ANNUAL REPORT 2010

CONTENTS

DAFTAR ISI

CORPORATE INFORMATION
Data Perseroan

Board of Commissioners / *Dewan Komisaris*
- Adrian Fu Hau Chak (President Commissioner)
- Ferenz Cendrawasih (Independent Commissioner)
- Julian W. Wong (Commissioner)

Board of Directors / *Dewan Direksi*
- Surojit Ghosh (President Director - Acting)
- Frankie Ma Ngon
- Chow Chi Keung
- Sujoko Efferin (Non Affiliated)

Independent Audit Committee / *Komite Audit Independen*
- Ferenz Cendrawasih
- Lea Buntaran
- Hempy Ali

Shareholders / *Pemegang Saham*

• Eastern Cotton Mills Ltd.	24,559,000	25.00 %
• South Indonesian Holdings Ltd.	22,103,100	22.50 %
• PT Wakala Korpora Indonesia	10,500,000	10.69 %
• Continuity Developments Ltd.	2,455,900	2.50 %
• Public	38,618,000	39.31 %

Ownership by Board of Commisioners & Directors / *Kepemilikan Saham oleh Anggota Komisaris & Direksi*

• Adrian Fu Hau Chak	10,000	0.01 %
• Frankie Ma Ngon	2,000	0.00 %

Type of Shares / *Jenis Saham*

• Script Share / Saham Warkat	52.03%
• Scriptless Share / Saham Nonwarkat	47.97%

Registered Office / *Kantor Pusat*
- Sentra Bisnis Tanjung Duren
  Jl. Tanjung Duren Utara Blok C No. 3B
  West Jakarta 11470, Indonesia.

Executive Office / *Kantor Eksekutif*
- Jalan Raya Bukit Darmo No.6,
  Surabaya 60189, Indonesia.

Factory / *Pabrik*
- Jalan Raya Soekarno Hatta No.23,
  Probolinggo, Indonesia.

Major Bankers / *Bank Utama*
- HSBC
- DBS

Auditors / *Akuntan Publik*
- Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan
  Registered Public Accountants

Attorneys / *Penasehat Hukum*
- DNC Advocates at Work
- Markus Sajogo & Associates

Share Registrar / *Biro Administrasi Saham*
- P.T. Sirca Datapro Perdana

Executive Committee / *Komite Eksekutif*
- Adrian Fu Hau Chak (President Commissioner)
- Surojit Ghosh (President Director - Acting)
- Julian W. Wong (Comissioner)

Management / *Manajemen*
- Surojit Ghosh (President Director - Acting)
- Frankie Ma Ngon (Chief Operating Officer)
- Vincent Luk (Marketing Manager)

No. of Employees / *Jumlah Karyawan*
- 2,282 employees / karyawan

Authorized Capital / *Modal Dasar*
- Rp 196.4 billion / milyar
- 392,944,000 shares / saham

Par Value of Share / *Harga Saham Nominal*
- Rp 500 per share / per saham

Paid Up Capital / *Modal Disetor*
- Rp 49.1 billion / milyar
- 98,236,000 shares / saham

Product Lines / *Jenis Produk*
- Garments / Pakaian Jadi

Marketing & Distribution / *Pemasaran & Distribusi*

• Export / Ekspor	98 %
• Domestic / Domestik	2 %

Subsidiary Companies / *Anak Perusahaan*

1. **P.T. Asiatex Garmindo**
   Gd. Menara Kadin Indonesia Lt. 30
   Jl. HR. Rasuna Said Blok X-5 Kav 2-3
   Kuningan Timur, Setiabudi
   South Jakarta 12950, Indonesia
   93.55 % owned by the Company /
   93,55 % dimiliki oleh Perusahaan
2. **P.T. Eratex (Hongkong) Limited**
   Registered Office / Kantor Pusat
   Unit D, 4/F, Effort Industrial Building
   2 – 8 Kung Yip Street
   Kwai Hing, Kwai Chung, NT, Hong Kong
   100% owned by the Company /
   100% dimiliki oleh Perusahaan
3. **P.T. Eratex Garment**
   Registered Office / Kantor Pusat
   Sentra Bisnis Tanjung Duren
   Jl. Tanjung Duren Utara Blok C No. 3B
   West Jakarta 11470, Indonesia
   99 % owned by the Company /
   99 % dimiliki oleh Perusahaan
4. **ASA Partners Holding Ltd**
   Trident Chambers, PO BOX 146
   Road Town, Tortola
   British Virgin Island
   100 % owned by the Company /
   100 % dimiliki oleh Perusahaan

COMPANY IN BRIEF

PT Eratex Djaja Tbk (the "Company") was established in the framework of Foreign Capital Investment Law No.1, 1967 by Notary Deed No.7 dated October 12, 1972 base on Deed prepared by Koerniatini Karim, Public Notary in Jakarta.

Company's Head Office is in Jakarta, located at Sentra Bisinis Tanjung Duren, Jl. Tanjung Duren Utara Blok C No. 3B, West Jakarta – 11470.
The Administration Office is in Surabaya, located at Jl. Raya Bukit Darmo No. 6 Surabaya – 60189.
And the Factory is located in Probolinggo, Jl. Soekarno Hatta No. 23 Probolinggo.

At the beginning the activities of the Company were as an integrated textile manufacturing, including spinning, weaving, finishing, garment making, and sells its products both domestically and internationally.

