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***PT INDONESIA AND SUBSIDIARIES***  
Illustrative 2010 consolidated  
financial statements

I-API



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# ***PT INDONESIA AND SUBSIDIARIES***

## **Illustrative 2010 consolidated financial statements**

This publication provides an illustrative set of consolidated financial statements, prepared in accordance with Indonesian accounting standards and best practices in the market, for an unlisted conjured multinational company. These consolidated financial statements include the disclosures required by the Indonesian accounting standards applicable in 2010. The example disclosures in these illustrative consolidated financial statements should not be considered to be the only acceptable form of presentation. The form and content of the reporting entity's financial statements are the responsibility of the entity's management. Other forms of presentation which are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in the Indonesian accounting standards.

This illustration is not a substitute for reading the accounting standards themselves or for professional judgement as to fairness of presentation. It does not cover all possible disclosures required by the Indonesian accounting standards, nor does it take into account any specific legal framework. Depending on the circumstances, further specific information may be required in order to ensure fair presentation under the Indonesian accounting standards. Additional accounting disclosures may be required in order to comply with the regulations of Capital Market and Financial Institutions Supervisory Board (Bapepam-LK) and specific industry requirements.

This illustration does not attempt to cover the disclosure requirements of specialised entities such as finance companies, banks, other financial institutions or government entities nor does it cover the specific reporting obligations of entities other than corporations.

All names used in this publication, including the names of persons and the names of companies, are fictitious and used merely for illustrative purposes.

No responsibility for loss to any person acting or refraining from acting as a result of any material in this publication can be accepted by KAP Tanudiredja, Wibisana & Rekan (PwC). Recipients should not act on the basis of this publication without seeking professional advice.

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## Foreword

The business community in Indonesia is facing a major change in the financial reporting landscape as Indonesian accounting standards are converging with International Financial Reporting Standards (“IFRS”), which will become the basis for financial reporting. It is targeted that, by 2012, most of the outstanding IFRS, in particular the 1 January 2009 version of IFRS, will be adopted in Indonesia. To ensure the timetable is met the Indonesian Institute of Accountants has been promulgating a significant number of IFRS-based accounting standards in recent years. For many business entities, dealing with these newly issued accounting standards represents a formidable challenge as the standards move to more fair-value-based measurements and demand more transparency through financial statement disclosures.

The rapid changes in financial reporting have left financial reporting practitioners grappling with the interpretation and application of principles and practices that are required by the relatively more complex standards. Exercising sound professional judgement becomes more critical in applying these new principles-based standards. Coupled with unprecedented turmoil in the world’s financial markets in the last few years, this means that sustaining trust in corporate reporting has never been more crucial to businesses around the world.

No one knows with certainty how the new wave of accounting standards coming our way in the next decade will impact the landscape of financial reporting. But one thing is for sure – there will be constant changes to the reporting landscape. Managing these changes to enhance faithful, reliable and robust financial reporting is vital to creating and sustaining trust in the marketplace. Such trust is also a key success factor in building your business.

KAP Tanudiredja, Wibisana & Rekan (PwC) has prepared this publication for distribution in conjunction with the Indonesian Institute of Certified Public Accountant to assist directors, commissioners, audit committee members, management and preparers of financial statements to better understand and implement the new financial reporting changes in an effective and efficient manner.

We hope that you will find this publication a useful guide to the preparation of your financial statements.



**Eddy Rintis**  
Assurance Leader  
KAP Tanudiredja, Wibisana & Rekan  
(PwC)



**Tia Adityasih**  
Ketua / Chairperson  
Institut Akuntan Public Indonesia/  
The Indonesian Institute of Certified Public Accountants

October 2010

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### *Format of PT Indonesia and Subsidiaries Illustrative Consolidated Financial Statements*

The references in the left margin of the consolidated financial statements represent the paragraph of the Statement of Financial Accounting Standards (SFAS) in which the disclosure appears.

1p39	=	SFAS [number], paragraph, [number]
50Rp14	=	Revised SFAS [number], paragraph, [number]
50RPA31	=	Revised SFAS – Application Guidance [number], paragraph, [number]
TB4p5	=	Technical bulletin 4, paragraph, [number]
DV	=	Disclose Voluntary. Disclosure is encouraged but not required and, therefore, represents best practice

**BOARD OF DIRECTORS' STATEMENT  
REGARDING THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL  
STATEMENTS  
AS AT 31 DECEMBER 2010 AND 2009 AND FOR THE YEARS THEN ENDED  
PT INDONESIA AND SUBSIDIARIES**

We, the undersigned:

1. Name : Adhi  
Office address : Jl. Raya No. 12,  
Jakarta 34567, Indonesia  
Home address : Jl. Utama 30  
as stated in ID : Jakarta 91292  
Phone number : (021) 313660  
Title : President Director
2. Name : Budi  
Office address : Jl. Raya No. 12,  
Jakarta 34567, Indonesia  
Home address : Jl. Pertama 21  
as stated in ID : Jakarta 11165  
Phone number : (021) 521009  
Title : Director

declare that:

1. We are responsible for the preparation and presentation of PT Indonesia and subsidiaries' consolidated financial statements;
2. PT Indonesia and subsidiaries' consolidated financial statements have been prepared and presented in accordance with accounting principles generally accepted in Indonesia;
3. a. All information in PT Indonesia and subsidiaries' consolidated financial statements has been disclosed in a complete and truthful manner;  
b. PT Indonesia and subsidiaries' consolidated financial statements do not contain any incorrect information or material fact, nor do they omit any information or material fact;
4. We are responsible for PT Indonesia's internal control system.

Thus, this statement is made truthfully.

For and on behalf of the Board of Directors:

**Adhi**  
*President Director*

**Budi**  
*Director*

Jakarta, 28 March 2011

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

### PT INDONESIA

We have audited the consolidated balance sheets of PT Indonesia and subsidiaries (together, "the Group") as at 31 December 2010 and 2009 and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 from 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT Indonesia and subsidiaries as at 31 December 2010 and 2009, and the consolidated results of their operations, and their cash flows for the years then ended in conformity with accounting principles generally accepted in Indonesia.

As disclosed in Note 4 to the consolidated financial statements, effective 1 January 2010, the Group adopted Statement of Financial Accounting Standard (SFAS) No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" and SFAS No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement".

Jakarta, 28 March 2011

Signature

Partner's name

Licence of Public Accountant No...

*The accompanying consolidated financial statements are not intended to present the consolidated 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 utilised to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly the accompanying consolidated financial statements and the auditor's report thereon are not intended for use by those who are not informed about Indonesian accounting principles and auditing standards, and their application in practice.*

**PT INDONESIA AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**31 DECEMBER 2010 AND 2009**  
(Expressed in millions of Rupiah)

		<u>Note</u>	<u>2010</u>	<u>2009</u>
<b>Assets</b>				
1p39	<b>Current assets</b>			
1p49(g)	Cash and cash equivalents	6	XXXXXX	XXXXXX
1p49(f)	Trade and other receivables	7	XXXXXX	XXXXXX
1p49(c)	Financial assets at fair value through profit or loss	8	XXXXXX	XXXXXX
1p49(c)	Derivative financial instruments	9	XXXXXX	XXXXXX
1p49(c)	Available-for-sale financial assets	10	XXXXXX	XXXXXX
1p49(e)	Inventories	11	XXXXXX	XXXXXX
1p50	Prepaid taxes	12	XXXXXX	XXXXXX
	Other current assets		<u>XXXXXX</u>	<u>XXXXXX</u>
			<u>XXXXXX</u>	<u>XXXXXX</u>
<b>Non-current assets</b>				
1p39	Trade and other receivables	7	XXXXXX	XXXXXX
1p49(c)	Derivative financial instruments	9	XXXXXX	XXXXXX
1p49(c)	Available-for-sale financial assets	10	XXXXXX	XXXXXX
1p49(d)	Investments in associates	14	XXXXXX	XXXXXX
1p49(a)	Property, plant and equipment	15	XXXXXX	XXXXXX
1p49(b)	Intangible assets	16	XXXXXX	XXXXXX
	Goodwill	17	XXXXXX	XXXXXX
1p50	Deferred tax assets	12	<u>XXXXXX</u>	<u>XXXXXX</u>
			<u>XXXXXX</u>	<u>XXXXXX</u>
	<b>Total assets</b>		<u>XXXXXX</u>	<u>XXXXXX</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
1p39	Trade payables and other payables	18	XXXXXX	XXXXXX
1p49(h)	Derivative financial instruments	8	XXXXXX	XXXXXX
1p49(h)	Borrowings	19	XXXXXX	XXXXXX
1p49(i)	Provisions for other liabilities and charges	20	XXXXXX	XXXXXX
1p50	Post-employment benefit obligations	21	XXXXXX	XXXXXX
1p49(h)	Taxes Payable	12	<u>XXXXXX</u>	<u>XXXXXX</u>
			<u>XXXXXX</u>	<u>XXXXXX</u>
<b>Non-current liabilities</b>				
1p39	Derivative financial instruments	8	XXXXXX	XXXXXX
1p49(j)	Borrowings	19	XXXXXX	XXXXXX
1p50	Post-employment benefit obligations	21	XXXXXX	XXXXXX
1p50	Deferred tax liabilities	12	XXXXXX	XXXXXX
1p49(i)	Provisions for other liabilities and charges	20	<u>XXXXXX</u>	<u>XXXXXX</u>
			<u>XXXXXX</u>	<u>XXXXXX</u>
	<b>Total liabilities</b>		<u>XXXXXX</u>	<u>XXXXXX</u>

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

**PT INDONESIA AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**31 DECEMBER 2010 AND 2009**  
(Expressed in millions of Rupiah)

		<u>Note</u>	<u>2010</u>	<u>2009</u>
1p49(k)	Minority interests		<u>XXXXXX</u>	<u>XXXXXX</u>
1p49(l)	<b>Equity</b>			
	Share capital – authorised, issued and fully paid – 50,000,000 shares with par value of Rp xxx per share	22	XXXXXX	XXXXXX
	Additional paid-in capital	22	XXXXXX	XXXXXX
	Other reserves	23	XXXXXX	XXXXXX
	Retained earnings	24	<u>XXXXXX</u>	<u>XXXXXX</u>
	<b>Total equity</b>		<u>XXXXXX</u>	<u>XXXXXX</u>
	<b>Total liabilities and equity</b>		<u>XXXXXX</u>	<u>XXXXXX</u>

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

**PT INDONESIA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**  
(Expressed in millions of Rupiah)

		<u>Note</u>	<u>2010</u>	<u>2009</u>
1p56(a)	Revenues	26	XXXXXX	XXXXXX
1p57	Cost of sales		<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
	<b>Gross profit</b>		XXXXXX	XXXXXX
1p57	Distribution costs		(XXXXXX)	(XXXXXX)
1p57	Administrative expenses		(XXXXXX)	(XXXXXX)
1p57	Other operating expenses		(XXXXXX)	(XXXXXX)
1p57	Other operating income		XXXXXX	XXXXXX
1p57	Other (losses)/gains – net	30	<u>(XXXXXX)</u>	<u>XXXXXX</u>
1p56(b)	<b>Operating profit</b>		XXXXXX	XXXXXX
1p57	Finance income	28	XXXXXX	XXXXXX
1p57	Finance costs	28	(XXXXXX)	(XXXXXX)
1p56(d)	Share of (loss)/profit of associates	14	(XXXXXX)	XXXXXX
1p57	Other income	29	<u>XXXXXX</u>	<u>XXXXXX</u>
			XXXXXX	XXXXXX
58p40	<b>Gain on sale from discontinuing operations</b>	13	<u>XXXXXX</u>	<u>XXXXXX</u>
	<b>Profit before income tax and minority interests</b>		XXXXXX	XXXXXX
1p56(e)	Income tax expense	12	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
1p56(f)	<b>Income before minority interests</b>		XXXXXX	XXXXXX
1p56(h)	Minority interests		<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
1p56(i)	<b>Net profit</b>		<u>XXXXXX</u>	<u>XXXXXX</u>

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

**PT INDONESIA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**  
(Expressed in millions of Rupiah)

	Notes	Share capital	Additional paid-in capital	Other reserves	Retained earnings		Total
					Appropriated	Unappropriated	
1p66(f)		XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
1p66(b)							
16Rp39	23	-	-	XXXX	-	-	XXXX
50Rp14	23	-	-	XXXX	-	-	XXXX
1p66(b)							
1p66(b)	23	-	-	XXXX	-	-	XXXX
16Rp41				(XXXX)		XXXX	-
1p66(b)							
50Rp55(a)	23	-	-	XXXX	-	-	XXXX
50Rp55(b)	23	-	-	(XXXX)	-	-	(XXXX)
50Rp55(c)	23	-	-	(XXXX)	-	-	(XXXX)
55Rp105(a)	23	-	-	XXXX	-	-	XXXX
1p66(b)	23	-	-	XXXX	-	-	XXXX
1p66(d)	25	-	-	-	-	(XXXX)	(XXXX)
1p66(a)						XXXX	XXXX
1p66(d)	22	XXXX	XXXX	-	-	-	XXXX
1p66(d)	22	XXXX	XXXX	-	-	-	XXXX
1p66(f)		XXXX	XXXX	XXXX	XXXX	XXXX	XXXX

