ANNUAL REPORT 2010

Sustaining Recovery accros the Archipelago :

Coordinating Intelligent Growth

Ramayana

Daftar Isi

Vision

As a retail chain company committed to serving the daily needs of the low-to-middle income segment, we shall provide a wide range of value-for-money merchandise, offered with attentive customer service.

Mission

We shall maintain our position in our sector as Indonesia's biggest retailer with the best returns, through controlling costs, upgrading customer service, developing human resources and sustaining beneficial relationships with our business associates. Our objective is to maximize shareholder value.

Ramayana Panam, Sumatera,
Grand Opening 1 December 2010

Grand Opening

PT Ramayana Lestari Sentosa Tbk. began modestly, with a store opened in Jalan Sabang, near Sarinah Department Store, in 1978. Seven years later the proprietors opened the first store outside the Greater Jakarta region, in Bandung, West Java. This outlet featured accessories, shoes and handbags, and by 1989 there were thirteen stores, staffed by some 2500 employees, selling toys, stationery and housewares, in addition to the main clothing lines.

Careful planning and expansion led to the opening of a "Destination Store" in 1994, featuring one-stop shopping. By this time the Company had grown to thirty-five stores, all in the heavily populated Javanese market.

It was time to share prosperity and opportunity with the public, so an IPO was held in 1996, by which time Ramayana had become the dominant retail chain in its target areas.

A year later a store was opened in Bali, and in 1999 Bandar Lampung hosted Sumatra's first outlet. Year by year this success cascaded into store openings in other parts of the archipelago, including Banjarmasin, South Kalimantan, and Ujung Pandang (now Makassar) in Sulawesi.

As Indonesia recovered from the economic crisis of 1998, largely on the back of robust consumer spending (and a steady stream of foreign remittances from the several million Indonesians working abroad), Ramayana flourished; in 2010 it opened a supermarket outlet, with electronics, read-to-eat foods and a wider selection of perishables. Six new stores were also opened during the year, bringing the total number of outlets to 106, in 52 urban centres throughout the archipelago.

The Company's key merchandise continues to be clothing, accessories and other fashion goods, shoes, toys, household items, stationery and foodstuffs.

Ramayana continue to provide latest trends and styles in clothing's and accessories for its middle-low to low-end market at competitive prices, in spite of a continuing squeeze on the disposable income of the average consumer.

In the continuing quest to follow trends and exploit opportunities ahead of competition (actual or potential), new retail outlets are opened in promising areas, and poor performers are shut down in others.

Ramayana closely monitors shifting economic, social and market conditions, and adjusts its planning accordingly.

2010 in Review at Ramayana

Ramayana Padang, Sumatera,
Re- Opening 1 Apr.2010

Award for the Year

- Ramayana was selected for inclusion in the 2010-2010 Superbrands, described as "…an independent arbiter on branding. Its membership programmes pay tribute to the world's leading brands, as selected by experts and consumers. The organization also publishes a series of brand-focused books and publications. Superbrands has launched its programs in many key global markets and has publications inover 80 countries".

2010 was a year of modest recovery, following the disappointing returns of 2009 - the result of the global financial disaster of 2009. The Indonesian economy, fortunately relatively unaffected by the lingering crisis, continued to pick up, with consumer confidence evidenced by steady spending of disposable income. While inflation was of continuing concern, and a potential downturn in the export labour market for Indonesia, good commodity prices, particularly in the outlying regions of the archipelago, were an optimistic sign for Ramayana.

Ramayana Cinere, Greater Jakarta, Grand Opening 29 Apr.2010

- Ramayana reports moderately healthy results in 2010, bettering those of the previous year
- Operates a record 106 stores in 52 major cities across the Indonesian archipelago
- Paid out 53 % of net profits to shareholders in 2010
- Experience shows that Ramayana customers will opt for a lower substitute if the price of an item is raised - we are forced to offer lower price point items
- Consumers sustain modest economic growth, as commodities like palm oil spread prosperity in the outer islands
- 2010 legislative and Presidential elections boosted domestic consumption as well
- Energy, mining and agriculture sectors contribute to growth as well
- Overseas workers' remittances come to Indonesia from Singapore, Malaysia and the Arab states: these moneys are often spent at Ramayana
- The continued reluctance of FDI players to enter Indonesia, the spectre of inflation and sluggish urban economic performance held us back from full recovery.

Financial Highlights Ramayana 2010

Revenue and profit levels for the Company in 2010 were considerably stronger than those for the previous year, which was the worst in our history - the result of the crash on Wall Street and financial markets around the globe. This fortunately had little direct effect on Indonesia, though there was a "knock-on" from lower demand for the nation's exports.

GDP, which had collapsed to 4.5% in 2009 (from 6.1% the previous year), recovered somewhat, to an estimated 5.8% as of end-2010. Sluggish exports were felt most acutely by subcontracted, casual and temporary workers suffering declining wages. Tight credit also prevented SMEs from taking up the slack in soft exports.

Depressed wages and the squeeze on discretionary spending affect the economic capability of lower- to lower-middle-class Indonesians, and these people have been experiencing considerable difficulty in the past year, with steadily rising inflation and unemployment / underemployment (particularly in major urban centres). Ramayana's sales depend on disposable consumer income, and for millions of ordinary people simple survival was the key concern of their lives: salaries and other income simply did not keep up with rising prices for staple goods.

Some 46% of our operations are in regional centres of Indonesia, a conscious policy decision to move our "bricks and mortar" operations outward across the archipelago. Other retailers concentrating on volume and turnover had traditionally focused on the Greater Jakarta (DKI) and other major urban areas in Java/Bali, Ramayana sees the advantage of being the first to move into booming regional centres. New malls and shopping centres have been opening in a number of secondary cities across the archipelago, and there is heightened consumer potential in cities in Sumatra, Kalimantan, and Sulawesi.

We present here below a brief Financial Summary for the year, for our many partners and counterparts.

Financial Highlights Ramayana 2010

Net Sales

in Million Rp

2010

6,060,411

Year	Net Sales
2010	6,060,411
2009	5,458,755
2008	5,526,247
2007	4,892,649
2006	4,478,223

	2008	2009	2010
GDP Growth (percent)	6.1	4.5	5.8

Financial Ratio	2010	2009	2008	2007	2006
Gross Margin	27.37%	27.0%	27.6%	27.1%	27.5%
Operating Profit Margin	6.11%	6.7%	7.5%	7.5%	8.0%
Pre-tax Margin	6.80%	7.4%	9.4%	9.6%	8.9%
Net Profit Margin	5.85%	6.1%	7.8%	7.5%	7.0%
Return On Equity	13.23%	13.5%	18.5%	17.0%	16.1%
Current Ratio	2.9	3.0	3.0	2.9	3.2
Profit/Loss					in million Rp
Net Sales	6,060,411	5,458,755	5,526,247	4,892,649	4,478,223
Gross Profit	1,656,891	1,471,370	1,523,969	1,324,117	1,229,429
Operating Profit	370,380	366,545	416,603	367,519	357,140
Income Income Before Tax	411,827	404,123	521,173	467,648	400,548
Net Profit	354,752	334,763	429,747	366,809	312,552
Earning per Share (Rp)	50	47	61	52	44
Balance Sheet					in million Rp
Current Assets	1,940,365	1,868,106	1,706,046	1,836,007	1,499,365
Non Current Assets	1,545,617	1,341,104	1,298,013	1,049,589	1,028,557
Total Assets	3,485,982	3,209,210	3,004,059	2,885,596	2,527,942
Current Liabilities	680,772	626,179	571,928	625,693	474,855
Non Current Liabilities	124,774	110,413	104,643	105,923	107,489
Shareholders' Equity	2,680,436	2,472,618	2,327,488	2,153,980	1,945,598
Outstanding Shares (000)	7,096,000,00	7,064,000,00	7,064,000,00	7,064,000,00	7,032,000,00

Financial Highlights Ramayana 2010

Net Profit

in Million Rp

2010

354,752

2010	354,752
2009	334,763
2008	429,747
2007	366,809
2006	312,552

Financial Highlights Ramayana 2010

Total Assets

in Million Rp

2010

3,485,982

2010	3,485,982
2009	3,209,210
2008	3,004,059
2007	2,885,596
2006	2,572,942

A Message from the Company Chairman

PAULUS TUMEWU
Presiden Komisaris

The key to our success is, as ever, affordable prices for reasonable quality, strong in-store and external promotions and speedy adaptation to the latest fashions from all over the world. Consumers also appreciate the friendly quality service they are sure to receive at Ramayana.

On behalf of the Management and staff of PT Ramayana Lestari Sentosa Tbk.

I present this 2010 Annual Report for your consideration and approval.

Ramayana is a good corporate citizen, and is proud to have taken part in the growth and development of our nation.

We employ thousands, and work with thousands more as suppliers and other business partners; through our efforts to present for sale inexpensive quality merchandise we serve the household needs of millions of average Indonesians and their families. These are people who aspire to a higher and healthier standard of life, and we pray they will achieve it.

I would like to report to all stakeholders that while 2010 was not as poor a year as 2009, following the global crisis, we must still struggle to raise sales and profits, while maintaining strict control of costs. Our customer base finds it difficult to shop in an era of inflationary pressures, and shrinking disposable income.

The Ramayana name continues to stand prominently in the national pantheon, and we can say that we have beaten the competition, at least for the present, and particularly in those regional capitals across the archipelago where we are a pioneering retailer. Getting in first has been a gamble, but it has paid off with secured market share, where nearly half our operations are concentrated today.

2010 was a year of struggle toward recovery across the world, as the aftershocks of the economic crash of 2008 continued to be felt – and manifested social and political effects which continue today. While higher prices for many staple goods result in less disposable income, a factor that can dampen sales, this is offset by strong markets everywhere for commodities such as coal, metals, palm oil and rubber, which has brought a flood of relative prosperity to millions of Indonesians living and working in these industries.

On-year inflation continues to be of concern, as it can snowball, and the spectre of soaring oil prices will also exert a negative effect on trade worldwide. Indonesia continues to import many of its vital needs, and as a major exporter, needs to be alert and responsive to these challenges.

We should recognize the efforts of the Government of Indonesia to alleviate hardship through its 2009 stimulus package, through which some Rp. 73.3 Trillion was to be disbursed for tax rebates, infrastructure development and direct poverty alleviation.

Ramayana sales benefited from the four billion dollar remittances sent home by overseas workers, much of which qualifies as disposable income, and goes toward clothing and similar purchases.

The Company expects that continued prosperity will follow FDI in commodities and their export, and is dedicated to continuing its expansion with new stores in the outer islands.

Growth of sales in Sumatra, Kalimantan and Sulawesi rose 9.1%, for a 46% contribution in 2010, compared to a sales contribution of 43% in 2009. Note that figures for 2010 were better than they should have been, as the first ten months of 2008 yielded spectacular performance – and then there was the crash. Projected energy developments, mining and plantation expansion will, it is hoped, generate more sales for the Company in the regions.

Ramayana remains a zero-debt Company, and would like to remind all that we continued to prosper and expand throughout the difficult economic crises of 1998, 2002 and 2008. This has allowed us to post a net profit of Rp. 354.8 Billion, in spite of rising materials and operating costs.

The key to our success is, as ever, affordable prices for reasonable quality, strong in-store and external promotions and speedy adaptation to the latest fashions from all over the world. Consumers also appreciate the friendly quality service they are sure to receive at Ramayana.

All of us look forward to a stable and prosperous future, with smooth political continuity and the implementation of a strong rule of law – which will attract foreign direct investment more surely than any other measure.

In this regard it is important to stress our own commitment to transparency, good governance and openness in managerial policy. Our numerous awards, some featured in this Report, are ample evidence of this philosophy.

When investors are more willing to put their money into Indonesia, new infrastructure projects will follow, and this will lead to a favourable “domino effect” giving wage earners and their families more disposable income to spend at Ramayana.

In conclusion, I wish to express our sincere gratitude to all stakeholders, particularly to our valued shareholders, the family of employees, our partner suppliers and of course to the millions of customers who have made Ramayana what it is today.

With this continuity, and your continued trust and support, we expect all to benefit from our continuity of good results in years to come, returning superior value to all Indonesians.

The Report of the Boards of Directors

Gantang Nitipranatio | Suryanto | M Iqbal | Koh Boon Kim | Kismanto | Agus Makmur | Setyadi Surya

The Board maintains an optimistic outlook for the coming year. Oil & gas, mining, low-tech manufacturing and agribusiness sectors continue to move ahead, with both healthy domestic business and steady export markets. Commodities are doing quite well on the exchanges of the world.

The Board of Directors welcomes the readers of this Annual Report and sends our appreciation for their interest and support, through difficult times as well as prosperous ones.

Results were satisfactory in 2010, improving somewhat over those of 2010, when both revenue and profits showed acute declines, following the global economic crisis of the preceding year.

Political and economic stability and a level Indonesian Rupiah exchange rate over the year were favourable signs. The readiness of consumers to purchase everyday items of clothing, footwear and foodstuffs was subdued by inflationary pressures, which have proven difficult to control (even without any sharp spur of higher oil prices, which remained depressed during the crisis period).

Many lower- and lower-middle-class Indonesians also found that they had less disposable income to spend at Ramayana because of steadily riding prices for transport, electricity, basic food items and other staple goods.

In spite of all these difficulties, however, Ramayana still stayed far ahead of the competition, booking a 11% increase in net sales, opening 6 new stores, including re-open Padang Store after the earthquake on October 2009, and cutting our losses by closing 5 unprofitable outlets.

Thus, by end-2010, Ramayana was able to maintain its strong retailing stance, operating 106 stores in 52 urban centres across the Indonesian archipelago. We are still the market leader by far across the nation in our segment, and one of the largest department store operators.

The Board maintains an optimistic outlook for the coming year. Oil & gas, mining, low-tech manufacturing and agribusiness sectors continue to move ahead, with both healthy domestic business and steady export markets. Commodities are doing quite well on the exchanges of the world.

Remittances from overseas workers also find their way to Ramayana, and these increased, as Indonesian workers in Malaysia, Hong Kong, Taiwan and the Middle East sent dollars to their families back home.

We would like to applaud the Government of Indonesia for doing its part to spur economic recovery through such moves as the 2009 stimulus package. Without the assurance of gainful employment at a fair wage, social and political stability cannot be maintained. Average same store sales were 7.9% in 2010, and in spite of our strict cost control efforts operational costs continued to rise. Operating expenses were still limited to 21.25% of sales, and our operating margin was at 6.1% as of end-2010.