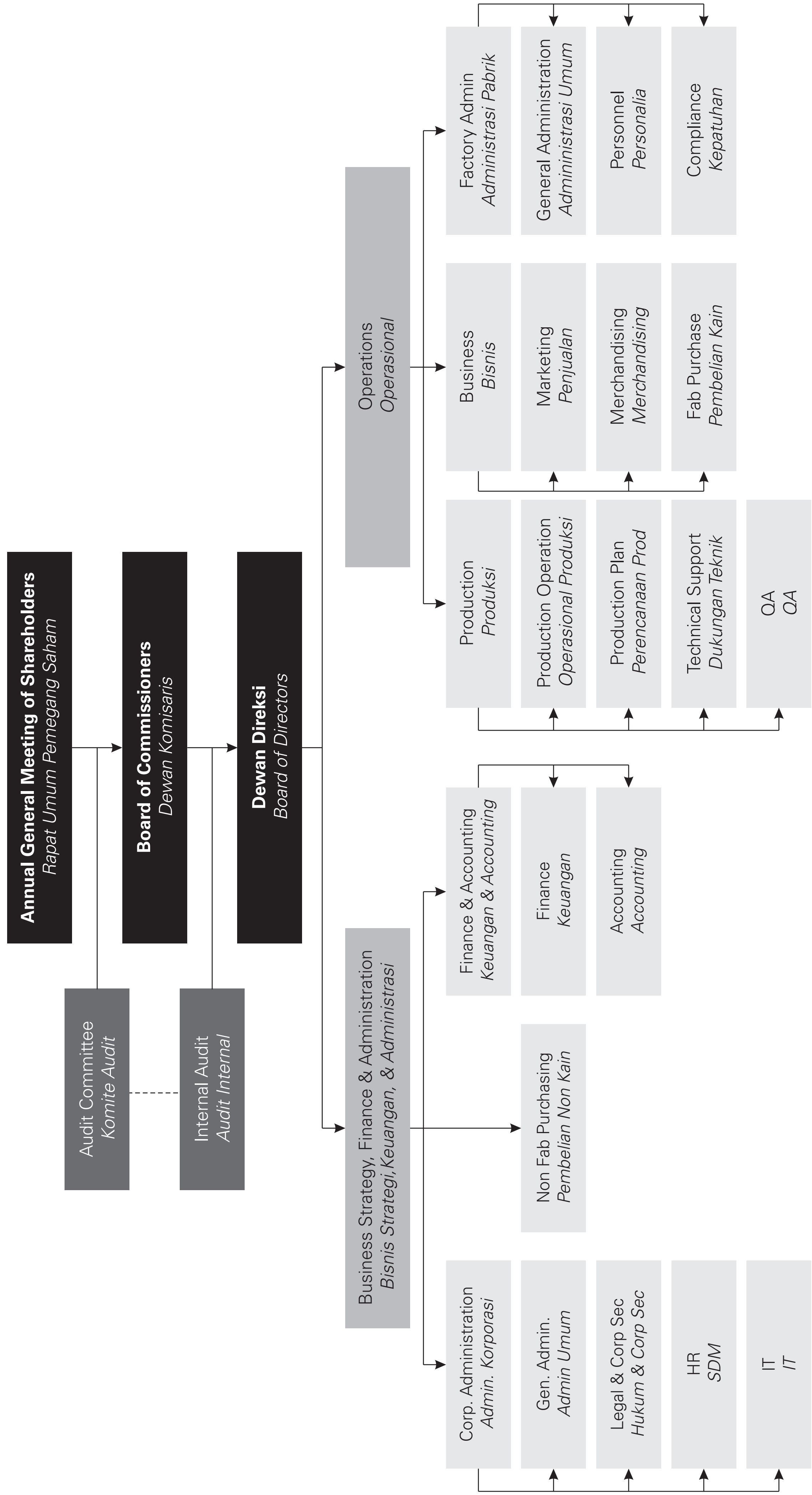
The Company commenced its commercial operation in 1974

In 2008, the Company decided to close its Textile Division which produced yarns and fabrics. And from that point forward has been focusing its production to garment with total export market orientation.

The Company registered its shares on the Stock Exchange of Indonesia on August 21, 1990, in accordance with approval of the Minister of Financial of the Republic of Indonesia No. SI-125/SHM/MK.10/1990 dated July 14, 1990.
And since 2000, all shares have been registered on the Jakarta Stock Exchange and the Surabaya Stock Exchange (known as Indonesia Stock Exchange in present).

The core product of the Company has been Casual Bottom wear. The Company's products ranges from five basic pocket jeans to casual dress pants, with material varies from denim to Italian high count twill.
To fulfill the plan to be multiple products supplier, Company has added dedicated lines for Jacket and Shirt.
Approximately 50% of the pants capacity is producing denim product, while requirement for embroidery and printing are conveniently supported by nearby contractors.

ORGANIZATION STRUCTURE
Struktur Organisasi



PRESIDENT COMMISSIONER'S REPORT 2010

The pressure facing our operation is already explained in the Directors' Report. Apart from the worse than budgeted operating loss due to a higher cost of sale, we continue to experience the same challenges we had last year; a slow economic recovery worldwide and highly competitive pricing in order to win business.

During the year the company continued to receive additional support from Hong Kong shareholders and our main lender to augment a cash flow deficiency. This life line is crucial to keep the operation afloat.

Regardless of the future outcome management has again produced a stirring effort to maintain the business momentum. It is widely perceived that we are in the trough of the garment industry cycle; it is only a matter of time when the recovery picks up pace.

