

**PT SIERAD PRODUCE Tbk  
AND SUBSIDIARIES**

**Consolidated Financial Statements  
For the Period of Nine Months Ended  
September 30, 2009 and 2008  
(Unaudited)**

**PT SIERAD PRODUCE Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

As of September 30, 2009 and 2008  
(In Full Rupiah)

	Note	2009 Rp	2008 Rp
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	2.c, 2.d, 3	38,707,089,320	19,695,536,331
Accounts Receivable			
<i>(Net of allowance for doubtful account as of Sept 30, 2009 and 2008 of Rp 132,183,376,539 and Rp 123,972,292,795, respectively)</i>			
	2.f, 4	299,547,512,513	250,061,315,611
Other Receivables	5	12,639,801,441	12,866,255,272
Inventories	2.g, 6	435,098,305,056	421,454,185,517
Livestock	2.h, 7	58,107,034,303	55,169,437,580
Prepaid Expenses		8,472,359,238	3,022,734,077
Prepaid Taxes	2.n, 8	16,061,158,930	11,741,619,896
Purchase Advances		15,072,936,261	34,805,856,234
Total Current Assets		<u>883,706,197,062</u>	<u>808,816,940,518</u>
<b>NON CURRENT ASSETS</b>			
Investment in Associate - Net	2.e, 9	--	--
Other Long Term Investments - Net	2.e, 10	--	--
Due from Related Parties	25	40,069,115,935	42,096,000,745
Deferred Tax Assets	2.n, 11.b	57,956,805,593	57,069,934,647
Property, Plant and Equipment			
<i>(Net of accumulated depreciation as of Sept 30, 2009 and 2008 of Rp 431,443,000,058 and Rp 392,992,848,539, respectively)</i>			
		496,661,188,149	481,341,537,530
Advance for Purchases of Property, Plant and Equipment		41,023,377,458	266,820,108
Unutilized Assets	2.j, 13	32,215,970,511	35,062,193,318
Refundable Deposits		515,025,819	432,863,718
Total Non Current Assets		<u>668,441,483,465</u>	<u>616,269,350,066</u>
<b>TOTAL ASSETS</b>		<u><b>1,552,147,680,527</b></u>	<u><b>1,425,086,290,584</b></u>

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

**PT SIERAD PRODUCE Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (Continued)**

As of September 30, 2009 and 2008  
(In Full Rupiah)

	Note	2009 Rp	2008 Rp
<b>LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	2c, 14	172,061,854,510	139,108,929,705
Accrued Expenses	15	13,133,084,474	11,771,517,183
Taxes Payable	2.n, 11.c	5,892,355,380	5,837,875,695
Short Term Bank Loan	16	41,800,000,000	--
Current Maturity of Long Term Loan			
Bank Loan	16	221,639,765,938	189,533,337,878
Obligation Under Finance Lease	2.k, 17	2,638,818,533	2,366,033,839
Other Current Liabilities		4,313,585,747	7,773,997,177
Total Current Liabilities		<u>461,479,464,582</u>	<u>356,391,691,477</u>
<b>NON CURRENT LIABILITIES</b>			
Long Term Loans - Net of Current Maturity			
Bank Loan	16	--	--
Obligation Under Finance Lease	2.k, 17	3,799,470,029	1,446,092,244
Deferred Tax Liabilities	2.n, 11.b	288,168,231	290,504,078
Estimated Liabilities on Employees' Benefits	2.o, 18	22,402,076,780	16,875,670,021
Total Non Current Liabilities		<u>26,489,715,040</u>	<u>18,612,266,343</u>
<b>TOTAL LIABILITIES</b>		<u>487,969,179,622</u>	<u>375,003,957,820</u>
<b>MINORITY INTERESTS</b>		<u>49,236,893</u>	<u>224,916,218</u>
<b>STOCKHOLDERS' EQUITY</b>			
Capital Stock			
Authorized Capital : 73.099.900 seri A shares with par value of Rp 5.000 per share, 650.686.609 seri B shares with par value of Rp 3.000 per shares and 65.140.785.747 seri C shares with par value Rp 100 per share			
Subscribed and fully paid capital 73.099.900 seri A shares; 650.686.609 seri B shares and 8.667.321.984 seri C shares	1.d, 19	3,184,291,525,400	3,184,291,525,400
Additional Paid In Capital - Net	20	237,474,479,595	237,474,479,595
Deficits		(2,357,636,740,983)	(2,371,908,588,449)
Total Sockholders' Equity		<u>1,064,129,264,012</u>	<u>1,049,857,416,546</u>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY</b>		<u><u>1,552,147,680,527</u></u>	<u><u>1,425,086,290,584</u></u>

See the Accompanying Notes which are an integral part of these Consolidated Financial Statements

**PT SIERAD PRODUCE Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

For the Period of Nine Months Ended September 30, 2009 and 2008  
(In Full Rupiah)

	Note	2009 Rp	2008 Rp
<b>NET SALES</b>	2.m, 22	2,415,791,581,106	1,788,916,473,773
<b>COST OF GOODS SOLD</b>	2.m	<u>2,238,574,557,344</u>	<u>1,609,992,910,668</u>
<b>GROSS PROFIT</b>		<u>177,217,023,762</u>	<u>178,923,563,105</u>
<b>OPERATING EXPENSES</b>			
Selling Expenses	2.m, 23	32,164,124,725	20,055,900,367
General and Administrative Expenses	2.m, 24	<u>95,734,159,008</u>	<u>75,825,276,297</u>
Total Operating Expenses		<u>127,898,283,733</u>	<u>95,881,176,664</u>
<b>INCOME FROM OPERATIONS</b>		<u>49,318,740,029</u>	<u>83,042,386,441</u>
<b>OTHER INCOME (CHARGES)</b>			
Gain (Loss) on Foreign Exchange - Net		11,079,477,364	(150,671,387)
Sales of Others	25	2,745,404,263	2,501,608,342
Interest Income		293,451,011	172,704,035
Loss on Differences in Payment		261,968,538	(121,848,952)
Gain (Loss) on Disposal of Property, Plant and Equipment and Unutilized Assets	12	164,816,254	775,008,443
Penggantian Klaim dan Asuransi		--	--
Gain (Loss) on Stocktaking Difference and Acquisition of Inventories	2.g, 6	(806,423,178)	(163,730,357)
Bad Debt and Receivables Written-off Expenses		(7,273,355,314)	(7,457,549,835)
Financial Charges		(23,967,421,578)	(17,447,511,582)
Others - Net		414,733,673	780,775,403
Other Charges - Net		<u>(17,087,348,967)</u>	<u>(21,111,215,890)</u>
<b>INCOME BEFORE INCOME TAX</b>		<u>32,231,391,062</u>	<u>61,931,170,551</u>
<b>INCOME TAX EXPENSE</b>			
Current		(970,351,218)	--
Deferred		<u>(189,795,072)</u>	<u>(17,884,695,418)</u>
Total Income Tax Expense	11.a	<u>(1,160,146,290)</u>	<u>(17,884,695,418)</u>
<b>INCOME BEFORE MINORITY INTERESTS</b>		31,071,244,772	44,046,475,133
<b>MINORITY INTERESTS</b>		<u>(6,453,045)</u>	--
<b>NET INCOME</b>		<u>31,064,791,727</u>	<u>44,046,475,133</u>

See the Accompanying Notes which are an integral part  
of these Consolidated Financial Statements

**PT SIERAD PRODUCE Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

For the Period of Nine Months Ended September 30, 2009 and 2008  
(In Full Rupiah)

	Capital Stock	Additional Paid In Capital	Resulting from Revaluation of Property, Plant and Equipment	Deficits	Total Stockholders' Equity
	Rp	Rp	Rp	Rp	Rp
<b>BALANCE AS OF JANUARY 1, 2008</b>	<b>3,184,291,525,400</b>	<b>237,474,479,595</b>	<b>347,703,892,066</b>	<b>(2,763,658,955,648)</b>	<b>1,005,810,941,413</b>
Effect on implementation of PSAK 16 (Revised 2007) Regarding of Property, Plan and Equipment	21 --	--	(347,703,892,066)	347,703,892,066	--
Net Income	--	--	--	44,046,475,133	44,046,475,133
<b>BALANCE AS OF SEPTEMBER 31, 2008</b>	<b>3,184,291,525,400</b>	<b>237,474,479,595</b>	<b>--</b>	<b>(2,371,908,588,449)</b>	<b>1,049,857,416,546</b>
<b>BALANCE AS OF JANUARY 1, 2009</b>	<b>3,184,291,525,400</b>	<b>237,474,479,595</b>	<b>--</b>	<b>(2,388,701,532,710)</b>	<b>1,033,064,472,285</b>
Net Income	--	--	--	31,064,791,727	31,064,791,727
<b>BALANCE AS OF SEPTEMBER 31, 2009</b>	<b>3,184,291,525,400</b>	<b>237,474,479,595</b>	<b>--</b>	<b>(2,357,636,740,983)</b>	<b>1,064,129,264,012</b>

