

***PT TUNAS BARU LAMPUNG Tbk***  
***AND ITS SUBSIDIARIES***

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED  
JUNE 30, 2005 AND 2004

**PT. TUNAS BARU LAMPUNG Tbk AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2005 AND 2004**

	<u>Notes</u>	<u>2005</u> <i>Rp '000</i>	<u>2004</u> <i>Rp '000</i>
NET SALES	2d, r, 18, & 23	659,916,462	562,603,723
COST OF GOODS SOLD	2d, r, 19, & 23	<u>540,024,767</u>	<u>451,323,371</u>
<b>GROSS PROFIT</b>		<b><u>119,891,695</u></b>	<b><u>111,280,352</u></b>
<b>OPERATING EXPENSES</b>	2r, 20		
Selling		33,629,797	23,649,632
General and administrative	2d,t, 9,15 & 23	<u>27,719,039</u>	<u>22,005,227</u>
<b>Total Operating Expenses</b>		<b><u>61,348,836</u></b>	<b><u>45,654,859</u></b>
<b>INCOME FROM OPERATIONS</b>		<b><u>58,542,859</u></b>	<b><u>65,625,493</u></b>
<b>OTHER INCOME (CHARGES)</b>	2r		
Interest income		264,199	103,051
Gain (loss) on foreign exchange - net	2 x, & 25	(13,855,430)	(38,650,543)
Interest expense and financial charges	2c,s,13,15,16,&26	(42,398,755)	(21,565,915)
Others - net	2d, 23	<u>1,448,917</u>	<u>5,187,993</u>
<b>Other Income ( Charges ) - Net</b>		<b><u>(54,541,069)</u></b>	<b><u>(54,925,414)</u></b>
<b>INCOME BEFORE TAX</b>		<b><u>4,001,790</u></b>	<b><u>10,700,079</u></b>
<b>TAX EXPENSE</b>			
Current Tax	2v, 21	(1,315,129)	(185,621)
Deferred Tax	2v, 21	<u>(1,284,901)</u>	<u>(4,792,587)</u>
<b>TAX EXPENSES</b>		<b><u>(2,600,031)</u></b>	<b><u>(4,978,208)</u></b>
<b>INCOME BEFORE MINORITY INTEREST IN NET LOSS OF SUBSIDIARIES</b>		<b><u>1,401,759</u></b>	<b><u>5,721,871</u></b>
MINORITY INTEREST IN NET LOSS OF THE SUBSIDIARIES	2b	<u>85,956</u>	<u>77,475</u>
<b>NET INCOME</b>		<b><u>1,487,715</u></b>	<b><u>5,799,346</u></b>
BASIC EARNINGS PER SHARE (in full Rupiah)	2w	1	4

*See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.*

**PT. TUNAS BARU LAMPUNG Tbk AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2005 AND 2004**

	<b>Notes</b>	<b>2005</b> <i>Rp '000</i>	<b>2004</b> <i>Rp '000</i>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2c,f & 3,26	34,994,160	99,932,174
Trade accounts receivable			
Related parties	2d,g,4,23 & 26	71,750,308	174,311,220
Third parties	2c,g & 4	43,537,150	60,718,064
Other accounts receivable -net		2,549,031	2,730,368
Inventories - net of allowance for decline in value and inventory obsolescence of Rp. 759,835 thousand in 2005 and Rp. 1,329,428 thousand in 2004	2d,h,q & 5	161,607,229	120,885,978
Advances	2c	45,754,058	34,548,319
Prepaid taxes		45,388,660	2,862,673
Prepaid expenses	2i	4,699,900	1,927,786
<b>Total Current Assets</b>		<b>410,280,496</b>	<b>497,916,582</b>
<b>NONCURRENT ASSETS</b>			
Due from related parties	2d,g,6 & 23	16,557,464	6,364,743
Due from plasma	2j & 25	57,165,336	35,508,547
Deferred tax assets	2v & 21	3,919,009	5,364,331
Real estate assets	2k,q,7, & 25	23,195,600	23,481,912
Plantation			
Matured Plantation - net of accumulated depreciation of Rp 84.102.805 thousand in 2005 and Rp 62.215.476 thousand in 2004	2l,q & 8	355,979,518	303,781,324
Immatured Plantation	2l,q,s & 8	24,824,428	77,197,933
Property, plant and equipment - net of accumulated depreciation of Rp 233.619.125 thousand in 2005 and Rp 185.639.504 thousand in 2004	2d,m,q & 9	509,009,309	371,561,177
Property for lease - net of accumulated depreciation of Rp 7,889.207 thousand in 2005 and Rp 6.642.722 thousand in 2004	2d,m,q & 10	10,940,623	12,066,103
Property not used in operations	2m & 2q	1,122,988	1,122,988
Deferred charges	2n	7,638,228	2,166,736
<b>Total Noncurrent Assets</b>		<b>1,010,352,503</b>	<b>838,615,794</b>
<b>TOTAL ASSETS</b>		<b>1,420,632,999</b>	<b>1,336,532,376</b>

*See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.*

**PT. TUNAS BARU LAMPUNG Tbk AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2005 AND 2004 (Continued)**

	Notes	2005 Rp '000	2004 Rp '000
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade accounts payable	11		
Third Parties		24,539,704	21,235,027
Taxes payable	2v & 12	7,007,052	6,283,368
Accrued expenses	2d & 23	6,554,818	3,751,164
Short Term Bank loans	2c,d & 13	42,748,806	150,578,603
Advanced received	2c, r, & 14	210,296,733	5,488,108
Current portion of long-term liabilities :			
Bank loans	2c, d & 16	74,704,800	36,252,500
Lease liabilities	2m	4,193,476	8,660,809
Other current payable		424,538	4,212,802
<b>Total Current Liabilities</b>		<b>370,469,927</b>	<b>236,462,381</b>
<b>NONCURRENT LIABILITIES</b>			
Due To related parties	2d,6 & 23	1,359,712	376,727
Due to shareholders	2d ,23	4,334,773	282,825
Defined-benefits post-employment reserve	2t	16,342,517	9,245,773
Deferred tax liabilities	2v & 21	26,041,534	20,003,702
Long-term liabilities - net of current maturities :			
Bank loans	2c & 16	179,562,400	264,628,750
Lease liabilities	2d,m	17,656,630	4,894,232
Bonds payable - net of unamortized bonds issuances cost of Rp. 8.365.000 thousand	2o & 15	291,635,000	289,535,000
Other liabilities		22,241	-
<b>Total Noncurrent Liabilities</b>		<b>536,954,807</b>	<b>588,967,009</b>
<b>MINORITY INTEREST IN NET ASSETS OF THE SUBSIDIARIES</b>		<b>1,133,010</b>	<b>348,637</b>
<b>EQUITY</b>			
Capital stock - par value of Rp 125 per share			
Authorized - 3,200,000,000 shares in 2005 and 2004			
Issued and paid-up - 1,615,387,200 shares in 2005 and 2004	17	201,923,400	201,923,400
Additional paid-in capital - net	2p,17	184,200,968	184,200,968
Difference in value of restructuring transaction between entities under common control	2u	74,487	74,487
Retained earnings			
Appropriated	22	2,000,000	1,500,000
Unappropriated		123,876,399	123,055,494
<b>Total Equity</b>		<b>512,075,254</b>	<b>510,754,349</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,420,632,999</b>	<b>1,336,532,376</b>

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.

**PT. TUNAS BARU LAMPUNG Tbk AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2005 AND 2004**

	Paid-up capital stock <i>Rp' 000</i>	Additional paid-in capital <i>Rp' 000</i>	Difference in value of restructuring transactions between entities under common control <i>Rp' 000</i>	Retained earnings		Total equity <i>Rp' 000</i>
				Appropriated <i>Rp' 000</i>	Unappropriated <i>Rp' 000</i>	
Balance as of Januari 1, 2004	201,923,400	184,200,968	74,487	1,000,000	117,756,148	504,955,003
Net income of January 1 - June 30, 2004	-	-	-	-	5,799,346	5,799,346
Appropriation of general reserve	-	-	-	500,000.00	(500,000)	-
<b>Balance as of June 30, 2004</b>	<b>201,923,400</b>	<b>184,200,968</b>	<b>74,487</b>	<b>1,500,000</b>	<b>123,055,494</b>	<b>510,754,349</b>
<b>Net Income of July 1 - December 31, 2004</b>	-	-	-	-	7,910,126	7,910,126
Cash Dividends	-	-	-	-	(8,076,936)	(8,076,936)
<b>Balance as of December 31, 2004</b>	<b>201,923,400</b>	<b>184,200,968</b>	<b>74,487</b>	<b>1,500,000</b>	<b>122,888,684</b>	<b>510,587,539</b>
Net income of January 1 - June 30, 2005	-	-	-	-	1,487,715	1,487,715
Appropriation of general reserve	-	-	-	500,000	(500,000)	-
<b>Balance as of June 30, 2005</b>	<b>201,923,400</b>	<b>184,200,968</b>	<b>74,487</b>	<b>2,000,000</b>	<b>123,876,399</b>	<b>512,075,254</b>

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**PT. TUNAS BARU LAMPUNG Tbk AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
	<i>Rp '000</i>	<i>Rp '000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	754,376,128	495,503,702
Cash payments to suppliers, employees and others	(638,267,639)	(530,634,583)
Payment of income tax	(885,424)	(1,697,880)
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b><u>115,223,064</u></b>	<b><u>(36,828,761)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(69,485,032)	(39,995,470)
Increase in due from plasma	(14,136,570)	-
Payments to related parties	(5,442,922)	-
<b>Net Cash Used in Investing Activities</b>	<b><u>(89,064,524)</u></b>	<b><u>(39,995,470)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additional of short-term bank loans	57,488,886	83,620,011
Additional of long-term bank loans	-	25,000,000
Payment of long-term bank loans	(20,915,000)	(214,964,348)
Additional of lease liabilities	3,734,982	-
Additional of other deferred charges	(6,793,521)	(1,940,158)
Payment of interest and financial charges	(41,849,298)	(18,492,078)
Proceeds from Bonds Issuance	-	289,500,000
<b>Net Cash Provided by Financing Activities</b>	<b><u>(8,333,951)</u></b>	<b><u>162,723,427</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>17,824,589</b>	<b>85,899,196</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b><u>17,169,571</u></b>	<b><u>14,032,978</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u><u>34,994,160</u></u></b>	<b><u><u>99,932,174</u></u></b>

*See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.*

**PT. TUNAS BARU LAMPUNG Tbk AND ITS SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004 AND FOR THE SIX MONTHS PERIOD THEN ENDED**

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**1. GENERAL**

**a. Establishment and General Information**

PT. Tunas Baru Lampung Tbk (the Company) was established by virtue of deed No. 23 dated December 22, 1973 of Halim Kurniawan SH, notary public in Teluk Betung. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia in his decision letter No. Y.A.5/233/25 dated July 10, 1975, and was published in State Gazette of the Republic of Indonesia No. 44 dated June 1, 1999, Supplement No. 3194. The Company's articles of association have been amended several times, most recently by deed No. 20 dated August 13, 1999 of Mrs. Machrani Moertolo S., SH, public notary in Jakarta, concerning among others the change in par value per share and the increase in the Company's authorized, subscribed and paid-up capital stock. These changes have been accepted and recorded by the General Director of Law and Legislation of the Department of Justice in his letter No. C-15025.HT.01.04 TH.99 dated August 18, 1999 and were published in State Gazette of the Republic of Indonesia No. 91 dated November 12, 1999, Supplement No. 316.

