

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

Consolidated Financial Statements
For The Nine Months Period Ended September 30, 2006 and 2005

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This Report is Originally Issued in Indonesian Language.

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Balance Sheets

As of September 30, 2006 and 2005

(In thousand Indonesian Rupiah, Except Par Value)

	Notes	2006	2005 *)
Assets			
Current Assets			
Cash and cash equivalents	2c,4	77,192,564	21,908,640
Short term investment	2c,4	-	24,943,500
Trade receivables	2d,5		
Third parties - net of allowance for doubtful accounts of Rp 248,541 in 2006 and in 2005	27	48,494,848	47,315,272
Related parties - net of allowance for doubtful accounts of Rp 22,000,000 in 2006 and 2005	2e,27,41	18,855,482	27,559,024
Other receivables	2d,6		
Third parties - net of allowance for doubtful accounts of Rp 64,710 in 2006 and 2005		60,755,062	112,330,507
Related parties	2e,41	17,000,819	4,295,863
Inventories	2f,7,27	78,267,901	45,685,992
Prepaid taxes	8,38a	17,447,028	11,287,045
Prepaid expenses	2g,9,27a	7,735,263	4,034,829
Advances	10	36,818,785	22,750,674
Total current assets		362,567,752	322,111,346
Non-Current Assets			
Due from a related party - net of allowance for doubtful accounts of Rp 2,991,629 in 2006 and 2005	2d,2e,12,41	4,102,020	2,432,329
Due from plasma	2l,13,43	31,163,739	57,498,321
Deferred tax assets - net	2u, 2w,38	4,645,449	1,957,280
Investments in shares of stock - net of allowance for unrecoverable investments in shares of stock of Rp 511,353 in 2006 and 2005	2b,2w,11	1,207,673	1,186,549
Plantations	2h,14,27		
Mature plantations - net of accumulated depreciation of Rp 197,384,408 in 2006 and Rp 172,482,772 in 2005		406,158,472	355,865,231
Immature plantations		103,326,644	80,894,947
Property, plant and equipment - net of accumulated depreciation of Rp 146,459,312 in 2006 and Rp 119,195,044 in 2005	2i,2j,2k,15,27	291,800,071	253,774,693
Goodwill - net of accumulated amortization of Rp 9,277,352 in 2006 and Rp 4,558,753 in 2005	2n,16,37	84,430,899	89,148,694
Other assets			
Restricted funds	17	48,388,991	13,012,792
Business project development	2q,18	52,057,009	12,257,044
Deferred charges - net	2o,19	32,299,688	325,155
Deferred expenses of land rights - net of accumulated amortization of Rp 840,641 in 2006 and Rp 494,577 in 2005	2i,20	11,290,223	9,922,235
Others	2m	946,900	8,913,724
Total other assets		144,982,811	44,430,950
Total non-current assets		1,071,817,778	887,188,994
Total Assets		1,434,385,530	1,209,300,340

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

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

Please See Accountants' Review Report.

This Report is Originally Issued in Indonesian Language.

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

As of September 30, 2006 and 2005

(In thousand Indonesian Rupiah, Except Par Value)

	Notes	2006	2005 *)
Liabilities and Stockholders' Equity			
Current Liabilities			
Trade payables - third parties	2e,21	51,916,980	46,672,908
Other payables	22		
Third parties		22,672,641	15,926,014
Related parties	2e,41	1,778,579	7,300,194
Accrued expenses	23	21,868,129	21,267,807
Taxes payables	2u,24,37	51,219,471	15,105,214
Dividends payable	31	979,046	750,120
Advances on sales	25	23,419,765	32,941,875
Current maturities of:			
Long-term loan	26	101,854,844	37,682,180
Obligation under capital lease	2k,15,27	288,226	633,105
Total current liabilities		<u>275,997,681</u>	<u>178,279,417</u>
Non-Current Liabilities			
Due to a related party	2e,28,40	18,356,586	20,960,752
Deferred tax liabilities - net	2u,37	20,330,603	34,737,765
Retirement benefit liabilities	2r,38	30,403,445	-
Long-term debts - net of current maturities:			
Long-term loan	26	476,254,115	514,100,750
Obligation under capital lease	2k,15,27	345,001	1,256,827
Total non-current liabilities		<u>545,689,750</u>	<u>571,056,094</u>
Stockholders' Equity			
Capital stock - Rp 100 par value in 2006 and 2005			
Authorized - 4,144,000,000 shares in 2006 and 2005			
Issued and fully paid - 2,331,000,000 in 2006 and 2005	29	233,100,000	233,100,000
Additional paid-in capital - net	2p,30	147,256,406	147,256,406
Retained earnings		<u>232,341,693</u>	<u>79,608,423</u>
Total stockholders' equity		<u>612,698,099</u>	<u>459,964,829</u>
Total Liabilities and Stockholders' Equity		<u>1,434,385,530</u>	<u>1,209,300,340</u>

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

**PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
Consolidated Statements of Income**

For The Nine Months Period September 30, 2006 and 2005

(In thousand Indonesian Rupiah, Except Income Per Share)

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

This Report is Originally Issued in Indonesian Language.

	<u>Notes</u>	<u>2006</u>	<u>2005 *)</u>
NET SALES	2t,5,33,40	801,668,598	606,431,166
COST OF GOODS SOLD	2t,14,15,33,40	511,333,789	401,194,681
GROSS PROFIT		290,334,809	205,236,485
OPERATING EXPENSES:	2r,2t,15,34,38,42		
Selling		8,206,738	3,641,069
General and administrative		57,085,268	41,571,647
Total Operating Expenses		65,292,006	45,212,716
INCOME FROM OPERATIONS		225,042,803	160,023,769
OTHER INCOME (EXPENSES)			
Gain (loss) on foreign exchange - net	2s,26,27	30,975,437	(49,109,342)
Interest income	2c,4	1,397,955	876,153
Gain on sales on subsidiaries		-	20,441,315
Interest and financial expenses	27,35	(42,887,321)	(31,624,807)
Miscellaneous - net	36	(1,263,539)	(5,999,446)
Total Other Income (Expenses)		(11,777,468)	(65,416,127)
INCOME BEFORE TAX BENEFITS (EXPENSES)		213,265,335	94,607,642
TAX BENEFITS (EXPENSES)	2u,37		
Current period		(67,469,923)	(26,331,757)
Deferred		(2,845,784)	(2,901,052)
Total Tax Benefits (Expenses)		(70,315,707)	(29,232,809)
NET INCOME		142,949,628	65,374,833
INCOME PER SHARE - BASIC	2v,39	61	28

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

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

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

	<u>Capital Stock Issued and Fully Paid</u>	<u>Additional Paid in Capital - Net</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
Balance, January 1, 2005	233,100,000	147,256,406	28,219,590	408,575,996
Net income for the period	-	-	65,374,833	65,374,833
Cash dividend	-	-	(13,986,000)	(13,986,000)
Balance, September 30, 2005*)	<u>233,100,000</u>	<u>147,256,406</u>	<u>79,608,423</u>	<u>459,964,829</u>
Balance, January 1, 2006	233,100,000	147,256,406	110,371,065	490,727,471
Net income for the period	-	-	142,949,628	142,949,628
Cash dividend	-	-	(20,979,000)	(20,979,000)
Balance, September 30, 2006	<u>233,100,000</u>	<u>147,256,406</u>	<u>232,341,693</u>	<u>612,698,099</u>

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

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

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

<u>Notes</u>	<u>2006</u>	<u>2005 *)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	813,540,815	610,387,037
Cash paid to suppliers and employees	(601,228,378)	(326,548,613)
Cash received from operations	212,312,437	283,838,424
Interest received	1,397,955	876,153
Interest payment	(43,083,798)	(31,624,807)
Income tax payment	(43,425,788)	(39,096,002)
Net Cash Provided from Operating Activities	127,200,807	213,993,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in other assets	292,118	(6,072,937)
Addition in investment	-	(1,699)
Acquisition of property, plant and equipment	(41,901,668)	(76,184,034)
Increase in business project development	(31,919,199)	(9,221,135)
Time deposit	(19,596,000)	(24,943,500)
Net Cash Used for Investing Activities	(93,124,750)	(116,423,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	626,175,000	-
Payment of long-term debts:		
Bank	(580,032,939)	(47,400,912)
Obligation under capital lease	181,574	(1,347,292)
Increase of deferred charges	(33,063,448)	-
Increase in due from plasma	37,118,077	(28,764,664)
Increase in due from a related party	-	(829,510)
Dividend payment	(20,748,358)	(13,657,208)
Decrease in due to a related party	(784,888)	(16,069,627)
Net Cash Provided from (Used for) Financing Activities	28,845,018	(108,069,213)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62,921,075	(10,498,750)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14,271,489	32,407,390
CASH AND CASH EQUIVALENTS AT END OF PERIOD	77,192,564	21,908,641

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

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries

Notes to Consolidated Financial Statements

For The Nine Months Period Ended September 30, 2006 and 2005

(In thousand Indonesian Rupiah, Except Otherwise Stated)

1. GENERAL

a. Establishment and General Information

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

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

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

The plantations have been in operation since 1911.

b. Public Offering of Shares and Bonds of the Company

On January 6, 1990, the Company obtained a license from the Ministry of Finance of the Republic of Indonesia by its Letter No. SI/075/SHM/MK.10/1990 to undertake a public offering of its 11.1 million shares with par value of Rp 1,000 (full amount) per share through the stock exchanges in Indonesia at the offering price of Rp 10,700 (full amount) per share. In 1997, the Company declared stock split of 2-for-1, which changed the common stock par value from Rp 1,000 (full amount) to Rp 500 (full amount) per share and nine-for-five stock bonus from additional paid in capital. In June 1999, the Company declared one-for-five stock dividend from retained earnings (see Notes 30, 31 and 32). As of December 31, 1999, the Company has listed all of its shares issued and fully paid in the Jakarta and Surabaya Stock Exchanges.