See the Accompanying Notes which are an integral part  
of these Consolidated Financial Statements

**PT SIERAD PRODUCE Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Period of Nine Months Ended September 30, 2009 and 2008  
(In Full Rupiah)

	<u>2009</u> Rp	<u>2008</u> Rp
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	2,295,467,927,228	1,737,138,863,697
Cash Paid to Suppliers and Other Third Parties	(2,202,504,319,250)	(1,714,140,816,272)
Cash Paid to Employees	(67,342,277,857)	(60,557,039,708)
Tax payments - Net	(22,462,038,120)	(15,704,221,671)
Interest Payment- Net	(25,268,211,032)	(17,818,275,252)
Net Cash Flow Used in Operating Activities	<u>(22,108,919,031)</u>	<u>(71,081,489,205)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on Disposal of Property, Plant and Equipment and Unutilized Assets	203,227,272	1,719,445,597
Acquisition of Property, Plant and Equipment	(46,294,992,075)	(24,048,414,713)
Net Cash Flows Used in Investing Activities	<u>(46,091,764,803)</u>	<u>(22,328,969,116)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Received from Bank Loan	63,547,407,877	105,964,655,189
Cash Paid for Bank Loan and Obligation Under Capital Lease	(1,919,544,275)	(1,929,307,460)
Net Cash Flows Provided by Financing Activities	<u>61,627,863,602</u>	<u>104,035,347,729</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(6,572,820,231)	10,624,889,408
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENT AT END OF YEAR</b>	(767,403,825)	19,006,538
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(7,340,224,056)	10,643,895,946
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	46,047,313,376	9,051,640,386
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>2.c.d.3</u> <u>38,707,089,320</u>	<u>19,695,536,332</u>
<b>Cash and Cash Equivalents at End of Year Consist of:</b>		
Cash on Hand	534,447,736	1,061,918,563
Cash in Banks	32,364,041,584	18,633,617,768
Time Deposits	5,808,600,000	--
<b>Total</b>	<u>38,707,089,320</u>	<u>19,695,536,331</u>

See the Accompanying Notes which are an integral part  
of these Consolidated Financial Statements

# PT SIERAD PRODUCE Tbk AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Period of 9 (Nine) Months Ended September 30, 2009 and 2008  
(In Full Rupiah)

### 1. General

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#### 1.a. The Company's Establishment

PT Sierad Produce Tbk ("the Company") was established based on deed No. 17 dated September 6, 1985 of Raden Santoso, notary in Jakarta, as amended by deed No. 27 dated April 16, 1986 of the same notary. The Articles of Association was approved by the Minister of Justice of the Republic of Indonesia in his decree No. C2-4506.HT.01.01.TH.86 dated June 26, 1986.

The Company's articles of association have been amended several times, most recently on July 25, 2008, Based on deeds of Company's Extraordinary General Meeting of Shareholders decision No. 265 by Dr. Irawan Soerodjo, SH, Msi, a notary, concerning the amendment of the Company's articles of association and the composition of the Company's management. This deed has been approved by the Minister of Justice and Human Rights of the Republic Indonesia in this decree No. AHU-73659.AH.01.02.Tahun 2008 dated October 14, 2008.

In accordance with article 3 of the Company's Articles of Association, the Company's activities are to engage in the breeding of day old chicks, chicken slaughtering and integrated chicken processing with cold storage facility, poultry feed manufacturing and corn drying.

The Company's head office located at Plaza Citiview, Kemang Jakarta Selatan and its businesses are located in Bogor, Sukabumi, Tangerang, Lampung, Sidoarjo, and Magelang. Its products are marketed locally. The Company started its commercial operations in 1985.

In 2007, the Company has been re-operating the production of corn drying activity located in Lampung, which was previously stopped in 2005.

#### 1.b. Commissioners, Directors and Employees

Based on deeds of Company's Extraordinary General Meeting of Shareholders decision No. 94 by Dr. Irawan Soerodjo, SH, Msi, a notary, dated May 12, 2009, it was approved the resignation of Erik Harimurti Surono, Sik Wei Tjien, Helena Megawati Wardoyo and Sri Sumiyarsi as Company's directors and appointed Eko Putro Sandjojo and Sudirman as Company's vice of president director and director.

Furthermore based on Company's General Meeting of Shareholders held on June 30, 2009, it was approved to appoint Anton Budi Setiawan Hudyana as the Company's commissioner.

A composition of commissioners and directors as of September 30, 2009 and 2008 is as follows :

	2009	2008
<b>Board of Commissioners</b>		
President Commissioner		
(Independent Commissioner)	: Antonius Yunus Supit	Antonius Yunus Supit
Commissioner (Independent)	: Djohan Effendy	Djohan Effendy
Commissioner	: Sri Lestari Anwar	Sri Lestari Anwar
Commissioner	: Fransiscus Xaverius Awi Tantra	Fransiscus Xaverius Awi Tantra
Commissioner	: Anto Budi Setiawan Hudyana	

**PT SIERAD PRODUCE Tbk AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Period of 9 (Nine) Months Ended September 30, 2009 and 2008  
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	2009	2008
<b>Board of Directors</b>		
President Director	: Budiardjo Tek	Budiardjo Tek
Vice President Director		
(Non Affiliated Director)	: Eko Putro Sandjojo	Rodolfo Paquia Pantoja
Director	: Rodolfo Paquia Pantoja	Erik Harimurti Surono
Director	: Sudirman	Sri Sumiyarsi
Director	: --	Sik Wei Tjien
Director	: --	Helena Megawati
		Wardoyo

The Audit Committee members as of September 30, 2009 and 2008 are as follows:

	2009	2008
Chairman of Audit Committee	: Antonius Yunus Supit	Antonius Yunus Supit
Member	: Eman Achmad Sulaeman	Eman Achmad Sulaeman
Member	: Rodion Wikanto	Wawat Sutanto
		Njotowidjojo

**1.c. Structure of Subsidiaries**

The Company has ownership interest of more than 50%, directly or indirectly, and/or has exercise control over the management of the following subsidiaries:

Subsidiaries	Domicile	Business	Percentage of Ownership (Direct and Indirect)	Year of Commercial Operation	Total Asset	
					2009 Rp	2008 Rp
PT Sierad Industries	Jakarta	Poultry Equipment Industry	99,00%	1996	20,004,022,387	18,442,534,704
PT Dwipa Mina Nusantara	Bali	Fish Meal Industry	100,00%	1996	2,486,206,130	1,788,381,507
PT Sierad Pangan Nusantara	Jakarta	Food and Beverage Industry	99,99%	Pre-Operation	7,495,176,821	7,495,176,821
PT Sierad Corporation	Jakarta	Distribution and Trading of Poultry Equipment, Feedmill and Others Product	99,99%	Discontinued Operation	14,996,568,499	5,408,414,874
PT. Transpasifik Niagareksa	Jakarta	Trading	100,00%	1995	24,303,176,297	8,184,790,154

In 2003, based on the Shareholders' Minutes of Meeting of PT Sierad Corporation (SC) deed No. 25 dated October 21, 2003, by Diah Guntari Listianingsih Soemarwoto, SH, notary in Jakarta, the Shareholders' approved the Board of Directors of PT Sierad Corporation's proposal to discontinue the operational activities of PT Sierad Corporation and took necessary legal actions for the discontinuation of PT Sierad Corporation's operations in accordance with the rules and regulations prevailing in Indonesia. Up to the date of completion of financial statements, there is not any continuing management SC's plan concerning discontinued operation of SC.

Considering the assets, liabilities, revenues, and expenses of SC as of September 30, 2009 and 2008, are not material, a separate presentation of "Discontinued Operations" is not presented in the consolidated financial statements in accordance with the SFAS No. 58, concerning "Discontinued Operations", and also

**PT SIERAD PRODUCE Tbk AND SUBSIDIARIES**  
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For the Period of 9 (Nine) Months Ended September 30, 2009 and 2008  
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no separate and detailed disclosure in the consolidated statement of income.