The Company is domiciled in Jakarta, with plantations of approximately 5 thousand hectares located in Central Lampung - Terbanggi Besar, and factories located in Lampung, Surabaya, Tangerang, Palembang and Kuala Enok. The Company's head office is located in Wisma Budi, Jl. H.R. Rasuna Said Kav C-6, Jakarta.

In accordance with article 3 of the Company's articles of association, the scope of its activities is mainly to engage in plantation, agriculture and manufacturing, as well as export and import. Currently, the Company is engaged mainly in manufacturing palm cooking oil, coconut cooking oil, crude coconut oil, crude palm oil (CPO) and soap, and in palm and hybrid plantations. The Company started producing CPO in September 1995 and cooking oil in October 1996. The Company's products are marketed in both domestic and international markets.

The Company is one of the group of companies owned by Sungai Budi. The Company's management on June 30, 2005 and 2004 consisted of the following:

President Commissioner	:	Santoso Winata
Commissioner	:	Oey Albert
Independent Commissioner	:	Richtter Pane
President Director	:	Widarto
Deputy President Director	:	Sudarmo Tasmin
Directors	:	Djunaidi Nur
		Winoto Prajitno
		Oey Alfred

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004 AND FOR THE SIX MONTHS PERIOD THEN ENDED (Continued)**

**b. Consolidated Subsidiaries**

The Company has direct ownership interest in the following subsidiaries:

Subsidiaries	Domicile	Nature of Business	Percentage of ownership	Start of Commercial Operations
PT Bangun Nusa Indah Lampung (BNIL)	Lampung	Palm and hybrid Plantations	99.99%	1997
PT Bumi Sentosa Abadi (BSA)	Lampung	Palm plantation	99.97%	1996
PT Budi Dwiyasa Perkasa (BDP)	Lampung	Palm plantation	99.99%	1999
PT Budinusa Ciptawahana (BNCW)	Lampung	Palm and horticulture	98.00%	2002
PT Adikarya Gemilang (AKG)	Lampung	Pineapple plantation	98.33%	1999
PT Bangun Tatalampung Asri (BTLA)	Lampung	Palm plantation and real estate	99.71%	2000
PT Agro Bumi Mas	Lampung	Palm Oil Mill	90.00%	2003

The subsidiaries' plantations are located in Central and North Lampung with total area of approximately 37 thousand hectares, with planted areas approximately 28 thousand hectares.

Currently, all of the subsidiaries' palm and hybrid crops are sold to the Company.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Consolidated Financial Statement Presentation**

The consolidated financial statements have been prepared using accounting principles and reporting practices generally accepted in Indonesia such as the Statements of Financial Accounting Standards (PSAK). And the regulation of the Capital Market Supervisory Agency (Bapepam). Such consolidated financial statements are an English translation of the Company and its subsidiaries' statutory report in Indonesia, and are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

The measurement basis used is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies, such as inventories, real estate and property not used in operation which are stated at the lower of cost or net realized value. The consolidated financial statement, except for the consolidated statements of cash flows, are prepared under the accrual basis of accounting.

The consolidated statements of cash flows are prepared using the direct method with classifications of cash flows into operating, investing and financing activities.

The reporting currency used in preparation of the consolidated financial statements is the Indonesian Rupiah. Unless otherwise stated, all figure presented in the consolidated financial statements are stated in thousand of Rupiah.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004 AND FOR THE SIX MONTHS PERIOD THEN ENDED (Continued)**

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**b. Principles of Consolidation**

The consolidated financial statements include the financial statements of the Parent Company and its controlled subsidiaries, wherein the Parent Company has direct or indirect ownership interest of more than 50% of the voting rights of the subsidiary's capital stock and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. A subsidiary is excluded from consolidation when the control in such subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future; or when the subsidiary operates under long-term restrictions which significantly impair its ability to transfer funds to the Parent Company.

When an entity either began or ceased to be controlled during the year, the results of the subsidiaries' operation are included in the consolidated financial statements only from the date that the control commenced up to the date that the controlled ceased.

Inter company balances and transactions, including unrealized gains or losses on inter company transactions, are eliminated to reflect the financial position and the results of operations of the Parent Company and its subsidiaries as one business entity.

The consolidated financial statements are prepared using uniform accounting policy for like transactions and events in similar circumstances. If a subsidiary's financial statements uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to its financial statements.

Minority interest represents the minority stockholder's proportionate share in the net income and equity of the subsidiaries which are not wholly owned, which is presented based on the percentage of ownership of the minority stockholders in the subsidiaries.

The losses applicable to the minority stockholders in a consolidated subsidiary may exceed the minority stockholders' interest in the net assets of the subsidiaries. The excess and any further losses applicable to the minority are charged against the minority has a binding obligation to, and is able to, absorb such losses and the minority stockholders can settle their obligation. If the subsidiary subsequently reports profits, such profits shall allocated to the majority stockholders' up to the amount of the minority stockholders' share in losses previously absorbed by the majority which have been recovered.

The excess of acquisition cost over the Parent Company's interest in the fair value of the net assets of the subsidiaries is recorded as goodwill and is amortized using the straight-line method over twenty ( 20 ) years.

**c. Foreign Currency Transactions and Balances**

The books of accounts of the Company and its subsidiaries are maintained in Indonesian Rupiah. Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to current operations.

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**d. Transaction with Related Parties**

Related parties consist of the following :

- 1) Companies that, through one or more intermediaries, control or are controlled by, or are under common control with, the Company ( including holding companies, subsidiaries, and fellow subsidiaries);
- 2) Associated companies.
- 3) Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close family members of such individuals ( close family members are those who can influence or can be influenced by such individuals in their transaction with the Company );
- 4) Key management personnel, that is, those persons having authority and responsibility for planning , directing, and controlling the activities of the Company, including commissioners, directors and managers of the Company and close family members of such individuals; and
- 5) Companies 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 person is able to exercise significant influence. These included companies owned by directors or major stockholders of the Company, and companies that have a common member of key management with that of the Company.

All transaction with related parties, whether or not done with third parties, are disclosed in the consolidated financial statements.

**e. Use of Estimates and Disclosure of Contingencies**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**f. Cash and Cash Equivalents**

Cash consist of cash on hand and cash with banks, which are not used as collateral and are not restricted. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of placements, and which are not used as collateral and are not restricted.

**g. Account Receivable**

Accounts receivable are stated at net realized value, after providing an allowance for doubtful accounts. Trade accounts receivable deemed uncollectible are written off.

An allowance for doubtful account is provided based on management's evaluation of the individual receivable accounts at the end of the year.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30,2005 AND 2004 AND FOR THE SIX MONTHS PERIOD THEN ENDED (Continued)**

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**h. Inventories**

Inventories are stated at cost or net realized value, whichever is lower. Cost is determined using the moving average method. Allowances for inventory obsolescence and decline in value of the inventories are provided to reduce the carrying value of inventories to their net realized value.

A provision for inventory obsolescence is recognized based on management's review of the condition of each inventories category at the end of the year.

A provision for decline in value of the inventories is provided based on management's evaluation of the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

**i. Prepaid Expenses**

Prepaid expenses are amortized over their beneficial period using the straight-line method.

**j. Due From Plasma Projects**

Due from plasma project is presented net of funding received from the banks and allowance for doubtful accounts. The allowance for doubtful account is estimated based on management's periodic evaluation on the collectibility of the excess of accumulated development costs over the financing committed by the banks.

**k. Real Estate Assets**

Real estate assets consist of accumulated expenses paid in relation to the construction of building ( plaza, kiosks and shophouses ) under a Build, Operate and Transfer ( BOT ) agreement, the term used rights ( hak pakai berjangka ) of which are being sold separately . The remaining units available for sale are stated at cost or net realized value, whichever is lower. Cost is determined using the average cost method based on the saleable area of the units.

**l. Plantations**

***Mature Plantations***

Palm and hybrid coconut plantations are considered mature in 4 - 5 years, while orange plantations are considered mature in 4 years. First harvest of pineapple plantations can be done at the age of 22 months, with second harvest at the age of 33 months. Actual maturity depends on vegetative growth and management evaluation.

Mature plantations, except for pineapple plantation, are depreciated using the straight line method, based on the estimated productive lives of the plantation as follows :

	<u>Years</u>
Palm and hybrid coconut plantations	25
Orange plantations	10

Depreciation of pineapple plantations is computed using the following rates:

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	<u>Rates</u>
First harvest (plantation age of 22 months)	67%
Second harvest (plantation age of 33 months)	33%

Depreciation expenses of matured plantation is charged to cost of goods sold.

***Immature Plantations***

Immature plantations represent accumulated costs incurred on palm, hybrid coconut, orange and pineapple plantations before these mature and produce crops. Such costs include the cost of land preparation, seedlings, fertilization, maintenance, labor, depreciation of property, plant and equipment, interest and other borrowing costs on debts incurred to finance the development of plantations until maturity.

Immature plantations are transferred to mature plantations when these start normal yield.

**m. Property, Plant and Equipment**

– ***Direct acquisitions***

Direct acquisitions of property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and land improvements	20
Machinery	10
Vehicles and heavy equipment	5
Furniture, fixtures and equipment	5

Depreciation expenses and cost of repairs and maintenance are allocated proportionately to matured and immature plantations based on their total area. Depreciation and repairs and maintenance expenses allocated to matured plantations are charged to cost of goods sold, while expenses allocated to immature plantations are capitalized.