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

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

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

1. GENERAL (Continued)

c. The Structures of the Company and Subsidiaries

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

2006					
Subsidiaries	Domicile	Percentage of Ownership	Start of Commercial Operations		Total Assets
<i>Direct ownership:</i>					
PT Bakrie Pasaman Plantations	West Sumatera	99.00%	1998	Rp	370,196,292
PT Agrowiyana	Jambi	99.93	1998		150,441,631
PT Agro Mitra Madani	Jambi	85.00	2004		77,510,91
PT Huma Indah Mekar	Lampung	96.55	1992		150,412,738
<i>Indirect ownership:</i>					
PT Air Muring (through PT Huma Indah Mekar) (see Note 3 point b)	Bengkulu	96.55	1998		36,203,940

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

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

2005					
Subsidiaries	Domicile	Percentage of Ownership	Start of Commercial Operations		Total Assets
<i>Direct ownership:</i>					
PT Bakrie Pasaman Plantations	West Sumatera	99.99%	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

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

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

1. GENERAL (Continued)

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

The Subsidiaries are engaged in the following industries:

<u>Subsidiaries</u>	<u>Activities</u>
PT Bakrie Pasaman Plantations	Oil palm plantations in Air Balam and Sungai Aur, Pasaman, West Sumatra are 5,350 hectares and 4,370 hectares, respectively, with each useful life of landrights until 2038 and 2029, and oil palm processing.
PT Agrowiyana	Oil palm plantations in Tungkal Ulu, Jambi is 4,686 hectares with useful life of landrights until 2039.
PT Agro Mitra Madani	Oil palm processing
PT Huma Indah Mekar	Rubber plantations and processing in Panumangan Baru, Tulang Bawang Tengah, Lampung is 4,407 hectares with useful life of landrights until 2010 and 2019.
PT Air Muring	Rubber plantations and processing in jalan Desa Air Muring, Putri Hijau Sebelat, North Bengkulu is 3,639 hectares with useful life of landrights until 2026.

d. Employees, Board of Directors and Commissioners

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

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

As of September 30, 2006 and 2005, the Company and its Subsidiaries have had approximately 8,727 and 8,475 permanent employees, respectively (unaudited).

Salaries and other compensation benefits incurred for the Company's commissioners and directors amounted to Rp 4.66 billion and Rp 3.02 million for the nine months period ended September 30, 2006 and 2005, respectively.

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

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

2. ACCOUNTING POLICIES

a. Basis of Consolidated Financial Statements

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

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

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

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

b. Principles of Consolidation

The consolidated financial statements for the nine months period ended September 30, 2006 exclude the accounts of PT Kilang Vecolina which was deconsolidated on September 29, 2005.

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

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

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

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

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

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

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

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

2. ACCOUNTING POLICIES (Continued)

c. Cash and Cash Equivalents

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

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

d. Allowance for Doubtful Accounts

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

e. Transactions with Related Parties

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

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

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

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

2. ACCOUNTING POLICIES (Continued)

e. Transactions with Related Parties (Continued)

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

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted-average method.

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

g. Prepaid Expenses

Prepaid expenses are charged over the periods benefited.

h. Plantations

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

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

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

Mature plantation is depreciated using the straight-line method with an estimated useful life of 20 to 30 years.

i. Property, Plant and Equipment

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

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

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

2. ACCOUNTING POLICIES (Continued)

i. Property, Plant and Equipment (Continued)

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

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

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

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

In accordance with PSAK No. 47, "Accounting for Land", land acquisitions are stated at acquisition cost and not depreciated. Certain expenses incurred after January 1, 1999 in relation to the acquisition or renewal of land rights are deferred and amortized over the useful life of the land, and presented as "Deferred Expenses of Land Rights" accounts which are presented separately from other deferred charges accounts.

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

j. Impairment of Asset Value

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

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

For The nine Months Period Ended September 30, 2006 and 2005
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2. ACCOUNTING POLICIES (Continued)

k. Leases

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

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

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

l. Nucleus Plasma Plantations

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

m. Assets Not Used in Operations

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

n. Goodwill

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

o. Deferred Charges

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

p. Stock Issuance Costs

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

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

For The nine Months Period Ended September 30, 2006 and 2005

(In thousand Indonesian Rupiah, Except Otherwise Stated)

2. ACCOUNTING POLICIES (Continued)

q. Business Development Projects

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

r. Retirement Benefits

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

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

s. Foreign Currency Transactions and Balances

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

As of September 30, 2006 and 2005, the exchange rates used were Rp 9,235 and Rp 10,310 for US\$ 1, respectively.

t. Revenue and Expense Recognition

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

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

For The nine Months Period Ended September 30, 2006 and 2005
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2. ACCOUNTING POLICIES (Continued)

u. Income Tax

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

v. Earnings Per Share

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

w. Use of Estimates

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

x. Segment Information

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

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

3. ACQUISITION AND DIVESTMENT OF SUBSIDIARIES

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

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

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

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

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4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2006</u>	<u>2005</u>
Cash:		
Rupiah	2,549,966	275,398
Bank - third parties:		
Rupiah Accounts:		
PT Bank Mandiri (Persero) Tbk.	10,323,431	6,304,520
PT Bank Niaga Tbk.	4,308,616	513,877
PT Bank Rakyat Indonesia (Persero) Tbk.	1,932,368	2,333,658
PT Bank Pembangunan Daerah Bengkulu	1,658,326	-
Standard Chartered Bank	916,575	-
PT Bank Negara Indonesia (Persero) Tbk.	78,406	432,798
PT Bank Muamalat Indonesia	109,306	151,660
PT Bank Mega Tbk.	46,572	46,409
PT Bank Pembangunan Daerah Sumbar	64,901	3,004,342
The Hongkong and Shanghai Banking Corporation	-	1,444,804
PT Bank Internasional Indonesia Tbk.	-	571
PT Bank Danamon Tbk.	-	429
US Dollar Accounts:		
Raiffeisen Zentral Bank Osterreich, Singapore	38,925,755	-
PT Bank Niaga Tbk.	8,947,081	3,233,269
Standard Chartered Bank	6,450,898	-
PT Bank Mandiri (Persero) Tbk.	878,358	91,486
PT Bank Sumitomo Niaga	2,005	2,310
PT Bank Negara Indonesia (Persero) Tbk.	-	269,736
The Hongkong and Shanghai Banking Corporation	-	3,803,373
Total	<u>77,192,564</u>	<u>21,908,640</u>

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

5. TRADE RECEIVABLES

The details of trade receivables are as follows:

a. Third parties:

	<u>2006</u>	<u>2005</u>
<u>US Dollar:</u>		
Sinochem International Overseas Singapore (US\$ 709,128 in 2006)	6,548,797	-

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

For The nine Months Period Ended September 30, 2006 and 2005
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5. TRADE RECEIVABLES (Continued)

a. Third parties (Continued):

	<u>2006</u>	<u>2005</u>
Eastland Produce (US\$ 666,876 in 2006 and US\$ 300,482 in 2005)	6,158,597	3,097,964
Sri Trang International, Singapore (US\$ 443,296 in 2006)	4,093,839	-
PT Universal Gloves Industry Medan (US\$ 438,332 in 2006)	4,047,992	-
Welcome Trading Pte, Ltd Singapore (US\$ 291,856 in 2006)	2,695,290	-
PT Latexindo Toba Perkasa Medan (US\$ 243,827 in 2006)	2,251,744	-
PT WRP Buana Multicopora (US\$ 148,463 in 2006 and US\$ 318,799 in 2005)	1,371,058	3,286,814
PT Intan Surya Pratama (US\$ 190,714 in 2006 and US\$ 283,250 in 2005)	1,761,244	2,920,308
RCMA Americas Inc, USA (US\$ 141,086 in 2006)	1,302,933	-
Safic Alcan (US\$ 132,478 in 2006 and US \$ 59,836 in 2005)	1,223,433	616,913
PT Healthcare Glovindo (US\$ 130,050 in 2006 and US\$ 365,562 in 2005)	1,201,012	3,768,945
PT Mandiri Inti Buana (US\$ 123,001 in 2006 and US\$ 263,256 in 2005)	1,135,911	2,714,165
PT Mahakarya Inti Buana Medan (US\$ 71,828 in 2006)	663,329	-
Kuok Oils and Grains Pte, Ltd. (US\$ 357,670 in 2005)	-	3,687,578
Semperit Technice Austria (US\$ 107,000 in 2005)	-	1,103,170
PT Medicafe Technologies (US\$ 55,582 in 2005)	-	573,047
Others (each below of Rp 100 million)	<u>32,138</u>	<u>177,548</u>
Total US Dollar	<u>34,487,317</u>	<u>21,946,452</u>
<u>Rupiah:</u>		
PT Intercontinental Oil and Fats Ltd	5,145,054	-
PT Intan Surya Pratama	3,069,098	19,502,407
PT Pribumi Jaya	1,795,612	-
PT Sugih Instrumendo Abadi	1,621,400	-
PT Abergummi Medical	705,600	-
PT Raberindo Pratama	495,755	-

