

**PT CHAROEN POKPHAND INDONESIA Tbk
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008**

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2009 AND 2008
(Expressed in Millions of Rupiah, Except Par Value Per Share)

	<u>Notes</u>	<u>2 0 0 9 (Unaudited)</u>	<u>2 0 0 8 (Unaudited)</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	3	246,249	155,244
Accounts Receivable			
Trade :	4, 19		
Third Parties - Net of Allowance for Doubtful Accounts of Rp 11,876 in 2009 and Rp 3,938 in 2008		788,611	973,588
Related Parties		5,480	19,377
Others - Third Parties		30,460	26,103
Inventories	5	1,509,469	1,982,188
Breeding Flocks - Net	6	370,648	318,704
Prepaid Expenses and Advances		214,040	233,248
		<u>3,164,957</u>	<u>3,708,452</u>
Total Current Assets			
NON-CURRENT ASSETS			
Due from Related Parties	19	238,534	197,858
Deferred Tax Assets - Net		10,690	12,082
Property, Plant and Equipment - Net of Accumulated Depreciation of Rp 1,042,963 in 2009 and Rp 903,969 in 2008	7	1,673,996	1,578,874
Claims for Tax Refund		162,567	29,836
Others - Net		48,191	59,367
		<u>2,133,978</u>	<u>1,878,017</u>
Total Non-Current Assets			
TOTAL ASSETS	22	<u>5,298,935</u>	<u>5,586,469</u>

See accompanying Notes to Consolidated Financial Statements
which are an integral part of these Consolidated Financial Statements

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
SEPTEMBER 30, 2009 AND 2008
(Expressed in Millions of Rupiah, Except Par Value Per Share)

	<u>Notes</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>	<u>2 0 0 8</u> <u>(Unaudited)</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term Bank Loans	8	317,199	1,222,131
Accounts Payable			
Trade :	9, 19		
Third Parties		330,848	880,313
Related Parties		54,505	28,458
Others - Third Parties		180,559	111,844
Taxes Payable	10	247,551	94,425
Accrued Expenses		118,101	117,595
Current Portion of Long-term Debts :			
Bank Loans	11	200,530	178,897
Finance Lease Obligations		1,834	5,047
Total Current Liabilities	22	1,451,127	2,638,710
NON-CURRENT LIABILITIES			
Due to Related Parties	19	109,620	71,468
Deferred Tax Liabilities - Net		74,497	15,467
Long-term Debts - Net of Current Portion			
Bank Loans	11	977,563	1,136,349
Finance Lease Obligations		1,727	3,723
Estimated Liability for Employee Benefits	18	253,837	237,663
Total Non-Current Liabilities	22	1,417,244	1,464,670
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES			
		16,875	15,369
EQUITY			
Share Capital - Rp50 par value			
Authorized - 8,000,000,000 shares			
Issued and Fully Paid - 3,284,561,408 shares	13	164,228	164,228
Additional Paid-in Capital		147,259	147,259
Difference in Equity Transactions of Subsidiaries		(10,856)	(10,856)
Difference in Value of Restructuring Transactions of Entities under Common Control		(15,006)	(15,006)
Retained earnings :			
Appropriated		8,000	7,000
Unappropriated		2,120,064	1,175,095
Total Equity		2,413,689	1,467,720
TOTAL LIABILITIES AND EQUITY		5,298,935	5,586,469

See accompanying Notes to Consolidated Financial Statements
which are an integral part of these Consolidated Financial Statements

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Millions of Rupiah, Except Earnings Per Share)

	<u>Notes</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>	<u>2 0 0 8</u> <u>(Unaudited)</u>
NET SALES	15, 22	10,696,578	9,976,760
COST OF GOODS SOLD	16	<u>8,714,136</u>	<u>8,604,210</u>
GROSS PROFIT		<u>1,982,442</u>	<u>1,372,550</u>
OPERATING EXPENSES	17		
Selling		141,789	168,543
General and Administrative		<u>383,402</u>	<u>434,070</u>
Total Operating Expenses		<u>525,191</u>	<u>602,613</u>
INCOME FROM OPERATIONS	22	<u>1,457,251</u>	<u>769,937</u>
OTHER INCOME (CHARGES)			
Financing Cost		(173,700)	(185,363)
Gain on Foreign Exchange and Swap Gain - Net		199,266	(11,192)
Interest Income		12,261	1,816
Miscellaneous - Net		<u>60,313</u>	<u>25,285</u>
Total Other Charges - Net		<u>98,140</u>	<u>(169,454)</u>
INCOME BEFORE INCOME TAX		<u>1,555,391</u>	<u>600,483</u>
INCOME TAX EXPENSE			
Current		(454,818)	(156,277)
Deferred		<u>(2,302)</u>	<u>(38,361)</u>
Income Tax Expense - Net		<u>(457,120)</u>	<u>(194,638)</u>
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		<u>1,098,271</u>	<u>405,845</u>
MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		<u>(4,891)</u>	<u>(4,457)</u>
NET INCOME		<u><u>1,093,380</u></u>	<u><u>401,388</u></u>
EARNINGS PER SHARE		<u>333</u>	<u>122</u>

See accompanying Notes to Consolidated Financial Statements
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PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS IN CHANGES OF EQUITY
FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Millions of Rupiah)
(UNAUDITED)

	Issued and Fully Paid Share Capital	Additional Paid-in Capital	Revaluation Increment in Property, Plant, and Equipment	Difference in Equity Transactions of Subsidiaries	Difference in Value of Restructuring Transactions of Entities under Common Control	Retained Earnings		Total Equity
						Appropriated	Unappropriated	
Balance, January 1, 2009	164,228	147,259	-	(10,856)	(15,006)	7,000	1,027,684	1,320,309
Appropriated Retained Earnings						1,000	(1,000)	-
Net Income	-	-	-	-	-	-	1,093,380	1,093,380
Balance, September 30, 2009	164,228	147,259	-	(10,856)	(15,006)	8,000	2,120,064	2,413,689
Balance, January 1, 2008	164,228	147,259	68,491	41,980	(15,006)	6,000	653,380	1,066,332
Reclassification of Revaluation Increment in Property, Plant and Equipment to Adopt PSAK No. 16 (Revised 2007), "Fixed Assets"	-	-	(68,491)	(52,836)	-	-	121,327	-
Appropriated Retained Earnings						1,000	(1,000)	-
Net Income	-	-	-	-	-	-	401,388	401,388
Balance, September 30, 2008	164,228	147,259	-	(10,856)	(15,006)	7,000	1,175,095	1,467,720

See accompanying Notes to Consolidated Financial Statements
which are an integral part of these Consolidated Financial Statements

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Millions of Rupiah)

	<u>Notes</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>	<u>2 0 0 8</u> <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers		10,668,523	9,704,536
Cash Paid to Suppliers and Employees		<u>(9,130,735)</u>	<u>(9,448,929)</u>
Cash Provided by Operating Activities		1,537,788	255,607
Receipts from (Payments for) :			
Interest Income		11,901	12,058
Claims for Income Taxes		2,374	-
Financing Cost		(157,139)	(113,277)
Income Taxes		<u>(313,083)</u>	<u>(241,761)</u>
Net Cash Provided by (Used in) Operating Activities		<u>1,081,841</u>	<u>(87,373)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	7	2,535	5,461
Acquisitions of property, plant and equipment		(119,897)	(274,767)
Withdrawals of restricted time deposits		<u>-</u>	<u>32,853</u>
Net Cash Used in Investing Activities		<u>(117,362)</u>	<u>(236,453)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from :			
Long-term Bank Loans	11	-	456,750
Derivative Instrument Payable		-	300,000
Short-term Bank Loans		-	455,377
Payments of :			
Cash dividend by Subsidiaries		(2,040)	(735)
Finance Lease Obligations		(4,824)	(3,078)
Due to Related Party		(12,013)	(11,406)
Long-term Bank Loans	11	(155,786)	(22,500)
Short-term Bank Loans		(942,420)	-
Derivative Instrument Payable		-	(328,059)
Bonds Payable		<u>-</u>	<u>(500,000)</u>
Net Cash Provided by (Used in) Financing Activities		<u>(1,117,083)</u>	<u>346,349</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(152,604)</u>	<u>22,523</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>396,944</u>	<u>132,685</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>244,340</u>	<u>155,208</u>

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008
(Expressed in Millions of Rupiah)

	<u>Notes</u>	<u>2 0 0 9</u> <u>(Unaudited)</u>	<u>2 0 0 8</u> <u>(Unaudited)</u>
Cash dan Cash Equivalents at the End of Period :			
Cash on Hand and in Banks		119,069	147,179
Time Deposits		<u>127,180</u>	<u>8,065</u>
Total	3	246,249	155,244
Overdraft	8	<u>(1,909)</u>	<u>(36)</u>
Total		<u>244,340</u>	<u>155,208</u>
ACTIVITY NOT AFFECTING CASH FLOWS			
Acquisition of leased assets through incurrence of finance lease obligations	7	1,200	1,130

See accompanying Notes to Consolidated Financial Statements
which are an integral part of these Consolidated Financial Statements

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 9-Month Periods Ended September 30, 2009 and 2008
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL

a. Establishment of the Company and General Information

PT Charoen Pokphand Indonesia Tbk. (the "Company") was established in Indonesia within the framework of the Foreign Investment Law No. 1 year 1967 based on Notarial Deed No. 6 dated January 7, 1972 of Drs. Gde Ngurah Rai, S.H. The Deed of Establishment was approved by the Ministry of Justice in its Decision Letter No. YA-5/197/21 dated June 8, 1973, and was published in Supplement No. 573 of State Gazette No. 65 dated August 14, 1973. The Articles of Association has been amended several times, most recently by Notarial Deed No. 64 dated June 17, 2008 of Fathiah Helmi, S.H., to align with the Corporation Law No. 40 year 2007. This amendment was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia as stated in its Decision Letter No. AHU-97521 AH.01.02 dated December 18, 2008.

The Company is engaged in, among others, the manufacture and sale of poultry feed, shrimp feed, fish feed, poultry equipment and processed chicken, and investment in other companies.

The Company's head office is located at Jl. Ancol VIII No. 1, Jakarta, and its branches are located in Tangerang, Balaraja, Serang, Lampung, Medan, Denpasar, Sidoarjo, Surabaya, Semarang and Makasar. The Company started its commercial operations in 1972.

b. Movements of the Company's Shares

Since the Company's initial public offering, the Company has entered into several share capital transactions as summarized below :

Year	Description	Outstanding Shares After the Transaction
1991	Initial public offering of its 2,500,000 shares with par value of Rp 1,000.00 (full amount) per share	52,500,000
1994	Conversion of the Company's convertible bond of Rp 25.00 billion to 3,806,767 shares	56,306,767
1995	Limited public offering II with Pre-emptive Rights	112,613,534
1997	Change in par value per share from Rp 1,000.00 (full amount) to Rp 500.00 (full amount)	225,227,068
1997	Issuance of bonus shares, whereby each shareholder holding four shares was entitled to receive one new share	281,533,835
2000	Change in par value per share from Rp 500.00 (full amount) to Rp 100.00 (full amount)	1,407,669,175
2007	Limited public offering III with Pre-emptive Rights	1,642,280,704
2007	Change in par value per share from Rp 100.00 (full amount) to Rp 50.00 (full amount)	3,284,561,408

The Company's issued and fully paid shares are listed in the Indonesia Stock Exchange.