Adrian H. C. Fu
President Commissioner

DIRECTORS' REPORT 2010

Financial Review

The year ended December 2010 was a very difficult year for the Company and the operational results were not in keeping with the anticipation of the management and business plans made earlier for a successful turn around of the business.

The Sales in Indonesian Rupiah were IDR 233.11 Billion and was 6.07% lower compared to the previous year's sales in Indonesian Rupiah. The primary reason for this was lower sales in the first half of the year as the marketing team sought to re-establish relationships with old buyers, stronger Rupiah exchange rates and inadequacy of working capital during the year.

The year 2010 saw the strengthening of the IDR. The year end exchange rate as on 31st December 2009 was IDR 9,400 and in 31st December 2010 it was IDR 8,991.This would tend to suggest that the strengthening of the exchange rate has been 4.35% only. However the average exchange rates ruling during the year 2009 were IDR 10,356/ USD as compared to the rate in 2010 of IDR 9,080/USD. This is a comparative 12.32% increase in the values of the Indonesian Rupiah on an average. As the company earns more than 98% of its revenue in foreign currencies and pays more than 25% of its costs in IDR & this has reduced the profitability of the business dramatically.

In June 2010, the Company had achieved a restructuring of its banking facilities with the major lender, HSBC, and the bank had made available certain Trade Finance facilities. These facilities however were inadequate to meet the expected growth in sales revenue in the second semester as anticipated by the management.

Due to this factor, the higher sales which the company had initially forecasted for the Quarter 3 & Quarter 4 of the year did not materialize in time. However, by the end of the year 2010, the company had received additional trade financing facilities from the bank and this has somewhat regularized the situation by end of the year. The subject of providing additional working capital remains critical to the growth and return to good financial health for PT Eratex Djaja Tbk.

The year 2010 also was a period when the company identified a number of nonmoving items in inventory and provisions for diminution in value of stocks were made in the financial statements in line with the company's stated accounting policy. The Gross Margin was negative in 2010 partly as a result of write down of stocks apart from inability to reach breakeven sales revenue due to market conditions and lack of working capital.

Business Review

The company also experienced a period where there was a general trend towards sales being made on open account terms which needs more working capital. Moreover, the increasing prices of raw material, especially cotton, have lead to higher trade facilities being tied up to service garment sewing orders. While the company does not take any risks on buying raw material which is purchased at prices nominated by the customers, it does require additional working capital to service the same through put in the sewing facilities.

The Company has begun to focus on the production & sales of shirts to achieve a higher sales target and provide a wider range to its customers. Total production in Basic Units (BU) of Pants was 5.05 million BU in 2010 against 4.62 million BU in 2009. In shirts the total production was 1.61 million BU in 2010 against only 0.17 million in 2009. Thus the product line is now more diverse and this adds strength to the marketing effort.

The twin objectives of the company to reduce costs & increase efficiency were still the focus of the management. A significant achievement in 2010 has been that the company has expanded the customer base and has managed to broaden its customer base.

Business Outlook

For the next financial year, 2011, the Board of Directors of the company will focus on the following:

1. Expanding the production range to certain high volume items to achieve higher efficiency.
2. Further expand the customer base by spreading the sales more evenly.
3. Reducing business with certain customers who have in the past taken a higher proportion of sales but are difficult to service in terms of shorter lead times and higher customer servicing needs.
4. Increase gross margin by adjusting the costings for sales of its products to account for higher inflation and stronger IDR currency.
5. Further increase efficiency in every area especially in the production facilities at Probolinggo.
6. Balance the product mix in such a fashion that the company obtains the best Gross Margin and manages the best efficiency at the same time.
7. Work closely with its lead Bankers to ensure adequate working capital is made available at the right time for the needs of growing the business.

The Company has achieved significant reductions in cost in overheads in administration and the overall interest burden for the year 2011 will also reduce with the full benefit of the Restructuring of debt being felt. With higher levels of working capital in place the Company will also be able to better plan the allocation of capacity to avoid certain additional costs that were incurred in 2010 due to working capital blockages.

The Company's manufacturing facilities are now running at higher efficiencies and the productivity and efficiency in Q4 2010 and Q1 of 2011 bear out that the improvements achieved at the manufacturing facilities have been optimized. Never the less the Company strives to improve worker efficiency and it is hoped that with a the more balanced product mix as outlined in points above will reduce the costs and improve margins.

The management would also like to add that the year 2011 shows good sales growth and there is a distinct trend in more orders being received by the company as many buyers in the Company's target markets seek alternatives to higher cost vendors from Mainland China. This trend was quite pronounced by the last quarter of 2010 and in the early part of this year till now. The management hopes that the company can make best use of this opportunity & increase its revenue and profitability.

The ability of the company to expand revenue will depend on continued support from its customers based on sound quality and delivery performances and supported by continued Trade Finance facilities.

The sales for the first Quarter of 2011 have bee strong. The low season for the Company is typically in Second Quarter and this year seems no exception. However current forecasts show that the further growth of the business as anticipated by the management in the second semester of 2011 is likely to materialize as more customers seek to source from Indonesia. The Company's growth will depend on availability of additional facilities being available and the Board is working closely with the bank to ensure that the turnaround of the business is achieved and then future profitable business is sustained.

Corporate Governance

PT Eratex Djaja Tbk, as a public listed company is committed to upholding the implementation of good corporate governance as a way to manage the company. This is not a new implementation but has been continuously executed from year to year even before the regulation on the requirement to implement good corporate governance was issued.