Up to September 30, 2009, PT Sierad Pangan Nusantara, are still in development stage, inactive and pre operating, and there were no significant transactions relating to company. Meanwhile, PT Transpasifik Niagareksa, the subsidiary, on 2008 has been reoperating.

**1.d. Public Offering of the Company's Stock**

On November 29, 1996, the Company received an effective notification from the Chairman of the Capital Market Supervisory Agency (Bapepam) in his letter No. S-1946/PM/1996 concerning the public offering of 250,000,000 shares with par value of Rp 500 per share. Thereafter, the Company has done several actions as follows:

<u>Year</u>	<u>Description</u>	<u>Total Shares Outstanding After Transaction (Share)</u>
1997	Issuance of 76,436,000 series A shares with par value of Rp 500 from conversion of bonds	726,436,000
1998	Conversion of bonds	730,999,000
2001	Issuance of 6,506,866,083 series B shares with par value of Rp 300, therefore total outstanding shares are:	
	Series A	730,999,000
	Series B	6,506,866,083
2004	Reversed stock split of 10 times, therefore the Company's shares are:	
	Series A	73,099,900
	Series B	650,686,609
2005	Conversion of Convertible bonds and Long Term Loan, therefore the outstanding shares are:	
	Series A	73,099,900
	Series B	650,686,609
	Series C	8,667,321,984

The latest increase of the Company's capital in 2005 was made through conversion of the convertible bonds and long term loan to the Company's stock by issuing of 8,667,321,984 series C shares, with par value of Rp 100 per share.

# PT SIERAD PRODUCE Tbk AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Period of 9 (Nine) Months Ended September 30, 2009 and 2008  
(In Full Rupiah)

### 2. Summary of Accounting Policies

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#### 2.a. Basis of Financial Statement Preparation

The consolidated financial statements are prepared based on accounting principles generally accepted in Indonesia which consist of, among others, Statements of Financial Accounting Standard established by the Indonesian Institute of Accountants, regulation of the Capital Market Supervisory Agency (Bapepam-LK) and guidelines of Financial Statement Presentation and Disclosure for Public Listed Company engaged in Poultry and Manufacturing Industries established by the Bapepam-LK.

The basis of measurement in the preparation of these financial statements is historical cost concept, except for investments in certain securities which are stated at fair value and inventories which are carried at the lower of cost or net realizable value. The financial statements are prepared by using accrual method, except for statements of cash flows.

The statements of cash flow are prepared by using the direct method and cash flows are classified into operating, investing and financing activities.

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

#### 2.b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries as described in Note 1.c.

The consolidated financial statements have been prepared on the basis of entity concept. All significant intercompany accounts, transactions and profits among consolidated companies have been eliminated to reflect the financial position and result of operation as a whole.

#### 2.c. Foreign Currencies Transactions and Balances

Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions were made. As at the balance sheet dates, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing exchange rates as at those dates.

The exchange rates as at September 30, 2009 and 2008 are as follows:

	2009 Rp	2008 Rp
1 USD	9,681	9,378
1 SGD	6,841	6,594

The resulting gains or losses on foreign exchanges are credited or charged to current year's consolidated statements of income.

#### 2.d. Cash Equivalents

Cash equivalents consist of time deposits and other short term investments with maturities not more than or equal to three months since their placement and are not pledged as collateral.

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**2.e. Investments**

**Available for Sale Securities**

Investments in available for sale securities are carried at fair value. Any unrealized gains or losses resulting from the ownership of securities as at balance sheet date are charged to "Unrealized Gains (Losses) on Available for Sale Securities" as a separate component of the stockholders' equity in the consolidated balance sheet.

**Investments in Shares of Stock**

Investments in shares of stock wherein the Company has an ownership interest, directly or indirectly, of at least 20% but not exceeding 50% are accounted for under the equity method whereby the cost of investment is increased or decreased by the Company's share in the net earnings (losses) of the associated company since the acquisition date, and deducted by cash dividends received. The Company's share in the net earnings (losses) of an associate is adjusted by the amortization of the difference between the acquisition cost and the fair value of net assets at the acquisition date for 5 (five) years to 20 (twenty) years using the straight line method. The difference of fair value over the Company's portion on book value of property, plant, and equipment is depreciated in accordance with the residual estimated useful life of those related assets.

**2.f. Allowance for Doubtful Accounts**

Allowance for doubtful accounts is provided based on a review of the status of the individual debtors at the end of year. The outstanding receivables are written off against the allowance for doubtful accounts or directly from the account at the time management believes that these receivables are determined to be definitely uncollectible.

**2.g. Inventories**

Inventories are carried at the lower of cost or net realizable value. Cost is determined by using the average method. Damage or loss which has been found based on observation of physical stock taking in relation with production activity is charged to the cost of production, while in not relation with Company's production activity is recognized as gain (loss) on stocktaking difference of inventories in current year to other income (expense).

**2.h. Livestock**

Livestock is carried at cost plus expenses incurred up to optimum production age, and after that age, at cost plus expenses incurred less depletion which is computed based on the productive period of the livestock using the straight-line method.

**2.i. Property, Plant and Equipment**

Property, plant and equipment, after initial recognition, are accounted for by using cost model which carried at cost less their accumulated depreciation and impairment loss. Land rights is not depreciated and carried at cost. Depreciation is computed using straight-line method over the estimated useful life of the assets as follows:

Buildings and Infrastructures	: 10 - 28 years
Machineries and Equipments	: 10 years
Office Furniture and Fixtures	: 3 - 10 years
Vehicles	: 5 years

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Land is not be depreciated, unless:

- (a) The land is no longer viable for use in the primary operating activity of the entity;
- (b) The nature of primary operating activity is such as that the land and building are vacated when the project is completed; and
- (c) Management's prediction or the probability that extension or renewal of the title is highly unlikely or definitely will not be obtained.

The cost of maintenance and repairs is charged to the statement of income as incurred, significant renewals and betterments 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 statements of income.

**2.j. Unutilized Assets**

Unutilized property and equipment are reclassified into unutilized assets, separate from property, plant and equipment account, and are not depreciated and carried at the lower of net book value or net realizable value.

According to the Indonesian SFAS No. 16 (Revised 2007) which published by Indonesian Accountant Association in May 2007 and shall be applied effective on January 1, 2008, therefore the depreciation of the unutilized property and equipment have been computed prospectively based on the estimate of the economic useful life by using the straight line method.

**2.k. Leases**

Leases are categorized as finance leases if it transfer substantially all the risks and rewards incidental to ownership. Leases are categorized as operating leases if it does not transfer substantially all the risks and rewards incidental to ownership.

At commencement of the lease term, finance leases should be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Each determined at the inception of the lease. Discount rate used to calculate the present value of minimum lease payment is the implicit interest rate of the lease, if practicable, or else at the enterprise's incremental borrowing rate. Any initial direct costs of the lessee are added to the amount recognized as an asset. The depreciation policy for assets held under finance leases should be consistent with that for owned assets.

**2.l. Construction in Progress**

Construction in progress represents costs directly associated with the construction of facilities and the preparation of property, plant and equipment for their intended use. These costs include borrowing costs during construction from loans used to construct such assets. Construction in progress is transferred to the respective property, plant and equipment accounts when the construction is substantially completed and is ready for their intended use.

**2.m. Revenue and Expense Recognition**

Sales are recognized when the goods are delivered to customers. Expenses are recognized when incurred (accrual basis).

**2.n. Income Tax**

All temporary differences arising between the tax bases of assets and liabilities and their carrying value for financial reporting purposes are recognized as deferred tax using the liability method. Currently enacted or substantially enacted tax rates are used to determine deferred income tax.

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Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

Current tax is calculated based on taxable income which is commercial income after adjusted in accordance with the existing tax regulations.

**2.o. Estimated Liabilities on Employee Benefits**

Short-term employee benefits are recognized at undiscounted amount when an employee has rendered service to the Company during an accounting period.

Post-employment benefits are recognized at a discounted amount when an employee has rendered service to the Company during an accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Company's informal practices. In calculating the liabilities, benefits should be discounted by using projected unit credit method.

