1,699)	-
Placement in time deposit	(24,943,500)	-
Proceeds from sale of property, plant and equipment	-	39,850
Net Cash Used for Investing Activities	(110,350,368)	(28,828,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to related parties	(16,069,627)	(177,000)
Increase in due from related parties	(829,510)	-
Increase in due from plasma	(28,764,664)	(18,518,110)
Repayment of long-term debts:		
Bank	(47,400,912)	(29,081,291)
Obligation under capital lease	(1,347,292)	(357,706)
Cash Dividends	(13,657,208)	-
Proceeds from short-term debt	-	354,282
Increase in other assets	(6,072,937)	-
Net Cash Used for Financing Activities	(114,142,150)	(47,779,825)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,444,750	(6,621,037)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	32,407,390	22,638,357
CASH AND CASH EQUIVALENTS AT END OF PERIOD	46,852,140	16,017,320

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

For the Nine Months Period Ended September 30, 2005 and 2004
(In thousand Indonesian Rupiah)

1. GENERAL

a. Establishment and General Information

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

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

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

The plantations have been in operation since 1911.

b. Public Offering of Shares and Bonds of the Company

On January 6, 1990, the Company obtained a license from the Ministry of Finance of the Republic of Indonesia by its Letter No. SI/075/SHM/MK.10/1990 to undertake a public offering of its 11.1 million shares with par value of Rp 1,000 (full amount) per share through the stock exchanges in Indonesia at the offering price of Rp 10,700 (full amount) per share. In 1997, the Company declared stock split of 2-for-1, which changed the common stock par value from Rp 1,000 (full amount) to Rp 500 (full amount) per share and nine-for-five stock bonus from additional paid in capital. In June 1999, the Company declared one-for-five stock dividend from retained earnings (see Notes 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 Nine Months Period Ended September 30, 2005 and 2004
(In thousand Indonesian Rupiah)

1. GENERAL (Continued)

c. The Structures of the Company and Subsidiaries

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

2005				
Subsidiaries	Domicile	Percentage of Ownership	Start of Commercial Operations	Total Assets
PT Bakrie Pasaman Plantations	West Sumatra	99.99%	1998	Rp 394,274,021
PT Agrowiyana	Jambi	99.93	1998	119,659,466
PT Agro Mitra Madani	Jambi	99.99	2004	77,678,046
PT Huma Indah Mekar	Lampung	100.00	1992	82,474,641
2004				
Subsidiaries	Domicile	Percentage of Ownership	Start of Commercial Operations	Total Assets
PT Bakrie Pasaman Plantations	West Sumatra	99.00%	1998	Rp 317,833,572
PT Kilang Vecolina ^{b)}	West Java	96.25	2000	143,705,776
PT Agrowiyana	Jambi	99.93	1998	97,058,321
PT Patriot Andalas ^{a)}	West Kalimantan	99.01	Development stage	31,128,141

- a) As of December 31, 2004 has been deconsolidated.
b) As of September 30, 2005 has been deconsolidated.

On December 9, 2004, the Company and PT Agrowiyana (Agro) have sold all of their ownership in PT Patriot Andalas (PA) to Marihad Simbolon and Charles Antonius Simbolon in accordance to the Deed of Shares Sale and Purchase No.12 of Agus Madjid, S.H. dated December 6, 2004.

On September 29, 2004, the Company and PT Bakrie Pasaman Plantations (BPP) have sold all of their ownership in PT Kilang Vecolina (KV) to PT Unggul Sejahtera Abadi in accordance to the Deed of Shares Sale and Purchase No.24 and 25 of Yurisa Martanti, S.H. dated September 29, 2005.

Regarding the transfer, the Company's ownership, either directly or indirectly becomes nil, therefore PA and KV has no longer been consolidated in consolidated financial statement of the Company for the period of September 30, 2005. (see Notes 3 point c and e).

The Subsidiaries are engaged in the following industries:

Subsidiaries	Activities
PT Bakrie Pasaman Plantations	Oil palm plantations in Air Balam and Sungai Aur, Pasaman, West Sumatra are 5,350 hectare and 4,370 hectares respectively with each useful life of landrights until 2038 and 2039, and oil palm processing.
PT Agrowiyana	Oil palm plantations in Tungkal Ulu, Jambi is 4,686 hectares with useful life of landrights until 2039.

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

1. GENERAL (Continued)

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

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

d. Employees, Board of Directors and Commissioners

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

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

As of June 30 2005 and 2004, the Company and its Subsidiaries had approximately 8,475 and 7,180 permanent employees, respectively.

Salaries and other compensation benefits incurred for the Company's commissioners and directors amounting to Rp 3.02 billion and Rp 2.35 million for the years ended September 30, 2005 and 2004, respectively.

2. ACCOUNTING POLICIES (Continued)

a. Basis of Consolidated Financial Statements

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

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

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

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

b. Principles of Consolidation

The consolidated financial statements for 2005 include the accounts of PT Agro Mitra Madani and PT Huma Indah Mekar which was acquired in December 22, 2004, excluding the accounts of PT Patriot Andalas which was deconsolidated in December 9, 2004 and PT Kilang Vecolina which was deconsolidated in September 29, 2005. The consolidated financial statements for 2004 doesn't include the accounts of both PT Agro Mitra Madani and PT Huma Indah Mekar (see *Note 3*).

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

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

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

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

c. Cash and Cash Equivalents

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

d. Allowance for Doubtful Accounts

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

2. ACCOUNTING POLICIES (Continued)

e. Transactions with Related Parties

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

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

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

f. Inventories

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

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

g. Prepaid Expenses

Prepaid expenses are charged over the periods benefited.

h. Plantations

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

2. ACCOUNTING POLICIES (Continued)

h. Plantations (Continued)

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

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

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

i. Property, Plant and Equipment

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

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

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

Construction-in-progress is stated at cost and presented as part of the property, plant and equipment. The accumulated costs will be reclassified to the appropriate property, plant and equipment account when the construction is substantially completed and the asset is ready for its intended use.

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

2. ACCOUNTING POLICIES (Continued)

i. Property, Plant and Equipment (Continued)

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

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

j. Impairment of Asset Value

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

k. Leases

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

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

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

l. Nucleus Plasma Plantations

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

2. ACCOUNTING POLICIES (Continued)

m. Assets Not Used in Operations

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

n. Goodwill

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

o. Deferred Charges

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

p. Stock Issuance Costs

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

q. Business Development Projects

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

r. Retirement Benefits

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

s. Foreign Currency Transactions and Balances

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

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

	<u>2005</u>	<u>2004</u>
1 US\$	10,310	9,170

2. ACCOUNTING POLICIES (Continued)

t. Revenue and Expense Recognition

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

u. Income Tax

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

v. Earnings Per Share

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

w. Use of Estimates

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

x. Segment Information

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

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

3. ACQUISITION AND DIVESTMENT OF SUBSIDIARIES

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

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

3. ACQUISITION AND DIVESTMENT OF SUBSIDIARIES (Continued)

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

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

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

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

- c. The Company and PT Agrowiyana (Agro) has transferred its whole of share in PT Patriot Andalas (PA) to Mr. Marihad Simbolon and Mr. Charles Antonius Simbolon for Rp 10.55 billion. The transaction has been approved by the Commissioner of the Company on December 1, 2004.
- d. Based on PT Bakrie Pasaman Plantations Shareholders' Meeting dated May 3, 2005, PT Agrowiyana agree to transfer its share in PT Bakrie Pasaman Plantations amounted Rp 400 million to PT Huma Indah Mekar.
- e. Based on the Deed of Shares Sale and Purchase dated September, 29 2005, Company and PT Bakrie Pasaman Plantations (BPP) has sold its whole of share in PT Kilang Vecolina or 8,375 shares to PT Unggul Sejahtera Abadi for Rp 30 billion. For this transaction Company and BPP recognized gain total amounting Rp 20,44 billion which recorded as "Gain on Sale of Investment in Subsidiary" .

