SAMKO TIMBER LIMITED

annual report 2008

CONTENTS

CORPORATE PROFILE

From our humble beginnings as a traditional solid wood processing company with just one plywood mill in Sulawesi in the late 1970s, Samko Timber has since developed into one of the world's top five tropical hardwood plywood producers today, boasting concession rights to over 930,000 hectares of Indonesian forests, including approximately 805,000 hectares of natural forest concessions and approximately 125,000 hectares of industrial forest plantations.

The Group also operates more than 1,000,000m3 of plywood, veneer, medium density fiberboard (MDF) and secondary production capacity across the islands of Java, Sumatra, Kalimantan and Sulawesi.

Samko Timber places great emphasis on utilizing sustainable plantation wood resources, optimizing supply chain systems and developing its research and development (R&D), management, marketing, and distribution capabilities to achieve a strong competitive edge. Leveraging the Group's strong business model that is both efficient and scalable, it offers a wide range of primary and secondary processed timber products that comply with international market requirements, for export to a geographically diversified customer base in Asia, Japan, Europe, Middle East and the United States.

About 34% of Samko Timber's natural forest concession is Forest Stewardship Council (FSC) management certified, making it one of only eight natural forest concession holders in Indonesia to have obtained FSC certification. Today, we have also attained ISO 14001, ISO 9001 and Japan Agriculture Standard (JAS) certifications for our various plants and we abide by other international and local environmental protection standards.

Listed on the Singapore Exchange in February 2008, Samko Timber is backed by a solid 30-year track record, a highly experienced management team, strong technical know-how, and state-of-the-art facilities.

CHAIRMAN'S STATEMENT

"The Group believes that, as a leading timber processing company in Indonesia, Samko will be in a better position to withstand the current economic challenges and ride out the crisis."

- Koh Boon Hong (Chairman)

Dear Shareholder,

2008 was a year of trials and tribulations for the global economy, following the financial meltdown which started in the US. The adverse economic impact is felt in almost all industries which are linked closely to the leading economies such as US, Europe and Japan and the timber industry has not been spared either.

Notwithstanding this, Samko Timber has made steady progress in the year, towards its long-term objectives in areas such as business development and operations. The Group's top line has increased after the consolidation of its subsidiary PT Sumalindo Lestari Jaya, Tbk ("Sumalindo") in August 2007. This consolidation exercise has increased the scale of the Group's business.

FINANCIAL REVIEW

For the year ended 31 December 2008 ("FY2008"), the Group achieved a 39% increase in revenue, posting Rp3,210 billion compared to Rp2,315 billion in FY2007. This increase reflects the consolidation of Sumalindo's full year revenue, and is also driven by improvements in our domestic and export sales volumes and prices.

Gross profit, on the other hand, decreased 37% to Rp294 billion in FY2008 from Rp463 billion previously. Gross profit margins had also declined to 9% in FY2008 from 20% in FY2007 as a result of increases in cost of sales especially in the second half of the year, whereas average selling price increased marginally. These minimal increases are unfortunately, insufficient to offset the cost increases arising from the surge in fuel cost.

Foreign exchange losses increased from Rp45 billion in FY2007 to Rp325 billion in FY2008 mainly due to translation losses in the balance sheet as the Indonesian Rupiah depreciated against US Dollar.

For the year under review, the Group recorded a net loss of Rp995 billion compared to a net profit of Rp55 billion in FY2007.

Losses per share for FY2008 stood at Rp999 as compared to earnings per share of Rp75 in FY2007. Net asset value per share also declined, reaching Rp1,467 as at the end of FY2008 relative to Rp2,202 as at the end of FY2007.

As at 31 December 2008, the Group's total assets stood at Rp 4,826 billion.

In line with the improvements in business activities, bank borrowings and loans have also increased in our public listed subsidiary, Sumalindo. We have used a portion of the IPO proceeds to reduce the borrowings of our other subsidiaries, so as to consolidate our financial position and to use the loans for subsidiaries that will see growth potential in the future.

THE IMPACT OF THE ECONOMY

The global economic slowdown during the second half of the year had impacted negatively on the Group's operating environment. Due to the slow demand for timber products, especially for export market, competition has intensified with margins being squeezed as a result. Many smaller-scale competitors have been affected and exited the market.

Credit tightness was also an issue in the industry and had affected the Group's performance to a certain extent. During the year, the Board of Directors had been closely monitoring the impact on our business conditions, and assessing the risks in all operational and financial aspects.

LOOKING AHEAD

The management believes that the market outlook for the coming year remains bleak. Customers' purchasing power and liquidity are affected as a result of the economic downturn, and this may result in a delay for some development projects. Hence, this would affect the demand for our products.

As demand for timber products is expected to further weaken, the Group foresees that in terms of competitors,only industry players that have economies of scale and low debt would survive. However these companies would only be a small handful and as such, market competition may soften to the Group's advantage. A wave of industry consolidation may be expected in the next few years.

The Group also anticipates that due to the challenging operating market, selling prices of timber products may be further pressurized, while material costs remain high. Therefore, the Group believes that margins for the year ahead are likely to stay under pressure.

While movements in the foreign exchange rates may affect the Group's financial performance, the Group is periodically reviewing the impact of these movements and will take appropriate measures to mitigate these exchange rate risks.

Credit tightness in Indonesia may affect the Group's funding for working capital. As such the management is looking to improve the Group's liquidity and to build on the balance sheet at the same time. If the need arises, the Group will explore various fund raising options, including divesting the assets of our subsidiaries with the aim of strengthening the Group's balance sheet and loan rescheduling. The Group's current focus is to manage its costs and cash flow, and to sustain current working capital facilities. The management has put in place measures to control costs as well as to maintain the required working capital necessary to keep operations going and meet all financial obligations.

Despite the unfavorable market conditions, we believe that, with our competitive strengths - economies of scale and quality focus - we are more advantageously positioned than most industry players to ride out this economic storm. Our positioning in the industry is unique and unparalleled, especially for the domestic market where our large market share and strengths in logistics give us an edge over other peers.

With our production plants strategically located in Java, we have the advantage of greater and easier access to the domestic market, compared to other competitors whose production plants are located outside Java. We believe in protecting and gradually growing our market share even during non-boom times so as to seize growth opportunities in the long run. The Group may also expand into upstream and downstream segments of the value chain to enhance margins.

The Group believes that, as a leading timber processing company in Indonesia, Samko will be in a better position to withstand the current economic challenges and ride out the crisis. More importantly, we are determined to achieve continual improvement and sustain our market leadership. We will continue to fulfill our mission to meet or exceed the expectations of customers by providing them with timber products and services of superior quality.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank my fellow Board of Directors for their guidance in helping to steer the Group through these uncertain times.

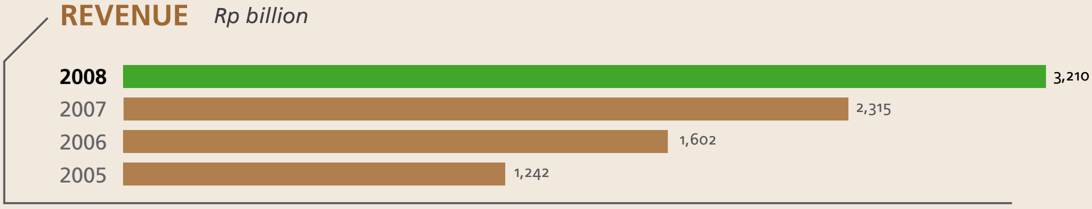
I would also like to express my heartfelt appreciation to all our customers, suppliers and business associates for their support in the past year. Thanks are due to all my staffs for their commitment and contributions to the Group.

Last but not least, I would like to thank our shareholders for your faith in us. Your support continues to drive us forward, and we will strive to grow Samko Timber to greater heights.

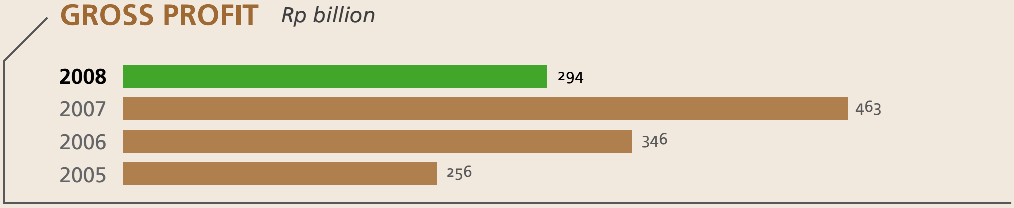
Thank you.

KOH BOON HONG
Chairman

REVENUE *Rp billion*

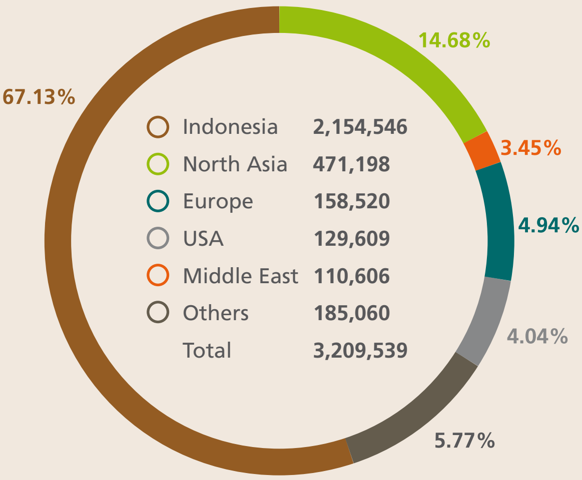


GROSS PROFIT *Rp billion*

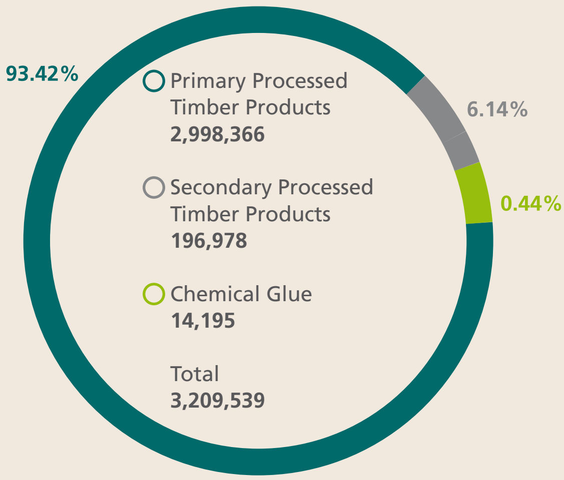


(LOSS)/PROFIT AFTER TAX *Rp billion*

REVENUE BY GEOGRAPHY (2008)



REVENUE BY PRODUCT SEGMENT (2008)



For over 30 years, Samko Timber has strived to become one of the largest timber processing companies in Indonesia, and we have achieved this goal responsibly.

Now, we are one of the top five tropical hardwood plywood producers in the world, as we maintained a strong and sustainable source of timber supplies with our own forest concessions.

A Solid Foundation:

Over 30 Years of Excellence.

For over 30 years, Samko Timber has strived to become one of the largest timber processing companies in Indonesia, and we have achieved this goal responsibly.

Now, we are one of the top five tropical hardwood plywood producers in the world, as we maintained a strong and sustainable source of timber supplies with our own forest concessions. Harvesting in both the natural and plantation forest concessions also led us to become one of only eight natural forest concession holders with FSC certification, owning 34% share of the total FSC forest management certification in Indonesia.

We continue to work towards keeping our reputation in the industry. Our products are distributed in Asia, Japan, Europe, Middle East and the United States.

PERFORMANCE BY BUSINESS SEGMENT

In FY2008, sales from primary processed timber products increased by more than 44%, from Rp 2,070 billion in FY2007 to Rp 2,998 billion, due to the consolidation of Sumalindo's accounts, sales volume growth and the strengthening of the US Dollar against the Indonesian Rupiah.

On the other hand, sales from secondary processed timber products fell by 17.5% as a result of a decline in outputs from subsidiary PT Putra Sumber Utama Timber ("PSUT") which had faced a log supply delivery problem.

Chemical glue chalked up sales of Rp 14 billion in FY2008, up 119 % from Rp 6 billion in FY2007. This increase is due to increases in selling price and sales volume.

"Capturing a greater market share..."

PERFORMANCE BY GEOGRAPHICAL MARKET

In FY2008, domestic sales, which contributed 67% of the Group's revenue, registered Rp 2,155 billion compared to Rp1,543 billion in FY2007. The increase in our domestic sales revenues in 2008 was due to the 44% increase in sales volume, which was offset by a slight decrease in our average selling price. Export sales revenue in FY2008 increased by 37% to Rp1,055 billion compared to Rp772 billion in 2007, owing to the increase in sales volume and in our average selling price which was due mainly to the appreciation of the US Dollar against the Indonesian Rupiah.

GROWING MARKET SHARE

During the year, Samko focused on efforts to grow its market share in Indonesia and to capitalize on growth opportunities in Asia. Our operational objectives of capturing a greater market share in Indonesia were met, as the Group saw its market share increase in FY2008. Particularly, sales in the domestic market had increased, especially in the high value secondary process market segment in Java and in new market such as Medan. In Medan especially, our products have been seen to substitute imported products from China.

Total sales volume for the year reached 877,000 cubic meters, representing an improvement of 36% from 642,000 cubic meters in FY2007.

PRODUCTION CAPACITY UTILIZATION

Specifically, the Group invested in new machineries in the year to expand on its production capacity. However, as the operating environment turned gloomy especially with the economic downturn in the second half of the year, the management believes that it will have to wait until conditions improve before the Group can further reinforce its efforts to expand and strengthen domestic business.

The conversion of PSUT's facilities into a more efficient, smaller satellite-based production plant to enhance production capabilities is currently in its gestation period. In addition, the log supply in Jambi, South Sumatra had faced some difficulties. Hence, the management believes that the conversion of the facilities will take some time before PSUT can make any material contributions.

TARGETING LONG-TERM GROWTH

In June 2008, the Group successfully completed the acquisition of 100% stake in PT Essam Timber through subsidiaries Sumalindo and PT Kalimantan Powerindo. The consideration was Rp 25 billion and was funded internally. After the acquisition, the Group now owns over 930,000 hectares of Indonesian forests, including approximately 805,000 hectares of natural forest concessions and approximately 125,000 hectares of industrial forest plantations to support its business operations. These efforts are aligned with the Group's long term objectives and should help the Group capture a greater market share when market conditions improve in the future.

CAPITALIZING ON ASIA'S GROWTH OPPORTUNITIES

To build on the Group's geographical presence, Samko has also established a representative office in Malaysia. With our presence in Malaysia, we hope to have greater and easier access to relevant information and resources related to local companies which we may have business opportunities with. More importantly, we hope to project a right public image of the Group, while upholding and building good relations with our overseas customers.

BOARD OF DIRECTORS

MR KOH BOON HONG
Chairman

Mr Koh Boon Hong founded the Group in 1978 and has served on the Board of Samko Timber Ltd since August 2007. He was appointed to the Board of Sunarko Holding Pte Ltd in 1980 and continues to hold office today. Since 1981, he has also served as a director of Hasan Holding Pte Ltd and Noah Shipping Pte Ltd. Over the past 34 years, Mr Koh has also held directorships in various companies in the property industry, including Sing Holdings Limited, Sing Developments (China) Pte Ltd., Sing-Mas Investments Pte Ltd., and Sing Realty (Singapore) Pte Ltd.

MR MICHAEL JOSEPH SAMPOERNA
Non-Executive Director

Mr Michael Joseph Sampoerna has served on the Board since August 2007. He possesses extensive Board and management experience, having previously served on the Boards of various local and overseas companies, including as President Director of PT. H.M Sampoerna Tbk. Currently, Mr Sampoerna is a director of eleven other companies in Singapore and is the President Commissioner of PT. Sumber Graha Sejahtera (PT. SGS) and PT. Sampoerna Agro Tbk.

MR ARIS SUNARKO @ KO TJI KIM
Chief Executive Officer

Mr Aris Sunarko @ Ko Tji Kim has served on the Board since December 2005. He holds a B.Sc. degree from the University of Southern California and spent 13 years as a manager of production facilities in PT Panca Usaha Palopo Plywood. Mr Sunarko was responsible for the Group's initial venture into the production of laminated veneer lumber in 1989, which culminated after in the acquisition of PSUT in 1993. Mr. Sunarko possesses about 28 years of experience in the timber industry and is currently the President Commissioner of PT. Haskojaya Abadi, PT. Putra Sumber Kimindo and PT. Pelayaran Nelly Dwi Puteri, and President Director of PT. SGS and PT. Panca Usaha Palopo Plywood.

MR EKA DHARMAJANTO KASIH
Non Executive Director

Mr Eka Dharmajanto Kasih has served on the Board since April 2006. He is also a director and commissioner of various companies including commissioner of PT SGS, independent director of PT H.M. Sampoerna Tbk and President Director of PT. Sampoerna Agro Tbk. Prior to Samko Timber, he was a commissioner and a director of PT. H.M. Sampoerna Tbk, and also a director of Sampoerna International Finance Company, BV and Sampoerna International Pte Ltd. Mr Kasih holds a Bachelor's degree in economics from the University of Indonesia and has been an adjunct lecturer at the University of Indonesia (Faculty of Economics) since then.

MR NG CHER YAN
Independent Director

Mr Ng Cher Yan was appointed to the Board on December 14, 2007. He started his career with Pricewaterhouse Singapore and is currently practicing as a Certified Accountant in C Y Ng & Co., which he established in 1990. Mr Ng holds directorships in several companies listed on the SGX-ST, and is also Chairman of the Citizens' Consultative Committee of the Braddell Heights Constituency in Singapore. Mr Ng holds a Bachelor of Accountancy from the National University of Singapore, and is a member of the Institute of Certified Public Accountants in Singapore, and Institute of Chartered Accountants in Australia.

MR SIM IDRUS MUNANDAR
Independent Director

Mr Sim Idrus Munandar was appointed to the Board in December 14, 2007. He is also a commissioner of PT Sumber Sawit Sejahtera and PT Catur Manunggal Hidup Sejahtera. Prior to 2005, he was a President Director of PT Bina Danatama Finance Tbk, a public- listed company in Indonesia engaged in the financing business. Mr Sim holds a Bachelor's degree in economics from the University of Indonesia, and has been a lecturer in the Sekolah Tinggi Ekonomi (STIE) Jayakarta since 1981.