Termination benefits are recognized when, and only when, the Company is demonstrably committed to either:

- (a) terminate an employee or group of employees before the normal retirement date; or
- (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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**3. Cash and Cash Equivalents**

	<b>2009</b>	<b>2008</b>
	<b>Rp</b>	<b>Rp</b>
<b>Cash on Hand</b>		
Rupiah	522,617,554	1,052,354,563
US Dolar (2009: USD 1,222; 2008: USD 1.020)	11,830,182	9,564,000
<b>Cash in Bank</b>		
Rupiah		
PT Bank Central Asia Tbk	5,864,548,962	13,133,418,851
PT Bank Negara Indonesia (Persero) Tbk	26,308,216,848	4,853,442,922
PT Bank Mandiri (Persero) Tbk	67,100,806	66,997,244
PT Bank Permata Tbk	88,112,904	156,596,457
PT Bank Sinar Mas	2,090,854	--
PT Bank International Indonesia Tbk	--	2,390,814
US Dolar		
PT Bank Central Asia Tbk (2009: USD 2,136; 2008: Nihil)	20,679,294	--
PT Bank Negara Indonesia (Persero) Tbk (2009: USD 1,373; 2008: USD 44,257)	13,291,916	415,041,442
PT Bank Permata Tbk(2009: Nihil; 2008: USD 611)	--	5,730,038
<b>Time Deposits</b>		
Rupiah		
PT Bank Permata Tbk	--	--
PT Bank Central Asia Tbk	--	--
US Dolar		
PT Bank Negara Indonesia (Persero) Tbk (2009: USD 600,000 ; 2008: Nihil)	5,808,600,000	--
<b>Total</b>	<b>38,707,089,320</b>	<b>19,695,536,331</b>
Annual Interest Rates on Times Deposits:		
US Dolar	1-2%	--
Period		
US Dolar	7 Days	--

There are no placements in banks which are related parties.

**4. Accounts Receivable**

Details of accounts receivable by nature of its sales/operating activity are as follows:

	<b>2009</b>	<b>2008</b>
	<b>Rp</b>	<b>Rp</b>
Receivable From Sales - Feedmill	207,595,590,541	177,618,843,716
Receivable From Sales - Day Old Chickens	96,459,652,441	95,160,381,637
Receivable From Sales - Dressed Chickens and Frozen Food	107,107,150,000	78,780,848,762
Receivable From Sales - Others	20,568,496,070	22,473,534,291
Total	431,730,889,052	374,033,608,406
Less: Allowance for Doubtful Accounts	(132,183,376,539)	(123,972,292,795)
<b>Total</b>	<b>299,547,512,513</b>	<b>250,061,315,611</b>

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Movement of Allowance for Doubtful Accounts:

	<b>2009</b>	<b>2008</b>
	<b>Rp</b>	<b>Rp</b>
Beginning Balance	127,160,995,225	116,758,758,756
Additions	7,676,126,951	7,524,795,949
Deductions	(2,653,745,636)	(311,261,910)
<b>Ending Balance</b>	<b>132,183,376,539</b>	<b>123,972,292,795</b>

Details of aging receivables based on its invoice dates are:

	<b>2009</b>	<b>2008</b>
	<b>Rp</b>	<b>Rp</b>
Up to 1 month	234,462,013,929	171,035,000,927
> 1 month - 2 month	46,894,608,069	5,614,924,584
> 2 month - 3 month	15,974,853,693	5,363,258,652
> 3 month	134,399,413,361	192,020,424,243
<b>Ending Balance</b>	<b>431,730,889,052</b>	<b>374,033,608,406</b>

All receivables are from third parties and there is no receivable from related parties. All accounts receivable are denominated in Rupiah.

Based on a review of the status of the individual debtors at the end of the year, the Company's management believes that the allowance for doubtful accounts is adequate to cover any possible losses on uncollectible accounts.

During the period of nine months ended September 30, 2009 and 2008, the Company's management received payment of allowance for doubtful accounts were amounting of Rp 402,771,637 and Rp 67,246,114, respectively.

## **5. Other Receivables**

Other receivables consist of:

	<b>2009</b>	<b>2008</b>
	<b>Rp</b>	<b>Rp</b>
Employees Receivable	6,314,139,904	5,582,882,794
Other Receivable from Wendy International Corporation	4,470,000,000	4,470,000,000
Miscellaneous (below Rp 200 million each)	1,855,661,537	2,813,372,478
<b>Total</b>	<b>12,639,801,441</b>	<b>12,866,255,272</b>

Management believes that all other receivables are collectible, therefore no allowance for doubtful account is provided.

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**6. Inventories**

	<b>2009</b>	<b>2008</b>
	<b>Rp</b>	<b>Rp</b>
<b>Finished Goods:</b>		
Feeds	41,044,777,387	27,996,891,363
Dressed Chicken and Frozen Food	12,269,027,114	4,407,771,580
Vaccine, Medicines and Others	8,609,125,181	8,052,531,175
Poultry Equipment	2,006,504,334	1,289,505,240
<b>Sub Total</b>	<b>63,929,434,016</b>	<b>41,746,699,358</b>
<b>Work in Process</b>	<b>19,651,002,767</b>	<b>18,659,410,721</b>
<b>Raw Materials and Supporting Materials:</b>		
Raw Materials	306,611,560,108	315,573,053,310
Packing Materials	5,227,735,379	7,574,338,339
Spare Parts and Other Indirect Materials	38,741,335,271	37,876,241,126
Sub Total	350,580,630,758	361,023,632,775
<b>Good in Transit</b>	<b>937,237,515</b>	<b>24,442,663</b>
<b>Total</b>	<b>435,098,305,056</b>	<b>421,454,185,517</b>

The inventories of the Company are insured collectively with property, plant and equipment (see Note 12) against all risk, special for inventories, with a total insurance coverage of USD 35,000,000 and Rp 57,950,000,000 in 2009 and USD 35,000,000 and Rp 70,443,000,000 in 2008.

Management believes that the sum insured is sufficient to cover any possible losses.

The Company recognized a gain (loss) on the difference of inventories stocktaking which result of shrinkage and loss amounted to (Rp 806,423,178) and (Rp 163,730,357), in 2009 and 2008, respectively, which charged into the statement of income under other income (expenses).

**7. Livestock**

Livestock consist of:

	<b>2009</b>	<b>2008</b>
	<b>Rp</b>	<b>Rp</b>
<b>Mature (Productive):</b>		
Beginning Balance - Parent Stock	29,984,935,722	28,674,731,103
Reclassification from Immature Livestock	65,328,083,270	62,057,826,676
Depletion Cost	(63,049,165,594)	(61,837,210,030)
<b>Ending Balance - Parent Stock</b>	<b>32,263,853,398</b>	<b>28,895,347,749</b>
<b>Immature (Not Yet Productive):</b>		
Beginning Balance - Parent Stock	25,730,555,853	27,263,387,477
Capitalized Cost	65,440,708,322	61,068,529,030
Reclassification to Mature (Productive) Livestock	(65,328,083,270)	(62,057,826,676)
<b>Ending Balance - Parent Stock</b>	<b>25,843,180,905</b>	<b>26,274,089,831</b>
<b>Total</b>	<b>58,107,034,303</b>	<b>55,169,437,580</b>

Depletion of parent stock are charged in current period as part of cost of good sold of Rp 63,049,165,594 and Rp 61,837,210,030, respectively, in 2009 and 2008.

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**8. Prepaid Taxes**

	<u>2009</u> Rp	<u>2008</u> Rp
<b>Income Tax</b>		
The Company		
Income Tax- Article 21	12,641,887	--
Income Tax - Article 22	12,990,307,585	8,714,488,592
Subsidiaries		
PT Sierad Corporation	742,456,471	742,456,471
PT Sierad Industries	133,830,054	121,000,054
PT Dwipamina Nusantara	--	3,761,108
<b>Value Added Tax</b>		
The Company	2,174,012,933	2,133,910,588
Subsidiaries		
PT Transpasifik Niagareksa	7,910,000	0
PT Sierad Industries	--	26,003,083
<b>Total</b>	<u><u>16,061,158,930</u></u>	<u><u>11,741,619,896</u></u>

**9. Investment in Associate**

This account represents the investment of PT Sierad Pangan Nusantara (SPN), a subsidiary, in shares of stock of PT Bridor Indonesia (BI) amounted to Rp 1,300,839,000 or equivalent 25% of paid in capital of PT Bridor Indonesia. PT Bridor Indonesia's business is in food industry and distribution. The Company had no significant influence over PT Bridor Indonesia, accordingly the investment is recorded at acquisition cost.