Net margin was recorded at 5.85% and net income at IDR354.8 Billion, some 6% higher than the figure for 2009.

Total cash and short-term investment for 2010 stood at IDR1,086 Billion, and Ramayana still remained quite liquid and debt-free, as it has been now for some eleven years running.

Looking to 2011 and beyond, Ramayana intends to continue its policy of intelligent development and opening of new retail outlets, with a new emphasis on commercial possibilities in the outer islands. We are determined to continue to sell quality products at affordable prices, and look to our proven efficiency and cost-awareness to maintain good margins.

On behalf of the Board of Directors, we would like to offer our grateful thanks and acknowledge the diligent efforts of all stakeholders, including our management and staff, long-term suppliers, customer base, community neighbours, government officials and all others who depend on Ramayana to be a good business partner.

We look forward to another profitable year with prudent expansion and development.

Ramayana Padang, Sumatera
Re - Opening 1 April 2010

Ramayana Panam, Sumatera
Grand Opening 1 December 2010

Best Quality and value for money

Fresh Products Everyday, Supporting Local Supplier

Operation's and Merchandising

Ramayana Panam, Sumatera, Grand Opening 1 December 2010

While Ramayana remains committed to providing quality merchandise for lower- and lower-middle-class Indonesian consumers across the archipelago, the huge forces shifting wealth and threatening stability across the world – considerably less acutely here in Indonesia, fortunately – do not inspire an adventuresome attitude in business.

It was thus wiser to pursue a policy of cautious expansion and severe cost control.

Our product mix & display strategy is designed for easy customer access & appealing, popular style: several times a year Ramayana buyers visit major Asian capitals to study trends in fashion.

Ramayana Panam, Sumatera,
Grand Opening 1 December 2010

There were no major changes of policy or direction in 2010, after the erratic performance of the world economy over the past couple of years we assumed a prudent wait-and-see stance.

Ramayana suppliers play a key role in this process, and we consult with them on an ongoing basis: most have dealt with us over a number of years, and we have a deep understanding of one another. They can also help to keep us abreast of the latest tastes and trends, and will do their best to assist us in our core objective: providing value for money.

It is a hard fact of life that we must adhere to fixing competitive prices for our merchandise, even when it means shopping around for more economical raw materials.

Indeed, today we must struggle not only against robust domestic competition but also against the flood of cheap Chinese imports that threaten to overwhelm Indonesian retailing.

Our stores not only offer convenient shoes & apparel shopping, with a full range of department store items including women's and children's items, but have as well a compact supermarket with affordable food items on the premises. These markets are frankly not big money-spinners for Ramayana; however, when we have tried eliminating them from outlets we discovered that traffic dropped off considerably.

We thus see them today as "loss-leaders" for the business: they help draw people into the stores, and these patrons will then ideally purchase higher-ticket clothing items as well as daily needs from the market. They are in fact anticipated to contribute nearly 30% to 2010 sales figures.

Studying the year's results, we must reluctantly conclude that shortfalls and abnormally high costs are to blame for our unfortunate inability to achieve projected profit targets in 2010. We continue to research the situation and are determined to resolve an approach that will regenerate income while sustaining cost control.

Operations evolve along with the shifting tastes of generations; thanks to heavy media penetration Indonesians are more aware of the outside world than ever before, and we must in turn be ready to accommodate popular new trends as soon as they emerge – and to create attractive, fun apparel we can sell at the right price – while clearing a profit.

This comes down to selecting the right product mix in every department, along with fast, accurate and friendly service, and the ability read the mind of the shopper with a very limited budget.

We seem to be tuned into the market as the 6 (six) new stores we premiered in 2010 – most of them in Indonesia's booming regions – brought out huge crowds for the openings. A 10.8% growth rate as of end-2010 is a most encouraging sign as well. With 107 stores in 52 major cities we are well-positioned to take advantage of economic recovery and future growth – all across the archipelago.

Marketing and Promotion 2010

Marketing only works when people come into our stores with money (or credit cards) and purchase items. With inflation eating into the survival-level wages of millions of ordinary Indonesians, their disposable income (that left over after food, shelter, transport and other basics are paid for) has shrunk to practically nothing.

Ramayana Panam, Sumatera, Grand Opening 1 December 2010

Ramayana is still selling items at 2006 prices, while in fact there has been considerable upward pressure on everything in years since. If we are to stay competitive - particularly against cheap imports - we simply can

Bearing in mind that it is possible to waste a great deal of money on advertising and promotion, with few concrete results, Management has determined over the years to focus on in-store promotions, in the form of discounts and a more favourable pricing structure.

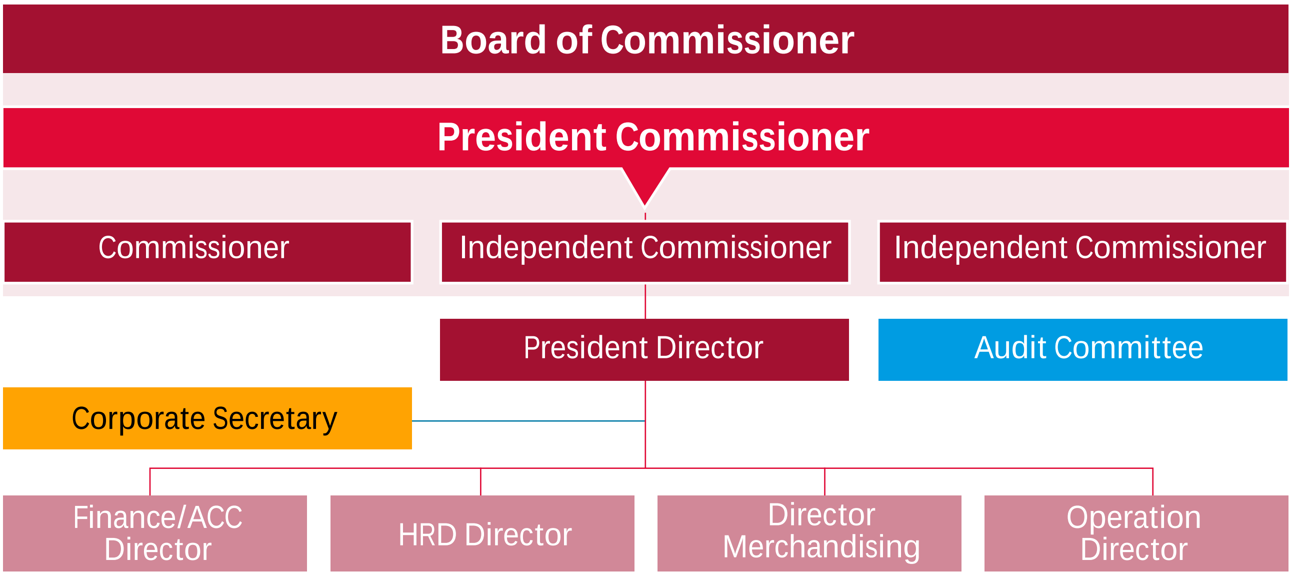
During Indonesia's festive seasons Lebaran, Christmas and New Year's Ramayana optimizes sales through above-the-line strategies such as television and radio ad campaigns, display ads in local and national-coverage newspapers, outdoor billboard displays with eye-catching banners - all situated in strategic areas. Flyers are also distributed to local communities, to generate interest at street level.

When we opened our new stores in 2010, in Abepura (Jayapura), Cinere (South Jakarta), Samarinda (East Kalimantan) and Padang (West Sumatra - following the damage to our outlet from the September 2009 earthquake) huge crowds appeared the first day of business, and our first week's take was several times higher than what we had projected. We spend a lot because we stand to make a lot: 50~70% of the year's profits derive from sales of items - mostly clothing - during the Islamic New Year.

Store opening sales and back-to-school programs have both proved popular with our customers, who rarely fail to respond to periodic Ramayana discount programs.

Such non-stop efforts not only serve to boost sales significantly; they also maintain a high profile for Ramayana brands nationwide, and tie in with our Corporate Social Responsibility.

Management Structure 2010



An Overview of the Principle Roles of the Board and Senior Management

Range of Responsibilities, Board of Commissioner

The Board of Commissioners ofthe Company is set up as a non-executive body representing the interests of all Company shareholders, with an assigned role of monitoring the management of the Company.

Range of Responsibilities, Board of Directors

The main duties of the Board of Directors are to assume full responsibility for managing the interests and objectives of the Company. The BOD is also responsible for representing the Company, both in and outside a court of law, in accordance with the provisions stipulated in the Company's Articles of Association.

Duties of the Audit Committee

The Audit Committee's main duties are to oversee current financial reporting and to monitor internal control systems of the Company, in order to ensure that the Company complies with capital market regulations, and to review the adequacy of the examination of the Company's public accountants, to ensure that all important risks have been considered.

Duties of the Corporate Secretary

The main duties of the Corporate Secretary are to maintain a good relationship with capital market authorities, and with shareholders, mass media representatives, communities around operational areas and with the public in general; the Corporate Secretary must also ensure compliance with capital market laws and regulations, as well as assisting the Boards in ensuring the practice of good corporate governance, while administering the Boards' activities, both internally and externally.

Resetting Goals in the Non-Clothing Business

Ramayana Samarinda, Kalimantan
Grand Opening 11 August 2010

Ramayana's Projection for Broader Appeal

Considerations of convenience and heavy traffic are considered major factors in appraising why a patron in our stores - presumably there to look over and possibly buy garments or shoes - will also stop off at the supermarket and make purchases of daily necessities there. This facet of our business has particular appeal in regional centers where customers do not enjoy the broad range of supermarkets open today in Jakarta, Surabaya and other big cities.

At one point the Company considered eliminating the non-apparel section (the supermarket) from stores, but when this was tried experimentally we found that there was a notable slack in foot traffic: customers apparently came to Ramayana as much to shop in the market as in the clothing & shoes section.

Management has come to realize that the food business is the weakest part of the supermarket, and has to be studied and upgraded. Margins are unacceptably low, though in fact a Rp40 Billion turnover is projected for food sales in 2011.

Another factor to take into consideration is the robust competition from minimarkets, some of which stay open 24 hours, in the Jabodetabek region. They draw in heavy foot traffic at all hours, and are a competitive threat.

This matter must be examined from a number of different aspects, before setting any development policy. We may have to attempt a broader range of items or different marketing mix; although we have brought in high-powered experts to assist us in this research, their various experiments only yielded disappointing results, and there has been little payoff thus far from our various trial efforts.

Ramayana Padang, Sumatera
Re-Opening 1 April 2010

Re-Opening

Updating Information Systems - Seeking Efficiency

Computer technology is certainly a double-edged sword. It has made immense fortunes for a number of business sectors - banking and finance come to mind as having implemented sweeping changes, so much so that their business models of several decades ago have become unrecognizable.

Ramayana Padang, Sumatera
Re - Opening 29 April 2010

Technology as a Profit - not a Cost - Factor

Practically every large business in the world today has become information technology (IT) -intensive, and Ramayana has long pursued investments in computerized systems for all aspects of front office and back office dealings.

IT must of course be reliable: it is estimated that the average corporation could only stay open five working days if its computer network became inoperable. Networking across vast distances in real-time has immense advantages for ordering, inventory, billing, customer relations, day-to-day management operations and many other aspects of a business as large and spread out as Ramayana.

With a network of over a hundred stores in just about every region of Indonesia, internet-based communications have become more appealing.

This includes data based merchandising, warehousing and store operations.

In line with the emergence of ever more powerful (and potentially cost-saving) software programs, both new hardware and contemporary programs like RP30 NCR POS, Cisco Wireless LAN (installed in every single store) and a SUN Microsystems Server for our Head Office.
Bear in mind that Indonesia, being an archipelago spread over several time zones, has traditionally needed to invest heavily in satellite, telecommunications and computer technology, to coordinate businesses and branches across the nation.

A pro-active I.T. Department is continuously studying new ways to implement cost-effective and time-wise computer technology in our business, and to train the staff to use it properly.

The Board of Directors is currently studying a major investment in an enterprise software application like SAP, and how to integrate it seamlessly into expanded operations.

Store Roster & Future Plans

Region	No. of Stores	Gross Space (Sqm)	Net Space (Sqm)
Greater Jakarta	39	267,849	171,156
West Java	10	70,896	43,669
Centra Java	5	32,650	19,795
East Java	10	67,944	40,015
Bali	3	29,404	18,597
Sumatera	24	217,499	166,680
Kalimantan	9	84,142	61,955
Sulawesi	4	34,026	24,021
Nusa Tenggara	1	8,000	5,200
Papua	1	9,428	8,641
Total	**106**	**821,838**	**559,729**

Opening, Closing, Planning of Outlets

During 2010 Ramayana operated 106 stores in 52 urban centers across the Indonesian archipelago. 5 of these were new outlets.

Our gross total space achieved 821,838m2, representing a 7% increase over that of 2009. We project approximately 10% same store growth for the year. Productivity was anticipated to be Rp7.1 million per square meter per year.

The new outlets opened in Sumatra, Papua, East Kalimantan and Greater Jakarta, and Ramayana looks forward to further openings, most likely in growing regional centers around the nation, as this is where money can be made.

Land is considerably cheaper in the regions, as is construction. Labour costs are also lower. While the added cost of freight and distribution will have to be borne in the retail price, this is not a serious consideration, as there tends to be much less competition than in the major Sumatra-Java-Bali corridor.

Customers appreciate the novelty of shopping at Ramayana in the regions, and seem to be less ultra-price-sensitive than is the case, for instance, in Jakarta.

Human Resources & Physical Plant Upgrading

Every member of the Ramayana team must do his or her best in advancing our business interests, from the sales staff serving the shopping public and line personnel maintaining our stores, to office administration and management-level personnel.

Ramayana Samarinda, Kalimantan, Grand Opening 11 August 2010

Adding Value through Training - Sharing Benefits of Success

Effective retailing has always been a human- and service-intensive matter, and in Indonesia shoppers expect accurate, fast and friendly response from store personnel.

For this reason it is in the Company's interest to provide the best possible training, upgrading, benefits and compensation package, assisting one and all in their personal career development. With a payroll of over 17,000 it clearly makes good business sense to obtain maximum productivity and loyalty from a trained, polite, motivated and loyal staff, and the Company thus supports regular job enrichment and training programs, maximizing interpersonal and communication skills.