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 9-Month Periods Ended September 30, 2009 and 2008
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL (Continued)

c. Bond Offering

On June 19, 2003, the Company obtained the Effective Statement Letter No. S-1458/PM/2003 from the Chairman of the Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK) on the registration of its bonds issuance under the name of "Obligasi Charoen Pokphand Indonesia I Tahun 2003 Dengan Tingkat Bunga Tetap" (Bonds) with nominal value amounting to Rp 500.00 billion denominated at Rp50.00 million each Bond. The Bonds, issued on July 2, 2003, bear a fixed interest of 14% per year and are registered in the Indonesia Stock Exchange since July 7, 2003. The bonds had been fully paid on July 2, 2008.

d. Employees, Directors, Commissioners and Audit Committee

As of September 30, 2009, the members of the Company's boards of commissioners and directors as appointed in the Extraordinary Shareholders' General Meeting, the minutes of which were notarized under Deed No. 53 dated May 19, 2009 of Fathiah Helmi, S.H., are as follows :

Commissioners	Directors
President Commissioner : - Hadi Gunawan Tjoe	President Director : - Tjiu Thomas Effendy
Vice President Commissioners : - Jiacipto Jiaravanon	Vice President Directors : - Peraphon Prayooravong
	- Vinai Rakphongphairoj
Commissioner : - Hery Tjusanto	Directors : - Ong Mei Sian
Independent Commissioners : - Agussalim Nasution	- Jemmy
- Herman Sugianto	- Eddy Dharmawan
	- Fiece Kosasih

As of September 30, 2008, the members of the Company's boards of commissioners and directors as appointed in the Annual Shareholders' General Meeting, the minutes of which were notarized under Deed No. 61 dated June 17, 2008 of Fathiah Helmi, S.H., are as follows :

Commissioners	Directors
President Commissioner : - Eddy Susanto Zaoputra	President Director : - Franciscus Affandy
Vice President Commissioners : - Benjamin Jiaravanon	Vice President Directors : - Tjiu Thomas Effendy
	- Vinai Rakphongphairoj
	Directors : - Peraphon Prayooravong
Independent Commissioners : - Agussalim Nasution	- Hery Tjusanto
- Ping Perdana Kusuma	- Jemmy
	- Eddy Dharmawan
	- Fiece Kosasih

As of September 30, 2009, the members of the Company's audit committee are as follows :

Chairman	: - Agussalim Nasution
Members	: - Herman Sugianto
	- Rudy Dharma Kusuma
	- Petrus Julius

As of September 30, 2008, the members of the Company's audit committee are as follows :

Chairman	: - Agussalim Nasution
Members	: - Ping Perdana Kusuma
	- Rudy Dharma Kusuma
	- Petrus Julius

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 9-Month Periods Ended September 30, 2009 and 2008
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL (Continued)

d. Employees, Directors and Commissioners and Audit Committee (Continued)

The establishment of the Company's audit committee complies with BAPEPAM-LK Rule No. IX.1.5.

Salaries and other compensation benefits incurred for the Company's and Subsidiaries' directors and commissioners amounted to Rp 20.15 billion and Rp 23.98 billion for the 9-month periods ended September 30, 2009 and 2008, respectively.

The Company and Subsidiaries had 4,592 and 6,504 permanent employees as of September 30, 2009 and 2008, respectively.

e. The Structure of the Company and Subsidiaries

The consolidated financial statements include the accounts of the Company and Subsidiaries, which are more than 50% owned, directly and indirectly, as follows :

Subsidiaries	Principal Activity	Domicile	Start of Commercial Operations	Establishment Year	Percentage of Ownership	Total Assets	
						2009	2008
Direct ownership							
PT Charoen Pokphand Jaya Farm (CPJF)	Poultry farms	Jakarta	1972	1972	99.99	1,172,407	1,029,256
PT Primafood International (PFI)	Trading of proceeds chicken	Jakarta	2000	2000	99.96	178,607	163,379
PT Vista Grain (VG)	Production and distribution of poultry feed	Lampung	1982	1980	99.92	140,266	98,732
PT Poly Packaging Industry (Poly)	Production of plastic product	Tangerang	2003	2003	99.99	30,985	32,338
PT Feprotama Pertiwi (Fepro)	Production and distribution of chicken feather meal	Tangerang	1994	1992	99.32	19,329	16,407
Indirect ownership through CPJF							
PT Centralavian Pertiwi (CAP)	Poultry farms	Jakarta	1991	1991	100.00	185,513	182,767
PT Satwa Utama Raya (SUR)	Poultry farms	Surabaya	1987	1980	99.98	108,018	126,084
PT Vista Agung Kencana (VAK)	Poultry farms	Palembang	1986	1980	99.96	79,969	82,020
PT Istana Satwa Borneo (ISB)	Poultry farms	Balikpapan	1989	1983	99.96	44,878	47,746
PT Cipta Khatulistiwa Mandiri (CKM)	Poultry farms	Pontianak	1989	1983	50.00	39,970	38,451

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 9-Month Periods Ended September 30, 2009 and 2008
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Measurement and Preparation of the Consolidated Financial Statements

The consolidated financial statements are prepared and consistently applied in accordance with generally accepted accounting principles and practices in Indonesia, which are the Statements of Financial Accounting Standards and the Capital Market and Financial Institution Supervisory Agency (BAPEPAM-LK) regulations.

The basis of measurement in the preparation of the consolidated financial statements is historical cost, except for inventories that are valued at the lower of cost or net realizable value; derivative instruments, which are valued at fair value; and certain property, plant and equipment, which are stated at revalued amounts.

The consolidated financial statements are prepared using the accrual basis, except for the consolidated statements of cash flows.

The consolidated statements of cash flows are presented using the direct method and classified into operating, investing and financing activities.

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

b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its Subsidiaries.

All significant intercompany accounts and transactions between companies that consolidated are eliminated.

The minority interest portion of the Subsidiaries' equity is presented in "Minority Interest in Net Assets of Subsidiaries" in the consolidated balance sheets.

The equity transactions of a Subsidiary arising from restructuring transactions between entities under common control are presented as "Difference in Equity Transactions of Subsidiaries" in the equity section.

Acquisitions of companies from third parties is accounted for in accordance with PSAK No. 22 "Accounting for Business Combination". Under this standard, the assets and liabilities of the acquired entities are measured at their fair values at the date of acquisition. When the cost of acquisition is less than the interest in the fair values of the identifiable assets and liabilities as at the date of acquisition, the fair values of the acquired non-monetary assets are reduced proportionately until all the excess is eliminated.

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 9-Month Periods Ended September 30, 2009 and 2008
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Principles of Consolidation (Continued)

Restructuring transactions of entities under common control are accounted for in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control". Under this standard, the restructuring transactions conducted within the framework of reorganization of entities under the same business segment do not constitute a change of ownership within the meaning of economic substance, so that such transactions would not result in a gain or loss to the Company or the individual entity within the same group and should be recorded at book values using the pooling-of-interests method. The difference between the transfer price and net book value of acquired subsidiaries arising from restructuring transactions between entities under common control is presented as "Difference in Value of Restructuring Transactions of Entities Under Common Control" account in the equity section.

c. Cash Equivalents

Deposit on call and time deposits with maturities of three months or less at the time of placement and not pledged as collateral are considered as "Cash Equivalents".

d. Allowance for Doubtful Accounts

Allowance for doubtful accounts receivable is determined based on a review of the probability on non-collection of the receivable at the end of the year.

e. Transactions with Related Parties

The Company and Subsidiaries have transactions with certain parties, which have related party relationships as defined in accordance with the Statement of Financial Accounting Standards (PSAK) No. 7, "Related Party Disclosures".

All significant transactions with related parties are disclosed in the notes to the consolidated financial statements.

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale. Cost is determined by the weighted-average method. Allowance for the decline in value of inventories, if any, is provided based on a review of the condition of the inventories at the end of the period.

g. Breeding Flocks

Breeding flocks are stated at cost less accumulated depletion and culled birds. Costs incurred during the growing period are accumulated and depleted at the start of the producing period. Depletion is computed using the declining balance method based on the estimated productive lives of the producing flocks from the start of the producing period after taking into account their salvage values.

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 9-Month Periods Ended September 30, 2009 and 2008
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Prepaid Expenses

Prepaid expenses are charged to operations over the periods benefited. The long-term portion of the prepaid expenses is presented as part of "Non-Current Assets - Others - Net" account.

i. Property, Plant and Equipment

Direct ownership

Prior to January 1, 2008, property, plant and equipment were stated at cost (except certain assets revalued in 1998 in accordance with government regulation) less accumulated depreciation (except for land that is not depreciated). The revaluation increment in property, plant and equipment was presented under the equity section in the consolidated balance sheet.

Effective on January 1, 2008, the Company and Subsidiaries have implemented PSAK No. 16 (Revised 2007), "Fixed Assets", that supersedes PSAK No. 16 (1994), "Fixed Assets and Other Assets", and PSAK No. 17 (1994), "Accounting for Depreciation". Under this Standard, an entity can choose between the cost model or revaluation model as the accounting policy for its fixed assets. If an entity has revalued its fixed assets before the application of this Standard and chooses cost model in recording its fixed assets, then the previous revalued value is considered deemed cost, and the related revaluation increment on fixed assets recognized in the equity should be prospectively reclassified to retained earnings. The Company and Subsidiaries have chosen the cost model for the measurement of their property, plant and equipment; accordingly, the revaluation increment on property, plant and equipment which was presented as part of equity in 2007 was prospectively reclassified to retained earnings in 2008.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred.

Depreciation, except for land which are not depreciated, is computed using the straight-line method, after taking into account their salvage values at certain percentage of carrying values, except for land improvements which have no salvage value, over the estimated useful lives of the assets as follows :

	<u>Years</u>
Land improvements, transportation equipment, office equipment, wells and waterlines, poultry equipment and laboratory equipment	2-10
Buildings	17-26
Machinery and equipment	10-17

PT CHAROEN POKPHAND INDONESIA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The 9-Month Periods Ended September 30, 2009 and 2008
(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Property, Plant and Equipment (continued)

Direct ownership (continued)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Specific costs associated with the acquisition or renewal of legal titles of the land are deferred and amortized over the legal terms of the related landrights or the economic lives of the land, whichever period is shorter. The deferred charge is presented as part of "Non-Current Assets - Others - net" account.

Constructions in progress

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

j. Leases

Prior to January 1, 2008, lease transaction is recognized as capital lease, if all of the following criteria are met:

1. The lessee has the option to purchase the leased asset at the end of the lease period at a price mutually agreed upon at the commencement of the lease agreement.
2. Total periodic payments paid by a lessee plus residual value shall fully cover the acquisition cost of leased capital goods plus interest thereon which is the lessor's profit (full payout lease).
3. The lease period shall be a minimum of 2 (two) years.