In 2003, as a request by SPN, the Court of Justice of Bekasi appointed an independent accountant under decision No. 105/Pdt.P/2002/PN.BKS to conduct a special audit on the financial statements of PT Bridor Indonesia for 1998, 1999, 2000, 2001 and part of 2002, in relation with the failure of PT Bridor Indonesia to provide their financial statements to SPN as stockholder, with the effect that the performance of PT Bridor Indonesia can not be monitored by SPN. Based on the accountants' report dated July 16, 2003, PT Bridor Indonesia from the commencement of its operations until the middle of 2002 has suffered losses which resulted in capital deficiency, and affected its ability to continue as a going concern. Since 2003, this investment value has been reduced to be nil.

Up to reporting date, there is no material transaction and Company's management plan related to investment in this associate.



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A reconciliation of the income (loss) before income tax between the consolidated statements of income and the Company taxable income (tax loss) is as follows:

	<u>2009</u> <u>Rp</u>	<u>2008</u> <u>Rp</u>
Consolidated Income before Income Tax per Consolidated Statements of Income	32,231,391,062	62,591,286,236
Less: Income (Losses) of the Subsidiaries	198,714,605	660,115,685
<b>Commercial Income - the Company</b>	<b>32,032,676,457</b>	<b>61,931,170,551</b>
Timing Differences:		
Depreciation of Property, Plant and Equipment and Assets Under financial lease	(8,859,860,053)	(7,568,409,633)
Provision for Employee Benefits	2,581,746,131	1,145,073,800
Bad Debt Expenses/Receivables Written-off	7,273,355,314	4,914,534,895
Finance Lease Expense with Option Right	(1,618,247,535)	(1,231,151,967)
<b>Total</b>	<b>(623,006,143)</b>	<b>(2,739,952,905)</b>
Permanent Differences;		
Non Taxable Income	(281,685,435)	(131,784,619)
Non Deductible Expenses	2,974,208,875	3,634,254,340
<b>Total</b>	<b>2,692,523,440</b>	<b>3,502,469,721</b>
<b>Fiscal Income - the Company</b>	<b>34,102,193,754</b>	<b>62,693,687,367</b>
Carryforward Loss of Previous Years	(40,037,339,676)	(90,019,219,000)
Unutilized Carry Forward Loss	9,456,043,129	--
Adjustment loss carry forward based on Tax Assessment Letter	--	(6,505,902,377)
<b>Utilized Accumulated Tax Loss of the Company</b>	<b>3,520,897,207</b>	<b>(33,831,434,010)</b>

Tax losses of the subsidiaries are as follows:

	<u>2009</u> <u>Rp</u>	<u>2008</u> <u>Rp</u>
Tax Income (Losses) of the Subsidiaries	168,294,680	738,794,583
Tax Loss Carryforward of the Subsidiaries	(223,651,818)	(623,407,739)
<b>Accumulated Subsidiaries Tax Loss Expected to be Utilized</b>	<b>(55,357,138)</b>	<b>115,386,844</b>

A reconciliation between consolidated income (loss) tax expense and the calculation of the income before income tax multiplied with the prevailing tax rate is as follows:

	<u>2009</u> <u>Rp</u>	<u>2008</u> <u>Rp</u>
Consolidated Income before Income Tax Expense	32,231,391,062	62,591,286,236
Income Tax Calculated at Statutory Rate	(9,024,789,497)	(18,777,385,871)
Non Deductible Expense	(842,908,619)	(1,099,967,026)
Non Taxable Income	82,166,283	40,886,766
Unrealized Compensation of Tax Loss Carryforward	8,625,385,543	1,951,770,713
<b>Total Tax Expenses</b>	<b>(1,160,146,290)</b>	<b>(17,884,695,418)</b>

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**b. Deferred Tax Assets (Liabilities)**

	31 Des 2008	Credited to Statement of Income	30 September 2009
	Rp	Rp	Rp
<b>Deferred Tax Asset</b>			
<b>The Company</b>			
Compensation of Tax Loss Carryforward	11,210,455,109	--	11,210,455,109
Allowance for Doubtful Accounts	38,457,663,837	2,036,539,488	40,494,203,325
Difference Between Book and Tax Depreciations	2,207,700,378	(2,480,760,815)	(273,060,437)
Finance Lease Expense with Option Right	--	(453,109,310)	(453,109,310)
Estimated Liabilities on Employee's Benefits	5,938,974,647	722,888,917	6,661,863,564
	<u>57,814,793,971</u>	<u>(174,441,720)</u>	<u>57,640,352,251</u>
<b>Subsidiaries</b>			
PT Sierad Industri	315,557,950	(12,694,732)	302,863,218
PT Transpasifik Niagareksa	13,590,124	--	13,590,124
	<u>329,148,074</u>	<u>(12,694,732)</u>	<u>316,453,342</u>
<b>Consolidated Deferred Tax Assets - Net</b>	<u>58,143,942,045</u>	<u>(187,136,452)</u>	<u>57,956,805,593</u>
<b>Deferred Tax Liabilities - The Subsidiaries</b>			
PT Dwipa Mina Nusantara	<u>(285,509,611)</u>	<u>(2,658,620)</u>	<u>(288,168,231)</u>

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	31 Des 2007	Credited to Statement of Income	30 September 2008
	Rp	Rp	Rp
<b>Deferred Tax Asset</b>			
<b>The Company</b>			
Compensation of Tax Loss Carryforward	28,957,535,599	(17,077,973,872)	11,879,561,727
Allowance for Doubtful Accounts	35,402,202,062	1,474,360,469	36,876,562,531
Difference Between Book and Tax Depreciations	5,404,261,592	(2,639,096,896)	2,765,164,696
Estimated Liabilities on Employee's Benefits	4,805,533,483	343,769,078	5,149,302,562
	<u>74,569,532,736</u>	<u>(17,898,941,221)</u>	<u>56,670,591,516</u>
<b>Subsidiaries</b>			
PT Sierad Industri	384,712,115	14,631,017	399,343,132
	<u>384,712,115</u>	<u>14,631,017</u>	<u>399,343,132</u>
<b>Consolidated Deferred Tax Assets - Net</b>	<u>74,954,244,851</u>	<u>(17,884,310,204)</u>	<u>57,069,934,647</u>
<b>Deferred Tax Liabilities - The Subsidiaries</b>			
PT Dwipa Mina Nusantara	<u>(290,119,766)</u>	<u>(384,312)</u>	<u>(290,504,078)</u>

**c. Taxes Payable**

	2009	2008
	Rp	Rp
<b>Income Taxes</b>		
<b>The Company</b>		
Article 21	348,024,630	178,083,848
Article 23	204,711,635	74,901,333
Article 26	83,883,029	91,339,737
<b>The Subsidiaries</b>		
PT Sierad Corporation	53,248,115	53,248,115
PT Transpasifik Niagareksa	34,653,049	307,749,859
PT Sierad Industri	1,347,528	902,628
<b>Value Added Tax</b>		
<b>The Subsidiaries</b>		
PT Sierad Corporation	5,131,650,175	5,131,650,175
PT Sierad Industries	34,837,219	
<b>Total</b>	<u>5,892,355,380</u>	<u>5,837,875,695</u>

On July 18, 2006, the Company received underpayment tax assessment notice (SKPKB), overpayment tax assessment notice (SKPLB), and tax collection notice (STP) from Listed Company Tax Office (KPP PMB) for income tax article 29, 21, 23, final tax, and VAT for 2004, with a sum underpayment totaling to Rp 7,224,384,399 and the amount has paid by the Company. From total the amount underpayment net, on October 17, 2006, the Company appeals an objection on part of SKPKB, SKPLB and STP amounting to Rp 6,651,578,267.

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On October 19, 2007, the Company re-appeals an objection on SKPKB VAT on July 18, 2006 amounting to Rp 1,758,241,416. Up to reporting date, this objection is still in process.