MR LAURENCE JOHN WEE EWE LAY
Independent Director

Mr Laurence John Wee Ewe Lay was appointed to the Board on December 14, 2007. He holds a Bachelor of Law (Honours) from the University of Buckingham, and was admitted as an advocate and solicitor of the Supreme Court of the Republic of Singapore in December 1983 and has been in legal practice for more than 25 years. He is currently the Managing Partner of Wee Ramayah & Partners where he has served since 1984. Mr Wee currently also holds directorship appointments in several other Singapore companies, including AL Assets Pte Ltd, Cecilanda Private Limited, Royal Assets Pte Ltd and Royal Brothers Global Investments Pte Ltd.

MR AMIR SUNARKO @ KOH TJI KIONG
Executive Director

Amir Sunarko @ Koh Tji Kiong, Head of Kalimantan Operations, was appointed to the Board in April 2006. He holds a B.Sc. degree from the University of Southern California, and was Director of PSUT from 1993 until his election as a member of its Board of Commissioners in 2005. He is currently the President Director of PT. Sumalindo Lestari Jaya Tbk (Sumalindo), where he served since 2002. Mr Sunarko possesses approximately 23 years of experience serving as a commissioner or director of various companies in the timber industry, including PT. SGS, PT Nelly Jaya Pratama, PT Haskojaya Abadi, PT Putra Sumber Kimindo, and PT. Pelayaran Nelly Dwi Putri.

MR ALI GUNAWAN BUDIMAN
Executive Director

Mr Ali Gunawan Budiman, Head of Business Development, was appointed to the Board in April 2006. Currently, he is a director of PT SGS and various companies in the agribusiness industry in Indonesia such as PT Sungai Rangit, PT Bina Sawit Makmur and PT Mutiara Bunda Jaya. Mr. Budiman has extensive experience in business development area and has gained valuable working experience such as working as a project manager at the Boston Consulting Group. Mr Budiman holds a Bachelor's degree in Chemical Engineering from Institut Teknologi Bandung, and a Master in Finance degree from the London Business School.

SENIOR MANAGEMENT

MR UNTORO ANGKAWIJAYA
Chief Financial Officer (CFO)

Mr Untoro Angkawijaya joined the Group in 1994. He possesses some 20 years of experience in financial management. Prior to joining the Group, Mr Angkawijaya was Financial Controller of the Sinar Mas Group and Citibank N.A., Jakarta. He holds a Bachelor of Engineering degree in Electrical Engineering and a Masters of Business Administration (Finance) from the University of New South Wales, Australia.

MR HARRY HANDOJO
Head of Java Operations

Mr Harry Handojo joined Samko Timber Limited in 1997. He had previously served at PT Putra Sumber Utama Timber (PSUT), where he was initially appointed as Project Manager and responsible for the implementation and development of new business plans. In 1999, Mr Handojo was promoted to General Manager of PSUT. He holds a Bachelor of Engineering degree from the Institute of Technology, Surabaya, Indonesia.

MR LUCKY PHUA
Head of Marketing, Research and Development

Mr Lucky Phua joined the Group in 2003. Prior to this, he was with Delphi Automotive Systems Singapore Pte Ltd for 14 years, where his last held position was Senior Manager. Mr Phua started his career with Philips (S) Pte Ltd in 1983 and left as a senior development engineer in 1989. Today, he is a director of PT SGS, Kim Hong Seng Regional Pte Ltd and Bioforest Private Limited. Mr Phua's experience in the timber industry comes mainly from his work at PT SGS, where he was responsible for overseeing the business and product development operations and commercial activities. Mr Phua holds a Bachelor of Engineering (Mechanical) degree and a Master of Science in Industrial Engineering from the National University of Singapore. He also holds a Master of Science in Computer Integration Manufacturing from the Nanyang Technological University of Singapore.

MR WIHARTONO
Group Financial Controller

Mr Wihartono joined the Group in 1995 as Financial Controller of PT Putra Sumber Utama Timber (PSUT), and was responsible for overseeing day-to-day financial and accounting matters. Between 1987 and 1995, Mr Wihartono was Group Head of Johan Malonda & Rekan, a public accounting firm. He holds a Bachelor degree in Economy (Major in Accounting), from the Tarumanagara University, Jakarta, Indonesia.

MR THE VICTOR DIPUTRA
Head of Sulawesi Operations

Mr The Victor Diputra joined the Group in 1986 and possesses some 25 years of working experience in the timber industry. Prior to joining the Group, he spent two years with PT Harapan Kita Utama Pontianak and before that, he worked with PT Aji Ubaya Banjarmasin from 1983 to 1985.

MR YUSRAN MUSTARY
Head of Sumatra Operations

Mr Yusran Mustary joined the Group in 1997, and possesses some 20 years of experience in the timber industry. Mr Mustary started his career at PT Wijaya Triutama Plywood Industry in 1988 and left as Manager in 1994. Before joining the Group, he was General Manager of PT Basirih Industrial Corporation from 1994 to 1997. Mr. Mustary holds a Diploma-3 in Civil Technical Engineering from the Hasanudin University, Ujung Pandang, Indonesia.

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Samko Timber Limited (the "Company") strives to observe the standards of corporate conduct in line with the spirit of the Code of Corporate Governance 2005 (the "Code") so as to safeguard shareholders' interests and enhance the financial performance of the Group.

To discharge its governance function, the Board of Directors (the "Board") and its Committees have laid down policies, procedures and practices to govern their activities.

I. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS
Principle 1: Effective Board to lead and control the Company

The Board oversees the business affairs of the Group and is responsible for setting the strategic direction of the Group establishing goals for Management. In addition, the Board works with Management to achieve these goals set for the Group. To ensure smooth operations, facilitate decision-making and ensure proper controls, the Board has delegated some of its powers to its Committees and the Management. The Board Committees and Management remain accountable to the Board.

Apart from the statutory responsibilities, the Board is responsible for the overall management of the Group and to review and monitor the Group's operations.

The Board is supported by three Board Committees, namely, the Audit Committee ("AC"), the Nomination Committee ("NC") and the Remuneration Committee ("RC"). Each Committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

BOARD COMPOSITION AND BALANCE
Principle 2: Strong and independent element on the Board

The Board consists of the following nine members, three of whom are executive Directors, six are non-executive Directors, including three independent Directors:-

Non Executive Chairman:

Koh Boon Hong

Executive Directors:

Aris Sunarko @ Ko Tji Kim	Chief Executive Officer
Koh Tji Kiong @ Amir Sunarko	
Ali Gunawan Budiman	

Non Executive Directors:

Michael Joseph Sampoerna
Eka Dharmajanto Kasih

Independent Directors:

Ng Cher Yan	Lead Independent Director
Sim Idrus Munandar	
Wee Ewe Lay Laurence John	

The Directors of the Company come from different backgrounds and possess core competencies, qualifications and skills. They bring with them a wealth of experience that enhances the overall quality of the Board. The profiles and key information of all the Directors are on pages 10 and 11 of the Annual Report.

The NC is of the view that the current Board size and composition is adequate taking into account the scope, nature and size of operations of the Group.

The NC conducted its annual review of the Directors' independence and was satisfied that the Company has complied with the guidelines of the Code. In its deliberation as to the independence of a Director, the NC took into account whether a director has business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgement.

In addition, the Company benefited from Management's ready access to its Directors for guidance and exchange of views both within and outside of the formal environment of Board and Board Committees meetings.

The Board meets at least once every quarter, with optional meetings scheduled if there are matters requiring the Board's decision at the relevant times.

In the course of the year under review, the number of meetings held and the attendance by each member of the Board and Committees are as follows:-

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
Name of Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Koh Boon Hong	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Aris Sunarko @ Ko Tji Kim	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Koh Tji Kiong @ Amir Sunarko	4	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Ali Gunawan Budiman	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Michael Joseph Sampoerna	4	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Eka Dharmajanto Kasih	4	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Ng Cher Yan	4	4	4	4	1	1	1	1
Sim Idrus Munandar	4	4	4	4	1	1	1	1
Wee Ewe Lay Laurence John	4	3	4	4	1	1	1	1

N.A. – Not Applicable

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)
Principle 3: Clear division of responsibilities and balance of power and authority

To maintain effective supervision and ensure a balance of power and authority, different individuals assumed the Chairman and CEO roles. The division of responsibilities between the Chairman and CEO has been clearly established, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Company’s Chairman, Mr Koh Boon Hong, who is non-executive, brings with him a wealth of experience, leads the Board and bears responsibility for the working of the Board by ensuring the timely flow of information between Management and the Board, and reviewing the effectiveness of the governance process of the Board.

The CEO, Mr Aris Sunarko @ Ko Tji Kim, who is the son of the Chairman, is involved in the day-to-day running of the business and has executive responsibilities for the Group’s businesses.

BOARD MEMBERSHIP
Principle 4: Formal and transparent process for the appointment of directors to the Board

The NC consists of the following three members, all of whom are non-executive and independent:-

Sim Idrus Munandar	Chairman
Ng Cher Yan	
Wee Ewe Lay Laurence John	

The responsibilities and principal functions of the NC, as set out in its Terms of Reference, include:

(a) Reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of Directors;

(b) Reviewing and recommending to the Board the retirement or re-election of Directors in accordance with the Articles of Association of the Company at each annual general meeting;

(c) Recommending to the Board the re-appointment of any Director, who is over 70 years of age, at each annual general meeting;

(d) Reviewing the composition of the Board annually to ensure that the Board has an appropriate balance of independent and non-independent Directors and ensuring an appropriate balance of expertise, skills, attributes and ability among the Directors;

(e) Determining annually the independence of Directors, in accordance with applicable codes and guidelines; and

(f) Deciding whether the Directors have been and will continue to contribute effectively and demonstrate commitment to their roles.

It reviewed the independence of the Directors, including those with multiple directorships in other companies, the Board size and competency mix and the effectiveness of the Board as a whole, and was satisfied with the outcome of the reviews.

In accordance with the Company’s Articles of Association, every Director shall retire from office once every three years and at each Annual General Meeting (“AGM”), one-third of the Directors shall retire from office by rotation, and the newly appointed Director(s) shall hold office only until the next AGM. The retiring Directors are eligible to offer themselves for re-election.

Accordingly, the NC has reviewed and recommended to the Board the nomination of Messrs Michael Joseph Sampoerna, Eka Dharmajanto Kasih and Ali Gunawan Budiman, who are due for retirement pursuant to the Company's Articles of Association for re-election at the forthcoming AGM. The three Directors, being eligible, will be offering themselves for re-election.

The NC has also proposed the recommendation of re-appointment of Mr Koh Boon Hong, who is retiring pursuant to Section 153(6) of the Companies Act, Cap 50, to hold office from the date of the forthcoming AGM until the next AGM.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board

The NC has assessed the effectiveness of the Board as a whole, as well as the contribution of each Director to the effectiveness of the Board.

The NC is guided by its Terms of Reference which set out its responsibilities for assessing the Board's effectiveness as a whole and its ability to discharge its responsibilities in providing stewardship, corporate governance and monitoring Management's performance with the objective of enhancing long term value for shareholders.

The NC reviewed the Directors' mix of skills and experiences that the Board requires to function competently and efficiently in achieving the Group's strategic objectives and was satisfied that the Board has a good mix of skills and expertise.

The evaluation of the Board will be carried out on an annual basis. Each Director assesses the Board's performance as a whole by providing feedback to the NC. The NC, when reviewing the Board's performance, will take note of the feedback received from the Directors and act on their comments accordingly.

A procedure to evaluate the contribution of each individual director to the effectiveness of the Board had been established. In assessing the contributions of each Director, the NC will take note of the individual Director's attendance at meetings of the Board, Board Committees and General Meetings, the individual Director's functional expertise and his commitment of time to the Company. The NC will also evaluate the competing time commitments faced by Directors serving on multiple boards during the year and is satisfied that the Directors have spent adequate time on the Company's affairs to fulfill their responsibilities.

The NC will decide how the Board's performance is to be evaluated and develop objective performance criteria, which address how the Board has enhanced long-term shareholders' value. The NC will also implement a process for assessing the effectiveness of the Board as a whole and assessing the contribution of each individual Director to the effectiveness of the Board. The NC Chairman will act on the results of the performance evaluation of the Board, and selections of members of the Board of Directors, in consultation with the NC. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

ACCESS TO INFORMATION

Principle 6 Board members should be provided with complete, adequate and timely information

In order to enable the Board to function effectively and to fulfil its responsibilities, Management recognises its obligation to supply the Board and the three Board Committees with complete, adequate information in a timely manner. A system of communication between Management and the Board has been established and will improve over time.

Each Director has been provided with the up-to-date contact particulars of the Company's senior management staff and the Company Secretary to facilitate access to any required information. The Company Secretary attends all Board and Board Committee Meetings and is responsible in ensuring that board procedures are adhered to.

In furtherance of their duties, the Directors, individually or as a group, may seek independent professional advice on matters relating to the businesses of the Group, at the Company's expense.

II. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 7: Formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors

The RC comprises of three Independent Non-Executive Directors, Messrs Wee Ewe Lay Laurence John (Chairman), Sim Idrus Munandar and Ng Cher Yan.

The principal responsibilities of the RC, as set out in its Terms of Reference, include:-

(a) Recommending to the Board for endorsement, the remuneration policies and guidelines for setting remuneration for the Directors and key executives;

(b) Approving performance targets to assess the performance of Executive Directors; and

(c) Recommending specific remuneration packages for each Executive Director for endorsement by the Board.

The RC had reviewed and recommended to the Board:-

(a) a framework of remuneration and the specific remuneration packages and terms of employment for each executive director and senior management; and

(b) the payment of Directors' Fees for the financial year ending 31 December 2009.

No member of the RC was involved in deciding his own remuneration.

The Group had entered into separate service contracts with the CEO and the other two Executive Directors for an initial fixed period of three years commencing from 19 December 2007 (the "Initial Period") and will be renewed automatically for successive periods of three years from the next day after the expiry of the Initial Period. However these service contracts, which can be terminated by either party giving six months' notice, will be reviewed by the RC and recommended for approval by the Board to be extended for a further period of three years after the expiry of the Initial Period. None of the non-Executive Directors is on service contract with the Company.

LEVEL AND MIX OF REMUNERATION
Principle 8: Level of remuneration of directors to be appropriate and not excessive

The Company's remuneration packages for Executive Directors comprised both fixed and variable components. The variable component is an annual salary supplement equivalent to one month of their respective total basic salary during each Muslim Hari Raya month.

Directors' fees are set in accordance with a remuneration framework based on the level of responsibility and scope of work. The Executive Directors do not receive Directors' fees, whilst the Non-Executive Directors are paid Directors' fees, subject to the shareholders' approval at the AGM. The Board has endorsed the remuneration framework.

DISCLOSURE ON REMUNERATION

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

The Company has not included an annual remuneration report in this Annual Report as the matters required to be disclosed therein have been disclosed in summary below and the notes to the financial statements under Directors' remuneration as set out on page 91 of the Annual Report.

The remuneration of each individual Director and key executive officers of the Group is however not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the highly competitive environment it is operating in. The RC will review the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

A summary of each non-Executive and Executive Director's remuneration paid or payable for FY2008 is shown below.

Name of Directors	Total remuneration in compensation bands of $250,000
Koh Boon Hong	<$250,000
Aris Sunarko @ Ko Tji Kim	$500,000 to <$750,000
Koh Tji Kiong @ Amir Sunarko	$500,000 to <$750,000
Ali Gunawan Budiman	$250,000 to <$500,000
Michael Joseph Sampoerna	<$250,000
Eka Dharmajanto Kasih	<$250,000
Ng Cher Yan	<$250,000
Sim Idrus Munandar	<$250,000
Wee Ewe Lay Laurence John	<$250,000

Remuneration of Key Executive Officers (other than the Company's Executive Directors)

The Company advocates a performance-based remuneration system taking into account the performance of individuals and the Company's performance.

The table below shows the ranges of gross remuneration received by the Group's key Executive Officers (excluding Executive Directors) in the Company and in the Group's subsidiaries, but does not include any associated companies.

Name of Key Executive Officers	Position	Total Remuneration in Compensation Bands of S$250,000
Untoro Angkawijaya	Chief Financial Officer	$250,000 to <$500,000
Harry Handojo	Head of Java Operations	<$250,000
Lucky Phua	Head of Marketing, Research & Development	$250,000 to <$500,000
Wihartono	Group Financial Controller	<$250,000
The Victor Diputra	Head of Sulawesi Operations	<$250,000
Yusran Mustary	Head of Sumatra Operations	<$250,000

No remuneration or compensation was paid or is to be paid in the form of share options, since the Company does not currently have any plans to implement share option or share incentive plans. However this does rule out the possibility of the Company doing so in the future.

Except for Mr Lucky Phua, who is the son-in-law of the Chairman and the brother-in-law of the CEO and the Executive Director, Koh Tji Kiong @ Amir Sunarko, there is no Group employee related to a Director or the CEO whose remuneration exceeded $150,000 for the financial year ended 31 December 2008.

III. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
Principle 10: Presentation of a balanced and understandable assessment of the company's performance, position and prospects

The Board recognises that it is accountable to shareholders for the performance of the Group. In discharging this responsibility, the Board will ensure the timely release of the Group's financial results and that the results provide a balanced and understandable assessment of the Group's performance, position and prospects.

To assist the Board to discharge its responsibility, the Company will establish a system whereby business and finance heads of individual subsidiaries and business units to provide written representations, to Management who would in turn furnish an overall representation to the AC and the Board confirming, inter alia, the integrity of the Group's financial statements.

Management will keep the Board regularly updated on the Group's business activities and financial performance by providing operations reports on a regular basis. Such reports will include information on:-

- the Group's actual performance against the approved budget and where appropriate, against forecast; and

- key business indicators and major issues that are relevant to the Group's performance.

AUDIT COMMITTEE
Principle 11: Establishment of Audit Committee with written terms of reference

The Audit Committee ("AC") comprises of three Independent Directors, Messrs Ng Cher Yan, Sim Idrus Munandar and Wee Ewe Lay Laurence John. The Chairman of the AC is Mr Ng Cher Yan.