Lease transactions that do not meet any of the above criteria are reported using the operating lease method. Under operating lease method, as a lessor, lease received is recognized as income while as a lessee, rental payment is recognized as expense in the statements of income on a straight-line basis over the lease term.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Leases (Continued)

Effective January 1, 2008, the Statement of Financial Accounting Standards (PSAK) No. 30 (Revised 2007), "Leases" supersedes PSAK No. 30 (1990), "Accounting for Leases". Based on PSAK No. 30 (Revised 2007), the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Under this revised PSAK, leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases.

- i) Based on PSAK No. 30 (Revised 2007), under a finance leases, the Company and Subsidiaries shall recognize assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are reflected in profit and loss. Capitalized leased assets (presented under the account of property, plant and equipment) are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Company and Subsidiaries will obtain ownership by the end of the lease term.
- ii) Under an operating lease, the Company and Subsidiaries recognized lease payments as an expense on a straight-line basis over the lease term.

At the application of this revised PSAK, the Company has chosen to apply this revised PSAK prospectively. The Company determined the outstanding balances related to the financing leases that had existed prior to January 1, 2008 were appropriate. All arrangements that existed at the beginning of the earliest period presented, were evaluated by the Company to determine their classification in accordance with this revised PSAK. When they meet the criteria as finance lease, and the Company is acting as a lessee, the Company recognized the assets and liabilities as if the revised accounting policy had been applied since January 1, 2007 (the beginning of the earliest period presented) for all arrangements containing a lease that existed at the beginning of the earliest period presented.

The adoption of this revised PSAK did not result in a significant effect in the Company and Subsidiaries' consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Impairment of Assets Value

The Company and Subsidiaries conduct a review to determine whenever there is any indication of assets impairment at the end of the year. If such indication exists, the Company and Subsidiaries are required to determine the estimated recoverable value of the assets and recognize the impairment in assets value as a loss in the consolidated statement of income for the current year.

l. Revenue and Expense Recognition

Revenue from sales is recognized upon delivery of the goods to the customers. Income from sales of culled birds, used sacks, raw materials (except premix) and chicken dung is recognized net of the related expenses incurred, and presented as Other Income. Expenses are recognized when incurred.

m. Bonds Issuance Costs

Bonds issuance costs incurred in connection with the issuance of bonds are presented as deductions against the proceeds from the bonds issuance. The bonds issuance costs are amortized using the straight-line method over the life of the bonds, which is 5 (five) years.

n. Derivative Instruments

Every derivative instrument (including embedded derivatives) is recorded in the consolidated balance sheet as either asset or liability as measured at fair value of each contract. Changes in instrument derivative fair value are recognized in current earnings unless specific hedges allow a derivative's gains and losses to offset related results on the hedged item in consolidated statement of income. An entity must formally document, designate and assess the effectiveness of transactions that meet hedge accounting. The Company's derivative instruments are not designated as hedging instruments for accounting purposes.

o. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts 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 Rupiah using middle rate of exchange on balance sheet date. The resulting gains or losses are credited or charged to operations of the period.

p. Segment Information

The Company and Subsidiaries classify their business segment (primary) based on their products sold such as feeds, day-old chicks, processed chicken, poultry equipment and packaging and their geographical segment (secondary) based on location of business, such as in Java Island, Sumatera Island, Bali Island and other islands.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Estimated Liability for Employees' Benefits

The Company and Subsidiaries recognize estimated liability for employee benefits in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("Labor Law No. 13/2003") as accounted for under PSAK No. 24 (Revised 2004), "Employee Benefits". Based on Labor Law No. 13/2003, the Company and Subsidiaries are required to pay the compensation benefits if certain conditions in the Labor Law No. 13/2003 are met.

Under PSAK No. 24 (Revised 2004), the cost of providing employee benefits under UU No. 13/2003 is determined using the "Projected Unit Credit" actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the present value of defined benefit obligation at that date. These gains or losses are recognized over the expected average remaining working lives of the employees. Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

r. Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates is charged to current year operations.

For each of the consolidated Subsidiaries, the deferred tax assets and liabilities are presented at net amounts.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against by the Company and Subsidiaries, when the result of the appeal is determined.

s. Basic Earnings per Share

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in Indonesia requires the Company and Subsidiaries' management to make estimations and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods might be differ from those estimates.

u. Revised Statements of Financial Accounting Standards

The following summarizes the revised Statements of Financial Accounting Standards (PSAK) which have been issued by the Indonesian Institute of Accountants :

1. PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interests, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This standard requires the disclosure, among others, of information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments. PSAK No. 50 (Revised 2006) supersedes PSAK No. 50, "Accounting for Certain Investments in Securities" and is applied prospectively for the periods beginning on or after January 1, 2009 (which was subsequently revised to become on or after January 1, 2010). Earlier application is permitted and should be disclosed.
2. PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement" establishes the principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. PSAK No. 55 (Revised 2006) supersedes PSAK No. 55, "Accounting for Derivative Instruments and Hedging Activities", and is applied prospectively for financial statements covering the periods beginning on or after January 1, 2009 (which was subsequently revised to become on or after January 1, 2010). Earlier application is permitted and should be disclosed.

The Company and Subsidiaries are currently evaluating the effect of the revised PSAK No. 50 and No. 55 and have not yet determined the effect on their consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u. Revised Statements of Financial Accounting Standards (Continued)

3. PSAK No. 14 (Revised 2008), "Inventories" prescribes the accounting treatment for inventories, and supersedes PSAK No. 14 (1994). This revised PSAK provides guidance on the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value, as well as guidance on the cost formulas used to assign costs to inventories. This revised PSAK is effective for financial statements beginning on or after January 1, 2009. The Company and Subsidiaries have not yet estimated the effect of the implementation of this revised PSAK on their consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

This account consists of :

	<u>2009</u>	<u>2008</u>
Cash on Hand	4,304	3,122
Cash in Banks		
Rupiah	100,721	137,056
US Dollar (US\$ 1,450,706 in 2009 and US\$ 746,480 in 2008)	14,044	7,001
Cash equivalents		
Rupiah	94,925	8,065
US Dollar (US\$ 3,331,737)	32,255	-
Total	<u>246,249</u>	<u>155,244</u>

The cash equivalents bear annual interest as follows :

	<u>2009</u>	<u>2008</u>
Rupiah	4.75 % - 6.75 %	2.25 % - 6.50 %
US Dollar	0.01 %	-

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4. ACCOUNTS RECEIVABLE - TRADE

This account consists of :

	<u>2009</u>	<u>2008</u>
Third Parties:		
PT Satwa Unggas Mandiri	44,601	-
PT Sinar Inti Mustika	17,653	2,850
PT Multi Sarana Pakanindo	17,131	40,485
PT Semesta Mitra Sejahtera	16,030	26,531
PT Cemerlang Unggas Lestari	13,534	28,814
PT Carrefour Indonesia	13,016	12,948
PT Fast Food Indonesia Tbk	12,740	12,184
PT Hero Supermarket Tbk	12,728	14,150
PT Sinar Sarana Sentosa	11,532	31,948
PT Karya Prospeksatwa	10,835	8,843
TJ Farm	10,410	3,345
Hamidah	9,668	7,246
PT Jennio Mandiri	8,962	7,502
PT Tohpati Poultry	8,254	6,646
PT Surya Gemilang Pratama	8,024	19,121
PT Indah Ternak Mandiri	7,984	4,474
PT Sahabat Ternak Abadi	7,788	20,991
PT Tiara Tunggal Mandiri	7,728	18,761
ITB Farm	7,725	5,108
PT Sumber Ternak Pratama	7,492	15,062
Hijau Farm	7,194	9,032
PT Satwa Karya Prima	7,104	7,711
Kerjasama PS	6,768	6,138
CV Intan Jaya Abadi	6,556	3,816
Perdana Putra Chicken	6,082	3,290
PT Rajawali Feed Center	5,994	2,333
PT Cipta Usaha Sejahtera	5,760	1,402
Paulus Farm	5,409	2,318
Tunas Mekar Farm	5,276	4,538
Darmawan Farm	5,250	2,929
Janu Putro	5,244	2,975
PT Bintang Sejahtera Bersama	5,192	8,804
PT Mitra Sinar Jaya	5,146	21,443
Unggas Jaya Farm	5,024	10,739
Paulus Kusmana	4,969	9,945
Gunung Sago Utama PS	4,541	5,573
PT Prospek Karyatama	3,821	8,214
PT Matahari Putra Prima Tbk.	2,792	5,294
Samsul Bahri	2,662	7,131
Wahidin	2,595	5,412

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4. ACCOUNTS RECEIVABLE - TRADE (Continued)

	<u>2009</u>	<u>2008</u>
PT Citra Kalimantan Sejahtera	2,146	10,394
Drh. Zulaekan	2,051	5,192
PT Sarana Ternak Utama	1,694	5,773
PT Satwa Miramaraya	1,011	8,177
PT Surya Unggas Mandiri	725	48,828
Aldi Ajahari	-	11,248
Male Farm	-	8,340
PT Aneka Satwa Perkasa	-	5,774
Others (below Rp5 billion each)	435,646	457,754
Total Third Parties	800,487	977,526
Allowance for Doubtful Accounts	(11,876)	(3,938)
Net	788,611	973,588
Related parties (Note 19)	5,480	19,377

The aging analysis of accounts receivable trade based on invoice date is as follows :

	<u>2009</u>	<u>2008</u>
Third Parties :		
Less than 31 days	622,948	798,793
31 - 60 days	105,726	102,558
61 - 90 days	19,155	14,037
91 - 180 days	13,928	17,112
Over 180 days	38,730	45,026
Total	800,487	977,526
Allowance for Doubtful Account	(11,876)	(3,938)
Net	788,611	973,588
	<u>2009</u>	<u>2008</u>
Related Parties:		
Less than 31 days	26	806
31 - 60 days	-	1,427
61 - 90 days	-	1,633
91 - 180 days	220	14,627
Over 180 days	5,234	884
Total	5,480	19,377

All accounts receivable - trade are in Rupiah currency.

Based on the review of the status of the individual receivable at the end of the year, the Company and Subsidiaries' management believes that the allowance for doubtful accounts is adequate to cover possible losses from non-collection of accounts.

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4. ACCOUNTS RECEIVABLE - TRADE (Continued)

As of September 30, 2009, accounts receivable - trade of the Company and certain Subsidiaries of Rp 582.50 billion are used as collaterals for bank loans obtained by the Company and CPJF.

5. INVENTORIES

This account represents inventories based on business segments as follows :

	<u>2009</u>	<u>2008</u>
Feeds	1,269,931	1,718,195
Day-old Chicks	157,710	179,776
Processed Chicken	67,296	64,938
Poultry Equipment	6,939	9,308
Woven Bag	<u>7,593</u>	<u>9,971</u>
Total	<u>1,509,469</u>	<u>1,982,188</u>

As of September 30, 2009, inventories (except for certain goods in-transit) and breeding flocks, are covered by insurance against losses from damage, disasters, fire and other risks under blanket policies amounting to Rp 1,347.91 billion, which in management's opinion is adequate to cover possible losses arising from such risks.