Particular attention is paid to customer retention awareness among line sales staff.
Open communication across all levels is structured into corporate culture through such events as employee gatherings and transparent performance evaluation.

Taking into account current inflationary pressures, the Company raised wages by 7% across the board in 2010, after an 7% raise granted the previous year.

A stock ownership program for employees operates through ESOP, commencing in 2003. It is important that all of our staff and stakeholders feel the need to advance our interests for the common good.

Corporate Social and Responsibility Issues

Continuing a Ramayana Tradition of Good Corporate Citizenship

The Company acknowledges its responsibility to all stakeholders, its neighbouring communities and the Indonesian nation - from whom it has earned its success, stability and prosperity.

We attempt to demonstrate our compassion for those less fortunate through numerous efforts, including the sharing of what is known as *Sembako*, for "nine staple necessities" to poverty-stricken areas in Tangerang, West of Jakarta.

In 2010 the Company distributed 1000 *sembako* parcels (rice, instant noodles, clothing) and set up a program of complementary medical treatment for local people, including examinations for cataracts, ISPA, TBC and hypertension. A total of some 3000 patients took advantage of this treatment.

Ramayana continues to survey and plan social support of this nature, in its efforts to share its prosperity with poor families, particularly those in areas bordering our businesses.

Risks & Opportunities in Planning

Ramayana Samarinda, Kalimantan
Grand Opening 11 August 2010

Dealing with predictable & unseen factors - including ones not under our control

While creeping inflation has made life difficult for millions of Indonesians - it is estimated that some 30 Million are still categorized as "living in poverty" - wages have risen more slowly (one result of unemployment and underemployment). One important result has been less disposable income for the average lower-class and lower-middle-class consumer, who is the typical Ramayana customer.

Spending patterns during 2010 revealed that people have not forgotten the shock of the 2008 crisis (even though it had little direct effect on Indonesian business); even the lower-priced merchandise doesn't sell that well (except, of course, at Lebaran, when Muslims have to buy new clothing: they'll even cut back on food purchases to afford to do so). For many families concerned with economic uncertainty (and mixed signals coming from markets worldwide as well) spending habits tended to shift toward savings - when there is anything left to save. For those millions of citizens earning the equivalent of a hundred to two hundred US dollars a month, paying school fees, transportation and meals for their children as well, there is not much latitude.

What Ramayana does in the face of such challenges is to hold fast to its philosophy of a good product selection at low, low prices. Proactive measures included reaching out to selected groups of consumers, opening new stores and controlling costs wherever possible. The Company also attempts to implement meaningful wage hikes to employees periodically, in recognition of their own financial difficulties. The exchange rate of the Indonesian Rupiah continues to be relatively stable, but is of potential concern, as it could be adversely affected by a number of pressures, among them the price of oil on worldwide markets: we are importing too much of our energy needs, and are thus vulnerable to world prices.

Foreign investors still show reluctance to invest in the country, and this means that critical infrastructure projects cannot go forward. It also means fewer jobs for workers, a serious matter in an era of wide-scale under- and unemployment.

Problems of bureaucracy, corruption and government inefficiency also tend to discourage FDI. Ramayana's own planning has to take into account the vagaries of otonomi daerah, or "regional autonomy", where regulations vary from area to area, and where the authority of Jakarta does not extend as previously.

Operational Result

Ramayana Padang, Sumatera Re - Opening 1 April 2010

Ramayana Padang, Sumatera Re - Opening 1 April 2010

Ramayana Cinere, Greater Jakarta, Grand Opening 29 April 2010

Sales Performance
Net sales rose by 11% to IDR6,060.4 Billion (US$674.05 Million) from IDR5,458.7 Billion (US$ 611.3 Million) in 2009. This growth was 11% above that of 2009.

Liquidity & Capital Resources
End-2010, the Company's balance sheet stood absolutely debt-free and quite liquid. The current ratio for 2010 continues to reveal that the Company possesses ample funds and resources to deal with current liabilities and contingencies.

Other Income
Interest income decreased by 27.31%, to IDR46.71 Billion, during 2010. This compares with a figure of IDR 64.25 Billion for 2009. Gross margin was 27.37% for the year.

Gross Profit for the Year
Gross profit rose by 12.7% during 2010, to IDR1,658.89 Billion, compared to a figure of IDR1,471.37 Billion in 2009.

Net Income for the Year
Net income for the year was Rp354.75 Billion.

Operating Performance
Operating expenses for 2010 rose by 16.59%, from IDR 1,104.83 Billion (2009) to IDR1,288.06 Billion. This may be attributed to an over-the-board salary raise for employees, for utilities, renovation and maintenance. Costs were also incurred for transportation and travel, supplies, advertising and promotions.

Ramayana's operating expense-to-sales ratio was 21.3%.

Operating income totalled IDR370.83 Billion for 2010, some 1.2% higher than that of the previous year (IDR366.55 Billion).

Our operating margin went up 1.2%, from IDR366.55 Billion to IDR370.83 Billion.

Outlets

We continue to grow prudently, and with particular emphasis on securing market share in the regions. Six new stores opening in 2010, in

- Cinere, South Jakarta,
- Abepura, Papua,
- Samarinda, East Kalimantan,
- Balikpapan, East Kalimantan,
- Panam, Riau, and
- Padang, West Sumatra (reopened after earthquake damage was repaired).

Five underperforming stores were closed during the year, including outlets in

- Bintaro, Tangerang (Orange Mart,
- Cibubur, East Jakarta (Orange Mart)
- Semarang, Central Java, and
- Melawai, South Jakarta.
- A fire gutted the store in Kebayoran Lama, South Jakarta as well.

This means that a gross total of 76,810 m2 of space was added (9.3% increase), corrected to 57,883m2, taking into account store closures. The corrected increase thus amounts to 7.0%.

Total space as of 31 December 2010 stands at 821,838m2 (gross) or 559,729m2 (net). Same store growth for 2010 amounted to 7.9%.

Transactions with Affiliates

Ramayana's affiliated transactions went up 33% compared to 2009. We have renewable rental agreements in place with affiliates, covering an eight-year contractual lease.

Annual payments are made, with a total off pre-payments disbursed in full (during the fourth year of tenure), in compliance with the terms and conditions of the relevant lease agreement.

Dividends

A milestone in the Company's history was its 1996 IPO, and every year since that time the Company has disbursed annual cash dividends to shareholders, ranging from 40.0% to 67.4% of the previous year's net profit, as stipulated by the Company's stated dividend policy.

At the last Annual General Shareholders' Meeting, the Company disbursed a cash dividend of IDR 25% per share, equivalent to 50% of 2010 net income.

Cash & Cash Equivalent

As of end-2010, the Company's total cash and short-term investments amounted to IDR 1,085.9 Billion, signifying a 8% increase, compared to that of 2009, which amounted to IDR 1,005.5 Billion.

- **Share Ownership & Listing History**

Share Ownership	2010	IPO
PT. Ramayana Makmur Sentosa	55.88%	61.10%
Paulus Tumewu	3.66%	16.00%
Public (below 5% ownership each)	40.46%	22.90%

Looking Forward to 2011 and Beyond

Ramayana continued to exhibit profitable growth, even after the hangover of the 2008 financial crisis. Its net income rise was not as spectacular as in previous years but the Company still did reasonably well, considering the generally uncertain economic environment.

We still believe that we fulfil society's needs by acting as "The People's Store", and we will thus continue current policies, including the provision of a broad range of quality products at affordable prices.

During 2011 we expect to raise our profile, particularly in the outer islands (beyond Java), through opening new stores. We will strive to build operational efficiency, through strict control of all costs and heightened productivity.

We also promise to share knowledge and motivation with all business partners, working in the same direction for a brighter future.

• Superbrand 2010-2011

Our Stores - Today's & Tomorrow's Competitive Edge

Drive down the main roads of just about any sizeable city in Indonesia these days and you'll meet us, big and cheerful, usually with crowds milling through the doors. Ramayana is indeed a fixture in the Indonesian urban panorama, more and more in regional areas outside the big markets of Java.
We are not just proud of the number of stores we open and operate profitably; we take pride as well in the intelligence of location, marketing and public image.

Here is a roster of our current and newly-opened (2010) stores, all across Indonesia:

JAKARTA

CENTRAL JAKARTA

1 Jl. Percetakan Negara
2 Jl. H. Agus Salim No. 34-38
3 Jl. Pasar Baru No. 69

EAST JAKARTA

4 Jl. Taman Mini Raya
5 Jl. I Gusti Ngurah Rai, Klender
6 Jl. Raya Bogor, Pasar Kramat Jati, Lt. 1
7 Jl. Raya Bogor, Graha Cijantung

NORTH JAKARTA

8 Jl. Kramat Jaya, Tugu Koja, Tanjung Priok
9 Jl. Yos Sudarso, Koja Plaza, Tanjung Priok

SOUTH JAKARTA

10 Jl. Hasanuddin Bawah Terminal Blok M Mall
11 Jl. Hasanuddin, Terminal Blok M Mall
12 Jl. Raya Ragunan No. 113, Pasar Minggu
13 Jl. Ragunan, ex Terminal Pasar Minggu
14 Jl. Tebet Raya Dalam, Pasar Tebet
15 Jl. Cinere Raya

WEST JAKARTA

16 Jl. Tanjung Duren Barat, Pasar Kopro Lt. 2-3
17 Jl. Pasar Palmerah Lt. 2
18 Jl. Lingkar Luar Barat, Cengkareng Timur
19 JL Latumenten No 33

BOGOR

20 Jl. Mayor Oking Karang Asem Barat, Citereup
21 Jl. Dewi Sartika No. 1
22 Jl. Margonda Raya, Plaza Depok
23 Jl. Jend. A. Yani, Jambu Dua
24 Jl. Surya Kencana No. 3
25 Jl. Raya Jakarta-Bogor, Cibinong
26 Jl. Lapangan Tembak, Cibubur
27 Jl. Altenatif, Cileungsi
28 Jl. Juanda

TANGERANG

29 Jl. Ciputat Raya, Plaza Ciputat Raya
30 Jl. Merdeka, dekat Terminal Cimone
31 Jl. Daan Mogot Raya, Kodim
32 Jl. Pondok Raya, Plaza Bintaro, Bintaro
33 Jl. HOS Cokroaminoto, Ciledug

BEKASI

34 Jl. Raya Bekasi km 21, Pulogadung
35 Jl. Ir. H. Juanda, Pratama Plaza
36 Jl. Raya Pondok Gede, samping Terminal
37 Jl. By-Pass Cikarang, Pasar Baru Cikarang
38 Jl. Raya Cibitung
39 Jl. R.E Martadinata, Cikarang

Ramayana Panam, Sumatera
Grand Opening 1 Desember 2010

WEST JAVA

BANDUNG
40 Jl. Dalem Kaum No. 46-52
41 Jl. Rio No. 1, Cimahi Mekar

SERPONG
42 Jl. Pahlawan No.1000

CILEGON
43 Jl. Raya Serang, Mal Cilegon

PURWAKARTA
44 Jl. Veteran

CIANJUR
45 Jl. Dr. Muwardi II, Pasar Muka

KARAWANG
46 Jl. Tuparev

SERANG
47 Jl. Veteran, Kel Kota Baru

SUKABUMI
48 Jl. Tipar Gede No. 17

CIREBON
49 Jl. Pasuketan, Mal Cirebon, Lt. 1

CENTRAL JAVA

SEMARANG
50 Jl. Simpang Lima, Mal Citraland, Lt. 1

SALATIGA
51 Jl. Pemuda; Jl. Jend Sudirman

YOGYAKARTA
52 Jl. Malioboro No. 124
53 Jl. Jend. A. Yani 66-74

KUDUS
54 Jl. Simpang Tujuh

EAST JAVA

SURABAYA
55 Jl. Taman Jayeng Romo, Jembatan Merah
56 Jl. Kusuma Bangsa, THR Mal Surabaya
57 Jl. Bungur Asih
58 Jl. Bubutan no 1-7

BANYUWANGI
59 Jl. Adi Sucipto

MALANG
60 Jl. Merdeka Timur, Plaza Mataraman

SIDOARJO
61 Jl. Gajah Mada No. 120, Sidoarjo Plaza
62 Jl. Raya Krian, Kompleks Pasar Krian
63 Jl. Diponegoro

GRESIK
64 Jl. Gubernur Suryo, Plaza Multi Sarana

BALI

65 Jl. Raya Sesetan
66 Jl. Diponegoro No. 103-AI
67 Jl. Jend. Sudirman

KUPANG

68 Jl. Lalamentik, Floabamora Mal

KALIMANTAN

BANJARMASIN
69 Jl. Antasari no.1, Plaza Mitra
70 Jl. P. Antasari, Pasar Sentra Antasari

PONTIANAK
71 Jl. Tanjung Pura

BALIKPAPAN
72 Jl. Sukarno, Plaza Muara Rapak
73 Jl. Jend. Sudirman

Ramayana Samarinda

Ramayana Padang, Sumatera
Grand Opening 1 April 2010

SAMARINDA
74 Jl. Pulau Irian
75 Jl. M. Yamin

TARAKAN
76 Jl. Gajah Mada, Pasar Simpang 3

BONTANG
77 Jl. Mulawarman

SULAWESI

MAKASSAR
78 Jl. Andi Pettarani; Panakukang Mas
79 Jl. Pengayoman
80 Jl. Perintis Kemerdekaan

PALU
81 Jl. Emmy Saelan

SUMATRA

JAMBI
82 Jl. Sultan Toha

LAMPUNG
83 Jl. R. Intan, Pasar Bawah, Tanjung Karang
84 Jl. Jend. Sudirman

SOUTH SUMATRA
85 Jl. Pasar Pangkal Pinang, Bangka
86 Jl. Letkol Iskandar, Kompleks Ilir Barat Permai
87 Jl. Jend. A Yani

WEST SUMATRA
88 Jl. Pemuda, Padang
89 Jl. A.Yani. No. 1, Kel Benteng Pasar Atas
90 Jl. Jend. Sudirman
91 Jl. Pattimura, Sutomo, Pantuan
92 Jl. Sisingamangaraja
93 Jl. Iskandar Muda, Plasa Medan Baru
94 Jl. Ikan Paus, Binjai
95 Jl. Aksara No. 2
96 Jl. Jend. Sudirman

RIAU

PEKANBARU
97 Jl. Jend. Sudirman
98 Jl. HR. Subrantas, Panam

DUMAI
99 Jl. Jend. Sudirman

DURI
100 Jl. Jenderal Sudirman

KERINCI
101 Jl. Lintas Timur

PERAWANG
102 Jl. Raya Perawang, Kel. Tualang, Kab. Siak

BATAM

103 Jl. Komplek Jodoh, Marina
104 Jl. Kawasan Komersil Muka Kuning

TANJUNG PINANG
105 Jl. Wiratno

PAPUA

ABEPURA
106 Jl. Raya Abepura

Board of Commissioner




Paulus Tumewu
President Commissioner

The Founder of the Company, Mr. Tumewu was born in Ujung Pandang, Sulawesi in 1952. From an early age he took part in retail activities, helping in his parent's shop in Ujung Pandang (today called Makassar).