The AC has adopted the written Terms of Reference, which has been approved by the Board. The principal functions of the AC include:-

(a) Reviewing the financial reporting process including but not to the audit plans of the external auditors and, where applicable, the internal auditors, including the results of the auditors' review and evaluation of the Group's system of internal accounting, operational and compliance controls and risk management policies and systems and ensuring co-ordination between the internal and external auditors and management at least annually. The Committee shall ensure that a review of the effectiveness of the Group's internal controls is conducted at least annually;

(b) Reviewing the Company's financial results announcements before submission to the Board for approval prior to release to the SGX-ST;

(c) Reviewing the combined financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with FRS, concerns and issues arising from their audits including any matters which the external auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval;

(d) Reviewing and discussing with the external auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the operating results and/or financial position and the management's response;

(e) Reviewing the co-operation of Management with the auditors;

(f) Reviewing the non-audit services provided by the external auditors as part of the AC's assessment of the external auditors' independence;

(g) Considering the appointment, re-appointment and removal, approving the remuneration and engagement of the external auditors and reviewing the independence and objectivity of the external auditors annually;

(h) Reviewing any transactions falling within the scope of Chapters 9 and 10 of the SGX-ST's Listing Manual ("Chapter 9" and "Chapter 10," respectively);

(i) Reviewing all hedging policies of, and instruments used for hedging by, the Group;

(j) Undertaking other reviews and projects as may be requested by the Board of Directors and reporting to the Board of Directors its findings from time to time on matters arising and requiring the attention of the AC;

(k) Reviewing potential conflicts of interest, if any;

(l) Ensured that arrangements are in place for employees to raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters; and

(m) Undertaking such other functions and duties as may be required by applicable law or the Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the AC will:-

(i) commission and review the findings of internal investigations into the matters or matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and

(ii) ensure that the appropriate follow-up actions are taken.

Having reviewed the non-audit services provided by the external auditors, the AC is of the view that the non-audit services provided by the external auditors in 2008 did not prejudice their objectivity and independence. Accordingly, the AC has recommended the re-appointment of Messrs Ernst &Young LLP as external auditors for the ensuing year.

As the Lead Independent Director, the AC Chairman's scope of work also include leading the AC in its' role in respect of Interested Person Transactions undertaken by the Group and being available to shareholders where they have concerns which have been raised through the normal channels of the Chairman or Chief Financial Office but have not been resolved or for which such contact is inappropriate.

INTERNAL CONTROLS

Principle 12: Sound system of internal controls

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the shareholders' investments and the Company's assets. The AC has been assigned to oversee and ensure that such system has been appropriately implemented and monitored.

The Company's has appointed an external professional firm in the review of the effectiveness of the Group's internal controls, including the adequacy of the Group's internal financial controls, operational and compliance controls. Audit findings, recommendations and actions taken by Management on the recommendations were reported to the AC.

The AC and the Board are of the opinion that, in the absence of any evidence to the contrary, the Group's internal controls provide adequate assurance against material financial misstatements or losses and will continue to monitor and improve the effectiveness of the Group's internal controls.

INTERNAL AUDIT
Principle 13: Independent internal audit function

An internal audit function that is independent of the activities it audits will be established and the Internal Auditor's ("IA") primary line of reporting is to the AC Chairman.

The Company has an internal audit team and the AC will continue on an annual basis:-

- to review the adequacy of the Group's internal controls;
- to review the adequacy of the internal audit function, its activities and organizational structure to ensure that no unjustified restrictions or limitations are imposed;
- to review and approve the annual IA plan to ensure that there is sufficient coverage of the Group' activities; and
- to oversee the implementation of the internal audit plan and ensure that Management provides the necessary co-operation to enable the IA to perform its' function. All improvements to controls recommended by the IA and accepted by the AC will be monitored for implementation.

IV. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders
Principle 15: Shareholders' participation at general meetings

In line with the continuous disclosure obligations of the Company, under the SGX-ST Listing Rules and the Singapore Companies Act, Cap. 50, the Board has established a policy to inform shareholders promptly of all major developments that may impact materially on the Company.

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding the commercial interests of the Company. The Company does not practice selective disclosure.

The Group's results and other material information are released through the SGXNET on a timely basis for dissemination to shareholders and the public in accordance with the requirements of SGX-ST. A copy of the Annual Report and the Notice of the AGM are sent to every shareholder of the Company. The Notice of the AGM is also published in a major local newspaper and announced via SGXNet.

In addition, shareholders' participation is encouraged at the AGM to ensure a high level of accountability and to be informed of the Group's strategy and goals. The AGM is the principal forum for dialogue with shareholders. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Board including the Chairmen of the Audit, Remuneration and Nomination Committees, as well as the key management of the Company are present and available to address questions of the shareholders with the assistance of the external auditors, when necessary.

DEALINGS IN SECURITIES

The Company has issued an internal code on dealings in the Company's securities to the Directors and Executives (including employees with access to price-sensitive information to the Company's shares) of the Group based on the recommendations of the Best Practices Guide issued by the SGX-ST.

The Directors and Executives covered by this code are prohibited from dealing in the Company's securities two weeks before the announcement of the Company's financial statements for the first, second and third quarters of its financial year and one month before the announcement of the Company's financial statements for its full financial year, and ending after the announcement of the relevant results. Notification of the 'closed window' periods will be sent to the persons involved.

The Directors are also required to notify the Company of any dealings in the Company's securities within two (2) days of the transaction and to submit an annual confirmation on their compliance with the internal code.

Based on the processes in place, the Board is of the opinion that the Company has complied with the Best Practices Guide by the SGX-ST.

MATERIAL CONTRACTS

Save as disclosed above and the interested persons transactions, the details of which can be found in the Financial Statements, there were no other material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, each director or controlling shareholder subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

USE OF IPO PROCEEDS

	Intended use as per Prospectus dated 18 February 2008 (US$'million)	Actual Use (US$'million)	Unutilised Balance (US$'million)
Loan Repayment	19.6	19.6	–
Additional Loan Repayment *	–	4.4	–
Business Expansion	43	34.9	–
General Purpose	19.1	19.1	–
Additional Working Capital *	–	3.7	–
Total:	81.7	81.7	–

* - as per the announcement released on 14 November 2008

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Samko Timber Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2008.

1. Directors

The directors of the Company in office at the date of this report are:

Koh Boon Hong - Chairman
Aris Sunarko @ Ko Tji Kim – Chief Executive Officer
Koh Tji Kiong @ Amir Sunarko
Ali Gunawan Budiman
Eka Dharmajanto Kasih
Michael Joseph Sampoerna
Ng Cher Yan
Sim Idrus Munandar
Wee Ewe Lay Laurence John

2. Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3. Directors' Interests in Shares and Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct Interest		Deemed Interest	
Name of director	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Aris Sunarko @ Ko Tji Kim	-	8,000,000	365,017,692	367,174,692
Koh Tji Kiong @ Amir Sunarko	-	-	365,017,692	367,174,692

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

4. Directors' Interests in Shares and Debentures (cont'd)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Directors' Contractual Benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

6. Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- reviewing the financial reporting process including but not limited to the audit plans of our external auditors and, where applicable, our internal auditors, including the results of our internal auditors' review and evaluation of our system of internal accounting, operational and compliance controls and risk management policies and systems and ensuring co-ordination between the internal and external auditors and management at least annually. The Audit Committee shall ensure that a review of the effectiveness of our Group's internal controls is conducted at least annually;

- reviewing the combined financial statements and our external auditors' report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with FRS, concerns and issues arising from their audits including any matters which our external auditors may wish to discuss in the absence of our management, where necessary, before submission to our Board of Directors for approval;

- reviewing and discussing with our external auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our operating results and/or financial position and our management's response;

- reviewing the co-operation of our management with our auditors;

- considering the appointment, re-appointment and removal, approving the remuneration and engagement of our external auditors and reviewing the independence and objectivity of our external auditors annually;

- reviewing any transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual ("Chapter 9" and "Chapter 10," respectively);

- reviewing and approving our Group's audit fees;

- reviewing all hedging policies of, and instruments used for hedging by, our Group;

- undertaking other reviews and projects as may be requested by our Board of Directors and reporting to our Board of Directors its findings from time to time on matters arising and requiring the attention of our Audit Committee;

6. Audit Committee (cont'd)

- where the auditors supply a substantial volume of non-audit services to our Group, keeping the nature and extent of such services under review;
- reviewing legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- reviewing potential conflicts of interest, if any;
- undertaking such other functions and duties as may be required by applicable law or the Listing Manual, and by such amendments made thereto from time to time;

The AC has also conducted a review of interested person transactions. The AC had convened 4 meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year; and

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the board of directors:

Aris Sunarko @ Ko Tji Kim Director	Ali Gunawan Budiman Director

31 March 2009

STATEMENT BY DIRECTORS

We, Aris Sunarko @ Ko Tji Kim and Ali Gunawan Budiman, being two of the directors of Samko Timber Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Aris Sunarko @ Ko Tji Kim Director	Ali Gunawan Budiman Director

31 March 2009

INDEPENDENT AUDITORS' REPORT

To the member of Samko Timber Limited

We have audited the accompanying financial statements of Samko Timber Limited, (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 30 to 106, which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company and the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Note 2.1 to the financial statements. The Group incurred a net loss of Rp995,195 million during the financial year ended 31 December 2008 and as that date, the Group's current liabilities exceeded its current assets by Rp599,494 million. In addition, certain subsidiaries have been in technical default of bank loan payments and failed to make principal payments of certain bank loans, which make the loans callable. The banks have not exercised their rights under the credit facilities agreement to recall the credit facilities. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern depends on several factors, among others, the ability to sustain their working capital requirements, including their ability to source raw materials at sustainable prices, and the successful outcome of the on-going negotiation on the existing loans restructuring.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants

Singapore

31 March 2009

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2008

	Notes	2008 Rp'million	2007 Rp'million
Revenue	4	3,209,539	2,315,118
Cost of sales		(2,915,793)	(1,852,275)
Gross profit		293,746	462,843
Other items of income			
Finance income	5	3,603	5,950
Other income	6	55,633	35,960
Other items of expense			
Selling expenses		(171,653)	(114,193)
General and administrative expenses		(212,321)	(154,190)
Finance expense	7	(179,948)	(142,451)
Other expense	8	(815,625)	(52,767)
Share of results in associate		-	27,736
(Loss)/ profit before taxation	9	(1,026,565)	68,888
Taxation	10	31,370	(13,481)
(Loss)/ profit for the year		(995,195)	55,407
Attributable to:			
Equity holders of the parent		(864,788)	47,118
Minority interests		(130,407)	8,289
		(995,195)	55,407
Earnings per share attributable to equity holders of the parent (in Rupiah)			
Basic	11	(999)	75
Diluted	11	(999)	75

The accompanying accounting policies and explanatory notes form an integral part of the financial information.

BALANCE SHEETS

At as 31 December 2008

	Notes	Group 2008 Rp'million	Group 2007 Rp'million	Company 2008 Rp'million	Company 2007 Rp'million
Non-current assets					
Property, plant and equipment	12	2,180,785	1,877,722	1,308	534
Intangible assets	13	41,791	41,655	-	-
Goodwill	14	619,992	841,103	-	-
Investment in subsidiary companies	31	-	-	544,528	1,290,693
Biological assets	15	403,219	412,403		-
Land use rights	16	101,625	66,197	-	-
Deferred tax assets	17	177,068	181,548	-	-
Other non-current assets	18	83,090	52,171	196	-
		3,607,570	3,472,799	546,032	1,291,227
Current assets					
Inventories	19	540,233	582,605	-	-
Trade and other receivables	20	168,093	158,566	790,115	256,798
Prepaid operating expenses		46,874	160,814	49	16,988
Advances to suppliers		179,296	186,031	-	41
Derivative financial instruments	30	15,959	-	-	-
Cash and cash equivalents	21	157,186	172,867	16,181	10,278
Restricted deposits	22	110,390	-	110,390	-
		1,218,031	1,260,883	916,735	284,105
Current liabilities					
Trade and other payable	23	437,052	236,264	110,546	3,683
Other liabilities	24	292,714	226,949	666	-
Derivatives financial instruments	30	32,476	1,269	-	-
Provision for taxation		22,479	40,323	-	-
Short term bank borrowings	25	416,162	324,917	54,750	-
Long term borrowings (current portion)	26	616,642	288,807	117,051	-
		1,817,525	1,118,529	283,013	3,683
Net current (liabilities)/assets		(599,494)	142,354	633,722	280,422

BALANCE SHEETS (CONTINUED)

At as 31 December 2008

	Notes	Group 2008 Rp'million	Group 2007 Rp'million	Company 2008 Rp'million	Company 2007 Rp'million
Non-current liabilities					
Long term borrowings	26	1,062,159	1,322,874	-	310,827
Post-employment benefits	27	54,434	44,894	-	-
Deferred tax liabilities	17	91,195	132,331	-	-
Other liabilities	26a	202,860	202,860	-	-
		1,410,648	1,702,959	-	310,827
Net assets		1,597,428	1,912,194	1,179,754	1,260,822
Equity attributable to equity holders of the parent					
Share capital	28	1,943,866	1,269,167	1,943,866	1,269,167
Reserves		(626,346)	238,442	(764,112)	(8,345)
		1,317,520	1,507,609	1,179,754	1,260,822
Minority interests		279,908	404,585	-	-
		1,597,428	1,912,194	1,179,754	1,260,822

The accompanying accounting policies and explanatory notes form an integral part of the financial information.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2008

Group

	Attributable to equity holders of the Parent				Minority Interests	Total Equity
	Share Capital (Note 28)	**Restructuring reserves (Note 29)**	**Accumulated losses**	**Equity attributable to equity holders of the parent, total**		
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Balance at 1 January 2008	1,269,167	309,050	(70,608)	1,507,609	404,585	1,912,194
Additional paid-up capital of the Company	674,699	-	-	674,699	-	674,699
Change in minority interest	-	-	-	-	5,730	5,730
Loss for the year, representing total recognised income and expense for the year	-	-	(864,788)	(864,788)	(130,407)	(995,195)
Balance at 31 December 2008	1,943,866	309,050	(935,396)	1,317,520	279,908	1,597,428
Balance at 1 January 2007	475,840	168,027	(117,726)	526,141	55,298	581,439
Additional paid-up capital of the Company	793,327	-	-	793,327	-	793,327
Minority interest on acquisition of subsidiary	-	-	-	-	340,998	340,998
Adjustment arising from the restructuring exercise	-	141,023	-	141,023	-	141,023
Profit for the year, representing total recognised income and expense for the year	-	-	47,118	47,118	8,289	55,407
Balance at 31 December 2007	1,269,167	309,050	(70,608)	1,507,609	404,585	1,912,194

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2008

Company

	Attributable to equity holders of the Parent		
	Share Capital (Note 28) Rp'million	**Accumulated losses** Rp'million	**Total equity** Rp'million
Balance at 1 January 2008	1,269,167	(8,345)	1,260,822
Additional paid-up capital of the Company	674,699	-	674,699
Loss for the year, representing total recognised income and expense for the year	-	(755,767)	(755,767)
Balance at 31 December 2008	1,943,866	(764,112)	1,179,754
Balance at 1 January 2007	475,840	3,036	478,876
Additional paid-up capital of the Company	793,327	-	793,327
Loss for the year, representing total recognised income and expense for the year	-	(11,381)	(11,381)
Balance at 31 December 2007	1,269,167	(8,345)	1,260,822

The accompanying accounting policies and explanatory notes form an integral part of the financial information.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2008

	2008 Rp'million	2007 Rp'million
Cash flows from operating activities		
(Loss)/ profit before tax	(1,026,565)	68,888
Adjustments:		
Impairment of goodwill	339,457	-
Unrealised exchange losses	266,731	12,748
Depreciation of property, plant and equipment	211,627	109,817
Interest expense	179,948	142,451
Impairment of property, plant and equipment	65,166	-
Loss/ (gain) on change in fair value of biological assets	35,024	(24,825)
Retrenchment expenses	19,531	-
Post employment benefits	16,296	13,052
Amortisation of land use rights	5,823	4,379
Loss/ (gain) on dilution of interest in an associate	3,316	(9,139)
Amortisation of intangible assets	1,178	-
Amortization of deferred losses on sales and lease back	438	704
Interest income	(3,603)	(5,950)
(Gain)/ loss on disposal of property, plant and equipment	(4,665)	107
Gain on loan waiver	(50,968)	-
Loss on disposal of available for sale financial assets	-	2,000
Share of results in associate	-	(27,736)
Operating cash flow before changes in working capital	58,734	286,496
Changes in working capital		
Inventories	42,372	(91,832)
Trade and other receivables	(9,443)	(266,225)
Prepaid operating expenses	113,940	54,233
Advance to suppliers	6,735	8,078
Trade and other payable	90,398	(144,808)
Other liabilities	88,872	413,165
Other non-current assets	(64,936)	(94,201)
Cash flow provided by operations	326,672	164,906
Income tax paid	(23,130)	(35,286)
Net cash provided by operating activities	303,542	129,620

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2008

	2008 Rp'million	2007 Rp'million
Cash flows from investing activities		
Purchase of property, plant, and equipment	(496,731)	(456,656)
Additions to land use rights	(31,447)	(18,026)
Acquisition of subsidiaries, net of cash acquired (Note 31)	(29,994)	(693,018)
Additions of biological assets	(25,840)	-
Additions of intangible assets	(594)	-
Interest received	3,603	5,950
Proceeds from disposal of property, plant and equipment	15,872	91,926
Proceeds from disposal of available for sale financial assets	-	9,278
Acquisition of subsidiaries under common control	-	(7,800)
Investment in an associate	-	(46,891)
Net cash used in investing activities	(565,131)	(1,115,237)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	674,699	793,327
Cash received from warrant exercise in a subsidiary	7,555	-
Proceeds from long-term loans	401,743	450,094
Repayment of long-term loans	(726,287)	(200,808)
Proceeds of short term bank loans	89,788	193,465
Cash received from a company related to a substantial shareholder	110,390	-
Placement of deposit	(110,390)	-
Interest expense paid	(203,047)	(141,756)
Payment of bond payable	-	(100,000)
Net cash provided by financing activities	244,451	994,322
Net (decrease)/ increase in cash and cash equivalents	(17,138)	8,705
Cash and cash equivalents at beginning of year	172,867	164,162
Cash and cash equivalents at end of year	155,729	172,867

The accompanying accounting policies and explanatory notes form an integral part of the financial information.