As of September 30, 2009, inventories of the Company and certain Subsidiaries and breeding flocks of Rp 1,061.00 billion are used as collateral for bank loans obtained by the Company and CPJF.

6. BREEDING FLOCKS

Breeding flocks consist of :

	<u>2009</u>	<u>2008</u>
Producing Flocks	514,903	489,756
Growing Flocks	<u>145,225</u>	<u>133,258</u>
Total	660,128	623,014
Less Accumulated Depletion of Producing Flocks	<u>(289,480)</u>	<u>(304,310)</u>
Total - Net	<u>370,648</u>	<u>318,704</u>

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7. PROPERTY, PLANT AND EQUIPMENT

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

	2 0 0 9			
	Beginning Balance	Additions/ Reclassifications	Deduction/ Reclassifications	Ending Balance
At Cost				
Direct Acquisitions				
Land	272,899	418	-	273,317
Land Improvements	58,359	8,037	10	66,386
Buildings	698,643	67,785	217	766,211
Machinery and Equipment	717,412	66,729	7,913	776,228
Transportation Equipment	72,200	1,109	2,511	70,798
Office Equipment	142,664	2,042	613	144,093
Wells and Waterlines	45,859	5,878	48	51,689
Poultry Equipment	237,515	21,706	1,354	257,867
Laboratory Equipment	7,757	834	-	8,591
Total	<u>2,253,308</u>	<u>174,538</u>	<u>12,666</u>	<u>2,415,180</u>
Construction in Progress				
Land	137	-	-	137
Building and Land Improvements	149,940	51,850	82,421	119,369
Machinery and Equipment	171,728	46,354	69,040	149,042
Wells and Waterlines	198	157	-	355
Poultry Equipment	10,378	1,801	706	11,473
Total	<u>332,381</u>	<u>100,162</u>	<u>152,167</u>	<u>280,376</u>
Leased Assets				
Machinery	13,728	531	-	14,259
Transportation Equipment	2,467	669	877	2,259
Poultry Equipment	4,885	-	-	4,885
Total	<u>21,080</u>	<u>1,200</u>	<u>877</u>	<u>21,403</u>
Total At Cost	<u>2,606,769</u>	<u>275,900</u>	<u>165,710</u>	<u>2,716,959</u>
Accumulated Depreciation				
Direct Acquisitions				
Land Improvements	46,549	3,333	-	49,882
Buildings	244,536	25,449	-	269,985
Machinery and Equipment	321,789	37,108	1,402	357,495
Transportation Equipment	54,568	3,308	1,926	55,950
Office Equipment	101,198	7,509	399	108,308
Wells and Waterlines	28,114	3,430	43	31,501
Poultry Equipment	145,887	16,421	914	161,394
Laboratory Equipment	4,696	409	-	5,105
Total	<u>947,337</u>	<u>96,967</u>	<u>4,684</u>	<u>1,039,620</u>

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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2 0 0 9			
	Beginning Balance	Additions/ Reclassifications	Deduction/ Reclassifications	Ending Balance
Leased Assets				
Machinery	319	390	-	709
Transportation Equipment	992	195	413	774
Poultry Equipment	1,121	749	10	1,860
Total	2,432	1,334	423	3,343
Total Accumulated Depreciation	949,769	98,301	5,107	1,042,963
Net Book Value	1,657,000			1,673,996
	2 0 0 8			
	Beginning Balance	Additions/ Reclassifications	Deduction/ Reclassifications	Ending Balance
At Cost				
Direct Acquisitions				
Land	271,409	193	-	271,602
Land Improvements	52,069	3,444	-	55,513
Buildings	623,398	64,733	10,516	677,615
Machinery and Equipment	580,507	95,708	13,247	662,968
Transportation Equipment	70,946	3,646	2,901	71,691
Office Equipment	129,602	7,549	1,371	135,780
Wells and Waterlines	37,155	4,752	85	41,822
Poultry Equipment	192,459	25,484	765	217,178
Laboratory Equipment	6,750	1,143	19	7,874
Total	1,964,295	206,652	28,904	2,142,043
Construction in Progress				
Building and Land Improvements	133,619	132,528	103,455	162,692
Machinery and Equipment	119,786	88,458	51,261	156,983
Total	253,405	220,986	154,716	319,675
Leased Assets				
Machinery	11,983	1,130	-	13,113
Transportation Equipment	3,127	-	-	3,127
Poultry Equipment	4,885	-	-	4,885
Total	19,995	1,130	-	21,125
Total At Cost	2,237,695	428,768	183,620	2,482,843

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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2 0 0 8			Ending Balance
	Beginning Balance	Additions/ Reclassifications	Deduction/ Reclassifications	
Accumulated Depreciation				
Direct Acquisitions				
Land Improvements	42,960	2,439	-	45,399
Buildings	214,789	21,620	5,185	231,224
Machinery and Equipment	281,483	30,405	10,560	301,328
Transportation Equipment	51,422	4,499	2,080	53,841
Office Equipment	88,836	9,294	914	97,216
Wells and Waterlines	23,908	3,122	60	26,970
Poultry Equipment	126,670	14,737	361	141,046
Laboratory Equipment	3,731	583	18	4,296
Total	<u>833,799</u>	<u>86,699</u>	<u>19,178</u>	<u>901,320</u>
Leased Assets				
Machinery	-	300	-	300
Transportation Equipment	1,065	327	-	1,392
Poultry Equipment	564	393	-	957
Total	<u>1,629</u>	<u>1,020</u>	<u>-</u>	<u>2,649</u>
Total Accumulated Depreciation	<u>835,428</u>	<u>87,719</u>	<u>19,178</u>	<u>903,969</u>
Net Book Value	<u>1,402,267</u>			<u>1,578,874</u>

(a) Depreciation is charged as follows :

	2 0 0 9	2 0 0 8
Cost of goods sold and growing flocks	84,097	70,924
General and administrative expenses	9,389	10,744
Selling expenses	4,894	6,051
Total	<u>98,380</u>	<u>87,719</u>

(b) The computation of gain on sale and loss on write-off of property, plant and equipment is as follows :

	2 0 0 9	2 0 0 8
Proceeds	2,575	5,779
Net Book Value	1,649	3,977
Gain on Sale of Property, Plant and Equipment - Net	<u>926</u>	<u>1,802</u>

Gain on sale and loss on write-off of property, plant and equipment is presented in "Miscellaneous - net" account as part of "Other Income (Charges)" section in the consolidated statements of income.

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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (c) As of September 30, 2009, property, plant and equipment, excluding land and transportation equipment, are covered by insurance against losses from damage, disasters, fire and other risks under blanket policies for US\$ 421.32 million, which in management's opinion is adequate to cover possible losses arising from such risks.
- (d) Additions in property, plant and equipment represent acquisitions related to expansion and modification of feed manufacturing capacity; additions to poultry feed supporting facilities such as silo, raw materials and finished goods' warehouses and coal fire steam boiler system; and additions to breeding farm facilities.
- (e) From the financial point of view, the average percentage of completion of construction in progress as of September 30, 2009 is 93%.
- (f) Land under Hak Guna Bangunan are located in certain areas in Indonesia with a total area of 8,888,524 square meters. The related landrights will expire in various dates between 2009 and 2037, and the management believes that these rights can be renewed upon their expiry.
- (g) PT Actual Kencana Appraisal, an independent appraiser, appraised the property, plant and equipment of the Company and Subsidiaries as of December 31, 2008 based on its reports dated February 10, 2009 (certain Subsidiaries), March 16, 2009 (Certain Subsidiaries), and March 23, 2009 (the Company and certain Subsidiaries). The appraiser used the "Depreciated Replacement Cost Method" in the appraisals of the property, plant and equipment, except for land that uses "Market Data Approach".

Based on the condition of the property, plant and equipment and the results of the above appraisals, the management believes that there is no indication of impairment of assets value in the Company and Subsidiaries' property, plant and equipment as of September 30, 2009.

- (h) The Company and CPJF revalued their certain assets on December 31, 1997 as appraised by PT Aditya Appraisal Bhakti, an independent appraiser. The related total revaluation increment in property, plant and equipment of the Company and CPJF amounted to Rp 68.49 billion and Rp 52.84 billion, respectively. The Company's portion of the revaluation increment in property, plant and equipment of CPJF was presented as part of "Difference in Equity Transactions of Subsidiaries" account in consolidated balance sheets.

As discussed, the Company and Subsidiary have chosen the cost model as the accounting policy for the measurement of their property, plant and equipment in accordance with PSAK No. 16 (Revised 2007), "Fixed Assets", and reclassified the balances of revaluation increment in property, plant and equipment and difference in equity transaction of Subsidiary derived from revaluation of property, plant and equipment in this Subsidiary totaling to Rp 121.33 billion presented in equity section of the 2007 consolidated balance sheet to retained earnings in 2008.

- (i) As of September 30, 2009, property, plant and equipment with net book value of Rp 1,396.66 billion owned by the Company and certain Subsidiaries are used as collateral for bank loans obtained by the Company and CPJF.

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8. SHORT-TERM BANK LOANS

This account consists of :

	2009	2008
Revolving Loans :		
Rupiah		
PT Bank Central Asia Tbk	131,500	290,000
PT Bank Ekonomi Raharja Tbk	21,250	21,250
PT Bank Danamon Indonesia Tbk	-	130,000
Import Loans :		
Rupiah		
PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk)	-	40,000
US Dollar		
Citibank N.A., Jakarta (US\$ 7,807,127 in 2009 and US\$ 14,818,079 in 2008)	75,581	138,964
PT Bank Danamon Indonesia Tbk (US\$ 3,570,150 in 2009 and US\$ 14,863,998 in 2008)	34,562	139,395
PT Bank DBS Indonesia (US\$ 3,255,859 in 2009 and US\$ 26,726,206 in 2008)	31,520	250,638
PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk) (US\$ 2,156,485 in 2009 and US\$ 20,644,611 in 2008)	20,877	193,605
PT Bank Chinatrust Indonesia (US\$ 1,945,273)	-	18,243
Overdraft - Rupiah :		
Citibank N.A., Jakarta	1,909	-
PT Bank Danamon Indonesia Tbk	-	36
Total	317,199	1,222,131

PT Bank Central Asia Tbk

- Company and PT Charoen Pokphand Jaya Farm (CPJF)

On September 9, 2002, the Company and CPJF entered into a loan agreement with PT Bank Central Asia Tbk (BCA) to obtain Time Revolving Loan (TRL) facilities with maximum limit of Rp 260.00 billion consisting of the Company's portion of Rp 200.00 billion and CPJF's portion of Rp 60.00 billion. These loan facilities have maturity period of one year.

Based on second amendment of the loan agreement with BCA dated April 14, 2003, the TRL facility of Rp 20.00 billion was converted into an overdraft facility.

Based on the letter from BCA dated December 1, 2006, the Company's TRL facility with maximum limit of Rp 180.00 billion has been increased to become Rp 230.00 billion.

The above facilities have been extended several times with the last extension until November 12, 2009.