5. TRADE RECEIVABLES (Continued)

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

For The nine Months Period Ended September 30, 2006 and 2005

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a. Third parties (Continued):

	<u>2006</u>	<u>2005</u>
PT Asia Karet Medan	452,298	-
PT Bitung Guna Sejahtera	351,639	-
PT Kilang Vecolina	-	3,535,770
PT Goodyear Sumatra Plantations	-	2,027,575
Others (each below of Rp 100 million)	<u>619,616</u>	<u>551,609</u>
Total	14,256,072	25,617,361
Less allowance for doubtful accounts	(<u>248,541</u>)	(<u>248,541</u>)
	<u>14,007,531</u>	<u>25,368,820</u>
Total trade receivables from third parties - net	<u>48,494,848</u>	<u>47,315,272</u>

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

	<u>2006</u>	<u>2005</u>
Current up to 30 days	39,516,478	27,093,792
31 days to 60 days	8,012,998	5,404,460
61 days to 90 days	642,130	3,377,788
More than 90 days	<u>571,783</u>	<u>11,687,773</u>
	48,743,389	47,563,813
Less allowance for doubtful accounts	(<u>248,541</u>)	(<u>248,541</u>)
Total	<u>48,494,848</u>	<u>47,315,272</u>

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

	<u>2006</u>	<u>2005</u>
Rupiah	14,256,072	25,617,361
US Dollar	<u>34,487,317</u>	<u>21,946,452</u>
	48,743,389	47,563,813
Less allowance for doubtful accounts	(<u>248,541</u>)	(<u>248,541</u>)
Total	<u>48,494,848</u>	<u>47,315,272</u>

During the nine months period ended September 30, 2006 and 2005, there is no mutation of allowance for doubtful accounts

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

For The nine Months Period Ended September 30, 2006 and 2005
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5. TRADE RECEIVABLES (Continued)

b. Related Party (see Note 41):

	<u>2006</u>	<u>2005</u>
PT Bakrie Rubber Industry:		
In Rupiah	40,855,482	23,707,949
In US Dollar (US\$ 2,507,379 in 2005)	-	25,851,077
Total	40,855,482	49,559,024
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total trade receivable from related party	<u>18,855,482</u>	<u>27,559,024</u>

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

	<u>2006</u>	<u>2005</u>
Current up to 30 days	-	-
31 days to 60 days	-	-
61 days to 90 days	-	304,446
More than 90 days	40,855,482	49,254,578
	40,855,482	49,559,024
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total	<u>18,855,482</u>	<u>27,559,024</u>

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

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

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

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

	<u>2006</u>	<u>2005</u>
Rupiah	40,855,482	23,707,947
US Dollar	-	25,851,077
	40,855,482	49,559,024
Less allowance for doubtful accounts	(22,000,000)	(22,000,000)
Total	<u>18,855,482</u>	<u>27,559,024</u>

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

For The nine Months Period Ended September 30, 2006 and 2005
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5. TRADE RECEIVABLES (Continued)

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

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

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

6. OTHER RECEIVABLES

This account consists of:

a. Third parties:

	<u>2006</u>	<u>2005</u>
PT Kilang Vecolina	53,189,804	70,573,470
PT Asia Makmur Lestari	1,988,392	14,387,553
Patients of Ibu Kartini Hospital	1,160,467	698,903
PT Tatar Anyar Indonesia	230,000	-
PT Unggul Sejahtera Abadi	-	24,000,000
Others (each below of Rp 100 million)	<u>3,852,029</u>	<u>2,735,291</u>
	60,420,692	112,395,217
Less allowance for doubtful accounts	(<u>64,710</u>)	(<u>64,710</u>)
Total	<u>60,355,982</u>	<u>112,330,507</u>

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

Receivable from PT Asia Makmur Lestari is receivable arising from novation of payables by PT Huma Indah Mekar, a Subsidiary.

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

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

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

For The nine Months Period Ended September 30, 2006 and 2005
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6. OTHER RECEIVABLES (Continued)

b. Related parties (see Note 41):

	<u>2006</u>	<u>2005</u>
Employee cooperative	10,206,971	570,304
Staff and employee	6,793,848	3,725,559
Total	<u>17,000,819</u>	<u>4,295,863</u>

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

7. INVENTORIES

Inventories consist of:

	<u>2006</u>	<u>2005</u>
Raw materials		
Rubber	2,763,606	5,871,863
Fresh fruit bunches	491,679	262,700
	<u>3,255,285</u>	<u>6,134,563</u>
Work-in-process		
Rubber	210,722	78,151
Finished goods		
Rubber	35,524,964	11,117,318
Crude palm oil	12,011,223	1,090,997
Palm kernel	1,587,042	374,378
	<u>49,123,229</u>	<u>12,582,693</u>
Seedlings		
Rubber	3,517,938	1,216,704
Palm oil	1,082,765	282,349
	<u>4,600,703</u>	<u>1,499,053</u>
Materials and supplies		
Fertilizers and chemicals	11,977,365	18,268,686
Spare parts and supplies	9,100,596	7,122,846
	<u>21,077,961</u>	<u>25,391,532</u>
Total	<u>78,267,900</u>	<u>45,685,992</u>

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

7. INVENTORIES (Continued)

Certain inventories are covered by insurance against losses from fire and other risks under blanket policies amounting to Rp 7.63 billion and US\$ 2.76 million during the six months period ended September 30, 2006 and Rp 7.78 billion and US\$ 4.65 million during the six months period ended September 30, 2005, 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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8. PREPAID TAXES

This represents the value added tax (VAT -in)

9. PREPAID EXPENSES

This account represents prepayments of:

	<u>2006</u>	<u>2005</u>
Insurance	720,764	1,660,783
Counsellant	4,786,571	-
Salary & bonus	1,317,766	751,251
Rent	453,387	440,186
Others	456,775	1,182,609
Total	<u>7,735,263</u>	<u>4,034,829</u>

10. ADVANCES

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

	<u>2006</u>	<u>2005</u>
Contractor	6,771,333	6,315,862
Supplies	30,047,451	16,434,812
Total	<u>36,818,785</u>	<u>22,750,674</u>

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:

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

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11. INVESTMENTS IN SHARES OF STOCK (Continued)

	Percentage of ownership		Cost	
	2006	2005	2006	2005
PT United Sumatera Rubber Products	10.00%	10.00%	511,353	511,353
PT Sarana Jambi Ventura	2.29%	2.29%	167,925	149,377
PT Sarana Sumatera Barat Ventura	0.46%	0.46%	39,748	37,172
Total			719,026	697,902
Advance on investment in shares of stock:				
PT Prasetia Utama			1,000,000	1,000,000
			1,719,026	1,697,902
Less allowance for unrecoverable investment in shares of stock			(511,353)	(511,353)
Net			1,207,673	1,186,54

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

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

In 2002, PT Bakrie Pasaman Plantations (BPP), a Subsidiary, invested amounted to Rp 1 billion in 1,000 shares of stock of PT Prasetia Utama. The investment represents the conversion of project development cost to investment in shares of stock. As of September 30, 2006 and 2005, the above investment in shares of stock is still recorded as an advance for investment in shares of stock waiting for the completeness of administration requirements and approval from the Department of Justice and Human Rights of Republic of Indonesia.

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, 2006 and 2005, net due from a related party is amounting to Rp 4.10 billion and Rp 2.43 billion, respectively.

The Company has provided an allowance for doubtful accounts on due from a related party with BRI amounted to Rp 2.99 billion since 1999 because of financial difficulties experienced by BRI as a result of the decline in market demand for BRI's products. During the nine months period ended 30, 2006 and 2005, there was no mutation of allowance for doubtful accounts and the Company's management believes that the allowance for doubtful accounts is adequate to cover possible losses from non-collectible of the accounts.