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



**PT INDONESIA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**  
(Expressed in millions of Rupiah)

	<b>Note</b>	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>			
2p17(b),19	Profit before income tax including discontinued operations	XXXXXX	XXXXXX
	Adjustments for:		
	- Depreciation	15 XXXXXX	XXXXXX
	- Amortisation	16 XXXXXX	XXXXXX
	- Goodwill impairment charge	17 XXXXXX	XXXXXX
	- Share-based compensation and increase in post-employment benefit obligations	XXXXXX	XXXXXX
	- Fair value gains on derivative financial instruments	30 (XXXXXX)	(XXXXXX)
	- Fair value (gains)/losses on financial assets at fair value through profit or loss	30 (XXXXXX)	XXXXXX
	- Dividend income on available-for-sale financial assets	29 (XXXXXX)	(XXXXXX)
	- Dividend income on financial assets at fair value through profit or loss	29 (XXXXXX)	(XXXXXX)
	- Finance costs – net	28 XXXXXX	XXXXXX
	- Share of loss/(profit) from associates	14 XXXXXX	(XXXXXX)
	- Foreign exchange losses/(gains)	(XXXXXX)	(XXXXXX)
	Changes in working capital:		
	- Inventories	(XXXXXX)	(XXXXXX)
	- Trade and other receivables	(XXXXXX)	(XXXXXX)
	- Financial assets at fair value through profit or loss	(XXXXXX)	(XXXXXX)
	- Trade and other payables	(XXXXXX)	(XXXXXX)
	Payment of tax	(XXXXXX)	(XXXXXX)
	Net cash generated from operating activities	XXXXXX	XXXXXX
<b>Cash flows from investing activities</b>			
	Acquisition of subsidiary, net of cash acquired	5 (XXXXXX)	-
	Purchases of property, plant and equipment	15 (XXXXXX)	(XXXXXX)
	Proceeds from sale of property, plant and equipment	15 XXXXXX	XXXXXX
	Purchases of intangible assets	16 (XXXXXX)	(XXXXXX)
	Purchases of available-for-sale financial assets	10 (XXXXXX)	(XXXXXX)
	Disposal of subsidiary, net of cash disposed	13 XXXXXX	XXXXXX
	Loans provided to associates	32 (XXXXXX)	(XXXXXX)
	Loan repayments received from associates	32 XXXXXX	XXXXXX
	Interest received	XXXXXX	XXXXXX
	Dividends received	XXXXXX	XXXXXX
	Net cash used in investing activities	(XXXXXX)	(XXXXXX)
<b>Cash flows from financing activities</b>			
	Proceeds from issuance of ordinary shares	22 XXXXXX	XXXXXX
	Proceeds from issuance of convertible bonds	19 XXXXXX	XXXXXX
	Proceeds from issuance of redeemable preference shares	19 -	XXXXXX
	Proceeds from borrowings	XXXXXX	XXXXXX
	Repayments of borrowings	(XXXXXX)	(XXXXXX)
	Cash dividends paid to company's shareholders	(XXXXXX)	(XXXXXX)
	Cash dividends paid to holders of redeemable preference shares	(XXXXXX)	(XXXXXX)
	Net cash used in financing activities	(XXXXXX)	(XXXXXX)

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

**PT INDONESIA AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009**  
(Expressed in millions of Rupiah)

	<u>Note</u>	<u>2010</u>	<u>2009</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(XXXXXXX)	XXXXXXX
Cash, cash equivalents and bank overdrafts at beginning of year		XXXXXXX	XXXXXXX
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		<u>XXXXXXX</u>	<u>(XXXXXXX)</u>
Cash, cash equivalents and bank overdrafts at end of year		<u>XXXXXXX</u>	<u>XXXXXXX</u>
<b>Significant activities not affecting cash flows :</b>			
Acquisition of subsidiaries through the issuance of shares	5	XXXXXXX	XXXXXXX
Acquisition of property, plant, and equipment under finance leases	15	XXXXXXX	XXXXXXX
The cash, cash equivalents and bank overdrafts comprise the following :			
2p43 Cash and cash equivalents		XXXXXXX	XXXXXXX
2p7 Bank overdrafts		<u>(XXXXXXX)</u>	<u>(XXXXXXX)</u>
		<u>(XXXXXXX)</u>	<u>(XXXXXXX)</u>

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

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**PT INDONESIA AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2010 DAN 2009**  
(Expressed in millions of Rupiah)

**1. GENERAL INFORMATION**

1p74 PT Indonesia (“the Company”) and its subsidiaries (together “the Group”) manufacture, distribute and sell shoes through a network of independent retailers. The Group has manufacturing plants around the world and sells mainly its product in Indonesia, the US and Europe. During the year, the Group acquired control of “All Shoes Group”, a shoe and leather goods retailer operating in the US and most western European countries.

1p74 PT Indonesia was established on 2 December 1991 and commenced its commercial operations on 1 January 1993. The Company is incorporated and domiciled in Indonesia. The address of its registered office is Jl. Besar No. 33 Jakarta 45678 and its principal place of business is Jl. Raya No. 12 Jakarta 34567, Indonesia

1p74(d) As at 31 December 2010 and 2009, the composition of the Company’s Board of Directors and Board of Commissioners was as follows:

President Director	Adhi
Directors	Budi Charlie Dudi Eva
President Commissioner	Fajar
Commissioners	Galih Halim

4p17(a) As at 31 December 2010 and 2009, the structure of the Group was as follows:

	Country of incorporation	Percentage of ownership	
		2010	2009
Subsidiary :			
All Shoes Group (formerly an associate)	USA	70%	15%
Shoes Ltd	USA	-	60%
Boot Ltd	UK	60%	60%
Associates :			
Alfa Limited	Cyprus	25%	25%
Beta SA	Greece	30%	30%
Delta Limited	UK	42%	-

1p74 As at 31 December 2010, the Group had xxx employees (2009: xxx employees)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

8p15 These consolidated financial statements were prepared by the Board of Directors and completed on 28 March 2011.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The consolidated financial statements of PT Indonesia and subsidiaries have been prepared in accordance with accounting principles generally accepted in Indonesia. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

**PT INDONESIA AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2010 DAN 2009**  
(Expressed in millions of Rupiah)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 Basis of preparation (continued)**

The consolidated cash flow statement is prepared based on the indirect method by classifying cash flows on the basis of operating, investing, and financing activities. For the purpose of the consolidated financial cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts

The preparation of financial statements in conformity with accounting principles generally accepted in Indonesia requires the use of certain critical accounting estimates and assumptions that affects:

- the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and
- the reported amounts of revenues and expenses during the reporting period.

Although these estimates are based on management's best knowledge of current events and activities, actual results may differ from those estimates. Accounting principles generally accepted in Indonesia also require management to exercise its judgement in the process of applying the Group's accounting policies.

**2.2 Consolidation**

(a) Subsidiaries

4p5 Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

4p12

22p17 The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the fair value of non-monetary assets should be reduced proportionately until the difference is eliminated. If it is not possible to completely eliminate the difference by reducing the fair values of non-monetary assets, the remaining difference is recognised as negative goodwill and treated as deferred income over 20 years. (note 2.12).

22p21,23

22p30(a)

22p37

22p46

4p11 Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

15p3,4 Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated amortisation and impairment loss. See note 2.13 for the impairment of non-financial assets including goodwill.

15p4,5

15p11

15p5 The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in equity is recognised as other comprehensive income in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

40p6

15p16

**PT INDONESIA AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2010 DAN 2009**  
(Expressed in millions of Rupiah)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Consolidation (continued)**

15p14 Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2.3 Foreign currency translation**

(a) Reporting currency

52p4 The consolidated financial statements are presented in "Rupiah" (Rp), which is the Company's functional currency and the Group's reporting currency.

(b) Transactions and balances

10p7, 10p9(c), 10p13, 55Rp98, 10p18, 55Rp105 Foreign currency transactions are translated into Rupiah using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

11p14 The results and financial position of all the Group entities that have a functional currency different from the Group's reporting currency are translated into the reporting currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

10p18, 11p20,21 On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

11p17(a) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates used against the Rupiah are as follows (amounts in full Rupiah):

	<u>2010</u>	<u>2009</u>
Great Britain Pound Sterling	xxxx	xxxx
Euro	xxxx	xxxx
United States Dollar	xxxx	xxxx

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 Cash and cash equivalents**

2p5,6  
1p46 Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**2.5 Trade receivables**

1p42 Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

55Rp43  
55Rp46(a)  
55Rp60  
55Rp64, 66 Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the income statement

**2.6 Financial assets**

**2.6.1 Classification**

50Rp56 The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

55Rp8 Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

55Rp8 Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (notes 2.5 and 2.4).

(c) Available-for-sale financial assets

55Rp8 Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6.2 Recognition and measurement**

- 50Rp57, 55Rp38  
55RPA70  
55Rp43,46  
55Rp17
- Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.
- 55Rp56(a)  
55Rp56(b)  
55Rp68
- Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the income statement within “other (losses)/gains – net” in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.
- 55Rp56(a)
- Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.
- 55Rp56(b)
- Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group’s right to receive payments is established.
- 55Rp59  
55Rp68  
55Rp69  
55Rp70
- The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

**2.7 Offsetting financial instruments**

- 50Rp38
- Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**2.8 Derivative financial instruments and hedging activities**

- 55Rp43  
50Rp89(a)  
55Rp90(a)
- Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:
- (a) hedges of the fair value of recognised assets (a) liabilities or a firm commitment (fair value hedge);  
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or  
(c) hedges of a net investment in a foreign operation (net investment hedge).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8 Derivative financial instruments and hedging activities (continued)**

55Rp90(a) The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

55Rp91 Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within “finance costs”. The gain or loss relating to the ineffective portion is recognised in the income statement within “other gains/(losses) – net”. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within “finance costs”.

55Rp95 If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

55Rp98 The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within “other gains/ (losses) – net”.

55Rp100 Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within “finance costs”. The gain or loss relating to the ineffective portion is recognised in the income statement within “other gains/(losses) – net”. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant, and equipment.

55Rp101(b)

55Rp104 When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within “other gains/(losses) – net”.

(c) Net investment hedge

55Rp105 Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within “other gains/(losses) – net”.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8 Derivative financial instruments and hedging activities (continued)**

(d) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

55Rp56(a) Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the income statement within 'other gains/(losses) – net'.

**2.9 Inventories**

14Rp34(a),8  
14Rp23,9  
14Rp12  
26Rp6,7  
14Rp5  
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials<sup>1</sup>.

**2.10 Property, plant and equipment**

16Rp31  
16Rp35b  
16Rp30, 17  
Land and buildings comprise mainly factories, retail outlets and offices. Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant, and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant, and equipment.

47p2(b) Material amounts of legal costs associated with land rights are capitalised and amortised over their useful lives.

16Rp13,7  
16Rp72  
16Rp12  
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

16Rp39,40  
16Rp41  
Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from "other reserves" to "retained earnings".

47p17  
16Rp53, 75(b)  
16Rp75 (c)  
Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

– Buildings	25-40 years
– Machinery	10-15 years
– Vehicles	3-5 years
– Furniture, fittings and equipment	3-8 years

<sup>1</sup> Management may choose to keep these gains in equity until the acquired asset affects profit or loss. At this time, management should re-classify the gains to profit or loss.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.10 Property, plant and equipment (continued)**

16Rp54	The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.
48p41	An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.13).
16Rp70,73	Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains – net" in the income statement.
16Rp41	When revalued assets are sold, the amounts included in equity are transferred to retained earnings.
	The accumulated costs of the construction of buildings and the installation of machinery are capitalised as construction in progress. These costs are reclassified to property, plant, and equipment when the construction or installation is complete. Depreciation is charged from the date the assets are ready for use.
26Rp8	Interest and other borrowing costs, such as discount fees on loans either directly or indirectly used in financing the construction of a qualifying asset, are capitalised up to the date when construction is complete. For borrowings that are directly attributable to a qualifying asset, the amount to be capitalised is determined as the actual borrowing cost incurred during the year, less any income earned on the temporary investment of such borrowings. For borrowings that are not directly attributable to a qualifying asset, the amount to be capitalised is determined by applying a capitalisation rate to the amount expended on the qualifying assets. The capitalisation rate is the weighted average of the total borrowing costs applicable to the total borrowings outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.
26Rp22	
26Rp14	

**2.11 Intangible assets**

(a) Trademarks and licences

19p23	Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years.
19p57,58	
19p84(a),(b)	
19p4	Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.
19p84(a),(b)	

(b) Computer software

19p54	Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:
19p39	
	<ul style="list-style-type: none"> <li>• it is technically feasible to complete the software product so that it will be available for use;</li> <li>• management intends to complete the software product and use or sell it;</li> <li>• there is an ability to use or sell the software product;</li> <li>• it can be demonstrated how the software product will generate probable future economic benefits;</li> <li>• adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and</li> <li>• the expenditure attributable to the software product during its development can be reliably measured.</li> </ul>

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.11 Intangible assets (continued)**

(b) Computer software (continued)

- 19p48 Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.
- 19p50, 53 Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.
- 19p58  
19p84(a),(b) Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

**2.12 Goodwill**

- 22p37 Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life, which is five years. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies. Goodwill is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated amortisation and impairment losses, if any. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
- 22p39
- 22p44

**2.13 Impairment of non-financial assets**

- 48p7 Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.
- 48p41
- 48p5
- 48p48
- 48p67

**2.14 Trade payables**

- 1p44 Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.
- 55Rp43,47 Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.15 Borrowings**

- 55Rp43  
55Rp47 Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.
- Prior to 1 January 2010 the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the straight line method.
- Effective 1 January 2010, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. The transition provision relating to this change of accounting is discussed further in Note 4.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.15 Borrowings (continued)**

50Rp14(a) Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

50Rp31 Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**2.16 Compound financial instruments**

50Rp24 Compound financial instruments issued by the Group comprise convertible loans that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

50RPA31 Prior to 1 January 2010, these compound financial instruments were entirely reported as liability instruments.

Effective 1 January 2010, the liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The transition provision relating to the change of accounting for compound financial instruments from liability instruments into those containing liability and equity components is discussed further in Note 4.

**2.17 Share capital**

50Rp14(a) Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 2.16).

50Rp33 Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

50Rp29 Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.18 Provisions**

- 57p15 Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.
- 57p74  
57p65
- 57p25 Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
- 57p46 Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.19 Employee benefits**

(a) Pension obligations

- 24p26 Group companies operate various pension schemes. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
- 24p8  
24p28  
24p126(b)
- 24p54 The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- 24p66  
24p80,82
- 24p94,95 Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligation are charged or credited to income over the employees expected average remaining working lives.
- 24p98 Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.
- 24p45 For defined contribution plans, the Group pays contributions to pension plans on a mandatory, contractual or voluntary basis. However, since Labor Law no. 13 of 2003 requires an entity to pay to a worker entering into pension age a certain amount based on, mainly, the worker's length of service, the entity is exposed to the possibility of having to make further payments to reach that certain amount in particular when the cumulative contributions are less than that amount. Consequently for financial reporting purposes the defined contributions plans are effectively treated as if they were defined benefit plans.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.19 Employee benefits (continued)**

(b) Other post-employment obligations

- 24p126(b) Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement in the period in which they arise. These obligations are valued annually by independent qualified actuaries.
- 24p126(a)

(c) Termination benefits

- 24p139 Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.
- 24p140 The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.
- 24p145

(d) Profit-sharing and bonus plans

- 24p18 The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**2.20 Share-based payments**

- 53p11 The Group operates a number of equity-settled, share-based compensation plans, under which the Group grants options to employees as a payment for their services. The total amount of compensation to be expensed is determined by reference to the fair value of the options granted, after deduction for any amount to be paid by the employees for the option.
- 53p34, 53p37 Service conditions (i.e where an employee is required to perform services for the Group for a certain number of periods before the options can be exercised) are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the service conditions.
- 53p12 The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of options granted, measured at the grant date, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

**2.21 Current and deferred income tax**

- 46p37,40 The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.21 Current and deferred income tax (continued)**

- 46p29,13 The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
- 46p21 Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Tax loss carryforward is recognised as a deferred tax asset when it is probable that there will be future taxable profit available against which the unused tax losses can be utilised. Deferred income tax is determined using tax rates pursuant to laws or regulations that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- 46p14  
46p26
- 46p30
- 46p21 Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**2.22 Revenue recognition**

- 23p8 Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.
- 23p13 The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods – wholesale

The Group manufactures and sells a range of footwear products in the wholesale market. Sales of goods are recognised when a Group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The footwear products are often sold with volume discounts; customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with the market practice.