Land is stated at cost and is not depreciated.

When the carrying amount of an assets exceeds its estimated recoverable amount, the assets is written down to its estimated recoverable amount, which is determined as the higher of net selling price or value in use.

Expenditures which extend the useful life of the asset or result in increased future economic benefits such as increase in capacity and improvement in the quality of output or standard of performance are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the current operations.

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**JUNE 30,2005 AND 2004 AND FOR THE SIX MONTHS PERIOD THEN ENDED (Continued)**

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– **Construction in Progress**

Construction in progress represents property, plant and equipment under construction which is stated at cost, and is not depreciated. The accumulated costs will be reclassified to respective property, plant and equipment account when the construction is substantially complete and the assets is ready for its intended use.

– **Property for Lease**

Property for lease, consisting of vessels, are stated at cost less accumulated depreciation. Depreciation is computed using straight-line method based on the estimated useful life of 15 years. Rental income is presented net of all expenses incurred related to the property for lease, including depreciation expenses, under the “ Other income ( Expenses ) “ account in the consolidated statements of income.

– **Property Not Used in Operations**

Property not used in operations are presented in a separate account under non current assets and are stated at the lower of carrying value or net realizable value.

- **Leases**

Lease transactions are recorded as capital leases when the following criteria are met:

- 1) The lessee has the option to purchase the leased asset at the end of the lease term at a price mutually agreed upon at the inception of the lease agreement.
- 2) All periodic lease payments made by the lessee plus residual value shall represent a return of the cost of leased asset and interest thereon as the profit of the lessor.
- 3) Minimum lease period is two years.

Lease transactions that do not meet the above criteria are recorded as operating leases.

A capital lease transaction is treated and recorded as leased assets which are presented as part of the “Property, plant and equipment” account in the balance sheets and lease liabilities which are presented in “ Leased liabilities “ account in the balance sheets at the inception of the lease term. Leased assets and lease liabilities under the capital lease method are recorded at the present value of the total lease installment payments plus residual value ( option price ) which should be paid by the lessee at the end of lease term. During the lease term, each lease payment is allocated and recorded as repayment of the lease liabilities and interest expenses thereon based on an interest rate applied to the carrying amount of the related lease liabilities.

Leased assets are depreciated using the same method and estimated useful lives used for directly acquired property, plant and equipment ( see accounting policy for property, plant and equipment – direct acquisition ).

**n. Other Deferred Charges**

***Syndicated Loan***

Deferred charges relating to the syndicated loan obtained are amortized using the straight-line method over the terms of the agreement.

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***Land rights***

Deferred charges relating to legal processing of land rights are amortized using the straight-line method over the legal term of the land rights, since the legal term of the land right is shorter than its economic life. The amortization begins when the legal processing of land rights is substantially complete.

**o. Bonds Issuance Costs**

Bonds issuance cost are deducted directly from the proceeds of the related bonds to determine the net proceeds of the bonds. Differences between the net proceeds and nominal values represent discounts or premiums which are amortized using the straight-line method over the term of the bonds.

**p. Stock Issuance Costs**

Stock issuance cost are presented as a deduction from the "Additional paid – in capital" account and are not amortized.

**q. Impairment of Assets**

In accordance with PSAK no. 48, "Impairment of Assets Value," an assessment of the assets value is made at each balance sheet date to determine whether there is any indication of impairment of any assets and possible written – down to fair value whenever events or changes in circumstances indicate that the asset value may not be recoverable.

An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds the recoverable amount. On the other hand, a reversal of an impairment loss is recognized whenever there is indication that the asset is not impaired anymore.

The amount of impairment loss ( reversal of impairment loss ) is recognized in the current year's operation.

**r. Revenue and Expense Recognition**

Revenue from local sales are recognized when the goods are delivered to the customers, while export sales are recognized based on term of sale.

Revenues from sale of term used rights ( hak pakai berjangka ) in real estate assets such as kiosks and shophouses, as well as plaza, for which the development process is completed, are recognized based on the full accrual method when all of the following conditions are met :

1. The sale is consummated;
2. Sales price is collectible, wherein the amount already paid by the customer has reached 20% of the sales price;
3. The seller's receivable is not subject to future subordination; and
4. The seller has transferred to the buyer the risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

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If any of the above conditions is not met, all payments received from the buyers are recorded as advances received using the deposit method, until all of the conditions are met.

Expenses are recognized when incurred ( accrual basis ).

**s. Borrowing Cost**

Borrowing cost are interest and exchange difference on foreign currency denominated borrowings and other costs ( amortization of discounts/premiums on borrowing, etc. ) incurred in connection with the borrowing of funds.

Borrowing cost should be recognized as an expenses in the period in which they are incurred, except for those borrowing costs which are directly attributable to the development of immature plantations which should be capitalized to immature plantation.

If the borrowing is specifically used for the purpose of acquiring a qualifying assets, the total borrowing cost eligible for capitalization are all borrowing cost incurred on that borrowing during the period, less any interest earned from temporary investment on the unused borrowings.

Capitalization of borrowing cost as part of the acquisition cost of an asset commence when expenditure for the asset are being incurred; borrowing costs are being incurred; and activities that are necessary to prepare the construction or the production of the qualifying asset are in progress.

Capitalization of borrowing cost should be suspended, if during extended periods the active development or production of the qualifying asset is interrupted, while capitalization of borrowing cost should cease when all the activities necessary to acquire, build or produce the qualifying asset for its intended use or sale are substantially complete.

**t. Employee Benefits**

Starting 2004, the Company adopted PSAK No.24 ( Revised 2004 ) “ Employee benefits “ which is applied retrospectively. The consolidated financial statements for the year ended December 31, 2003 have been restated to conform with the requirements of PSAK No.24 ( Revised 2004).

***Short-term employee benefits***

Short-term employee benefits are in form of wages, salaries, and social security ( Jamsostek ) contribution. Short – term employee benefits are recognized at its undiscounted amount as a liability, after deducting any amount already paid, in the consolidated balance sheets and as an expenses in the consolidated statements of income.

***Post-employment benefits***

Post-employment benefits are unfounded defined-benefit plans which amounts are determined based on years of services and salaries of the employees at the time of pension. The actuarial valuation method used to determine the present value of defined-benefit reserve, related current service cost and past service cost is the Projected Unit Credit. Current service costs, interests costs and effects of curtailments and settlements ( if any ) are charged directly to current operations. Past service costs which already vested are recorded as an adjustment to retained earnings balance as of January 1, 2003.

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**u. Restructuring Transaction Between Entities Under Common Control**

The difference in value between the transfer price and book value of existing assets, liabilities, shares or other ownership instrument in a restructuring transaction between entities under common control was recorded as "Difference in value of restructuring transaction between entities under common control" and presented in the consolidated balance sheets.

**v. Income Tax**

Current tax expense is determined based on taxable income for the year computed using prevailing tax rates.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized and the carry forward benefit of fiscal losses can be applied.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduce to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit would be available.

Deferred tax assets and liabilities are offset in the balance sheet, except if these are for different legal entities, in the same manner the current tax assets and liabilities are presented.

**w. Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares outstanding during the year.

**x. Investment in Securities**

All derivatives are recognized in the consolidated balance sheets at their fair value. Derivatives assets liabilities are presented at the amount of unrealized gains or losses on derivatives contracts, which the Company has designated upon acquisition as (1) trading instrument, (2) fair value hedge , (3) cash flow hedge and (4) hedge of a net investment in foreign operation. The unrealized gains or losses are computed as the difference between the fair value and contract amount of the derivative instrument at the reporting date. Fair value is determined based on market value, pricing models or quoted prices for instruments with similar characteristics.

Gain or losses on derivative contract is accounted for as follows :



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- 1) Gain or losses on a derivative contract not designated as a hedging instrument ( or derivative contract that does not qualify as a hedging instrument ) is recognized currently in earnings;
- 2) Gain or loss on derivative contract designated and qualifying as fair value hedging instrument as well as the offsetting gain or loss on the hedged assets or liabilities attributable to the hedged risk is recognized currently in earnings in the same accounting period. Any difference that arises representing the effect of hedge ineffectiveness is recognized currently in earnings;
- 3) The effective portion of the gain or loss on a derivative contract designated and qualifying as a cash flow hedging instrument is reported as a component of other comprehensive income under equity and reclassified into earnings in the same accounting period or periods during which the hedged forecasted transaction affects earnings. The effect of the hedge ineffectiveness is recognized currently in earnings; and
- 4) Gain or loss on a hedging derivative instrument in a hedge of a investment in a foreign operation is reported in other comprehensive income as part of the cumulative translation adjustment under equity to the next it is effective as a hedge.

**y. Segment Information**

Segment information is prepared using the accounting policies adopted for preparing and presenting the consolidated financial statements. The primary segment information is based on business segments, while secondary segment information is based on geographical segments.

A business segment is a distinguishable component of the Company and its subsidiaries that engaged in providing an individual product or service or a group of related products or services and that is subjected to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of the Company and its subsidiaries that is engaged in providing products or services within a particular economic environment and that is subjected to risks and returns that are different from those components operating in other economic environments.