The implementation is continuously and dynamically carried out along with the changes that happen in the company, by upholding fairness, transparency, accountability, and responsibility.

Board of Directors

During the year there were no changes to the composition of the Board of Directors.

Appreciation

We would like to thank all our employees, customers, suppliers for their continued support through this difficult period. We would also like to record our sincere appreciation and gratefulness to the bankers of the Company and the Board of Commissioners for their support during the year.

Sincerely,

Surojit Ghosh
Acting President Director
31st March 2011

REPORT OF THE AUDIT COMMITTEE

PT Eratex Djaja, Tbk. Audit Committee, whose members include Ferenz Cendrawasih, Chairman, and Lea Buntaran and Hempy Ali as members, is established by and responsible to the board of Commissioners of the Company.

The task of the Audit Committee is to assist the Board of Commissioners in its oversight responsibilities relating to, among other duties;

1. Accounting and financial reporting principles and procedures for the Company.
2. The adequacy of the Company's systems of internal control over financial reporting.
3. The quality and integrity of the Company's financial statements.
4. The practice of good corporate governance in the Company.

During the year of 2010, the Audit Committee has conducted several meetings. The Audit Committee reviewed and discussed the following items during these meetings:

a. The audit plans of the external and internal auditors, the results of their examination and evaluation of the systems of internal controls and remedial action taken.
b. The financial statements and auditors' report of the Company before their submission to the Board of Commissioners.
c. Compliance with the relevant laws and regulations and with the Company's statement of Business Conduct.
d. The independence and objectivity of the external auditors.
e. Relevant business issue in so far related to the management of business risk and internal controls especially due to increase in quantity of sales while the Company suffered slight decrease in revenue.
f. Special emphasis is given at the practice and application of the Good Corporate Governance and Corporate Social Responsibility including special attention to personnel in running the Company's system and procedures in recording of transactions.

The Audit Committee has met its duties and responsibilities in accordance with the guideline required.

Surabaya, March 19, 2011
Audit Committee of PT Eratex Djaja Tbk.

Ferenz Cendrawasih
Chairman

Lea Buntaran
Member

Hempy Ali
Member

STATEMENT FROM BOARD OF COMMISSIONAIRES AND DIRECTORS

We the undersigned in our capacity as the member of Board of Commissioners and Board of Directors of PT. Eratex Djaja Tbk fully responsible on the printed Annual Report of the Company for the year 2010.

This statement letter is made truthfully.

Date, 30 March 2011.

The Board of Commissioners:

Adrian Fu Hau Chak
President Commissioner

Julian Wong Wai Chua
Commissioner

Ferenz Cendrawasih
Independent Commissioner

The Board of Directors:

Surojit Ghosh
President Director (acting)

Frankie Ma Ngon
Director

Norman Chow Chi Keung
Director

Sujoko Efferin
Director – Non Affiliated

FINANCIAL HIGHLIGHTS
Ikhtisar Data Keuangan

In million Rupiah / Dalam jutaan Rupiah
Except per share figures / Kecuali angka per lembar saham