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8. SHORT-TERM BANK LOANS (Continued)

PT Bank Central Asia Tbk (Continued)

- Company and PT Charoen Pokphand Jaya Farm (CPJF) (Continued)

The above loan facilities and the long-term loans facilities obtained by the Company from the same bank are secured by cross collateral of certain trade receivables of the Company, inventories and breeding flocks of CPJF and certain property, plant and equipment of the Company and CPJF. The above collaterals are also used to secure the loan facilities obtained from PT Bank Danamon Indonesia Tbk (Bank Danamon) and PT Bank Ekonomi Raharja Tbk (Bank Ekonomi) based on the Security Sharing Agreement as notarized under Deed No. 45 dated April 14, 2003 of Doktor Fulgensius Jimmy H.L.T., S.H., M.H., M.M. In addition, the Company issued a corporate guarantee on the loans obtained by CPJF from BCA, Bank Danamon and Bank Ekonomi.

The Company and CPJF are required to maintain financial ratios as follows :

- Total debt to tangible net worth ratio shall not exceed 2x
- Current assets to current liabilities ratio shall be at least 1x
- EBITDA to interest payment ratio shall be at least 2x.

The related loan agreement imposes several restrictions to the Company and CPJF, among others, not to enter into the following transactions, without the prior written consent from BCA :

- Make any guarantee to or for other party's loan or assets, except on CPJF's loan in which percentage of guarantee amount shall not exceed the Company's ownership and guarantee given to CPB
- Obtain new loan facility from third party including from related party, except for operational matters and are not in breach of the financial covenants required by the bank
- Make investment in amount exceeding Rp 50.00 billion per year (for the Company and CPJF)
- Merge or acquire all or substantial part of the assets or share capital of any other companies, except merger between the Company and CPJF with a related party company which has at least 50.1% shares ownership by Charoen Pokphand Group that requires written notification to the creditor
- Declare or pay dividend above the maximum permitted amount representing of 40% of net income after tax and extraordinary items.

Based on the amendment loan agreement dated February 18, 2009, certain clauses in the loan agreement have been changed such as, among others, additional requirement to maintain liabilities to EBITDA ratio not exceed 3.75x and that the Company and CPJF are not allowed to make any investment, except if it is within the Company and CPJF's line of business.

In 2007, the Company and CPJF made total investments that exceeded the maximum amounts as stated in the loan agreements with BCA and Bank Danamon. The investments made represent capital expenditures. The Company and CPJF's management believes that these investments are strategic investments that will increase the competitiveness and will generate added values to the Company and CPJF. On May 5, 2008, the Company and CPJF received the written waivers from BCA.

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8. SHORT-TERM BANK LOANS (Continued)

PT Bank Central Asia Tbk (Continued)

- Company and PT Charoen Pokphand Jaya Farm (CPJF) (Continued)

In relation with acquisition of poultry feed plant located at Jalan Raya Semarang - Demak, the Company sent written explanation and requested for written waiver from BCA of which the related approval was obtained on January 22, 2008.

PT Bank Danamon Indonesia Tbk

On September 6, 2002, the Company and CPJF entered into separate loan agreements with PT Bank Danamon Indonesia Tbk (Bank Danamon) to obtain revolving loan facilities with maximum limits of Rp 100.00 billion and Rp 30.00 billion. These loan facilities have maturity period of 1 year.

On July 14, 2006, the Company obtained an import loan facility and Letters of Credit (L/C) facility with maximum limit of US\$ 15,000,000 or equivalent to the other currency as agreed by the bank. Proceeds of these loan facilities are used for purchases of raw materials and machinery and equipment.

These loan facilities have been extended several times, with the last extension until July 17, 2009. The loans are secured with the same collaterals used to secure the loan facilities obtained from PT Bank Central Asia Tbk and PT Bank Ekonomi Raharja Tbk based on the Security Sharing Agreement and additional collateral of inventories. The Company has submitted a letter to extend the loan facility to Bank Danamon.

The Company and CPJF are required to maintain financial ratios as follows :

- Total debt to tangible net worth ratio shall not exceed 2x
- Current assets to current liabilities ratio shall be at least 1x
- EBITDA to interest payment ratio shall be at least 1.5x.

The loan agreements also require the Company and CPJF, among others, not enter into the following transactions, without the prior written consent from Bank Danamon :

- Sale, lease out, move or transfer most or all income or wealth, except to run the debtor's daily operation
- Declare or pay dividend more than 40% of net income after tax and extraordinary items, except as ruled by regulation
- Merge, consolidate, acquire, invest or purchase other company's share, except merger with related party company that has 50.1% shares ownership or more owned by Charoen Pokphand Group, that requires written notification to the creditor
- Issue bonds or marketable securities
- Make investment in their core business with more than Rp100.00 billion and outside of their core business with more than Rp10.00 billion, except to acquire CPJF. The Company sent a request letter to Bank Danamon to standardize of clause of investment limitation, subsequently, based on an Annual Review Extension dated November 4, 2008 from Bank Danamon, this clause was deleted.

In relation with the investments that exceeded the maximum amounts as stated in the above loan agreements, the Company and CPJF's management has received written waivers from Bank Danamon on April 4, 2008.

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8. SHORT-TERM BANK LOANS (Continued)

PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk)

On June 20, 2008, the Company obtained a fixed loan facility from PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk) (CIMB Niaga) for financing local purchases of raw material with maximum amount of Rp 40.00 billion.

On April 7, 2004, the Company obtained an import loan facility and Letters of Credit (L/C) facility with the maximum limit of US\$ 5,000,000, which was amended on October 16, 2006 in relation to the additional facility in the form of a bank guarantee facility. These facilities have been amended several times with the latest amendment dated June 22, 2007 regarding the total maximum limit to become US\$ 22,000,000 or equivalent to the other currencies ("multi-currency") as agreed by the bank.

The above facilities have been extended until November 20, 2010. The above facility including the long-term loan facility obtained by the Company from the same Bank are secured by certain receivables and inventories of the Company and certain property, plant and equipment of the Company and CPJF.

The Company is required to maintain financial ratios as follows :

- Total debt to tangible net worth ratio shall not exceed 2.5x
- EBITDA to interest payment ratio shall be at least 2x
- Current assets to current liabilities ratio shall be at least 1x.

The related loan agreement imposes several restrictions to the Company not to enter into the following transactions, among others, without the prior written consent from CIMB Niaga :

- Provide loan or obtain loan from other parties, except for daily operating activities
- Change the business type and business activities
- Enter into consolidation, merger, liquidation or acquisition outside of core business
- Change the composition of management, shareholders and the shares value of the Company, except if Charoen Pokphand Group's is still have the majority ownership in the Company in which such case, the Company has to send a notification letter to the bank regarding the change.

On November 28, 2008, the Company has sent a notification letter to the bank in relation to the change in the composition of the Company's management. In addition, the Company has also informed the bank regarding the changes in the Company's shareholders.

PT Bank Ekonomi Raharja Tbk

On April 8, 2003, the Company and CPJF entered into a loan agreement with PT Bank Ekonomi Raharja Tbk (Bank Ekonomi) to obtain the revolving loan facilities with maximum limit of Rp 25.00 billion consisting of the Company's portion of Rp 18.75 billion and CPJF's portion of Rp 6.25 billion. The loan facility has been extended several times, with the last extension of which until April 8, 2010.

The loans are secured with the same collaterals used to secure the loan facilities obtained from PT Bank Central Asia Tbk and PT Bank Danamon Indonesia Tbk based on the Security Sharing Agreement.

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8. SHORT-TERM BANK LOANS (Continued)

PT Bank Ekonomi Raharja Tbk (Continued)

The Company and CPJF are required to maintain financial ratios as follows :

- Total debt to tangible net worth ratio shall not exceed 200%
- Current assets to current liabilities ratio shall be at least 100%
- EBITDA to interest payment ratio shall be at least 150%.

The related loan agreement imposes several restrictions to the Company and CPJF, among others, not to enter into the following transactions, without the prior written consent from Bank Ekonomi :

- Merge, consolidate, acquire, invest or purchase other company's share, except merger with Charoen Pokphand Group. In this case, the Company have to sent the prior written notification
- Declare or pay dividend more than 40% of net income after tax and extraordinary items, except as ruled by regulation
- Make any guarantee for other party's loan, except on the Subsidiary's loan in which percentage of guarantee amount shall not exceed the Company's ownership
- Sell, lease out, move or transfer most or all income or wealth, except to run the debtor's daily operation
- Change the composition of shareholders, except if changes are done to affiliated companies that are still owned by Charoen Pokphand Group more than 50.10% in which case, the Company has to send a notification letter to the bank at least 1 month before the change.
- Make investment outside the core business at more than Rp10.00 billion.

The Company has informed the Bank in relation with the change in the Company's shareholders.

PT Bank DBS Indonesia

On April 28, 2006, the Company obtained Letters of Credit (L/C), Trust Receipt and stock financing facilities with the total maximum facility amounted to US\$ 30,000,000 or equivalent to the other currencies as agreed by the bank, which was amended on January 25, 2008 to become Letters of Credit (L/C), Trust Receipt and Bank Guarantee facilities with the same maximum amount of facility.

The above facilities are secured by trade receivables and inventories of the Company and have been extended until July 16, 2010.

The Company is required to maintain financial ratios as follows :

- Total debt to EBITDA shall not exceed 3.75x
- EBITDA to interest expense ratio shall be at least 2x
- Debt to equity ratio shall not exceed 2x.

The related loan agreement imposes several restrictions to the Company such as, among others maintaining the Charoen Pokphand Group's ownership in the Company to be not less than 51% and to notify the bank if there is a change in the Articles of Association including changes in capital and the management structure of the Company. On November 28, 2008, the Company has sent a notification letter to the bank regarding changes in composition of director and commissioner in the Company.

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8. SHORT-TERM BANK LOANS (Continued)

Citibank N.A., Jakarta

On January 2, 2007, the Company obtained an import loan facility with a total maximum limit of US\$ 15,000,000 that can be used until January 2, 2010.

On September 12, 2000, the Company obtained an overdraft facility with a total maximum limit of Rp 5.8 billion that can be used until January 2, 2010. On January 20, 2009, the facility amount has been increased to Rp 20 billion.

PT Bank Chinatrust Indonesia

On April 14, 2004, the Company obtained a loan facility for the purchase of raw materials with maximum limit of US\$ 1,400,000, which was amended on February 14, 2007 to become US\$ 2,500,000. Based on the amendment of credit extension dated November 6, 2007, both parties agreed to decrease the credit facility to become US\$ 2,000,000 and to release the collateral of property, plant and equipment. This loan facility has been extended until April 14, 2009. The Company has submitted a letter to extend the loan facility to PT Bank Chinatrust Indonesia.

The above bank loans bear annual interest ranging from 13.00% to 15.50% and 10.50% to 12.77% for the period ended September 30, 2009 and 2008, respectively.