It was in 1978 that he first established what would become Indonesia's second-largest retail chain, under the name of Ramayana, with the opening of the first store on Jl. Sabang, Central Jakarta. In 1983 this store was incorporated into a public Company, known as PT Ramayana Lestari Sentosa. Calling upon his more than thirty years of experience, Mr. Tumewu has been the single driving force behind Ramayana's growth and sustained success.

M. Iqbal
Commissioner

Muhammad Iqbal was born in Serang, West Java in 1962, and is an Indonesian national. He was awarded a Bachelor's Degree in Law from the University of Indonesia in 1987, and joined the Company in 1989, first working as a Store Supervisor.

He was promoted to the post of Store Manager, where he served three years, and then became Store Operations Manager in 1994. from 1995 to 2001 Mr. Iqbal was a Commissioner of the Company, and joined the Board of Commissioners again in 2007.

Koh Boon Kim
Independent Commissioner

A Singaporean national born in 1947, Mr. Koh was awarded a Degree from the University of Chicago Graduate School of Business.

He has over thirty years of experience in the Asian retail industry and has served as Senior Advisor to the Company since 1988.

Kardinal Alamsyah Karim
Independent Commissioner

Mr. Karim was born in Padang, West Sumatra in 1942. An Indonesian national, he holds a Master of Management Degree from the Asian Institute of Management, Philippines.

Mr. Karim previously served as an Accountant with Prasetio Utomo and Partners, rising over a period of some 27 years to the position of Deputy Managing Partner.

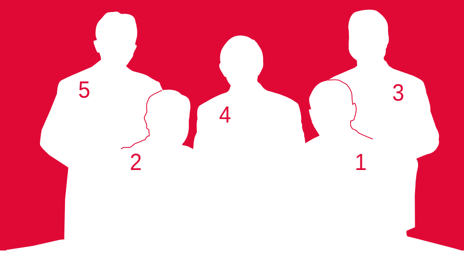
Board of Director's

An Overview of the Principle Roles of the Boards and Senior Management

1. Agus Makmur
2. Suryanto
3. Setyadi Surya
4. Kismanto
5. Gantang Nitipranatio

Agus Makmur
President Director

An Indonesian national, he is 55 years of age, and was born in Makassar (Ujung Pandang), Sulawesi, where he graduated from the Catholic University of Ujung Pandang. He later joined Mr. Paulus Tumewu and Mrs. Tan Lee Chuan in a joint effort to manage the growing retail business. Mr. Makmur has 30 years of experience in the retail industry and currently supervises the daily operations of the Company.



Suryanto
Director

An Indonesian national born in Pangkal Pinang, Mr. Suryanto joined the Board of Directors in 2006. This 47-year-old executive holds a Degree in Accounting from Trisakti University, where he graduated in 1987. He is also an Honours Graduate of the Professional Accounting Education Program at the University of Indonesia.

He began his career at the respected firm of Prasetio, Utomo & Rekan. He also held a senior management position with another retail firm for some ten years, worked two years as a Group Controller and four years as Director of an electronics manufacturing company, before joining Ramayana.

Setyadi Surya
Director

Mr. Setyadi Surya, an Indonesian citizen, was born in Jakarta in 1957. Mr. Setyadi graduated from Tarumanagara University, being awarded a BA Degree in Management in 1981.

He joined Ramayana in 1991, working in the Store's Development Department, and in 1994 he was appointed Director of Store Operations. In 2006 Mr. Setyadi was nominated as a Commissioner, and moved to the Board of Directors again in 2007.

Kismanto
Director

Mr. Kismanto is an Indonesian national, 51 years of age. He was born in Majenang, Central Java and joined the Company as a Senior Counter Head in 1980; three years later he was promoted to Cashier Head and later, as Store Manager, he played an instrumental rôle in the Company's robust growth.

Mr. Kismanto was appointed Regional Manager in 1989 and became Merchandise Controller in 1993, in which position he was responsible for the entire Company network of stores. In 1995 he was asked to join the Board as Director of Marketing and Merchandising.

Gantang Nitipranatio
Director

Gantang Nitipranatio, an Indonesian citizen, was born in Magelang in 1956. He graduated from Atma Jaya University, Yogyakarta, in 1981, being awarded a BA Degree in Economics.

Mr. Gantang is married and has three children, and has worked at Matahari Dept. Store (1984-2004), started up and developed a specialty store (2004-2006) before entering Ramayana as Head of Merchandising in 2007. He became a Company Director in 2010.

Audit Committe's Report

Date 24 March 2011

To:
Board of Commissioners
PT. Ramayana Lestari Sentosa, Tbk
Jl. K.H. Wahid Hasyim No.220 A-B
Jakarta 10250

Period: 1 January - 31 December 2010

To implement the principle of good corporate governance, the company has set up an Audit Committee, which assist the board of Commissioners and Board of Directors in performing their duties and responsibilities, related to bussiness risk management and Company's system of internal control.

In Accordance with regulations from Badan Pengawas Pasar Modal (Capital Market Supervisory Board) and Bursa Efek Indonesia (Indonesian Stock Exchange), the Audit Committee has conducted sveral meetings to review the Company's periodical financial reports foe the year ended December 31, 2009. These meetings consist of discussion on findings and recommendation with External Auditors, member of the Board of Directors, Internal Auditor and Corporate Secretary.

Audit Committee
PT RAMAYANA LESTARI SENTOSA Tbk

Kardinal A. Karim
Head

Ruddy Hermawan Wongso
Member

Tonang Sandjaja
Member

Annual Report Approval

Paulus Tumewu
President Commissioner

Koh Boon Kim
Independent Commissioner

Kardinal Alamsyah Karim
Independent Commissioner

M. Iqbal
Commissioner

Annual Report Approval

Agus Makmur
President Director

Suryanto
Director

Kismanto
Director

Setyadi Surya
Director

Gantang Nitipranatio
Director

Financial Statements 2010

Ramayana

PT Ramayana Lestari Sentosa Tbk

Financial statements with independent auditors' report
years ended December 31, 2010 and 2009

These financial statements are originally issued in Indonesian language.

PT RAMAYANA LESTARI SENTOSA Tbk
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2010 AND 2009

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This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-699/PSS/2011

The Shareholders, Boards of Commissioners and Directors
PT Ramayana Lestari Sentosa Tbk

We have audited the balance sheets of PT Ramayana Lestari Sentosa Tbk (the "Company") as of December 31, 2010 and 2009, and the related statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Ramayana Lestari Sentosa Tbk as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

Purwantono, Suherman & Surja

Peter Surja
Public Accountant License No. 05.1.0976

March 2, 2011

The accompanying financial statements are not intended to present the financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

PT RAMAYANA LESTARI SENTOSA Tbk
BALANCE SHEETS
December 31, 2010 and 2009
(Expressed in Millions of Rupiah, Except Par Value per Share)

	Notes	2010	2009
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2b,3,23,25	796,184	655,450
Time deposits	4,23,25	54,821	147,100
Short-term investments	2q,5,23,25	234,938	202,977
Accounts receivable - third parties	25		
Trade		2,415	2,253
Others	23	17,745	17,987
Inventories	2d,7	729,977	640,758
Prepaid expenses and advances		21,498	23,992
Current portion of long-term rent	2c,2f,2g, 6a,9,16,19	82,787	68,416
Total Current Assets		1,940,365	1,758,933
NON-CURRENT ASSETS			
Advances for purchases of property and equipment		1,265	109,173
Property and equipment - net of accumulated depreciation of Rp1,013,948 in 2010 and Rp878,627 in 2009	2e,2f,8,16	1,162,065	944,419
Long-term rent - net of current portion and impairment loss	2c,2f,2g, 6a,9,16,19	342,265	364,159
Security deposits	2c,9a,23,25	26,480	23,676
Other assets	2c,2f,6b,25	13,542	8,850
Total Non-Current Assets		1,545,617	1,450,277
TOTAL ASSETS	22	**3,485,982**	**3,209,210**

PT RAMAYANA LESTARI SENTOSA Tbk
BALANCE SHEETS (continued)
December 31, 2010 and 2009
(Expressed in Millions of Rupiah, Except Par Value per Share)

	Notes	2010	2009
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable - third parties	25		
Trade	10	603,190	568,527
Others	23	21,002	17,868
Accrued expenses	25	20,632	16,206
Taxes payable	11	35,948	23,578
Total Current Liabilities		680,772	626,179
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net	2k,11	7,436	8,495
Estimated liability for employees’ benefits	2n,18	117,338	101,918
Total Non-Current Liabilities		124,774	110,413
Total Liabilities	22	805,546	736,592
EQUITY			
Share capital - Rp50 par value			
Authorized - 28,000,000,000 shares			
Issued and fully paid - 7,096,000,000 shares in 2010 and 7,064,000,000 shares in 2009	12	354,800	353,200
Additional paid-in capital - net	2h,20	117,570	91,004
Share options	2l,20	-	12,018
Unrealized gain (loss) on available-for-sale financial assets - net	2q,5	7,992	(5,526)
Retained earnings:			
Appropriated	13	55,000	50,000
Unappropriated		2,145,074	1,971,922
Equity - Net		2,680,436	2,472,618
TOTAL LIABILITIES AND EQUITY		**3,485,982**	**3,209,210**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF INCOME
Years Ended December 31, 2010 and 2009
(Expressed in Millions of Rupiah, Except Earnings per Share)

	Notes	2010	2009
REVENUES	2i,14,22		
Outright sales		4,258,281	3,830,788
Consignment sales	2c,6c	1,802,130	1,627,967
Cost of consignment sales		(1,285,243)	(1,148,360)
Commission on consignment sales		516,887	479,607
Total Revenues		**4,775,168**	**4,310,395**
COST OF OUTRIGHT SALES	2i,15,22	3,116,277	2,839,025
GROSS PROFIT	22	**1,658,891**	**1,471,370**
OPERATING EXPENSES	2c,2i,2n, 8,9a,9b,9c, 11,16,18,19	1,288,061	1,104,825
OPERATING INCOME	22	**370,830**	**366,545**
OTHER INCOME (EXPENSES)	2i		
Interest income	17	46,705	64,254
Gain on sale of short-term investments - net	2q,5	1,849	11,362
Loss on foreign exchange - net	2j	(11,069)	(38,646)
Others - net	2e,8	3,512	608
Other Income - Net	22	40,997	37,578
INCOME BEFORE INCOME TAX	22	**411,827**	**404,123**
INCOME TAX EXPENSE (BENEFIT)	2k,11		
Current		60,129	72,577
Deferred		(3,054)	(3,217)
Income Tax Expense - Net	22	**57,075**	**69,360**
NET INCOME	22	**354,752**	**334,763**
BASIC EARNINGS PER SHARE	2o,21	**50.12**	**47.39**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2010 and 2009
(Expressed in Millions of Rupiah)

	Notes	Issued and Fully Paid Share Capital	Additional Paid-in Capital - Net	Share Options	Unrealized Gain (Loss) on Available-for-Sale Financial Assets - Net	Retained Earnings		Equity - Net
						Appropriated	Unappropriated	
Balance, January 1, 2009		**353,200**	**91,004**	**12,018**	**(34,877)**	**45,000**	**1,861,143**	**2,327,488**
Change in fair value on available-for-sale financial assets - net of deferred tax effect	2q	-	-	-	13,116	-	-	13,116
Realized gain on sale of available-for-sale financial assets - net		-	-	-	16,235	-	-	16,235
Appropriation for general reserve	13	-	-	-	-	5,000	(5,000)	-
Cash dividend declaration	13	-	-	-	-	-	(218,984)	(218,984)
Net income for 2009		-	-	-	-	-	334,763	334,763
Balance, December 31, 2009		**353,200**	**91,004**	**12,018**	**(5,526)**	**50,000**	**1,971,922**	**2,472,618**
Change in fair value on available-for-sale financial assets - net of deferred tax effect	2q	-	-	-	13,983	-	-	13,983
Realized loss on sale of available-for-sale financial assets - net		-	-	-	(465)	-	-	(465)
Appropriation for general reserve	13	-	-	-	-	5,000	(5,000)	-
Cash dividend declaration	13	-	-	-	-	-	(176,600)	(176,600)
Exercised of share options	20	1,600	26,566	(12,018)	-	-	-	16,148
Net income for 2010		-	-	-	-	-	354,752	354,752
Balance, December 31, 2010		**354,800**	**117,570**	**-**	**7,992**	**55,000**	**2,145,074**	**2,680,436**

The accompanying notes form an integral part of these financial statements.