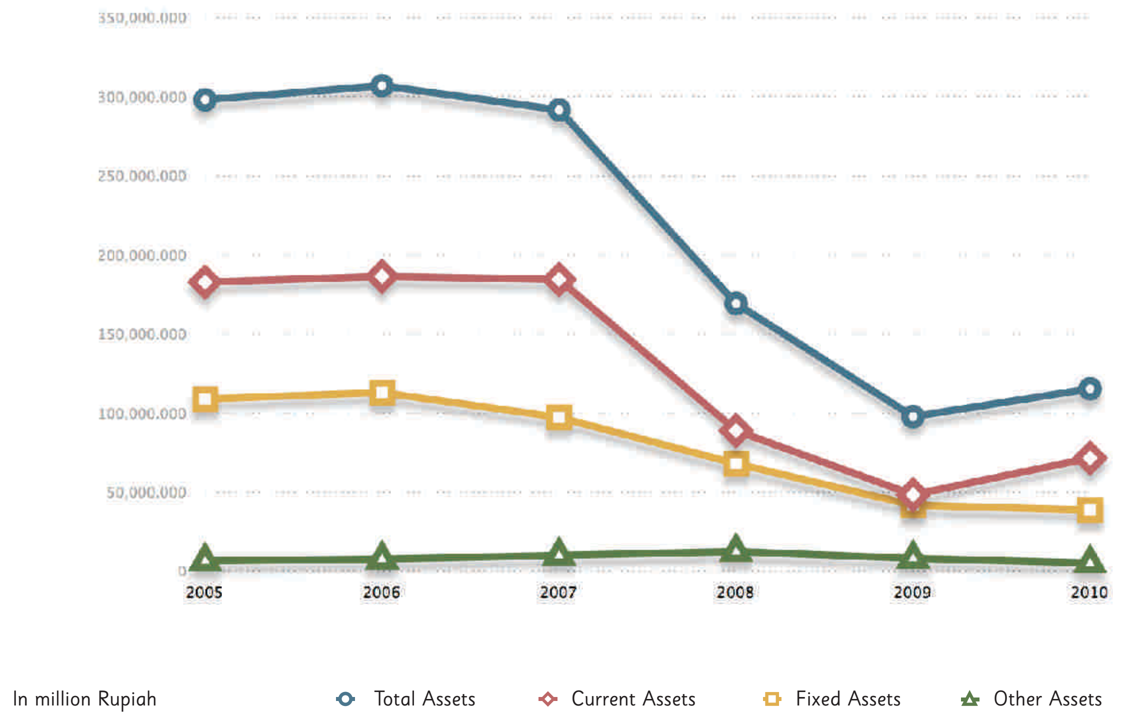
	10	09	08 as restated	07	06	05 as restated
OPERATING RESULTS / HASIL USAHA						
Revenue / Pendapatan	233,110	248,200	439,977	631,987	580,863	528,108
Gross income (loss) / Laba (rugi) kotor	(13,243)	14,684	(1,999)	72,462	59,094	68,071
Operating income (loss) / Laba (rugi) usaha	(47,546)	(32,985)	(59,815)	12,119	2,830	19,997
Income (loss) before corporate income tax / Laba (rugi) sebelum pajak penghasilan badan	(49,353)	(23,463)	(109,901)	(30,778)	(4,365)	(12,032)
Net income (loss) / Laba (rugi) bersih	(48,492)	(25,372)	(110,336)	(2,511)	(6,050)	(16,412)
PER SHARE DATA / DATA PER LEMBAR SAHAM						
Operating income (loss) / Laba (rugi) usaha	(484)	(336)	(609)	123	29	204
Net income (loss) / Laba (rugi) bersih	(494)	(258)	(1,123)	(26)	(62)	(167)
No. of shares issued (in thousand) / Jumlah saham beredar (dalam ribuan rata-rata)	98,236	98,236	98,236	98,236	98,236	98,236
FINANCIAL POSITION / POSISI KEUANGAN						
Total assets / Jumlah aset	115,328	97,776	169,256	293,442	307,056	298,199
Total liabilities / Jumlah kewajiban	321,754	256,112	303,895	316,128	325,850	310,131
Total shareholders' equity (capital deficiency) / Ekuitas (defisiensi modal)	(206,427)	(158,345)	(134,648)	(22,695)	(18,803)	(14,518)
Working capital / Modal kerja	(98,402)	(66,514)	(151,672)	(84,058)	(53,620)	(49,180)
FINANCIAL RATIOS / RASIO KEUANGAN						
Gross income to revenue / Laba kotor terhadap pendapatan	-6%	6%	0%	11%	10%	13%
Operating income (loss) to revenue / Laba (rugi) usaha terhadap pendapatan	-20%	-13%	-14%	2%	0%	4%
Net income (loss) to total assets / Laba (rugi) bersih terhadap jumlah aset	-42%	-26%	-65%	-1%	-2%	-6%
Current ratio / Rasio lancar	0.42	0.42	0.37	0.69	0.78	0.79
Quick ratio / Rasio cepat	0.11	0.05	0.12	0.20	0.26	0.26
Total debts to total assets / Kewajiban terhadap jumlah aset	2.79	2.62	1.80	1.08	1.06	1.04
EXCHANGE RATE / KURS						
USD 1 = Rupiah	8,991	9,400	10,950	9,419	9,020	9,830

FINANCIAL HIGHLIGHTS
Ikhtisar Data Keuangan

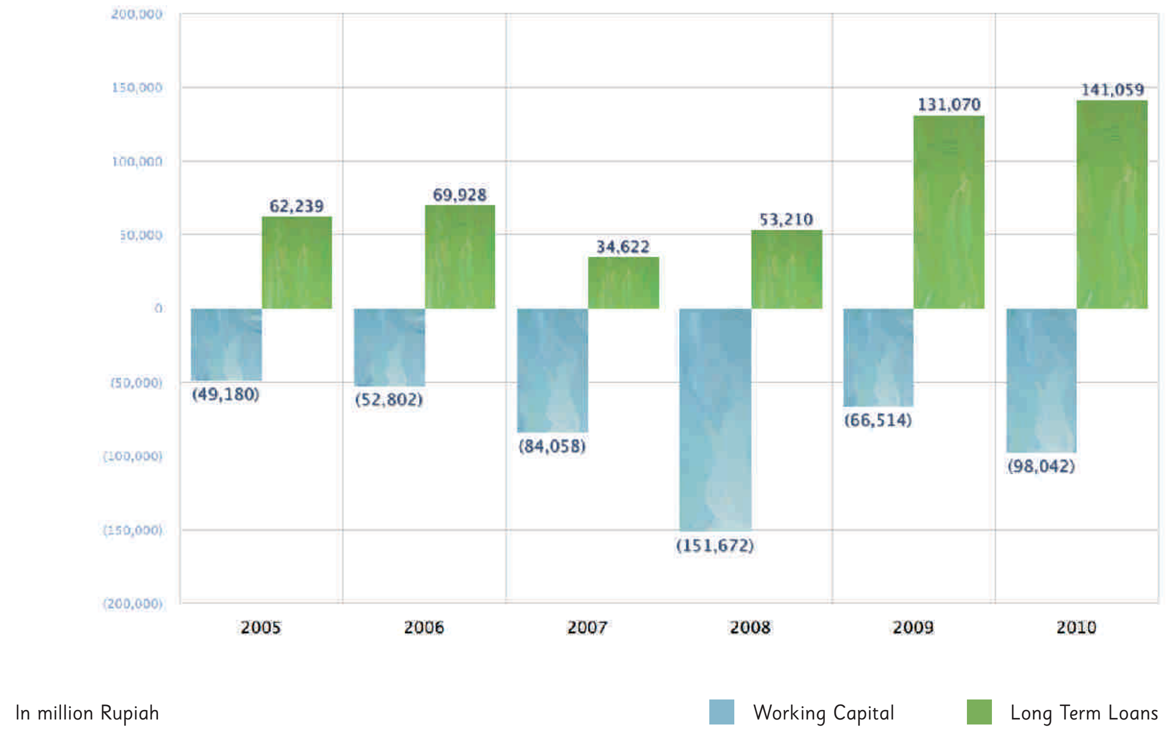
In thousand USD / Dalam ribuan USD
Except per share figures / Kecuali angka per lembar saham