9. ACCOUNTS PAYABLE - TRADE

This account consists of payables to :

	2009	2008
Third Parties :		
Foreign Suppliers :		
Cargill International Trading Pte.Ltd., Singapore	88,525	38,233
Sumitomo Chemical Singapore Pte.Ltd., Singapore	29,740	19,795
Evonik Degussa GmbH, German	20,255	51,823
PCS Sales (USA) Inc., United States of America	13,244	69,061
Taminco, Belgium	4,631	30,192
Toepfer International - Asia Pte.Ltd., Singapore	2,181	65,240
Profaith Trading Ltd., Singapore	1,925	13,007
Agrotech Corporation Limited, Republic of Mauritius	1,641	67,635
Innoresources Pte.Ltd., Singapore	1,090	12,761
Kemin Industries (Asia) Pte. Ltd., Singapura	744	7,563
Griffin Corporation, Amerika Serikat	686	8,203
CTG Rendered, New Zealand	628	14,113
Veno International Co. Ltd., Taiwan	288	11,573
ADM Company, Amerika Serikat	278	5,902
Josmart Trading Pte. Ltd., Amerika Serikat	-	18,161
DSM Nutritional Product, Singapura	-	11,220

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9. ACCOUNTS PAYABLE – TRADE (Continued)

	<u>2009</u>	<u>2008</u>
Wuhan Waking Lion, China	-	6,504
Bunge Agribusiness Singapore Pte.Ltd., Singapore	-	5,239
AG Processing Inc., United States of America	-	5,077
Others (below Rp5 billion each)	12,882	45,098
Sub-total Foreign Suppliers	<u>178,738</u>	<u>506,400</u>
Local Suppliers:		
PT Chell Jedang Indonesia	15,385	-
Farid	12,135	-
PT Agrico International	7,794	-
Hariyono Tan	6,898	8,314
PT Sahabat Ternak Abadi	3,538	7,276
Irwan Sugianto	2,657	9,170
Supir Sembiring	1,554	5,527
PT Agung Niaga Perkasa	-	19,956
PT Surya Unggas Perkasa	-	16,533
PT FKS Multi Agro Tbk.	-	10,439
Yonathan	-	8,322
Hans Falia Utama	-	6,102
Yani Rahayu	-	5,895
Others (below Rp5 billion each)	102,149	276,379
Sub-total Local Suppliers	<u>152,110</u>	<u>373,913</u>
Total Third Parties	<u>330,848</u>	<u>880,313</u>
Related Parties (Note 19)	<u>54,505</u>	<u>28,458</u>

On September 24, 2004, the Company entered into a stock financing agreement with Toepfer International - Asia Pte. Ltd., Singapore (“Toepfer”). The facility is used to finance the purchases of raw materials from Toepfer equivalent to 85% from purchased amount with a maximum limit of US\$ 10.00 million. This facility is secured by raw material inventories purchased from this facility.

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10. TAXES PAYABLE

Taxes payable consists of :

	<u>2009</u>	<u>2008</u>
Provision for Income Taxes	224,811	38,102
Income Taxes :		
Article 4	155	161
Article 21	2,600	13,330
Article 23	141	492
Article 25	404	305
Article 26	8,048	21,707
Article 29	-	2,129
Value Added Tax	<u>11,392</u>	<u>18,199</u>
Total	<u>247,551</u>	<u>94,425</u>

In accordance with Government Regulation No. 81 year 2007 regarding Reduction of the Income Tax Rate on Resident Corporate Tax Payers in the Form of Publicly - listed Companies dated December 28, 2007, resident corporate tax payer in the form of publicly - listed companies can avail tax reduction at 5% lower than the highest income tax rate if several criteria are met. The Company did not meet these criteria; therefore, could not benefit the above tax reduction.

In accordance with several letters all dated on August 7, 2006 from the Directorate of General Taxation (DGT), the Company's claims for input Value Added Tax totaling Rp58.69 billion in relation to the importation of raw materials of poultry feeds in 2003, 2004 and 2005 were disapproved by the DGT since the DGT treated these imported raw materials as subject to VAT. In a letter from DGT dated December 26, 2006, the DGT allowed VAT claims to be charged as expense in the corporate income tax calculation in the respective fiscal year. The Company charged all VAT claims in the 2006 consolidated statement of income that resulted to additional claim for corporate tax refund for 2006 by Rp 13.41 billion and also recognized claim for corporate income tax of Rp 4.2 billion for VAT claim for 2003 in the 2006 consolidated balance sheet.

On March 23, 2009, the Company sent a request letter for cancellation of the overpayment corporate tax assessment letter of year 2003, 2004 and 2005 to the Tax Office.

Based on the Underpayment Tax Assessment Letter (SKPKB) No. 00016/206/06/092/08 dated September 23, 2008 for 2006, the Company has underpayment of Rp 46.81 billion instead of the reported claim of Rp 2.79 billion as submitted by the Company to the Tax Office. The Company objected portion of this underpayment of Rp 30.05 billion and the remaining balance amounting to Rp 16.75 billion was paid by the Company to the Tax Office. The payment to the Tax Office and the unrecognized claim totaling Rp 19.54 billion was recorded as tax expense in 2008. On December 19, 2008, the Company sent an objection letter No.021/CPI/XII/2008 to object the Rp 30.05 billion as mentioned above and sent an additional explanation letter No.004/CPI-Tax/III/2009 dated March 25, 2009 in relation with additional fiscal losses for VAT expense not yet reflected in 2004 and 2005 as expense in the related fiscal years. As of September 30, 2009, the appeal letter is still in the process in Tax Office.

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10. TAXES PAYABLE (Continued)

In September 2008, Law No. 7 Year 1983 regarding "Income Tax" has been revised for the fourth time with Law No. 36 Year 2008. The revised Law stipulates changes in corporate tax rate from a marginal tax rate to a single rate of 28% for fiscal year 2009 and 25% for fiscal year 2010 onwards.

Based on the Overpayment Tax Assessment Letter (SKPLB) of Corporate Income Tax No. 00029/406/07/651/09 dated June 15, 2009, claims on Subsidiary's Income Tax for 2007 amounting to Rp 1.68 billion has been approved by Directorate of General Taxation. The Subsidiary received Rp 991.88 million net of with other tax liabilities.

Based on the SKPKPP of Corporate Income Tax No. KEP-00018.PPH/WPJ.14/KP.0503/2009 dated August 5, 2009, claims on Subsidiary's Income Tax for 2007 amounting to Rp 1.38 billion has been approved by Directorate of General Taxation. The Subsidiary received Rp 1.34 billion after netting off with other tax liabilities.

11. LONG-TERM BANK LOANS

This account consists of :

	<u>2009</u>	<u>2008</u>
US Dollar Loans:		
Syndicated Loan (US\$ 61,050,571 in 2009 and US\$ 68,092,857 in 2008)	591,031	638,575
Rupiah Loans:		
Syndicated Loan	425,364	499,421
PT Bank Central Asia Tbk	84,375	120,000
PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk)	<u>77,323</u>	<u>57,250</u>
Total	1,178,093	1,315,246
Current Portion	<u>(200,530)</u>	<u>(178,897)</u>
Long-term Portion	<u>977,563</u>	<u>1,136,349</u>

Syndicated Loan

On June 21, 2007, the Company obtained a syndicated loan facility in which Citicorp International Ltd., Hong Kong acts as the Agent, and PT Rabobank International Indonesia acts as the Security Agent. The proceeds of the loan will be used for working capital, capital expenditures and loan financing purposes. The loan is collateralized by certain trade receivable, inventories and breeding flocks of CPJF, certain property, plant and equipment owned by the Company and certain Subsidiaries. The maximum amounts of this loan facility are US\$ 69,350,000 and Rp 500.85 billion.

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11. LONG-TERM BANK LOANS (Continued)

Syndicated Loan (Continued)

The details of the loan facility based on the name of facilities as of September 30, 2009 and 2008 are as follows :

<u>Type of Facility</u>	<u>Outstanding Loan Balance</u>		<u>Due Date</u>
	<u>September 30, 2009</u>	<u>September 30, 2008</u>	
A1	US\$ 22,300,571	US\$ 29,342,857	2012
A2	Rp 234,514	Rp 308,571	2012
B1	US\$ 18,750,000	US\$ 18,750,000	2010
B2	Rp 190,850	Rp 190,850	2010
C	US\$ 20,000,000	US\$ 20,000,000	2010
Total	US\$ 61,050,571	US\$ 68,092,857	
	Rp 425,364	Rp 499,421	

The A1 and A2 loans are payable in 15 quarterly installments, while the B1, B2 and C loans facilities are payable in lump-sum on their respective due date.

The related loan agreement requires the Company to maintain financial ratios as follows :

- Total debt to tangible net worth ratio shall not exceed 2x
- Total debt to EBITDA ratio shall not exceed 3.75x
- EBITDA to interest expense ratio shall be at least 2x.

In addition, the loan agreement imposes several restrictions to the Company not to enter into the following transactions, among others, without the prior written consent from the lenders :

- Merge or restructuring of business, except included in the category of permitted merger
- Sale or transfer of assets, except includes in the category of permitted transfer assets
- Change in the Company's core business activities as well as overall group since date of the agreement
- Declare or pay dividend at more than 40% of the consolidated operating income.

PT Bank Central Asia Tbk

On December 1, 2006, the Company obtained an installment loan facility amounted to Rp 150.00 billion. The loan is payable in 20 quarterly installments at Rp 1.88 billion each quarter for the first year, Rp 7.50 billion each quarter for the second year and Rp 9.38 billion each quarter for the remaining years. The loan has the same limitation and collateral with short-term loans obtained from the same bank.

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11. LONG-TERM BANK LOANS (Continued)

PT Bank CIMB Niaga Tbk (formerly Bank Niaga Tbk)

On June 20, 2008, the Company obtained Pinjaman Transaksi Khusus (PTK) facility amounted to Rp 93.60 billion. This facility can be only used for financing the feed mill construction in Makasar. The loan is payable in 60 monthly installments at Rp 1.73 billion. The loan has the same limitation and collateral with short-term loans obtained from the same bank. This facility is extended until September 20, 2010.

The above bank loans bear annual interest as follows :

	<u>2009</u>	<u>2008</u>
Rupiah	9.95 % - 15.00 %	10.94% - 12.15 %
US Dollar	3.50 % - 5.71 %	5.55 % - 8.41 %

12. BONDS PAYABLE

The Company issued bonds on July 2, 2003 under the name of "Obligasi Charoen Pokphand Indonesia I Tahun 2003 Dengan Tingkat Bunga Tetap" (Bonds) with nominal value of Rp 500.00 billion denominated at Rp 50.00 million each Bond and are payable in lump sum on July 2, 2008. The Company can buy back the Bonds. The Bonds had a fixed interest rate of 14% per year, which were payable every 3 (three) months, starting from October 2, 2003 until July 2, 2008. All the Bonds were registered in the Indonesia Stock Exchange effective on July 7, 2003. The bonds payable were fully paid on June 27, 2008.

Based on the Bonds Trustee Agreement with PT Bank Permata Tbk, the bonds trustee, the Bonds were collateralized by certain land and buildings including all the assets on the respective land and fiduciary of certain trade receivables, inventories, breeding flocks and certain property, plant and equipment representing 75% of nominal value of the Bonds.