(b) Sales of goods – retail

The Group operates a chain of retail outlets for selling shoes and other leather products. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually made in cash or by credit card. The Group does not operate any loyalty programmes.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.22 Revenue recognition (continued)**

(c) Sales of services

23p19 The Group sells design services and transportation services to other shoe manufacturers. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

Revenue from time and material contracts, typically from delivering design services, is recognised under the percentage-of-completion method. Revenue is generally recognised at the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of the total hours to be delivered. For material contracts, the stage of completion is measured on the basis of direct expenses incurred as a percentage of the total expenses to be incurred.

Revenue from fixed-price contracts for delivering design services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Revenue from fixed-price contracts for delivering transportation services is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

(d) Interest income

23p29(a) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Royalty income

23p29(b) Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(f) Dividend income

23p29(c) Dividend income is recognised when the right to receive payment is established.

**2.23 Leases**

30Rp8 Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

30Rp29

The Group leases certain property, plant, and equipment. Leases of property, plant, and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

30Rp8  
30Rp16

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.23 Leases (continued)**

30Rp21 Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant, and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

30Rp23

**2.24 Dividend distribution**

21p22 Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

**3. FINANCIAL RISK MANAGEMENT**

**3.1 Financial risk factors**

50Rp48 The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk and cashflow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

50Rp48(a) (a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

50Rp54 Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional recording nor reporting currency.

50Rp52 The Group treasury's risk management policy is to hedge between 75% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency for the subsequent 12 months. Approximately 90% (2009: 95%) of projected sales in each major currency qualify as 'highly probable' forecast transactions for hedge accounting purposes.

Each subsidiary designates contracts with the Group treasury as fair value hedges or cash flow hedges, as appropriate. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis

50Rp48(a)(i) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies

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**3. FINANCIAL RISK MANAGEMENT (continued)**

**3.1 Financial risk factors (continued)**

50Rp48(a)	(a) Market risk (continued)
DV	<p>At 31 December 2010, if the currency had weakened/strengthened by x% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rp xxx (2009: Rp xxx) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available for sale and foreign exchange losses/gains on translation of US dollar-denominated borrowings. Profit is more sensitive to movement in currency/US dollar exchange rates in 2010 than 2009 because of the increased amount of US dollar-denominated borrowings.</p> <p>At 31 December 2010, if the currency had weakened/strengthened by x% against the UK pound with all other variables held constant, post-tax profit for the year would have been Rp xxx (2009: Rp xxx) lower/higher, mainly as a result of foreign exchange gains/losses on translation of UK pound-denominated trade receivables, financial assets at fair value through profit or loss, debt securities classified as available for sale and foreign exchange losses/gains on translation of UK pound-denominated borrowings.</p>
	(ii) Price risk
50Rp48(a)(iii)	<p>The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.</p>
	(iii) Cash flow and fair value interest rate risk
50Rp71	<p>As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.</p>
50Rp56,53	<p>The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately x% of its borrowings in fixed rate instruments. During 2010 and 2009, the Group's borrowings at variable rate were denominated in the Rupiah and the UK pound.</p>
50Rp71	<p>The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.</p>
50Rp54(b)(c)	<p>Based on the simulations performed, the impact on post tax profit of a x% shift would be a maximum increase of Rp xxx (2009: Rp xxx) or decrease of Rp xxx (2009: Rp xxx), respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.</p> <p>Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.</p>

**3. FINANCIAL RISK MANAGEMENT (continued)**

**3.1 Financial risk factors (continued)**

(a) Market risk (continued)

Occasionally the Group also enters into fixed-to-floating interest rate swaps to hedge the fair value interest rate risk arising where it has borrowed at fixed rates in excess of the x% target.

50Rp71 At 31 December 2010, if interest rates on Rupiah-denominated borrowings had been x% higher/lower with all other variables held constant, post-tax profit for the year would have been Rp xxx (2009: Rp xxx) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been Rp xxx (2009: Rp xxx) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale. At 31 December 2010, if interest rates on UK pound-denominated borrowings at that date had been x% higher/lower with all other variables held constant, post-tax profit for the year would have been Rp xxx (2009: Rp xxx) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been Rp xxx (2009: Rp xxx) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available for sale.

(b) Credit risk

50Rp72 (b) The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

DV Credit risk is managed on a Group basis. Credit risk arises from short-term bank deposits, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

50Rp48(c) (c) Liquidity risk

50Rp52 Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

50Rp52 Management monitors rolling forecasts of the Group's liquidity reserve (which comprises an undrawn borrowing facility (note 19) and cash and cash equivalents (note 6) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cashflows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

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**3. FINANCIAL RISK MANAGEMENT (continued)**

**3.1 Financial risk factors (continued)**

(c) Liquidity risk (continued)

DV

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows<sup>1</sup>. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year <sup>2</sup>	Between 1 and 2 years <sup>2</sup>	Between 2 and 5 years <sup>2</sup>	over 5 years <sup>2</sup>
<b>At 31 December 2010</b>				
Borrowings (excluding finance finance liabilities)	XXXXX	XXXXX	XXXXX	XXXXX
Finance lease liabilities	XXXXX	XXXXX	XXXXX	XXXXX
Derivative financial instruments	XXXXX	XXXXX	XXXXX	XXXXX
Trade and other payables	XXXXX <sup>3</sup>	XXXXX	XXXXX	XXXXX
<b>At 31 December 2009</b>				
Borrowings (excluding finance finance liabilities)	XXXXX	XXXXX	XXXXX	XXXXX
Finance lease liabilities	XXXXX	XXXXX	XXXXX	XXXXX
Derivative financial instruments	XXXXX	XXXXX	XXXXX	XXXXX
Trade and other payables	XXXXX <sup>3</sup>	XXXXX	XXXXX	XXXXX

<sup>1</sup> As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments and trade and other payables. Entities can choose to add a reconciling column and a final total which ties into the balance sheet if they so wish.

<sup>2</sup> The specific time buckets presented are not mandated by the standard but are based on a choice by management.

<sup>3</sup> The maturity analysis applies to financial instruments only and therefore statutory liabilities are not included.

**3.2 Fair value estimation**

50Rp89

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**4. ADOPTION OF NEW ACCOUNTING STANDARDS**

The Group adopted SFAS 50 (Revised 2006), Financial Instruments : Presentation and Disclosures” and SFAS 55 (Revised 2006), “Financial Instruments : Recognition and Measurements” prospectively on 1 January 2010 in accordance with the transitional provisions and has applied the transitional provisions of those standards, as follows :

*Effective interest rate*

TB4p01 The effective interest rate for financial instruments measured at amortised cost, for example borrowings, that were acquired prior to and still have a balance remaining as at 1 January 2010 is calculated by referring to the future cash flows that will be generated from the time SFAS 55 (Revised 2006) is first implemented up to the maturity of the financial instruments.

TB4p01 As described in Note 2, prior to 1 January 2010, the Group used the straight line method for computing the amortised cost of borrowings. Effective 1 January 2010, with the implementation of SFAS 55 (Revised 2006), the Group switched to the effective interest rate method. The impact of changing the interest rate methods on the Group is considered immaterial.

*Compound financial instruments*

TB4p03 Compound financial instruments existing as at 1 January 2010 should be bifurcated into debt and equity components in accordance with SFAS 50 (Revised 2006). The bifurcation should be based on the nature, condition and requirements relating to those financial instruments as at 1 January 2010. Please refer to note 19 for a description of compound instruments as at 1 January 2010.

*Impairment of financial instruments*

TB4p05 As at 1 January 2010, the Group determined any possible impairment of financial instruments based on conditions existing at that date. Any difference between this impairment and the impairment calculated based on previous applicable accounting principles is adjusted to the retained earnings as at 1 January 2010.

TB4p05 The difference between the two balances based on the old and new approach for impairment amounting to Rp XXXXXX (net of tax amount of Rp XXXXXX) was credited to the opening balance of Retained Earnings and Minority Interest as at 1 January 2010 respectively amounting to Rp XXXXXX and Rp XXXXXX. Details of adjustment of such allowance are as follows:

	<b>2010</b>
Trade and other receivables (note 7)	XXXXXX
Deferred tax assets (note 12)	<u>(XXXXXX)</u>
	XXXXXX
Minority interest as at 1 January 2010	<u>(XXXXXX)</u>
Opening Retained Earning as at 1 January 2010	<u>XXXXXX</u>

**5. ACQUISITIONS**

22p64,65 On 30 June 2009, the Group acquired 15% of the share capital of All Shoes Group for Rp xxx. At that date, the fair value of the net assets and liabilities in All Shoes Group equalled Rp xxx and consequently there is no goodwill on the initial 15% investment. On 1 March 2010, the Group acquired a further 55% of the share capital and obtained the control of All Shoes Group, a shoe and leather goods retailer operating in the US and most western European countries.

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**5. ACQUISITIONS (continued)**

22p65	Details of net assets acquired and goodwill are as follows:	
		<b><u>2010</u></b>
	Purchase consideration:	
	- Cash paid	XXXXXX
22p65(b)	- Direct costs relating to the acquisition	XXXXXX
22p65(b)	- Fair value of shares issued, net of issuance costs of Rp xxx (note 22)	<u>XXXXXX</u>
	Total purchase consideration	<u>XXXXXX</u>
22p21	The fair value of the shares issued was based on valuation by an appraiser.	
22p35,36	The assets and liabilities as of 1 March 2010 arising from the acquisition are as follows:	
		<b><u>Fair value</u></b>
	Cash and cash equivalents	XXXXXX
	Property, plant, and equipment (note 15)	XXXXXX
	Trademarks (included in intangibles) (note 16)	XXXXXX
	Licences (included in intangibles) (note 16)	XXXXXX
	Available-for-sale financial assets (note 10)	XXXXXX
	Inventories	XXXXXX
	Trade and other receivables	XXXXXX
	Trade and other payables	(XXXXXX)
	Post-employment benefit obligations:	
	- Pensions (note 21)	(XXXXXX)
	- Other post-employment obligations (note 21)	(XXXXXX)
	Borrowings	(XXXXXX)
	Deferred tax liabilities (note 12)	<u>(XXXXXX)</u>
	<b>Fair value of net assets</b>	<b>XXXXXX</b>
	Proportion acquired	<u>55%</u>
	Share of fair value of net assets	XXXXXX
	Goodwill (note 17)	<u>XXXXXX</u>
	<b>Total purchase consideration</b>	<b><u>XXXXXX</u></b>
DV	The goodwill is attributable to the acquired customer base and economies of scale expected from combining the operations of the Group and All Shoes Group.	
2p38	Purchase consideration settled in cash	XXXXXX
	Cash and cash equivalents in subsidiary acquired	<u>(XXXXXX)</u>
	<b>Cash outflow on acquisition</b>	<b><u>XXXXXX</u></b>

There were no acquisitions in the year ended 31 December 2009.

See note 35 for disclosures regarding the business combination that took place after the balance sheet date but before the approval of these financial statements.

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**6. CASH AND CASH EQUIVALENTS**

	<u>2010</u>	<u>2009</u>
Cash at bank and on hand	XXXXXX	XXXXXX
Short-term bank deposits	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

**7. TRADE AND OTHER RECEIVABLES**

	<u>2010</u>	<u>2009</u>
1p53 Trade receivables	XXXXXX	XXXXXX
Less: provision for impairment of trade receivables	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
Trade receivables – net	XXXXXX	XXXXXX
Prepayments	XXXXXX	XXXXXX
Receivables from related parties (note 32)	XXXXXX	XXXXXX
Loans to related parties (note 32)	<u>XXXXXX</u>	<u>XXXXXX</u>
	XXXXXX	XXXXXX
1p42 Less non-current portion: loans to related parties	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
1p42 Current portion	<u>XXXXXX</u>	<u>XXXXXX</u>

All non-current receivables are due within five years from the end of the reporting period.

50Rp82 The fair values of trade and other receivables are as follows:

	<u>2010</u>	<u>2009</u>
Trade receivables	XXXXXX	XXXXXX
Receivables from related parties	XXXXXX	XXXXXX
Loans to related parties	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

50Rp89(a) The fair values of loans to related parties are based on cash flows discounted using a rate based on the borrowings rate of x% (2009: x%). The discount rate equals to LIBOR plus appropriate credit rating.

50Rp63(b) The effective interest rates on non-current receivables were as follows:

	<u>2010</u>	<u>2009</u>
Loans to related parties (note 32)	XX%	XX%

50Rp91(b) Certain European subsidiaries of the Group transferred receivable balances amounting to Rp xxx to a bank in exchange for cash during the year ended 31 December 2010. The transaction has been accounted for as a collateralised borrowing (note 19). In case the entities default under the loan agreement, the bank has the right to receive the cash flows from the receivables transferred. Without default, the entities will collect the receivables and allocate new receivables as collateral.

50Rp91(i) As of 31 December 2010, trade receivables of Rp xxx (2009: Rp xxx) were fully performing.