**12. Property, Plant and Equipment**

	2009				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
	Rp	Rp	Rp	Rp	Rp
<b>Acquisition Cost</b>					
<b>Direct Ownership</b>					
Land	148,677,504,586	172,250,000	--	--	148,849,754,586
Building and Infrastructures	295,276,528,347	4,123,051,363	--	282,874,251	299,682,453,962
Machinery and Equipment	326,227,167,731	4,672,605,653	--	1,047,522,580	331,947,295,962
Furniture and Fixtures	71,913,306,646	5,571,658,093	--	1,999,938,133	79,484,902,872
Vehicles	24,750,738,078	352,429,806	417,845,552	1,102,692,560	25,788,014,892
<b>Assets Under Capital Lease</b>					--
Vehicles	7,527,132,569	5,070,020,000	--	(1,102,692,560)	11,494,460,009
<b>Construction in Progress</b>					--
Building and Infrastructures	7,917,130,606	26,270,510,281	--	(3,330,334,965)	30,857,305,922
Machinery and Equipment	--	--	--	--	--
<b>Total</b>	<b>882,289,508,562</b>	<b>46,232,525,196</b>	<b>417,845,552</b>	<b>--</b>	<b>928,104,188,205</b>
<b>Accumulated Depreciation</b>					
<b>Direct Ownership</b>					
Building and Infrastructures	128,002,549,814	8,865,930,094	--	--	136,868,479,908
Machinery and Equipment	193,401,674,032	13,005,787,121	--	--	206,407,461,153
Furniture and Fixtures	56,563,516,751	4,849,230,425	--	--	61,412,747,176
Vehicles	22,368,186,855	855,893,598	379,434,534	730,485,253	23,575,131,171
<b>Assets Under Capital Lease</b>					
Vehicles	2,456,387,117	1,355,302,783	--	(632,509,253)	3,179,180,646
<b>Total</b>	<b>402,792,314,568</b>	<b>28,932,144,021</b>	<b>379,434,534</b>	<b>97,976,000</b>	<b>431,443,000,056</b>
<b>Total</b>	<b>479,497,193,994</b>				<b>496,661,188,149</b>

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	2008				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
	Rp	Rp	Rp	Rp	Rp
<b>Acquisition Cost</b>					
<b>Direct Ownership</b>					
Land	147,868,176,586	809,328,000	--	--	148,677,504,586
Building and Infrastructures	287,714,159,861	1,076,035,971	--	4,716,637,460	293,506,833,292
Machinery and Equipment	311,788,134,037	6,436,893,589	219,120,566	5,350,514,864	323,356,421,924
Furniture and Fixtures	63,523,048,686	6,817,796,376	17,560,000	436,903,621	70,760,188,683
Vehicles	23,869,135,124	2,031,959,756	1,248,714,956	(100,860,000)	24,551,519,923
<b>Assets Under Finance Lease</b>					
Vehicles	6,672,306,569	1,158,700,000	--	(615,614,000)	7,215,392,569
<b>Construction in Progress</b>					
Building and Infrastructures	4,548,461,381	6,593,261,060	--	(5,059,197,827)	6,082,524,614
Machinery and Equipment	5,444,858,118	114,000,000	--	(5,444,858,118)	114,000,000
<b>Total</b>	<b>851,428,280,362</b>	<b>25,037,974,752</b>	<b>1,485,395,523</b>	<b>(716,473,999)</b>	<b>874,264,385,591</b>
<b>Accumulated Depreciation</b>					
<b>Direct Ownership</b>					
Building and Infrastructures	116,552,020,795	8,545,367,335	--	--	125,097,388,130
Machinery and Equipment	174,168,873,928	14,084,082,344	121,571,178	17,912,016	188,149,297,110
Furniture and Fixtures	51,391,318,606	3,980,609,365	6,690,003	6,690,003	55,371,927,970
Vehicles	22,357,742,554	639,720,089	1,028,311,188	263,236,575	22,232,388,029
<b>Assets Under Finance Lease</b>					
Vehicles	1,454,364,409	989,560,515	--	(372,078,103)	2,071,846,821
<b>Total</b>	<b>365,924,320,292</b>	<b>28,239,339,647</b>	<b>1,156,572,369</b>	<b>(84,239,511)</b>	<b>392,922,848,061</b>
<b>Total</b>	<b>485,503,960,070</b>				<b>481,341,537,530</b>

Depreciation is charged to:

	2009	2008
	Rp	Rp
Indirect Production Cost/Cost of Good Sold	22,125,284,004	23,623,742,813
Selling, General and Administrative Expenses	6,806,860,017	4,615,596,835
<b>Total</b>	<b>28,932,144,021</b>	<b>28,239,339,647</b>

Disposal of property, plant, and equipment represents sale of property, plant, and equipment as follows:

	2009	2008
	Rp	Rp
Selling Price	203,227,272	1,103,831,597
Book Value	38,411,018	328,823,154
<b>Gain on Sale</b>	<b>164,816,254</b>	<b>775,008,443</b>

Land and other unutilized assets for operations are presented as "unutilized assets" in non-current assets (see Note13).

Property, plant and equipment including unutilized of property, plant and equipment of the Company and its subsidiaries, except for land, are insured collectively with the Company's inventories (see Note 6) against all risk in 2009 and 2008, respectively with the sum insured of Rp 529,093,700,000 and Rp 538,496,700,000 for building, Rp 52,183,008,000 and Rp 52,923,008,000 and USD 52,557,700 and USD 53,742,700 for machinery, Rp 9,631,000,000 and Rp 10,221,000,000 for furniture and fixtures, and Rp 13,747,000,000 and Rp 13,463,000,000 for vehicles.

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Several lots of land and building own by the Company are collateralized on loan which obtain from PT Bank Negara Indonesia (Persero) Tbk (see Note 16).

Management believes that the insurance coverage are sufficient to cover any possible losses.

**13. Unutilized Assets**

	Beginning Balance Rp	Additions Rp	2009		Ending Balance Rp
			Deductions Rp	Reclassifications Rp	
<b>Company</b>					
<b>Acquisition Cost</b>					
Land	853,080,000	--	--	--	853,080,000
Building and Infrastructures	24,922,584,468	--	--	--	24,922,584,468
Machinery and Equipment	31,542,323,644	--	--	--	31,542,323,644
Furniture and Fixtures	457,057,458	--	--	--	457,057,458
Vehicles	823,995,612	--	--	--	823,995,612
<b>Total</b>	<b>58,599,041,182</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>58,599,041,182</b>
<b>Accumulated Depreciation</b>					
Building and Infrastructures	9,892,954,504	557,374,273	--	--	10,450,328,777
Machinery and Equipment	17,858,212,536	1,576,550,333	--	--	19,434,762,869
Furniture and Fixtures	454,088,660	742,500	--	--	454,831,160
Vehicles	823,995,612	--	--	--	823,995,612
<b>Total</b>	<b>29,029,251,312</b>	<b>2,134,667,106</b>	<b>--</b>	<b>--</b>	<b>31,163,918,418</b>
<b>Book Value</b>	<b>29,569,789,870</b>				<b>27,435,122,764</b>
<b>Subsidiaries - PT Sierad Corporation</b>					
<b>Acquisition Cost</b>					
Land	4,780,847,749				4,780,847,747
<b>Total</b>	<b>34,350,637,619</b>				<b>32,215,970,511</b>

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	2008				
	Beginning	Additions	Deductions	Reclassifications	Ending Balance
	Rp	Rp	Rp	Rp	Rp
<b>Company</b>					
<b>Acquisition Cost</b>					
Land	853,080,000	--	--	--	853,080,000
Building and Infrastructures	24,922,584,468	--	--	--	24,922,584,468
Machinery and Equipment	31,542,323,644	--	--	--	31,542,323,644
Furniture and Fixtures	457,057,458	--	--	--	457,057,458
Vehicles	823,995,612	--	--	--	823,995,612
<b>Total</b>	<b>58,599,041,182</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>58,599,041,182</b>
<b>Accumulated Depreciation</b>					
Building and Infrastructures	9,149,788,807	557,374,274	--	--	9,707,163,081
Machinery and Equipment	15,634,940,354	1,576,550,331	--	--	17,211,490,685
Furniture and Fixtures	438,692,439	136,353,793	--	--	575,046,232
Vehicles	709,535,612	114,460,000	--	--	823,995,612
<b>Total</b>	<b>25,932,957,212</b>	<b>2,384,738,399</b>	<b>--</b>	<b>--</b>	<b>28,317,695,611</b>
<b>Book Value</b>	<b>32,666,083,970</b>				<b>30,281,345,571</b>
<b>Subsidiaries - PT Sierad Corporation</b>					
<b>Acquisition Cost</b>					
Land	4,780,847,749				4,780,847,747
<b>Total</b>	<b>37,446,931,719</b>				<b>35,062,193,318</b>

Depreciation is charged to:

	2009	2008
	Rp	Rp
Indirect Production Cost/Cost of Good Sold	1,050,189,668	2,133,924,606
Selling, General and Administrative Expenses	1,084,477,438	250,813,793
<b>Total</b>	<b>2,134,667,106</b>	<b>2,384,738,399</b>

Unutilized assets of the Company and subsidiary, excluding land, are insured collectively with the Company's fixed asset against all risk (see Note 12).