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009
(Expressed in Millions of Rupiah)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales		6,066,639	5,461,717
Cash payments to suppliers		(5,077,334)	(4,601,020)
Cash payments for salaries and employees' welfare		(433,421)	(380,523)
Payments for income taxes		(51,127)	(73,728)
Cash receipts from:			
Interest income		44,366	67,145
Other operating activities		11,279	10,903
Net Cash Provided by Operating Activities		**560,402**	**484,494**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of short-term investments	5	147,596	278,029
Withdrawal of (placement in) time deposits - net	4	92,279	(103,100)
Proceeds from sale of property and equipment	8	1,478	568
Acquisitions of property and equipment	8	(254,109)	(213,202)
Placement in short-term investments		(166,144)	(213,683)
Additions in long-term rent	9	(81,637)	(69,210)
Additions in security deposits		(1,927)	(1,916)
Advances for purchases of property and equipment		(1,265)	(101,073)
Net Cash Used in Investing Activities		**(263,729)**	**(423,587)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from the exercise of share options by the employees		24,160	-
Payments of cash dividends	13	(176,600)	(218,984)
Net Cash Used in Financing Activities		**(152,440)**	**(218,984)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**144,233**	**(158,077)**
Effect of changes in foreign exchange rate on cash and cash equivalents		(3,499)	(28,311)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		655,450	841,838
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**796,184**	**655,450**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2010 and 2009
(Expressed in Millions of Rupiah)

	Notes	2010	2009
ACTIVITIES NOT AFFECTING CASH FLOWS			
Reclassification of advances for purchases of property and equipment to property and equipment		**109,173**	**-**
Increase in fair value on available-for-sale financial assets - net of deferred tax effect		**13,983**	**13,116**
Write-off of property and equipment		**2,083**	**13,484**

1. GENERAL

a. Company's Establishment

PT Ramayana Lestari Sentosa Tbk (the "Company") was established in Indonesia based on Notarial Deed No. 60 dated December 14, 1983 of R. Muh. Hendarmawan, S.H. The Deed of Establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-5877.HT.01.01.TH.85 dated September 17, 1985, and was published in the Addendum No. 589 of the State Gazette No. 9 dated October 3, 1985. The Company's Articles of Association has been amended several times, the latest amendment to the Company's Articles of Association as notarized under Notarial Deed No. 13 dated May 30, 2008 of Rianto, S.H., pertain to the compliance with stipulation under Law No. 40 Year 2007 regarding "Corporate Law". The latest amendment of the Articles of Association was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-29866.AH.01.02.Tahun 2009 dated July 2, 2009.

According to Article 3 of the Company's Articles of Association, the Company operates a chain of department stores, which sell various items such as clothes, accessories, bags, shoes, cosmetics and daily needs. In 2010, the Company closed its 5 stores and opened 5 new stores. As of December 31, 2010, the Company operates several stores known as "Ramayana" (95 stores), "Robinson" (7 stores), "Cahaya" (3 stores) and "Orangemart" (1 store), that are located in Jakarta, Java (West Java, East Java and Central Java), Sumatera, Bali, Kalimantan, Nusa Tenggara, Sulawesi and Papua. The Company's head office is located at Jl. K.H. Wahid Hasyim No. 220 A-B, Jakarta 10250.

The Company started its commercial operations in 1983.

b. Company's Public Offering

On June 26, 1996, the Company received the effective statement from the Chairman of the Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK") in its Decision Letter No. 1038/PM/1996 to offer its 80 million shares to the public with par value of Rp500 (full amount) per share through the Indonesia Stock Exchange (formerly Jakarta Stock Exchange), at offering price of Rp3,200 (full amount) per share. Since then, the Company has conducted the following capital transactions:

1. On September 15, 1997, the Company issued bonus shares, whereby each shareholders holding one share was entitled to receive one new share. The outstanding shares became 700,000,000 shares.
2. On June 8, 2000, the Company changed the par value per share from Rp500 (full amount) per share to Rp250 (full amount) per share. The outstanding shares became 1,400,000,000 shares.
3. On June 18, 2004, the Company changed the par value per share from Rp250 (full amount) per share to Rp50 (full amount) per share. The outstanding shares became 7,000,000,000 shares.
4. On July 4, 2005, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,032,000,000 shares.
5. On October 2, 2006, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,064,000,000 shares.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL (continued)

b. Company's Public Offering (continued)

Since then, the Company has conducted the following capital transactions: (continued)

6. On July 28, 2010, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,096,000,000 shares (Notes 12 and 20).

The Company has listed all of its shares on the Indonesia Stock Exchange.

c. Boards of Commissioners and Directors and Number of Employees

As of December 31, 2010 and 2009, the composition of the Company's boards of commissioners and directors are as follows:

2010

Board of Commissioners		Board of Directors	
Paulus Tumewu	- President Commissioner	Agus Makmur	- President Director
Muhammad Iqbal	- Commissioner	Suryanto	- Director
Koh Boon Kim	- Independent Commissioner	Kismanto	- Director
Kardinal Alamsyah Karim	- Independent Commissioner	Gantang Nitipranatio	- Director
		Setyadi Surya	- Director

2009

Board of Commissioners		Board of Directors	
Paulus Tumewu	- President Commissioner	Agus Makmur	- President Director
Muhammad Iqbal	- Commissioner	Suryanto	- Director
Koh Boon Kim	- Independent Commissioner	Kismanto	- Director
Kardinal Alamsyah Karim	- Independent Commissioner	Wira Chandra	- Director
		Setyadi Surya	- Director

As of December 31, 2010 and 2009, the composition of the audit committee are as follows:

Chairman:	- Kardinal Alamsyah Karim
Members:	- Ruddy Hermawan Wongso
	- Tonang Sendjaja

The establishment of the Company's audit committee has complied with BAPEPAM-LK Rule No. IX.I.5.

Salaries and other compensation benefits incurred for the Company's commissioners and directors amounted to Rp7.15 billion in 2010 and Rp6.57 billion in 2009. As of December 31, 2010 and 2009, the Company had 17,744 employees and 16,711 employees, respectively (unaudited).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles in Indonesia comprising of the Statements of Financial Accounting Standards ("PSAK") and rules established by the Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK") No. VIII.G.7 Attachment of Chairman of BAPEPAM-LK's Decision No. Kep-06/PM/2000 dated March 13, 2000 regarding "Financial Statement Presentation Guidance".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Preparation of the Financial Statements (continued)

The financial statements, except for the statements of cash flows, are prepared under the accrual basis of accounting. The measurement basis used is historical cost, except for certain accounts which are measured on the bases described in the related accounting policies for those accounts.

The statements of cash flows are prepared based on the direct method by classifying cash flows on the basis of operating, investing and financing activities.

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

b. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and time and on call deposits with maturities of 3 (three) months or less at the time of placement and not pledged as collateral.

c. Transactions with Related Parties

The Company has transactions with certain parties, which have related party relationships as defined under PSAK No. 7, “Related Party Disclosures”.

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

d. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the moving-average method which includes all costs that occur to get this inventories to the location and current conditions. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale. Allowance for inventory obsolescence and losses is provided based on a review of the condition of the inventories at the end of the year.

e. Property and Equipment

Direct ownership

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

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

	Years
Buildings	10 - 20
Building renovations and improvements	4 - 8
Store equipment	4 - 8
Transportation equipment	4
Office equipment	4 - 8

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Property and Equipment (continued)

Direct ownership (continued)

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

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

Costs incurred to acquire or renew the license of the landrights are deferred and amortized over the legal terms of the landrights or the economic lives of the land, whichever period is shorter.

Construction in progress

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

f. Impairment of Assets Value

The Company conducts an evaluation to determine whether there is an indication for events or changes in circumstance that may indicate that its carrying amount may not be fully recovered at each reporting date. If any such indication exists, the Company is required to determine the estimated recoverable amount of all its assets and recognize the impairment in assets value as a loss in the statement of income of the current year.

g. Leases

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

The Company as a lessee

Under an operating lease, the Company recognized lease payments as an expense on a straight-line basis over the lease term.

The Company as a lessor

Under an operating lease, the Company shall present assets subject to operating leases in its balance sheets according to the nature of the asset. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents, if any, are recognized as revenue in the periods in which they are earned. Lease income from operating leases shall be recognized as income on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Leases (continued)

The Company as a lessor (continued)

The current portion of the long-term rent is classified as current assets and presented as part of "Current Portion of Long-term Rent" account.

h. Additional Paid-in Capital - Net

Additional paid-in capital - net represents the difference between the offering price and the par value of share capital, net of share issuance costs.

i. Recognition of Revenues and Expenses

Revenues from outright and consignment sales are recognized when the goods are sold at the sales counter. Revenues from consignment sales are recognized at the amounts of the sales of consignment goods to customers, while the related costs are recognized at the amounts due to consignors as part of revenues.

Expenses are recognized when incurred.

j. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currency are adjusted to Rupiah based on the last prevailing middle exchange rates published on that date. The resulting gains or losses are credited or charged to operations of the current year.

As of December 31, 2010 and 2009, the exchange rates used are as follows (in full amount of Rupiah):

	2010	2009
US$1	8,991	9,400
Sin$1	6,981	6,699

k. Income Tax

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

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at balance sheet date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates is charged to current year operations, except to the extent that it relates to items previously charged or credited to equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Stock Based Compensation

The Company adopts PSAK No. 53, "Accounting of Stock-Based Compensation" which provides for the accounting of the fair value of an employee stock option and similar equity instruments. Compensation cost is accrued at the time of grant option based on the fair value of the stock option on the grant date.

m. Segment Reporting

The Company classifies its segment reporting as follows:

(i) Geographical segment (primary), which is classified based on location of the stores.
(ii) Business segment (secondary), which is classified based on type of products sold, such as fashion and accessories; and non-fashion items.

n. Employees' Benefits

The Company adopts PSAK No. 24 (Revised 2004), "Accounting for Retirement Benefit Cost" which regulates the accounting and disclosure requirements of retirement benefit cost. The estimated liability for employees benefits is calculated in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("UU No. 13/2003") that requires the Company to pay the severance, gratuity and compensation pay if certain conditions in the UU No. 13/2003 are met. Under PSAK No. 24 (Revised 2004), the cost of providing employee benefits under UU No. 13/2003 is determined using the "Projected Unit Credit" actuarial valuation method. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded 10% of the present value of defined benefit obligation at that date. These gains or losses are recognized over the expected average remaining working lives of the employees. Further, past-service costs arising from the introduction of a defined benefit plan or change in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

o. Earnings per Share ("EPS")

Basic EPS is computed by dividing net income for the year with the weighted-average number of shares outstanding during the year. The weighted-average numbers of shares outstanding are 7,077,589,041 shares and 7,064,000,000 shares in 2010 and 2009, respectively.

Diluted EPS is computed by dividing net income for the year with the weighted-average number of shares outstanding during the year and the effects of all dilutive potential shares arising from the grant of ESOP on August 8, 2003. In 2009, the share option is not considered as a dilutive potential share for diluted earnings per share purposes (Note 21). Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing ordinary operations. The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings per share.

p. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Indonesia, requires management to make estimations and assumptions that affect amounts reported. Therein, due to inherent uncertainty in making estimates, actual results reported in future periods might be based on amounts, which may differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments

Starting January 1, 2010, the Company adopted PSAK No. 50 (Revised 2006), “Financial Instruments: Presentation and Disclosure” and PSAK No. 55 (Revised 2006), “Financial Instruments: Recognition and Measurement”. These revised PSAKs, have been applied prospectively. The transaction costs of those already existing contracts at the time these standards were adopted were not considered in the calculation of effective interest of such contracts.

i. Financial Assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognized on the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through statements of income, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized or derecognized on the trade date i.e., the date that the Company 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 market place concerned.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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

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

(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.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold the investment to maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

i. Financial Assets (continued)

Initial recognition and measurement (continued)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

The Company's financial assets include cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivable - others, security deposits, and other non-current assets - loan to employees which falls under the loans and receivables category, also short-term investments which falls under the available-for-sale financial assets category.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Company have transferred its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company have transferred substantially all the risks and rewards of the asset, or (b) the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of Financial Assets

The Company assess at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

i. Financial Assets (continued)

Impairment of Financial Assets (continued)

If there is objective evidence that an impairment loss has occurred, 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 (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment account and the amount of the loss is recognized in the statements of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

ii. Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of their financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

The Company's financial liabilities include accounts payable - trade, accounts payable - others and accrued expenses which falls under financial liabilities measured at amortized cost category.

Subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statements of income when the loans and borrowings are derecognized as well as through the effective interest method amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

ii. Financial Liabilities (continued)

Derecognition (continued)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in profit or loss.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

iv. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm’s-length market transaction, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

r. Standards Issued but Not Yet Effective

Relevant Accounting Standards issued by Indonesian Accounting Standards Board (“DSAK”) up to the date of completion of the Company’s financial statements but not yet effective are summarized below:

Effective on or after January 1, 2011:

- PSAK No. 1 (Revised 2009), “Presentation of Financial Statements”. Prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

- PSAK No. 2 (Revised 2009), “Statement of Cash Flows”. Requires disclosure of additional information involving historical changes in cash and cash equivalents by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.

- PSAK No. 5 (Revised 2009), “Operating Segments”. Segment information shall be disclosed to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Standards Issued but Not Yet Effective (continued)

Effective on or after January 1, 2011: (continued)

- PSAK No. 7 (Revised 2010), “Related Party Disclosures”. Requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, and also applies to individual financial statements. Early application is allowed.

- PSAK No. 8 (Revised 2010), “Events after the Reporting Period”. Prescribes when an entity should adjust its financial statements for events after the reporting period, and disclosures about the date when financial statements were authorized for issue and events after the reporting period. Requires an entity not to prepare financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

- PSAK No. 23 (Revised 2010), “Revenue”. Identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue will be recognized. Prescribes the accounting treatment of revenue arising from certain types of transactions and events. Provides practical guidance on the application of the criteria on revenue recognition.

- PSAK No. 25 (Revised 2009), “Accounting Policies, Changes in Accounting Estimates and Errors”. Prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

- PSAK No. 48 (Revised 2009), “Impairment of Assets”. Prescribes the procedures applied to ensure that assets are carried at no more than their recoverable amount and if the assets are impaired, an impairment loss should be recognized.

- PSAK No. 57 (Revised 2009), “Provisions, Contingent Liabilities and Contingent Assets”. Aims to provide guidance to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to financial statements to enable users to understand the nature, timing and related amounts.

- PSAK No. 58 (Revised 2009), “Non-Current Assets, Held for Sale and Discontinued Operations”. Aims to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations.

- ISAK No. 10, “Customer Loyalty Programmes”, applies to customer loyalty award credits granted to customers as part of a sales transaction, and subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Standards Issued but Not Yet Effective (continued)

Effective on or after January 1, 2012:

- PSAK No. 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates". Prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.

- PSAK No. 18 (Revised 2010), "Accounting and Reporting by Retirement Benefit Plans". Establish the accounting and reporting by the plan to all participants as a group. This Standard complements PSAK No. 24 (Revised 2010), "Employee Benefits".

- PSAK No. 24 (Revised 2010), "Employee Benefits". Establish the accounting and disclosures for employee benefits.

- PSAK No. 46 (Revised 2010), "Accounting for Income Taxes". Prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the balance sheet; and transactions and other events of the current period that are recognized in the financial statements.

- PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation". Establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

- PSAK No. 60, "Financial Instruments: Disclosures". Requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

- ISAK No. 15, "PSAK No. 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". Provides guidance on how to assess the limit on the amount of surplus in a defined scheme that can be recognized as an asset under PSAK No. 24 (Revised 2010), "Employee Benefits".