	10	09	08 as restated	07	06	05 as restated
OPERATING RESULTS / HASIL USAHA						
Revenue / Pendapatan	25,927	26,404	40,181	67,097	64,397	53,724
Gross income (loss) / Laba (rugi) kotor	(1,473)	1,562	(183)	7,693	6,551	6,925
Operating income (loss) / Laba (rugi) usaha	(5,288)	(3,509)	(5,463)	1,287	314	2,034
Income (loss) before corporate income tax / Laba (rugi) sebelum pajak penghasilan badan	(5,489)	(2,496)	(10,037)	(3,268)	(484)	(1,224)
Net income (loss) / Laba (rugi) bersih	(5,393)	(2,699)	(10,076)	(267)	(671)	(1,670)
PER SHARE DATA / DATA PER LEMBAR SAHAM						
Operating income (loss) / Laba (rugi) usaha	(0.05)	(0.04)	(0.06)	0.01	-	0.02
Net income (loss) / Laba (rugi) bersih	(0.05)	(0.03)	(0.10)	-	(0.01)	(0.02)
No. of shares issued (in thousand) / Jumlah saham beredar (dalam ribuan rata-rata)	98,236	98,236	98,236	98,236	98,236	98,236
FINANCIAL POSITION / POSISI KEUANGAN						
Total assets / Jumlah aset	12,827	10,402	15,457	31,154	34,042	30,335
Total liabilities / Jumlah kewajiban	35,786	27,246	27,753	33,563	36,125	31,549
Total shareholders' equity (capital deficiency) / Ekuitas (defisiensi modal)	(22,959)	(16,845)	(12,297)	(2,409)	(2,085)	(1,477)
Working capital / Modal kerja	(10,945)	(7,076)	(13,851)	(8,925)	(5,945)	(5,003)
FINANCIAL RATIOS / RASIO KEUANGAN						
Gross income to revenue / Laba kotor terhadap pendapatan	-6%	6%	0%	11%	10%	13%
Operating income (loss) to revenue / Laba (rugi) usaha terhadap pendapatan	-20%	-13%	-14%	2%	0%	4%
Net income (loss) to total assets / Laba (rugi) bersih terhadap jumlah aset	-42%	-26%	-65%	-1%	-2%	-6%
Current ratio / Rasio lancar	0.42	0.42	0.37	0.69	0.78	0.79
Quick ratio / Rasio cepat	0.11	0.05	0.12	0.20	0.26	0.26
Total debts to total assets / Kewajiban terhadap jumlah aset	2.79	2.62	1.80	1.08	1.06	1.04
EXCHANGE RATE / KURS						
USD 1 = Rupiah	8,991	9,400	10,950	9,419	9,020	9,830