Unutilized asset own by the Company of Rp 27,435,122,764 and Rp 30,281,345,571 as of September 30, 2009 and 2008, mainly consist of machinery, factory equipment, warehouse building and land located in Jabon Bogor, Lampung and Mojokerto villages.

The remaining unutilized asset of subsidiary as of September 30, 2009 and 2008 consist of land located in Pontianak own by PT Sierad Corporation.

The unutilized asset will be used in the future.



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interest rate based on interest rate applied in bank. This loan is secured by several lots of the Company's land and building (see Note 12).

This loan also bear a provision cost of 1% per annum which was calculated from the maximum limit of loan facility, proportionately based on the loan period and rounded in a full month.

The maturity period of this loan is one year that will be due on June 16, 2010 and might be renewable based on a written agreement.

On September 30, 2009 and 2008, balance of loans of Rp 221,639,765,938 and Rp 189,540,762,878, respectively.

**17. Obligations under Finance Lease**

Lease's companies	Type of Assets	2009 Rp	2008 Rp
PT Orix Indonesia Finance	Vehicle	1,779,273,009	2,664,696,356
PT BCA Finance	Vehicle	4,555,131,015	1,113,431,115
PT Dipostar Finance	Vehicle	103,884,538	3,181,676
PT Astra Credit Company	Vehicle	--	--
PT Adira Finance	Vehicle	--	23,391,936
PT. Bank Permata, Tbk	Vehicle	--	7,425,000
		<u>6,438,288,562</u>	<u>3,812,126,083</u>
<i>Less: Current Maturity</i>		<i>(2,638,818,533)</i>	<i>(2,366,033,839)</i>
<b>Long Term Portion</b>		<b><u>3,799,470,029</u></b>	<b><u>1,446,092,244</u></b>

Obligation under finance lease is secured by its assets.

**18. Estimated Liabilities on Employee Benefits**

The Company has determined the estimated liabilities of employee benefits according to the Labor Law No.13/2003. There are no separate funding is provided for these benefits.

Employee benefits expenses recognized in the current period of income statement in 2009 is amounted to Rp 2,561,494,310. The balances of Employee Benefits Liabilities are Rp 22,402,076,780 and Rp 16,875,670,021 in September 30, 2009 and 2008, respectively.

Management believes that the estimate Liabilities on employee benefits coverage are sufficient to cover liabilities on employee benefits.

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**19. Capital Stock**

The Company's stockholders as of September 30, 2009 and 2008 are as follows:

Stockholders	Number of Shares	Total (Rp)	Percentage of Ownership (%)
PT Sietek Nusantara Finance - Series A	20,018,500	100,092,500,000	3.14
Public (ex Creditor)- Series B	650,686,609	1,952,059,827,000	61.30
Public (ex Convertible Bonds Holder ) - Series C	7,346,666,667	734,666,666,700	23.07
Public (ex Obligation Under Capital Lease Holder) - Series C	1,320,655,317	132,065,531,700	4.15
Public (with less than 5% ownership each) - Series A	53,081,400	265,407,000,000	8.34
<b>Total</b>	<b>9,391,108,493</b>	<b>3,184,291,525,400</b>	<b>100.00</b>

**20. Additional Paid in Capital - Net**

Details of additional paid in capital as of September 30, 2009 and 2008 is as follows:

	Amount Rp
Public Offering in 1996	100,241,500,000
Conversion of Bonds in to Shares in 1997 and 1998	756,366,000
Conversion of Bonds in to Shares in 2005	124,893,333,339
Conversion of Obligation Under Capital Lease in to Shares in 2005	22,451,140,323
Stock Issuance Cost	(10,867,860,067)
<b>Total</b>	<b>237,474,479,595</b>

**21. Difference Resulting from Revaluation of Property, Plant, and Equipment**

The difference resulting from property, plant, and equipment revaluation balance as of December 31, 2007 amounted to Rp 347,703,892,066 is originated from revaluation of several Company's property, plant, and equipment which was done in 2003 amounting to Rp 237,313,430,866 and in 2002 amounting to Rp 110,390,461,200. In relation to application of PSAK 16 (Revised 2007) regarding "Property, Plant, and Equipment" those amounts had been reclassified to retained earning in 2008.

**22. Net Sales**

	2009 Rp	2008 Rp
Poultry	2,394,442,047,057	1,773,499,224,518
Poultry Equipment and Others	21,349,534,049	15,417,249,255
<b>Total</b>	<b>2,415,791,581,106</b>	<b>1,788,916,473,773</b>

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**23. Selling Expenses**

	<b>2009</b>	<b>2008</b>
	<b>Rp</b>	<b>Rp</b>
Travel, Freight and Delivery	14,526,084,912	9,188,312,032
Advertising and Promotions	10,220,053,816	5,438,113,586
Salaries and Benefits	3,722,173,910	2,831,921,688
Rent and Insurance	1,742,229,663	1,039,945,599
Office Expenses	1,260,818,868	1,203,126,978
Depreciation of Property and Equipment	467,594,045	206,978,856
Donations and Entertainment	104,894,954	49,864,874
Repairs and Maintenance	60,841,823	95,133,754
Others	59,432,734	2,503,000
<b>Total</b>	<b>32,164,124,725</b>	<b>20,055,900,367</b>

**24. General and Administrative Expenses**

	<b>2009</b>	<b>2008</b>
	<b>Rp</b>	<b>Rp</b>
Salaries and Benefits	42,532,366,555	43,003,160,140
Transportation and Accommodation	10,420,110,334	7,217,074,424
Office Expenses	9,678,322,302	7,061,497,980
Rent and Insurance	9,362,897,073	5,184,646,904
Depreciation of Property and Equipment	7,423,743,410	4,659,431,771
Advertising and Promotions	3,291,143,264	366,758,761
Provision for Employee Benefits	2,561,494,310	1,157,375,635
Donations and Entertainment	2,452,573,958	1,675,113,867
Permits and Licenses	2,118,752,214	1,635,863,625
Repairs and Maintenance	1,973,926,994	1,439,770,590
Professional Fees	1,588,748,867	1,203,301,245
Administration Bank Expenses	633,117,039	430,077,165
Tax Penalties	456,717,697	10,904,602
Meeting Expenses	163,763,758	228,289,665
Research and Development Expense	73,431,790	40,132,372
Others	1,003,049,443	511,877,551
<b>Total</b>	<b>95,734,159,008</b>	<b>75,825,276,297</b>

**25. Sales of Others**

This account represents proceeds from sale outside of the Company's primarily activity such as sales of sacks and sweeping and others amounting to Rp 2,745,404,263 and Rp 2,501,608,342 in for the period of nine months ended September 30, 2009 and 2008, respectively.

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**26. Nature of Related Parties**

	Total		Percentage to Total Assets	
	2009	2008	2009	2008
	Rp	Rp	%	%
<b>Due From Related Parties:</b>				
PT Sietek Nusantara Finance	31,012,728,315	31,012,728,315	1.99	2.17
PT Sierad Land	8,623,987,799	10,418,619,283	0.56	0.73
PT Bridor Indonesia	376,763,296	376,763,296	0.02	0.03
PT Sierad Food - Singapore	--	209,528,358	0.00	0.01
Others (Below Rp 200 Million)	55,636,525	78,361,493	0.01	0.01
<b>Total</b>	<b>40,069,115,935</b>	<b>42,096,000,745</b>	<b>2.58</b>	<b>2.95</b>

This account mainly consists of non interest intercompany and no collateral and period of repayment, arise from such operational cost which was paid earlier by the Company and subsidiaries.