1. General

1.1 *The Company*

Samko Timber Limited (formerly known as Samko Timber Pte Ltd) (the "Company") is a limited liability company, which is incorporated in the Republic of Singapore in December 2005 and listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 25 February 2008. The immediate and ultimate holding company is SGSS Forest Products Ltd, incorporated in Singapore.

The registered office and principal place of business of the Company is located at 7500A Beach Road #14-308/312, The Plaza, Singapore 199591.

The principal activities of the Company are investment holding and trading. The principal activities of the subsidiaries are disclosed in Note 31 to the financial statements.

1.2 *The restructuring exercise and acquisition of companies under common control*

In April 2006, the Company acquired 99.98% interest in PT Sumber Graha Sejahtera (SGS). The acquisition was taken up as acquisition of companies under common control, accounted for using pooling of interest method of accounting. The restructuring exercise also resulted in the acquisition of the following companies under common control.

(i) ***Acquisition of PT Putra Sumber Utama Timber***

PT Sumber Graha Sejahtera (SGS) acquired 99.01% interest in PT Putra Sumber Utama Timber (PSUT). Subsequently SGS increased its ownership to 99.2%.

(ii) ***Acquisition of PT Sejahtera Usaha Bersama***

PT Sumber Graha Sejahtera (SGS) acquired 99.34% interest in PT Sejahtera Usaha Bersama (SUB) by purchase of new shares of SUB.

(iii) ***Acquisition of PT Makmur Alam Lestari***

In July 2007, PT Sumber Graha Sejahtera (SGS) acquired 99% interest in PT Makmur Alam Lestari (MAL) at the purchase consideration of Rp 4,960 million. Subsequently in August 2007, SGS acquired additional 0.93% in MAL at the purchase consideration of Rp29,782 million. The acquisition is taken up as restructuring of companies under common control, accounted for under pooling of interest method of accounting.

2. Summary of significant accounting policies

2.1 Going Concern

The Group's current liabilities exceeded its current assets by Rp599,494 million and incurred a net loss of Rp995,195 million for the year ended 31 December 2008. In addition, certain subsidiaries have been in technical default of bank loan payments and failed to make principal payments of certain bank loans, which make the loans callable. Out of the current liabilities of Rp1,817,525 million, an amount of Rp671,392 million is current maturities for long-term borrowings which is currently under rescheduling with the banks. Refer to Note 39 Event occurring after balance sheet date for additional rescheduling negotiations with another bank. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern depends on several factors, among others, the successful outcome of the on-going negotiation on the existing loan restructuring and the ability to sustain their working capital requirements.

The Group's operating environment has been challenging and competitive with the slowdown in the economic growth of many countries, caused by the global financial crisis. Refer to Note 38 for the Industry conditions. In view of this situation, the Group anticipates further pressure on selling prices while material costs remain high. The tightening of liquidity in the global financial markets, in particular, in Indonesia, has affected the Group's working capital funding. The Group is aware of these risks and has taken proactive steps to control costs and maintain working capital facilities, and to reschedule various financial obligations to ease the cash flow.

In response of the above situations, the Group is currently negotiating with all its creditors (including the bankers) towards reaching an agreement on the rescheduling terms in 2009. In the event that the negotiations have been succeeded, the Group's negative working capital will be resolved. The Directors do not foresee any issues in the existing loan restructuring. The Group is aware of the increasing liquidity risk during this period whereby banks are imposing tighter credit monitoring on trade transactions given that the new terms are not yet in place. Hence the management is also looking at various fund raising options including some asset divestments of our subsidiaries to improve liquidity. The financial statements have been prepared on the assumption that the Group will continue as a going concern. This assumption is on the premise that the Group's banks will continue to provide financing by renewing loans which are due within 12 months from the balance sheet date and availability of additional funding for its working capital needs in the next 12 months.

If the supports from these parties are not forthcoming, or the Group is unable to generate sufficient cash from its operations, the Group may be unable to continue in operational existence for the foreseeable future, and adjustments would have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the balance sheets. In addition, the Company and the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

2. Summary of significant accounting policies (cont'd)

2.2 ***Basis of preparation***

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Indonesia Rupiah (Rp) and all values in the tables are rounded to the nearest million as indicated.

The accounting policies have been prepared consistently applied by the Group and the Company and are consistent with those used in previous year, except for the changes in accounting policies as explained below.

The following INT FRSs are effective for annual report beginning 1 January 2008:
- INT FRS 111 FRS 102 – *Group and Treasury Share Transactions*
- INT FRS 112 *Service Concession Arrangements*
- INT FRS 114 FRS 19 – *The Limit on a Define Benefit Assets, Minimum Funding Requirement and Their Interaction*

2.3 ***Future changes in accounting policies***

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
FRS 1	Amendment of FRS 1 (revised)	1 January 2009
	- Presentation of Financial Statements - Revised presentation	1 January 2009
	- Presentation of Financial Statements - Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 32	Financial Instruments: Presentation Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 101	First-time Adoption of Financial Reporting Standard – Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 102	Share-based payment -Vesting conditions and cancellations	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	Distribution of Non-cash Assets to Owners	1 July 2009

2. Summary of significant accounting policies (cont'd)

2.3 ***Future changes in accounting policies (cont'd)***

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for as indicated below.

FRS 1 Presentation of Financial Statements - Revised presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

2.4 ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for line transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity as "asset revaluation reserve". Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8 (a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The consolidated financial statements of the Group for the financial years ended 31 December 2008 had been prepared in accordance with the principles of merger accounting as the restructuring exercise completed in 2007 is a legal reorganization of entities under common control. Under this method, the Company has been treated as the holding company of all its subsidiaries for the financial years (or from the date of incorporation of the subsidiaries, if later) rather from the date of completion of the restructuring exercise. Accordingly, the consolidated results of the Group for the respective periods include the results of the subsidiaries for the entire period under review.

2. Summary of significant accounting policies (cont'd)

2.5 ***Transactions with minority interests***

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the parent entity extension method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in asset. Gain or loss on disposal to minority interests is recognised directly in profit and loss.

2.6 ***Foreign currency***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange difference arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into Rupiah at the rate of exchange ruling at the balance sheet date and their income statement are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

2.7 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the plant and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such plant and equipment when that cost incurred meets the recognition criteria.

2. Summary of significant accounting policies (cont'd)

2.7 ***Property, plant and equipment (cont'd)***

Depreciation of an asset begins when it is available for use and is computed on a straight-line method over the estimated useful lives of the asset as follows:

Buildings and improvements	:	20 years
Machinery and heavy equipment	:	8 to 20 years
Electrical installations	:	5 to 15 years
Furniture, fixtures and equipment	:	4 to 10 years
Vehicles	:	4 to 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Construction in progress is stated at cost, which includes the progress billing paid in accordance with the construction contracts. Constructions in progress are not depreciated as these assets are not yet available for use. Construction in progress is transferred to the respective plant and equipment account when construction is completed and ready for use.

The assets' residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.8 ***Intangible assets***

(a) ***Goodwill***

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.8 *Intangible assets (cont'd)*

(a) ***Goodwill (cont'd)***

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) ***Other intangible assets***

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

2.9 *Biological assets*

Biological assets in the form of standing trees in a plantation forest are recognised and measured in the balance sheets at fair value separately from the land to which these assets are attached. The Group's forests are accounted for at fair value less estimated point-to sale costs at harvest. Any resultant gains or losses arising from changes in fair value are recognised in the income statement.

The valuation of the biological asset is based on discounted cash flow model whereby the fair value is calculated using cash flows from continuous operations that is based on sustainable forest management plans taking into account growth potential. The yearly harvest made from the forecasted tree growth is multiplied by actual wood pines and the cost of fertilizer and harvesting is then deducted. The fair value is measured as the present value of the harvest from one growth cycle based on the productive forestland.

2.10 *Land use rights*

Land use rights are initially measured at cost. Following initial recognition, land use rights are stated at cost less accumulated amortization and any impairment in value. Amortisation is calculated on a straight line basis over the lease term of 7 -30 years. Land use rights are tested for impairment annually either individually or at the cash generating unit level, as appropriate.

2. Summary of significant accounting policies (cont'd)

2.11 ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.12 ***Subsidiaries***

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 ***Associates***

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. Summary of significant accounting policies (cont'd)

2.13 ***Associates (cont'd)***

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

2.14 ***Financial assets***

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets classified as held for trading. Financial assets classified as held for trading are derivatives (including separated embedded derivatives) or are acquired principally for the purpose of selling or repurchasing it in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(b) **Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) **Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.14 ***Financial assets (cont'd)***

(c) **Held-to-maturity investments (cont'd)**

Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2.15 ***Impairment of financial assets***

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) **Assets carried at amortised cost**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred; the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) **Assets carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.16 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and in banks, and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2. Summary of significant accounting policies (cont'd)

2.17 ***Inventories***

Inventories are stated at the lower of cost or net realisable value. Cost incurred in bringing the inventories to their present location and condition are accounted for using the average method for finished goods, work in progress and raw materials and first-in, first-out method for indirect materials and spare parts. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 ***Provisions***

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 ***Financial liabilities***

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2.20 ***Borrowing costs***

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2. Summary of significant accounting policies (cont'd)

2.21 ***Post employment benefits***

The Group recognises provision for employee service entitlements in accordance with Indonesia Labour Law No. 13/2003.

The cost of providing employee benefits is determined using the projected unit credit method. The accumulated unrecognised actuarial gains and losses that exceed 10% of the present value of the Group's defined benefit obligations is recognised on straight line basis over the expected average remaining working lives of the participating employees.

Past service cost is recognised immediately to the extent that the benefits are already vested or otherwise amortised on a straight-line basis over the average years until the benefits become vested.

The employee benefits liabilities recognised in the balance sheet represents the present value of the defined benefit liability, adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

2.22 ***Leases***

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

The difference between the selling price and the book value of the asset on the sale-and leaseback transactions are recognised as 'deferred loss or gain on sale-and-leaseback transactions' in the balance sheet and are amortised over the lease term.

Operating lease payments are recognised as expense in the income statement account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.23 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. Local sales are recognised upon delivery of goods to customers, while export sales are recognised upon the shipment of the products (FOB Shipping Point).

Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.24 ***Income taxes***

(a) ***Current tax***

Currents tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will be reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Summary of significant accounting policies (cont'd)

2.24 ***Income taxes (cont'd)***

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 ***Derivative financial instruments***

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into or bifurcated, and are subsequently remeasured at fair value at each balance sheet date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group's derivative does not qualify for accounting for hedges. Consequently, gain and losses from changes in fair value of these derivatives are recognised immediately in the profit and loss account.

2.26 ***Related parties***

Related parties are entities and individuals that directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the entities, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related entities. Transaction between related parties are accounted for at arm's length prices or on terms similar to those offered to non related entities in an economically comparable market.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.27 ***Segment reporting***

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

2.28 ***Share capital and share issue expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.29 ***Contingencies***

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

2.30 **Financial guarantee**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

No financial guarantee is recognised on the balance sheet of the Group.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Depreciation of property, plant and equipment*

The cost of property, plant and equipment are depreciated on a straight-line method over the estimated useful lives. Estimates of the useful lives of these property, plant and equipment are within 4 to 20 years. These are common life expectancies applied in the integrated timber processing industries. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment as of 31 December 2008 was Rp 2,180,785 million (31 December 2007: Rp 1,877,722 million).

(ii) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details of the key assumptions applied in the impairment assessment of property, plant, and equipment and goodwill, are given in Notes 12 and 14 to the financial statements.

3. Significant accounting estimates and judgements (cont'd)

(a) **Key sources of estimation uncertainty (cont'd)**

(iii) ***Impairment of loans and receivables***

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 35 to the financial statements.

(iv) ***Derivative financial instruments***

Derivative financial instruments are carried at fair value, which requires the use of accounting estimates and judgment. While a significant component of fair value measurement is determined using variable objective evidence (i.e. foreign exchange rates and interest rates), the timing and amount of changes in fair value will differ with the valuation methodology used. Any changes in the fair value of these derivative financial instruments will directly affect the profit and loss account. The related loss/gain recognised on changes in fair value of derivative financial instruments for the year ended 31 December 2008 and 2007 was loss of Rp12,513 million and Rp1,839, respectively. The Group's derivative liability and asset as at 31 December 2008 amounted to Rp32,476 million and Rp15,959 million, respectively (2007: liabilities of Rp1,269 million).

(v) ***Employee benefits***

The determination of obligation and provision for post-employment benefits of employees is dependent on the selection of certain assumptions used by actuaries in calculating such amount. Those assumptions are described in Note 27 and include, among others, discount rate and salary incremental rate. Actual results that differ from the Group's assumptions are accumulated and amortised over future periods, and therefore generally affect the recognised expense and recorded obligation. Significant differences in actual experience or significant changes in assumptions may materially affect the Group's obligation for post-employment benefits. Post employment liabilities as of 31 December 2008 amounted to Rp54,434 million (2007: Rp44,894 million).

3. Significant accounting estimates and judgements (cont'd)

(b) **Critical judgments made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(i) ***Income taxes***

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final income tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax in the year in which such decision is made by the taxation authority. The carrying amount of provision for taxation and deferred tax liabilities as of 31 December 2008 was Rp22,479 million (2007: Rp40,323 million) and Rp91,195 million (2007: Rp132,331 million), respectively.

PT Sumalindo Lestari Jaya Tbk. ("SULI"), a subsidiary, received tax assessment letters from the Indonesian Tax Office confirming underpayments of income tax and value-added tax amounting to Rp115,500 million and Rp26,648 million, respectively for the fiscal year of 2006. SULI has also received notice of asset seizure from the Indonesian Tax Office, however its management disagreed with the assessment results and filed an objection to the Indonesian Tax Office. SULI's management believes that the potential tax exposure is not likely to be material and therefore no provision was provided for the tax issue. As at the date of this announcement the objection is still being processed.

(ii) ***Deferred tax assets***

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. There is no assurance that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilised. The carrying amount of deferred tax assets as at 31 December 2008 was Rp177,068 million (2007: Rp181,548 million).

4. Revenue

	Group 2008 Rp'million	Group 2007 Rp'million
Domestic sales	2,154,546	1,543,083
Export sales	1,054,993	772,035
	3,209,539	2,315,118

5. Finance income

	Group 2008 Rp'million	Group 2007 Rp'million
Interest income:		
Fixed deposit	1,548	2,843
Current account	2,055	3,107
	3,603	5,950

6. Other income

	Group 2008 Rp'million	Group 2007 Rp'million
Gain on loan waiver	50,968	-
Gain on disposal of property, plant and equipment	4,665	-
Gain on change in fair value of biological assets	-	24,825
Gain on dilution of investment	-	9,139
Others	-	1,996
	55,633	35,960

7. Finance expense

	Group 2008 Rp'million	Group 2007 Rp'million
Interest expense:		
Bank borrowings	131,229	120,395
Finance lease	37,595	3,134
Bonds payable	-	15,487
Reforestation loan	-	825
Others	11,124	2,610
	179,948	142,451

8. Other expense

	Group	
	2008	**2007**
	Rp'million	Rp'million
Impairment of goodwill	339,457	-
Loss on foreign exchange, net	312,902	43,212
Impairment of property, plant and equipment	65,166	-
Loss on change in fair value of biological assets	35,024	-
Retrenchment expenses	19,531	-
Loss on derivative contracts, net	12,513	1,839
Allowance for doubtful debts	6,540	1,425
Advance to suppliers written-off	4,334	-
Loss on dilution of investment	3,316	-
Expenses associated to idle biological assets	3,513	-
Tax penalties	2,174	-
Loss on loan restructuring	-	470
Others	11,155	5,821
	815,625	52,767

9. Profit before taxation

The following items have been included in arriving at profit before tax:

	Group	
	2008	**2007**
	Rp'million	Rp'million
Salaries and employees' benefits	(463,437)	(329,729)
Depreciation of property, plant and equipment	(211,627)	(109,817)
Impairment of goodwill	(339,457)	(2)
Amortisation of intangible assets	(1,178)	(919)
Amortisation of deferred losses on sales and lease back	(438)	(704)
Amortisation of land use rights	(5,823)	(4,379)
Retrenchment expenses	19,531	-
(Loss)/ gain on change in fair value of biological assets	(35,024)	24,825

10. Income tax (benefit)/ expense

(a) Major components of income tax expense

The major components of income tax (benefit)/ expenses for the years ended 31 December 2008 and 2007 are:

	Group	
	2008	**2007**
	Rp'million	Rp'million
Current income tax	3,798	55,664
Under provision in respect of previous years	1,488	4,750
Deferred income tax	(56,309)	(46,933)
Deferred tax from reduction on tax rate	19,653	-
	(31,370)	13,481

10. Income tax (benefit)/ expense (cont'd)

(b) **Relationship between tax (benefit)/ expense and accounting profit**

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	Group	
	2008	**2007**
	Rp'million	Rp'million
Profit before taxation	(1,026,565)	68,888
Tax at domestic rates in the countries where the Group operates	(307,970)	20,666
Income not taxable for tax purposes	(3,118)	(21,032)
Expenses not deductible for tax purposes	112,730	13,279
Deferred tax assets not recognised	88,951	-
Unrecoverable deferred tax assets	55,240	-
Effect of reduction in tax rate	19,653	-
Under provision prior year income tax	1,488	4,750
Others	1,656	(4,182)
Tax (benefit)/ expense	(31,370)	13,481

The above reconciliation is prepared by aggregating separate reconciliation for each national jurisdiction.

As of 31 December 2008, the Group has tax losses of approximately Rp1,022,053 million (31 December 2007: Rp331,223 million) that is available for offset against future taxable profits, subjected to a maximum of five years period. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in the country in which the Company and its subsidiaries operate.

11. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the year plus the dilutive effect on the conversion of warrants (Note 28).

Basic earnings per share for the years ended 31 December 2008 and 2007 were computed based on the weighted average number of shares after adjusting for share split (Note 28).