- ISAK No. 20, "Income Taxes - Changes in the Tax Status of an Entity or its Shareholders". Prescribes how an entity should account for the current and deferred tax consequences of a change in tax status of entities or its shareholders.

The Company is presently evaluating and has not determined the effects of these revised and new Standards and Interpretations on its financial statements.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2010	2009
Cash on hand	16,856	13,747
Cash in banks - third parties:		
Rupiah		
Citibank N.A., Indonesia	17,018	15,026
PT Bank Negara Indonesia (Persero) Tbk	16,951	11,798
PT Bank Danamon Indonesia Tbk	16,941	13,552
Deutsche Bank AG, Indonesia	11,839	7,700
PT Bank Central Asia Tbk	3,040	2,993
PT Bank Mandiri (Persero) Tbk	1,200	1,470
PT Bank Internasional Indonesia Tbk	625	644
PT Bank Rakyat Indonesia (Persero) Tbk	318	913
PT Bank Mega Tbk	-	6
United States Dollar		
Deutsche Bank AG, Indonesia (US$39,819 in 2010 and US$697,732 in 2009)	358	6,559
Credit Suisse AG, Singapore (US$3,945 in 2010 and US$88,641 in 2009)	35	833
Deutsche Bank AG, Singapore (US$834 in 2010 and US$474,834 in 2009)	8	4,463
UBS AG, Singapore (US$7,585)	-	71
Singapore Dollar		
Deutsche Bank AG, Indonesia (Sin$126,674 in 2010 and Sin$28,909 in 2009)	884	194
PT Bank UOB Buana (Sin$150,387)	-	1,007
Sub-total	69,217	67,229
Cash equivalents (time and on call deposits) - third parties:		
Rupiah		
PT Bank Danamon Indonesia Tbk	126,800	120,600
PT Bank Internasional Indonesia Tbk	115,400	-
PT Bank CIMB Niaga Tbk	113,300	-
Citibank N.A., Indonesia	93,700	39,400
PT Bank Central Asia Tbk	75,000	87,500
PT Bank UOB Buana	45,000	-
PT Bank Mandiri (Persero) Tbk	20,000	28,000
PT Bank Negara Indonesia (Persero) Tbk	17,400	35,000
Deutsche Bank AG, Indonesia	14,000	4,200
PT Bank Rakyat Indonesia (Persero) Tbk	12,200	101,000

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

3. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents consist of: (continued)

	2010	2009
Cash equivalents (time and on call deposits) - third parties: (continued)		
United States Dollar		
UBS AG, Singapore (US$5,913,190 in 2010 and US$9,686,099 in 2009)	53,165	91,049
Credit Suisse AG, Singapore (US$2,685,567 in 2010 and US$5,104,809 in 2009)	24,146	47,985
Deutsche Bank AG, Singapore (US$2,100,000)	-	19,740
Sub-total	710,111	574,474
Total	**796,184**	**655,450**

The annual interest for time and on call deposits range as follows:

	2010	2009
Rupiah	4.00% - 8.25%	6.25% - 13.50%
United States Dollar	0.15%	0.12% - 0.90%

There are no cash and cash equivalents balances to a related party.

4. TIME DEPOSITS

This account represents Rupiah and United States Dollar time deposits placed at the following third party banks:

	2010	2009
Rupiah		
PT Bank Rakyat Indonesia (Persero) Tbk	-	107,900
PT Bank Negara Indonesia (Persero) Tbk	-	20,000
PT Bank Danamon Indonesia Tbk	-	19,200
United States Dollar		
UBS AG, Singapore (US$3,009,558)	27,059	-
Credit Suisse AG, Singapore (US$2,612,701)	23,491	-
Deutsche Bank AG, Singapore (US$475,021)	4,271	-
Total	**54,821**	**147,100**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

4. TIME DEPOSITS (continued)

The above time deposits have maturities of six months from the time of placement and not pledged as collateral. The annual interest for the time deposits range as follows:

	2010	2009
Rupiah	8.00% - 10.50%	8.00% - 10.50%
United States Dollar	0.35% - 0.36%	-

There are no time deposits balances to a related party.

5. SHORT-TERM INVESTMENTS

This account represents investments in debt securities denominated in United States Dollar and Rupiah, which are classified as available-for-sale financial assets as follows:

	2010	2009
Debt securities - third parties:		
Rupiah		
Duta Pertiwi Bond V Year 2007	29,120	27,544
Bank Mandiri Subordinated Bond I Year 2009	22,400	20,000
Bank Mega Subordinated Bond Year 2007	20,620	9,800
Perusahaan Listrik Negara Bond VII Year 2004	11,075	9,925
WOM Finance Bond IV Series C Year 2007	10,250	9,887
Bakrie Telecom Bond I Year 2007	8,910	8,648
BNI Securities Bond I Year 2007	8,100	7,840
Bank CIMB Niaga Subordinated Bond I Year 2010	6,330	-
Panin Sekuritas Bond III Year 2007	6,060	6,000
Indofood Sukses Makmur Bond V Year 2009	5,438	5,000
Telkom Bond II Series B Year 2010	3,248	-
Indofood Sukses Makmur Bond IV Year 2007	3,090	2,916
Bhakti Finance Bond II Year 2007	-	10,000
Sub-total - Rupiah	134,641	117,560
United States Dollar		
Adaro Indonesia Guaranteed Senior Notes due 2019 (US$3,442,774 in 2010 and US$3,124,384 in 2009)	30,954	29,369
Listrindo Capital B.V. Senior Notes due 2015 (US$2,220,000)	19,960	-
Majapahit Holding B.V. 2006 Guaranteed Notes due 2016 (US$1,147,500 in 2010 and US$1,055,000 in 2009)	10,317	9,917
Majapahit Holding B.V. 2006 Guaranteed Notes due 2011 (US$1,044,400 in 2010 and US$1,035,000 in 2009)	9,390	9,729
Bank CIMB Niaga Subordinated Notes due 2016 (US$1,017,500 in 2010 and US$1,007,500 in 2009)	9,148	9,471
BLT Finance B.V. Guaranteed Senior Notes due 2014 (US$790,000 in 2010 and US$625,000 in 2009)	7,103	5,875
Republic of Vietnam Notes due 2020 (US$700,400)	6,297	-

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

5. SHORT-TERM INVESTMENTS (continued)

This account represents investments in debt securities denominated in United States Dollar and Rupiah, which are classified as available-for-sale financial assets as follows: (continued)

	2010	2009
Debt securities - third parties: (continued)		
United States Dollar (continued)		
Country Garden Holdings Co., Ltd. Senior Notes due 2017 (US$551,900)	4,962	-
GT 2005 Bonds B.V. Guaranteed Secured Bonds due 2014 (US$240,870 in 2010 and US$190,042 in 2009)	2,166	1,786
Indosat International Finance Company B.V. Guaranteed Notes due 2012 (US$2,050,000)	-	19,270
Sub-total - United States Dollar	100,297	85,417
Total	**234,938**	**202,977**

The total nominal values of the debt securities are US$10,549,000 and Rp128 billion or totaling Rp222.85 billion as of December 31, 2010 and US$9,369,000 and Rp119 billion or totaling Rp207.07 billion as of December 31, 2009.

The annual interest for the debt securities range as follows:

	2010	2009
Rupiah	10.01% - 13.00%	10.01% - 13.00%
United States Dollar	6.75% - 11.25%	5.00% - 10.25%

Proceeds from sales of short-term investments are amounted to Rp147.60 billion and Rp278.03 billion in 2010 and 2009, respectively. The related realized gain on the sale of short-term investments are amounted to Rp1.85 billion and Rp11.36 billion in 2010 and 2009, respectively, are presented in “Other Income (Expenses) - Gain on Sale of Short-term Investments - Net” account in the statements of income. The change in fair value on available-for-sale financial assets, net of deferred tax effect, represents unrealized gain amounted to Rp7.99 billion in 2010 and unrealized loss amounted to Rp5.53 billion in 2009 are presented as part of “Unrealized Gain (Loss) on Available-for-Sale Financial Assets - Net” account in the balance sheets.

The related bonds as stated above will mature on various date from 2011 until 2020.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

5. SHORT-TERM INVESTMENTS (continued)

The bond credit ratings issued by PT Pemeringkat Efek Indonesia, Fitch Ratings, Moody's and Standard & Poor's, credit rating agencies, as of December 31, 2010 are as follows:

	Rating
Duta Pertiwi Bond V Year 2007	BBB
Bank Mandiri Subordinated Bond I Year 2009	AA+
Bank Mega Subordinated Bond Year 2007	A
Perusahaan Listrik Negara Bond VII Year 2004	AA-
WOM Finance Bond IV Series C Year 2007	A-
Bakrie Telecom Bond I Year 2007	A-
BNI Securities Bond I Year 2007	BBB
Bank CIMB Niaga Subordinated Bond I Year 2010	AA-
Panin Sekuritas Bond III Year 2007	A-
Indofood Sukses Makmur Bond V Year 2009	AA
Telkom Bond II Series B Year 2010	AAA
Indofood Sukses Makmur Bond IV Year 2007	AA
Adaro Indonesia Guaranteed Senior Notes due 2019	BB+
Listrindo Capital B.V. Senior Notes due 2015	BB-
Majapahit Holding B.V. 2006 Guaranteed Notes due 2016	BB
Majapahit Holding B.V. 2006 Guaranteed Notes due 2011	BB
Bank CIMB Niaga Subordinated Notes due 2016	BB
BLT Finance B.V. Guaranteed Senior Notes due 2014	CCC
Republic of Vietnam Notes due 2020	BB-
Country Garden Holdings Co., Ltd. Senior Notes due 2017	BB-
GT 2005 Bonds B.V. Guaranteed Secured Bonds due 2014	Caa1

6. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES

The Company, in the normal course of its business, engages in transactions with related parties under normal prices and conditions as those with third parties, except for loan to employees, as follows:

a. Store and warehouse rental agreements with PT Jakarta Intiland ("JIL") as discussed in Notes 9 and 19. JIL is owned by PT Ramayana Makmursentosa ("RMS"), a shareholder of the Company, and by Paulus Tumewu, a shareholder and President Commissioner of the Company.

b. Non-interest bearing loans to its employees collectible through monthly salary deduction with outstanding balance of Rp5.42 billion and Rp7.18 billion as of December 31, 2010 and 2009, respectively. These loans are presented as part of "Other Assets" account in the balance sheets.

c. The Company's share in the revenue with RMS, a shareholder of the Company, from the revenue on family entertainment centre "Zone 2000" amounted to Rp61.61 billion in 2010 and Rp56.38 billion in 2009 or representing 1.29% and 1.31% of net revenues, respectively, are presented as part of revenues in the statements of income (Note 14).

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

7. INVENTORIES

This account represents merchandise inventories owned by the Company located in the following regions:

	2010	2009
West Java	174,758	155,028
Sumatera	167,133	135,701
Jakarta	154,247	173,016
Kalimantan	71,385	41,719
East Java	58,317	53,239
Bali and Nusa Tenggara	33,948	29,316
Sulawesi	28,241	26,324
Central Java	26,241	26,415
Papua	15,707	-
Total	**729,977**	**640,758**

The above inventories are covered by insurance against losses from fire, damage, natural disasters, riots and other risks of US$39.26 million (equivalent to Rp353.03 billion) as of December 31, 2010, which in the Company's management opinion is adequate to cover possible losses arising from such risks.

As of December 31, 2010 and 2009, there are no inventories pledged as collateral.

8. PROPERTY AND EQUIPMENT

Property and equipment consists of:

		Changes during the year		
2010	**Beginning Balance**	**Additions/ Reclassifications**	**Disposals/ Reclassifications**	**Ending Balance**
Cost				
Direct Ownership				
Land	228,288	9,257	-	237,545
Buildings	488,975	124,432	-	613,407
Building renovations and improvements	495,270	68,782	5,191	558,861
Store equipment	470,111	49,736	2,931	516,916
Transportation equipment	36,786	10,847	2,193	45,440
Office equipment	39,349	6,617	-	45,966
Total	1,758,779	269,671	10,315	2,018,135
Constructions in Progress				
Buildings	41,410	64,338	13,297	92,451
Building renovations and improvements	13,118	80,536	44,612	49,042
Store equipment	9,690	27,302	20,607	16,385
Office equipment	49	2	51	-
Total	64,267	172,178	78,567	157,878
Total Cost	1,823,046	441,849	88,882	2,176,013

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

8. PROPERTY AND EQUIPMENT (continued)

Property and equipment consists of: (continued)

2010	Beginning Balance	Changes during the year: Additions/ Reclassifications	Changes during the year: Disposals/ Reclassifications	Ending Balance
Accumulated Depreciation				
Direct Ownership				
Buildings	160,529	32,279	-	192,808
Building renovations and improvements	305,022	61,408	3,318	363,112
Store equipment	355,711	40,168	2,721	393,158
Transportation equipment	28,663	4,818	1,840	31,641
Office equipment	28,702	4,527	-	33,229
Total Accumulated Depreciation	878,627	143,200	7,879	1,013,948
Net Book Value	**944,419**			**1,162,065**

2009	Beginning Balance	Changes during the year: Additions/ Reclassifications	Changes during the year: Disposals/ Reclassifications	Ending Balance
Cost				
Direct Ownership				
Land	163,608	64,680	-	228,288
Buildings	463,799	30,350	5,174	488,975
Building renovations and improvements	455,034	58,796	18,560	495,270
Store equipment	443,002	33,941	6,832	470,111
Transportation equipment	35,632	1,837	683	36,786
Office equipment	33,927	5,422	-	39,349
Total	1,595,002	195,026	31,249	1,758,779
Constructions in Progress				
Buildings	11,850	43,500	13,940	41,410
Building renovations and improvements	24,673	23,819	35,374	13,118
Store equipment	9,566	12,819	12,695	9,690
Office equipment	2	1,263	1,216	49
Total	46,091	81,401	63,225	64,267
Total Cost	1,641,093	276,427	94,474	1,823,046
Accumulated Depreciation				
Direct Ownership				
Buildings	135,158	27,565	2,194	160,529
Building renovations and improvements	253,184	62,583	10,745	305,022
Store equipment	314,352	45,502	4,143	355,711
Transportation equipment	25,465	3,881	683	28,663
Office equipment	24,594	4,108	-	28,702
Total Accumulated Depreciation	752,753	143,639	17,765	878,627
Net Book Value	**888,340**			**944,419**

Depreciation charged to operating expenses amounted to Rp143.20 billion in 2010 and Rp143.64 billion in 2009 (Note 16).