50Rp91(i) As of 31 December 2010, trade receivables of Rp xxx (2009: Rp xxx) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

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**7. TRADE AND OTHER RECEIVABLES (continued)**

	<u>2010</u>	<u>2009</u>
Up to 3 months	XXXXXX	XXXXXX
3 to 6 months	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

50Rp91(i) As of 31 December 2010, trade receivables of Rp xxx (2009: Rp xxx) were impaired and provided for. The amount of the provision was Rp xxx as of 31 December 2010 (2009: Rp xxx). The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	<u>2010</u>	<u>2009</u>
3 to 6 months	XXXXXX	XXXXXX
Over 6 months	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

DV The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	<u>2010</u>	<u>2009</u>
Rupiah	XXXXXX	XXXXXX
US dollar	XXXXXX	XXXXXX
UK pound	XXXXXX	XXXXXX
Other currencies	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

DV Movements in the Group provision for impairment of trade receivables are as follows:

	<u>2010</u>	<u>2009</u>
<b>At 1 January</b>	XXXXXX	XXXXXX
Provision for receivables impairment	XXXXXX	XXXXXX
Receivables written off during the year as uncollectible	(XXXXXX)	(XXXXXX)
Unused amounts reversed	(XXXXXX)	(XXXXXX)
Unwind of discount (note 28)	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>At 31 December</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

The creation and release of provision for impaired receivables have been included in "other expenses" in the income statement (note 27). Unwind of discount is included in "finance costs" in the income statement (note 28). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

50Rp72(a) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

		<u>2010</u>	<u>2009</u>
50Rp89 (b)	Listed securities – held-for-trading		
	– Equity securities – Indonesia	XXXXXX	XXXXXX
	– Equity securities – US	XXXXXX	XXXXXX
	– Equity securities – UK	<u>XXXXXX</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>
2p14	Financial assets at fair value through profit or loss are presented within ‘operating activities’ as part of changes in working capital in the cash flow statement.		
	Changes in fair values of financial assets at fair value through profit or loss are recorded in ‘other (losses)/gains – net’ in the income statement (note 30).		
50Rp89 (b)	The fair value of all equity securities is based on their current bid prices in an active market.		

**9. DERIVATIVE FINANCIAL INSTRUMENTS**

	<u>2010</u>		<u>2009</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
50Rp54(a),(b)	Interest rate swaps – cash flow hedges	XXXXXX	XXXXXX	XXXXXX
	Interest rate swaps – fair value hedges	XXXXXX	XXXXXX	XXXXXX
	Forward foreign exchange contracts – cash flow hedges	XXXXXX	XXXXXX	XXXXXX
	Forward foreign exchange contracts – held-for-trading	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
	Total	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
1p42	Less non-current portion:			
	Interest rate swaps – cash flow hedges	XXXXXX	XXXXXX	XXXXXX
	Interest rate swaps – fair value hedges	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
1p42	Current portion	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

55Rp98(b) The ineffective portion recognised in the profit or loss that arises from fair value hedges amounts to a loss of Rp xxx (2009: loss of Rp xxx) (note 30). The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to a gain of Rp xxx (2009: a gain of Rp xxx) (note 30). There was no ineffectiveness to be recorded from net investment in foreign entity hedges.

(a) Forward foreign exchange contracts

50Rp59(a) The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2010 were Rp xxx (2009: Rp xxx).

50Rp55 The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity (note 23) on forward foreign exchange contracts as of 31 December 2010 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. This is generally within 12 months from the balance sheet date unless the gain or loss is included in the initial amount recognised for the purchase of property, plant and equipment, in which case recognition is over the lifetime of the asset (five to 10 years).

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**9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

50Rp59(a)	(b) Interest rate swaps
	The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2010 were Rp xxx (2009: Rp xxx).
50Rp55	At 31 December 2010, the fixed interest rates vary from x% to x% (2009: x% to x%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity (note 23) on interest rate swap contracts as of 31 December 2010 will be continuously released to the income statement until the repayment of the bank borrowings (note 19).
	(c) Hedge of net investment in foreign entity
50Rp54	A proportion of the Group's US dollar-denominated borrowing amounting to Rp xxx (2009: Rp xxx) is designated as a hedge of the net investment in the Group's US subsidiary. The fair value of the borrowing at 31 December 2010 was Rp xxx (2009: Rp xxx). The foreign exchange loss of Rp xxx (2009: gain of Rp xxx) on translation of the borrowing to currency at the balance sheet date is recognised in other reserves, in shareholders' equity (note 23).
50Rp72(a)	The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

**10. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

		<u>2010</u>	<u>2009</u>
	At 1 January	XXXXXX	XXXXXX
	Exchange differences	XXXXXX	(XXXXXX)
	Acquisition of subsidiary (note 5)	XXXXXX	-
	Additions	XXXXXX	XXXXXX
	Disposals	(XXXXXX)	-
	Net gains/(losses) transfer from equity (note 23)	(XXXXXX)	(XXXXXX)
1p55(b)	Net gains/(losses) transfer to equity (note 23)	<u>XXXXXX</u>	<u>XXXXXX</u>
	At 31 December	XXXXXX	XXXXXX
1p42	Less: non-current portion	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
1p42	Current portion	<u>XXXXXX</u>	-
55Rp56(b), 68 50Rp91(i)	The Group removed profits of Rp xxx (2009: Rp xxx) and losses Rp xxx (2009: Rp xxx) from equity into the income statement. Losses in the amount of Rp xxx (2009: Rp xxx) were due to impairments.		
50Rp89(b)	Available-for-sale financial assets include the following:		
		<u>2010</u>	<u>2009</u>
50Rp89(b), 55RPA86-88	Listed securities		
	- Equity securities – Indonesia	XXXXXX	XXXXXX
	- Equity securities – US	XXXXXX	XXXXXX
	- Equity securities – UK	XXXXXX	XXXXXX
50Rp63	- Debentures with fixed interest of x% and maturity date of 27 August 2012	XXXXXX	-
50Rp63	- Non-cumulative x% non-redeemable preference shares	XXXXXX	-
50Rp63, 55RPA89-95	Unlisted securities:		
	- Debt securities with fixed interest ranging from x% to x% and maturity dates between July 2011 and May 2013	<u>XXXXXX</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>

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**10. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)**

DV Available-for-sale financial assets are denominated in the following currencies:

	<u>2010</u>	<u>2009</u>
UK Pound Sterling	XXXXXX	XXXXXX
Euros	XXXXXX	XXXXXX
US Dollar	XXXXXX	XXXXXX
Other currencies	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

50Rp89(a),(b) The fair values of unlisted securities are based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities (2010: x%; 2009: x%).

50Rp72(a) The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available for sale.

50Rp91(i) None of these financial assets is either past due or impaired.

**11. INVENTORIES**

	<u>2010</u>	<u>2009</u>
14Rp34(b) Raw materials	XXXXXX	XXXXXX
Work in progress	XXXXXX	XXXXXX
Finished goods	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

14Rp34(d) The cost of inventories recognised as expense and included in “cost of sales” amounted to Rp xxx (2009: Rp xxx).

14Rp34(f) 48p79 The Group reversed Rp xxx of a previous inventory write-down in July 2010. The Group has sold all the goods that were written down to an independent retailer in Australia at original cost. The amount reversed has been included in ‘cost of sales’ in the income statement.

**12. TAXATION**

**a) Prepaid taxes**

	<u>2010</u>	<u>2009</u>
Corporate income tax	XXXXXX	XXXXXX
Value added tax	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

**b) Taxes payable**

	<u>2010</u>	<u>2009</u>
Income taxes:		
Article 25/29	XXXXXX	XXXXXX
Other taxes :		
Withholding taxes art. 21	XXXXXX	XXXXXX
Withholding taxes art. 23	XXXXXX	XXXXXX
Withholding taxes art. 26	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

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**12. TAXATION (continued)**

**e) Income tax expenses**

	<u><b>2010</b></u>	<u><b>2009</b></u>
46p56(a)		
Current :		
Non Final	XXXXXX	XXXXXX
Final	XXXXXX	XXXXXX
Deferred	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>
46p56(d)(i)		
The reconciliation between income tax expenses and the theoretical tax amount on the profit before income tax is as follows:		
	<u><b>2010</b></u>	<u><b>2009</b></u>
Consolidated profit before income taxes	XXXXXX	XXXXXX
Consolidation eliminations	<u>XXXXXX</u>	<u>XXXXXX</u>
Consolidated profit before income tax and eliminations	XXXXXX	XXXXXX
Less:		
Profit before income tax of subsidiaries	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
<b>Profit before income tax of the Company</b>	XXXXXX	XXXXXX
Tax calculated at applicable tax rates	XXXXXX	XXXXXX
Tax effects of:		
- Income not subject to tax	(XXXXXX)	(XXXXXX)
- Income subject to final tax	(XXXXXX)	(XXXXXX)
- Expenses not deductible	XXXXXX	XXXXXX
- Utilisation of previously unrecognised tax losses	(XXXXXX)	-
- Tax losses for which no deferred income tax asset was recognised	XXXXXX	XXXXXX
Re-measurement of deferred tax – change in the corporate income tax rate	<u>XXXXXX</u>	-
<b>Tax charge</b>	<u>XXXXXX</u>	<u>XXXXXX</u>
46p56(b)		
The income tax charged/(credited) relating to equity during the year is as follows:		
	<u><b>2010</b></u>	<u><b>2009</b></u>
Deferred tax:	XXXXXX	XXXXXX
Other reserves in shareholders' equity:		
– Land and buildings (note 23)	XXXXXX	XXXXXX
– Hedging reserve (note 23)	XXXXXX	XXXXXX
– Available-for-sale financial assets (note 23)	XXXXXX	XXXXXX
Convertible bond – equity component (note 23)	XXXXXX	-
Impact of initial implementation of SFAS 55 (Revised 2006) (note 4)	XXXXXX	XXXXXX
Impact of change in corporate income tax rate on deferred tax	XXXXXX	XXXXXX
Share options - impact of difference in fair values between grant date and exercise date	<u>XXXXXX</u>	-
	<u>XXXXXX</u>	<u>XXXXXX</u>

In addition, deferred income tax of Rp xxx (2009: Rp xxx) was transferred from other reserves (note 23) to retained earnings. This represents deferred tax on the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

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**12. TAXATION (continued)**

**d) Deferred tax assets and liabilities**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

DV		<u><b>2010</b></u>	<u><b>2009</b></u>
	Deferred tax assets:		
	– Deferred tax assets to be recovered after more than 12 months	(XXXXXXX)	(XXXXXXX)
	– Deferred tax assets to be recovered within 12 months	<u>(XXXXXXX)</u>	<u>(XXXXXXX)</u>
		<u>(XXXXXXX)</u>	<u>(XXXXXXX)</u>
	Deferred tax liabilities:		
	– Deferred tax liabilities to be recovered after more than 12 months	XXXXXXX	XXXXXXX
	– Deferred tax liabilities to be recovered within 12 months	<u>XXXXXXX</u>	<u>XXXXXXX</u>
		<u>XXXXXXX</u>	<u>XXXXXXX</u>
	<b>Deferred tax liabilities (net)</b>	<u>XXXXXXX</u>	<u>XXXXXXX</u>

The gross movement in the deferred income tax account is as follows:

		<u><b>2010</b></u>	<u><b>2009</b></u>
	At 1 January	XXXXXXX	XXXXXXX
	Exchange differences	(XXXXXXX)	(XXXXXXX)
	Acquisition of subsidiary (note 5)	XXXXXXX	-
	Disposal of subsidiary (note 13)	XXXXXXX	-
	Income statement charge	XXXXXXX	XXXXXXX
	Tax charged/(credited) directly to equity (note 23)	<u>XXXXXXX</u>	<u>XXXXXXX</u>
	<b>At 31 December</b>	<u>XXXXXXX</u>	<u>XXXXXXX</u>

46p56(g)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<u>Deferred tax liabilities</u>	<u>Property, plant and equipment</u>	<u>Fair value gains of financial instrument</u>	<u>Convertible bond</u>	<u>Other</u>	<u>Total</u>
46p56(g)(ii)	<b>At 1 January 2009</b>	xxxxxx	xxxxxx	-	xxxxxx	xxxxxx
	Charged/(credited) to the income statement	xxxxxx	-	-	xxxxxx	xxxxxx
46p56(b)	Charged directly to equity	-	xxxxxx	-	-	xxxxxx
	Exchange differences	<u>xxxxxx</u>	<u>xxxxxx</u>	<u>-</u>	<u>-</u>	<u>xxxxxx</u>
46p56(g)(i)	<b>At 31 December 2009</b>	xxxxxx	xxxxxx	-	xxxxxx	xxxxxx
46p56(g)(ii)	Charged/(credited) to the income statement	xxxxxx	-	(xxxxxx)	xxxxxx	xxxxxx
46p56(b)	Charged directly to equity	-	xxxxxx	xxxxxx	-	xxxxxx
	Acquisition of subsidiary (note 5)	xxxxxx	xxxxxx	-	xxxxxx	xxxxxx
	Exchange differences	<u>(xxxxxx)</u>	<u>(xxxxxx)</u>	<u>-</u>	<u>(xxxxxx)</u>	<u>(xxxxxx)</u>
46p56(g)(i)	At 31 December 2010	<u>xxxxxx</u>	<u>xxxxxx</u>	<u>xxxxxx</u>	<u>xxxxxx</u>	<u>xxxxxx</u>

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**12. TAXATION (continued)**

**d) Deferred tax assets and liabilities (continued)**

	Post employment benefit	Provisions for trade receivables	Impairment losses	Tax losses	Other	Total
<b>Deferred tax asset</b>						
<b>At 1 January 2009</b>	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)
46p56(g)(ii) Charged/(credited) to the income statement	-	xxxxxx	-	-	(xxxxxx)	xxxxxx
46p56(b) Charged directly to equity	(xxxxxx)	-	-	-	(xxxxxx)	(xxxxxx)
Exchange differences	-	(xxxxxx)	-	(xxxxxx)	-	(xxxxxx)
<b>At 31 December 2009</b>	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)
46p56(g)(i) (Credited)/charged to the income statement	-	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)	xxxxxx
46p56(b) Charged/ (credited) directly to equity	xxxxxx	-	-	-	(xxxxxx)	(xxxxxx)
Acquisition of subsidiary (note 5)	(xxxxxx)	-	-	-	-	(xxxxxx)
Exchange differences	-	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)
<b>At 31 December 2009</b>	<u>(xxxxxx)</u>	<u>(xxxxxx)</u>	<u>(xxxxxx)</u>	<u>(xxxxxx)</u>	<u>(xxxxxx)</u>	<u>(xxxxxx)</u>

46p58  
46p56(f) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of Rp xxx (2009: Rp xxx) in respect of losses amounting to Rp xxx (2009: Rp xxx) that can be carried forward against future taxable income. Losses amounting to Rp xxx (2009: Rp xxx) and Rp xxx (2009: nil) expire in 2013 and 2014 respectively.