Nature of relationship is as follows:

No.	Related Parties	Nature of Related Parties
1	PT Sietek Nusantara Finance	Shareholder of the Company
2	PT Sierad Land	Has the Same Majority of Management
3	PT Bridor Indonesia	Associate Company
4	PT Sierad Food - Singapore	Associate Company

**27. Commitments and Agreements**

**a. Distribution Agreement**

On November 2, 1998, the Company entered into distributionship agreement with PT Belfood Indonesia (BI) formerly PT Askar Murda Sukses (AMS) in relation to distribute the packed food products throughout Indonesia. The distribution fee that shall be paid is computed based on a certain percentage of selling price. This agreement is valid for 2 years and can be extended based on approval of both parties. As this agreement has been expired on November 17, 2000, the Company has entered into new distributorship agreement No. 183/P.Dist.AMS-SP/XI/00 which was valid until November 30, 2002.

On April 16, 2001, the Company has amended the distributionship agreement dated November 17, 2000. According to this agreement, the Company has appointed BI to produce and distribute a product with trade brand of "Delfarm". BI started it production on June 1, 2001. The Company entitled for royalty fee which is computed based on total net sales (fixed price).

This agreement has been amended several times, most recently based on IV amendment dated December 17, 2007, which was extended to a contract period up to December 31, 2009.

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#### **b. Stock Financing Agreement**

On January 1, 2001, the Company entered into stock financing agreement with Toepfer International - Asia Pte Ltd. Singapore (Toepfer). This agreement has been amended several times, most recently based on second amendment dated January 10, 2002. The agreement may be terminated upon either party giving sixty (60) day's notice in writing.

According to this agreement, Toepfer agreed to provide and sell raw materials of yellow corn, soyabean meal, soyabean and corn gluten meal to the Company with a competitive price. Toepfer provided credit facility up to 85% (eighty five percent) of purchases price. Other related details concerning type of goods, quantity, advance payment, or the specification of raw material will be determined in each sales contract made for each delivery of goods.

The right of merchandise under stock financing shall remain with Toepfer until the Company has fully paid of the purchases price, carrying cost and Collateral Management Agreement (CMA) fee. Other than the carrying cost and CMA fee, the Company shall bear all acquisition cost of import goods included of shrinkage during shipment.

Toepfer, subsequently appointed Sucofindo or other parties as a custodian of the Merchandise to manage the goods in according to CMA. In the even of the Company fail to fulfill its obligation as governed in the agreement ("even of default"), Toepfer should not be obliged to provide goods to the Company, and as holder of the title thereto, Toepfer is entitled to remove such Merchandise from warehouse and the Company should bear the cost of removal and lost of difference in quantities, if any.

#### **c. Partnership Contract**

The Company had entered into a co-operative partnership agreement with a community of the owners and lender of chicken cops (partners), which is considered as dependent and mutually beneficial agreement, with an agribusiness approach, to maintain of all agribusiness segment from supplying husbandry infrastructure include but not limited to provide broiler day old chicken (DOC Broiler) and the feed including medicines and vaccines also to produce and distribute the product result.

This partnership is intended primarily to keep the continuity of raw material supply for the Company's slaughter house and to maintain market price stability of DOC and feed produced by the Company. According to the partnership contract, the Company shall provide all the necessary things related to the poultry such as DOC, feeds, vaccines, and medicines with the certain prices and will be compensated with the products sold. The Company also will give the technical support for production, market access, and as a mediator towards financing sources, production management and quality control towards partners.

This partnership contract is divided into two operation area such as west side covering West Java area and Banten and east side covering East Java and Central Java

Partnership members will sell the chicken produced with the assistance from the Company. Bonuses will be paid by the Company if the agreed price lesser than market price. The Company will pay according to the agreed price if market price is lesser than the agreed price.

Farmers will take their own risk on chicken farming failure, maintenance and growing the chicken until the harvesting period.

To secure the payment from this cooperative partnership in west and east area, the Company has received certain assets with its power of attorney which value is equal to the agreed contract as the collateral. The collateral consists of land, buildings, deposit and vehicles amounting to Rp 194,039,765,953 in September

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30, 2009 and Rp 157,683,200,685 in 2008.

The collateral assets received by the Company are not recorded in the Company's financial statements. The collaterals are returnable when the contract growing is terminated.

This contract is valid for one year since date of signing of the agreement, and can be extended based on the approval from the Company and farm owners.

## **28. Contingencies**

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- a. Under the decree issued by the State Court of Bogor No. 02/Del/Sita.Eks./Pdt/1993/ PN.Bgr dated August 7, 1993, the Company's land consisting of 10.84 hectares in Cibinong, West Java under building right title (HGB) No. 2/Cibinong, became the subject of civil case among the heirs of PT Oerip Wijaja Poultry, as the seller of the said land. The land was acquired at a cost of Rp 2,200,000,000 and is used as a day old chick breeding farm. Mr. Budiardjo Tek (President Director of the Company at that time) in his statement dated October 11, 1993 has undertaken to bear all the cost and losses in case the Company suffer and any loss as a result the above case. Up to completion date of consolidated financial statements, the case is still in appealing process to the Supreme Court of Republic of Indonesian and still has no permanent legal standing, therefore the confiscation can not be executed yet.
- b. According to the arbitration of the Grains & Feed Trade Association, London No. 3769 dated September 7, 1998 concerning the case between the Company (ex. PT Sierad Feedmill) as the plaintiff and Bakrie Nusantara International Pte Ltd (BNIP), Singapore as defendant, it was decided that BNIP has to pay US \$ 380,000 to the Company plus compensation for the cost of arbitration and trade representative. The total amount payable by BNIP is US \$ 540,297.98 for its failure to deliver 10,000 metric tons of Indian soybean meal based on contract No.BNI-S-95/0060 dated November 6, 1995. Until now, BNIP has not complied with the arbitration decision.
- c. In 2004, plaintiff (Mudji Laksono, whose represented by law firm, Sigit, Adi & Partners), stated that layer feed quality of PT Sierad Produce Tbk feedmill division (first defendant) are different with the one described in the printed label sold by first defendant. Due to the low quality of the feeds, the productivity of egg layer chicken has decreased and as a resulted, the plaintiff suffered a loss. Plaintiff filled compensation claim to cover a loss to first and second defendant, both in form of material and non material amounting to Rp 20,000,100,000 (twenty billion and one hundred thousand Rupiah). Through Decision No. 83/Pdt.G/2004/PN. up to November 29, 2004, Judge Council decided to refuse all the claim. As the result, on December 7, 2004, plaintiff filed an appeal.

On February 11, 2005, PT Sierad Produce Tbk - Feedmill Division received Minutes of Announcement and Appeal Memorandum No. 83/Pdt.G/2004/PN, which mentioned and delivered of the appeal memorandum which has been submitted by Mudji Laksono (previously as Plaintiff, now as appellee) against PT Sierad Produce Tbk Feedmill Division (previously as defendant, now as appellant) and PT Sierad Produce Tbk (previous as second defendant, now as second appellant).

According to the Appeal Memorandum, Appellant submit petition to Judge Council of Surabaya High Court to decide to:

- a. Accept appeal request;
- b. Cancel the decision of district court of Sidoardjo No. 83/Pdt.G/2004/PN.sda dated November 29, 2004;
- c. Accept all claim of plaintiff/appellant; and
- d. Charge the lawsuit fee to defendants in second degree of court.

As per the Appeal Memorandum, on March 7, 2005, based on Letter of Attorney No. 285/SKM-PO-

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SKU/02/05 dated February 15, 2005, Soesilo Ariwibowo & Partner- Law Firm represented of PT Sierad Produce Feedmill Division through Sidoardjo court of justice has filled the Appeal Contra Memorandum. On March 22, 2007, South Jakarta High Court published Decision Announcement Letter No. 83/Pdt.G/2004/PN.Sda. in accordance with the lawsuit between the Company and Mudji Laksono, which among others, decided to accept the Company's appeal and supported the decision of Sidoardjo district Court, dated on November 29, 2004, No. 83/Pdt.G/2004/PN.Sda which have been submitted. Up to the Completion date of the consolidated financial statements, there is no filed of appeal from the plaintiff.

- d. Based on Company Extraordinary Stockholders General Meeting Decision dated June 30, 2009 have been legalized by Notarial Deed No. 188, have approved to acquitition PT Belfoods Indonesia (BI) of 322,598 shares with price of Rp 185,000 per share by converting the debt into shares (debt to equity swap). The Notarial Deed copy is still completing. The aquisition of PT Belfoods Indonesia shares have been effective after obtained approval from shareholders of BI. Up to the completion date of the consolidated financial statements, the approval has not yet obtained.