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**3. CASH AND CASH EQUIVALENTS**

	<u>2005</u>	<u>2004</u>
	<i>Rp '000</i>	<i>Rp '000</i>
Cash on hand	2,418,649	2,797,648
Cash in bank		
Rupiah		
Bank Lippo	7,045,894	-
Bank Mandiri	5,825,559	305,450
Bank Mega	4,119,243	10,004,519
Bank Rakyat Indonesia	3,247,438	-
Bank Central Asia	423,092	216,604
Bank Negara Indonesia	387,415	292,398
Bank Danamon	125,335	50,081,320
Bank Ekonomi	-	5,000,457
Other ( below Rp 100.000 thousand each )	261,229	15,301,094
Total	<u>21,435,206</u>	<u>81,201,842</u>
U.S.Dollar		
Bank Rakyat Indonesia	7,863,983	-
Mandiri	2,146,187	-
Bank Danamon	301,918	-
Rabobank	265,180	4,711,496
Bank Internasional Indonesia	209,508	309,390
DBS Bank	125,716	-
Citbank	124,384	777,686
Other ( below Rp 100.000 thousand each )	103,427	5,416,665
Total	<u>11,140,305</u>	<u>11,215,237</u>
Deposito on call - third party bank		
U.S.Dollar	-	4,717,447
Jumlah	<u><u>34,994,160</u></u>	<u><u>99,932,174</u></u>
Interest rates per annum on deposits		
U.S.Dollar	-	0,8% - 0,94%

**4. TRADE ACCOUNTS RECEIVABLE**

	<u>2005</u>	<u>2004</u>
	<i>Rp '000</i>	<i>Rp '000</i>
a. By Debtor :		
Related parties		
PT Sungai budi	71,339,041	173,101,680
PT Kencana Acidindo Perkasa	411,267	1,209,540
	<u><u>71,750,308</u></u>	<u><u>174,311,220</u></u>

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	2005	2004
	Rp '000	Rp '000
<b>Third parties</b>		
Local debtors	-	-
<b>Foreign debtors</b>		
Inter-United Enterprises Pte,Ltd., Singapore	39,376,647	59,912,682
Alfred C. Toepfer International Gmbh., Germany	1,395,765	130,625
Korea Rugrado Trading, Korea	816,570	-
Saloum Agro , Senegal	762,598	-
SASD, Senegal	454,740	-
Nobel Industries Ltd, Ghana	392,648	-
China Dalian Cosco Log, China	219,115	-
Yolpac Import SA, Haiti	119,067	-
Golfrate H & PC Industrial LDA, Angola	-	144,991
Zion Trading, Hongkong	-	124,278
Aandata Limited, England	-	348,057
Other ( below Rp 100.000 thousand each )	-	57,431
Total Foreign debtors	<u>43,537,150</u>	<u>60,718,064</u>
Total Third parties	<u>43,537,150</u>	<u>60,718,064</u>
Total	<u><u>115,287,458</u></u>	<u><u>235,029,284</u></u>
b. By Age Category		
1 - 30 days	27,737,076	116,585,376
31 - 60 days	61,861,977	56,798,527
61 - 90 days	<u>25,688,405</u>	<u>61,645,381</u>
Total	<u><u>115,287,458</u></u>	<u><u>235,029,284</u></u>
c. By Currency		
Rupiah	71,750,308	174,311,220
U.S. Dollar	<u>43,537,150</u>	<u>60,718,064</u>
Total	<u><u>115,287,458</u></u>	<u><u>235,029,284</u></u>

Management believe that all the above receivable are collectible. Accordingly, no allowance for doubtful accounts was provided.

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**5. INVENTORIES**

	2005	2004
	<i>Rp '000</i>	<i>Rp '000</i>
Raw Material	56,062,832	46,271,861
Finished Goods	46,240,359	35,133,094
Indirect material	31,398,437	18,470,334
Spare part	13,879,209	12,770,188
Goods in transit	9,898,085	6,344,999
Work in process	736,557	3,213,265
Other inventories	4,151,585	11,665
Allowance for inventories	<u>(759,835)</u>	<u>(1,329,428)</u>
Net	<u><u>161,607,229</u></u>	<u><u>120,885,978</u></u>

Management believes that the allowances for decline in value of inventories and obsolescence are adequate to cover possible losses on decline in value of inventories and obsolescence.

**6. ACCOUNTS RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES**

	2005	2004
	<i>Rp '000</i>	<i>Rp '000</i>
<i>Accounts receivable</i>		
PT Budi Acid Jaya Tbk	16,084,932	5,207,429
PT Ve Wong Budi Indonesia	-	263,299
PT Budi Samudra Perkasa	350,643	250,470
Others	<u>121,890</u>	<u>643,545</u>
Total	<u><u>16,557,464</u></u>	<u><u>6,364,743</u></u>
<i>Accounts payable</i>		
PT Sungai Budi	1,264,469	371,604
Others	<u>95,243</u>	<u>5,123</u>
Total	<u><u>1,359,712</u></u>	<u><u>376,727</u></u>

The due from and due to the following related parties resulted mainly from sales and purchases of indirect materials, by products and other operational activities of the Company and its subsidiaries with its related parties.

These due from and due to related parties are unsecured, non – interest bearing and have no definite repayment terms.

Management believes that the above mentioned due from related parties are fully collectible, thus, no allowance for doubtful accounts was provided.

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**7. REAL ESTATE ASSETS**

This account represents the remaining units of time-sharing interest in buildings of BKS. These units are available for sale, with details as follows:

	<u>2005</u>	<u>2004</u>
	<i>Rp '000</i>	<i>Rp '000</i>
Kiosks	11,228,722	11,433,231
Plaza	8,882,408	8,882,407
Shophouse	<u>3,084,470</u>	<u>3,166,274</u>
<b>Total</b>	<u><u>23,195,600</u></u>	<u><u>23,481,912</u></u>

Management believes that the carrying value of real estate assets does not exceed the replacement cost or recoverable amount from the sale or use of the assets, and there was no impairment in value of the aforementioned assets.

**8. PLANTATIONS**

***Mature Plantation***

	<u>Changes During 2005</u>			
	<u>January 01,</u>	<u>Additions/</u>	<u>Deductions</u>	
	<u>2005</u>	<u>Reclassifications</u>	<u>Deductions</u>	<u>2005</u>
	<i>Rp '000</i>	<i>Rp '000</i>	<i>Rp '000</i>	<i>Rp '000</i>
<b>At Cost</b>				
Palm Plantation	332,219,541	4,662,582	-	336,882,123
Hybrid Plantation	57,071,992	-	-	57,071,992
Orange Plantation	13,077,786	-	-	13,077,786
Pineapple Plantation	23,653,365	9,397,057	-	33,050,422
<b>Total</b>	<u><b>426,022,684</b></u>	<u><b>14,059,639</b></u>	<u>-</u>	<u><b>440,082,323</b></u>
<b>Accumulated Depreciation</b>				
Palm Plantation	51,672,271	3,961,278	-	55,633,549
Hybrid Plantation	6,848,639	684,864	-	7,533,503
Orange Plantation	1,893,720	392,334	-	2,286,054
Pineapple Plantation	10,266,700	8,382,999	-	18,649,699
<b>Total</b>	<u><b>70,681,330</b></u>	<u><b>13,421,475</b></u>	<u>-</u>	<u><b>84,102,805</b></u>
<b>Net Book Value</b>	<u><b>355,341,354</b></u>			<u><b>355,979,518</b></u>

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	Changes During 2004			June 30, 2004
	January 01, 2004	Additions/ Reclassifications	Deductions	
	Rp '000	Rp '000	Rp '000	
<b>At Cost</b>				
Palm Plantation	261,648,497	13,051,453	-	274,699,950
Hybrid Plantation	57,071,992	-	-	57,071,992
Orange Plantation	7,063,046	6,014,740	-	13,077,786
Pineapple Plantation	18,312,077	2,834,995	-	21,147,072
<b>Total</b>	<b>344,095,612</b>	<b>21,901,188</b>	<b>-</b>	<b>365,996,800</b>
<b>Accumulated Depreciation</b>				
Palm Plantation	40,354,782	5,494,000	-	45,848,782
Hybrid Plantation	4,565,759	1,141,440	-	5,707,199
Orange Plantation	585,942	653,889	-	1,239,831
Pineapple Plantation	6,568,784	2,850,880	-	9,419,664
<b>Total</b>	<b>52,075,267</b>	<b>10,140,209</b>	<b>-</b>	<b>62,215,476</b>
<b>Net Book Value</b>	<b>292,020,345</b>			<b>303,781,324</b>

**Immature Plantation**

	Changes During 2005			June 30, 2005
	January 01, 2005	Additions/ Reclassifications	Deductions	
	Rp '000	Rp '000	Rp '000	
<b>At Cost</b>				
Palm Plantation	12,322,255	7,309,189	-	19,631,444
Pineapple Plantation	7,561,385	-	2,368,400	5,192,985
<b>Total</b>	<b>19,883,640</b>	<b>7,309,189</b>	<b>2,368,400</b>	<b>24,824,429</b>

	Changes During 2004			June 30, 2004
	January 01, 2004	Additions/ Reclassifications	Deductions	
	Rp '000	Rp '000	Rp '000	
<b>At Cost</b>				
Palm Plantation	72,826,283	9,030,329	13,051,453	68,805,159
Orange Plantation	6,023,732	11,764	6,014,740	20,756
Pineapple Plantation	9,576,160	554,338	1,758,480	8,372,018
<b>Total</b>	<b>88,426,175</b>	<b>9,596,431</b>	<b>20,824,673</b>	<b>77,197,933</b>

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**9. PROPERTY, PLANT AND EQUIPMENT**

	Changes During 2005			June 30, 2005
	January 01, 2005	Additions	Deductions	
	Rp '000	Rp '000	Rp '000	Rp '000
<b>At Cost:</b>				
Direct acquisitions				
Land	64,719,470	2,451,200	-	67,170,670
Buildings and land improvements	174,631,212	5,000,138	-	179,631,350
Machinery	265,688,420	5,612,431	-	271,300,851
Vehicles and heavy equipment	84,072,469	15,903,011	-	99,975,480
Furniture, fixtures and equipment	54,205,649	7,478,849	-	61,684,498
Construction in progress	48,968,392	13,897,193	-	62,865,585
<b>Total</b>	<b>692,285,612</b>	<b>50,342,822</b>	<b>-</b>	<b>742,628,434</b>
<b>Accumulated depreciation:</b>				
Direct acquisitions				
Buildings and land improvement	32,973,031	3,453,048	-	36,426,079
Machinery	97,178,058	9,672,571	-	106,850,629
Vehicles and heavy equipment	42,459,334	4,635,332	-	47,094,666
Furniture, fixtures and equipment	37,256,890	5,990,861	-	43,247,751
<b>Total</b>	<b>209,867,313</b>	<b>23,751,812</b>	<b>-</b>	<b>233,619,125</b>
<b>Net Book Value</b>	<b>482,418,299</b>			<b>509,009,309</b>

	Changes During 2004			June 30, 2004
	January 01, 2004	Additions	Deductions	
	Rp '000	Rp '000	Rp '000	Rp '000
<b>At Cost:</b>				
Direct acquisitions				
Land	63,497,732	183,300	-	63,681,032
Buildings and land improvements	123,430,911	1,273,004	-	124,703,915
Machinery	219,266,569	1,132,776	-	220,399,345
Vehicles and heavy equipment	59,916,092	12,201,848	1,521,483	70,596,457
Furniture, fixtures and equipment	49,390,830	6,896,801	13,450	56,274,181
Construction in progress	12,396,801	10,048,233	899,283	21,545,751
<b>Total</b>	<b>527,898,935</b>	<b>31,735,962</b>	<b>2,434,216</b>	<b>557,200,681</b>