**e) Tax rate changes**

46p56(e) In September 2008, a new income tax law in Indonesia was enacted. The law was effective applicable from 1 January 2009 and provided a 28% flat rate of corporate income tax, further reduced to 25% for 2010 onwards.

46p56(e) Deferred tax assets and liabilities as at 31 December 2009 and 2010 have been calculated taking into account tax rates expected to be applicable for each respective period.

**f) Tax administration in Indonesia**

The taxation laws of Indonesia require that each company in the Group within Indonesia submits individual tax returns on the basis of self assessment. Under prevailing regulations the Director General of Tax ("DGT") may assess or amend taxes within a certain period. For fiscal years 2007 and before, this period is within ten years of the time the tax become due, but not later than 2013, while for fiscal years 2008 and onwards, the period is within five years of the time the tax becomes due.

**13. DISCONTINUING OPERATIONS**

58p28(a-d)  
2p38(d) On 1 March 2010, the Group publicly announced its intention to sell Shoes Ltd, that represents its wholesale operation. The subsidiary was sold on 30 June 2010 and is reported in these financial statements as a discontinuing operation. The sales, results, cash flows and net assets of Shoes Ltd were as follows :

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**13. DISCONTINUING OPERATIONS (continued)**

		<b>6 months to 30 June 2010</b>	<b>12 months to 31 Dec 2009</b>
58p28 (f)	Sales	XXXXXX	XXXXXX
58p28 (f)	Operating costs	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
58p28 (f)	Profit from operations	XXXXXX	XXXXXX
58p28 (f)	Finance cost	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
58p28 (f)	Profit before tax	XXXXXX	XXXXXX
46p26(h)(ii)	Tax	<u>XXXXXX</u>	<u>XXXXXX</u>
	Profit after tax	<u>XXXXXX</u>	<u>XXXXXX</u>
58p28(g)	Operating cash flows	(XXXXXX)	(XXXXXX)
58p28(g)	Investing cash flows	XXXXXX	XXXXXX
58p28(g)	Financing cash flows	<u>XXXXXX</u>	<u>XXXXXX</u>
	Total cash flows	<u>XXXXXX</u>	<u>XXXXXX</u>
		<b>At 30 June 2010</b>	<b>At 31 Dec 2009</b>
	Property, plant and equipment	XXXXXX	XXXXXX
	Current assets	<u>XXXXXX</u>	<u>XXXXXX</u>
58p28(e)	Total assets	XXXXXX	XXXXXX
58p28(e)	Total liabilities	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
58p32(b)	Net assets	<u>XXXXXX</u>	<u>XXXXXX</u>
	The gain on disposal was determined as follows:		
	Net assets sold	XXXXXX	
11p20	Reclassifications from shareholder' equity		
	- Currency translation differences (Note 23)	XXXXXX	
	Proceeds from sale	<u>(XXXXXX)</u>	
46p26(h)(i)	Gain on disposal	(XXXXXX)	
	Tax thereon	<u>(XXXXXX)</u>	
	After tax loss on disposal	<u>(XXXXXX)</u>	
	The net cash inflow on the sale is determined as follows :		
2p38(a)(b)	Proceeds from sale	XXXXXX	
2p38(c)	Less: cash and cash equivalents in subsidiary sold	<u>(XXXXXX)</u>	
	Net cash inflow on sale	<u>(XXXXXX)</u>	



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**15. PROPERTY, PLANT AND EQUIPMENT (continued)**

		<i>Land and buildings</i>	<i>Vehicles and machinery</i>	<i>Furniture, fittings and equipment</i>	<i>Total</i>
<b>Year ended 31 December 2010</b>					
16Rp75(e)(viii)	Opening net book amount	xxxxxx	xxxxxx	xxxxxx	xxxxxx
	Exchange differences	xxxxxx	xxxxxx	xxxxxx	xxxxxx
16Rp75(e)(iii)	Acquisition of subsidiary (note 5)	xxxxxx	xxxxxx	xxxxxx	xxxxxx
16Rp75(e)(i)	Additions	xxxxxx	xxxxxx	xxxxxx	xxxxxx
16Rp75(e)(ix)	Disposals	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)
16Rp75(e)(vii)	Depreciation charge (note 27)	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)
16Rp75(d)	Closing net book amount	xxxxxx	xxxxxx	xxxxxx	xxxxxx
16Rp75(d)	<b>At 31 December 2010</b>				
	Cost or valuation	xxxxxx	xxxxxx	xxxxxx	xxxxxx
	Accumulated depreciation	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)
	<b>Net book amount</b>	<u>xxxxxx</u>	<u>xxxxxx</u>	<u>xxxxxx</u>	<u>xxxxxx</u>

16Rp79  
1p55(b) The Group's land and buildings were last revalued on 31 January 2009 by independent valuers. Valuations were made on the basis of recent market transactions on arm's length terms. The revaluation surplus net of applicable deferred income taxes was credited to 'other reserves in shareholders' equity (note 23).

DV Depreciation expense of Rp xxx (2009: Rp xxx) has been charged in 'cost of goods sold', Rp xxx (2009: Rp xxx) in 'selling and marketing costs' and Rp xxx (2009: Rp xxx) in 'administrative expenses'.

47p30(a) Land rights are held under renewable Building Right Titles (Hak Guna Bangunan) and Cultivation Right Titles (Hak Guna Usaha) which expire between 2014 and 2017.

30Rp31(c) Lease rentals amounting to Rp xxx (2009: Rp xxx) and Rp xxx (2009: Rp xxx) relating to the lease of machinery and property, respectively, are included in the income statement (note 27).

Property, plant and equipment disposed during the 2010 and 2009 were sold on the asset's net book amount.

16Rp79(e) If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	<u>2010</u>	<u>2009</u>
Cost	xxxxxx	xxxxxx
Accumulated depreciation	(xxxxxx)	(xxxxxx)
Net book amount	<u>xxxxxx</u>	<u>xxxxxx</u>

16Rp76(a) Bank borrowings are secured on land and buildings for the value of Rp xxx (2009: Rp xxx) (note 19).

Vehicles and machinery include the following amounts where the Group is a lessee under a finance lease:

	<u>2010</u>	<u>2009</u>
Cost – capitalised finance leases	xxxxxx	xxxxxx
Accumulated depreciation	(xxxxxx)	(xxxxxx)
Net book amount	<u>xxxxxx</u>	<u>xxxxxx</u>

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**15. PROPERTY, PLANT AND EQUIPMENT (continued)**

- 30Rp27 The remaining balance of undiscounted total minimum lease payments relating to vehicles and machinery is Rp xxx (2009 : Rp xxx)
- 30Rp44(f) The Group leases out various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between three and 15 years, and ownership of the assets lie within the Group.

**16. INTANGIBLE ASSETS**

		<i>Trademarks and licences</i>	<i>Internally generated software development cost</i>	<i>Total</i>
19p84(c)	<b>At 1 January 2009</b>			
	Cost	XXXXXX	XXXXXX	XXXXXX
	Accumulated amortisation and impairment	(XXXXXX)	(XXXXXX)	(XXXXXX)
	<b>Net book amount</b>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
	<b>Year ended 31 December 2009</b>			
	Opening net book amount	XXXXXX	XXXXXX	XXXXXX
19p84(e)(vi)	Exchange differences	(XXXXXX)	(XXXXXX)	(XXXXXX)
19p84(e)(i)	Additions	XXXXXX	-	XXXXXX
19p84(e)(v)	Amortisation charge (note 27)	(XXXXXX)	(XXXXXX)	(XXXXXX)
	<b>Closing net book amount</b>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
19p84(c)	<b>At 31 December 2009</b>			
	Cost	XXXXXX	XXXXXX	XXXXXX
	Accumulated amortisation and impairment	(XXXXXX)	(XXXXXX)	(XXXXXX)
	<b>Net book amount</b>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
	<b>Year ended 31 December 2010</b>			
	Opening net book amount	XXXXXX	XXXXXX	XXXXXX
19p84(e)(vi)	Exchange differences	(XXXXXX)	XXXXXX	(XXXXXX)
19p84(e)(i)	Additions	XXXXXX	XXXXXX	XXXXXX
19p84(e)(i)	Acquisition of subsidiary (note 5)	XXXXXX	-	XXXXXX
19p84(e)(iii)	Impairment of charge (note 27)	-	-	(XXXXXX)
19p84(e)(v)	Amortisation charge (note 27)	(XXXXXX)	(XXXXXX)	(XXXXXX)
	<b>Closing net book amount</b>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
19p84(c)	<b>At 31 December 2010</b>			
	Cost	XXXXXX	XXXXXX	XXXXXX
	Accumulated amortisation and impairment	(XXXXXX)	(XXXXXX)	(XXXXXX)
	<b>Net book amount</b>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>

- 19p84(d) Amortisation of Rp xxx (2009: Rp xxx) is included in the “cost of goods sold” the income statement; Rp xxx (2009: Rp xxx) in “selling, and marketing costs”; and Rp xxx (2009: Rp xxx) in “administrative expenses”.

- 19p88(b) As at 31 December 2010, remaining useful lives of trademarks and licenses are five years on average, whilst that of internally generated software development cost is two years.

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**17. GOODWILL**

19p84(c)	<b>At 1 January 2009</b>	
	Cost	XXXXXXX
	Accumulated amortisation and impairment	<u>(XXXXXXX)</u>
	<b>Net book amount</b>	<u>XXXXXXX</u>
	<b>Year ended 31 December 2009</b>	
19p84(e)(vi)	Opening net book amount	XXXXXXX
19p84(e)(v)	Exchange differences	(XXXXXXX)
	Amortisation charge (note 27)	<u>(XXXXXXX)</u>
	<b>Closing net book amount</b>	<u>XXXXXXX</u>
19p84(c)	<b>At 31 December 2009</b>	
	Cost	XXXXXXX
	Accumulated amortisation and impairment	<u>(XXXXXXX)</u>
	<b>Net book amount</b>	<u>XXXXXXX</u>
	<b>Year ended 31 December 2010</b>	
19p84(e)(vi)	Opening net book amount	XXXXXXX
19p84(e)(i)	Exchange differences	XXXXXXX
19p84(e)(iii)	Acquisition of subsidiary (note 5)	XXXXXXX
19p84(e)(v)	Impairment charge (note 27)	(XXXXXXX)
	Amortisation charge (note 27)	<u>(XXXXXXX)</u>
	<b>Closing net book amount</b>	<u>XXXXXXX</u>
48p79	The carrying amount of the asset has been reduced to its recoverable amount through recognition of an impairment loss against goodwill. This loss has been included in “operating expenses” in the income statement.	
19p84(d)	Amortisation of Rp xxx (2009: Rp xxx) is included in the “cost of goods sold” the income statement; Rp xxx (2009: Rp xxx) in “selling, and marketing costs”; and Rp xxx (2009: Rp xxx) in “administrative expenses”.	
48p82	<i>Impairment tests for goodwill</i>	
	Goodwill is allocated to the Groups Cash Generating Unit (CGUs) expected to benefit from the acquisition.	
48p82(c),(d)	The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the shoe business in which the CGU operates.	
19p84(d)	Amortisation of Rp xxx (2009: Rp xxx) is included in the “cost of goods sold” the income statement; Rp xxx (2009: Rp xxx) in “selling, and marketing costs”; and Rp xxx (2009: Rp xxx) in “administrative expenses”.	

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**17. GOODWILL (continued)**

The key assumptions used for value-in-use calculations are as follows:

	<u>Indonesia</u>	<u>US</u>	<u>UK</u>
Gross margin <sup>1</sup>	XXXXXX	XXXXXX	XXXXXX
Growth rate <sup>2</sup>	XXXXXX	XXXXXX	XXXXXX
Discount rate <sup>3</sup>	XXXXXX	XXXXXX	XXXXXX

<sup>1</sup> Budgeted gross margin.

<sup>2</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period.

<sup>3</sup> Pre-tax discount rate applied to the cash flow projections.

48p84	These assumptions have been used for the analysis of each CGU .
DV	Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pretax and reflect specific risks relevant with each country.
48p84	
48p82(b)	The impairment charge arose in a wholesale CGU in Boot Ltd following a decision to reduce the manufacturing output allocated to these operations (see also note 20). This was a result of a redefinition of the Group's allocation of manufacturing volumes across all CGUs in order to benefit from advantageous market conditions. Following this decision, the Group reassessed the depreciation policies of its property, plant, and equipment in this country and estimated that their useful lives would not be affected. No other class of asset than goodwill was impaired. The pre-tax discount rate used in the previous years for the wholesale CGU in Boot Ltd was xx%.

**18. TRADE AND OTHER PAYABLES**

	<u>2010</u>	<u>2009</u>
1p53	Trade payables	XXXXXX
7p19	Amounts due to related parties (note 32)	XXXXXX
	Social security and other taxes	XXXXXX
	Accrued expenses	XXXXXX
		<u>XXXXXX</u>
		<u>XXXXXX</u>

**19. BORROWINGS**

	<u>2010</u>	<u>2009</u>
<b>Current</b>		
Bank overdrafts (note 6)	XXXXXX	XXXXXX
Collateralised borrowings (note 7)	XXXXXX	XXXXXX
Bank borrowings	XXXXXX	XXXXXX
Debentures and other loans	XXXXXX	XXXXXX
Finance lease liabilities	XXXXXX	XXXXXX
	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>Non-current</b>		
Bank borrowings	XXXXXX	XXXXXX
Convertible bond	XXXXXX	XXXXXX
Debentures and other loans	XXXXXX	XXXXXX
Redeemable preference shares	XXXXXX	XXXXXX
Finance lease liabilities	XXXXXX	XXXXXX
<b>Total borrowings</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

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**19. BORROWINGS (continued)**

(a) Bank borrowings

50Rp59(b),(f) Bank borrowings mature until 2015 and bear average coupons of x% annually (2009: x% annually).