The following reflects the income statement and share data used in the computation of basic earnings per share:

	Group	
	2008	**2007**
	Rp'million	Rp'million
(Loss)/profit for the year attributable to ordinary equity holders of the Company used in computation of earnings per share	(864,788)	47,118
	Number of shares	Number of shares
Weighted average number of ordinary shares for basic earnings per share computation	865,985,506	628,748,947
Weighted average number of ordinary shares for diluted earnings per share computation	865,985,506	629,709,697

12. Property, plant and equipment

Group

	Buildings and improve-ments	Machinery & heavy equipment	Electrical installations	Vehicles	Furniture, fixtures & equipment	Construction in Progress		Leased Assets		Total
						Buildings	Machinery	Machinery & heavy equipment	Vehicles	
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Cost										
At 1 January 2008	320,084	1,489,963	16,385	32,788	30,585	149,562	184,659	272,130	3,299	2,499,455
Additions from acquisition of subsidiary	95,492	1,352	-	-	-	-	-	-	-	96,844
Additions	23,038	499	6,539	3,909	9,987	127,738	219,003	104,317	1,701	496,731
Disposals	(180)	(11,457)	-	(2,049)	-	-	(15)	-	-	(13,701)
Reclassifications	126,271	243,021	2,975	(375)	(1,026)	(192,645)	(162,698)	(17,792)	(243)	(2,512)
At 31 December 2008	564,705	1,723,378	25,899	34,273	39,546	84,655	240,949	358,655	4,757	3,076,817
Accumulated depreciation										
At 1 January 2008	51,707	499,260	5,077	18,741	15,531	-	-	31,001	416	621,733
Depreciation charge during the year	26,862	125,384	2,269	4,673	4,234	-	-	47,592	613	211,627
Disposals	-	(931)	-	(1,563)	-	-	-	-	-	(2,494)
Reclassifications	-	5,798	-	105	-	-	-	(5,798)	(105)	-
At 31 December 2008	78,569	629,511	7,346	21,956	19,765	-	-	72,795	924	830,866
Provision for impairment	-	65,166	-	-	-	-	-	-	-	65,166
Net book value										
At 31 December 2008	486,136	1,028,701	18,553	12,317	19,781	84,655	240,949	285,860	3,833	2,180,785

12. **Property, plant and equipment (cont'd)**

Group (cont'd)

	Buildings and improve-ments	Machinery & heavy equipment	Electrical installations	Vehicles	Furniture, fixtures & equipment	Construction in Progress		Leased Assets		Total
						Buildings	Machinery	Machinery & heavy equipment	Vehicles	
	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million	Rp'million
Cost										
At 1 January 2007	132,582	1,051,083	8,945	22,175	17,445	3,207	9,392	76,891	3,728	1,325,448
Additions from acquisition of subsidiary	149,882	483,274	-	5,815	2,418	7,729	25,276	179,038	-	853,432
Additions	123,483	82,722	6,828	7,097	11,590	119,627	75,464	29,259	586	456,656
Disposals	(147)	(135,411)	-	(242)	(23)	(258)	-	-	-	(136,081)
Reclassifications	(85,716)	8,295	612	(2,057)	(845)	19,257	74,527	(13,058)	(1,015)	-
At 31 December 2007	320,084	1,489,963	16,385	32,788	30,585	149,562	184,659	272,130	3,299	2,499,455
Accumulated depreciation										
At 1 January 2007	44,395	460,727	3,957	14,887	10,176	-	-	20,214	1,608	555,964
Depreciation charge during the year	18,868	64,650	1,120	5,162	5,355	-	-	15,586	(924)	109,817
Disposals	(7)	(43,822)	-	(219)	-	-	-	-		(44,048)
Reclassifications	(11,549)	17,705	-	(1,089)	-	-	-	(4,799)	(268)	-
At 31 December 2007	51,707	499,260	5,077	18,741	15,531	-	-	31,001	416	621,733
Net book value										
At 31 December 2007	268,377	990,703	11,308	14,047	15,054	149,562	184,659	241,129	2,883	1,877,722

12. Property, plant and equipment (cont'd)

Company

	Furniture, fixtures & equipment	Electrical installations	Construction in Progress: Buildings and improvements	Total
	Rp'million	Rp'million	Rp'million	Rp'million
Cost				
At 1 January 2008	124	-	416	540
Additions	651	119	336	1,106
Reclassification	752	-	(752)	-
At 31 December 2008	1,527	119	-	1,646
Accumulated depreciation				
At 1 January 2008	6	-	-	6
Depreciation charge during the year	309	23	-	332
At 31 December 2008	315	23	-	338
Net book value				
At 31 December 2008	1,212	96	-	1,308

	Construction in Progress: Furniture, fixtures & equipment	Construction in Progress: Buildings and improvements	Total
	Rp'million	Rp'million	Rp'million
Cost			
At 1 January 2007	-	-	-
Additions	124	416	540
At 31 December 2007	124	416	540
Accumulated depreciation			
At 1 January 2007	-	-	-
Depreciation charge during the year	6	-	6
At 31 December 2007	6	-	6
Net book value			
At 31 December 2007	118	416	534

12. Property, plant and equipment (cont'd)

Buildings & improvements, machinery & heavy equipment with aggregate net book value of Rp1,259,187 million in 2008 (2007: Rp1,334,600 million) are pledged as collateral for interest bearing loans (Note 26).

As at 31 December 2008 and 2007, the Group has idle machinery & heavy equipment with a net carrying amount Rp153,612 million and Rp211,630 million, respectively. An impairment provision of Rp65,166 million in 2008 (2007: nil), was recognised for these property, plant and equipment as its recoverable amount based on valuation performed by a credited independence valuer was lower than its net carrying amount. The impairment loss have been included in "Other expense" in the income statement

13. Intangible assets

	Group	
	2008 Rp'million	**2007** Rp'million
Cost:		
At 1 January	42,574	-
Additions due to acquisition of subsidiaries (Note 31)	720	42,574
Additions during the year	594	-
At 31 December	43,888	42,574
Accumulated amortisation:		
At 1 January	919	-
Current year charge	1,178	919
At 31 December	2,097	919
Net carrying amount	41,791	41,655

The Group obtained forest concession rights with terms ranging from 20 to 45 years in connection with the Indonesian government's grant to the Group for the right to utilize the timber resources in certain virgin forest areas, and develop the industrial timber plantations in certain areas in East Kalimantan, Indonesia. As at 31 December 2008, the remaining terms of these concession rights range from 1 to 42 years (2007: 2 to 43 years). These forest concession rights are carried at cost less amortisation since there is no active market for these intangible assets. The amortisations of intangible assets have been included in "Other expense" line item in the income statement.

14. Goodwill

Goodwill on consolidation arises from the acquisition of the subsidiaries, PT Arangan Hutani Lestari (AHL), PT Sumalindo Lestari Jaya Tbk (SULI), PT Essam Timber (Essam) and PT Wana Kaltim Lestari (WKL). The carrying amount of goodwill is:

	Group	
	2008	**2007**
Cost:	Rp'million	Rp'million
At 1 January	841,103	125
Additions due to acquisition of new subsidiaries (Note 31):		
PT Essam Timber	118,737	-
PT Wana Kaltim Lestari	4,750	-
PT Sumalindo Lestari Jaya Tbk.	-	654,180
- Arising acquisition		
Earlier investment in SULI as an associate	-	186,798
Effect of dilution of ownership in SULI	(5,141)	-
At 31 December	959,449	841,103
Less: impairment		
At 1 January	-	
Provision for impairment - SULI	(339,457)	-
At 31 December	339,457	-
Net carrying amount	619,992	841,103

Goodwill arising from business combination was allocated to following cash-generating units for impairment testing:

	Group	
	2008	**2007**
	Rp'million	Rp'million
Forest concession rights and manufacturing plants of SULI	835,837	840,978
Forest concession rights of Essam	118,737	-
Forest plantation of PT WKL	4,750	-
Forest plantation of AHL	125	125
	959,449	841,103
Less : impairment - SULI	(339,457)	-
	619,992	841,103

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets covering a five-year period.

14. Goodwill (cont'd)

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Budgeted gross margins – Gross margins of SULI and Essam, are based on average values achieved in the five years for SULI preceding the start of the budget period. As Essam does not have prior sales, management has reviewed and adopted similar margin with SULI. These are increased over the budget period for anticipated efficiency improvements.

Growth rates – Growth rate of 5% is based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs. For SULI, the growth rate of 2009 is projected at 9%. This is based on its growth rate for the five preceding years. For Essam, production volume for the 3 remaining years of the concession has been estimated based on the optimum level of harvest according to the infrastructure available.

Pre-tax discount rates – Discount rate of 15.2 % reflects management's estimate of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Market share assumptions – These assumptions are important because, as well as using industry data for growth rates, management assess how the CGU's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the timber market to be stable over the budget period.

(i) *Goodwill arising from earlier investments in SULI as an associate*

This amount has arisen from earlier investments in SULI as an associate, and is reclassified from investment in associate, to goodwill upon the acquisition of SULI.

(ii) *Goodwill arising from the investment in/ acquisition of SULI*

In accordance with FRS 103 Business Combinations, management has identified the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition based on an independent valuation report by an independent valuer.

Based on management review, there is impairment of goodwill of Rp339,457 million as at 31 December 2008 (2007: Nil).

15. Biological assets

The Group's plantation forest are recognised and measured at fair value less estimated point-of-sale costs at harvest. The valuation of the biological assets of PT Sumalindo Lestari Jaya is calculated by the independent valuers PT Asian Appraisal Indonesia, and PT Bahana Kareza Appraisal for PT Arangan Hutani Lestari, based on the discounted cash flow model whereby the fair value is calculated using cash flows from continuous operations, assuming sustainable forest management plans, taking into account the growth potential from their industrial forest plantations. The yearly harvest made from the forecasted tree growth is multiplied by actual wood pines and the cost of fertilizer, before the deduction of harvesting. The fair value is measured as the present value of the harvest from one growth cycle based on the productive forestland.

Biological assets comprise of standing trees in a plantation forest, separate from land on which these assets are located. Movements in the carrying value are as follows:

	Group	
	2008	**2007**
	Rp'million	Rp'million
At fair value		
At 1 January	412,403	2,379
Addition from acquisition of new subsidiary	-	369,012
Addition during the year	25,840	16,187
(Loss)/gain on changes in fair value	(35,024)	24,825
At 31 December	403,219	412,403

16. Land use rights

	Group 2008 Rp'million	Group 2007 Rp'million
Cost:		
At 1 January	76,174	21,178
Addition from acquisition of subsidiary, net	-	36,970
Additions	31,447	18,026
Transfer from construction in progress	2,512	-
Reclassification	30,374	-
At 31 December	140,507	76,174
Accumulated amortisation:		
At 1 January	9,977	5,598
Reclassification	23,082	-
Amortisation	5,823	4,379
At 31 December	38,882	9,977
Net carrying amount	101,625	66,197

17. Deferred tax

Deferred income tax as at 31 December relates to the following:

	Group 2008 Rp'million	Group 2007 Rp'million
Deferred tax assets		
Unabsorbed losses	123,003	95,485
Temporary difference between accounting and tax base accumulated depreciation	57,610	49,744
Effect of discounting of receivables	12,160	7,541
Temporary difference on employees' benefits obligation	10,785	7,770
Allowance for inventory obsolescence	4,838	-
Temporary difference on amortisation of land use rights	2,862	3,601
Temporary difference on accounting and tax treatment of finance lease	(31,645)	-
Effect of discounting of loans	(2,552)	-
Effect of fair value on net asset of subsidiary acquired by the Group	-	17,886
Others	7	(479)
Total deferred tax assets, net	177,068	181,548

17. Deferred tax (cont'd)

	Group	
	2008	**2007**
	Rp'million	Rp'million
Deferred tax liabilities		
Effect of change in value of biological assets	68,870	77,146
Effect of fair value on net asset of subsidiary acquired by the Group	13,196	-
Temporary difference between accounting and tax base accumulated depreciation	11,555	21,474
Temporary difference on accounting and tax treatment of finance lease	2,957	21,348
Effect of discounting of loans	374	3,333
Temporary difference on employees' benefits obligation	(3,667)	-
Unabsorbed losses	(1,681)	-
Others	(409)	9,030
Total deferred tax liabilities, net	91,195	132,331

18. Other non-current assets

	Group	
	2008	**2007**
	Rp'million	Rp'million
Tax recoverable	51,712	11,346
Advances for purchase of property, plant and equipment	12,759	19,851
Deferred loss on sale and lease-back transactions	3,452	671
Guarantee deposits -net	752	1,325
Others	14,415	18,978
	83,090	52,171

Guarantee deposits are made by a subsidiary to PT Sarana Agro Mandiri, a related party, for the purchase of logs. The subsidiary has provided a 100% allowance on the guarantee deposit.

Deferred loss on sale and lease-back transactions is amortized over the lease term. The sales and lease-back assets are disclosed in Note 12, and the Group's obligation under finance lease is disclosed in Note 26(b).

19. Inventories

	Group	
	2008	**2007**
	Rp'million	Rp'million
Balance sheet:		
Raw materials	146,218	71,392
Work in progress	67,042	92,822
Finished goods	189,234	205,947
Indirect materials and spare parts	137,739	212,444
	540,233	582,605
Income statement:		
Inventories recognised as an expense in cost of sales	1,495,959	1,416,783
Inventories written down	18,390	1,964

All inventories are pledged as collaterals on interest bearing loans (Notes 25 and 26).

20. Trade and other receivables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
Trade receivables				
- Third parties	140,025	137,920	105	-
- Related parties	15,010	-	-	-
- Subsidiary companies	-	-	19,465	-
Other receivables				
- Third parties	11,906	20,646	456	-
- Related parties	1,152	-	296	-
- Subsidiary company	-	-	769,793	256,798
	168,093	158,566	790,115	256,798

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their values on initial recognition.

All trade accounts receivable are pledged as collaterals for the interest bearing loans (Notes 25 and 26).

The amount due from related parties is unsecured, interest free and is repayable on demand.

20. Trade and other receivables (cont'd)

At the balance sheet date, trade receivables arising from export sales amounting to Rp65,056 million (2007: Rp72,196 million) are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based.

Receivables that are past due but not impaired

The group has trade and other receivables amounting to Rp168,093 million (2007: Rp158,566 million) that are past due at balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
0 - 30 days	89,313	77,434	3	-
31 - 60 days	41,412	41,660	30,824	-
61 - 90 days	21,172	39,472	561	256,798
More than 90 days	16,196	-	758,727	-
Total	168,093	158,566	790,115	256,798

Receivables that are impaired

The Group's trade receivables that are impaired at balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
Trade receivables – nominal amounts	15,339	15,817	-	-
Less: Allowance for impairment	(15,339)	(15,817)	-	-
Total	-	-	-	-
Movement in allowance accounts:				
At 1 January	15,817	-	-	-
Additions due to acquisition of subsidiary	-	14,392	-	-
Charge for the year	6,540	1,425	-	-
Written off	(7,018)	-	-	-
At 31 December	15,339	15,817	-	-

20. Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	79,736	95,247	622,410	-
United States dollars	81,018	63,319	167,245	256,798
Others	7,339	-	460	-
	168,093	158,566	790,115	256,798

21. Cash and cash equivalents

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
Cash on hand	5,672	8,606	27	8
Cash in banks	99,832	138,177	2,952	539
Fixed deposits	51,682	26,084	13,202	9,731
Cash and cash equivalents	157,186	172,867	16,181	10,278
Interest rate per annum	0.05% - 6.5%	0.65% - 8.5%	0.22%	1.5% - 1.75%

Fixed deposit are made for varying periods of between one day and one month depending on the immediate cash requirement of the Group, and earns interests at the respective short-term deposit rates.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
Indonesian Rupiah	93,834	104,501	-	-
United States Dollars	61,303	67,697	14,252	9,862
Others	2,049	669	1,929	416
	157,186	172,867	16,181	10,278

21. Cash and cash equivalents (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalent comprised the following at the balance sheet date:

	Group	
	2008	**2007**
	Rp'million	Rp'million
Cash and short term deposits	157,186	172,867
Bank overdrafts	(1,457)	-
	155,729	172,867

22. Restricted deposits

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
Restricted deposits	110,390	-	110,390	-
Interest rate per annum	0.75% - 1.75%	-	0.75% - 1.75%	-

23. Trade and other payable

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
Trade payable				
- Third parties	308,225	184,956	-	-
- Related parties	17,316	11,295	-	-
Liabilities for purchase of machineries	965	2,443	-	-
Other payable – related parties	110,546	37,570	110,546	3,683
	437,052	236,264	110,546	3,683

Trade and other payable are denominated in the following currencies:

Indonesian Rupiah	149,547	150,711	177	-
United States Dollars	278,574	79,287	110,365	-
Others	8,931	6,266	4	3,683
	437,052	236,264	110,546	3,683

Trade payable - third parties
These amount are non interest bearing. Trade payables are normally settled on 60-days terms while other payables have an average term of 3 months.

Other payable – related parties
These amount are unsecured, non-interest bearing and are repayable on demand.

24. Other liabilities

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
Advances from customers	180,649	100,828	-	-
Value Added Tax payable	36,368	39,452	-	-
Accrued expenses				
- Freight	22,157	8,634	-	-
- Interests	8,530	33,435	-	-
- Salaries and wages	6,242	5,450	-	-
- Claims and commissions	2,103	4,268	-	-
- Others	32,189	32,792	-	-
Decommissioning Liabilities	-	2,090	-	-
Other	4,476	-	666	-
	292,714	226,949	666	-

25. Short term bank borrowings

The details of short term bank borrowings are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
(a) US$8,000,000 and Rp75,000 million working capital facility. Interest is payable at 8.0% per annum for the US$ denominated loan and 11% per annum for the Rupiah denominated loan	183,194	150,352	-	-
(b) US$5,700,000 pre-export Letter of Credit financing and foreign exchange facility. Interest is payable at SIBOR plus 3.5% per annum	62,415	-	-	-
(c) Rp47,500 million working capital facility. Interest is payable at 13.5% per annum.	44,062	28,875	-	-
(d) US$3,000,000 packing loan facility. Interest is payable at 8.5% per annum.	32,850	26,514	-	-
(e) US$3,000,000 working capital facility. Interest is payable at 5.25% per annum below the bank's best lending rate	32,479	-	-	-

25. Short term bank borrowings (cont'd)

	Group 2008 Rp'million	Group 2007 Rp'million	Company 2008 Rp'million	Company 2007 Rp'million
(f) US$5,500,000 working capital facility. Interest is payable at 5.75% – 8.00% per annum.	4,955	50,156	-	-
(g) Rp2,000 million overdraft facility. Interest is payable at 15% per annum.	1,457	891	-	-
(h) Rp4,000 million overdraft facility. Interest is payable approximately at Bank Indonesia's prime rate (SBI) plus 1.5% per annum.	-	3,666	-	-
(i) US$10,950,000 working capital facility. Interest is payable at 2.75% below the current base rate, of approximately 9.75% - 10.75% per annum	-	64,463	-	-
(j) US$5,000,000 term borrowing, repayable when required by the bank, interest is payable at bank's cost of fund plus 0.75% per annum	54,750	-	54,750	-
	416,162	324,917	54,750	-

The short term bank borrowings are secured and guaranteed by corporate guarantees, pledge on asset, accounts receivable, shares of a subsidiary, time deposit, subsidiaries' inventories and property, plant and equipment of the Group, commitment from the Company's substantial shareholder and personal guarantees, property, plant and equipment and deposits from two directors and a relative of such directors and commitment from the Company's substantial shareholder for loan (j).