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	Changes During 2004			June 30, 2004 Rp '000
	January 01, 2004 Rp '000	Additions Rp '000	Deductions Rp '000	
	<b>Accumulated depreciation:</b>			
Direct acquisitions				
Buildings and land improvement	26,219,297	3,099,288	-	29,318,585
Machinery	75,807,123	8,771,454	-	84,578,577
Vehicles and heavy equipment	32,216,780	4,970,092	418,022	36,768,850
Furniture, fixtures and equipment	28,429,940	6,552,657	9,105	34,973,492
<b>Total</b>	<b>162,673,140</b>	<b>23,393,491</b>	<b>427,127</b>	<b>185,639,504</b>
<b>Net Book Value</b>	<b>365,225,795</b>			<b>371,561,177</b>

**10. PROPERTY FOR LEASE**

This account represents the net book value of a tanker ship, a barge and a tug boat for lease, as follows:

	2005 Rp '000	2004 Rp '000
Cost	18,829,829	18,708,825
Accumulated depreciation	(7,889,207)	(6,642,722)
<b>Net Book Value</b>	<b>10,940,623</b>	<b>12,066,103</b>

The Company purchased a tanker ship, a barge and a tug boat for Rp 16,500,000 thousand from PT Budi Samudra Perkasa (BSP), a related party. The acquisition of these assets was notarized by deed No. 6 dated April 27, 1998 of Inggaini Yamin, SH, at that time public notary in Kabupaten Daerah Tingkat II Tangerang at Tigaraksa. Subsequently, the Company appointed BSP, in a cooperation agreement dated August 1, 1998, to operate the vessels for three years starting August 2, 1998. Under the agreement BSP will be entitled to all freight income generated by the vessels but should pay an annual compensation to the Company in the amount of Rp 1,000,000 thousand for the tanker ship and Rp 600,000 thousand for the tug boat and barge. In August 2004, the Company and BSP agreed to extend the term of the agreement until August 8,2007.

In April 2003, the Company has bought a barge from the third party amounted to Rp 2.188.047 thousand, which under Cooperation Agreement, the Company appointed BSP to operate the Company's barge in the amounted of Rp 2,188,047 thousand for three years starting from August 4, 2003. Under the agreement BSP will be entitled to all freight income generated by the vessels but should pay an annual compensation to the Company in the amount of Rp 150,000 thousand which will be paid every six month.



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Management believes that the carrying value of property for lease does not exceed the replacement cost or recoverable amount from the sale or use of the assets and there were no impairment in value of the aforementioned assets.

**11. TRADE ACCOUNTS PAYABLE**

	<u>2005</u> <i>Rp '000</i>	<u>2004</u> <i>Rp '000</i>
a. By creditor		
Third parties - Local suppliers	<u>24,539,704</u>	<u>21,235,027</u>
Total	<u><u>24,539,704</u></u>	<u><u>21,235,027</u></u>
b. By Currency		
Rupiah	<u>24,539,704</u>	<u>21,235,027</u>
Total	<u><u>24,539,704</u></u>	<u><u>21,235,027</u></u>

This account consist of the Company and its subsidiaries' payable to suppliers in relation to the purchases of materials needed for production .

**12. TAXES PAYABLE**

	<u>2005</u> <i>Rp '000</i>	<u>2004</u> <i>Rp '000</i>
Income taxes		
Article 21	314,918	271,127
Article 23	901,144	1,064,729
Article 25/29	<u>5,790,991</u>	<u>4,947,512</u>
Total	<u><u>7,007,052</u></u>	<u><u>6,283,368</u></u>

The filing of tax return is based on the Company and it's subsidiaries' own calculation of tax liabilities ( self – assessment). The tax authorities may conduct a tax audit on the Company and its subsidiaries for a period of up to ten years after the tax becomes due.

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**13. SHORT-TERM BANK LOANS**

	2005	2004
	<i>Rp '000</i>	<i>Rp '000</i>
Working capital credit facilities		
Bank Rakyat Indonesia (Persero)	-	13,726,710
Bank Mandiri	-	25,568,719
Bank Natexis	42,748,806	46,692,598
Bank Internasional Indonesia	-	64,590,576
	<hr/>	<hr/>
Total	<u>42,748,806</u>	<u>150,578,603</u>
Interest rates per annum during the year		
Rupiah	-	14% - 14,75%
U.S. Dollar	4.12% - 5.83%	2,8% - 7%

**Bank Rakyat Indonesia (Persero)**

In March 1996, the Company obtained a working capital credit facility from BRI with maximum credit of Rp 23.000.000 thousand used to finance the production of CPO and palm cooking oil. The loan is secured by trade account receivable, inventories, land, plantation, vehicle, machineries and heavy equipment, also the building and infrastructure located at Desa Terbanggi Besar, Central Lampung and Personal Guarantee from Mr. Widarta and Santoso Winata. In June 2003, this facility was increased to Rp 70.000.000 thousand.

In July 2004, this facility was reduced to Rp 26.500.000 thousand.

On June 21,2005, this working capital facility has been extended until March 22, 2006 and the maximum credit facility has increased to Rp 70.000.000 thousand.

**Bank Mandiri**

Details of the loans received by the Company from bank Mandiri are as follows:

- a. Working capital credit facility with maximum credit of Rp 21.000.000 thousand, was obtained by the Company in August 1996 to finance the operations of the cooking oil factory in Sidoarjo, East Java. Interest rates on this credit facility are 14% and 15% per annum in 2004 and 2003, respectively. As of December 31, 2003, the outstanding loan was Rp 20.996.959 thousand. This loan had been repaid in 2004 by using the proceeds from issuance of the Company's bonds I year 2004.
- b. Working capital credit facility with maximum credit of USD 3.275.000 and Rp 51.000.000 thousand were obtained by the Company in February 2002 for additional working capital and purchases of raw materials for production. The term of these facilities is 1 year. On February 6, 2003, the maximum credit facilities were increased to USD 4.975.000 and Rp 73.800.000 thousand. Interest rates are 10% per annum in 2004 and 2003 for facility in foreign currency, while 14% and 19,5% per annum in 2004 and 2003, respectively, for the facility in Rupiah. The Company has repaid part of these facilities by using this proceeds from issuance of the Company bonds I year 2004. These 2 facilities have been extended on February 1, 2005 and will mature on February 6, 2006, further, these facilities have been decrease to USD 1.575.000 and Rp 34.800.000 thousand.
- c. On May 22, 2003, the Company obtained Forex Line Facility from Bank Mandiri maturing on May 22, 2004 to engage in sales forward transaction with transaction limit amounting to USD

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3.125.000. On December 21, 2004, this facility has been increased to USD 10.000.000 and extended up to February 6, 2006.

The loan facilities are secured by the Company's trade receivables and inventories, land in Sidoarjo on which stands a cooking oil factory, personal guarantees from Widarto and Santoso Winata, related parties, and corporate guarantee from PT Sungai Budi.

**Natexis Banques Populaires**

On February 18, 2003, the Company obtained a working capital credit facility from Natexis Banques Populaires, Singapore Branch (Natexis), which is divided into 2 facilities as follows:

Facility 1 : With a maximum credit of USD 2.500.000 is used to finance the storage of crude coconut oil, palm kernel and stearine. The maximum amount of each withdrawal from this facility is 80% of the total inventory stored in the tanks, and the value of this inventory is determined based on market price at Kuala Lumpur Commodity Exchange (KLCE). Every withdrawal has a term of 90 days. Facility 1 is secured by the inventories.

Facility 2 : With a maximum credit of USD 5.000.000 is used to finance the sale of crude coconut oil, palm kernel and stearine to consumer. The maximum amount of each withdrawal from this facility is 85% of the sales amount to customers based on market price at Kuala Lumpur Commodity Exchange (KLCE), or based on certain rules contract value from customers. Every withdrawal has a term of 60 days.

Facility 2 is secured by the respective inventories financed by facility 1, bill of lading, shipping documents, delivery orders and other ownership documents, such as receipt of goods and transportation documents. In case of delay or default in payment of such any due to Natexis, Natexis may sell or otherwise realize the pledged goods or any part thereof, without prior reference to the Company, in order to compensate all amounts owed by the Company. These amounts may include charges incurred by Natexis in the sale or realization of the pledged goods as well as all outstanding interest or discount.

The facilities from Natexis have matured on February 15, 2004. On maturity date, the facility was amended and the availability period was extended until June 30, 2005. The facilities were:

- First facility : Maximum credit of US\$ 2.000.000 for the purpose of financing the storage of inventories for export in the tanks.
- Second facility : Maximum credit of US\$ 6.000.000 to finance the Company's export sales.
- Third facility : Maximum credit of US\$ 10.000.000 to finance the purchase of inventories for Export.

These facilities are secured by the company's inventories financed by the bank.

**Bank Internasional Indonesia**

Based on the loan agreement dated February 13, 2003 and its amendment on June 19, 2003, the Company obtained working capital credit facility from PT Bank International Indonesia, as follows:

- Revolving facility or PPB (Sub limit of Post Shipment I facility) which has a maximum credit facility of USD 3.000.000. The nature of this facility is non-committed and the maximum draw down is 85% of sales contract value.

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- Post Shipment 2 facility which has a maximum credit of USD 5.000.000 and is non-committed.
- Local Letter of credit Document ( SKBDN ) facility with a maximum term of 120 days and can be used as Letter of Credit facility and Usance Letter of Credit with maximum term of 60 days and Trust Receipt ( TR ) / PPB for the payment of SKBDN with maximum term of 120 days, up to a maximum principal amount of USD 2.000.000.

These facilities are secured by trade accounts receivable from third parties, inventories, personal guarantees from Widarto and Santoso Winata.

These facilities has matured on February 13,2005 and has been extended until February 13, 2006. Besides the facilities mentioned above,the Company also obtained Foreign Exchange Line ( Forex Line ) Facility amounted to USD 3.000.000 .

The loan agreements with bank Mandiri, BRI, Natexis and BII contain covenants which, among others, restrict the rights of the Company to obtain or grant loans, act as guarantor, change the nature and activities of its business and conduct liquidation, merger, consolidation or reorganization.