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

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

Cash and cash equivalents consist of the following:

	2005	2004
Cash:		
Rupiah	275,398	247,026
Bank - third parties:		
Rupiah Accounts:		
PT Bank Mandiri (Persero) Tbk.	6,304,520	4,836,743
PT Bank Pembangunan Daerah Sumbar	3,004,342	556,319
PT Bank Rakyat Indonesia (Persero) Tbk.	2,333,658	218,274
PT Bank Niaga Tbk.	513,877	3,639,049
PT Bank Negara Indonesia (Persero) Tbk.	432,798	116,883
PT Bank Central Asia Tbk.	-	156,404
The Hongkong and Shanghai Banking Corporation	1,444,804	3,862,288
PT Bank Muamalat Indonesia	151,660	245,653
PT Bank Mega Tbk.	46,409	-
PT Bank Internasional Indonesia Tbk.	571	745
PT Bank Danamon Tbk.	429	-
US Dollar Accounts:		
The Hongkong and Shanghai Banking Corporation (US\$ 369,259 in 2005 And US\$ 219,794 in 2004)	3,803,373	2,015,509
PT Bank Niaga Tbk. (US\$ 313,910 in 2005 and US\$ 10,485 in 2004)	3,233,269	96,148
PT Bank Negara Indonesia (Persero) Tbk. (US\$ 26,188 in 2005)	269,736	-
PT Bank Mandiri (Persero) Tbk. (US\$ 8,882 in 2005 and US\$ 2,245 in 2004)	91,486	20,589
PT Bank Sumitomo	2,310	2,089
PT Bank Internasional Indonesia Tbk.	-	3,601
Time Deposit – third party:		
Rupiah accounts		
PT Bank Niaga Tbk.	24,943,500	-
Total	46,852,140	16,017,320

Time deposit bear interest rates amounting to 9% p.a. in 2005

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
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5. TRADE RECEIVABLES

The details of trade receivables are as follows:

a. Third parties:

	<u>2005</u>	<u>2004</u>
<u>US Dollar:</u>		
PT Healthcare Glovindo (US\$ 365,562 in 2005 and US\$ 98,977 in 2004)	3,768,945	907,620
PT WRP Buana Multicopora (US\$ 318,799 in 2005 and US\$ 132,472 in 2004)	3,286,814	1,214,769
Kuok Oils and Grains Pte. Ltd. (US\$ 357,670 in 2005)	3,687,578	-
Eastland Produce (US\$ 300,482 in 2005)	3,097,964	-
PT Intan Surya Pratama (US\$ 283,250 in 2005)	2,920,308	-
PT Mandiri Inti Buana (US\$ 263,256 in 2005)	2,714,165	-
Semperit Technice Austria (US\$ 107,000 in 2005)	1,103,170	-
Safic Alcan (US \$ 59,836 in 2005)	616,913	-
PT Medicafe Technologies (US\$ 55,582 in 2005)	573,047	-
Tong Teik Pte. Ltd., Singapura (US\$ 59,569 in 2005 and US\$ 92,703 in 2004)	617,712	850,083
Chemapol Asia Pte. Ltd (US\$ 16,236 in 2005)	167,393	-
Sri Trang International, Singapura (US\$ 573,205 in 2004)	-	5,256,291
PT Raberindo Pratama (US\$ 187,192 in 2004)	-	1,716,550
GBH Germany	-	368,175
Others (each below of Rp 100 million)	10,155	-
Total	<u>22,564,164</u>	<u>10,313,488</u>
<u>Rupiah:</u>		
PT Intan Surya Pratama	19,502,407	-
PT Kilang Vecolina	3,535,770	-
PT Goodyear Sumatra Plantations	2,027,575	738,076
PT Dharma Medipro	139,700	348,550
PT Sanggala Nuansadharna	-	2,995,273
PT Musim Mas	-	1,095,284
PT Nuansa Karya Cipta	-	934,668
CV Pribumi Jaya - Perdagangan	-	1,053,521
PT Bintang Ibeta Perkasa	-	417,809

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

a. Third parties (Continued):

	<u>2005</u>	<u>2004</u>
PT Mandiri Inti Buana	-	234,628
PT Karya Bina Bersama	-	214,337
UKS Syahril Sirait	-	134,035
Others (each below of Rp 100 juta)	411,909	1,468,138
Total	25,617,361	9,634,319
Less allowance for doubtful accounts	(248,541)	(4,180,540)
	<u>25,368,820</u>	<u>5,453,779</u>
Total trade receivables from third parties - net	<u>47,932,984</u>	<u>15,767,267</u>

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

	<u>2005</u>	<u>2004</u>
Current up to 30 days	27,093,792	5,201,670
31 days to 60 days	5,404,460	3,981,038
61 days to 90 days	3,377,788	2,083,290
More than 90 days	12,305,485	8,681,809
	48,181,525	19,947,807
Less allowance for doubtful accounts	(248,541)	(4,180,540)
Total	<u>47,932,984</u>	<u>15,767,267</u>

Changes of allowance for doubtful accounts are as follows:

	<u>2005</u>	<u>2004</u>
Beginning balance	4,180,540	4,180,540
Changes during the year:		
Receivable written-off	(3,931,999)	-
Total	<u>248,541</u>	<u>4,180,540</u>

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

	<u>2005</u>	<u>2004</u>
Rupiah	25,617,361	9,634,319
US Dollar	22,564,164	10,313,488
	48,181,525	19,947,807
Less allowance for doubtful accounts	(248,541)	(4,180,540)
Total	<u>47,932,984</u>	<u>15,767,267</u>

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

b. Related Parties (see Note 41):

	<u>2005</u>	<u>2004</u>
PT Bakrie Rubber Industry (US\$ 2,507,379 in 2005 and US\$ 2,902,681 in 2004)	49,559,024	44,929,494
PT Agro Mitra Madani	-	2,432,553
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total trade receivable from related parties	<u>27,559,024</u>	<u>25,362,047</u>

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

	<u>2005</u>	<u>2004</u>
Current up to 30 days	-	2,679,009
31 days to 60 days	-	1,016,622
61 days to 90 days	304,446	818,438
More than 90 days	49,254,578	42,847,978
	49,559,024	47,362,047
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total	<u>27,559,024</u>	<u>25,362,047</u>

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

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

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

	<u>2005</u>	<u>2004</u>
Rupiah	23,707,947	26,617,583
US Dollar	25,851,077	20,744,464
	49,559,024	47,362,047
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total	<u>27,559,024</u>	<u>25,362,047</u>

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

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5. TRADE RECEIVABLES (Continued)

b. Related Parties (see Note 41):

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

6. OTHER RECEIVABLES

This account consists of:

a. Third parties:

	2005	2004
PT Kilang Vecolina	70,573,470	-
PT Unggul Sejahtera Abadi	24,000,000	-
PT Asia Makmur Lestari	14,387,553	-
Rumah Sakit Ibu Kartini	698,903	641,467
Others (each below of Rp 100 million)	2,735,291	526,754
	<u>112,395,217</u>	<u>1,168,221</u>
Less allowance for doubtful accounts	(64,710)	(64,710)
Total	<u>112,330,507</u>	<u>1,103,511</u>

Receivable from PT Kilang Vecolina (KV) is receivable for PT KV reimbursement expense before divested.