26. Long term borrowings

	Group 2008 Rp'million	Group 2007 Rp'million	Company 2008 Rp'million	Company 2007 Rp'million
Current				
Interest bearing bank borrowings	507,869	205,077	117,051	-
Obligation under finance lease	98,409	69,225	-	-
Reforestation fund payable	5,496	7,110	-	-
Notes payable	4,868	7,120	-	-
Customer financing loans	-	275	-	-
	616,642	288,807	117,051	-
Non Current				
Interest bearing bank borrowings	959,578	1,231,692	-	310,827
Obligation under finance lease	102,581	87,212	-	-
Reforestation fund payable	-	3,970	-	-
	1,062,159	1,322,874	-	310,827
	1,678,801	1,611,681	117,051	310,827

(i) Interest bearing bank borrowings

	Group 2008 Rp'million	Group 2007 Rp'million
Within one year	507,869	205,077
Between two and five years	562,876	879,621
Later than five years	396,702	352,071
	1,467,447	1,436,769

26. Long term borrowings (cont'd)

(i) Interest bearing bank borrowings (cont'd)

	Group		Company	
	2008	2007	2008	2007
	Rp'million	Rp'million	Rp'million	Rp'million
(a) US$35,000,000 term loan payable on quarterly instalments starting November 2006 and subsequently commencing November 2010, on monthly instalments. Interest is at LIBOR plus 5.95% per annum.	287,209	282,862	-	-
(b) US$15,000,000 term loan payable on quarterly instalments starting September 2008. Interest is amounting to US$1,394,000.	168,564	-	-	-
(c) US$ 27,889,152 term loan (Tranche B), repayable in 47 quarterly instalments starting March 2008 after a 3-year grace period. Interest is payable at 1% per annum.	299,364	262,688	-	-
(d) US$18,592,768 term loan (Tranche A), repayable in 35 quarterly instalments starting March 2008 after a 3-year grace period. Interest is 1% above the base lending rate of the creditor.	198,663	175,125	-	-
(e) US$25,000,000 term loan, repayable on a monthly basis, commencing on June 2006 and due on March 2010. Interest is payable at 9.35% per annum.	155,742	136,776	-	-
(f) US$33,000,000 loan repayable in 18 months upon following the first utilization date. Interest is payable at Libor plus 4% per annum	117,051	310,827	117,051	310,827

26. Long term borrowings (cont'd)

(i) Interest bearing bank borrowings (cont'd)

	Group 2008 Rp'million	Group 2007 Rp'million	Company 2008 Rp'million	Company 2007 Rp'million
(g) US$ 8,000,000 term loan, repayable in 36 monthly instalments starting March 2008 after a 9-month grace period. Interest is payable at 8.0% per annum.	68,141	75,956	-	-
(h) US$ 10,500,000 term loan, repayable in 12 quarterly instalments that started March 2007 after a 6-month grace period. Interest is payable at 8.0% per annum.	47,904	65,933	-	-
(i) US$ 5,000,000 term loan, repayable in 48 monthly instalments that started December 2007. Interest is payable at 2.75% SIBOR	43,800	47,095	-	-
(j) US$5,000,000 term loan, repayable in monthly instalment that started September 2008. Interest is payable at 8.0% per annum.	42,701	-	-	-
(k) US$ 5,000,000 term loan, repayable in 48 monthly instalments that started June 2007. Interest is payable at 8.0% per annum.	33,055	40,207	-	-
(l) Rp60,888 million term loan, repayable on quarterly instalments, commencing November 2004. Interest is payable at a range of 12.5% to 14.5% per annum.	5,253	14,564	-	-

26. Long term borrowings (cont'd)

(i) Interest bearing bank borrowings (cont'd)

	Group 2008 Rp'million	Group 2007 Rp'million	Company 2008 Rp'million	Company 2007 Rp'million
(m) US$12,500,000 term loan, repayable on quarterly instalments, commencing March 2004 and subsequently commencing January 2005, on monthly instalments. Interest is payable at 8% to 9% per annum.	-	24,736	-	-
	1,467,447	1,436,769	117,051	310,827

As a result of the restructuring of the loan of PT Sumalindo Lestari Jaya Tbk. obtained from PT Bank Mandiri (Persero) Tbk, consisting of Tranche A amounting to US$18,592,768 and Tranche B amounting to US$27,889,152 (as indicated in loan (b) and (c) respectively), the past due interest amounting to Rp202,860 million will be written off after 15 years, if PT Sumalindo Lestari Jaya Tbk. can meet the repayment requirement as agreed with PT Bank Mandiri (Persero) Tbk. The balance of past due interest is presented as "other liabilities" under Non-current Liabilities.

The long term interest-bearing bank borrowings are secured as follows:

- Corporate guarantee from the subsidiaries for loan (a);
- A corporate guarantee from the Company for loan (e);
- Land rights, buildings, inventories and machineries of the subsidiaries for loans (a) - (e), (g) - (m); and
- Shares of a subsidiary, time deposit and commitment from the Company's substantial shareholder for loan (f).

During the current financial year, the Company's certain subsidiaries have breached certain financial covenants and/or in payment default. The banks are contractually entitled to request for immediate repayment of the outstanding loans amount in the event of breach of covenants.

The banks had not requested for any immediate repayment of the outstanding loan amounts as at the date when these financial statements are authorised for issue. Management commenced renegotiation of the loan agreement terms in December 2008 and as of the date the financial statements are authorised for issue, the renegotiation is still in progress.

The carrying amount of these loans of Rp116,045 million has been reclassified to Current Liabilities as at 31 December 2008.

26. Long term borrowings (cont'd)

(ii) **Obligation under finance lease**

The Group has finance lease for certain items of machinery and heavy equipment and vehicles. There are no restrictions placed upon the Group by entering into these leases.

The future minimum lease payments under the lease agreements are as follows:

	Group			
	2008 Rp'million		2007 Rp'million	
	Minimum Payments	**Present value of minimum payments**	**Minimum Payments**	**Present value of minimum payments**
Within one year	117,512	98,409	83,004	69,225
Between two and five years	120,722	102,581	103,912	87,212
Total minimum lease payments	238,234	200,990	186,916	156,437
Less: interest	(37,244)	-	(30,479)	-
Present value of minimum lease payments	200,990	200,990	156,437	156,437
Interest rate per annum	7.21% - 15.5%		9.6% - 10.1%	
Effective interest rate per annum	7.5% - 14.5%		9.8% - 10%	

All assets acquired under finance leases are secured against the assets under lease.

The net book value of assets under finance lease amounts to Rp289,693 million for the financial year ended 31 December 2008 (2007: Rp244,012 million).

(iii) **Reforestation fund payable**

In 2000, a subsidiary, Arangan Hutani Lestari (AHL) obtained a non-interest bearing loan amounting to Rp1,740 million (US$ 181,335) from the Department of Forestry of the Republic of Indonesia arising from the reforestation fund given through PT Bank Mandiri (Persero) Tbk., which shall be payable in annual instalments until July 2007. The loan is used for reforestation activities of Commercial Forest Estate by a group of farmers and is secured by property, plant and equipment, receivables, inventories, insurance claim and corporate guarantee from AHL.

AHL submitted an application for rescheduling the instalment payment. As of date of the report, AHL has not yet obtained an approval from Bank Mandiri on the application for rescheduling. In 2006, AHL made an instalment payment amounting to Rp10 million. As of 31 December 2008 and 2007, balance of the loan is considered due and demandable since AHL has been in breach with respect to the principal payment schedule.

26. Long term borrowings (cont'd)

(iii) **Reforestation fund payable (cont'd)**

In 1998, a subsidiary, PT Sumalindo Hutani Jaya (SHJ) obtained a non-interest bearing loan amounting to approximately Rp11,870 million from the Department of Forestry of the Republic of Indonesia arising from the reforestation fund given through PT Bank Mandiri (Persero) Tbk., which shall be payable in semi-annual instalments until July 2005. The loan is used for reforestation activities and is secured by fixed assets and inventories of SHJ.

(iv) **Notes payable**

Notes payable represents promissory notes issued by a subsidiary, PT Putra Sumber Utama Timber (PSUT) to a related party, PT Pelayaran Nelly Dwi Putri in relation to PSUT's liability for freight expenses. The notes is payable in six quarterly instalments of Rp2,500 million each starting in June 2007 and subject to annual interest of 2% per annum.

	Group	
	2008	**2007**
	Rp'million	Rp'million
Within one year	4,868	7,120

As at 31 December 2008, the fair value of the notes payable, calculated using market interest rates, is Rp4,132 million (31 December 2007: Rp10,729 million).

(v) **Bonds payable**

In May 2003, a subsidiary, PT Putra Sumber Utama Timber (PSUT) issued to the public 5-year bonds with nominal value totalling Rp200,000 million , consisting of 2 series (A and B Series) rated A-(A Minus ; Stable Outlook) by PT Pefindo, and listed at the Surabaya Stock Exchange on 19 May 2003. Owners of the B Series bonds have the option to sell or purchase on year three from the date of issuance on 13 May 2003. The fixed annual interest rates are 15.875% for A Series and 15.375% for B Series and are paid every 3 months. On 12 November 2007, the bonds and premium value were fully repaid by PSUT.

27. Post-employment benefits

The Group and its subsidiaries calculate and record post-employment benefits for its qualified employees based on Labour Law No. 13/2003 dated March 2003. The number of employees entitled to the benefits as at 31 December 2008 was 10,925 people (2007: 14,970 people).

The following tables summarize the components of provision for post employment benefits included in salaries and employee allowances and employee benefits under "general and administrative expenses" in consolidated income statement and "post-employment benefits" in the balance sheets.

27. Post-employment benefits (cont'd)

	Group	
	2008	**2007**
	Rp'million	Rp'million
Components of provision for post-employment benefits		
Current service costs	11,190	8,460
Interest costs	7,824	5,058
Amortisation of past service costs and actuarial losses	456	211
Curtailments effect or termination	(3,174)	(677)
	16,296	13,052
Employee benefits liabilities		
Beginning of the year	44,894	20,804
Addition due to acquisition of subsidiary	-	7,307
Expenses during the year	16,296	13,052
Actual payments during the year	(6,756)	3,731
	54,434	44,894

Movements in the present value of employee benefits liabilities are as follows:

	Group	
	2008	**2007**
	Rp'million	Rp'million
Present value of post employment benefits obligation	84,662	61,027
Unrecognised past service cost vested	(3,580)	7,155
Unrecognised actuarial losses	(26,648)	(23,288)
Liability recognised in balance sheet	54,434	44,894

Reconciliation of present value of employee benefits liabilities is as follows:

	Group	
	2008	**2007**
	Rp'million	Rp'million
Beginning of the year	44,894	20,804
Addition due to acquisition of subsidiary	-	7,307
Current service cost	11,190	8,460
Interest cost	7,824	5,058
Actuarial loss	456	211
Benefits paid	(6,756)	3,731
Effect of curtailment or termination	(3,174)	(677)
	54,434	44,894

27. Post-employment benefits (cont'd)

The cost of providing post-employment benefits is calculated by independent actuaries, PT KAIA Magna Consulting. The actuarial valuation was carried out using the following key assumptions:

	Group	
	2008	2007
Discount rate	11% per annum	10% per annum
Mortality table	TM II – 1999	TM II 1999
Rates of increase in compensation	10% per annum	10% per annum
Average expected retirement age	55 years	55 years

28. Share capital

	Group and Company			
	2008		2007	
	Number of shares	Rp'million	Number of shares	Rp'million
Issued and fully paid				
At 1 January	684,623,916	1,269,167	100,000,000	475,840
Additional paid-in capital of the Company	213,538,646	674,699	14,103,986	793,327
Sub division of one ordinary share into six shares	-	-	570,519,930	-
At 31 December	898,162,562	1,943,866	684,623,916	1,269,167

On 25 February 2008, the Company completed its Initial Public Offering (IPO) in respect of 183,000,000 ordinary shares of an offer price of S$0.55. On 21 February 2008, the Company issued 27,941,646 additional shares from option exercised by Sampoerna Forestry Ltd at a discount of 15% to the offering price and 2,597,000 shares for public over-allotment portion.

In connection with the initial public offering, the Group undertook a share split of 1 share into 6 shares in December 2007.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. Each ordinary share carries one vote per share without restriction. As at 31 December 2008, there are Nil (2007: 27,941,646) warrants outstanding for the issuance of ordinary shares.

29. Restructuring reserves

	2008 Rp'million	2007 Rp'million
Balance at beginning of the year	309,050	168,027
Adjustment arising from the restructuring exercise	-	141,023
Balance at the end of year	309,050	309,050

Restructuring reserves represent the difference between the nominal value of shares issued in exchange for the nominal value of shares and capital reserve of subsidiaries acquired under common control, in accordance with the principles of merger accounting.

30. Derivative financial instruments

Derivative financial instruments included in the balance sheets of 31 December 2008 and 2007 is as follows:

	Group			
	2008 Rp'million		2007 Rp'million	
	Contract/ nominal amount	Amount	Contract/ nominal amount	Amount
Assets				
-Swap exchange contract US$ 9,310,000	101,945	15,959	-	-
Liabilities				
-Swap exchange contract (US$4,840,000 in 2008 and US$ 15,000,000 in 2007)	52,998	5,726	141,285	981
-Forward currency contracts (Equivalent in US$ 700,000 in 2008 and US$ 8,072,500 in 2007)	7,665	26,750	76,035	288
		32,476		1,269

PT Sumber Graha Sejahtera (SGS) and PT Putra Sumber Utama Timber (PSUT) entered into short-term foreign currency forward and swap exchange contracts to manage the adverse effects the exchange rate fluctuations may have on the foreign currencies denominated short-term liabilities. During 2008, PSUT's forward contract expired and management decide not to renew this financial instrument for PSUT.

The above derivative financial instruments do not qualify for accounting for hedges. The loss from forward currency transactions for the year ended 31 December 2008 is Rp12,513 million (2007: Rp1,839 million), and is included within 'other expenses' / "other income" within the consolidated income statement.

31. Investment in subsidiary companies

	Name (Country of incorporation)	Principal activities	2008	2007	Percentage of effective equity interest held by the company 2008	2007
Cost			Rp'million	Rp'million	%	%
@	PT Sumber Graha Sejahtera (Indonesia) [1]	Production of plywood, laminated veneer lumber wood panels and wood based furniture	1,289,754	1,289,754	99.98	99.98
&	Perfect Crops Limited (Seychelles)	Investment holding	939	939	100.00	100.00
			1,290,693	1,290,693		
Provision for impairment						
	PT Sumber Graha Sejahtera		(746,165)	-		
			544,528	1,290,693		

	Name	Principal activities	Percentage of effective equity interest held by the company 2008 %	2007 %
	Subsidiaries held through PT Sumber Graha Sejahtera:			
@	PT Panca Usaha Palopo Plywood (Indonesia)	Production of plywood, sawn timber, wood mouldings and construction materials	98.44	98.44
@	PT Putra Sumber Utama Timber (Indonesia)	Production of plywood and laminated veneer lumber, wood mouldings and building material components	99.18	99.18
@	PT Sejahtera Usaha Bersama (Indonesia)	Production of veneers	99.98	99.98
#	PT Sumber Graha Sejahtera Indonesia (Indonesia)	Trade of construction goods, and trade of processed wood, technical/mechanical/electrical tools	98.98	98.98
#	PT Makmur Alam Lestari (Indonesia)	Production of veneers	99.91	99.91
@	PT Sumalindo Lestari Jaya Tbk (Indonesia)	Forest exploration, industrial timber estate and utilization of forest products	51.62	51.95

31. Investment in subsidiary companies (cont'd)

	Name (Country of incorporation)	Principal activities	Percentage of effective equity interest held by the company 2008 %	2007 %
	Subsidiaries held through PT Putra Sumber Utama Timber:			
@	PT Putra Sumber Kreasitama (Indonesia)	Production of wood mouldings and building materials components	97.27	97.27
@	PT Putra Sumber Kimindo (Indonesia)	Production of chemical glues	68.82	68.82
#	PT Navatani Persada (Indonesia)	Production of laminated engineering wood panel, veneers, wood mouldings, building construction components and wood furniture	69.92	69.92
#	PT Arangan Hutan Lestari (Indonesia)	Cultivation and logging of industrial forest plantations	59.51	59.51
	Subsidiaries held through PT Makmur Alam Lestari:			
#	PT Makmur Alam Sentosa (Indonesia)	Production of veneers	99.88	99.88
#	PT Kharisma Megah Dharma (Indonesia)	Production of veneers	99.90	99.90
#	PT Mitra Lestari Abadi (Indonesia)	Production of veneers	98.89	98.89
#	PT Wana Makmur Sejahtera (Indonesia)	Production of veneers	99.91	99.91
#	PT Kreatif Cipta Bersama (Indonesia)	Trading of agricultural, plantation and industrial products	99.91	99.91
#	PT Sari Alam Sejahtera (Indonesia)	Trading of construction materials	99.51	99.51
#	PT Anugrah Karunia Alam (Indonesia)	Retail of construction materials and wood for interior renovation, and trade of products in the wood industry	99.81	99.81