#### **14. ADVANCED RECEIVED**

This account represent cash received in foreign currency in relation to the Purchase Contract between the Company and customers, amounting to USD 21.554.409 ( ekuivalent Rp 209.357.983 thousand ) as of June 30, 2005 and cash received from customers in Rupiah as downpayment for the sale of term used rights ( hak pakai berjangka ) in shophouse, kiosks and plaza amounting to Rp 938.750 thousand as of June 30, 2005.

#### **15. BONDS PAYABLE**

On June 14, 2004, the Company has received the effective statement from Bapepam No.S-1764/PM/2004, to offer " Tunas Baru Lampung I year 2004 bonds". The Bond has listed in Surabaya Stock Exchange on June 25, 2004 with fixed rate of 14.75% a year with nominal value amounting to Rp 300.000.000 thousand. The interest will be paid quarterly basis started September 24, 2004.

The Company has applied a sinking fund for bond's interest payment in three months before the date of interest payment. The bonds have maturity period of five ( 5 ) years with sell option which can be held by the bondholders amounted to 7,5% of total bonds issuance on first anniversary when the bonds credit rating are lower than BBB on 100% from nominal value and buy option which can be held by the Company amounted to 12,5% of total bonds issuance on third anniversary and 25 % on fourth anniversary from bonds issuance date. The bonds will be due on September 24, 2009 which is the Bonds' principal payment date.

Based on notary deed no.23 dated June 23, 2004 of Mrs.Kartuti Suntana S.,S.H. notary public in Jakarta, the proceed from the issuance of bonds deducted by bonds issuance cost were used for the following:

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	<u>2005</u> <i>Rp ' 000</i>
Settled the subsidiary's - BTLA Loan in Bank Mandiri	32,767,861
Reduced the Short-term loan in Bank Mandiri	60,000,000
Reduced the Short-term loan in Bank Mandiri in US\$ account	28,781,000
Reduced the Long-term Syndicated loan coordinated by UFJ Bank	91,845,250
Reduced the Short-term loan in Bank Rakyat Indonesia	43,500,000
Additional of Company working capital	32,605,889
Total	<u><u>289,500,000</u></u>

The Company is Obligated to :

- Maintain the balance of current asset to current liabilities not lower than 1 : 1.
- Maintain the balance of total net liabilities to Equity not higher than 2 : 1.
- Maintain the balance of Earning before Interest, Tax, Depreciation and unrealized loss on foreign exchange to total net interest not lower than 1,25 : 1.

This bonds are secured by Land right, Palm plantation, building and infrastructure including furniture and fixture on behalf of PT Bangun Tatalampung Asri and all the Insurance claim of these assets also paripassu of Account Receivable amounting to Rp 25.000.000 thousand and paripassu of raw material, Indirect material, work in process, finished goods of the Company amounting to Rp 25.000.000 thousand.

Based on report from PT Pemeringkat Efek Indonesia ( Pefindo ) No.06/PEF-Dir/I/2004 dated January 6, 2004, the bonds were rated at Triple BBB ; Stable Outlook.

	<u>2005</u> <i>Rp ' 000</i>
Nominal value of bonds	<u>300,000,000</u>
Less :	
Bonds issuance cost	10,500,000
Amortization of bonds issuance cost	<u>(2,135,000)</u>
Unamortized bond issuance cost	<u>8,365,000</u>
Carrying value of the bonds	<u><u>291,635,000</u></u>

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**16. LONG-TERM BANK LOANS**

	2005 <i>Rp '000</i>	2004 <i>Rp '000</i>
Syndicated loan coordinated by Bank UFJ Indonesia, US\$ 14,400,000 in 2005 and US\$ 28,750,000 in 2004	139,867,200	270,681,250
Bank Mandiri	1,900,000	5,200,000
Bank Negara Indonesia	112,500,000	25,000,000
Total	<u>254,267,200</u>	<u>300,881,250</u>
Less current maturity	<u>(74,704,800)</u>	<u>(36,252,500)</u>
Long-term Bank Loans - Net	<u><u>179,562,400</u></u>	<u><u>264,628,750</u></u>
Interest rate per annum during the year		
U.S. Dollar	5.06% - 6.31%	3.68% - 4.18%
Rupiah	14%	14,75%

***Syndicated Loan***

In relation with the credit facility agreement dated June 24, 1997 between the Company and several banks, including Oversea-Chinese Banking Corporation Limited and Bank UFJ Indonesia (formerly Bank Sanwa Indonesia) as arrangers, the Company obtained a revolving loan facility with a maximum credit of US\$ 40,000,000, due on June 24, 2004 with interest per annum at 1.20% to 1.70% above SIBOR. This loan is secured by corporate guarantees from BSA, BNIL and BDP, and personal guarantees from Widarto and Santoso Winata proportionate to the percentage of their ownership in the Company. This loan facility was used to finance working capital requirements and the refinancing of the loans of the Company and its subsidiaries.

The syndicated loan was restructured in November 1999 under which the Company was required to pay US\$ 1,000,000 on the effective date of the restructuring. Other changes of the terms include repayment of the restructured loan in eighteen installments every three months from March 2000 until June 2004, with annual interest rates at 2.00%-2.5% above SIBOR for the first year, 2.25%-2.75% above SIBOR for the second year, and 2.5%-3.00% above SIBOR for the third year.

In view of the unstable economic condition in Indonesia, which caused the Company to incur significant increase in operating expenses, management expects that the Company will have difficulty in meeting its cash flow requirements, including future payment of syndicated loan installment. As a result, on May 31, 2002, the Company proposed a rescheduling of the syndicated loan installments, and on June 19, September 19 and December 19, 2002, the Company has paid principal installments of US\$ 250,000 each (representing 12.5% of the matured loan principal).

The above rescheduling was approved on May 9, 2003, in which the US\$ 32,000,000 outstanding balance of the syndicated loan has been restructured, as stated in Second Amendment Agreement which takes effect on May 20, 2003. Significant changes on the syndicated loan agreement, are as follows:

- 1) The Company is required to pay US\$ 250,000 on the effective date of the restructuring or 10 days from May 9, 2003, whichever is earlier. The remaining of loan principal of US\$ 31,750,000 is separated into Tranche A and Tranche B, and rescheduled as follows:

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- Tranche A (US\$ 20,900,000)

This loan is repayable at the end of every quarter as follows:

	Quarterly Installment	Total Annual Installment
	US\$	US\$
Due in		
2003	500,000	1,500,000
2004	750,000	3,000,000
2005	1,000,000	4,000,000
2006	1,300,000	5,200,000
2007	1,800,000	7,200,000
Total		<u>20,900,000</u>

Interest rate is at SIBOR + certain margin ranging from 2.5% - 3.5% per annum, payable on interest payment dates as defined in the agreement.

- Tranche B (US\$ 10,850,000)

The outstanding balance at final maturity shall be repaid in full on December 31, 2007 with a maximum extension period of 1 year, subject to quarterly installment at 25% of the outstanding amount up to December 31, 2008.

Interest rate is the same with tranche A, and increase to SIBOR + 3.25% - 3.75% per annum if the facility is extended in one year, payable on interest payment dates as defined in the agreement.

- 2) The Company may prepay the loan through a cash sweep mechanism, wherein any excess cash determined pursuant to the cash sweep formula shall be deposited in a Prepayment Account with Bank UFJ Indonesia.

If on any interest payment date, the amount standing to the credit of the Prepayment Account is equal to or greater than US\$ 250,000, 50% of such balance shall be applied to prepay the loan based on allocation stipulated in the agreement, and the remaining 50% shall be released to the Company to satisfy its working capital requirement. If on any interest payment date following the extension of the final maturity date the amount standing to the credit of the Prepayment Account is equal to or greater than US\$ 250,000, the entire credit balance shall be applied in prepayment to the Tranche B in inverse order of maturity.

In 2004, the Company has voluntarily settled the Tranche B amounting to USD 10.850.000.

Upon effectiveness of the loan rescheduling agreement, the creditors have waived any defaults including breaches committed by the Company on the previously restructured loan agreement including default interest and certain financial ratios.

**Bank Mandiri**

In 1997, BTLA obtained a credit investment loan facility from Bank Mandiri, Lampung branch, to finance the development program of palm plantation.

This facility has a maximum credit of Rp 39,192,861 thousand. The loan has a term of 12 years, including a grace period of 4 years. This loan is repayable in thirty two (32) installments every

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three months, with the first installment due in 2001. This loan is secured by the Company's land measuring 8,573.75 hectares and personal guarantees from Widarto and Santoso Winata and corporate guarantee from Sungai Budi group. This loan facility has been settled on June 24,2004 which financed from proceed of Bonds issuance.

In 1991, BNIL obtained a loan facility from Bank Mandiri to finance the development program of hybrid coconut plantations from 1991 to 1996. The facility has a maximum credit of Rp 13,950,000 thousand. The loan bears interest rate at 12% per annum and has a term of 12 years, including a grace period of 6 years. This loan is secured by BNIL's land and plantations measuring 4,000 hectares, inventories, buildings, machinery and equipment, receivables, and the rights and voting power of all shares that have been and will be issued by BNIL. On March 3, 1994, Bank Mandiri confirmed to reschedule the repayment of the loan from 1997 until 2002, to 1999 until 2005.

The agreements relating to the above loans contain covenants which, among other things, restrict the rights of the Company and its subsidiaries to create any additional encumbrance on their present or future assets; obtain any loans or grant any credit or guarantee; sell, lease or otherwise transfer the Company and its subsidiaries' assets; conduct liquidation, merger, consolidation or reorganization; and change the nature of business. The syndicated bank loan agreement also requires certain financial ratios to be maintained by the Company and its subsidiaries and restricts payment of dividend to the founding shareholders in certain amount. These agreements also provide various events of default.

***Bank Negara Indonesia***

On June 25, 2004, the Company obtained a working capital loan facility from Bank Negara Indonesia with maximum credit of 125.000.000 thousand which will be matured in June 2009 and interest bearing 14% per annual.

The loan facility is secured by corporate guarantee from PT Sungai Budi and personal guarantee from Widarto and Santoso Winata.