Receivable from PT Unggul Sejahtera Abadi is receivable from sales of PT KV shares. This receivable will be paid in 6 months after transaction date.

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

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

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

b. Related parties (see Note 41):

	2005	2004
Staff and employees	3,725,559	3,408,959
Employee cooperative	570,304	116,235
BPP Foundation	-	120,000
Total	<u>4,295,863</u>	<u>3,645,194</u>

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

b. Related parties (see Note 41):

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

7. INVENTORIES

Inventories consist of:

	<u>2005</u>	<u>2004</u>
Raw materials		
Fresh fruit bunches	262,700	312,242
Rubber	5,871,863	503,562
	<u>6,134,563</u>	<u>815,804</u>
Work-in-process		
Rubber	78,151	40,889
Finished goods		
Rubber	11,117,318	10,516,487
Crude palm oil	1,090,997	4,680,448
Palm kernel	374,378	83,668
	<u>12,582,693</u>	<u>15,280,603</u>
Seedlings		
Palm oil	282,349	4,577,338
Rubber	1,216,704	1,288,969
	<u>1,499,053</u>	<u>5,866,307</u>
Materials and supplies		
Fertilizers and chemicals	18,268,686	6,492,305
Spare parts and supplies	7,122,846	4,745,758
	<u>25,391,532</u>	<u>11,238,063</u>
Total	<u>45,685,992</u>	<u>33,241,666</u>

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

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

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

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Notes to Consolidated Financial Statements (Continued)
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8. PREPAID TAXES

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

9. PREPAID EXPENSES

This account represents prepayments of:

	2005	2004
Insurance	1,660,783	507,885
Salaries and fringe benefits	751,251	369,665
Rent	440,186	639,476
Others	1,182,609	343,448
Total	4,034,829	1,860,474

10. ADVANCES

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

	2005	2004
Contractor	6,315,862	744,110
Suppliers	16,434,812	24,967,004
Total	22,750,674	25,711,114

11. INVESTMENTS IN SHARES OF STOCK

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

	Percentage of Ownership		Cost	
	2005	2004	2005	2004
PT United Sumatra Rubber Products	10.00 %	10.00 %	511,353	511,353
PT Sarana Jambi Ventura	2.29	2.29	149,377	149,377
PT Sarana Sumatera Barat Ventura	0.46	0.46	37,172	36,124
PT Agro Mitra Madani	-	15.00	-	1,125,000
			697,902	1,821,854
Advances on Investment: PT Prasetia Utama			1,000,000	1,000,000
			1,697,902	2,821,854
Less: Allowance for unrecoverable investment			(511,353)	(511,353)
Net			1,186,549	2,310,501

11. INVESTMENTS IN SHARES OF STOCK (Continued)

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

12. DUE FROM A RELATED PARTY

This account represents advances provided by the Company to PT Bakrie Rubber Industry (BRI) which bear no interest and no fixed schedule repayment. As of September 30, 2005 and 2004, net due from a related party amounting to Rp 2.43 bilion and Rp 1.55 bilion.

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

13. DUE FROM PLASMA

This account consists of:

	2005	2004
a. Primary Cooperative Credit for the Members (KKPA)	41,542,075	29,794,688
b. Nucleus Estate Smallholders (PIR) - Plasma	18,386	1,633,278
c. Plasma ex Gurita	15,937,859	-
Net	57,498,320	31,427,966

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

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

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

- ii. The development of Plasma Estate Project funded by Danamon, in connection with the cooperation agreements between PT Bakrie Pasaman Plantations (a Subsidiary), Danamon and certain cooperatives (see Note 43 point a). Starting on March 6, 1998, the projects have been financed by the Company instead of by the Danamon.

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13. DUE FROM PLASMA (Continued)

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

14. PLANTATIONS

Plantations consist of:

- a. Mature Plantations

	2005			
	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deduction</u>	<u>Ending Balance</u>
<u>Carrying Value</u>				
Rubber	154,523,542	19,352,741	3,436,988	170,439,295
Oil palm	355,536,374	2,372,334	-	357,908,708
	<u>510,059,916</u>	<u>21,725,075</u>	<u>3,436,988</u>	<u>528,348,003</u>
<u>Accumulated Depreciation</u>				
Rubber	52,541,891	5,017,230	2,077,861	55,481,260
Oil palm	104,045,549	12,959,402	3,439	117,001,512
	<u>156,587,440</u>	<u>17,976,632</u>	<u>2,081,300</u>	<u>172,482,772</u>
Net Book Value	<u>353,472,476</u>	<u>3,748,443</u>	<u>1,355,688</u>	<u>355,865,231</u>

	2004			
	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deduction</u>	<u>Ending Balance</u>
<u>Carrying Value</u>				
Rubber	118,907,135	2,302,358	1,628,058	119,581,435
Oil palm	353,100,482	2,695,587	259,694	355,536,375
	<u>472,007,617</u>	<u>4,997,945</u>	<u>1,887,752</u>	<u>475,117,810</u>
<u>Accumulated Depreciation</u>				
Rubber	31,307,245	3,553,049	888,949	33,971,344
Oil palm	86,972,214	12,776,046	-	99,748,261
	<u>118,279,459</u>	<u>16,329,095</u>	<u>888,949</u>	<u>133,719,605</u>
Book Value	<u>353,728,158</u>	<u>(11,331,150)</u>	<u>998,803</u>	<u>341,398,205</u>

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

a. Mature Plantations (Continued)

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

	2005 (In Ha)	2004 (In Ha)
Kisaran - North Sumatera	15,732	16,271
Pasaman - West Sumatera	8,663	8,663
Tungkal Ulu - Jambi	3,993	3,856
Tulang Bawang Tengah - Lampung	3,694	-
Total	32,082	28,790

b. Immature Plantations

	2005			
	Beginning Balance	Additional Cost	Reclass to Mature	Ending Balance
<u>Carrying Value</u>				
Rubber	55,576,425	19,917,734	19,352,741	56,141,418
Oil palm	22,264,085	4,861,778	2,372,334	24,753,529
Total	77,840,510	24,779,512	21,725,075	80,894,947

	2004			
	Beginning Balance	Additional Cost	Reclass to Mature	Ending Balance
<u>Carrying Value</u>				
Rubber	32,750,532	15,073,828	2,302,358	45,522,002
Oil palm	28,359,561	6,951,263	2,695,587	32,615,237
Total	61,110,093	22,025,091	4,997,945	78,137,239