Additions of property and equipment in 2010 mainly represent costs of the additional 5 new stores located in Sumatera, Jakarta, Kalimantan and Papua regions.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

8. PROPERTY AND EQUIPMENT (continued)

Additions of property and equipment in 2009 mainly represent costs of the additional 4 new stores located in Sumatera, Jakarta and West Java regions.

The computation of gain on sale of property and equipment as part of "Other Income (Expenses) - Others - Net" account is as follows:

	2010	**2009**
Proceeds	1,478	568
Net book value	353	-
Gain	**1,125**	**568**

Land under Rights of Building ("HGB") status owned by the Company is located in several cities in Indonesia. These HGBs will expire on various dates from 2014 until 2040 and the Company's management believes that these rights can be renewed upon their expiry.

The details of constructions in progress as of December 31, 2010 are as follows:

	Estimated Percentage of Completion from Financial Point of View	**Accumulated Costs**	**Estimated Completion**
Buildings	82-90%	92,451	Year 2011
Building renovations and improvements	18-60%	24,590	Year 2011
Store equipment	18-82%	24,452	Year 2011
Office equipment	16-90%	16,385	Year 2011
Total		**157,878**	

Property and equipment, excluding land and construction in progress, are covered by insurance against losses from fire, damage, natural disasters, riots and other risks of US$137.26 million and Rp61 million or with total equivalent amount of Rp1.23 trillion as of December 31, 2010, which in the Company's management opinion is adequate to cover possible losses arising from such risks.

As of December 31, 2010 and 2009, the Company's management believes that there is no other event or change in circumstances that may indicates any impairment of assets value.

As of December 31, 2010 and 2009, there are no property and equipment pledged as collateral.

9. LONG-TERM RENT

(a) This account represents prepaid long-term rent under rental agreements with PT Jakarta Intiland ("JIL"), a related party, and with third parties for its certain stores and warehouses locations, expiring at various dates from 2011 until 2037. These rental agreements require security deposits.

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9. LONG-TERM RENT (continued)

The details of long-term rent as of December 31, 2010 and 2009 are as follows:

	2010	2009
Contract value		
PT Jakarta Intiland, a related party	241,598	325,375
Third parties	427,584	412,888
Total	669,182	738,263
Less cumulative expired portion	(235,130)	(296,688)
Unexpired portion	434,052	441,575
Less:		
Impairment loss	(9,000)	(9,000)
Current portion	(82,787)	(68,416)
Long-term portion	**342,265**	**364,159**

The outstanding balance of long-term rent with a related party represents 4.19% and 4.34% of total assets as of December 31, 2010 and 2009, respectively.

Additions in contract values of long-term rent amounted to Rp81.64 billion in 2010 and Rp69.21 billion in 2009.

Amortization of long-term rent charged to operations amounted to Rp107.65 billion in 2010 and Rp86.70 billion in 2009 (Note 16).

Certain leased stores and warehouses under rights of use with total net book value of Rp61.92 billion as of December 31, 2010 are covered by insurance against losses from fire, damage, natural disasters, riots and other risks of US$5.82 million and Rp21 billion or with total equivalent amount of Rp73.29 billion as of December 31, 2010, which in the Company's management opinion is adequate to cover possible losses arising from such risks. The insurance of the leased stores that are classified as rent rights with net book value of Rp346.87 billion is the responsibility of the owner, while other long-term rent with total net book value of Rp16.26 billion are not covered by insurance since the stores are not yet operating.

In connection with the long-term rent agreements with JIL, the existing store and warehouse rentals cover 15 locations as of December 31, 2010. Under these agreements, the Company has the right to use the stores and warehouse locations for a period from 5 years until 8 years. These agreements will expire at various dates from 2011 until 2015, which can be renewed for another periods to be agreed by both parties. Total prepaid rent paid to JIL in 2010 and 2009 amounted to Rp59.04 billion and Rp44.39 billion, respectively. As of December 31, 2010 and 2009, the outstanding refundable security deposits paid by the Company to JIL of Rp2.91 billion or representing 0.08% and 0.09% of total assets, respectively, are presented as part of "Security Deposits" account in the balance sheets.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. LONG-TERM RENT (continued)

(b) The Company also has agreements with JIL and third parties, of which the related rents are payable during the rental periods. Rent expenses of Rp108.11 billion in 2010 and Rp105.61 billion in 2009, including rental with a related party of Rp74.93 billion and Rp52.28 billion, respectively, or representing 5.82% and 4.73% of operating expenses, respectively, are presented as part of "Operating Expenses - Rent - Net" account in the statements of income (Notes 16 and 19).

(c) The Company is required to pay service charges under the rental agreements. Total service charges of Rp56.63 billion in 2010 and Rp53.90 billion in 2009, including payments to a related party, are presented as part of "Operating Expenses - Repairs and Maintenance" in the statements of income (Note 16).

10. ACCOUNTS PAYABLE - TRADE - THIRD PARTIES

This account represents liabilities to suppliers for purchases of merchandise inventories. The terms of payments to suppliers ranging from 1 (one) month to 3 (three) months from the date of purchase.

The Company's aging analysis of accounts payable - trade - third parties based on due date is as follows:

	2010	2009
Current	489,181	484,493
1 - 2 months	103,678	75,083
More than 2 months	10,331	8,951
Total	**603,190**	**568,527**

As of December 31, 2010 and 2009, there is no collateral provided by the Company for the accounts payable - trade stated above.

11. TAXATION

Taxes payable consists of:

	2010	2009
Income taxes:		
Article 21	696	501
Article 23	2,524	4,904
Article 25 - December	510	7,872
Article 26	-	142
Article 29	16,466	102
Value Added Tax	15,752	10,057
Total	**35,948**	**23,578**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

11. TAXATION (continued)

The reconciliation between income before income tax as shown in the statements of income and taxable income for the years ended December 31, 2010 and 2009 are presented as follows:

	2010	2009
Income before income tax as shown in the statements of income	411,827	404,123
Temporary differences:		
Provision for employees' benefits	19,220	11,429
Amortization of prepaid expenses	2,001	(2,178)
Loss on disposal of property and equipment	1,679	3,455
Depreciation of property and equipment	373	(3,305)
Amortization of long-term rent	(6,917)	10,059
Payment for employees' benefits	(3,800)	(6,296)
Gain on sale of property and equipment	(337)	(297)
Permanent differences:		
Salaries and employees' welfare	5,407	366
Donations and entertainment	4,729	7,551
Tax penalties	2,392	2
Promotion expenses	-	8,408
Income already subjected to final tax:		
Rent	(85,976)	(64,094)
Interest	(40,914)	(45,235)
Gain on sale of short-term investments	(1,024)	(8,438)
Compensation cost of share options	(8,013)	-
Taxable income	300,647	315,550
Income tax expense - current	**60,129**	**72,577**
Deferred corporate income tax expense (benefit) - effect of temporary differences:		
Amortization of long-term rent	1,729	(2,515)
Gain on sale of property and equipment	84	74
Provision for employees' benefits	(3,855)	(1,283)
Amortization of prepaid expenses	(500)	545
Loss on disposal of property and equipment	(419)	(864)
Depreciation of property and equipment	(93)	826
Income tax benefit - deferred	**(3,054)**	**(3,217)**
Income tax expense - net	**57,075**	**69,360**

The Company's estimated taxable income for the year ended December 31, 2009 was consistent with the Annual Income Tax Return as reported to the Tax Office.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

11. TAXATION (continued)

The computation of income tax payable is as follows:

	2010	2009
Income tax expense - current	60,129	72,577
Prepayments of income taxes:		
Article 22	35	19
Article 23	1,034	647
Article 25	42,594	71,809
Total prepayments of income taxes	43,663	72,475
Income tax payable - Article 29	**16,466**	**102**

On December 30, 2008, Minister of Finance has issued the Ministry of Finance Regulation No. 238/PMK.03/2008 ("PMK No. 238/2008") regarding the "Guidelines on the Implementation and Supervision on the Tariff Reduction for Domestic Taxpayers in the Form of Public Companies" related with Government Regulation No. 81/2007 dated December 28, 2007. Under PMK No. 238/2008, domestic taxpayers in the form of public companies can avail of tax reduction at 5% lower than the highest income tax rate in the same manner as stated of subsection 1b of Article 17 on Law No. 7 Year 1983 regarding "Income Tax" if the following criteria are met:

1. The total publicly-owned shares is 40% (forty percent) or more than the total paid-up shares and such shares are owned by at least 300 (three hundred) parties.
2. Each of the above-mentioned can only own less than 5% shares from the total paid up shares, and should be fulfilled by the taxpayer within 6 (six) months or 183 (one hundred eighty three) calendar days in 1 (one) fiscal year.
3. The taxpayer should attach the declaration letter (*surat keterangan*) from the Securities Administration Agency (*Biro Administrasi Efek*) on the Annual Corporate Income Tax Return of the taxpayer with the form X.H.1-6 as provided in BAPEPAM-LK Rule No. X.H.1 for each concerned fiscal year.

This regulation is effective on December 30, 2008 and shall be applicable retroactively on January 1, 2008.

The Company has complied with the above criteria; accordingly, the Company has applied the tax reduction rate in the 2010 and 2009 income tax calculations.

The reconciliation between income tax computed by using applicable tax rate from income before income tax, with income tax expense as shown in the statements of income for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Income before income tax as shown in the statements of income	411,827	404,123
Income tax expense at applicable tax rate	82,365	92,948
Tax effect of permanent differences:		
Salaries and employees' welfare	1,081	84
Donations and entertainment	946	1,737
Tax penalties	479	1
Promotion expenses	-	1,934
Income already subjected to final tax:		
Rent	(17,195)	(14,742)
Interest	(8,183)	(10,404)
Gain on sale of short-term investments	(205)	(1,941)

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11. TAXATION (continued)

The reconciliation between income tax computed by using applicable tax rate from income before income tax, with income tax expense as shown in the statements of income for the years ended December 31, 2010 and 2009 are as follows: (continued)

	2010	2009
Tax effect of permanent differences: (continued)		
Compensation cost of share options	(1,602)	-
Impact on changes in corporate income tax rates under PMK No. 238/2008	(611)	(257)
Income tax expense per statements of income	**57,075**	**69,360**

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

The deferred tax assets and liabilities as of December 31, 2010 and 2009 are as follows:

	2010	2009
Deferred tax assets on:		
Estimated liability for employees’ benefits	29,334	25,479
Unrealized loss on available-for-sale financial assets	-	811
Total	29,334	26,290
Deferred tax liabilities on:		
Property and equipment	19,168	19,596
Long-term rent	16,235	14,506
Unrealized gain on available-for-sale financial assets	1,184	-
Prepaid expenses	183	683
Total	36,770	34,785
Deferred tax liabilities - net	**7,436**	**8,495**

The Company’s management believes that the deferred tax assets can be utilized through its future taxable income.

In 2010, the Company received several Tax Collection Letters (“STP”) for income taxes under Articles 4(2), 21 and Value Added Tax for 2007, 2008 and 2009 and Article 23 for 2003, 2007, 2008 and 2009 totaling Rp2.39 billion. The payments of these STP are presented as part of “Operating Expenses - Taxes and Licenses” in the 2010 statement of income (Note 16).

In 2009, the Company received several STP for income taxes under Articles 21 for 1999, 2003, 2004, 2005, 2008 and 2009 and Article 23 for 2004 totaling Rp2 million. The payments of these STP are presented as part of “Operating Expenses - Taxes and Licenses” in the 2009 statement of income (Note 16).

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. SHARE CAPITAL

The shareholders and their share ownership as of December 31, 2010 and 2009 are as follows:

	2010		
Shareholders	**Number of Shares Issued and Fully Paid**	**Percentage of Ownership**	**Total**
PT Ramayana Makmursentosa	3,965,000,000	55.88	198,250
Paulus Tumewu (President Commissioner)	260,000,000	3.66	13,000
Public (below 5% ownership each)	2,871,000,000	40.46	143,550
Total	**7,096,000,000**	**100.00**	**354,800**

	2009		
Shareholders	**Number of Shares Issued and Fully Paid**	**Percentage of Ownership**	**Total**
PT Ramayana Makmursentosa	3,965,000,000	56.13	198,250
Paulus Tumewu (President Commissioner)	260,000,000	3.68	13,000
Public (below 5% ownership each)	2,839,000,000	40.19	141,950
Total	**7,064,000,000**	**100.00**	**353,200**

13. CASH DIVIDEND AND APPROPRIATION FOR GENERAL RESERVE

In the Annual Shareholders' General Meeting held on May 27, 2010, the minutes of which were notarized by Deed No. 11 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividends of Rp25 (full amount) per share or in total amount of Rp176.60 billion, and the appropriation for general reserve of Rp5 billion from the 2009 net income.

In the Annual Shareholders' General Meeting held on May 29, 2009, the minutes of which were notarized by Deed No. 8 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividends of Rp31 (full amount) per share or in total amount of Rp218.98 billion, and the appropriation for general reserve of Rp5 billion from the 2008 net income.

14. REVENUES

The details of revenues are as follows:

	2010	**2009**
Outright sales	4,258,281	3,830,788
Consignment sales	1,802,130	1,627,967
Cost of consignment sales	(1,285,243)	(1,148,360)
Commission on consignment sales	516,887	479,607
Total revenues	**4,775,168**	**4,310,395**

There are no sales to a specific customer that exceeded 10% of total revenues in 2010 and 2009.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

15. COST OF OUTRIGHT SALES

The details of cost of outright sales are as follows:

	2010	2009
Beginning inventories	640,758	475,377
Net purchases	3,205,496	3,004,406
Inventories available for sale	3,846,254	3,479,783
Ending inventories	(729,977)	(640,758)
Cost of outright sales	**3,116,277**	**2,839,025**

There are no purchases from a supplier of the Company that exceeded 10% of total revenues in 2010 and 2009.