**17. CAPITAL STOCK**

Name of Stockholder	2005 and 2004		
	Number of Shares	Percentage of Ownership	Total Paid-up Capital (Rp '000)
PT Sungai Budi Somers Nominees (Far East) Limited	809,197,198	50.09%	101,149,650
Gov of Singapore Inv Corp Pte Ltd	279,688,500	17.31%	34,961,062
PT Budi Acid Jaya Tbk	145,132,970	8.98%	18,141,621
Widarto - President Director	29,400,000	1.82%	3,675,000
Santoso Winata - President Commissioner	701,400	0.04%	87,675
Oey Albert - Commissioner	701,400	0.04%	87,675
Oey Albert - Commissioner	409,000	0.03%	51,125
Oey Alfred - Director	229,000	0,01%	28,625
Public (below 5% each)	349,927,732	21.68%	43,740,967
<b>Total</b>	<b>1,615,387,200</b>	<b>100,00%</b>	<b>201,923,400</b>



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**18. NET SALES**

The details on net sales are as follows :

	2005	2004
	<i>Rp' 000</i>	<i>Rp' 000</i>
Palm and hybrid plantation products and related derivative products	657,301,611	555,033,192
Pineapple fruits	2,015,776	3,233,865
Orange fruits	599,075	4,336,666
	<hr/>	<hr/>
Total Net Sales	<u>659,916,462</u>	<u>562,603,723</u>

**19. COST OF GOODS SOLD**

The details of cost of goods sold are as follows :

	2005	2004
	<i>Rp' 000</i>	<i>Rp' 000</i>
Palm and hybrid plantations products and related derivative products	533,851,433	440,816,345
Pineapple fruits	2,705,111	5,665,292
Orange fruits	3,468,223	4,841,734
	<hr/>	<hr/>
Total Cost of Goods Sold	<u>540,024,767</u>	<u>451,323,371</u>

**20. OPERATING EXPENSES**

The details of operating expenses are as follows :

**Selling Expenses**

	2005	2004
	<i>Rp' 000</i>	<i>Rp' 000</i>
Freight	27,756,360	21,181,283
Export tax	2,362,005	1,047,982
Other	3,511,432	1,420,367
	<hr/>	<hr/>
Total	<u>33,629,797</u>	<u>23,649,632</u>

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**General And Administrative Expenses**

	<u>2005</u>	<u>2004</u>
	<i>Rp '000</i>	<i>Rp '000</i>
Salaries and benefits	10,695,309	9,201,747
Rent	1,445,119	1,543,475
Office expenses	1,407,296	1,649,581
Insurance	1,062,300	770,450
Amortization of bonds issuance cost	1,050,000	35,000
Professional fees	996,404	751,330
Representation	943,088	640,197
Travel and transportation	289,187	87,728
Taxes and licenses	168,373	275,303
Other	9,661,963	7,050,416
	<u>27,719,039</u>	<u>22,005,227</u>

**21. INCOME TAX**

Tax benefit (expense) of the Company and its subsidiaries consists of the following:

	<u>2005</u>	<u>2004</u>
	<i>Rp '000</i>	<i>Rp '000</i>
Current tax	<u>(1,315,129)</u>	<u>(185,621)</u>
Deferred tax		
The Company	<u>(559,371)</u>	<u>1,300,674</u>
Subsidiaries		
BNCW	990,115	583,560
BNIL	645,927	(2,085,710)
BSA	247,236	(6,332,000)
AKG	24,359	111,327
BDP	(970,531)	(3,177,155)
BTLA	<u>(1,662,634)</u>	<u>(1,518,951)</u>
Total Deffered Tax	<u>(1,284,901)</u>	<u>(4,792,587)</u>
Total Income Tax	<u>(2,600,031)</u>	<u>(4,978,208)</u>

**Current Tax**

The details of the Company and its subsidiaries' current tax are as follows :

	<u>2005</u>	<u>2004</u>
	<i>Rp'000</i>	<i>Rp'000</i>
<b>Current Tax</b>		
Company	1,315,129	-
Subsidiary-BSA	<u>-</u>	<u>185,621</u>

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	<u>2005</u> <i>Rp'000</i>	<u>2004</u> <i>Rp'000</i>
<b>Less Prepaid Tax :</b>		
Article 22	30,016	59,200
Article 23	444,114	48,000
Article 25	-	314,440
<b>TOTAL</b>	<b><u>474,130</u></b>	<b><u>421,640</u></b>
<b>Excess payment of Tax Expenses :</b>		
Company	-	107,200
Subsidiaries :		
AKG	-	-
BSA	-	128,819
<b>TOTAL</b>	<b><u>-</u></b>	<b><u>236,019</u></b>
<b>Taxes Payable :</b>		
Company	841,000	-

**Deferred Tax**

The details of the Company and its subsidiaries' deferred tax assets and liabilities are as follows:

	<u>2005</u> <i>Rp '000</i>	<u>2004</u> <i>Rp '000</i>
<b>Deferred tax assets</b>		
Company	-	1,300,674
Subsidiaries		
BDP	-	-
AKG	3,429,263	3,356,431
BTLA	-	392,181
BNCW	488,426	315,045
ABM	1,320	-
<b>Total</b>	<b><u>3,919,009</u></b>	<b><u>5,364,331</u></b>
<b>Deferred Tax Liabilities :</b>		
Company	10,898,848	11,669,332
Subsidiaries :		
BNIL	8,781,157	7,688,872
BDP	3,674,056	197,503
BTLA	2,526,963	-
BSA	160,510	447,995
<b>Total</b>	<b><u>26,041,534</u></b>	<b><u>20,003,702</u></b>

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**22. APPROPRIATION FOR GENERAL RESERVE**

In the Annual Stockholders' meeting as documented in Notarial Deed No. 39 dated June 24,2005 of Mrs. Kartuti Suntana Sastraprawira,S.H., notary public in Jakarta, the stockholders' approved to appropriate Rp 500.000 thousand for general reserve.

As of June 30, 2005, the total appropriation for general reserve were amounted to Rp 2.000.000 thousand.

**23. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES**

**Nature of Relationship**

- a. PT Sungai Budi is the Company's major stockholder.
- b. Related parties in which some of the stockholders and/or members of management are the same as the Company:
  - PT Budi Acid Jaya Tbk
  - PT Budi Raisio International
  - PT Kencana Acidindo Perkasa
  - PT Budi Delta Swakarya
  - PT Budi Samudra Perkasa (BSP)
- c. Widarto and Santoso Winata are key management personnel of the Company, and are stockholders of the Company and its subsidiaries, and other related companies.

**24. SEGMENT INFORMATION**

Following are the segment information on net sales, income from operations and total assets of the Company and its subsidiaries:

**a. Net Sales**

**Per type of product**

	2005		2004	
	%	Rp '000	%	Rp '000
<b>Export sales</b>				
CPO	25.78	178,979,557	14.14	88,537,436
Palm kernel oil	17.66	122,639,050	6.49	40,634,968
Crude coconut oil	14.05	97,576,744	6.33	39,621,915
Stearine	11.97	83,140,736	10.34	64,744,438
Palm free fatty acid	1.67	11,588,185	3.38	21,158,703
Palm Cooking Oil	0.69	4,813,803	-	-
Palm expeller	0.61	4,267,643	0.39	2,421,208
Copra expeller	0.29	2,022,870	0.61	3,848,076
Soap	0.14	990,263	0.43	2,717,569
Coconut Fatty Acid	0.02	157,442	-	-
<b>Total</b>		<b>506,176,294</b>		<b>263,684,313</b>

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	2005		2004	
	%	Rp '000	%	Rp '000
<b>Local sales</b>				
Olein	16.38	113,766,550	39.28	246,030,649
Fresh fruit bunches	4.89	33,923,682	10.16	63,621,061
Laundry soap	2.40	16,658,330	2.88	18,017,648
Cream soap	1.92	13,315,950	2.33	14,607,502
Stearine	0.51	3,551,097	1.39	8,680,954
Crude Palm Oil	0.51	3,511,595	-	-
Pineapple	0.29	2,015,776	0.52	3,233,865
Orange	0.09	599,075	0.69	4,336,666
Palm free fatty acid	0.04	289,180	0.38	2,399,956
Palm Expeller	0.00	32,500	-	-
Coconut cooking oil	0.00	114	0.24	1,514,540
Copra Expeller	0.00	-	0.00	4,745
Cude Coconut Oil	0.00	-	-	-
Others	0.08	532,889	0.02	148,091
<b>Total</b>		<b>188,196,739</b>		<b>362,595,677</b>
<b>Net sales before eliminations</b>	<b>100.00</b>	<b>694,373,034</b>	<b>100.00</b>	<b>626,279,990</b>
<b>Eliminations</b>		<b>(34,456,571)</b>		<b>(63,676,267)</b>
<b>Net sales after eliminations</b>		<b>659,916,462</b>		<b>562,603,723</b>

**Per company**

	2005	2004
	Rp '000	Rp '000
The Company	657,301,611	555,033,191
BDP	16,288,151	28,491,157
BTLA	11,858,426	15,481,503
BNIL	4,648,995	15,994,104
AKG	2,015,776	3,233,865
BNCW	1,328,549	4,949,846
BSA	931,525	3,096,324
Net sales before eliminations	694,373,033	626,279,990
Eliminations	(34,456,571)	(63,676,267)
<b>Net sales after eliminations</b>	<b>659,916,462</b>	<b>562,603,723</b>

Sales from subsidiaries to the Company were made at prices agreed upon by both parties.

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**b. Income from Operations**

**Per company**

	<u>2005</u>	<u>2004</u>
	<i>Rp '000</i>	<i>Rp '000</i>
The Company	57,645,177	45,082,059
BTLA	6,412,951	7,860,831
BDP	3,108,087	10,569,240
ABM	(166,781)	-
BSA	(819,668)	719,680
AKG	(1,830,395)	(3,878,331)
BNIL	(2,432,730)	7,291,541
BNCW	(3,373,782)	(2,019,527)
<b>Total</b>	<b><u>58,542,859</u></b>	<b><u>65,625,493</u></b>

**25. COMMITMENTS**

- a. On September 14, 1996, BNIL entered into cooperation agreements with certain cooperatives (Koperasi Unit Desa or KUD) namely Mesuji E, Murni Jaya and Karya Makmur, for the development of 7,500 hectares, 8,000 hectares and 9,000 hectares, respectively, of palm oil plantations (Plasma Estate Projects) in the areas owned by the farmers for a period of 13 years.

The KUDs obtained long-term loans with a term of 11 years including a grace period of 4 years from Bank Mandiri and Bank Danamon. The proceeds of the loans were then forwarded to BNIL as developer of the project.

KUD Mesuji E and KUD Murni Jaya obtained a maximum credit of Rp 51,805,449 thousand and Rp 55,259,144 thousand, respectively, (each getting Rp 6,907,393 per hectare) from Bank Mandiri, with drawdown schedule from 1997 to 2003.