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

	2005 (In Ha)	2004 (In Ha)
Kisaran - North Sumatera	3,181	3,212
Tungkal Ulu - Jambi	419	263
Sanggau - West Kalimantan	-	2,055
Total	3,600	5,530

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

a. Immature Plantations (Continued)

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

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

	2005			
	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deduction</u>	<u>Ending Balance</u>
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land	30,082,598	-	8,606,332	21,476,266
Roads, bridges and ditches	22,910,481	4,269,562	-	27,180,043
Buildings and improvement	93,609,845	9,493,680	20,481,158	82,622,366
Machinery and equipment	251,663,759	25,189,837	118,033,861	158,819,734
Transportation equipment	17,720,781	2,143,885	820,340	19,044,326
Furniture and office equipment	10,091,337	765,941	756,514	10,100,764
Total	426,078,801	41,862,904	148,698,205	319,243,500
<u>Asset Under Capital Lease</u>				
Transportation equipment	3,681,722	4,089,857	-	7,771,579
<u>Construction-in-Progress</u>				
Roads, bridges and ditches	3,572,287	13,797,607	5,306,108	12,063,786
Buildings and improvements	5,870,877	12,294,240	496,777	17,668,340
Machinery and equipment	45,997,743	5,910,612	39,947,327	11,961,027
Transportation equipment	-	443,453	371,750	71,703
Furniture and office equipment	-	1,366,804	-	1,366,804
ORACLE application software	2,200,000	622,998	-	2,822,998
Total	57,640,906	34,435,714	46,121,962	45,954,658
Total Carrying Value	487,401,429	80,388,475	194,820,167	372,969,737
<u>Accumulated Depreciation and Amortization Direct Ownership</u>				
Roads, bridges and ditches	9,255,094	1,515,973	-	10,771,067
Buildings and improvement	33,267,477	3,892,677	5,293,837	31,866,317
Machinery and equipment	112,510,370	8,226,272	64,607,298	56,129,345
Transportation equipment	11,170,131	1,375,286	510,163	12,035,253
Furniture and office equipment	6,130,622	1,216,637	713,674	6,633,585
Total	172,333,694	16,226,845	71,124,972	117,435,567

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2005			
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Asset Under Capital Lease</u>				
Transportation equipment	1,119,043	640,433	-	1,759,477
Total Accumulated Depreciation and Amortization	173,452,737	16,867,279	71,124,972	119,195,044
Net Book Value	313,948,692			253,774,693
	2004			
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land	34,687,485	4,950,037	25,943	39,611,579
Roads, bridges and ditches	18,108,049	2,407,695	837,451	19,678,294
Buildings and improvement	72,122,465	1,690,709	9,021	73,804,154
Machinery and equipment	182,736,425	6,931,290	505,648	189,162,069
Transportation equipment	13,401,563	1,555,353	313,769	14,643,147
Furniture and office equipment	8,487,911	581,634	712,840	8,356,704
Total	329,543,898	18,116,718	2,404,672	345,255,947
<u>Asset Under Capital Lease</u>				
Transportation equipment	3,248,297	-	-	3,248,297
<u>Construction-in-Progress</u>				
Roads, bridges and ditches	2,488,748	2,616,757	1,691,958	3,413,545
Buildings and improvement	391,969	1,321,109	688,233	1,024,845
Machinery and equipment	28,177,930	7,700,409	3,759,475	32,118,865
Transportation equipment	-	761,000	579,000	182,000
Total	31,058,647	12,399,275	6,718,666	36,739,255
Total Carrying Value	363,850,842	30,515,993	9,123,338	385,243,499
<u>Accumulated Depreciation and Amortization Direct Ownership</u>				
Land	3,426,591	485,565	-	3,912,157
Roads, bridges and ditches	5,487,465	1,536,800	-	7,024,265
Buildings and improvement	26,630,359	2,340,404	9,021	28,961,744
Machinery and equipment	84,606,262	13,729,536	470,918	97,864,880
Transportation equipment	8,879,732	1,125,528	248,452	9,756,807
Furniture and office equipment	5,007,826	829,642	693,684	5,143,784
Total	134,038,235	20,047,475	1,422,075	152,663,637
<u>Asset Under Capital Lease</u>				
Transportation equipment	670,474	294,283	-	964,757
Total Accumulated Depreciation and Amortization	134,708,709	19,753,192	1,422,075	153,628,394
Net Book Value	229,142,133			231,615,105

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The details of depreciation charged are as follows:

	2005	2004
Cost of goods manufactured	13,092,658	17,753,904
General and administrative expense	2,373,600	1,999,288
Total	15,466,258	19,753,192

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

Property, plant and equipment under direct ownership are covered by insurance against losses from fire, earth quake and other risks under blanket policies of Rp 730.81 billion and Rp 460.7 billion in 2005 and 2004, which in the opinion of the Company's and Subsidiaries' management is adequate to cover possible losses from fire and other risks.

For the Period of September 30, 2005 and 2004, all property, plant and equipment of the Company and PT Agrowiyana, Subsidiary, consisting of machineries, land and building are pledged as collateral to the long-term debts obtained from Credit Suisse and PT Bank Mandiri (Persero) Tbk. (see Note 27).

As of September 30, 2004, all property, plant and equipment of the PT Kilang Vecolina, Subsidiary are pledged as collateral to debts obtained from PT Mega Marga Raya (MMR) (see note 26).

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

16. GOODWILL

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

	2005	2004
Balance at beginning of the year	92,687,643	2,675,881
Less amortization, presented under "Other Income (Expenses) - Miscellaneous Net" in the consolidated statements of income (see Note 37) (3,538,949) (190,513)
Balance at end of the year	89,148,694	2,485,368

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17. RESTRICTED FUNDS

Restricted funds consist of:

	2005	2004
a. PT Bank Danamon Indonesia Tbk.		
Time deposits	8,628,118	8,628,118
Checking accounts	159,221	-
b. PT Bank Muamalat Indonesia	3,620,000	3,620,000
c. PT Bank Pembangunan Daerah Sumatera Barat	605,453	771,483
Total	13,012,792	13,019,601

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

18. BUSINESS DEVELOPMENT PROJECT

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

19. DEFERRED CHARGES

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

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Notes to Consolidated Financial Statements (Continued)
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20. DEFERRED CHARGES OF LANDRIGHTS

This account consists of:

	2005
Deferred charges of landright	10,416,812
Accumulated amortization	(494,577)
Total	9,922,235

21. TRADE PAYABLES

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

	2005	2004
<u>Third parties:</u>		
<u>US Dollar:</u>		
PT Riau Alamindo Sejahtera (US\$ 1,611,947 in 2005 US\$ 136,293 in 2004)	16,619,177	1,249,807
PT Multimas Chemindo (US\$ 139,216 in 2005)	1,435,312	-
PT Rolimex Kimia Nusamas (US\$ 88,155 in 2005)	908,876	-
Others (each below Rp 500 million) (US\$ 42,306 pada tahun 2005)	436,172	-
	<u>19,399,537</u>	<u>1,249,807</u>
<u>Rupiah:</u>		
PT Riau Alamindo	226,753	3,904,049
PT Sumber Agrindo Sejahtera	7,490,594	-
PT Intan Surya Pratama	5,196,494	-
PT Kwaintan Sawit Selatan	1,789,044	2,001,768
Mardec Nusa Riau	1,700,709	-
Adei Plantation	1,667,167	-
PT Torpika Abadi	693,750	-
PT Pertani	557,108	-
PT Tulus Marisi	519,499	-
PD Kencana Agung	-	616,668
PT Alam Tirtasari	-	2,182,185
TBS Plasma Pra Konversi	-	1,269,846
PT Tri Agung Jaya	-	603,728
Others (each below of Rp 500 million)	7,432,253	6,743,825
	<u>27,273,371</u>	<u>17,322,069</u>
	<u>46,672,908</u>	<u>18,571,875</u>
<u>Related parties (see notes 41):</u>		
PT Agro Mitra Madani	-	141,537
Jumlah	46,672,908	18,713,412

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21. TRADE PAYABLES (Continued)

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

	2005	2004
Current up to 30 days	13,184,721	12,909,450
31 days to 60 days	5,736,478	1,533,814
61 days to 90 days	2,577,879	672,440
Over than 90 days	25,173,830	3,597,708
Total	46,672,908	18,713,412

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

	2005	2004
Rupiah	27,273,371	17,463,605
US Dollar	19,399,537	1,249,807
Total	46,672,908	18,713,412

22. OTHER PAYABLES

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

	2005	2004
<u>Third parties:</u>		
PT Triroyal Timur Raya	9,935,312	-
PT Bintika Kusuma	805,304	-
CV Pribumi Jaya	667,564	-
Rye Investment Ltd.	-	2,627,387
De Smith Engineering	-	1,221,914
Others (each below of Rp 500 million)	4,517,834	5,140,437
	<u>15,926,014</u>	<u>8,989,738</u>
<u>Related parties (see Note 41):</u>		
PT Dana Pensiun Bakrie	4,325,170	4,610,128
Employee cooperative	2,975,024	7,624,908
PT Asuransi Ikrar Lloyd	-	200,775
	<u>7,300,194</u>	<u>12,435,811</u>
Total	23,226,208	21,425,549

Payable to Employee cooperative is related to advance payment for the Company's operation.

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

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23. ACCRUED EXPENSES

This account consists of:

	2005	2004
Salaries and fringe benefits	18,814,220	5,660,065
Interest	467,367	-
Professional fees	135,017	161,475
Jamsostek	42,838	137,252
Tax penalties	-	69,337
Others	1,808,365	1,985,948
Total	21,267,807	8,014,077

24. TAXES PAYABLE

Taxes payable consist of:

	2005	2004
Income taxes:		
Article 21	160,094	110,302
Article 23	401,101	442,355
Article 26	1,389,035	5,319,481
Article 29	10,443,524	1,413,084
Value Added Tax	-	2,729,476
Land and Building Tax	2,710,652	4,831,487
Local Tax	808	-
Total	15,105,214	14,846,185

25. ADVANCES ON SALES

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

	2005	2004
<u>Third parties:</u>		
Leonard Djajali	13,308,581	-
PT Kepok Raja Medan	4,160,373	-
PT Sri Sumatera Sejahtera	3,261,555	-
PT Musim Mas	2,533,481	-
Tong Teik Pte. Ltd., Singapore	2,374,476	-
PT Arco	1,802,017	-
PT Emha	992,140	-
PT Multimas Nabati	-	1,271,591
PT Cisadane Raya	-	886,251
PT Usaha Inti Padang	-	833,400
Others (each below of Rp 500 million)	5,126,964	378,068
Total	33,559,587	3,369,310

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26. SHORT TERM LOAN

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

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

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

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

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

The balance of short-term loan as of September 30, 2004 are amounting to Rp 43.01 billion respectively.

27. LONG-TERM DEBTS

Long-term debts consist of the following:

	2005	2004
<u>Third parties:</u>		
a. Credit Suisse, Singapore (US\$ 48,759,996 in 2005 and US\$ 58,519,996 in 2004)	502,715,559	536,628,363
b. PT Bank Mandiri (Persero) Tbk., Jambi - Loan for Nucleus Estate Projects	1,239,238	8,166,376
c. PT Bank Niaga Tbk.	11,691,755	-
d. PT Bank Mandiri (KI Effective in US\$) (US\$ 1,304,060 in 2005)	13,444,862	-
PT Bank Mandiri (KI IDC in US\$) - (US\$ 88,654 in 2005)	914,027	-
PT Bank Mandiri (KMK in Rp)	7,800,000	-
PT Bank Mandiri (KI Effective in Rp)	11,511,549	-
PT Bank Mandiri (KI IDC in Rp)	1,433,124	-
e. Procurement of vehicle operation	1,032,816	750,879
Total	551,782,930	545,545,618

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27. LONG-TERM DEBTS (Continued)

	2005	2004
Current portion of long-term debts:		
a. Credit Suisse, Singapore (US\$ 1,960,000 in 2005 and US\$ 3,390,000 in 2004)	20,207,600	31,086,300
b. PT Bank Mandiri Tbk. (Persero), Jambi - Loan for Nucleus Estate Smallholders Projects	1,239,238	2,577,138
c. PT Bank Niaga Tbk.	5,000,000	-
d. PT Bank Mandiri (KI Effective in US\$) (US \$ 156,867 in 2005)	1,617,300	-
PT Bank Mandiri (KI IDC in US\$) (US \$ 7,779 in 2005)	80,201	-
PT Bank Mandiri (KMK in Rp)	7,800,000	-
PT Bank Mandiri (KI Effective in Rp)	1,000,000	-
PT Bank Mandiri (KI IDC in Rp)	120,000	-
e. Procurement of vehicle operation	617,841	104,940
Total current portion of long-term debts	37,682,180	33,768,378
Long-term portion - net - third parties	514,100,750	511,777,240

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

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

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

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

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

28. LONG-TERM DEBTS (Continued)

1. Repayment by fixed amortization

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

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

2. Repayment by variable amortization

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

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

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

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

27. LONG-TERM DEBTS (Continued)

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

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

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

Debt Earning Ratio :

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

During the year of 2005, the Company has installed the loan principal of US\$ 3.84 million (Rp 37.85 billion) and interest of US\$ 2.57 thousand (Rp 25.18 billion).

During the year of 2004, the Company has installed the loan principal of US\$ 2.9 million (Rp 26 billion) and interest of US\$ 2.2 million (Rp 20 billion).

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

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

Interest during development will be settled as follows:

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

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

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27. LONG-TERM DEBTS (Continued)

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

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

Working capital credit facility with loan period of 1 year since August 9, 2004 until August 8, 2005, and have been extended for one year until August 2006, with bears interest rate of 15% a year, the loan was secured by inventories and receivables amounting to Rp 11.6 billion and factory building and machinery amounting to Rp 61 billion (see Note 5 and 7).