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Notes to Consolidated Financial Statements (Continued)

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13. DUE FROM PLASMA

This account consists of:

	<u>2006</u>	<u>2005</u>
a. Primary Cooperative Credit for the Members (KKPA)	24,546,110	41,542,075
b. Perkebunan Inti Rakyat (PIR) - Plasma	6,617,629	15,956,245
Net	<u>31,163,739</u>	<u>57,498,320</u>

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

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

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

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

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

14. PLANTATIONS

Plantations consist of:

- a. Mature Plantations

	<u>2006</u>			
	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deduction</u>	<u>Ending Balance</u>
<u>Carrying Value</u>				
Rubber	228,159,481	11,314,330	1,179,252	238,294,559
Oil palm	<u>355,021,469</u>	<u>10,226,852</u>	<u>-</u>	<u>365,248,321</u>
	<u>583,180,950</u>	<u>21,541,182</u>	<u>1,179,252</u>	<u>603,542,880</u>

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

2006				
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Accumulated Depreciation</u>				
Rubber	59,852,296	6,919,741	830,097	65,941,940
Oil palm	118,446,950	12,995,518	-	131,442,468
	178,299,246	19,915,259	830,097	197,384,408
Net Book Value	404,881,704			406,158,472
2005				
	Beginning Balance	Addition	Deduction	Ending Balance
<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
	510,059,916	21,725,075	3,436,988	528,348,003
<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
	156,587,440	17,976,632	2,081,300	172,482,772
Net Book Value	353,472,476			355,865,231

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

	2006 (In Ha)	2005 (In Ha)
Kisaran - North Sumatera	15,860	15,732
Pasaman - West Sumatera	8,412	8,663
Tungkal Ulu - Jambi	3,994	3,993
Tulang Bawang Tengah - Lampung	3,669	3,694
Bengkulu	2,078	-
Total	34,013	32,082

a. Mature Plantations (Continued)

Beginning balance of mature rubber plantations in 2006, include excess acquisition cost over the fair value of mature plantations in relation with an independent appraisal report from acquisition of PT Air Muring by PT Huma Indah Mekar, a Subsidiary. The excess is amounting to Rp 40.37 billion. Depreciation expense of mature plantations arising from the excess acquisition

14. PLANTATIONS (Continued)

cost over the fair value above during the six months period ended September 30, 2006 is amounting to Rp 1.01 million. Accumulated depreciation of rubber mature plantations arising from the excess acquisition cost over the fair value above is amounting to Rp 1.23 million.

Depreciation expense of mature plantations for the nine months period ended september 30, 2006 and 2005 is amounting to Rp 19.92 billion and Rp 17.98 billion, respectively.

b. Immature Plantations

2006			
Beginning Balance	Additional Cost	Reclass to Mature	Ending Balance

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<u>Carrying Value</u>				
Rubber	64,389,131	31,520,915	12,009,198	83,900,848
Oil palm	<u>25,382,051</u>	<u>7,941,641</u>	<u>13,897,896</u>	<u>19,425,796</u>
Total	<u>89,771,182</u>	<u>39,462,556</u>	<u>25,907,094</u>	<u>103,326,644</u>

2005

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

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

	<u>2006 (In Ha)</u>	<u>2005 (In Ha)</u>
Kisaran - North Sumatra	3,406	3,181
Tungkal Ulu - Jambi	424	419
Bengkulu	<u>255</u>	-
Total	<u>4,085</u>	<u>3,600</u>

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14. PLANTATIONS (Continued)

b. *Immature Plantations (Continued)*

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

Immature plantations represent expenditures for the development of rubber and oil palm plantations, which include cost for field preparation, planting, fertilizing, maintenance and borrowing costs. During the six months period ended September 30, 2006 and 2005, no interest expense was capitalized.

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

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

15. PROPERTY, PLANT AND EQUIPMENT

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

	2006			
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Carrying Value</u>				
<u>Direct Ownership</u>				
Land	24,092,021	23,400	-	24,115,421
Roads, bridges and ditches	30,260,498	3,449,905	33,627	33,676,776
Buildings and improvements	90,191,854	5,893,378	148,750	95,936,482
Machinery and equipment	163,131,996	7,830,189	706,975	170,255,210
Transportation equipment	22,547,128	2,777,138	281,896	25,042,371
Furniture and office equipment	<u>11,942,473</u>	<u>1,371,956</u>	<u>332,404</u>	<u>12,982,025</u>
Total	<u>342,165,970</u>	<u>21,345,967</u>	<u>1,503,652</u>	<u>362,008,285</u>
<u>Asset Under Capital Lease</u>				
Transportation equipment	6,375,648	13,000	11,527	6,377,120

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2006			
	Beginning Balance	Addition	Deduction	Ending Balance
Construction-in-Progress				
Roads, bridges and ditches	2,158,002	6,422,489	2,880,368	8,257,838
Buildings and improvements	26,738,286	24,678,579	5,219,251	46,197,613
Machinery and equipment	14,752,997	2,772,127	4,921,231	14,250,919
ORACLE application software	1,250,000	413,335	505,961	1,157,374
Transportation equipment	-	10,235	-	10,235
Total	49,104,027	-	-	-
Total Carrying Value	397,645,645	55,655,730	15,041,990	438,259,384
Accumulated Depreciation and Amortization Direct Ownership				
Roads, bridges and ditches	11,101,452	651,182	23,095	11,729,540
Buildings and improvements	34,270,416	5,254,240	139,184	39,385,473
Machinery and equipment	60,583,794	9,324,425	652,350	69,255,870
Transportation equipment	13,129,448	2,071,665	179,543	15,021,570
Furniture and office equipment	7,205,445	1,505,384	293,756	8,417,073
Total	126,290,555	18,806,897	1,287,928	143,899,526
Asset Under Capital Lease	-	-	-	-
Transportation equipment	2,126,196	523,592	-	2,649,787
Total Accumulated Depreciation and Amortization	128,416,754	19,330,488	1,287,928	146,459,312
Net Book Value	269,228,894	-	-	291,800,071
2005				
	Beginning Balance	Addition	Deduction	Ending Balance
Carrying Value Direct Ownership				
Land	28,163,863	-	8,606,332	21,476,266
Roads, bridges and ditches	24,829,217	4,269,562	-	27,180,043
Buildings and improvements	93,609,844	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	16,233,595	2,143,885	820,340	19,044,326
Furniture and office equipment	10,091,337	765,941	756,514	10,100,764
Total	424,591,615	41,862,904	148,698,205	319,243,500
Asset Under Capital Lease	-	-	-	-
Transportation equipment	5,168,908	4,089,857	-	7,771,579

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2005			
	Beginning Balance	Addition	Deduction	Ending Balance
<u>Construction-in-Progress</u>				
Roads, bridges and ditches	3,572,287	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	45,997,742	5,910,612	39,947,327	11,961,027
ORACLE application software	2,200,000	622,998	-	2,822,998
Transportation equipment	-	443,453	371,750	71,703
Furniture and office equipment	-	1,366,804	-	1,366,804
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 improvements	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	10,846,342	1,375,286	510,163	12,035,253
Furniture and office equipment	6,130,622	1,216,637	713,674	6,633,585
Total	172,009,905	16,226,845	71,124,972	117,435,567
<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

The details of depreciation charged are as follows:

	2006	2005
Cost of goods manufactured	15,713,483	14,493,679
General and administrative expense	3,617,005	2,373,600
Total	19,330,488	16,867,279

Beginning balance of property, plant and equipment in 2006, include excess acquisition cost over the fair value of property, plant and equipment in relation with an independent appraisal report from acquisition of PT Air Muring by PT Huma Indah Mekar, a Subsidiary. The excess is amounting to Rp 3.2 billion. Depreciation expense of property, plant and equipment arising from the excess acquisition cost over the fair value above for the nine months period ended September 30, 2006 is amounting to Rp 161.21 million. Total accumulated depreciation arising from the excess acquisition cost over the fair value above amounting to Rp 197.04 million.

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Notes to Consolidated Financial Statements (Continued)

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

16. GOODWILL

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

	<u>2006</u>	<u>2005</u>
Balance at beginning of the period	87,969,847	92,687,643
Less amortization, presented under "Other Income (Expenses) - Miscellaneous Net" in the consolidated statements of income	(<u>3,538,949</u>)	(<u>3,538,949</u>)
Balance at end of the period	<u>84,430,898</u>	<u>89,148,694</u>

17. RESTRICTED FUNDS

Restricted funds consist of:

	<u>2006</u>	<u>2005</u>
a. PT Bank Niaga	44,539,500	-
b. PT Bank Muamalat Indonesia	3,620,000	3,620,000
c. PT Bank Danamon Indonesia Tbk. :		
Current account	159,221	159,221
Time deposits	-	8,628,118
d. PT Bank Pembangunan Daerah Sumatera Barat	<u>70,270</u>	<u>605,453</u>
Total	<u>48,388,991</u>	<u>13,012,792</u>

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
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17. RESTRICTED FUNDS (Continued)

- a. Time deposits of PT Bakrie Pasaman Plantations (BPP), a Subsidiary, at PT Bank Niaga are pledged as collateral for the loan obtained by KUD Sungai Aur, KUD Parit and Koptan Silawai under supervision of BPP for the development of oil palm plantations owned by the members of the Cooperatives in Pasaman. BPP acts as the developer of the plantations and as guarantor of such loan.
- 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 42 point d).
- c. Cash in banks, time deposits, and non-interest bearing time deposits represent cash balances of PT Agrowiyana (Agro), a Subsidiary, placed in PT Bank Nusa Nasional (BNN), related party. Since 2000, this account has been transferred to PT Bank Danamon Indonesia Tbk. (Danamon), since BNN was merged with Danamon.(see Note 42 point c).
- d. The account of cash and cash equivalent (the cash account) placed in PT Bank Pembangunan Daerah Sumatera Barat represents the cash owned by the plasma farmers who are members of some Koperasi Unit Desa, which are under supervision of PT Bakrie Pasaman Plantations (BPP), a Subsidiary. The usage of cash account is managed by BPP but limited to the purpose and need of the plasma farmers. This account incurred in connection to the purchases of fresh fruit bunches made by the Company from the plasma farmers. This cash is used for the operating expenses of the plasma farmer estates and the installment of loan to the Bank (see Notes 42 point c1 and c2).