Based on Bonds Trustee Agreement, the Company and Subsidiary should obtain written approval from the bonds trustee on, among others, the following transactions :

- Merger or acquisition that will negatively impact the Company's and Subsidiary's going concern, unless such action is conducted to support the Company's business operations where the Company remains to be the surviving company
- Change in the Company's core business activities
- Sale or transfer of ownership in the Subsidiaries resulting in the percentage of the Company's ownership in a Subsidiary to become less than 50%, unless such transactions are conducted based on the fair market value
- Sales or transfer of more than 50% of the assets belonging to the Company and its Subsidiary through a transaction or collective of transactions during the Bonds period
- Declare and/or disburse cash dividend to the shareholders amounting to more than 40% of total net income per year
- Decrease the authorized, issued and fully paid share capital, other than that resulting from the buy back of shares in accordance with legitimate regulations.

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12. BONDS PAYABLE (Continued)

In addition, the Company was required to maintain financial ratios as follows :

- Current assets to current liabilities ratio shall be at least 100%
- Total debt to equity ratio shall not exceed 250%
- EBITDA to adjusted interest expense ratio shall be at least 200%.

The Bonds obtained credit rating of idBBB+ (Triple B Plus; Stable Outlook) from PT Pemeringkat Efek Indonesia (Pefindo), an independent credit rating agency, in its reports No. 310/PEF-Dir/VI/2007 dated June 5, 2007.

13. SHARE CAPITAL

The share ownership of the Company as of September 30, 2009 and 2008 are as follows :

2 0 0 9			
Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Central Agromina	1,821,277,082	55.45 %	91,064
Public (ownership below 5% each)	1,463,284,326	44.55	73,164
Total	3,284,561,408	100.00 %	164,228
2 0 0 8			
Stockholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Amount
PT Cipta Pertiwi	1,817,827,082	55.34 %	90,891
RBOC (Asia) Ltd., Singapore	365,889,168	11.14	18,295
UBS AG, Singapore	241,328,000	7.35	12,066
Public (ownership below 5% each)	859,517,158	26.17	42,976
Total	3,284,561,408	100.00 %	164,228

In accordance with the Sales and Purchase Shares Agreement dated October 20, 2008 between PT Cipta Pertiwi (CP) and PT Central Agromina (CAM), the 1,817,827,082 shares or 55.34% ownership in the Company of CP were sold to CAM at Rp 380.00 (full amount) per share.

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14. RETAINED EARNINGS

In the Annual Shareholders' General Meeting held on May 19, 2009, the minutes of which were notarized by Deed No. 53 on the same date of Fathiah Helmi, S.H., the Company's shareholders agreed to appropriate Rp1.00 billion for general reserve from the 2008 net income in compliance with Law No. 40 year 2007, "Limited Liability Company".

In the Annual Shareholders' General Meeting held on June 17, 2008, the minutes of which were notarized by Deed No. 61 on the same date of Fathiah Helmi, S.H., the Company's shareholders agreed to appropriate Rp1.00 billion for general reserve from the 2007 net income in compliance with Law No. 40 year 2007, "Limited Liability Company".

15. NET SALES

The details of net sales based on business segments are as follows :

	<u>2009</u>	<u>2008</u>
Feeds	8,178,583	7,799,429
Day-old Chicks	1,558,125	1,364,300
Processed Chicken	929,654	765,071
Woven Bag	15,728	27,970
Poultry Equipment	14,488	19,990
Total	<u>10,696,578</u>	<u>9,976,760</u>

There were no sales to customers that exceeded 10% of consolidated net sales.

16. COST OF GOODS SOLD

The details of cost of goods sold are as follows :

	<u>2009</u>	<u>2008</u>
Raw Materials Used	7,171,303	7,258,677
Direct Labor	72,857	61,038
Factory Overhead and Depletion	1,142,555	1,160,118
Total Manufacturing Costs	8,386,715	8,479,833
Work-in-Process		
Balance at Beginning of Year	108,516	86,520
Balance at End of Year	(112,327)	(118,904)
Cost of Goods Manufactured	8,382,904	8,447,449
Finished goods		
Balance at Beginning of Year	169,655	134,529
Purchases	327,214	205,930
Balance at End of Year	(165,637)	(183,698)
Cost of Goods Sold	<u>8,714,136</u>	<u>8,604,210</u>

There were no purchases from suppliers that exceeded 10% of consolidated net sales.

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17. OPERATING EXPENSES

The details of operating expenses are as follows :

	<u>2009</u>	<u>2008</u>
Selling Expenses		
Salaries, Wages and Employees' Welfare	54,017	58,143
Freight Out	24,966	28,936
Promotion and Advertising	20,584	38,598
Travel and Transportation	8,053	9,859
Professional Fees	8,020	5,190
Rental	5,059	4,817
Depreciation	4,894	6,051
Telephone, Electricity, and Water	3,279	3,782
Others	12,917	13,167
	<u>141,789</u>	<u>168,543</u>
Total Selling Expenses		
General and Administrative Expenses		
Salaries, Wages and Employees' Welfare	167,864	199,273
Royalty Fee	124,080	105,141
Travel and Transportation	15,500	20,901
Meal and Transportation Allowance	9,642	11,720
Depreciation	9,389	10,744
Telephone, Electricity, and Water	8,627	9,310
Taxes	8,298	17,706
Professional Fees	6,934	26,636
Research and development	6,017	1,089
Insurance	4,892	5,176
Retributions	4,669	6,328
Rental	3,028	2,319
Repair and Maintenance	2,718	3,223
Donations	2,592	3,830
Others	9,152	10,674
	<u>383,402</u>	<u>434,070</u>
Total General and Administrative Expenses		
Total	<u><u>525,191</u></u>	<u><u>602,613</u></u>

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18. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS

The Company and Subsidiaries provide employees' benefits in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("UU No. 13/2003") for employees with retirement age of 55 years old. These pension benefits are not funded.

The estimated liability for employees' benefits as of September 30, 2009 and 2008 were determined based on the actuarial valuations performed by PT Eldridge Gunaprima Solution, an independent actuary, on their reports dated February 25, 2009 and February 12, 2008, respectively, using the "Projected Unit Credit" method.

The Company and Subsidiaries recorded estimated employee benefit for severance pay, gratuity and compensation to employees amounting to Rp 253.84 billion and Rp 237.66 billion as of September 30, 2009 and 2008. The cost charged amounted to Rp 31.98 billion and Rp 38.62 billion for the period ended September 30, 2009 and 2008, respectively, is presented as part of "Operating Expense - Salaries, wages and employees' welfare" account in consolidated statement of income.

19. ACCOUNT BALANCES, TRANSACTIONS AND NATURE WITH RELATED PARTIES

The balances of accounts with related parties are as follows :

	Total		Percentage to Total Consolidated Assets/ Liabilities	
	2009	2008	2009	2008
Trade Receivables (Note 4)				
PT Central Proteinaprima Tbk	5,454	760	0.10	0.02
PT Centralpertiwi Bahari	-	18,568	-	0.33
Others (below Rp1 billion each)	26	49	0.00	0.00
Total	5,480	19,377	0.10	0.35
Due from Related Parties				
PT Central Proteinaprima Tbk	153,245	146,325	2.89	2.62
PT Central Panganpertiwi	41,609	36,322	0.79	0.65
PT Centralpertiwi Bahari	29,722	5,208	0.56	0.09
PT Central Agromina	10,810	6,839	0.20	0.12
PT Centralwindu Sejati	3,055	3,054	0.06	0.06
Others (below Rp1 billion each)	93	110	0.00	0.00
Total	238,534	197,858	4.50	3.54
Trade Payables (Note 9)				
PT Central Agromina	17,381	886	0.60	0.02
PT Centralpertiwi Bahari	14,770	-	0.52	-
PT SHS International	9,264	15,661	0.32	0
PT Central Panganpertiwi	6,790	616	0.24	0.01
PT Indovetraco Makmur Abadi	6,067	7,681	0.21	0.19
PT Cipta Pertiwi	-	3,187	-	0.08
Others (below Rp1 billion each)	233	427	0.01	0.01
Total	54,505	28,458	1.90	0.69

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19. ACCOUNT BALANCES, TRANSACTIONS AND NATURE WITH RELATED PARTIES
(Continued)

	Total		Percentage to Total Consolidated Assets/ Liabilities	
	2009	2008	2009	2008
Due to Related Parties				
Charoen Pokphand International Group of Companies Ltd., British Virgin Islands	81,331	40,874	2.83	1.00
Charoen Pokphand International Group of Companies Ltd., Seychelles	28,279	-	0.99	-
PT Central Pertiwi	10	18,945	0.00	0.46
PT Central Agromina	-	11,289	-	0.27
Others(below Rp1 billion each)	-	360	-	0.01
Total	109,620	71,468	3.82	1.74

Presented below are the Company's and Subsidiaries' transactions with related parties with amount of more than Rp1 billion :

	Total		Percentage to Total Consolidated Net Sales	
	2009	2008	2009	2008
Net Sales				
PT Central Agromina	63,435	54,634	0.59	0.55
PT Centralpertiwi Bahari	1,227	9,747	0.01	0.10
PT Central Proteinaprima Tbk	861	7,344	0.01	0.07
PT Central Panganpertiwi	121	12,742	0.00	0.13
Total	65,644	84,467	0.61	0.85
Purchases of Raw Materials and Others				
PT Central Agromina	153,271	114,099	1.43	1.14
PT SHS International	91,476	78,284	0.86	0.78
PT Indovetraco Makmur Abadi	50,685	45,783	0.47	0.46
PT Centralpertiwi Bahari	10,972	2,353	0.10	0.02
PT Central Panganpertiwi	6,968	7,543	0.07	0.08
PT Central Proteinaprima Tbk	5,387	30,460	0.05	0.31
Total	318,759	278,522	2.98	2.79
Sales of Raw Materials				
PT Centralpertiwi Bahari	12,913	32,290	0.12	0.33
PT Central Panganpertiwi	10,015	11,262	0.10	0.11
PT Central Proteinaprima Tbk	5,582	66,801	0.05	0.67
Total	28,510	110,353	0.27	1.11
Sales of Eggs				
PT Central Agromina	69,736	68,590	0.65	0.69
Royalty fee				
Charoen Pokphand International Group of Companies Ltd., British Virgin Islands	93,986	105,141	0.88	1.05
Charoen Pokphand International Group of Companies Ltd., Seychelles	30,094	-	0.28	-

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19. ACCOUNT BALANCES, TRANSACTIONS AND NATURE WITH RELATED PARTIES
(Continued)

Interest - Bearing Loans

- Due to PT Central Agromina (CAM) represents temporary loans of the following Subsidiaries :

PT Vista Agung Kencana

Rupiah loan bears annual interest at 15% per year and ranging from 12% to 15 % per year for the year ended September 30, 2009 and 2008, respectively. The outstanding loan as of September 30, 2008 amounting to Rp 3.03 billion consists of principal amount of Rp 3.00 billion and related interest payable of Rp 31.33 million. This loan was settled on May 29, 2009.

PT Satwa Utama Raya

Due to SUR initially represent loan to PT Central Proteinaprima Tbk. that subsequently transferred to CAM. This loan represents loan in US\$ currency that bears interest at 7.5% per year in 2009 and 2008. The outstanding balance of SUR's payable as of September 30, 2008 amounting to US\$ 880,469 consists of principal amount of US\$ 875,000 and related interest payable of US\$ 5,469. This loan was settled on April 21, 2009.