31. Investment in subsidiary companies (cont'd)

	Name (Country of incorporation)	Principal activities	Percentage of effective equity interest held by the company	
			2008 %	2007 %
	Subsidiaries held through PT Makmur Alam Lestari (cont'd):			
#	PT Nusantara Makmur Sentosa (Indonesia)	Retail of construction materials and wood for interior renovation, and trade of goods in the wood industry	99.81	99.81
#	PT Kreasi Putra Pratama (Indonesia)	Supplier of mining, agricultural, handicraft printing and primary needs products and goods transportation services	99.81	99.81
#	PT Musi Rawas Lestari Makmur (Indonesia)	Production of veneers	99.90	99.90
#	PT Surya Sumber Rejeki (Indonesia)	Production of veneers	99.91	99.91
#	PT Agrindo Persada Lestari (Indonesia)	Trading of veneer plant	99.90	99.90
#	PT Alam Raya Makmur (Indonesia)	Production of veneers	99.81	99.81
#	PT Dinamika Maju Bersama (Indonesia)	Production of veneers	99.90	99.90

31. Investment in subsidiary companies (cont'd)

	Name (Country of incorporation)	Principal activities	Percentage of equity interest held by the Group 2008 %	2007 %
	Subsidiaries held through PT Sumalindo Lestari Jaya Tbk :			
@	PT Karya Wijaya Sukses (Indonesia)	Logging of natural forests and trading of wood-based construction materials	50.59	50.89
@	PT Sumalindo Hutani Jaya (Indonesia)	Cultivation and logging of industrial forest plantations	30.97	31.12
@	PT Nityasa Prima (Indonesia)	Dormant	51.57	51.90
@	PT Inti Prona (Indonesia)	Dormant	51.10	51.40
@	PT Kalimantan Powerindo (Indonesia)	Supplier of electric power	51.61	51.93
@	PT Sumalindo Mitra Resindo (Indonesia)	Production and wholesale trading of chemical glues	30.97	31.12
@	PT Sumalindo Alam Lestari (Indonesia)	Production and wholesale trading of chemical glues	51.21	51.52
@	PT Essam Timber (Indonesia)	Logging of natural forests and trading of wood-based construction materials	51.62	-
@	PT Wana Kaltim Lestari (Indonesia)	Cultivation and logging of industrial forest plantations	50.80	-

@ Audited by Ernst & Young, Jakarta

\# Audited by Doli, Bambang, Sudarmadji & Dadang - a member of BKR International, Jakarta

& Audited by A.J. Shah & Associates (2007: Audited by Halpern & Woolf, Seychelles)

31. Investment in subsidiary companies (cont'd)

Acquisition of PT Essam Timber

In June 2008, PT Sumalindo Lestari Jaya Tbk ("SULI") and its subsidiary, PT Kalimantan Powerindo ("KP") acquired 100% interest in PT Essam Timber ("Essam") by purchase of the existing shares of Essam from third parties at purchase consideration of Rp24,994 million. The acquisition is accounted for by applying the purchase method.

The carrying value of the identifiable assets and liabilities of Essam as at the date of acquisition were:

	2008 Rp'million
Property, plant and equipment	96,844
Intangible assets	470
Cash and cash equivalents	5
Trade and other receivables	85
Total assets	97,404
Trade and other payable	840
Provision for taxation	959
Long term borrowing (current portion)	189,343
Total liabilities	191,142
Net assets	(93,738)
Portion acquired by SULI and KP (100% of net assets)	(93,738)
Goodwill arising on acquisition (Note 14)	118,737
Total consideration	24,999

The total cost of the combination was Rp 24,999 million, and was fully paid in cash.

	2008 Rp'million
Cash outflow on acquisition :	
Net cash acquired with the subsidiary company	5
Cash paid	(24,999)
Net cash outflow	(24,994)

31. Investment in subsidiary companies (cont'd)

Acquisition of PT Wana Kaltim Lestari

In August 2008, PT Sumalindo Alam Lestari (SAL), a subsidiary of PT Sumalindo Lestari Jaya Tbk acquired 99.2% interest in PT Wana Kaltim Lestari (WKL) by purchase of the existing shares from third party at purchase consideration of Rp5,000 million. The acquisition is accounted for by applying the purchase method.

The carrying value of the identifiable assets and liabilities of WKL as at the date of acquisition were:

	2008 Rp'million
Intangible assets	250
Net assets	250
Portion acquired by SAL (99.2% of net assets)	250
Goodwill arising on acquisition (Note 14)	4,750
Total consideration	5,000

The total cost of the combination was Rp 5,000 million, and was fully paid in cash.

	2008 Rp'million
Cash outflow on acquisition :	
Net cash acquired with the subsidiary company	-
Cash paid	(5,000)
Net cash outflow	(5,000)

31. Investment in subsidiary companies (cont'd)

Acquisition of PT Sumalindo Lestari Jaya Tbk.

In June 2007, PT Sumber Graha Sejahtera acquired additional 1.09% interest in PT Sumalindo Lestari Jaya Tbk by purchase of issued warrant at the purchase consideration of Rp 46,891 million. Subsequently, in August 2007, PT Sumber Graha Sejahtera (SGS) acquired additional 21.44% interest in the issued share capital of PT Sumalindo Lestari Jaya Tbk (SULI) through the Jakarta Stock Exchange, at the purchase consideration of Rp 791,242 million. Following this acquisition, SGS ownership in SULI increased to 52.03%. As at 31 December 2007, SGS' ownership in SULI was 51.95%.

The carrying value of the identifiable assets and liabilities of PT Sumalindo Lestari Jaya Tbk. as at the date of acquisition were:

	2007 Rp'million
Property, plant and equipment	853,432
Biological assets	369,012
Deferred tax asset	100,241
Land use rights	36,970
Other non-current asset	47,365
Cash and cash equivalents	98,224
Trade and other receivables	60,744
Inventories	279,733
Prepayments	17,663
Advance to suppliers	66,682
Total assets	1,930,066
Trade and other payable	114,278
Obligation under capital lease	45,867
Taxes payable	1,710
Other liabilities	38,359
Short term bank loan	103,510
Long term borrowing (current portion)	59,845
Long term borrowing	724,366
Post-employment benefits	16,403
Deferred tax liabilities	89,940
Obligation under capital lease	59,386
Other non-current liabilities	3,970
Minority interest in subsidiary	33,282
Total liabilities	1,290,916
Net assets	639,150
Portion acquired by the Company (21.44% of net assets)	137,062
Goodwill arising on acquisition (Note 14)	654,180
Total consideration	791,242

31. Investment in subsidiary companies (cont'd)

Acquisition of PT Sumalindo Lestari Jaya Tbk. (cont'd)

The total cost of the combination was Rp 791,242 million, and was fully paid in cash.

	2007 Rp'million
Cash outflow on acquisition :	
Net cash acquired with the subsidiary company	98,224
Cash paid	(791,242)
Net cash outflow	(693,018)

32. Commitments and contingencies

Capital commitments

As of 31 December 2008, the Group had capital commitments amounting to Rp2,842 million (2007: Rp89,210 million).

Operating lease commitments

The Group has various operating lease agreements for the rental of office and land. Office leases have an average life of between 3 and 5 years and contain renewable options. As of 1 March 2007 the contract extends till 28 February 2013. Lease terms do not contain escalation clauses or contingent rentals and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Operating lease payments recognised in the profit and loss account for 2008 that were paid to this group amounted to Rp6,354 million and Rp15,013 million in 2007. Future minimum lease payments payable under non-cancellable operating leases as of 31 December 2008 and 2007 are as follows:

	Group	
	2008 Rp'million	**2007** Rp'million
Not later than one year	6,335	11,044
Later than one year but not later than five years	11,429	4,249
	17,764	15,293

33. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties.

	Group	
	2008	**2007**
	Rp'million	Rp'million
Hasan Holding Pte. Ltd.		
-Sales	27,064	5,455
-Purchases	9,881	6,215
Noah Shipping Pte Ltd		
-Freight charges	53,178	35,805
PT Bioforest Indonesia		
-Advancement	5,450	-
PT Pelayaran Nelly Dwi Putri		
-Freight charges	53,178	35,805

Hasan Holding Pte Ltd ,Noah Shipping Pte Ltd and PT Pelayaran Nelly Dwi Putri are wholly-owned by Sunarko family, who is related to a substantial shareholder of the Company.

	Group		Company	
	2008	**2007**	**2008**	**2007**
	Rp'million	Rp'million	Rp'million	Rp'million
First Goal International Ltd				
-Payable	110,365	-	110,365	-

First Goal International Ltd is controlled by Sampoerna family, who is related to a substantial shareholder of the Company.

Compensation to key management personnel

	Group	
	2008	**2007**
	Rp'million	Rp'million
Short-term benefits		
-Directors	15,001	6,825
-Executive officers	6,625	6,578

Compensation to key management personnel consist of salaries, bonus, and car allowance.

33. Related party disclosures (cont'd)

Operating lease commitments

Included within operating lease commitments in 2008 as disclosed in Note 32 is an amount payable for the office rental, to PT Buana Sakti, a company which is owned by the Sampoerna Group.

Included within operating lease commitments in 2007 as disclosed in Note 32 is an amount payable for the rental of land and buildings, to PT Balaraja Unggul Sejati, a group which is wholly owned by the Group's Chief Executive Officer, Mr Aris Sunarko @ Ko Tji Kim, Executive Director, Mr Koh Tji Kiong @ Amir Sunarko, and their respective associates. In July 2007, the Group entered into a sales and purchase binding agreement at a purchase price based on a valuation obtained from an independent property valuer. The group acquisition on these assets was completed in January 2008.

The total amount of operating lease payments recognised in the profit and loss account for the financial year 31 December 2008 and 2007 that were paid to these related parties amounted to Rp738 million and Rp17,735 million, respectively. The rental amounts paid were lower than the prevailing market rental rates for similar real property, and were not on an arm's length basis.

Future minimum lease payments payable under non-cancellable operating leases as of 31 December 2008 and 2007 to this group are as follows:

	Group	
	2008	**2007**
	Rp'million	Rp'million
Not later than one year	682	17,310
Later than one year but not later than five years	-	17,210
	682	34,520

Capital commitments with related parties

Included in the capital commitments in 2007 as disclosed in Note 32 are binding agreements that the Group has entered into, with its related parties, for the purchase of land and buildings. The purchase prices are based on valuations obtained from independent property valuers. The terms under which the Group purchased the land and buildings were negotiated on an arm's length basis. These commitments were realised by the Group in January 2008.

The capital commitments entered into with related parties as of the following dates are set out below:

	Group
	2007
	Rp'million
Land	11,009
Building	1,400
	12,409

33. Related party disclosures (cont'd)

Financial guarantee

The company had secured an interest-bearing bank borrowing for a subsidiary (Note 26 (i)).

34. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk, and liquidity risk. The Board of directors sets and reviews policies and procedures for the management of these risks, which are executed by the Chief Financial Officer, Head of Treasury and Head of Credit Control. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's short term bank borrowings, long-term borrowings and cash in bank.

The Group's policy is to manage its exposure to interest rate risks using a mix of fixed and variable rate borrowings. The objectives for the mix between fixed and variable rate borrowings are set to reduce the impact of an upward change in interest rate while enabling benefits to be enjoyed if interest rates fall.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Surplus funds are placed with reputable banks and financial institutions which generate interest income for the Group. Information relating to the Group's interest rate exposure is disclosed in Note 26.

34. Financial risk management objectives and policies (cont'd)

(a) *Interest rate risk (cont'd)*

Sensitivity analysis for interest rate risk

At the balance sheet date, if US$ interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's earnings in 2008 and in 2007 would have been Rp9,541 million and Rp13,556 million higher/lower respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(b) *Foreign currency risk*

Substantially all of the Group's export sales are denominated in US$. Products prices sold in domestic market are also influenced by the international prices of timber products which are denominated in US$.

The Group has practices that include the periodic review of the impact of movements in foreign exchange rates on profitability so that appropriate action is taken to mitigate these risks. The Group uses derivative financial instruments when it is available in the market to hedge foreign exchange exposure arising from US$ denominated loans. Derivative financial instrument require bank line which is quite often difficult for company operating in Indonesia given the limited risk appetite of the bank in providing US$/IDR swap facility. The Group does not use derivative financial instruments for trading or speculative purposes.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/ profit net of tax to a reasonably possible change in the Indonesian Rupiah exchange rates against US$, with all other variables held constant, of the Group's profit for the year and equity.

	Group	
	2008	**2007**
	Rp'million	Rp'million
	Loss net of tax (Increase)/ decrease	Profit net of tax Increase/ (decrease)
Strengthened 4%	54,828	42,265
Weakened 4%	(54,828)	(42,265)
Strengthened 8%	109,656	84,530
Weakened 8%	(109,656)	(84,530)
Strengthened 12%	164,483	126,796
Weakened 12%	(164,483)	(126,796)
Strengthened 16%	219,311	169,061
Weakened 16%	(219,311)	(169,061)

34. Financial risk management objectives and policies (cont'd)

(c) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should counterparty default on its obligations.

The Group's exposures to credit risk are primarily attributable to receivables and bank balances. It is the Group's policy to monitor the financial standing of these receivables on an on-going basis to ensure that the Group is exposed to minimal credit risk. Bank balances are placed with credit worthy financial institutions. More than 95% of the Group's customers have been loyal customers for more than 5 years with good credit standing. The Group adopts prudent credit risk assessment on new and existing customers by implementing 'know-your-customer' policy.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is Trade and other receivables (Note 20) and Advance to suppliers.

(d) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

The Group's exposure to liquidity and cash flow risk arise mainly from general funding and business activities. Its objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group adopts prudent liquidity risk management by maintaining sufficient cash balances.

As at balance sheet date, approximately 44% (2007: 27%) of the Group's loan and borrowings (Notes 25 and 26) will mature in less than one year based on the carrying amount reflected in the financial statement. To maintain the sufficient liquidity, management is currently looking at various fund raising options including some asset divestments of subsidiaries to improve liquidity. In addition, management is also negotiating with bankers to reschedule various financial obligations to ease the cash flow.

34. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk (cont'd)***

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to liquidity risk:

31 December 2008	Within 1 year Rp'million	1-2 Years Rp'million	2-3 years Rp'million	3-4 Years Rp'million	4-5 Years Rp'million	More than 5 years Rp'million	Total Rp'million
Notes payable	4,868	-	-	-	-	-	4,868
Cash and cash equivalents	157,186	-	-	-	-	-	157,186
Short term bank borrowings	416,162	-	-	-	-	-	416,162
Interest bearing bank borrowings	507,869	289,031	135,611	94,177	44,057	396,702	1,467,447
Obligations under finance lease	98,409	72,748	27,407	2,426	-	-	200,990
Reforestation fund payable	5,496	-	-	-	-	-	5,496

31 December 2007	Within 1 year Rp'million	1-2 Years Rp'million	2-3 years Rp'million	3-4 Years Rp'million	4-5 Years Rp'million	More than 5 years Rp'million	Total Rp'million
Notes payable	7,120	-	-	-	-	-	7,120
Cash and cash equivalents	172,867	-	-	-	-	-	172,867
Short term bank borrowings	324,917	-	-	-	-	-	324,917
Interest bearing bank borrowings	205,077	524,642	134,130	124,583	96,266	352,071	1,436,769
Obligations under finance lease	69,225	56,121	25,070	6,021	-	-	156,437
Reforestation fund payable	7,110	3,970	-	-	-	-	11,080
Customer financing loans	275	-	-	-	-	-	275

35. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's-length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amount of cash and cash equivalents, trade and other receivables, trade and other payable and current/short-term bank loans based on their nominal amounts, reasonably approximate their fair value because these are mostly short term in nature bear floating interest rates and are re-priced frequently.

Financial instruments carried at amounts other than fair values

The carrying amounts and fair values for financial instruments carried at amounts other than fair values are as disclosed in Notes 15 and 26(d) to the financial statements.

Unquoted shares stated at cost have no market prices and the fair value cannot be reliably measured using valuation techniques.

Methods and assumptions used to determine fair values

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned above, are as follows:

Financial assets and liabilities	***Methods and assumptions***
▪ Other receivables (non-current) ▪ Bank loans (non-current)	Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending and borrowing arrangements.

35. Fair value of financial instruments (cont'd)

Set out below is a comparison by category of carrying amounts of all the Group's financial statements that are carried in the financial statements:

Group

	2008				
	Loan & Receivable	Available for sale asset	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
Property, plant and equipment	-	-	-	2,180,785	2,180,785
Intangible assets	-	-	-	41,791	41,791
Goodwill	-	-	-	619,992	619,992
Biological assets	-	-	-	403,219	403,219
Land use rights	-	-	-	101,625	101,625
Deferred tax assets	-	-	-	177,068	177,068
Other non-current assets	-	-	-	83,090	83,090
Inventories	-	-	-	540,233	540,233
Trade and other receivables	1,749	-	-	166,344	168,093
Prepaid operating expenses	-	-	-	46,874	46,874
Advances to suppliers	-	-	-	179,296	179,296
Derivative financial instrument	-	-	-	15,959	15,959
Cash and cash equivalents	157,186	-	-	-	157,186
Restricted deposits	110,390	-	-	-	110,390
Trade and other payable	-	-	436,087	965	437,052
Other liabilities	-	-	112,065	180,649	292,714
Derivatives financial instruments	-	-	-	32,476	32,476
Provision for taxation	-	-	-	22,479	22,479
Short term bank borrowings	-	-	416,162	-	416,162
Long term borrowings (current portion)	-	-	616,642	-	616,642
Long term borrowings	-	-	1,062,159	-	1,062,159
Post-employment benefits	-	-	-	54,434	54,434
Deferred tax liabilities	-	-	-	91,195	91,195
Other liabilities	-	-	-	202,860	202,860

35. Fair value of financial instruments (cont'd)

Group

	2007				
	Loan & Receivable	**Available for sale asset**	**Liabilities at amortised cost**	**Non-financial assets/ liabilities**	**Total**
Property, plant and equipment	-	-	-	1,877,722	1,877,722
Intangible assets	-	-	-	41,655	41,655
Goodwill	-	-	-	841,103	841,103
Biological assets	-	-	-	412,403	412,403
Land use rights	-	-	-	66,197	66,197
Deferred tax assets	-	-	-	181,548	181,548
Other non-current assets	-	-	-	52,171	52,171
Inventories	-	-	-	582,605	582,605
Trade and other receivables	697	-	-	157,869	158,566
Prepaid operating expenses	-	-	-	160,814	160,814
Advances to suppliers	-	-	-	186,031	186,031
Cash and cash equivalents	172,867	-	-	-	172,867
Trade and other payable	-	-	233,821	2,443	236,264
Other liabilities	-	-	126,121	100,828	226,949
Derivatives financial instruments	-	-	-	1,269	1,269
Provision for taxation	-	-	-	40,323	40,323
Short term bank borrowings	-	-	324,917	-	324,917
Long term borrowings (current portion)	-	-	288,807	-	288,807
Long term borrowings	-	-	1,322,874	-	1,322,874
Post-employment benefits	-	-	-	44,894	44,894
Deferred tax liabilities	-	-	-	132,331	132,331
Other liabilities	-	-	-	202,860	202,860

35. Fair value of financial instruments (cont'd)

Company

			2008		
	Loan & Receivable	Available for sale asset	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
Property, plant and equipment	-	-	-	1,308	1,308
Investment in subsidiary companies	-	-	-	544,528	544,528
Other non-current assets	-	-	-	196	196
Trade and other receivables	790,115	-	-	-	790,115
Prepaid operating expenses	-	-	-	49	49
Cash and cash equivalents	16,181	-	-	-	16,181
Restricted deposits	110,390	-	-	-	110,390
Trade and other payable	-	-	-	110,546	110,546
Other liabilities	-	-	-	666	666
Short term borrowing	-	-	54,750	-	54,750
Long term borrowings (current portion)	-	-	117,051	-	117,051

			2007		
	Loan & Receivable	Available for sale asset	Liabilities at amortised cost	Non-financial assets/ liabilities	Total
Property, plant and equipment	-	-	-	534	534
Investment in subsidiary companies	-	-	-	1,290,693	1,290,693
Trade and other receivables	256,798	-	-	-	256,798
Prepaid operating expenses	-	-	-	16,988	16,988
Advances to suppliers	-	-	-	41	41
Cash and cash equivalents	10,278	-	-	-	10,278
Trade and other payable	-	-	3,683	-	3,683
Long term borrowings	-	-	310,827	-	310,827

36. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 50% and 75%. The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less the restructuring reserves.