18. BUSINESS DEVELOPMENT PROJECT

	<u>2006</u>	<u>2005</u>
Central Kalimantan Project	20,139,277	2,236,846
Tebo Project	21,547,725	5,611,504
Sarolangun Project	9,663,097	4,147,826
Biodiesel Project	584,459	-
Batanghari Project	122,451	109,158
Tembilahan Project	-	151,710
Total	<u>52,057,009</u>	<u>12,257,044</u>

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

Until September 30, 2006, the development project plan of oil palm plantations in Central Kalimantan is still in blocking area, while the area for seedling of oil palm is still in progress and has already available for seedling oil palm for 26 Ha. The number of seedlings grown at the seedling sites is 1,043,326 seeds. Total disbursement until September 30, 2006 is amounting to Rp 20.14 billion, which consists of seedling, infrastructure and equipment, operational expense.

18. BUSINESS DEVELOPMENT PROJECT (Continued)

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
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Until September 30, 2006, the development project plan of oil palm plantations in Kabupaten Muara Tebo has already reached operations of the land clearing stage area for oil palm seedlings and has already used to seed oil palm which is located in Tebo I of 18.0 Ha and Tebo II of 28.5 Ha. The receipt of seedlings is amounted to 632,203 seeds. Total disbursement until September 30, 2006 is amounting to Rp 21.55 billion, which consists of seedling, infrastructure and equipment, operational expense and land acquisition cost.

Until September 30, 2006, the development project plan of oil palm plantations in Kabupaten Sarolangun has already reached operations of the land clearing stage area for oil palm seedlings and has already used to seed oil palm for 13.86 Ha and the receipt of seedlings is amounted to 411.137 seeds. Total disbursement until September 30, 2006 is amounting to Rp 9.67 billion, which consists of seedling, infrastructure and equipment, operational expense and land acquisition cost. As of September 30, 2006, 54.6 hectares has been planted.

19. DEFERRED CHARGES

In 2006, this account represents cost of loan obtained by the Company from RZB - Austria, Singapore branch for refinancing the existing loan of the Company obtained from Credit Suisse First Boston, Singapore. Regarding to the transaction above, as of September 30, 2006 the deferred charges is amounting to Rp 32.30 billion.

20. DEFERRED CHARGES OF LANDRIGHTS

This account consists of:

	<u>2006</u>	<u>2005</u>
Deferred charges of landright	12,130,688	10,416,812
Accumulated amortization	(840,465)	(494,577)
Total	<u>11,290,223</u>	<u>9,992,235</u>

21. TRADE PAYABLES - THIRD PARTIES

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

	<u>2006</u>	<u>2005</u>
<u>US Dollar:</u>		
PT Riau Alamindo Sejahtera (US\$ 2,402,889 in 2006 and US\$ 1,611,947 in 2005)	22,190,677	16,619,177
PT Sumber Agrindo Sejahtera (US\$ 459,355 in 2006)	4,242,140	-
PT Sari Persada Raya (US\$ 123,821 in 2006)	1,143,486	-

21. TRADE PAYABLES - THIRD PARTIES (continued)

	<u>2006</u>	<u>2005</u>
PT Multimas Chemindo (US\$ 237,957 in 2006 and US\$ 139,216 in 2005)	2,197,534	1,435,312

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PT Rolimex Kimia Nusamas (US\$ 23,935 in 2006 and US\$ 88,155 in 2005)	221,038	908,876
PD Sumber Jaya (US\$ 20,016 in 2006)	184,845	-
PT Gresik Cipta Sejahtera (US\$ 19,281 in 2006)	178,065	-
Mardec Nusa Riau (US\$ 12,490 in 2006)	115,343	-
Others (each below of Rp 500 million)	151,889	436,172
	30,625,017	19,399,537
Rupiah:		
PT Kwalaintan Sawit Selatan	4,042,879	1,789,044
PT Riau Alamindo	2,906,718	226,753
PT Ukindo	867,766	-
PT Torpika Abadi	693,750	693,750
PT Gresik Cipta Sejahtera	516,260	-
PT Sumber Agrindo Sejahtera	-	7,490,594
PT Intan Surya Pratama	-	5,196,494
Mardec Nusa Riau	-	1,700,709
Adei Plantation	-	1,667,167
Others (each below of Rp 500 million)	12,264,590	8,508,860
	21,291,963	27,273,371
Total	51,916,980	46,672,908

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

	2006	2005
Current up to 30 days	24,045,297	13,184,721
31 days to 60 days	17,879,962	5,736,478
61 days to 90 days	5,712,709	2,577,879
Over than 90 days	4,279,013	25,173,830
Total	51,916,980	46,672,908

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21. TRADE PAYABLES - THIRD PARTIES (Continued)

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

	<u>2006</u>	<u>2005</u>
US Dollar	21,291,963	27,273,371
Rupiah	30,625,017	19,399,537
Total	<u>51,916,980</u>	<u>46,672,908</u>

22. OTHER PAYABLES

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

	<u>2006</u>	<u>2005</u>
<u>Third parties:</u>		
UD Pertiwi	3,078,324	-
PT Bintika Kusuma	2,933,425	805,304
PT ADEI	2,734,625	-
PT Karya Mitra Andalan	2,653,617	-
PT S, Pandawa	1,317,483	-
PTP Nusantara III	1,252,248	-
PT Ogy Karya Pratama	837,951	-
PT Triroyal Timur Raya	673,450	9,935,312
PT Putra Utama Karya	610,026	-
CV Prima	579,934	-
CV Pribumi Jaya	-	667,564
Others (each below of Rp 500 million)	6,001,560	4,517,834
	<u>22,672,643</u>	<u>15,926,014</u>
<u>Related parties (see Note 41):</u>		
PT Dana Pensiun Bakrie	1,535,986	4,325,170
PT Bakrie Corrugated Metal Industry	242,593	-
Koperasi Karyawan	-	2,975,024
	<u>1,778,579</u>	<u>7,300,194</u>
Total	<u>24,451,222</u>	<u>23,226,208</u>

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:

	<u>2006</u>	<u>2005</u>
Salaries and fringe benefits	20,449,846	18,814,220
Professional fees	327,909	135,017
Tax penalty	101,602	-
Interest	-	467,367
Jamsostek	-	42,838
Others	988,772	1,808,365
Total	<u>21,868,129</u>	<u>21,267,807</u>

24. TAXES PAYABLE

Taxes payable consist of:

	<u>2006</u>	<u>2005</u>
<u>Income taxes:</u>		
Article 21	647,251	160,094
Article 23	84,207	401,101
Article 26	3,178,722	1,389,035
Article 29	46,935,700	10,443,524
Land and Building Tax	373,307	2,710,652
Local Government Tax	284	808
Total	<u>51,219,471</u>	<u>15,105,214</u>

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:

	<u>2006</u>	<u>2005</u>
PT Multimas Nabati	11,813,558	-
PT Swasthi Parama Mulya	2,778,025	-
PT Musim Mas	2,034,987	2,533,481
PT Bridgestone Sumatra Rubber Estate	1,798,797	-
PT Bukit Kapur Reksa	1,465,211	-
PT Inti Benua Perkasatama	674,545	-
Tong Teik Pte, Ltd., Singapura	50,924	1,756,764
Leonard Djajali	-	13,308,581
PT Kepok Raja Medan	-	4,160,373
PT Sri Sumatera Sejahtera	-	3,261,555
PT Arco	-	1,802,017
PT Emha	-	992,140
Others (each below of Rp 500 million)	2,803,718	5,126,964
Total	<u>23,419,765</u>	<u>32,941,875</u>

26. LONG-TERM DEBTS

Long-term debts consist of the following:

	<u>2006</u>	<u>2005</u>
<u>Third parties:</u>		
a. Credit Suisse, Singapura		

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	(US\$ 48,759,996 in 2005)	-	502,715,559
b.	PT Bank Mandiri (Persero) Tbk., Jambi - Pinjaman Proyek Perkebunan Inti Rakyat	-	1,239,238
c.	PT Bank Niaga Tbk.	-	11,691,755
d.	PT Bank Mandiri Tbk. (Persero) (KI Efektif on US\$) (US\$ 1,304,060 in 2005)	-	13,444,862
	PT Bank Mandiri Tbk. Persero (KI IDC on US\$) (US\$ 88,654 in 2005)	-	914,027
	PT Bank Mandiri Tbk (Persero) (KMK on Rp)	-	7,800,000
	PT Bank Mandiri Tbk (Persero) (KI Efektif on Rp)	-	11,511,549
	PT Bank Mandiri Tbk (Persero) (KI IDC on Rp)	-	1,433,124
e.	Raiffezen Zentralbank, Osterreich AG (RZB- Austria) Singapura (US\$ 62,500,000 in 2006)	577,187,500	-
f.	Procurement of operational vehicle	<u>921,459</u>	<u>1,032,816</u>
	Total	<u>578,108,959</u>	<u>551,782,930</u>
Current portion of long-term debts:			
a.	Credit Suisse, Singapura (US\$ 1,960,000 in 2005)	-	20,207,600
b.	PT Bank Mandiri (Persero) Tbk., Jambi - Pinjaman Proyek Perkebunan Inti Rakyat	-	1,239,238
c.	PT Bank Niaga Tbk.	-	5,000,000
d.	PT Bank Mandiri Tbk. (Persero) (KI Efektif in US\$) (US\$ 156,867 in 2005)	-	1,617,300
	PT Bank Mandiri Tbk. Persero (KI IDC in US\$) (US\$ 7,779 in 2005)	-	80,201
	PT Bank Mandiri Tbk (Persero) (KMK in Rp)	-	7,800,000
	PT Bank Mandiri Tbk (Persero) (KI Efektif in Rp)	-	1,000,000
	PT Bank Mandiri Tbk (Persero) (KI IDC in Rp)	-	120,000
e.	Raiffezen Zentralbank, Osterreich AG (RZB- Austria) Singapura (US\$ 11,000,000 in 2006)	101,585,000	-
f.	Procurement of operational vehicle	<u>269,844</u>	<u>617,841</u>
	Total current portion of long-term debts	<u>101,854,844</u>	<u>37,682,180</u>
	Long-term portion - net - third parties	<u>476,254,115</u>	<u>514,100,750</u>