16. OPERATING EXPENSES

The details of operating expenses are as follows:

	2010	2009
Salaries and employees' welfare (Note 18)	450,600	387,008
Electricity and energy	205,716	167,930
Depreciation (Note 8)	143,200	143,639
Rent - net (Notes 9a, 9b and 19)	137,684	130,202
Repairs and maintenance (Note 9c)	93,170	79,038
Transportation and travel	83,666	62,559
Promotion	47,032	33,007
Store supplies	36,613	23,643
Taxes and licenses (Note 11)	18,451	9,142
Security	13,512	3,230
Bank charges	11,231	10,479
Social security contribution (*Jamsostek*)	8,558	7,576
Insurance	8,249	14,041
Stationeries and printing	8,027	6,727
Telecommunications	7,426	6,586
Contributions and retributions	4,969	5,746
Professional fee	4,916	6,283
Donations and entertainment	4,729	7,551
Others	312	438
Total	**1,288,061**	**1,104,825**

17. INTEREST INCOME

This account represents interest income from:

	2010	2009
Time deposits	26,348	45,145
Bonds	19,776	17,685
Current accounts	581	611
Mutual fund	-	813
Total	**46,705**	**64,254**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

18. ESTIMATED LIABILITY FOR EMPLOYEES' BENEFITS

The Company recognized estimated liability for employees' benefits amounting to Rp117.34 billion and Rp101.92 billion as of December 31, 2010 and 2009, respectively, presented in "Estimated Liability for Employees' Benefits" account in the balance sheets. The related expenses amounting to Rp19.22 billion and Rp11.43 billion in 2010 and 2009, respectively, are presented as part of "Operating Expenses - Salaries and Employees' Welfare" account in the statements of income (Note 16). The estimated liability for employees' benefit were determined based on actuarial valuations performed by PT Dayamandiri Dharmakonsilindo, an independent actuary, based on its reports dated January 17, 2011 and January 29, 2010 for 2010 and 2009, respectively.

The estimated liability for employees' benefits are calculated using the "Projected Unit Credit" method based on the following assumptions:

	2010	2009
Discount rate	8.6% per year	10.5% per year
Salary increase rate	7% per year	7% per year
Pension age	55 years old	55 years old
Mortality rate	CSO-1980 table	CSO-1980 table

The details of the net benefits expenses recognized are as follows:

	2010	2009
Current service cost	10,431	9,548
Interest expense	8,827	9,493
Amortization of past-service cost and actuarial gains - net	(38)	(212)
Gain on curtailment and settlement	-	(7,400)
Net	**19,220**	**11,429**

The details of employees' benefits liabilities are as follows:

	2010	2009
Present value of benefit obligation	126,086	91,018
Amortization of unrecognized past-service cost	(452)	(599)
Unrecognized actuarial gains (losses)	(8,296)	11,499
Estimated liability for employees' benefits	**117,338**	**101,918**

Movements in estimated liability for employees' benefits for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Beginning balance	101,918	96,785
Provision during the year	19,220	11,429
Benefits payments during the year	(3,800)	(6,296)
Ending balance	**117,338**	**101,918**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

19. COMMITMENTS

The Company entered into various long-term rental agreements with a related party and with third parties (Note 9) for its certain stores and warehouses locations, expiring on various dates from 2011 until 2037.

In addition, the Company entered into rental agreements with third parties to sub-lease some of the store spaces. The total rent income from these agreements of Rp85.98 billion in 2010 and Rp64.09 billion in 2009 is presented as deductions to rent expense in operating expenses (Note 16).

20. STOCK BASED COMPENSATION

In the Extraordinary Shareholders' General Meeting held on June 12, 2002, the minutes of which were notarized by Deed No. 11 on the same date of Ny. Rukmasanti Hardjasatya, S.H., the shareholders approved to issue new shares at the maximum of 5% from the total shares issued and fully paid or 70,000,000 shares with par value of Rp250 (full amount) per share through Employees' Share Option Plan ("ESOP").

In accordance with the decision of ESOP committee, the share options are subject to the following terms and conditions:

- Share options will be allocated based on the decision of the ESOP committee after considering all the recommendation from the Company's directors
- Share options will be exercised at Rp3,775 (full amount) per share
- The employees that have the right to receive share options are permanent employees from level 1 to level 4 and have been working in the Company at least 1 (one) year and with excellent performance rating based on the Company's evaluation
- Each option of the employee can be converted into 500 shares of the Company
- If employees violate the Company's regulation or committed criminal actions, then the options will be cancelled
- If employees resign or retire, then the option will be cancelled
- Term of share options is 7 years starting from November 1, 2003, and will expire on November 1, 2010.

Based on the decisions of ESOP committee and the above terms and conditions, on August 8, 2003, the Company has allocated 64,000 options to employees to purchase 32 million shares of the Company from the planned 70 million shares. Total compensation cost of share options of Rp20.03 billion is presented as part of "Share Options" account in the equity section in the balance sheets.

In relation with the stock split of the Company's share capital from par value of Rp250 (full amount) per share to Rp50 (full amount) per share in 2004, the terms and conditions of the share options as stated above were amended likewise as follows:

- Share options allocated increased from 32 million shares to 160 million shares with par value of Rp50 (full amount) per share. Accordingly, each option can be converted into 2,500 shares of the Company.
- Share options can be exercised at Rp755 (full amount) per share.

The fair value of each option was estimated on the grant date using the "Binomial Option Pricing" model using the following assumptions:

Dividend yield	: 3%
Volatility of expected price	: 44.42%
Risk free interest rate	: 10.50% - 10.94%
Option period	: 7 years

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

20. STOCK BASED COMPENSATION (continued)

On July 30, 2010, 12,800 options (representing 32,000,000 shares) were exercised by the employees and the remaining of 25,600 options cannot be executed due to the term of share options already expired on November 1, 2010.

As of December 31, 2009, outstanding share options not yet exercised represents 38,400 share options.

21. EARNINGS PER SHARE ("EPS") RECONCILIATION

In 2009, the reconciliation of the numerators and denominators used in the computation of basic and diluted EPS is as follows:

	Net Income	Weighted Average of Shares Issued and Fully Paid	Earnings per Share (in Full Amount)
Basic Earnings per Share			
Net income available to shareholders	334,763	7,064,000,000	47.39
Assumed conversion of the remaining shares from options granted to employees on the grant date (Note 20)	-	(37,473,523)	-
Diluted Earnings per Share			
Net income available to shareholders after the above assumption	334,763	7,026,526,477	-

Based on the above calculations, the 2009 share options are not considered as dilutive potential shares for diluted earnings per share purposes.

22. SEGMENT INFORMATION

Geographical Segment - Primary

The Company determines its geographical segment (primary) based on the location of stores such as in Sumatera; Java, Bali and Nusa Tenggara; Kalimantan; Sulawesi and Papua regions.

The information of the Company's geographical segment is as follows:

2010

	Sumatera	Java, Bali and Nusa Tenggara	Kalimantan	Sulawesi and Papua	Total Segment
Total revenues	1,193,211	2,804,146	458,239	319,572	4,775,168
Income					
Segment income	323,903	826,471	155,605	102,059	1,408,038
Unallocated operating expenses					(1,037,208)
Operating income					370,830
Other income - net					40,997
Income before income tax					411,827
Income tax expense					(57,075)
Net income					**354,752**
Segment assets	797,936	1,153,333	290,524	103,512	2,345,305
Unallocated assets					1,140,677
Total assets					**3,485,982**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

22. SEGMENT INFORMATION (continued)

Geographical Segment - Primary (continued)

The information of the Company’s geographical segment is as follows: (continued)

2010

	Sumatera	Java, Bali and Nusa Tenggara	Kalimantan	Sulawesi and Papua	Total Segment
Segment liabilities	2,771	2,688	718	1,129	7,306
Unallocated liabilities					798,240
Total liabilities					**805,546**
Capital expenditures	189,661	83,920	36,700	53,001	363,282
Depreciation and amortization	78,273	141,604	18,780	12,196	250,853

2009

	Sumatera	Java, Bali and Nusa Tenggara	Kalimantan	Sulawesi and Papua	Total Segment
Total revenues	1,034,902	2,679,968	366,201	229,324	4,310,395
Income					
Segment income	272,358	780,410	125,092	63,167	1,241,027
Unallocated operating expenses					(874,482)
Operating income					366,545
Other income - net					37,578
Income before income tax					404,123
Income tax expense					(69,360)
Net income					**334,763**
Segment assets	658,177	1,084,023	200,409	100,489	2,043,098
Unallocated assets					1,166,112
Total assets					**3,209,210**
Segment liabilities	3,594	1,589	84	39	5,306
Unallocated liabilities					731,286
Total liabilities					**736,592**
Capital expenditures	138,176	43,287	5,291	26,448	213,202
Depreciation and amortization	74,870	127,506	14,822	13,144	230,342

Business Segment - Secondary

The Company determines its business segment (secondary) based on the product sold such as (i) fashion and accessories and (ii) non-fashion items.

2010	**Fashion and Accessories**	**Non-Fashion Items**	**Total Segment**
Outright sales	2,158,314	2,099,967	4,258,281
Commission on consignment sales	484,425	32,462	516,887
Cost of outright sales	(1,320,224)	(1,796,053)	(3,116,277)
Gross profit	**1,322,515**	**336,376**	**1,658,891**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

22. SEGMENT INFORMATION (continued)

Business Segment - Secondary (continued)

2009	Fashion and Accessories	Non-Fashion Items	Total Segment
Outright sales	1,923,898	1,906,890	3,830,788
Commission on consignment sales	407,775	71,832	479,607
Cost of outright sales	(1,181,199)	(1,657,826)	(2,839,025)
Gross profit	**1,150,474**	**320,896**	**1,471,370**

23. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2010, the Company has monetary assets and liabilities denominated in foreign currencies as follows:

	Rupiah Equivalent
Assets	
Cash and cash equivalents	
United States Dollar (US$8,643,355)	77,712
Singapore Dollar (Sin$126,674)	884
Time deposits	
United States Dollar (US$6,097,280)	54,821
Short-term investments	
United States Dollar (US$11,155,344)	100,297
Accounts receivable - others	
United States Dollar (US$349,776)	3,549
Security deposits	
United States Dollar (US$495,958)	4,459
Singapore Dollar (Sin$90,656)	633
Total	242,355
Liabilities	
Accounts payable - others	
United States Dollar (US$140,058)	1,259
Singapore Dollar (Sin$4,808)	34
Total	1,293
Net monetary assets	**241,062**

On March 2, 2011, the exchange rates are Rp8,824 (full amount) per US$1 and Rp6,934 (full amount) per Sin$1.

If the net monetary assets in foreign currencies as of December 31, 2010 are converted to Rupiah using the exchange rates as of March 2, 2011, the net monetary assets will decrease by Rp4.46 billion.

24. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The principal financial instruments of the Company consist of cash and cash equivalents, time deposits, short-term investments, accounts receivable - trade, accounts receivable - others, security deposits, other non-current assets - loan to employees, accounts payable - trade, accounts payable - others and accrued expenses.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the risk management of these risks.

The Director reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash and cash equivalents, time deposits, short-term investments, accounts receivable - others, security deposits, and accounts payable - others.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates. The Company’s exposure to the risk of changes in foreign exchange rates related primarily to cash and cash equivalent, time deposits, short-term investments, accounts receivable - others, security deposits and accounts payable - others which denominated in United States Dollar and Singapore Dollar. The Company manages this risk by placing their investment selectively in financial instruments which provide high return on investment, so that the fluctuation of interest rate risk can be compensated with the return on investments which denominated in several foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the Rupiah exchange rate againts foreign currencies, with asumption that all other variables held constant, the effect to the income before corporate income tax expense is as follows:

	Change in Rp Rate	Effect on income before tax expenses
December 31, 2010		
United States Dollar	+ 2%	4,792
Singapore Dollar	+ 2%	30
United States Dollar	- 2%	(4,792)
Singapore Dollar	- 2%	(30)

Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company's financial instruments that have potential credit risk consist of cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivables - others, certain investments and security deposits. Total maximum credit risk exposure equal to the carrying value of these accounts.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

24. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk (continued)

For credit risk related with banks, only banks with good predicate were chosen. For financial institutions, the management already made criteria to only engage with experienced and trusted investment managers. In addition, the Company's policy is to not restrict the exposure to only 1 (one) certain institution, so that the Company has cash and cash equivalents, time deposits and investments in several financial institutions.

Liquidity risk

Liquidity risk is defined as a risk when the Company will find difficulties in order to acquire the fund to fulfill their commitments against the financial instruments.

The Company manage their liquidity risk by maintain sufficient cash and cash equivalents and marketable securities to enable the Company fulfill the Company's commitments to support the Company's business activities. In addition, the Company continuously controls the projection and actual cash flows and also controls the maturity of financial assets and liabilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual payments.

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
Account payable - third parties					
Trade	603,190	-	-	-	603,190
Others	21,002	-	-	-	21,002
Accrued expenses	20,632	-	-	-	20,632
Total	**644,824**	**-**	**-**	**-**	**644,824**

25. FINANCIAL INSTRUMENTS

The following table sets out the carrying values and estimated fair values of the Company's financial instruments as of December 31, 2010.

	Carrying Value	Fair Value
Financial Assets		
Loans and receivables		
Cash and cash equivalents	796,184	796,184
Time deposits	54,821	54,821
Accounts receivable - third parties		
Trade	2,415	2,415
Others	17,745	17,745
Security deposits	26,480	26,480
Other non-current assets - loan to employees	5,422	5,422
Available-for-sale financial assets		
Short-term investments	234,938	234,938
Total	**1,138,005**	**1,138,005**
Financial Liabilities		
Financial liabilities measured at amortized cost		
Accounts payable - third parties		
Trade	603,190	603,190
Others	21,002	21,002
Accrued expenses	20,632	20,632
Total	**644,824**	**644,824**

25. FINANCIAL INSTRUMENTS (continued)

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Financial instruments presented in the balance sheet are carried at the fair value, otherwise, they are presented at carrying values as either these are reasonable approximation of fair values or their fair values cannot be reliably measured. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a. Financial instruments carried at fair value or amortized cost

Short-term investments are carried at fair value using the quoted prices published in the active market. Security deposits and other non-current assets - loan to employees are carried at amortized cost using the effective interest rate method and the discount rates used are the current market incremental lending rate for similar types of lending.

b. Financial instruments with carrying amounts that approximate their fair values

The fair value of cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivable - others, accounts payable - trade, accounts payable - others and accrued expenses approximate their carrying values due to their short-term nature.

26. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of these financial statements that were completed on March 2, 2011.

Ramayana

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ANNUAL REPORT 2010

Sustaining Recovery accros the Archipelago :
Coordinating Intelligent Growth