	Group	
Description	**2008 Rp'million**	**2007 Rp'million**
Loans and borrowings (Notes 25 and 26)	2,094,963	1,936,598
Trade and other payable (Note 23)	437,052	236,264
Other liabilities (Note 24)	292,714	226,949
Less: cash and cash equivalents (Note 21)	(157,186)	(172,867)
Less: restricted deposits (Note 22)	(110,390)	-
Net debt	2,557,153	2,226,944
Equity attributable to the equity holders of the parent	1,317,520	1,507,609
Less : restructuring reserve	(309,050)	(309,050)
Total capital	1,008,470	1,198,559
Capital and net debt	3,565,623	3,425,503
Gearing ratio	72%	65%

37. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risk and rates of return are affected predominantly by differences in the products produced. The secondary segment is reported geographically. The operating businesses are organised and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products, and serves different markets.

Business segments

Primary processed timber products segment includes primary plywood, laminated veneer lumber, medium density fibre board, piano parts and logs.

Secondary processed timber products segment includes processed plywood such as film-faced plywood, fancy plywood, paper overlay plywood and truck bodies.

Chemical glue segment includes urea formaldehyde resin, melamine formaldehyde resin and phenol formaldehyde resin.

Geographical segments

Sales to external customers disclosed in geographical segments are based on the geographical location of the customers.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, finance income, investment in associate, interest-bearing loans and related expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenues, segment expenses and results include transfers between business segments. Those transfers are eliminated on consolidation.

37. **Segment information (cont'd)**

(a) ***Business segments***

The following table presents revenue and results information regarding the Group's business segments for the financial year ended 31 December 2008 and 2007:

Year ended 31 December 2008	**Primary processed timber products** Rp'million	**Secondary processed timber products** Rp'million	**Chemical glue** Rp'million	**Elimination** Rp'million	**Total** Rp'million
Revenue:					
Sales to external customers	2,998,366	196,978	14,195	-	3,209,539
Inter-segment sales	-	-	47,212	(47,212)	-
Total sales	2,998,366	196,978	61,407	(47,212)	3,209,539
Results:					
Segment results	(78,191)	(12,692)	2,835	(2,180)	(90,228)
Other expense – segment	(454,404)	(10,423)	(173)	-	(465,000)
Other expense – unallocated					(350,625)
Other income					55,633
Finance expense					(179,948)
Finance income					3,603
Loss before tax					(1,026,565)
Taxation					31,370
Loss for the year					(995,195)
Assets and liabilities as at 31 December 2008:					
Segment assets	7,228,339	152,317	63,215	(2,795,338)	4,648,533
Deferred tax assets					177,068
Total assets					4,825,601
Segment liabilities	3,020,366	38,036	16,711	(2,055,577)	1,019,536
Provision for taxation					22,479
Short term and long term borrowings					2,094,963
Deferred tax liabilities					91,195
Total liabilities					3,228,173
Other segment information :					
Depreciation	188,022	3,934	4,703	14,968	211,627
Amortisation of deferred losses on sale and leaseback	438	-	-	-	438
Amortisation of land use rights	5,525	274	24	-	5,823
Post employment benefits expense	16,453	(188)	31	-	16,296
Capital expenditure on property, plant and equipment	558,930	3,140	-	(65,339)	496,731
Loss arising from fair value of biological asset	35,024	-	-	-	35,024

37. Segment information (cont'd)

(a) ***Business segments (cont'd)***

Year ended 31 December 2007	**Primary processed timber products** Rp'million	**Secondary processed timber products** Rp'million	**Chemical glue** Rp'million	**Elimination** Rp'million	**Total** Rp'million
Revenue:					
Sales to external customers	2,069,741	238,900	6,477	-	2,315,118
Inter-segment sales	-	-	65,313	(65,313)	-
Total sales	2,069,741	238,900	71,790	(65,313)	2,315,118
Results:					
Segment results	179,613	11,224	6,233	(2,610)	194,460
Other expense					(52,767)
Other income					35,960
Finance expense					(142,451)
Finance income					5,950
Share of results in associate					27,736
Profit before tax					68,888
Taxation					(13,481)
Profit for the year					55,407
Assets and liabilities as at 31 December 2007:					
Segment assets	4,373,079	220,257	80,866	(122,068)	4,552,134
Deferred tax assets					181,548
Total assets					4,733,682
Segment liabilities	681,921	110,489	38,637	(118,811)	712,236
Provision for taxation					40,323
Short term and long term borrowings					1,936,598
Deferred tax liabilities					132,331
Total liabilities					2,821,488
Other segment information :					
Depreciation	102,798	3,599	4,758	(1,338)	109,817
Amortisation of deferred losses on sale and leaseback	704	-	-	-	704
Amortisation of land use rights	4,081	274	24	-	4,379
Post employment benefits expense	12,485	526	41	-	13,052
Capital expenditure on property, plant and equipment	455,994	653	9	-	456,656
Gain arising from fair value of biological asset	24,825	-	-	-	24,825

37. Segment information (cont'd)

(b) ***Geographical segments***

All of the Group's assets are located in Indonesia, other than Rp128,981 million (2007: Rp28,955 million) of assets located in Singapore.

The following table presents revenue information regarding the Group's geographical segments for years ended 31 December:

Region	**2008** Rp'million	**2007** Rp'million
Indonesia	2,154,546	1,543,083
North Asia	471,198	459,965
Europe	158,520	77,358
United States of America	129,609	55,437
Middle East	110,606	121,057
Others	185,060	58,218
	3,209,539	2,315,118

38. Industry condition of the subsidiaries

The operations of the Company's subsidiaries may be affected by future economic conditions in Indonesia that may contribute to volatility in currency values and negatively impact economic growth. Economic improvements and sustained recovery are dependent upon several factors, such as fiscal and monetary actions being undertaken by the Indonesia Government and others actions that are beyond the control of the Group.

The Group experienced higher cost of production due to weather uncertainty in the last quarter of the year that has caused logs delivery disruption in certain subsidiaries. The cost of production has increased while the selling price is determined by the competitive market. The loss from the business' activities of the Subsidiaries in Indonesia plus the costs of financing activities and effects of foreign exchange continued to increase, thereby generating net loss of Rp995,195 million in 2008.

In addition, certain of the Company's subsidiaries, are either in breach of certain financial covenants and/or in payment default. Management is currently negotiating with the bankers to reschedule the loan repayments. Up to this report date, the processes are on-going.

38. Industry condition of the subsidiaries (cont'd)

In response to the industry condition, the Group has implemented and will continue to implement the following measures:

- Capture a greater market share in Indonesia with the Group's competitive strengths to sustain market leadership and capitalise on growth opportunities in Asia
- Set up measures to control costs and enhance production efficiency
- Expand into upstream and downstream segments of the value chain to enhance margins
- Improve the Group's liquidity and build on the strong balance sheet at the same time including rescheduling of its current maturity debts and various fund raising options including some asset divestments of our subsidiaries
- Manage cash flow to sustain current working capital facilities and maintain the required working capital necessary to keep operations going and meet all financial obligations
- Improve the system, procedures and policies to achieve optimum results

The Group believes that, as the leading timber processing company in Indonesia, the Group will be in a better position to withstand the current economic challenges and ride out the crisis.

39. Event Occurring After the Balance Sheet Date

- On 22 January 2009, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 18% to 17% with effect from year of assessment 2010. In accordance with FRS 12, Income tax and FRS 10 Event after the balance sheet date, this is a non-adjusting event and the financial effect of the reduction tax rate will be reflected in the 31 December 2009 financial statement.

- Due to the financial difficulties and as part of the group's overall loan rescheduling currently in negotiation with all its creditors, a subsidiary has unilaterally reduced its principal instalment to a bank in February 2009. The bank disagreed with the payment and has subsequently issued a notification letter to the respective subsidiary in March 2009. And as at the issue date of these financial statements the bank has not asked for any acceleration on the loan. Management has commenced rescheduling negotiation for its principal with its lender and as of the date the financial statements are authorised for issue, the renegotiation is still in progress. The amount outstanding for this loan at 31 December 2008 is Rp43,800 million.

40. Authorisation of Financial Statements for Issue

The financial statements for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 31 March 2009.

SHAREHOLDERS' INFORMATION

As at 18 March 2009

Class of equity securities	Number of equity securities	Voting Rights
Ordinary Shares	898,162,562	One vote per share

There are no treasury shares held in the issued share capital of the Company

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings		Number of Shareholders	%	Number of Shares	%
1	– 999	0	0.00	0	0.00
1,000	– 10,000	603	66.19	2,705,000	0.30
10,001	– 1,000,000	289	31.72	35,583,000	3.96
1,000,001	and above	19	2.09	859,874,562	95.74
Total:		911	100.00	898,162,562	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
SGSS Forest Products Pte Ltd (1)	367,174,692	40.88	–	–
Aris Sunarko @ Ko Tji Kim (1)	8,000,000	0.89	367,174,692	40.88
Koh Tji Kiong @ Amir Sunarko (1)	–	–	367,174,692	40.88
Piniaty Liawanto (1)	–	–	367,174,692	40.88
Sampoerna Forestry Limited	355,974,870	39.63	–	–

Notes:

(1) Mr Aris Sunarko @ Ko Tji Kim and his brother, Mr Koh Tji Kiong @ Amir Sunarko, and their sister-in-law, Ms Piniaty Liawanto, who each own one third of the issued share capital of SGSS Forest Products Pte Ltd ("SGSS"). Mr Aris Sunarko @ Ko Tji Kim and Mr Koh Tji Kiong @ Amir Sunarko and Ms Piniaty Liawanto are deemed to be interested in the shares held by SGSS.

SHAREHOLDERS' INFORMATION

As at 18 March 2009

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	UOB KAY HIAN PTE LTD	662,893,562	73.81
2.	CIMB-GK SECURITIES PTE. LTD.	50,170,000	5.59
3.	CITIBANK NOMINEES S'PORE PTE LTD	45,412,000	5.06
4.	SGSS FOREST PRODUCTS PTE LTD	33,981,000	3.78
5.	HSBC (SINGAPORE) NOMINEES PTE LTD	17,295,000	1.93
6.	GOH KIM TECK	16,115,000	1.79
7.	DBS NOMINEES PTE LTD	8,001,000	0.89
8.	DBS VICKERS SECURITIES (S) PTE LTD	4,342,000	0.48
9.	NATALIA TANWIR TAN	3,904,000	0.43
10.	KIM ENG SECURITIES PTE. LTD.	2,805,000	0.31
11.	AVVENTURA HOLDINGS LIMITED	2,577,000	0.29
12.	NG KHIM GUAN @ NGADIMIN	2,300,000	0.26
13.	DANIEL BUDIMAN	1,600,000	0.18
14.	LEE EE SIN	1,600,000	0.18
15.	ROYAL BANK OF CANADA (ASIA) LTD	1,600,000	0.18
16.	OCBC SECURITIES PRIVATE LTD	1,528,000	0.17
17.	THOR SOON HOCK	1,300,000	0.14
18.	TJAHYA TJUGIARTO	1,260,000	0.14
19.	PHILLIP SECURITIES PTE LTD	1,191,000	0.13
20.	CHYE CHIA CHOW	943,000	0.10
	Total:	860,817,562	95.84

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

18.33% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

SAMKO TIMBER LIMITED

(Company Registration No.: 200517815M)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Samko Timber Limited ("the Company") will be held at Parkroyal on Beach Road, Singapore, Marina Victoria Room, Level 4, 7500A Beach Road, Singapore 199591, on Saturday, 25 April 2009, at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2008 together with the Auditors' Report thereon. (Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Article 94 of the Articles of Association of the Company:

   Mr Eka Dharmajanto Kasih (Resolution 2)
   Mr Ali Gunawan Budiman (Resolution 3)
   Mr Michael Joseph Sampoerna (Resolution 4)

   Messrs Eka Dharmajanto Kasih and Michael Joseph Sampoerna will, upon re-election as the Directors of the Company, remain as the Non-Executive Directors of the Company and will be considered non-independent.

   Mr Ali Gunawan Budiman will, upon re-election as a Director of the Company, remain as the Executive Director of the Company and will be considered non-independent.

3. To re-appoint Mr Koh Boon Hong, a director of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.
   [See Explanatory Note (i)] (Resolution 5)

   Mr Koh will, upon re-appointment as a Director of the Company, remain as the Non-Executive Chairman of the Company and will be considered non-independent.

4. To approve the payment of Directors' fees of S$175,000 for the year ending 31 December 2009, payable quarterly in arrears. (2008: S$175,000) (Resolution 6)

5. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. (Resolution 7)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding and subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) the 50% limit in sub-paragraph (1) above may be increased to 100% for the Company to undertake pro-rata renounceable rights issues;

(4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(5) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Yeo Poh Noi Caroline
Secretary
Singapore, 9 April 2009

Explanatory Notes:

(i) The effect of the Ordinary Resolution 5 proposed in item 3 above, is to re-appoint a director of the Company who is over 70 years of age.

(ii) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders. The 50% limit referred to in the preceding sentence may be increased to 100% for the Company to undertake pro-rata renounceable rights issues.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

The 100% renounceable pro-rata rights issue limit is one of the new measures implemented by the SGX-ST as stated in a press release entitled “SGX introduces further measures to facilitate fund raising” dated 19 February 2009 and which became effective on 20 February 2009. It will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders’ approval, in the event the need arises. Minority shareholders’ interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 7500A Beach Road, #14-308/312 The Plaza, Singapore 199591, not less than forty-eight (48) hours before the time appointed for holding the Meeting.

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SAMKO TIMBER LIMITED
(Company Registration No.: 200517815M)
(Incorporated in the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of **Samko Timber Limited** (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 25 April 2008 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2008		
2	Re-election of Mr Eka Dharmajanto Kasih as a Director		
3	Re-election of Mr Ali Gunawan Budiman as a Director		
4	Re-election of Mr Michael Joseph Sampoerna as a Director		
5	Re-appointment of Mr Koh Boon Hong as a Director		
6	Approval of Directors' fees amounting to S$175,000 for the year ending 31 December 2009		
7	Re-appointment of Ernst & Young LLP as Auditors		
8	Authority to issue shares		

Dated this ____________ day of ________________ 2009

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 7500A Beach Road, #14-308/312 The Plaza, Singapore 199591, not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Chairman:
Koh Boon Hong

Executive Directors:
Aris Sunarko @ Ko Tji Kim
(Chief Executive Officer)
Koh Tji Kiong @ Amir Sunarko
Ali Gunawan Budiman

Non-Executive Directors:
Michael Joseph Sampoerna
(Non-Independent)
Eka Dharmajanto Kasih
(Non-Independent)
Ng Cher Yan
(Independent)
Sim Idrus Munandar
(Independent)
Wee Ewe Lay Laurence John
(Independent)

AUDIT COMMITTEE
Ng Cher Yan (Chairman)
Sim Idrus Munandar
Wee Ewe Lay Laurence John

NOMINATION COMMITTEE
Sim Idrus Munandar (Chairman)
Ng Cher Yan
Wee Ewe Lay Laurence John

REMUNERATION COMMITEE
Wee Ewe Lay Laurence John
(Chairman)
Ng Cher Yan
Sim Idrus Munandar

SECRETARY
Yeo Poh Noi Caroline

REGISTERED OFFICE
7500A Beach Road
#14-308/312 The Plaza
Singapore 199591
Tel : 6298 2189
Fax : 6298 2187

SHARE REGISTRAR
Boardroom Corporate &
Advisory Services Pte. Ltd.
3 Church Street #08-01
Samsung Hub
Singapore 049483
Tel : 6536 5355
Fax : 6536 1360

AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE
Yee Woon Yim
Date of Appointment:
24 August 2007

SOLE GLOBAL COORDINATOR, BOOKRUNNER, ISSUE MANAGER AND UNDERWRITER
Credit Suisse (Singapore) Limited is the Sole Global Coordinator, Bookrunner, Issue Manager and Underwriter for the initial public offering of shares in Samko Timber Limited.

Samko Timber Limited
7500A Beach Road #14-308/312
The Plaza, Singapore 199591
Tel: 6298 2189
Fax: 6298 2187

Company Registration No. 200517815M

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