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

28. OBLIGATION UNDER CAPITAL LEASE

Details of the obligation under capital lease are as follows:

Lessor Company	Description	2005	2004
PT Astra International Auto 2000	Vehicle	652,966	32,389
PT Orix Indonesia Finance	Vehicle	880,333	406,931
PT Otomulti Arta	Vehicle	274,050	-
PT Dipo Star Finance	Heavy equipments	67,103	-
PT Federal International Finance	Vehicle	8,633	-
Kopkar Tungkal Ulu	Vehicle	6,847	-
PT Primus Automotif Finance	Vehicle	-	33,133
		1,889,932	472,453
Total		1,889,932	472,453
Less current maturities		(633,105)	(31,592)
Long-term portion		1,256,827	440,861

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30. DUE TO A RELATED PARTY

	2004	2003
PT Bakrie & Brothers Tbk.	20,960,752	39,650,614

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

30. CAPITAL STOCK

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

2005			
Stockholders	Number of Shares	Percentage of Ownership	Amount
Bakrie (BSP) Limited	652,680,000	28.00	65,268,000
PT Amerasia Internasional	258,700,000	11.10	25,870,000
PT Bakrie & Brothers Tbk	239,140,130	10.26	23,914,013
HSBC Fund Services	172,607,812	7.40	17,260,781
AJB Bumiputera 1912	120,129,870	5.15	12,012,987
Public	887,742,188	38.09	88,774,219
Total	2,331,000,000	100.00%	233,100,000

2004			
Stockholders	Number of Shares	Percentage of Ownership	Amount
Bakrie (BSP) Limited	130,536,000	52.50%	65,268,000
Public	118,104,000	47.10	59,052,000
Total	248,640,000	100.00%	124,320,000

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

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

30. CAPITAL STOCK (Continued)

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

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

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

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

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

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

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

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*).

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32. DIVIDENDS

Based on the Company's Shareholders' General Meeting held on May 18, 2005, the shareholders approved the declaration of cash dividends amounting to Rp 6 per share or equivalent with Rp 13,986 milion to the registered shareholders as of June 16, 2005, and were paid starting June 30, 2005.

Based on the Company's Shareholders' General Meeting held on June 29, 1998, the shareholders approved cash dividends totaling Rp 15.540 billion or Rp 75 (full amount) per share to the registered shareholders as of July 28, 1998 and were paid starting August 27, 1998.

As of September 30, 2005 and 2004, dividends payable amounted to Rp 750.12 million and Rp 421.33 million, respectively.

33. NET SALES

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

	2005	2004
Oil palm and derivatives	294,760,675	188,536,362
Rubber	324,456,679	192,284,510
Fresh fruit bunches	71,045,556	67,497,137
Total before elimination	690,262,910	448,318,009
Elimination	83,831,744	-
Total after elimination	606,431,166	448,318,009

In the period ended September 30, 2005 total sales to related parties amounted to Rp 83.83 billion or (12.15% of total sales).

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

Customers	Amount		Percentage to Total Net Sales	
	2005	2004	2005	2004
PT Musim Mas	171,487,058	96,069,740	28.28 %	21 %
PT Agro Mitra Madani, a Subsidiary *)	-	67,321,929	-	15
PT WRP Buana Multicorpora	-	63,656,070	-	14
Others (each below of 10%)	434,944,108	221,270,270	71.72	50
Total	606,431,166	448,318,009	100.00	100.00

*) Eliminated for year 2005

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34. COST OF GOODS SOLD

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

	<u>2005</u>	<u>2004</u>
Company:		
Cost of goods sold - Rubber	176,657,843	115,999,362
Cost of goods sold - Palm Oil	36,355,873	23,191,678
Cost of goods sold - FFB	292,318	158,759
Cost of goods sold - Company	<u>213,306,034</u>	<u>139,349,799</u>
Subsidiaries:		
Cost of goods sold - Rubber	18,545,459	-
Cost of goods sold - Palm Oil	188,107,116	83,050,277
Cost of goods sold - FFB	65,067,816	57,882,261
Cost of goods sold - Subsidiaries	<u>271,720,391</u>	<u>140,932,538</u>
Total before elimination	485,026,425	280,282,337
Elimination	83,831,744	-
Total after elimination	<u>401,194,681</u>	<u>280,282,337</u>

35. OPERATING EXPENSES

The details of operating expenses are as follows:

	<u>2005</u>	<u>2004</u>
<u>Selling Expenses:</u>		
Docking and loading	2,706,159	208,126
Sales and bank commissions	604,797	413,372
Others	330,113	617,528
Selling Expenses	<u>3,641,069</u>	<u>1,239,026</u>
<u>General and Administrative Expenses:</u>		
Salaries and fringe benefits	19,197,302	13,898,352
Retirement benefits	6,761,285	5,098,300
Professional fees	4,459,781	1,736,375
Traveling	2,375,249	1,958,022
Depreciation (see Note 15)	2,373,600	1,999,288
Severance pays	479,973	2,249,677
Other administrative expenses (each below of Rp 1 billion)	13,924,002	10,495,790
	<u>49,571,192</u>	<u>37,435,804</u>
General charges capitalized to immature plantations	(7,999,545)	(4,561,547)
General and Administrative Expenses - net	<u>41,571,647</u>	<u>32,874,257</u>
Total Operating Expenses	<u>45,212,716</u>	<u>34,113,283</u>

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36. INTEREST AND FINANCIAL EXPENSES

The details of interest and financial expenses are as follows:

	<u>2005</u>	<u>2004</u>
Syndicated loan Credit Suisse	25,178,074	20,186,938
PT Bank Mandiri (Persero) Tbk.	4,530,024	1,241,106
PT Bank Niaga Tbk.	1,292,019	-
Bank administration	301,714	-
Leased expense	229,195	-
Transportation equipment loan	-	167,247
Other	93,781	217,155
Total - Net	<u>31,624,807</u>	<u>21,812,446</u>

37. MISCELLANEOUS - NET

The details of miscellaneous - net are as follows:

	<u>2005</u>	<u>2004</u>
Bad debt expenses	-	(1,084,434)
Tax Penalty	(1,118,993)	-
Amortization of goodwill	(3,538,949)	(190,515)
Others - net	(1,341,504)	16,016,146
Miscellaneous - Net	<u>(5,999,446)</u>	<u>14,741,197</u>

38. INCOME TAX

Tax expense of the Company and Subsidiaries consist of:

	<u>2005</u>	<u>2004</u>
Current tax		
Company	(5,060,828)	(13,837,135)
Subsidiaries	(21,270,929)	(13,028,702)
Deferred tax		
Company	(2,925,913)	(1,314,789)
Subsidiaries	24,861	1,638,862
Total	<u>29,232,809</u>	<u>26,541,764</u>

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38. INCOME TAX (Continued)

a. Current Tax

Reconciliation against income before provision for income tax, as recorded in the consolidated statements of income and estimated taxable fiscal loss of the Company for the period of September 30, 2005 and 2004 is as follows:

	2005	2004
Income before provision for income tax per consolidated statements of income	94,607,643	86,547,879
Additions (Deductions):		
Loss (income) of Subsidiaries before provision for income tax	(71,820,878)	(37,144,041)
Company's portion on income of Subsidiaries	47,035,861	25,563,686
Amortization of goodwill	3,538,949	190,515
Income before provision for income tax	<u>73,361,574</u>	<u>75,158,039</u>
Fiscal correction:		
Timing differences:		
Depreciation and amortization of property, plant and equipment	(1,628,539)	-
Capitalization of general charges	(7,999,545)	(4,561,546)
Amortization of deferred charges	-	(165,192)
Depreciation of asset under capital lease	-	344,110
Total timing differences	<u>(9,753,043)</u>	<u>(4,382,628)</u>
Permanent differences:		
Non deductible expenses	455,971	-
Interest income subjected to income tax article 23 final	(159,214)	(67,147)
Company's portion on income of Subsidiaries	(47,035,861)	(25,56,686)
Employee benefits in kind	-	979,206
Total permanent differences	<u>(46,739,104)</u>	<u>(24,651,627)</u>
Estimated taxable income of the Company	16,869,428	46,123,784
Fiscal loss compensation of the Company	-	(70,385,698)
Total	<u>16,869,428</u>	<u>(24,261,914)</u>

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38. INCOME TAX (Continued)

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

	2005	2004
Provision for income tax - current		
Company	5,060,828	13,837,135
Subsidiary	21,270,929	13,028,702
	<u>26,331,757</u>	<u>26,865,837</u>
Prepayment of income tax:		
Company		
Article 22	223,000	176,092
Article 25	-	193,917
	<u>223,000</u>	<u>369,289</u>
Subsidiaries:		
Article 22	26,328	14,516
Article 25	3,186,494	-
	<u>3,212,822</u>	<u>14,516</u>
Total prepayment of income tax	<u>3,435,822</u>	<u>383,805</u>
Estimated income tax payable is:		
Company	4,837,828	13,467,846
Subsidiaries	18,058,107	13,014,186
Total	<u>22,895,936</u>	<u>26,482,032</u>

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:		
Fiscal losses	-	-
Depreciation and amortization of property, plant and equipment	(526,049)	103,233
Capitalization of general charges	(2,399,864)	(1,368,464)
Depreciation of asset under capital leased	-	-
Amortization of deferred charges	-	(49,558)
Deferred income tax - Company	<u>(2,925,913)</u>	<u>(1,314,789)</u>

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38. INCOME TAX (Continued)

	2005	2004
Deferred income tax - Subsidiaries:		
PT Huma Indah Mekar	24,861	-
PT Bakrie Pasaman Plantations	-	1,638,862
Total deferred income tax - Subsidiaries	24,861	1,638,862
Estimated deferred income tax	(2,901,052)	324,073

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

	2005	2004
<u>Deferred Tax Asset</u>		
Company:		
Fiscal losses	-	7,278,574
Allowances for unrecoverable investment in shares of stock and doubtful accounts - net	-	14,012,217
Allowance for bad debt expense	-	1,800,000
Capital lease transactions	-	-
Net book value of property, plant and equipment	- (	18,574,213)
Deferred foreign exchange difference	- (	4,516,578)
	-	-
Subsidiaries:		
PT Agro Mitra Mandiri	1,170,308	-
PT Huma Indah Mekar	786,972	-
PT Kilang Vecolina	-	39,279,350
PT Patriot Andalas	-	1,232,809
	1,957,280	40,512,159
Total deferred income tax assets in the consolidated financial statements	1,957,280	40,512,159

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38. INCOME TAX (Continued)

	<u>2005</u>	<u>2004</u>
<u>Deferred Tax Liabilities</u>		
Company:		
Allowances for unrecoverable investment in shares of stock and doubtful accounts - net	14,012,217	-
Allowance for bad debt expense	1,800,000	-
Capital lease transactions	24,328	-
Net book value of property, plant and equipment	(24,148,020)	-
Sales correction	(1,050,072)	-
Deferred foreign exchange difference	(4,516,578)	-
	<u>(13,878,125)</u>	<u>(2,256,395)</u>
Subsidiaries:		
PT Bakrie Pasaman Plantations	(16,695,358)	(10,570,458)
PT Agrowiyana	(4,164,282)	(4,072,670)
	<u>(20,859,640)</u>	<u>(14,643,128)</u>
Total deferred income tax liabilities in the consolidated financial statements	<u>(34,737,765)</u>	<u>(16,899,523)</u>
Deferred tax assets (liabilities) - net	<u>(32,780,484)</u>	<u>23,612,636</u>

39. RETIREMENT BENEFITS

The Company and Subsidiaries have the following retirement benefit plans:

a. Defined retirement benefit plan

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

b. Non-contributory retirement plan

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

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

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39. RETIREMENT BENEFITS (Continued)

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

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

40. BASIC INCOME PER SHARE

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

Earning	2005	2004
Net income	65,374,833	56,891,919
Weighted average of shares to computed income per share	2,331, 000	248,640
Basic income per share (full amount)	28	229

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 income
2.	PT Bakrie & Brothers Tbk.	Affiliated	Trade payable and reimbursement cost
3.	Dana Pensiun Bakrie	Affiliated	Contribution payable
4.	PT United Sumatra Rubber Products	Associate Company	Investment in shares of stock
5.	PT Prasetia Utama	Associate Company	Advance on investment in shares of stock
6.	PT Sarana Jambi Ventura	Associate Company	Investment in shares of stock
7.	PT Sarana Sumatera Barat Ventura	Associate Company	Investment in shares of stock
8.	Employee cooperative	Affiliated	Other receivable and other payable
9.	BPP Foundation	Affiliated	Other receivable
10.	Employees	Affiliated	Employee receivable

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42. BALANCES AND TRANSACTION WITH RELATED PARTIES (Continued)

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

	Amount		Percentage to Total Assets/Liabilities Revenues/Expenses	
	2005	2004	2005	2004
	Rp	Rp	%	%
<u>Account receivables (see Note 5):</u>				
PT Bakrie Rubber Industry	49,559,024	44,929,494	4.082	5.156
PT Agromitra Madani	-	2,432,553	-	0.279
	49,559,024	47,362,047	4.082	5.435
Allowance for doubtful accounts	(22,000,000)	(22,000,000)	(1.812)	(2.525)
Total Related Parties - Net	27,559,024	25,362,047	2.270	2.910
<u>Other receivables (see Note 6):</u>				
Staff and employee	3,725,559	3,408,959	0.307	0.391
Employee cooperative	570,304	116,235	0.005	0.013
BPP foundation	-	120,000	-	0.014
Total Related Parties - Net	4,295,863	3,645,194	0.354	0.418
<u>Investment in Shares of Stocks</u> <u>(see Note 11):</u>				
PT United Sumatera Rubber Product	511,353	511,353	0.043	0.059
PT Sarana Jambi Ventura	149,377	149,377	0.012	0.017
PT Sarana Sumatera Barat Ventura	37,172	31,978	0.003	0.004
	697,902	696,854	0.057	0.080
<u>Advance on Investment in Shares of Stocks</u> <u>(see Note 12):</u>				
PT Agro Mitra Madani	-	1,125,000	-	0.129
PT Prasetia Utama	1,000,000	1,000,000	0.082	0.115
	1,697,902	2,821,854	0.140	0.324
Provision for unrecoverable investment in shares of stocks	(511,353)	(511,353)	(0.042)	(0.059)
Total Related Parties - Net	1,186,549	2,310,501	0.097	0.265
<u>Due from a Related Party (see Note 12):</u>				
PT Bakrie Rubber Industry	5,423,958	4,539,310	0.447	0.521
Less allowance for doubtful account	(2,991,629)	(2,991,629)	(0.246)	(0.343)
Total Related Party - Net	2,432,329	1,547,681	0.200	0.177
<u>Due to a Related Party (see Note 29):</u>				
PT Bakrie & Brothers Tbk.	20,960,752	39,650,613	1.726	4.550
<u>Trade Payable (see Note 21)</u>				
PT Agro Mitra Madani	-	141,537	-	0.016