50Rp91(b) Total borrowings include secured liabilities (bank and collateralised borrowings) of Rp xxx (2009: Rp xxx). Bank borrowings are secured by the land and buildings of the Group (note 15). Collateralised borrowings are secured by trade receivables (note 7).

50Rp67(a) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	<u>2010</u>	<u>2009</u>
6 months or less	XXXXXX	XXXXXX
6-12 months	XXXXXX	XXXXXX
1-5 years	XXXXXX	XXXXXX
Over 5 years	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

50Rp82 The carrying amounts and fair value of the non-current borrowings are as follows:

	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Bank borrowings	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Redeemable preference shares	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Debentures and other loans	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Convertible bond	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Finance lease liabilities	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>

50Rp84 The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of x% (2009: x%).

50Rp82 The carrying amounts of short-term borrowings approximate their fair value

50Rp59(h) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	<u>2010</u>	<u>2009</u>
Rupiah	XXXXXX	XXXXXX
UK pound	XXXXXX	XXXXXX
US dollar	XXXXXX	XXXXXX
Other currencies	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

DV The Group has the following undrawn borrowing facilities:

	<u>2010</u>	<u>2009</u>
Floating rate:		
– Expiring within one year	XXXXXX	XXXXXX
– Expiring beyond one year	XXXXXX	XXXXXX
Fixed rate:		
– Expiring within one year	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

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**19. BORROWINGS (continued)**

(a) Bank borrowings (continued)

The facilities expiring within one year are annual facilities subject to review at various dates during 2010. The other facilities have been arranged to help finance the proposed expansion of the Group's activities in Europe.

(b) Convertible bond

50Rp91(d) The Company issued 500,000 x% convertible bonds at a par value of Rp xxx on 2 January 2009. The bonds mature five years from the issue date at their nominal value of Rp xxx or can be converted into shares at the holder's option at the maturity date at the rate of 33 shares per Rp xxx. The values of the liability component and the equity conversion component were determined at 1 January 2010 in accordance with the transitional provision of SFAS 55 (revised 2006) as discussed in note 4.

50Rp24,27 The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in fair value other reserves (note 23), net of income taxes.

TB4p04 The convertible bond recognised in the balance sheet is calculated as follows:

	<u>2010</u>	<u>2009</u>
Face value of convertible bond issued on 2 January 2009	-	XXXXXX
Convertible bond as at 1 January 2010	XXXXXX	-
Equity component (note 23)	<u>(XXXXXX)</u>	<u>-</u>
Liability component	XXXXXX	XXXXXX
Interest expense (note 28)	XXXXXX	XXXXXX
Interest paid	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
<b>Liability component at 31 December</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

50Rp89(a) The fair value of the liability component of the convertible bond at 31 December 2010 amounted to Rp xxx. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of x%.

(c) Redeemable preference shares

50Rp11,14(a) The Group issued 30 million cumulative redeemable preference shares with a par value of Rp xxx per share on 4 January 2009. The shares are mandatorily redeemable at their par value on 4 January 2014, and pay dividends at x% annually.

(d) Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	<u>2010</u>	<u>2009</u>
30Rp27(b) Gross finance lease liabilities – minimum lease payments		
No later than 1 year	XXXXXX	XXXXXX
Later than 1 year and no later than 5 years	XXXXXX	XXXXXX
Later than 5 years	<u>XXXXXX</u>	<u>XXXXXX</u>
	XXXXXX	XXXXXX
Future finance charges on finance leases	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>Present value of finance lease liabilities</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

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**19. BORROWINGS (continued)**

(d) Finance lease liabilities (continued)

	<u>2010</u>	<u>2009</u>
30Rp27(b)		
The present value of finance lease liabilities is as follows:		
No later than 1 year	XXXXXX	XXXXXX
Later than 1 year and no later than 5 years	XXXXXX	XXXXXX
Later than 5 years	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

**20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES**

1p53

		<i>Environmental restoration</i>	<i>Restruc- turing</i>	<i>Legal claims</i>	<i>Profit- sharing and bonuses</i>	<i>Total</i>
57p85(a)	At 1 January 2010	xxxxxx	-	xxxxxx	xxxxxx	xxxxxx
	Charged/(credited)					
	the income statement:					
57p85(b)	- Additional provision					
	/fair value adjustment					
	on All Shoes Group	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
57p85(d)	- Unused amounts reversed	(xxxxxx)	-	(xxxxxx)	(xxxxxx)	(xxxxxx)
57p85(e)	- Unwinding of discount	xxxxxx	-	-	-	xxxxxx
57p85(c)	- Used during year	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)
	- Exchange differences	(xxxxxx)	-	(xxxxxx)	-	(xxxxxx)
57p85(a)	<b>At 31 December 2010</b>	<u>xxxxxx</u>	<u>xxxxxx</u>	<u>xxxxxx</u>	<u>xxxxxx</u>	<u>xxxxxx</u>
					<u>2010</u>	<u>2009</u>
1p44	Analysis of total provisions:				xxxxxx	xxxxxx
1p44	Non-current (environmental restoration)				xxxxxx	xxxxxx
	Current				<u>xxxxxx</u>	<u>xxxxxx</u>

(a) Environmental restoration

57p86(a)-(c) The Group uses various chemicals in working with leather. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that Rp xxx will be used during 2011 and Rp xxx during 2012. Total expected costs to be incurred are Rp xxx (2009: Rp xxx).

(b) Restructuring

57p86(a)-(c) The reduction of the volumes assigned to manufacturing operations in Boot Ltd (a subsidiary) will result in the reduction of a total of 155 jobs at two factories. An agreement was reached with the local union representatives that specifies the number of staff involved and the voluntary redundancy compensation package offered by the Group, as well as amounts payable to those made redundant, before the financial year-end. The estimated staff restructuring costs to be incurred are Rp xxx at 31 December 2010 (note 31). Other direct costs attributable to the restructuring, including lease termination, are Rp xxx. These costs were fully provided for in 2010. The provision of Rp xxx at 31 December 2010 is expected to be fully utilised during the first half of 2011.

48p82 A goodwill impairment charge of Rp xxx was recognised in the cash-generating unit relating to Boot Ltd as a result of this restructuring (note 16).

(c) Legal claims

57p86(a)-(c) The amounts represent a provision for certain legal claims brought against the Group by customers of the subsidiary. The provision charge is recognised in profit or loss within 'administrative expenses'. The balance at 31 December 2010 is expected to be utilised in the first half of 2011. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2010.

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**20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (continued)**

(d) Profit-sharing and bonuses

57p86(a) The provision for profit-sharing and bonuses is payable within three month of finalisation of the audited financial statements.

**21. POST- EMPLOYMENT BENEFIT OBLIGATIONS**

The Group received approval from the Minister of Finance of Republic of Indonesia in Decision Letter No. Kep-XXX/KM.XX/2000 dated 10 August 2000 to establish a separate trustee-administrated pension fund, PT Dana Pensiun Perusahaan, from which all employees, after serving a qualifying period, are entitled to defined benefits on retirement, disability or death.

	<u>2010</u>	<u>2009</u>
<b>Balance sheet obligations for:</b>		
Pension benefits	XXXXXX	XXXXXX
Post-employment medical benefits	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>Income statement charge for (note 31):</b>		
Pension benefits	XXXXXX	XXXXXX
Post-employment medical benefits	<u>XXXXXX</u>	<u>XXXXXX</u>
	<u>XXXXXX</u>	<u>XXXXXX</u>

(a) Pension benefits

24p126(c) The amounts recognised in the balance sheet are determined as follows:

	<u>2010</u>	<u>2009</u>
Present value of funded obligations	XXXXXX	XXXXXX
Fair value of plan assets	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
	XXXXXX	XXXXXX
Present value of unfunded obligations	XXXXXX	XXXXXX
Unrecognised actuarial losses	(XXXXXX)	(XXXXXX)
Unrecognised past service cost	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
<b>Liability in the consolidated balance sheet</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

24p126(e) The movement in the defined benefit obligation over the year is as follows:

	<u>2010</u>	<u>2009</u>
At 1 January	XXXXXX	XXXXXX
Current service cost	XXXXXX	XXXXXX
Interest cost	XXXXXX	XXXXXX
Contributions	XXXXXX	XXXXXX
Actuarial losses/(gains)	(XXXXXX)	XXXXXX
Exchange differences	(XXXXXX)	(XXXXXX)
Benefits paid	(XXXXXX)	(XXXXXX)
Liabilities acquired in a business combination (note 5)	XXXXXX	-
Curtailments	XXXXXX	-
Settlements	<u>-</u>	<u>-</u>
<b>At 31 December</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

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**21. POST- EMPLOYMENT BENEFIT OBLIGATIONS (continued)**

(a) Pension benefits (continued)

24p126(e) The movement in the fair value of plan assets of the year is as follows:

	<u>2010</u>	<u>2009</u>
At 1 January	XXXXXX	XXXXXX
Expected return on plan assets	XXXXXX	XXXXXX
Actuarial (losses)/gains	(XXXXXX)	(XXXXXX)
Exchange differences	(XXXXXX)	(XXXXXX)
Employer contributions	XXXXXX	XXXXXX
Employee contributions	XXXXXX	XXXXXX
Benefits paid	(XXXXXX)	(XXXXXX)
Business combinations (note 5)	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>At 31 December</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

24p126(f) The amounts recognised in the income statement are as follows:

	<u>2010</u>	<u>2009</u>
Current service cost	XXXXXX	XXXXXX
Interest cost	XXXXXX	XXXXXX
Expected return on plan assets	(XXXXXX)	(XXXXXX)
Net actuarial losses recognised during the year	XXXXXX	XXXXXX
Past service cost	XXXXXX	XXXXXX
Losses on curtailment	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>Total, included in staff costs (note 31)</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

Of the total charge, Rp xxx (2009: Rp xxx) and Rp xxx (2009: Rp xxx) were included in 'cost of goods sold' and 'administrative expenses' respectively.

24p126(g) The actual return on plan assets was Rp xxx (2009: Rp xxx).

24p126(h) The principal actuarial assumptions used by the independent qualified actuaries, PT Aktuaris Penilai were as follows:

	<u>2010</u>			<u>2009</u>		
	<u>Indonesia</u>	<u>UK</u>	<u>US</u>	<u>Indonesia</u>	<u>UK</u>	<u>US</u>
Discount rate	XX%	XX%	XX%	XX%	XX%	XX%
Inflation rate	XX%	XX%	XX%	XX%	XX%	XX%
Expected return on plan assets	XX%	XX%	XX%	XX%	XX%	XX%
Future salary increases	XX%	XX%	XX%	XX%	XX%	XX%
Future pension increases	<u>XX%</u>	<u>XX%</u>	<u>XX%</u>	<u>XX%</u>	<u>xx%</u>	<u>xx%</u>
	<u>XX%</u>	<u>XX%</u>	<u>XX%</u>	<u>XX%</u>	<u>XX%</u>	<u>XX%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. In Indonesia, the mortality assumptions used are based on Indonesian Mortality Table 1999 (TMI'99)

DV The sensitivity of the overall pension liability to changes in the weighted principal assumptions is as follows:

	<u>Change in assumption</u>	<u>Impact on overall liability</u>
Discount rate	Increase/decrease by x%	Increase/decrease by x%
Inflation rate	Increase/decrease by x%	Increase/decrease by x%
Salary growth rate	Increase/decrease by x%	Increase/decrease by x%
Rate of mortality	Increase by x year	Increase by x%

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**21. POST- EMPLOYMENT BENEFIT OBLIGATIONS (continued)**

(b) Post-employment medical benefits

24p128 The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. The majority of these plans are unfunded.

24p126(h) In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of x% a year (2009: x%).

24p126(c) The amounts recognised in the balance sheet were determined as follows:

	<u>2010</u>	<u>2009</u>
Present value of funded obligations	XXXXXX	XXXXXX
Fair value of plan assets	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
	XXXXXX	XXXXXX
Present value of funded obligations	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>Liability in the balance sheet</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

24p126(e) The movement in the defined benefit obligation is as follows:

	<u>2010</u>	<u>2009</u>
At 1 January	XXXXXX	XXXXXX
Current service cost	XXXXXX	XXXXXX
Interest cost	XXXXXX	XXXXXX
Actuarial losses/(gains)	(XXXXXX)	XXXXXX
Exchange differences	XXXXXX	(XXXXXX)
Liabilities acquired in a business combination (note 5)	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>At 31 December</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

24p126(e) The movement in the fair value of plan assets of the year is as follows:

	<u>2010</u>	<u>2009</u>
At 1 January	XXXXXX	XXXXXX
Expected return on plan assets	XXXXXX	XXXXXX
Actuarial gains/(losses)	(XXXXXX)	(XXXXXX)
Exchange differences	XXXXXX	(XXXXXX)
Employer contributions	XXXXXX	XXXXXX
Business combinations (note 5)	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>At 31 December</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

24p126(f) The amounts recognised in the income statement were as follows:

	<u>2010</u>	<u>2009</u>
Current service cost	XXXXXX	XXXXXX
Interest cost	XXXXXX	XXXXXX
Expected return on plan assets	(XXXXXX)	(XXXXXX)
Net actuarial losses recognised in year	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>Total, included in staff costs (note 31)</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

Of the total charge, Rp xxx (2009: Rp xxx) and Rp xxx (2009: Rp xxx) respectively were included in cost of goods sold and administrative expenses.

24p126(g) The actual return on plan assets was Rp xxx (2009: Rp xxx).

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**21. POST- EMPLOYMENT BENEFIT OBLIGATIONS (continued)**

(b) Post-employment medical benefits (continued)

DV The effect of a 1% movement in the assumed medical cost trend rate is as follows:

	<u>Increase</u>	<u>Decrease</u>
Effect on the aggregate of the current service cost and interest cost	xx	(xx)
Effect on the defined benefit obligation	<u>xxx</u>	<u>(xxx)</u>

(c) Post-employment benefits (pension and medical)

24p126(d) Plan assets comprise the following :

	<u>2010</u>		<u>2009</u>	
Equity instruments	XXXXXX	XX%	XXXXXX	XX%
Debt instruments	XXXXXX	XX%	XXXXXX	XX%
Property	XXXXXX	XX%	XXXXXX	XX%
Other	<u>XXXXXX</u>	<u>XX%</u>	<u>XXXXXX</u>	<u>XX%</u>
	<u>XXXXXX</u>	<u>XX%</u>	<u>XXXXXX</u>	<u>XX%</u>

24p126(d) Pension plan assets include the Company's ordinary shares with a fair value of Rpxxx (2009: Rpxxx) and a building occupied by the Group with a fair value of Rp xxx (2009: Rp xxx).