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
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26. LONG-TERM DEBTS (Continued)

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

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

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

Based on the agreement, the Company should pay yearly fee to the facility agent, security agent and account bank. As of September 30, 2005, the remaining balance of unamortized fee is presented as part of "Prepaid Expenses" (see Note 9) in the consolidated balance sheets.

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

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

During the nine months period ended September 30, 2005, the Company has installed the loan principal of US\$ 3.84 million (equivalent to Rp 37.85 billion) and interest of US\$ 2.57 million (equivalent to Rp 25.18 billion).

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

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

- c. Credit facility for special purpose from PT Bank Niaga Tbk. to PT Huma Indah Mekar (HIM), a Subsidiary, with maximum limit of Rp 15 billion. The facility can be changed at any time based on the agreement. The deadline to withdrawing the facility is on October 22, 2007. The facility was secured by two lots of land of 2,125.36 ha and 2,282 ha located in Lampung, Gunung Ujung Ilir and Gunung Ujung Udik, respectively (see Notes 15). The loan bears interest rate 12.75% per year and used for working capital and construction the rubber factory facilities in Lampung.

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26. LONG-TERM DEBTS (Continued)

- d. Investment credit facilities (KI), which were obtained from PT Bank Mandiri (Persero) Tbk. to PT Agro Mitra Madani (AMM), a Subsidiary, in Rupiah and US Dollar for 6 years since the first withdrawal include grace period for one and a half year and Interest During Construction credit facilities for 6 years since withdrawal investment credit facilities. The loan installment is 24 times quarterly started in third quarter of 2003. Investment credit facilities bears interest rate for KI in Rupiah and in US Dollar of 15.25% and 9.5% per year respectively, since September 1, 2005 the rates become 16% and 9.75% per year.

Working capital credit facility with loan period of 1 year since August 9, 2004 until August 8, 2005, bears interest rate of 15% a year, the loan was secured by inventories and receivables amounting to Rp 11.6 billion and property, plant and equipment amounting to Rp 70.5 billion (see *Notes 5 and 7*).

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

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

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

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

The loan is used to:

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

The repayment schedule of this loan is as follows:

1. Tranche A : based on the annual extended time in each year. The Company may extend its due date in a year of each year until 3 years or December 31, 2008.

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26. LONG-TERM DEBTS (Continued)

2. Tranche B: repayment in 12 installments quarterly starting in first quarter in 2006. The First quarter amounted to US\$ 1.5 million, second and third quarters amounted to US\$ 2.5 million and fourth quarter amounted US\$ 3.5 million.
3. Tranche C: payment for each year in 3 years amounted to US\$ 1 million for the first and second years, respectively, and US\$ 28 million for the third year.

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

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

The Company should pay to the agent as follows:

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

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

1. Keeping the ratio as determined below:

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

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

During the nine months period ended September 30, 2006, the Company has installed the loan principal of US\$ 6.5 million (equivalent to Rp 59.95 billion) and interest of US\$ v million (equivalent to Rp 28.32 billion).

- f. This represents loans obtained by the Company to purchase the Company's and the employee's vehicles on credit. For the employees' vehicle, the Company repays first and then deducts through employee's monthly salary in 36 monthly installments starting from date of credit approval. The schedule of installment payments for the period ended September 30, 2006 and 2005 ranges from 2006 to 2008 and 2005 to 2007, respectively. These loans are secured by documents of ownership of the assets financed by these loans.

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27. OBLIGATION UNDER CAPITAL LEASE

Details of the obligation under capital lease are as follows:

Lessor Company	Description	2006	2005
PT Astra International Auto 2000	Vehicle	277,873	652,966
PT Orix Indonesia Finance	Transportation equipment	193,968	880,333
PT Oto Multiartha	Vehicle	157,500	274,050
Kopkar Tungkal Ulu	Vehicle	3,886	6,847
PT Dipo Star Finance	Vehicle	-	67,103
PT Federal International Finance	Vehicle	-	8,633
Total		633,227	1,889,932
Less current maturities		(288,226)	(633,105)
Long-term portion		345,001	1,256,827

28. DUE TO A RELATED PARTY

	2006	2005
PT Bakrie & Brothers Tbk.	18,356,586	20,960,752

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

29. CAPITAL STOCK

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

2006			
Stockholders	Number of Shares	Percentage of Ownership	Amount
PT Bakrie & Brothers Tbk	652,680,000	28.00	65,268,000
qq Bakrie Sumatera Plantation	617,970,000	26.51%	61,797,000
Public	1,060,350,000	45.49%	106,035,000
Total	2,331,000,000	100.00%	233,100,000

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Notes to Consolidated Financial Statements (Continued)

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29. CAPITAL STOCK

	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

30. ADDITIONAL PAID-IN CAPITAL - NET

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

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

31. DIVIDENDS

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

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

Based on the Company's Shareholders' General Meeting held on June 24, 1999 and June 29, 1998, the shareholders approved the declaration of one-for-five stock dividend based on the market price of Rp 1,450 (full amount) per share totaling Rp 60.09 billion and cash dividend totaling Rp 15.54 billion or Rp 75 (full amount) per share to the registered shareholders as of July 21, 1999 and July 28, 1998 and were paid starting August 19, 1999 and August 27, 1998.

As of September 30, 2006 and 2005, dividends payable amounted to Rp 979.05 billion and Rp 750.12 million, respectively.

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32. NET SALES

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

	<u>2006</u>	<u>2005</u>
Rubber	420,615,439	283,566,479
Oil palm and derivatives	382,755,006	324,456,679
Fresh fruit bunches	<u>86,085,229</u>	<u>71,045,556</u>
Total before elimination	889,455,674	679,068,714
Elimination	(<u>87,787,076</u>)	(<u>72,637,548</u>)
Total after elimination	<u>801,668,598</u>	<u>606,431,166</u>

During the nine months period ended September 30, 2006 and 2005, total sales to related parties amounted to Rp 87.79 billion or (9.87% of total sales) and Rp 72.64 billion or (10.7% of total sales), respectively.

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

	<u>Amount</u>		<u>Percentage to Total Net Sales</u>	
	2006 (nine months)	2005 (nine months)	2006 (nine months)	2005 (ninemonths)
Customers				
PT Musim Mas	141,375,227	171,487,058	16 %	25 %
PT Agro Mitra Madani, a Subsidiary *)	85,841,007	70,818,746	10	10
Others (each below of 10%)	<u>662,239,440</u>	<u>436,762,910</u>	<u>74</u>	<u>75</u>
Total	<u>889,455,674</u>	<u>679,068,714</u>	<u>100.00%</u>	<u>100.00%</u>

*) In 2006 and 2005, eliminated

33. COST OF GOODS SOLD

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

	<u>2006</u>	<u>2005</u>
Company :		
COGS-Rubber	204,590,2330	165,463,647
COGS-Oil Palm and derivatives	79,017,159	36,355,873
COGS-FFB	<u>303,341</u>	<u>292,318</u>
COGS-Company	<u>283,910,733</u>	<u>202,111,838</u>
Subsidiaries:		
COGS-Rubber	29,587,039	18,545,459
COGS-Oil Palm and derivatives	210,291,529	188,107,116
COGS-FFB	<u>75,331,564</u>	<u>65,067,816</u>
COGS-Subsidiaries	<u>315,210,132</u>	<u>271,720,391</u>

33. COST OF GOODS SOLD (continued)

	<u>2006</u>	<u>2005</u>
Total before elimination	599,120,865	473,832,229
Elimination	(<u>87,787,076</u>)	(<u>72,637,548</u>)
Total after elimination	<u>511,333,789</u>	<u>401,194,681</u>

34. OPERATING EXPENSES

PT Bakrie Sumatera Plantations Tbk. and Subsidiaries
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The details of operating expenses are as follows:

	<u>2006</u>	<u>2005</u>
<u>Selling Expenses:</u>		
Docking and loading	7,325,880	2,706,159
Sales and bank commissions	829,214	604,797
Others	51,644	330,113
Selling expenses	<u>8,206,738</u>	<u>3,641,069</u>
<u>General and Administrative Expenses:</u>		
Salaries and fringe benefits	23,490,685	19,197,302
Professional fees	9,621,353	4,459,781
Saparation cost	1,894,958	479,973
Travelling	3,267,745	2,375,249
Employee retirement benefit (see Note 39)	5,038,902	6,761,285
Depreciation and amortization (see Note 15)	3,617,005	2,373,600
Other administrative expenses (each below of Rp 1 billion)	<u>18,481,382</u>	<u>13,924,002</u>
	<u>65,412,030</u>	<u>49,571,192</u>
General charges capitalized to immature plantations	(8,326,762)	(7,999,545)
General and Administrative Expenses - net	<u>57,085,268</u>	<u>41,571,647</u>
Total Operating Expenses	<u>65,292,006</u>	<u>45,212,716</u>

35. INTEREST AND FINANCIAL EXPENSES

The details of interest and financial expenses are as follows:

	<u>2006</u>	<u>2005</u>
Raiffesen Zentralbank (RZB) - Austria	29,604,357	-
Credit Suisse First Boston, Singapore	7,107,410	25,178,074
Bank administration	4,952,141	301,714
Transportation equipment loan	231,562	229,195
PT Bank Mandiri (Persero) Tbk.	991,851	4,530,024
PT Bank Niaga Tbk.	-	1,292,019
Others	-	93,781
Total - Net	<u>42,887,321</u>	<u>31,624,807</u>

36. MISCELLANEOUS - NET

The details of miscellaneous - net are as follows:

	<u>2006</u>	<u>2005</u>
Amortization of goodwill	(3,538,949)	(3,538,949)
Tax Penalty	-	(1,118,993)
Others - net	<u>2,275,410</u>	<u>(1,341,504)</u>
Total - Net	<u>(1,263,539)</u>	<u>(5,999,446)</u>

37. INCOME TAX

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

	<u>2006</u>	<u>2005</u>
<u>Current tax</u>		
Company	(27,176,630)	(5,060,828)
Subsidiaries	(40,293,293)	(21,270,929)

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Deferred tax		
Company	(2,722,963)	(2,925,913)
Subsidiaries	(122,821)	24,861
Total	70,315,707	29,232,809

a. Current Tax

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

	<u>2006</u>	<u>2005</u>
Income before provision for income tax per consolidated statements of income (after extraordinary item)	213,265,335	94,607,643
Additions (deductions):		
Income of Subsidiaries before provision for income tax	(118,214,579)	(71,820,878)
Company's portion on income of Subsidiaries	74,259,516	47,035,861
Amortization of goodwill	3,538,949	3,538,949
Income before provision for income tax attributable to the Company	172,849,221	73,361,574

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37. INCOME TAX (Continued)

a. Current tax (Continued)

	<u>2006</u>	<u>2005</u>
Fiscal correction:		
Timing differences:		
Capitalization of general charges	(8,326,762)	(7,999,545)
Depreciation and amortization of property, plant and equipment	(749,781)	(1,753,498)
Total timing differences	(9,076,543)	(9,753,043)
Permanent differences:		
Non deductible expenses	1,626,473	455,971
Company's portion on income of Subsidiaries	(74,259,516)	(47,035,861)
Interest income subjected to income tax article 23 final	(562,407)	(159,214)
Total permanent differences	(73,195,450)	(46,739,104)
Estimated income (loss) of the Company	<u>90,577,228</u>	<u>16,869,428</u>

The calculation of current income tax expenses is as follows:

	<u>2006</u>	<u>2005</u>
Provision for income tax - current:		
Company	27,176,630	5,060,828
Subsidiaries	40,293,293	21,270,929
Total provision for income tax - current	<u>67,469,923</u>	<u>26,331,757</u>

	<u>2006</u>	<u>2005</u>
Prepayment of income tax:		
Company:		
Article 22	84,280	223,000
Article 25	7,855,832	-
Fiscal tax	89,000	-
	<u>8,029,112</u>	<u>223,000</u>
Subsidiaries:		
Article 22	37,031	26,328
Article 23	140,886	-
Article 25	8,306,434	3,186,494
	<u>8,484,352</u>	<u>3,212,822</u>
Total prepayment of income tax	<u>16,513,464</u>	<u>3,435,822</u>

37. INCOME TAX (Continued)

	<u>2006</u>	<u>2005</u>
Estimated income tax payable (Article 29) for the current year:		
Company	19,147,518	4,837,828
Subsidiaries	31,808,942	18,058,107
	<u>50,956,460</u>	<u>22,895,936</u>

b. Deferred tax

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

	<u>2006</u>	<u>2005</u>
Estimated deferred income tax on timing differences using the maximum tax rate (30%)		
Company:		
Capitalization of general charges	(2,498,029)	(2,399,864)
Depreciation and amortization of property, plant and equipment	(224,935)	(526,049)
Deferred income tax - Company	(2,722,963)	(2,925,913)
Deferred income tax - Subsidiaries:		
PT Huma Indah Mekar	(15,328)	24,861
PT Air Muring	(107,493)	-
Total deferred income tax - Subsidiaries	(122,821)	24,861
Estimated deferred income tax	(2,845,784)	(2,901,052)

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

	<u>2006</u>	<u>2005</u>
<u>Deferred Tax Asset</u>		
Subsidiaries:		
PT Bakrie Pasaman Plantations	3,649,123	-
PT Huma Indah Mekar	996,327	786,972
PT Agro Mitra Madani	-	1,170,308
Total deferred income tax assets in the consolidated financial statements	4,645,449	1,957,280

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38. INCOME TAX (Continued)

b. Deferred tax (Continued)

	2006	2005
<u>Deferred Tax Liabilities</u>		
Company:		
Provision for retirement benefit	6,609,994	-
Capitalization of general expense	(10,322,154)	-
Allowance for unrecoverable investment in shares of stock and doubtful accounts - net	14,012,217	14,012,217
Allowance for bad debt expense	1,800,000	1,800,000
Capital lease transaction	24,328	24,328
Net book value of property, plant and equipment	(18,707,367)	(24,148,020)
Sales correction	(475,063)	(1,050,072)
Deferred foreign exchange difference	(2,266,578)	(4,516,578)
	(9,324,623)	(13,878,125)
Subsidiaries:		
PT Bakrie Pasaman Plantations	(6,725,334)	(16,695,358)
PT Agrowiyana	(3,447,068)	(4,164,282)
PT Agro Mitra Madani	(466,066)	-
PT Air Muring	(367,512)	-
	(11,005,980)	(20,859,640)
Total deferred income tax liabilities in the consolidated financial statements	(20,330,603)	(34,737,765)
Deferred tax assets (liabilities) - net	(15,685,153)	(32,780,484)

38. RETIREMENT BENEFITS

The Company and Subsidiaries have the following retirement benefit plans:

Defined retirement benefit plan

The Company and Subsidiaries have defined retirement benefit plans covering substantially all of their eligible permanent employees. The pension plan's assets of the Company and Subsidiaries are being managed by Dana Pensiun Bakrie, which was established based on the decision letter of the Ministry of Finance of the Republic of Indonesia. The retirement benefit costs charged to operations (current service cost and amortization of past service cost) are based on actuarial valuation. This plan has been effective since January 1, 1996 for the Company and June 9, 1999 for the Subsidiaries.

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

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38. RETIREMENT BENEFITS (Continued)

As of September 30, 2006 and 2005, the Company and Subsidiaries provide an allowance for retirement benefit based on the latest calculation of PT Sienco Aktuarindo Utama, an independent actuary firm as of December 31, 2005, whose report dated March 1, 2006, using the "Projected Unit Credit" method with assumption are as follows:

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

39. BASIC INCOME PER SHARE

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

<u>Earning</u>	<u>2006</u>	<u>2005</u>
Net income	142,949,628	65,374,833
<u>Number of shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average of shares to compute income per share	2,331,000,000	2,331,000,000
Basic income per share (full amount)	<u>61</u>	<u>28</u>

40. BALANCES AND TRANSACTION WITH RELATED PARTIES

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

<u>No.</u>	<u>Related Parties</u>	<u>Relationship</u>	<u>Nature of Transaction</u>
1.	PT Bakrie Rubber Industry	Affiliated	Trade receivable and interest revenue
2.	PT Bakrie & Brothers Tbk.	Affiliated	Payable of reimbursement expense
3.	Dana Pensiun Bakrie	Affiliated	Contribution payable
4.	PT 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

40. BALANCES AND TRANSACTION WITH RELATED PARTIES (Continued)

<u>No.</u>	<u>Related Parties</u>	<u>Relationship</u>	<u>Nature of Transaction</u>
9.	BPP Foundation	Affiliated	Other receivable
10.	Employees	Affiliated	Employee receivable