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42. BALANCES AND TRANSACTION WITH RELATED PARTIES (Continued)

	Amount		Percentage to Total Assets/Liabilities Revenues/Expenses	
	2005	2004	2005	2004
	Rp	Rp	%	%
<u>Other payables (see Note 22):</u>				
Employee cooperative	2,975,025	7,624,908	0.245	0.875
Dana Pensiun Bakrie	4,325,170	4,610,128	0.356	0.529
PT Asuransi Ikrar Lloyd	-	200,775	-	0.023
	<u>7,300,195</u>	<u>2,435,811</u>	<u>0.651</u>	<u>1.427</u>
<u>Net sales (see Note 33):</u>				
PT Bakrie Rubber Industry	-	2,100,219	-	0.468
PT Agro Mitra Madani	-	67,321,929	-	15.017
Total	<u>-</u>	<u>69,442,148</u>	<u>-</u>	<u>15.485</u>

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

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

42. REIMBURSEMENT EXPENSE

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

43. AGREEMENTS AND COMMITMENTS

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

43. AGREEMENTS AND COMMITMENTS (Continued)

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

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

In connection with these agreements, BPP agreed to:

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

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

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

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

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

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

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

Agro, on behalf of the project, obtained a long-term loan from Bank Mandiri with a maximum credit limit of Rp 24.39 billion. The funds will be transferred to the Plasma PIR projects in accordance with the requirements of the projects and the interest expense is charged to the projects.

43. AGREEMENTS AND COMMITMENTS (Continued)

As of June 30, 2005 and 2004 the PIR Plasma Project's funds used amounted to Rp 18.38 thousand and Rp 2.00 billion, respectively (see *Note 13*) more than funds that obtained from Bank Mandiri.

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

- d. On June 29, 2004, based on Letter No. 018/KV-HRD/VI/04, PT Kilang Vecolina (KV) negotiated to obtain the haircut of its payable to Rye Investment Ltd. (RI) from Rp 7.5 billion to Rp 2.25 billion. According to this letter, RI approved to restructure its loan to be Rp 2.63 billion.
- e. 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.
- f. 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*).
- g. On October 14, 2004, the Company entered into Consultancy Agreement with PT Cahayamas Agroservindo according to the construction of the oil palm refinery at Kisaran which includes the desain planning, supervisory during the construction period and commissioning. The sum of contract amounts to US\$ 216,000 (see *Note 15*).
- h. 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*).
- i. 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*).

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

Operational Segment

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

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

	2005			
	Rubber	Oil palm and Derivatives	Elimination	Consolidated
REVENUES				
External parties	294,760,675	395,502,235	(83,831,744)	606,431,166
COST OF GOODS SOLD				
External parties	195,203,302	289,823,123	(83,831,744)	401,194,681
RESULT				
Segment result	99,557,373	105,679,112	-	205,236,485
OPERATING EXPENSES UNALLOCATED				45,212,716
OPERATING PROFIT				160,023,769
Interest and financial expenses				(31,624,807)
Loss on foreign exchange - net				(49,109,342)
Others - net				(15,318,022)
INCOME BEFORE TAX				94,607,642
TAX EXPENSE				(29,232,809)
NET INCOME				65,374,833
Segment Assets				
Plantations	173,890,125	262,870,053	-	436,760,178
Machineries and equipment	62,675,705	191,098,988	-	253,774,693
Investment in associate companies	90,000,000	301,280,100	(390,093,551)	1,186,549
Unallocated assets	-	-	-	518,196,632
Total Assets	326,565,831	755,249,141	(390,093,551)	1,209,918,052
Segment liabilities	671,030,787	44,733,228	-	715,764,015
Unallocated liabilities	-	-	-	34,189,209
Equity	-	-	-	459,964,828
Total Liabilities and Equity	671,030,787	44,733,228	-	1,209,918,052

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

	2004			
	Rubber	Oil palm and Derivatives	Elimination	Consolidated
REVENUES				
External parties	188,536,362	259,781,647	-	448,318,009
COST OF GOODS SOLD				
External parties	115,999,361	164,282,976	-	280,282,337
RESULT				
Segment result	72,537,001	95,498,671	-	168,035,672
OPERATING EXPENSES UNALLOCATED				34,113,283
OPERATING PROFIT				133,922,389
Interest and financial expenses			(	21,812,446)
Loss on foreign exchange - net			(	40,783,116)
Others - net				15,221,052
INCOME BEFORE TAX				86,547,879
TAX EXPENSE			(	26,541,764)
INCOME AFTER TAX				60,006,115
Segment Assets				
Plantations	131,132,093	288,403,351	-	419,535,444
Machineries and equipment	26,301,798	212,541,050	-	238,842,848
Investment in associate companies	-	30,262,187	(27,951,686)	2,310,501
Unallocated assets	-	-	-	210,708,201
Total Assets	157,433,891	531,206,588	(27,951,686)	871,396,994
Segment liabilities	-	217,300,337	(73,700,506)	143,599,831
Unallocated liabilities	-	-	-	568,768,238
Equity	-	-	-	159,028,925
Total Liabilities and Equity	-	217,300,337	(73,700,506)	871,396,994

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
For the Nine Months Period Ended September 30, 2005 and 2004
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45. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	2005	
	<u>Foreign Currency</u>	<u>Equivalent Rupiah</u>
Assets:		
Current:		
Cash and cash equivalents	US\$ 717,767	7,400,174
Trade receivables	US\$ 4,695,949	48,415,239
Liabilities:		
Short-term:		
Trade payables	(US\$ 1,881,623)	(19,399,538)
Long-term loans matured within one year	(US\$ 2,124,646)	(21,905,101)
Long-term:		
Long-term loan - net of current portion matured within one year	(US\$ 48,028,065)	(495,169,347)
Monetary liabilities in foreign currency- net		(480,658,573)

	2004	
	<u>Foreign Currency</u>	<u>Equivalent Rupiah</u>
Assets:		
Current:		
Cash and cash equivalents	US\$ 233,000	2,137,936
Trade receivables	US\$ 3,335,000	30,583,229
Liabilities:		
Short-term:		
Trade payables	(US\$ 136,000)	(1,249,807)
Long-term loans matured within one year	(US\$ 3,390,000)	(31,086,300)
Long-term:		
Long-term loan - net of current portion matured within one year	(US\$ 55,130,000)	(505,542,063)
Monetary liabilities in foreign currency- net		(505,157,005)

46. CONTINGENCIES

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

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

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



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