KUD Karya Makmur obtained a maximum credit of Rp 61,558,128 thousand from Bank Danamon, to be availed in six drawdowns in accordance with the progress of the project.

The loans are secured by, among others, the farmers' landrights and corporate guarantees from PT Sungai Budi and BNIL.

In relation to these agreements, BNIL is committed to, among others:

- Develop the plantations belonging to the KUD members,
  - Provide training in administration, management and technical skills,
  - Purchase all fresh fruit bunches from the farmers as long as the plasma plantations are producing,
  - Pay the loan installments to Bank Mandiri and Bank Danamon from the amounts withheld from the payments to the farmers.
- b. In January 1997, the Company entered into rental agreements with Widarto and Santoso Winata, related parties, for the use of the land where the Company's factories and offices are located, in Bandar Lampung and Tangerang for 30 years until December 31, 2026.

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The annual rental for factory and office located in Bandar Lampung is Rp 500,000 thousand per year in 2003 and 2002, while the annual rental for factory and office located in Tangerang is Rp 200,000 thousand for the first year and Rp 400,000 thousand for the second year. Rental charges for the following year will be determined based on the agreement of both parties.

- c. In October 1998, the Company entered into a rent agreement with PT Budi Delta Swakarya (BDS), for the use of the building space in Jakarta where the Company's head office is located, for 2 years until October 31, 2000, with rental fee of US\$ 13 per square meter per month and service fee of US\$ 7 per square meter per month. The Company and BDS agreed to extend the period of agreement to December 31, 2004.
- d. In a distributor agreement dated January 7, 1997, the Company appointed PT Sungai Budi as distributor of palm cooking oil, coconut cooking oil, soap, stearine, fatty acid and copra expeller in Indonesia for three years until December 31, 1999.

Under the agreement, the Company is not permitted to market these products in Indonesia through other distributors without the approval from PT Sungai Budi. The credit term is three months after the delivery date. The selling price to PT Sungai Budi is determined based on the average of PT Sungai Budi's selling price to customers less Rp 26.75 per kilogram. The selling price is subject to change anytime and is adjusted for inflation and increase in prices of fuel.

In PT Sungai Budi's letter dated January 7, 1997, the Company obtained the approval to market some of the Company's products, such as laundry and bath soap in Indonesia, through PT Budi Aneka Cemerlang which is domiciled in Tangerang.

Based on addendum to the agreement dated January 5, 1998, the Company and PT Sungai Budi agreed to change the amount of deduction from the selling price to Rp 50 per kilogram for cooking oil and derivative products of palm and hybrid, and Rp 30 per kilogram for soap.

Based on addendum to the agreement dated January 3, 2000, the Company and PT Sungai Budi agreed to extend the period of agreement from December 31, 1999 until December 31, 2003.

Based on addendum to the agreement dated June 1, 2001, the Company and PT Sungai Budi agreed to implement some changes wherein the selling price to PT Sungai Budi shall be based on the average of PT Sungai Budi's selling price to customers less Rp 75 per kilogram for coconut cooking oil, palm cooking oil, and its derivative products ("oil"), and less Rp 60 per kilogram for cream soap, laundry soap and bath soap.

Based on addendum to the agreement dated January 2, 2003, the Company and PT Sungai Budi agreed to implement some changes wherein the selling price to PT Sungai Budi shall be based on the average of PT Sungai Budi's selling price to customer less Rp 125 per kilogram for coconut cooking oil, palm cooking oil, and its derivative products ('oil'), and less Rp 100 per kilogram for cream soap, laundry soap and bath soap.

Based on addendum to the agreement dated July 1, 2003, the Company and PT Sungai Budi agreed to implement some charges wherein the selling price to PT Sungai Budi shall be based on the average of PT Sungai Budi's selling price to customer less Rp 100 per kilogram for coconut cooking oil, palm cooking oil, and its derivative product ('oil'), and less Rp 75 per kilogram for cream soap, laundry soap and bath soap.

Based on the amendment, dated March 1, 2005, it was agreed that the change in the selling price to PT Sungai Budi is based on the average of PT Sungai Budi's selling price to customers less Rp 110 per kilogram for coconut and palm cooking oil and its derivative

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products, and less Rp 90 per kilogram for laundry cream soap, laundry bar soap and bath soap.

Based on addendum to the agreement dated December 31, 2003, the agreement was extending to December 31, 2006.

- e. In May 1999, the Company and its subsidiaries entered into a rent agreement with Widarto, related party, for the use of the building space located in Bandar Lampung for 10 years until May 3, 2009. The annual rental is Rp 48,800 thousand.
- f. On October 29, 1997, BTLA entered into a cooperation agreement with Perusahaan Umum Kereta Api (PERUMKA), for the construction and operation of buildings on the land of PERUMKA measuring 1,407 sqm and 19,292 sqm, respectively, located in Jl. Teuku Umar, Kelurahan Pasir Gintung and in Pasar Bawah, Kecamatan Tanjung Karang, Bandar Lampung. The agreement is valid for 30 years, until June 30, 2028.

Significant terms of the agreement are as follows:

- 1) BTLA is allowed to build plaza, shophouses, and kiosks on the land of PERUMKA in accordance with cooperation agreement.
  - 2) As compensation, BTLA shall pay Rp 1,750,000,000 to PERUMKA as fee for the use of the land.
  - 3) BTLA is allowed to transfer to a third party the management or utilization of such buildings provided the terms and conditions of the transfer are in accordance with the cooperation agreement between BTLA and PERUMKA. At the end of the agreement, BTLA and or the third party shall hand over the land to PERUMKA, together with the buildings and facilities which should be in good condition at the time of the hand over. In the event such third party fail to restore the buildings and facilities in good working condition at the time of the hand over to PERUMKA, BTLA is liable to pay the restoration cost to PERUMKA.
- g. Under the agreement dated July 26, 1999 between PT Sungai Budi and the Company, PT Sungai Budi as the owner of the logo "Sungai Budi", granted a non-exclusive and nontransferable license to the Company to use the logo. For such use, PT Sungai Budi will not require or receive any royalty or interest income from the Company. This agreement can be terminated upon approval of both parties.
  - h. On February 18, 2003, in connection with the working capital credit facility obtained from Natexis Banques Populaires, Singapore branch, ( Natexis), the Company and Natexis entered into collateral agreement with PT Superintending Company of Indonesia ( Persero ) ( Sucofindo ). Based on the agreement, Sucofindo will supervise the inventories stored in tanks No. 6, 7, 8, 9 and 10 located at Desa Way Lunik, Kecamatan Panjang, Bandar Lampung. The inventories are guarantees for the working capital credit facility from Natexis.
  - i. The Company has the following brand etiquettes on its products :
    - a. Brand etiquette " Kompas " for various products of soap, cooking oil, cleaner and cosmetics.
    - b. Brand etiquette " Gunung Agung " for various products of cooking oil and margarine.
    - c. Brand etiquette " Bumi Waras ( B.W. ) for various products of soap, cleaner and cosmetics.
    - d. Brand etiquette " Rossy " for various products of soaps.
    - e. Brand etiquette " Burung Merak " for various products of coconut oil, cooking oil and margarine.



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- f. Brand etiquette “ Tawon “ for various products of coconut oil, cooking oil, margarine and jam.
- g. Brand etiquette “ Segar “ for various products of bath soap.
- j. Purchase contract with Cargill International Trading Pte. Ltd,. Singapore ( Cargill ) and Standby Letter of Credit ( SBLC ) Facilities from PT Bank Mandiri ( Persero ) Tbk

On October 4,2004, the Company and Cargill entered into a Purchase Contract whereas Cargill agreed to purchased 60.000 metric tons of CPO that will be shipped during the contract period from November 2004 until June 2005. During the contract period, the Company agreed to deliver to Cargill not less than USD 20.000.000 worth of goods. During the contract period, the Company will deliver 7.500 metric tons of CPO every month.

In relation to the transaction, Bank Mandiri has agreed to grant SBLC facility to the Company in the amount not exceeding USD 20.000.000 to secure advance payment to Cargill by issuing 8 SBLC.

The SBLC facilities are secured with CPO, inventories, account receivables from Cargill, fixed assets, personal guarantee from Widarto and Santoso Winata and Corporate guarantee from PT Sungai Budi. In relation with SBLC facilities, the Company obliged to place margin deposits with Bank Mandiri.

- k. Way Lunik 12MW Coal Fired Co-Generation Power Plant

On October 27, 2004, the Company entered into a Contract Agreement with Sichuan Machinery & Equipment Import & Export Co.Ltd ( The Contractor ) China for the works known as Way Lunik 12MW Coal Fired Co-Generation Power Plant.

The Contract price amounts to USD 11.450.000 for construction, installation, commissioning, technical service, system design, and procurement of equipment and device materials. The contract value comprises several payment schedule. The contract will be completed within 24 months.

**26. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

At June 30, 2005 and 2004, the Company and its subsidiaries had monetary assets and liabilities in US Dollar as follows:

	2005		2004	
	US\$ '000	Equivalent in Rp '000	US\$ '000	Equivalent in Rp '000
<b>Assets</b>				
Cash and cash equivalents	1,147	11,140,305	1,692	15,932,627
Trade accounts receivable	4,482	43,537,150	6,449	60,718,064
<b>Total assets</b>	<b>5,629</b>	<b>54,677,455</b>	<b>8,141</b>	<b>76,650,691</b>

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	2005		2004	
	<u>US\$ '000</u>	<u>Equivalent in Rp '000</u>	<u>US\$ '000</u>	<u>Equivalent in Rp '000</u>
<b>Liabilities</b>				
Short-term bank loans	4,401	42,748,806	13,222	124,486,552
current portion of longterm bank Loan	4,600	44,679,800	-	-
Sales Advanced	21,554	209,357,983	-	-
Long-term bank loans	9,800	95,187,400	28,750	270,681,250
<b>Total liabilities</b>	<b>40,356</b>	<b>391,973,989</b>	<b>41,972</b>	<b>395,167,802</b>
<b>Net Liabilities</b>	<b>34,726</b>	<b>337,296,534</b>	<b>33,831</b>	<b>318,517,111</b>

At balance sheet dates, the conversion rates used by the Company and its subsidiaries are as follows:

	<u>2005</u>	<u>2004</u>
	<u>Rp</u>	<u>Rp</u>
Foreign Currency US\$ 1	9,713	9,415