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

	Amount		Percentage to Total Assets/Liabilities Revenues/Expenses	
	2006	2005	2006	2005
	Rp	Rp	%	%
<u>Account receivables (see Note 5):</u>				
PT Bakrie Rubber Industry	40,855,482	49,559,024	2.842	4.082
Allowance for doubtful accounts	(22,000,000)	(22,000,000)	(1.530)	(1.812)
Total Related Parties - Net	18,855,482	27,559,024	1.312	2.270
<u>Other receivables (see Note 6):</u>				
Employee cooperative	6,793,848	3,725,559	0.473	0.307
Staff and employee	10,206,921	570,304	0.710	0.005
Total Related Parties - Net	17,000,819	4,295,863	1.183	0.354
	Amount		Percentage to Total Assets/Liabilities Revenues/Expenses	
	2006	2005	2006	2005
	Rp	Rp	%	%
<u>Investment in shares of stocks</u> <u>(see Note 11):</u>				
PT United Sumatera Rubber Product	511,353	511,353	0.036	0.042
PT Sarana Jambi Ventura	167,925	149,377	0.012	0.012
PT Sarana Sumatera Barat Ventura	39,748	37,172	0.003	0.003
	719,026	697,902	0.050	0.057
<u>Advance on investment in shares of stocks</u> <u>(see Note 11):</u>				
PT Prasetia Utama	1,000,000	1,000,000	0.070	0.082
	1,719,026	1,697,902	0.120	0.140
Provision for unrecoverable investment in shares of stocks	(511,353)	(511,353)	(0.036)	(0.043)
Total Related Parties - Net	1,207,673	1,186,549	0.084	0.097
<u>Due from a related party</u> <u>(see Note 12):</u>				
PT Bakrie Rubber Industry	7,093,649	5,423,958	0.493	0.447
Less allowance for doubtful account	(2,991,629)	(2,991,629)	(0.208)	(0.246)
Total Related Party - Net	4,102,020	2,432,329	0.285	0.200

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40. BALANCES AND TRANSACTION WITH RELATED PARTIES (Continued)

	Amount		Percentage to Total Assets/Liabilities Revenues/Expenses	
	2006	2005	2006	2005
<u>Due to a Related Party</u> <u>(see Note 29):</u>				
PT Bakrie & Brothers Tbk.	18,606,586	36,299,523	1.294	3.082
<u>Other payables (see Note 22):</u>				
Dana Pensiun Bakrie	1,535,986	4,325,170	0.107	0.356
Bakrie Corrugated Metal Industry	242,593	-	-	-
PT Asuransi Ikrar Lloyd	-	2,975,024	0.017	0.245
	1,778,579	7,300,194	0.124	0.651

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

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

41. 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.

42. AGREEMENTS AND COMMITMENTS

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

According to the agreement, the Company agreed to:

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

- b. On June 14, 2005, PT Bakrie Pasaman Plantations (BPP), a Subsidiary, entered into cooperation agreement with Koperasi Unit Desa Sungai Aur I (KUD SA I) to oil palm plantations management, improvement and financing. Meanwhile on June 17, 2005, BPP entered into the same agreement with Koperasi Unit Desa Parit. On August 14, BPP entered into the agreement with koperasi tani (koptan) Silawai Jaya. The areas are 4,570 hectares for KUD SA I, 1.800 hectares for KUD Parit and 277 hectares for koptan Silawai Jaya.

42. AGREEMENTS AND COMMITMENTS (continued)

In relation to the agreement, BPP agreed to:

- Buy the whole yield of oil palm plantations of KUD SA I and KUD Parit

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- Deduct revenue of FFB (before deductions of production cost) for 30% for KUD SA I and 35% for KUD Parit

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

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

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

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

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

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

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

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

- 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. At the end of 2005, the percentage of completion has reached 100%.

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42. AGREEMENTS AND COMMITMENTS (continued)

- 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 design 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).

43. 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:

	2006			
	<u>Rubber</u>	<u>Oil palm and Derivatives</u>	<u>Elimination</u>	<u>Consolidated</u>
REVENUES				
External parties	420,615,439	468,840,235	87,787,076	801,668,598
COST OF GOODS SOLD				
External parties	<u>234,177,272</u>	<u>364,943,593</u>	<u>87,787,076</u>	<u>511,333,789</u>
RESULT				
Segment result	<u>186,438,167</u>	<u>103,896,642</u>	<u> </u>	<u>290,334,809</u>
OPERATING EXPENSES UNALLOCATED				<u>65,292,006</u>
OPERATING PROFIT				225,042,803
Interest and financial expenses			(42,887,321)	
Gain (loss) on foreign exchange - net			30,795,437	
Others - net			<u>134,416</u>	

43. SEGMENT INFORMATION (Continued)

	2006			
	Rubber	Oil palm and Derivatives	Elimination	Consolidated

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					2005				
					Rubber	Oil palm and Derivatives	Elimination	Consolidated	
INCOME BEFORE TAX									213,265,335
TAX EXPENSE									(70,315,707)
NET INCOME									<u>142,949,628</u>
Segment Assets									
Plantations	256,253,466		253,231,649						509,485,115
Machineries and equipment	16,304,907		187,883,673						204,188,580
Investment in associate companies	234,968,926		356,473,385			(590,234,638)			1,207,673
Unallocated assets									<u>719,504,162</u>
Total Assets	<u>464,493,775</u>		<u>797,588,707</u>			<u>(590,234,638)</u>			<u>1,434,385,530</u>
Segment liabilities	56,363,829		129,174,993			(10,271,637)			175,267,184
Unallocated liabilities	-		-			-			646,420,247
Equity	-		-			-			<u>612,698,098</u>
Total Liabilities and Equity	<u>56,363,829</u>		<u>129,174,993</u>			<u>(10,271,637)</u>			<u>1,434,385,530</u>
2005									
Oil palm and									
					Rubber	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	<u>99,557,373</u>		<u>105,679,112</u>			<u>-</u>			<u>205,236,485</u>
OPERATING EXPENSES									
UNALLOCATED									<u>45,212,716</u>
OPERATING PROFIT									160,023,769
Interest and financial expenses									(31,624,807)
Gain (loss) on foreign exchange - net									(49,109,342)
Others - net									<u>15,318,022</u>
INCOME BEFORE TAX									94,607,642
TAX EXPENSE									(29,232,809)
NET INCOME									<u>65,374,833</u>
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	-		-			-			<u>517,578,900</u>

43. SEGMENT INFORMATION (Continued)

					2005				
					Rubber	Oil palm and Derivatives	Elimination	Consolidated	
Total Assets	<u>326,565,831</u>		<u>755,249,141</u>			<u>(390,093,551)</u>			<u>1,209,300,340</u>
Segment Liabilities	671,030,787		44,733,228			-			715,764,015
Unallocated liabilities	-		-			-			22,377,301
Equity	-		-			-			<u>459,964,828</u>
Total Liabilities and Equity	<u>671,030,787</u>		<u>44,733,228</u>			<u>-</u>			<u>1,209,300,340</u>

44. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

2006

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	— Foreign Currency —	— Equivalent Rupiah —
Assets:		
Current:		
Cash and cash equivalent	US\$ 5,977,704	55,204,096
Trade receivable	US\$ 4,291,979	39,636,425
Liabilities:		
Short-term:		
Trade payable	(US\$ 3,316,190)	(30,625,017)
Long-term loans matured within one year	(US\$ 11,000,000)	(101,585,000)
Long-term:		
Long-term loan - net of current portion matured within one year	(US\$ 51,500,500)	(<u>475,602,500</u>)
Monetary liabilities in foreign currency- net		(<u>512,971,995</u>)

2005

	— Foreign Currency —	— Equivalent Rupiah —
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)

44. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)

2005

	— Foreign Currency —	— Equivalent Rupiah —
Long-term:		
Long-term loan - net of current portion matured within one year	(US\$ 48,028,065)	(<u>495,169,347</u>)
Monetary liabilities in foreign currency - net		(<u>480,658,573</u>)

45. CONTINGENCIES

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

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Furthermore, the Company should relinquish the landright of 1,408 hectares gradually to be developed as places of worship, non-urban residences, traditional markets, trade centers, schools, etc. based on Local Government of Asahan Letter No. 620/4157 dated September 21, 1999. Up until the six months period ended June 30, 2006, the land allocated is 44 hectares. Projection of potential loss on relinquishing land rights of 1,364 hectares consists of:

- Rubber plantation: 873 hectares located in Tanah Raja and Serbangan with potential loss of production and severance pay were about 4,768 tons and Rp 2.98 billion for 182 employees, respectively;
 - Oil palm plantation: 491 hectares located in Tanah Raja with potential loss of production and severance pay were about 228,777 tons and Rp 868 million for 58 employees, respectively.
- c. On December 6, 2005, PT Shamrock Manufacturing Corpora (“Shamrock”) has sued to the District Court of South Jakarta against Plantations & General Investment PLC, as the first defendant (“PGI”), Bengkulu Rubber Company, as the second defendant (“BRC”), The Anglo Indonesia Corporation, as the third defendant (“AIC”), Rabobank International, as the fourth defendant and PT Air Muring, a Subsidiary, as the fifth defendant due to claim arised by one of Shamrock’s customer whereas Shamrock should pay a penalty of US\$ 28,426,294.75. The penalty was charged to Shamrock because of its failure to deliver the order. Based on Shamrock’s opinion the failure was caused by the cancellation made by PGI, BRC and AIC to sale their shares in PT Air Muring to Shamrock.

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

45. CONTINGENCIES (Continued)

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

Until the date of this report there is no court decision yet.

46. SUBSEQUENT EVENTS

On October 17, 2006, the Company has issued US\$ 110,000,000 10.75% Senior Secured Notes due 2011 by BSP Finance BV, a company incorporated under Dutch Law with 100% interest of the Company.

Senior Secured Notes was listed in Singapore Securities Trading Limited.