Nature of relationship with related parties

The nature of the relationship of the Company and Subsidiaries with related parties is as follows:

- PT Indovetraco Makmur Abadi and PT SHS International are controlled by PT Cipta Pertiwi, the Company's majority shareholder in 2007. Since 2008, PT Cipta Pertiwi and the Company are controlled by the same entity.
- PT Centralwindu Sejati, PT Andalas Windumurni, PT Citrawindu Pertala, PT Suryawindu Pertiwi, PT Windusejati Pertiwi, PT Central Panganpertiwi, PT Centralpertiwi Bahari and PT Dipasena Citra Darmaja are controlled by PT Central Proteinaprima Tbk. (CPP), the Subsidiary of PT Surya Hidup Satwa, an affiliate.
- PT Reksa Finance is controlled by PT Central Pertiwi (CP), PT Cipta Pertiwi's majority shareholder.
- PT Multi Sarana Indotani is controlled by PT BISI International Tbk., an affiliate company.
- Charoen Pokphand International Group of Companies Ltd., British Virgin Islands, Charoen Pokphand International Group of Companies Ltd., Seychelles and CP Intertrade Co. Ltd., Thailand are directly or indirectly controlled by the affiliated parties of the Company and Subsidiaries' management.

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20. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of September 30, 2009, the Company and Subsidiaries have monetary assets and liabilities denominated in foreign currencies, as follows :

	<u>Foreign Currency</u>	<u>Rupiah Equivalent</u>
Asset		
Cash and Cash Equivalents	US\$ 4,782,443	<u>46,299</u>
Total		<u>46,299</u>
Liabilities		
Short-term Bank Loans	US\$ 16,789,621	162,540
Trade Payables	US\$ 57,630,014	557,916
Long-term Bank Loans	US\$ 61,050,571	<u>591,031</u>
Total		<u>1,311,487</u>
Liabilities - Net		<u>1,265,188</u>

21. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES

The significant agreements, commitments and contingencies as of September 30, 2009 are as follows :

a. License Agreements

On December 30, 2005, the Company and CPJF entered into separate license agreement with Charoen Pokphand International Group of Companies Ltd., British Virgin Islands (CPIGCL), a related party, which further amended the license agreement dated January 1, 1990 including all its amendments. These agreements are for a period of five years and automatically renewable for another five years. Under these agreements, the Company and CPJF were granted licenses to use the Intellectual Proprietary Rights (IPR) and to produce, market, distribute and sell the products which are developed by using of the IPR. Based on the license agreement, the Company and CPJF agreed to pay royalty to CPIGCL at the following percentages of net sales: 1% for poultry feed, 3% for shrimp feeds, 2% for day-old chicks final and parent stocks and 1% for other feed. The rate of royalty may be reviewed from time to time with an increase per annum not be exceeded than 1%.

In 2003, VG, CKM, ISB, SUR and VAK entered into a separate license agreement with CPIGCL, with the same terms and conditions above, except for the royalty fee of VG which is determined amounting to US\$ 1 million in 2007. On July 2, 2007, in relation to the acquisitions by CPJF, these licenses agreements have been amended to tailor with the license agreements between CPJF and CPIGCL including royalty expense to VG that has been changed to become 1% of net sales of poultry feeds, effective on July 1, 2007.

On June 1, 2006, CAP entered into a same separate license agreement with CPIGCL.

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21. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

a. License Agreements (Continued)

On August 3, 2009, the Company and subsidiaries entered into separate license agreement with Charoen Pokphand International Group of Companies Ltd., British Seychelles (CPIGCL), a related party. These agreements are for a period of five years and automatically renewable for another five years. Under these agreements, the Company were granted licenses to use the Intellectual Proprietary Rights (IPR) and to produce, market, distribute and sell the products which are developed by using of the IPR. Based on the license agreement, the Company agreed to pay royalty to CPIGCL at the following percentages of net sales: 1% for poultry feed, 2% for day-old chicks final and parent stocks. The rate of royalty may be reviewed from time to time with an increase per annum not be exceeded than 1%.

Royalty expense charged to operations of Rp 124.08 billion and Rp 105.14 billion for the 9-month periods ended September 30, 2009 and 2008, respectively, is presented in "General and Administrative Expenses" account.

b. Loan Facility Agreements

PT Bank Central Asia Tbk

The Company obtained an overdraft facility and foreign exchange facility with total maximum limit of Rp 20.00 billion and US\$ 3.00 million, respectively that can be used until November 12, 2009 and has the same collateral with the loan facility obtained from the same bank.

PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk)

The Company obtained an overdraft facility with total maximum limit of Rp 10.00 billion that can be used until September 20, 2010. The loan has the same restrictions and collateral with the loan facility obtained from the same bank.

PT Bank Danamon Indonesia Tbk (Bank Danamon)

The Company obtained foreign exchange transaction facility with *Pre-Settlement Exposure Foreign Exchange (PSE-FX)* and *Settlement Risk (SR)* with maximum limits of US\$ 3,000,000 and US\$ 10,000,000, respectively. These facilities are used for purchases of raw materials and machinery and equipment and can be used until July 17, 2009. The company has submitted a letter to extend the loan facility to Bank Danamon.

c. Cross Currency Swap Contract – Derivative Instrument

On February 27, 2004, the Company entered into a cross currency swap contract with Citibank N.A., Jakarta, whereby the Company will receive fixed interest of 14% a year from the nominal value of Rp 300.00 billion and pay fixed interest of 6.95% a year from the nominal value of US\$ 35,608,309. The net settlement of interest is payable or receivable quarterly, from April 2, 2004 until maturity date on July 2, 2008. On maturity date, the Company received Rp 300.00 billion and paid US\$ 35,608,309 to Citibank N.A., Jakarta.

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21. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

c. Cross Currency Swap Contract – Derivative Instrument (Continued)

This derivative instrument contract was used to hedge the financing cost of the bonds payable. Loss on contract on the due date in 2008 amounting to Rp 3.66 billion is presented as part of “Gain (Loss) on Foreign Exchange and Swap Gain - net” account. In addition, the Company recognized net interest income arising from the difference between the interest received and paid of Rp 14.39 billion for the period ended September 30, 2008.

In relation with the above contract, the Company placed deposit in Citibank N.A., Singapore as collateral with a minimum amount of US\$ 1,716,000 which can be adjusted based on the calculation as stated in the contract. The deposit has been withdrawn on June 30, 2008.

22. SEGMENT INFORMATION

The Company and Subsidiaries classify their segment report into business segment as primary segment and geographical segment as secondary segment. Business segment is determined based on products sold such as feeds, day-old chicks, processed chicken, poultry equipment and packaging. Geographical segment is determined based on location of business, such as Java Island, Sumatera Island, Bali Island and other Islands.

Information concerning the Company’s and Subsidiaries’ business segment is as follows:

2 0 0 9	Feeds *	Day-Old Chicks	Processed Chicken	Poultry Equipment	Packaging	Elimination	Consolidated
Business Segment							
Information (Primary)							
Segment Sales							
External Sales	8,178,583	1,558,125	929,654	14,488	15,728	-	10,696,578
Inter-segment Sales	750,238	-	-	3,371	31,313	(784,922)	-
Total Segment Sales	8,928,821	1,558,125	929,654	17,859	47,041	(784,922)	10,696,578
Segment Results	1,069,140	300,638	115,747	3,302	1,293	-	1,490,120
Unallocated Corporate Expenses							32,869
Income from Operations							1,457,251
Segment Assets	3,641,508	1,308,682	384,297	23,402	29,348	(287,024)	5,100,213
Unallocated Corporate Assets							198,722
Consolidated Total Assets							5,298,935
Segment Liabilities	612,842	306,896	124,521	1,079	9,958	(182,741)	872,555
Unallocated Corporate Liabilities							1,995,816
Consolidated Total Liabilities							2,868,371
Capital Expenditures	63,734	37,382	19,636	285	60	-	121,097
Depreciation	43,400	43,090	11,308	518	64	-	98,380
Non-cash Expenses (Income) Other than Depreciation							
Depletion of Producing Flocks	-	289,480	-	-	-	-	289,480
Amortization of Deferred - Landrights Cost	68	110	-	-	-	-	178
Provision for Doubtful Accounts	-	-	8	-	-	-	8

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22. SEGMENT INFORMATION (Continued)

2 0 0 8	Feeds *	Day-Old Chicks	Processed Chicken	Poultry Equipment	Packaging	Elimination	Consolidated
Business Segment Information (Primary)							
Segment Sales							
External Sales	7,799,429	1,364,300	765,071	19,990	27,970	-	9,976,760
Inter-segment Sales	736,789	-	-	7,828	44,407	(789,024)	-
Total Segment Sales	<u>8,536,218</u>	<u>1,364,300</u>	<u>765,071</u>	<u>27,818</u>	<u>72,377</u>	<u>(789,024)</u>	<u>9,976,760</u>
Segment Results	<u>552,380</u>	<u>191,983</u>	<u>62,194</u>	<u>836</u>	<u>5,778</u>	<u>-</u>	<u>813,171</u>
Unallocated Corporate Expenses							43,234
Income from Operations							<u>769,937</u>
Segment Assets	4,289,268	1,229,207	441,081	29,789	31,429	(509,060)	5,511,714
Unallocated Corporate Assets							74,755
Consolidated Total Assets							<u>5,586,469</u>
Segment Liabilities	1,026,897	518,522	173,442	1,607	10,841	(452,461)	1,278,848
Unallocated Corporate Liabilities							2,824,532
Consolidated Total Liabilities							<u>4,103,380</u>
Capital Expenditures	150,690	101,590	23,425	170	22	-	275,897
Depreciation	35,043	41,545	10,502	528	101	-	87,719
Non-cash Expenses (Income) Other than Depreciation							
Depletion of Producing Flocks	-	304,310	-	-	-	-	304,310
Amortization of Deferred - Landrights Cost	68	110	-	-	-	-	178
Provision for Doubtful Accounts	309	-	2	-	-	-	311

* Consist of poultry, fish, shrimp and other feeds.

Segment results represent allocated revenue less allocated cost of goods sold and operating expenses.

Information concerning the Company's and Subsidiaries' geographical segment is as follows :

	2 0 0 9	2 0 0 8
External Sales		
Java Island	6,763,328	6,683,768
Sumatera Island	2,506,358	2,357,755
Bali Island	1,375,700	1,383,566
Other Islands	652,167	272,419
Total	<u>11,297,553</u>	<u>10,697,508</u>
Elimination	(600,975)	(720,748)
Total	<u>10,696,578</u>	<u>9,976,760</u>

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22. SEGMENT INFORMATION (Continued)

	<u>2009</u>	<u>2008</u>
Segment Assets		
Java Island	4,019,121	4,052,828
Sumatera Island	744,942	1,001,088
Bali Island	275,476	224,306
Other Islands	347,284	375,349
	<u>5,386,823</u>	<u>5,653,571</u>
Total	5,386,823	5,653,571
Elimination	(87,888)	(67,102)
	<u>(87,888)</u>	<u>(67,102)</u>
Total	<u>5,298,935</u>	<u>5,586,469</u>