DV The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

DV Expected contributions to post-employment benefit plans for the year ending 31 December 2010 are Rp xxx.

**22. SHARE CAPITAL AND ADDITIONAL PAID-IN-CAPITAL**

	<u>Number of shares (thousands)</u>	<u>Ordinary shares</u>	<u>Additional Paid-in capital</u>	<u>Total</u>
<b>At 1 January 2009</b>				
Employee share option scheme:				
– Proceeds from shares issued	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>At 31 December 2009</b>	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Employee share option scheme:				
– Proceeds from shares issued	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Acquisition of subsidiary (note 5)	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>
<b>At 31 December 2010</b>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>

The Group issued 3,550,000 shares on 1 March 2010 (14.5% of the total ordinary share capital issued) to the shareholders of All Shoes Group as part of the purchase consideration for additional 55% of its ordinary share capital. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to Rp xxx million (Rp xxx per share). The related transaction costs amounting to Rp xx each have been netted off with the deemed proceeds.

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1p55(a) **22. SHARE CAPITAL AND ADDITIONAL PAID-IN-CAPITAL (continued)**

Share options

53p52 Share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares less x% on the date of the grant. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from the grant date, subject to the Group achieving its target growth in earnings per share over the period of inflation plus x%; the options have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

		<b>2010</b>		<b>2009</b>	
		Average exercise price in Rp per share	Options (thousands)	Average exercise price in Rp per share	Options (thousands)
53p53(a)(i)	At 1 January	XXXXXX	XXXXXX	XXXXXX	XXXXXX
53p53(a)(iv)	Granted	XXXXXX	XXXXXX	XXXXXX	XXXXXX
53p53(a)(vi)	Forfeited	-	-	XXXXXX	(XXXXXX)
53p53(a)(v)	Exercised	XXXXXX	(XXXXXX)	XXXXXX	(XXXXXX)
53p53(a)(vii)	Expired	XXXXXX	(XXXXXX)	XXXXXX	(XXXXXX)
53p53(a)(ii)	At 31 December	XXXXXX	XXXXXX	XXXXXX	XXXXXX

Out of the 4,833,000 outstanding options (2009: 4,744,000 options), 400,000 options (2009: 600,000) were exercisable. Options exercised in 2010 resulted in 750,000 shares (2009: 1,000,000 shares) being issued at a weighted average price of Rp xxx each (2009: Rp xxx each). The related weighted average share price at the time of exercise was Rp xxx (2009: Rp xxx) per share. The related transaction costs amounting to Rp xxx (2009: Rp xxx) have been netted off with the proceeds received.

53p56 Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date – 1 July	Exercise Price in Rp Per share	Shares	
		2010	2009
2009	XXX	XXXXXX	XXXXXX
2010	XXX	XXXXXX	XXXXXX
2011	XXX	XXXXXX	XXXXXX
2012	XXX	XXXXXX	XXXXXX
2013	XXX	XXXXXX	XXXXXX
2014	XXX	XXXXXX	-
		XXXXXX	XXXXXX

53p53(b),(d) The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was Rp xxx per option (2009: Rp xxx). The significant inputs into the model were weighted average share price of Rp xxx (2009: Rp xxx) at the grant date, exercise price shown above, volatility of x% (2009: x%), dividend yield of x% (2009: x%), an expected option life of three years, and an annual risk-free interest rate of x% (2007: x%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 31 for the total expense recognised in the income statement for share options granted to directors and employees.

8p18,19(f) On 1 January 2011, 1,200,000 share options were granted to directors and employees with an exercise price set at the market share prices less x% on that date of Rp xxx per share (share price: Rp xxx) (expiry date: 31 December 2015).



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**24. RETAINED EARNINGS**

Under Indonesian Company Law, companies are required to set up a statutory reserve amounting to at least 20% of the company's issued and paid up capital.

The balance of the appropriated retained earnings reserve as at 31 December 2010 and 2009 is Rp xxx.

**25. DIVIDENDS PER SHARE**

8p10  
21p40 The dividends paid in 2010 and 2009 were Rp xxx (Rp xx per share) and Rp xxx (Rp xx per share) respectively. A dividend in respect of the year ended 31 December 2010 of Rp xx per share, amounting to a total dividend of Rp xxx, is to be proposed at the annual general meeting on 28 February 2011. These financial statements do not reflect this dividend payable.

**26. REVENUES**

	<u>2010</u>	<u>2009</u>
23p34(b) Sales of goods	xxxxxx	xxxxxx
Revenue from services	xxxxxx	xxxxxx
Royalty income	<u>xxxxxx</u>	<u>xxxxxx</u>
	<u>xxxxxx</u>	<u>xxxxxx</u>

1p63 **27. EXPENSES BY NATURE**

	<u>2010</u>	<u>2009</u>
Changes in inventories of finished goods and work in progress	xxxxxx	xxxxxx
Raw materials and consumables used	xxxxxx	xxxxxx
Employee benefit expense (note 31)	xxxxxx	xxxxxx
Depreciation, amortisation and impairment charges (notes 15, 16 and 17)	xxxxxx	xxxxxx
Transportation expenses	xxxxxx	xxxxxx
Advertising costs	xxxxxx	xxxxxx
Operating lease payments (note 15)	xxxxxx	xxxxxx
Other expenses	<u>xxxxxx</u>	<u>xxxxxx</u>
<b>Total cost of sales, distribution costs and administrative expenses</b>	<u>xxxxxx</u>	<u>xxxxxx</u>

**28. FINANCE INCOME AND COSTS**

	<u>2010</u>	<u>2009</u>
50Rp91(h)(i) Interest expense:		
- Bank borrowings	(xxxxxx)	(xxxxxx)
- Dividend on redeemable preference shares (note 19)	(xxxxxx)	(xxxxxx)
- Convertible bond (note 19)	(xxxxxx)	-
- Finance lease liabilities	(xxxxxx)	(xxxxxx)
57p85(e) - Provisions: unwinding of discount (note 20)	(xxxxxx)	(xxxxxx)
10p22(a) Net foreign exchange gains on financing activities	xxxxxx	xxxxxx
Fair value gains on financial instruments:		
- Interest rate swaps: cash flow hedges, transfer from equity	xxxxxx	xxxxxx
- Interest rate swaps: fair value hedges	xxxxxx	xxxxxx
Fair value adjustment of bank borrowings attributable to interest rate risk	<u>(xxxxxx)</u>	<u>(xxxxxx)</u>
<b>Finance costs</b>	(xxxxxx)	(xxxxxx)

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**28. FINANCE INCOME AND COSTS (continued)**

		<u>2010</u>	<u>2009</u>
	Finance income:		
50Rp91	- Interest income on short-term bank deposits	XXXXXX	XXXXXX
50Rp91(h)(i)	- Interest income on available-for-sale financial assets	XXXXXX	XXXXXX
f50Rp91(h)(i)	- Interest income on loans to related parties (note 32)	<u>XXXXXX</u>	<u>XXXXXX</u>
	<b>Finance income</b>	<u>XXXXXX</u>	<u>XXXXXX</u>
	<b>Net finance costs</b>	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>

**29. OTHER INCOME**

		<u>2010</u>	<u>2009</u>
23p34(b)(v)	Dividend income on available-for-sale financial assets	XXXXXX	XXXXXX
23p34(b)(v)	Dividend income on financial assets at fair value through profit or loss	<u>XXXXXX</u>	<u>XXXXXX</u>
	Investment income	<u>XXXXXX</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>

**30. OTHER (LOSSES)/GAINS – NET**

		<u>2010</u>	<u>2009</u>
55Rp56(a)	Financial assets at fair value through profit or loss (note 8):		
	- Fair value losses	(XXXXXX)	(XXXXXX)
	- Fair value gains	XXXXXX	XXXXXX
	Foreign exchange forward contracts:		
10p22(a)	- Held for trading	XXXXXX	XXXXXX
	- Net foreign exchange gains/(losses)	(XXXXXX)	XXXXXX
55Rp98(b)	Ineffectiveness on fair value hedges (note 9)	(XXXXXX)	(XXXXXX)
	Ineffectiveness on cash flow hedges (note 9)	<u>(XXXXXX)</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>

**31. EMPLOYEE BENEFIT EXPENSE**

		<u>2010</u>	<u>2009</u>
24p148	Wages and salaries, including restructuring costs Rp xxx (2009: nil) (note 20) and other termination benefits Rp xxx (2009: nil)	XXXXXX	XXXXXX
	Social security costs	XXXXXX	XXXXXX
53p53(e)	Share options granted to directors and employees	XXXXXX	XXXXXX
24p47	Pension costs – defined contribution plans	XXXXXX	XXXXXX
24p126(f)	Pension costs – defined benefit plans (note 21)	XXXXXX	XXXXXX
24p126(f)	Other post-employment benefits (note 21)	<u>XXXXXX</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>

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**32. RELATED-PARTY TRANSACTIONS**

1p74(c) The Group is controlled by M Limited (incorporated in Indonesia), which owns 57% of the company's shares. The remaining 43% of the shares are widely held. The ultimate parent of the Group is G Limited (incorporated in Indonesia).

The following transactions were carried out with related parties:

7p17(a),(c) (a) Sales of goods and services

	<u>2010</u>	<u>2009</u>
Sales of goods:		
– Associates	XXXXXX	XXXXXX
Sales of services:		
– The ultimate parent (legal and administration services)	XXXXXX	XXXXXX
– Close family members of the ultimate controlling party (design services)	XXXXXX	XXXXXX
	<u>XXXXXX</u>	<u>XXXXXX</u>

7p19(c) Goods are sold based on the price lists in force and terms that would be available to third parties. Sales of services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from x% to x% (2009: x% to x%).

7p17(a),(c) (b) Purchases of goods and services

	<u>2010</u>	<u>2009</u>
Purchases of goods:		
– Associates	XXXXXX	XXXXXX
Purchases of services:		
– An entity controlled by key management personnel	XXXXXX	XXXXXX
– The immediate parent (management services)	XXXXXX	XXXXXX
	<u>XXXXXX</u>	<u>XXXXXX</u>

7p19(c) Goods and services are bought from associates and an entity controlled by key management personnel on normal commercial terms and conditions. The entity controlled by key management personnel is a firm belonging to Mr Galih, a commissioner of the company. Management services are bought from the immediate parent on a cost-plus basis, allowing a margin ranging from x% to x% (2009: x%)

DV (c) Key management compensation

Key management includes directors, commissioners, the Corporate Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

	<u>2010</u>	<u>2009</u>
Salaries and other short-term employee benefits	XXXXXX	XXXXXX
Termination benefits	XXXXXX	XXXXXX
Post-employment benefits	XXXXXX	XXXXXX
Other long-term benefits	XXXXXX	XXXXXX
Share-based payments	XXXXXX	XXXXXX
	<u>XXXXXX</u>	<u>XXXXXX</u>

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**32. RELATED-PARTY TRANSACTIONS (continued)**

7p19(b) (d) Year-end balances arising from sales/purchases of goods/services

	<u>2010</u>	<u>2009</u>
Receivables from related parties (note 7):		
- Ultimate parent	XXXXXX	XXXXXX
- Close family members of key management personnel	XXXXXX	XXXXXX
Payables to related parties (note 18):		
- Immediate parent	XXXXXX	XXXXXX
- Associates	XXXXXX	XXXXXX
- Entity controlled by key management personnel	<u>XXXXXX</u>	<u>XXXXXX</u>

7p19 The receivables from related parties arise mainly from sale transactions and are due two months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties (2009: Rp xxx).

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

7p19 (e) Loans to related parties

	<u>2010</u>	<u>2009</u>
Loans to key management of the company (and their families):		
At 1 January	XXXXXX	XXXXXX
Loans advanced during year	XXXXXX	XXXXXX
Loan repayments received	(XXXXXX)	(XXXXXX)
Interest charged	XXXXXX	XXXXXX
Interest received	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
At 31 December	<u>XXXXXX</u>	<u>XXXXXX</u>
Loans to associates:		
At 1 January	XXXXXX	XXXXXX
Loans advanced during year	XXXXXX	XXXXXX
Loan repayments received	(XXXXXX)	(XXXXXX)
Interest charged	XXXXXX	XXXXXX
Interest received	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
At 31 December	<u>XXXXXX</u>	<u>XXXXXX</u>
Total loans to related parties:		
At 1 January	XXXXXX	XXXXXX
Loans advanced during year	XXXXXX	XXXXXX
Loan repayments received	(XXXXXX)	(XXXXXX)
Interest charged	XXXXXX	XXXXXX
Interest received (note 28)	<u>(XXXXXX)</u>	<u>(XXXXXX)</u>
At 31 December (note 7)	<u>XXXXXX</u>	<u>XXXXXX</u>

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**32. RELATED-PARTY TRANSACTIONS (continued)**

(e) Loans to related parties (continued)

DV The loans advanced to key management have the following terms and conditions:

Name of key Management	amount of loan	Term	Interest rate
<b>2010</b>			
Mr Charlie	173	Repayable monthly over 2 years	x%
Mrs Eva	170	Repayable monthly over 2 years	x%
<b>2009</b>			
Mr Charlie	20	Repayable monthly over 2 years	x%
Ms Eva	42	Repayable monthly over 1 year	x%

50Rp91(c) Certain loans advanced to associates during the year amounting to Rp xxx (2009: Rp xxx) are collateralised by shares in listed companies. The fair value of these shares was Rp xxx at the end of the reporting period (2009: Rp xxx).

The loans to associates are due on 1 January 2011 and carry interest at x% (2009: x%). The fair values and the effective interest rates of loans to associates are disclosed in note 7.

DV No provision has been required in 2010 and 2009 for the loans made to key management personnel and associates.

**33. CONTINGENCIES**

57p87 The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (note 20).

57p87 The newly acquired All Shoes Group is facing a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by the end of 2012. No provision has been made as of 31 December 2010 because the Group has no reason to believe that the case will result in unfavourable outcome.

In respect of the acquisition of All Shoes Group on 1 March 2010 (note 5), additional consideration of 5% of the profit of All Shoes Group may be payable in cash if the acquired operations achieve sales in excess of Rp xxx for 2010, up to a maximum undiscounted amount of Rp xxx. At the date of acquisition, it was not considered probable that these monies would be payable. They were, therefore, not included as consideration for the business combination. There is no change in this assessment at the year end.

57p90 The Group entered into an 'earn-out' agreement in connection with the disposal on 30 December 2008 of Silky Shoes Limited. Additional cash consideration will be payable to the Group if the future performance of Silky Shoes Limited reaches a certain level. No gain has been recognised in the financial statements, as the amount of the earn-out is dependent on the aggregate result of Silky Shoes Limited for the 39-month period ending 31 March 2012.

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**34. COMMITMENTS**

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

		<u>2010</u>	<u>2009</u>
16Rp76(c)	Property, plant and equipment	XXXXXX	XXXXXX
19p88(d)	Intangible assets	<u>XXXXXX</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>

(b) Operating lease commitments – Group company as lessee

30Rp53(c) The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between five and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

30Rp53(c) The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a six-month notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 27.

30Rp53(a) The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

		<u>2010</u>	<u>2009</u>
	No later than 1 year	XXXXXX	XXXXXX
	Later than 1 year and no later than 5 years	XXXXXX	XXXXXX
	Later than 5 years	<u>XXXXXX</u>	<u>XXXXXX</u>
		<u>XXXXXX</u>	<u>XXXXXX</u>

**35. EVENTS AFTER THE BALANCE SHEET DATE**

(a) Business combinations

8p18, 22p70 The Group acquired 100% of the share capital of K&Co, a group of companies specialising in the manufacture of shoes for extreme sports, for a cash consideration of Rpxxx on 1 February 2011.

Details of net assets acquired and goodwill are as follows:

		<u>2011</u>
22p65(b)	Purchase consideration:	
	- Cash paid	XXXXXX
	- Direct cost relating to the acquisition	<u>XXXXXX</u>
2p38(a)	Total purchase consideration	XXXXXX
	Fair value of assets acquired (see below)	<u>(XXXXXX)</u>
	Goodwill	<u>XXXXXX</u>

DV The above goodwill is attributable to K&Co's strong position and profitability in trading in the niche market for extreme-sports equipment.

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**35. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

(a) Business combinations (continued)

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	<b><u>Fair value</u></b>
Cash and cash equivalents	XXXXXX
Property, plant, and equipment	XXXXXX
Trademarks	XXXXXX
Licences	XXXXXX
Inventories	XXXXXX
Trade and other receivables	XXXXXX
Trade and other payables	(XXXXXX)
Post-employment benefit obligations	(XXXXXX)
Borrowings	(XXXXXX)
Deferred tax assets	<u>XXXXXX</u>
<b>Net assets acquired</b>	<b><u>XXXXXX</u></b>

(b) Associates

8p18 The Group acquired 40% of the share capital of L&Co, a group of companies specialising in the manufacture of leisure shoes, for a cash consideration of Rp xxx on 25 January 2011.

Details of net assets acquired and goodwill are as follows:

	<b><u>2011</u></b>
Purchase consideration:	
- Cash paid	XXXXXX
- Direct cost relating to the acquisition	<u>XXXXXX</u>
Total purchase consideration	XXXXXX
Share of fair value of net assets acquired (see below)	<u>(XXXXXX)</u>
Goodwill	<u>XXXXXX</u>

DV The goodwill is attributable to L&Co's strong position and profitability in trading in the market of leisure shoes and to its workforce, which cannot be separately recognised as an intangible asset.

DV The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	<b><u>Fair value</u></b>
Property, plant and equipment	XXXXXX
Inventories	XXXXXX
Cash	XXXXXX
Trade creditors	(XXXXXX)
Borrowings	<u>(XXXXXX)</u>
Net asset acquired	<u>XXXXXX</u>

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**35. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

(c) Equity transactions

8p18 , 56p44(e)  
8p19(f) On 1 January 2011, 1,200,000 share options were granted to directors, commissioners, and employees with an exercise price set at the market share prices less x% on that date of Rp xxx per share (share price: Rpxxx) (expiry date: 31 December 2015).

(d) Borrowings

8p18 On 1 February 2011, the Group issued Rp xxx x% US dollar bonds to finance its expansion programme and working capital requirements in the US. The bonds are repayable on 31 December 2014.

**36. PROSPECTIVE ACCOUNTING PRONOUNCEMENTS**

The following standards and interpretations standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

- SFAS 1 (Revised 2009) - Presentation of Financial Statements,
- SFAS 2 (Revised 2009) - Statements of Cashflows,
- SFAS 4 (Revised 2009) - Consolidated and Separate Financial Statements,
- SFAS 5 (Revised 2009) - Operating Segments,
- SFAS 7 (Revised 2010) - Related Party Disclosures,
- SFAS 10 (Revised 2009) - The Effects of Changes in Foreign Exchange Rates
- SFAS 12 (Revised 2009) - Interest in Joint Ventures,
- SFAS 15 (Revised 2009) - Investment in Associates,
- SFAS 19 (Revised 2010) - Intangible Assets
- SFAS 22 (Revised 2010) - Business Combinations,
- SFAS 23 (Revised 2010) - Revenue
- SFAS 25 (Revised 2009) - Accounting Policies, Changes in Accounting Estimates and Errors,
- SFAS 48 (Revised 2009) - Impairment of Assets,
- SFAS 57 (Revised 2009) - Provisions, Contingent Liabilities and Contingent Assets,
- SFAS 58 (Revised 2009) - Non-Current Assets Held for Sale and Discontinued Operations,
- Interpretation of SFAS 7 (revised 2009) - Consolidation of Special Purpose Entities,
- Interpretation of SFAS 9 - Changes in Existing Decommissioning, Restoration and Similar Liabilities,
- Interpretation of SFAS 10 - Customer Loyalty Programs,
- Interpretation of SFAS 11 - Distribution of Non-Cash Assets to Owners,
- Interpretation of SFAS 12 - Jointly Controlled Entities: Non-monetary Contributions by Ventures.
- Interpretation of SFAS 13 - Hedges of a Net Investment in a Foreign Operation
- Interpretation of SFAS 14 - Intangible Assets - Web Site Costs

## Appendix I – Segmental Information

### NOTE- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5p9 Segment information is disclosed based on the business segments as the primary reporting format and geographical segments as the secondary reporting format. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

### NOTE- SEGMENTAL INFORMATION

5p48 (a) Primary reporting format – business segments

5p81 At 31 December 2010, the Group is organised on a worldwide basis into two main business segments:

- manufacture and sale of a range of shoes on a wholesale basis; and
- operation of a chain of retail outlets for shoes and other leather goods.

Other group operations mainly comprise the sale of design services and goods transportation services to other shoe manufacturers. Neither of these constitutes a separately reportable segment.

The segment results for the year ended 31 December 2010 are as follows:

	Wholesale	Retail	Other	Unallocated	Group
5p49 Total segment revenue	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
5p49 Inter-segment revenue	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)
5p49,66 <b>Revenue</b>	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
5p50,66 Operating profit/segment result	xxxxxx	xxxxxx	xxxxxx	(xxxxxx)	xxxxxx
Finance costs – net					(xxxxxx)
5p63 Share of loss of associates	xxxxxx	(xxxxxx)	xxxxxx	-	(xxxxxx)
5p66 <b>Profit before income tax</b>					xxxxxx
Income tax expense					xxxxxx
5p66 <b>Profit for the year</b>					<b>xxxxxx</b>

The segment results for the year ended 31 December 2009 are as follows:

	Wholesale	Retail	Other	Unallocated	Group
5p49 Total segment revenue	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
5p49 Inter-segment revenue	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)	(xxxxxx)
5p49,66 <b>Revenue</b>	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
5p50,66 Operating profit/segment result	xxxxxx	xxxxxx	xxxxxx	(xxxxxx)	xxxxxx
Finance costs – net					(xxxxxx)
5p63 Share of loss of associates	xxxxxx	(xxxxxx)	xxxxxx	-	(xxxxxx)
5p66 <b>Profit before income tax</b>					xxxxxx
Income tax expense					xxxxxx
5p66 <b>Profit for the year</b>					<b>xxxxxx</b>

Other segment items included in the income statement are as follows:

	Year ended 31 December 2010				Year ended 31 December 2009			
	Wholesale	Retail	Other	Group	Wholesale	Retail (restated)	Other (restated)	Group
5p56 Depreciation	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
5p56 Amortisation	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
5p59, 48p82(a) Impairment of goodwill	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
48p82(b) Reversal of inventory impairment	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
5p57 Restructuring costs	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx

**NOTE- SEGMENTAL INFORMATION (continued)**

5p48 (a) Primary reporting format – business segments (continued)

5p41 During 2009, retail did not qualify as a separate segment. However, with the acquisition in 2010 of All Shoes Group retail qualifies as a separate segment and figures for 2009 have been restated.

5p74 Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

5p16 Segment assets consist primarily of property, plant and equipment, intangible assets, investments in associates, inventories, trade and other receivables, derivatives designated as hedges of future commercial transactions, and cash and cash equivalents. Unallocated assets comprise deferred taxation, available-for-sale financial assets, other financial assets at fair value through profit or loss and derivatives held for trading or designated as hedges of borrowings.

5p16 Segment liabilities comprise operating liabilities (including derivatives designated as hedges of future commercial transactions). Unallocated liabilities comprise items such as taxation and borrowings including related hedging derivatives.

5p55 Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

The segment assets and liabilities at 31 December 2010 and capital expenditure for the year then ended are as follows:

		Business segments				
		Wholesale	Retail	Other	Unallocated	Group
5p53	Assets	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
5p65	Associates	xxxxxx	xxxxxx	xxxxxx		xxxxxx
5p66	<b>Total assets</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>
5p54, 66	<b>Liabilities</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>-</b>	<b>xxxxxx</b>
5p55	<b>Capital expenditures</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>-</b>	<b>xxxxxx</b>

5p66 Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	<u>Assets</u>	<u>Liabilities</u>
Segment assets/liabilities	xxxxxx	xxxxxx
Unallocated:	xxxxxx	xxxxxx
Deferred tax	xxxxxx	xxxxxx
Current tax	xxxxxx	xxxxxx
Current borrowings	xxxxxx	xxxxxx
Non-current borrowings	xxxxxx	xxxxxx
Available-for-sale financial assets	xxxxxx	xxxxxx
Other financial assets at fair value through profit and loss	xxxxxx	xxxxxx
Derivative financial instruments	xxxxxx	xxxxxx
<b>Total</b>	<b>xxxxxx</b>	<b>xxxxxx</b>

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:

		Business segments				
		Wholesale	Retail (restated)	Other (restated)	Unallocated	Group
5p53	Assets	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
5p65	Associates	xxxxxx	xxxxxx	xxxxxx		xxxxxx
5p66	<b>Total assets</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>
5p54, 66	<b>Liabilities</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>-</b>	<b>xxxxxx</b>
5p55	<b>Capital expenditures</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>xxxxxx</b>	<b>-</b>	<b>xxxxxx</b>

**NOTE- SEGMENTAL INFORMATION (continued)**

5p48 (a) Primary reporting format – business segments (continued)

5p66 Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	<u>Assets</u>	<u>Liabilities</u>
Segment assets/liabilities	XXXXXX	XXXXXX
Unallocated:	XXXXXX	XXXXXX
Deferred tax	XXXXXX	XXXXXX
Current tax	XXXXXX	XXXXXX
Current borrowings	XXXXXX	XXXXXX
Non-current borrowings	XXXXXX	XXXXXX
Available-for-sale financial assets	XXXXXX	XXXXXX
Other financial assets at fair value through profit and loss	XXXXXX	XXXXXX
Derivative financial instruments	XXXXXX	XXXXXX
<b>Total</b>	<u>XXXXXX</u>	<u>XXXXXX</u>

5p61 The segment cash flows for period ended 31 December 2010 are as follows :

	<u>Business segments</u>				<u>Group</u>
	<u>Wholesale</u>	<u>Retail</u>	<u>Other</u>	<u>Unallocated</u>	
5p51 Operating cash flows	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
5p51 Investing cash flows	(XXXXXX)	(XXXXXX)	(XXXXXX)	(XXXXXX)	(XXXXXX)
5p61 Financing cash flows	(XXXXXX)	(XXXXXX)	(XXXXXX)	(XXXXXX)	(XXXXXX)
<b>Total cash flows</b>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>XXXXXX</u>	<u>-</u>	<u>XXXXXX</u>

(b) Secondary reporting format – geographical segments

5p80 The Group's three business segments operate in four main geographical areas, even though they are managed on a worldwide basis.

The home country of the company, which is also the main operating company is Indonesia. The areas of operation are principally the manufacturing and sale of shoes and other footwear.

The group's revenue is generated mainly within Indonesia, Europe and the US.

	<u>2010</u>	<u>2009</u>
<b>Revenue</b>		
Indonesia	XXXXXX	XXXXXX
Europe	XXXXXX	XXXXXX
US	XXXXXX	XXXXXX
Other countries	XXXXXX	XXXXXX

5p68 Revenue is allocated based on the country in which the customer is located

	<u>2010</u>	<u>2009</u>
<b>Total assets</b>		
Indonesia	XXXXXX	XXXXXX
Europe	XXXXXX	XXXXXX
US	XXXXXX	XXXXXX
Other countries	<u>XXXXXX</u>	<u>XXXXXX</u>
	XXXXXX	XXXXXX
Associates	XXXXXX	XXXXXX
Unallocated assets	<u>XXXXXX</u>	<u>XXXXXX</u>
	XXXXXX	XXXXXX

**NOTE- SEGMENTAL INFORMATION (continued)**

5p48 (a) Primary reporting format – business segments (continued)  
5p68 Total assets are allocated based on where the assets are located.

	<u>2010</u>	<u>2009</u>
<b>Capital expenditures</b>		
Indonesia	xxxxxx	xxxxxx
Europe	xxxxxx	xxxxxx
US	xxxxxx	xxxxxx
Other countries	xxxxxx	xxxxxx
	xxxxxx	xxxxxx

5p68 Capital expenditure is allocated based on where the assets are located.

	<u>2010</u>	<u>2009</u>
<b>Analysis of revenue by category</b>		
Sales of goods	xxxxxx	xxxxxx
Revenue from services	xxxxxx	xxxxxx
Royalty income	xxxxxx	xxxxxx

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