ASSETS STRUCTURE
Struktur Aset

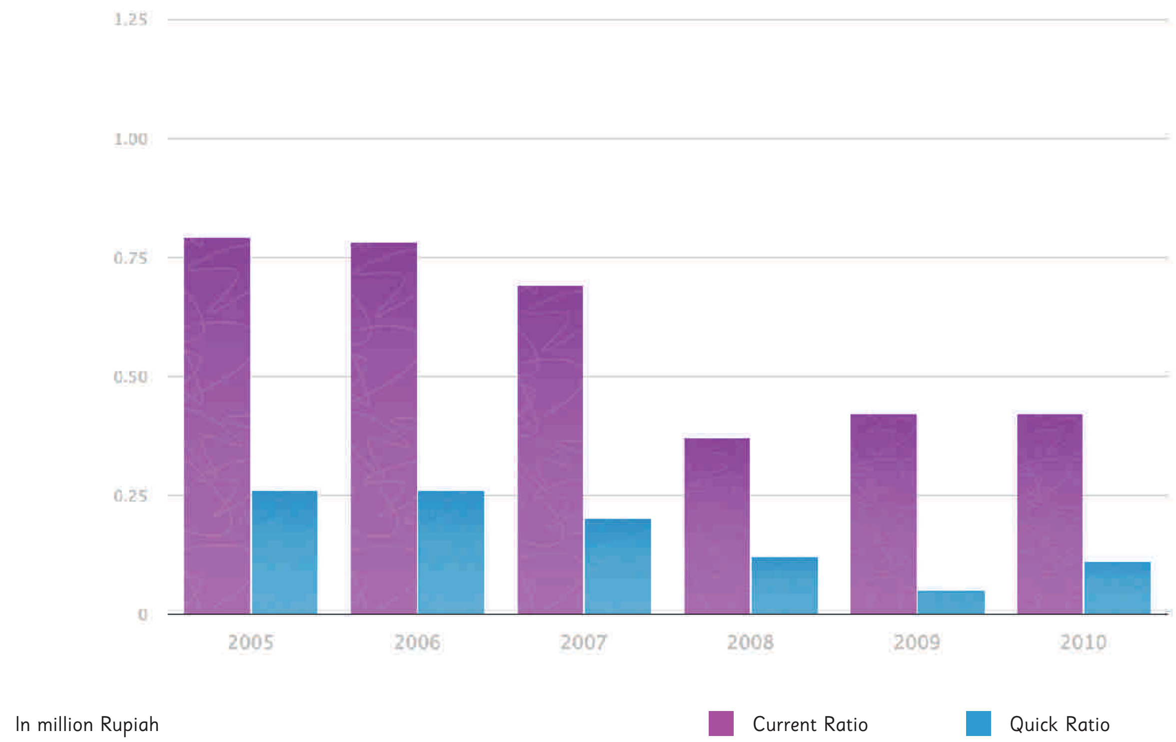


WORKING CAPITAL & LONG TERM LOANS
Modal Kerja & Pinjaman Jangka Panjang

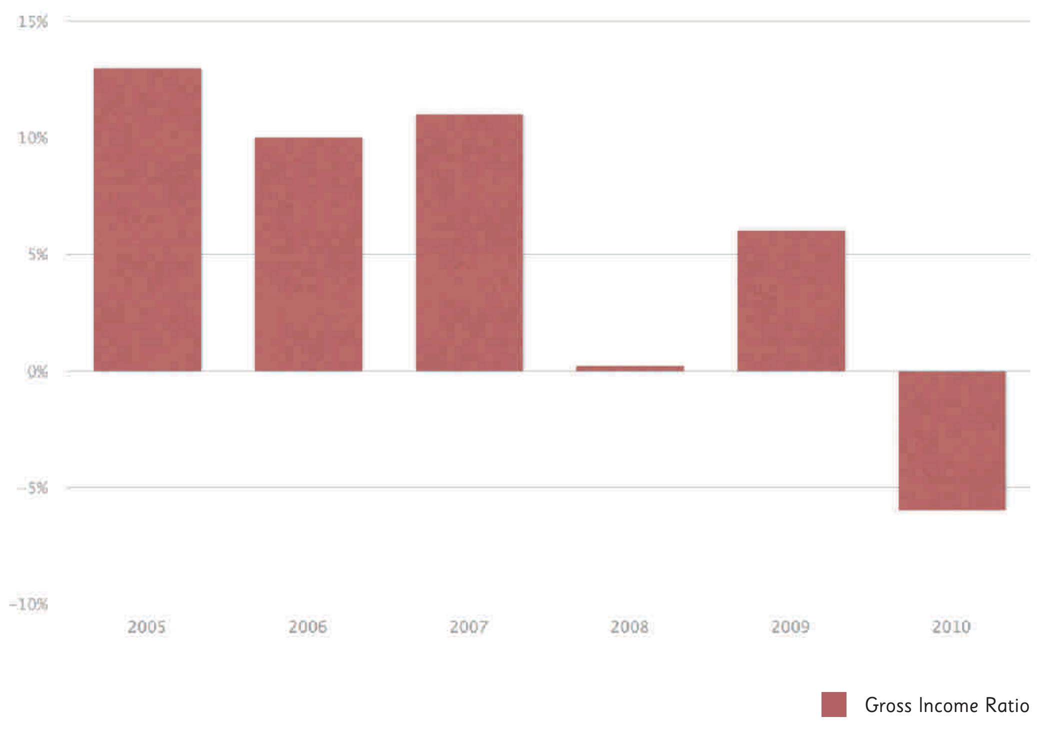


ASSETS, LIABILITIES & EQUITY STRUCTURE
Struktur Aset, Kewajiban & Modal

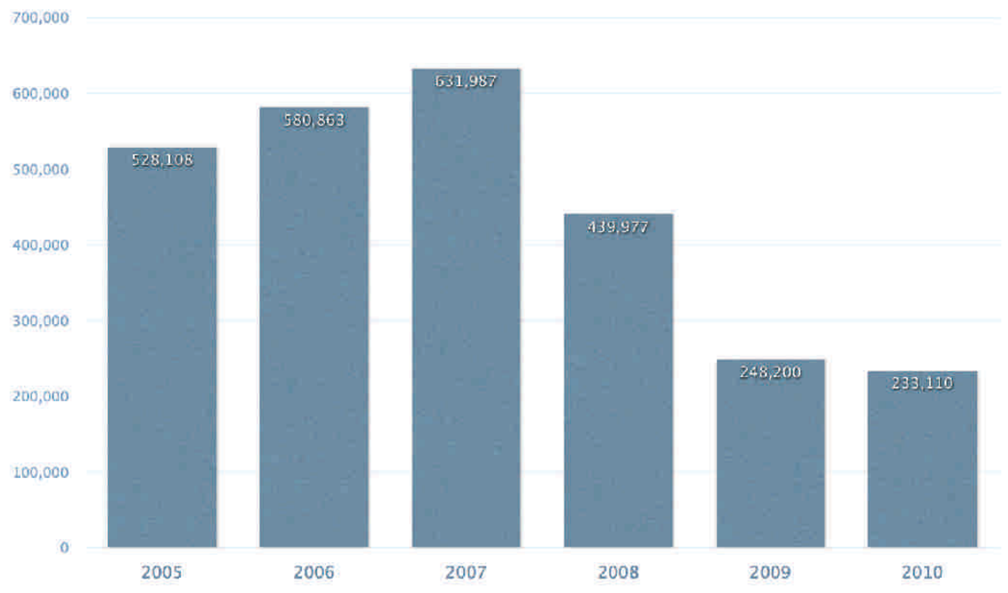
LIQUIDITY RATIOS
Rasio Likuiditas



PROFITABILITY RATIO
Rasio Profitabilitas

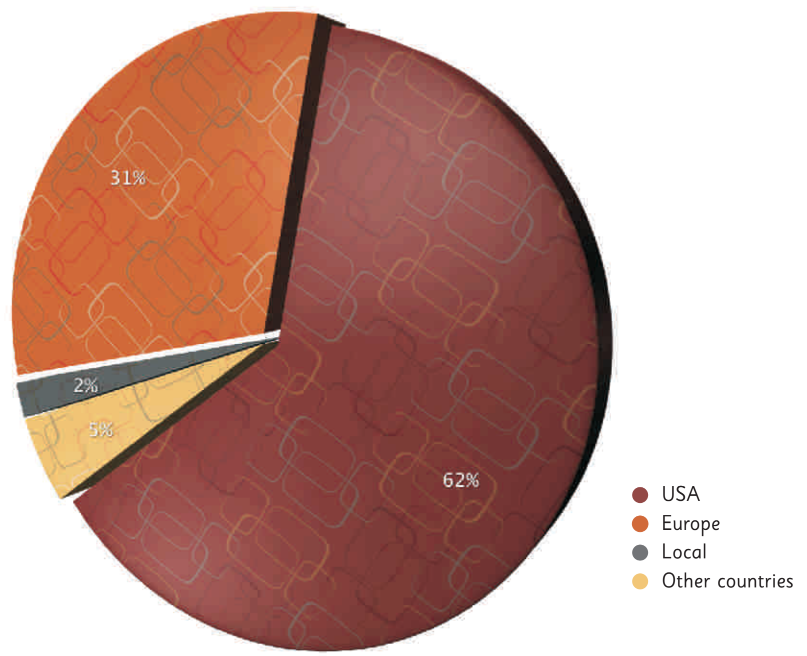


REVENUE
Pendapatan

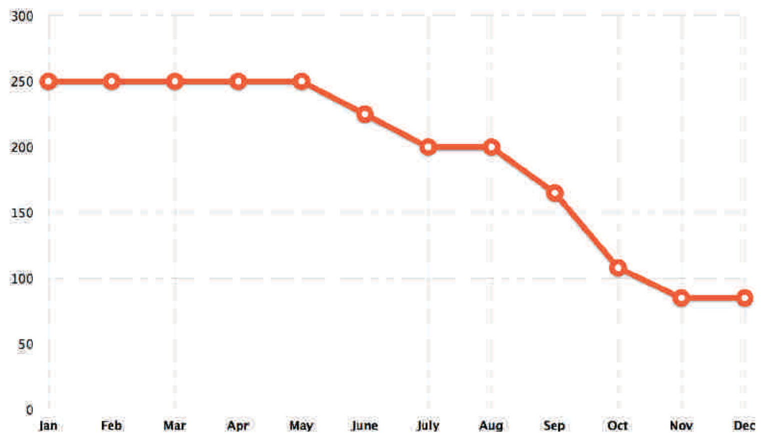


In million Rupiah

REVENUE PER REGION 2010
Pendapatan Per Negara 2010



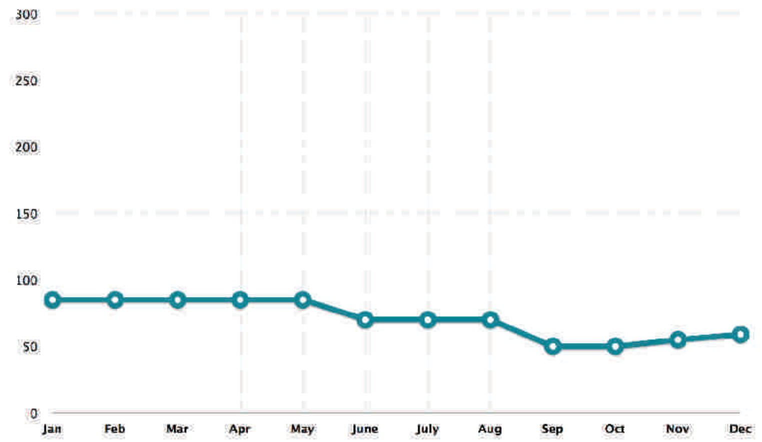
P.T. Eratex Djaja Tbk.
AVERAGE PRICE OF SHARE 2009
Rata-rata Harga Saham



Price of Share 2009

	Highest	Lowest	Closing	Average
Jan	250	250	250	250
Feb	250	250	250	250
Mar	250	250	250	250
Apr	250	250	250	250
May	250	250	250	250
Jun	250	200	200	225
Jul	200	200	200	200
Aug	200	200	200	200
Sep	200	130	130	165
Oct	130	85	85	108
Nov	85	85	85	85
Dec	85	85	85	85

P.T. Eratex Djaja Tbk.
AVERAGE PRICE OF SHARE 2010
Rata-rata Harga Saham



Price of Share 2010

	Highest	Lowest	Closing	Average
Jan	85	85	85	85
Feb	85	85	85	85
Mar	85	85	85	85
Apr	85	85	85	85
May	85	85	85	85
Jun	70	70	70	70
Jul	70	70	70	70
Aug	70	70	70	70
Sep	50	50	50	50
Oct	50	50	50	50
Nov	55	55	55	55
Dec	59	59	59	59

BOARD OF DIRECTOR'S STATEMENT LETTER ON RESPONSIBILITY OVER FINANCIAL STATEMENTS
December 31, 2010
PT. Eratex Djaja Tbk. and subsidiaries

We the undersigned below :

Name	:	Surojit Ghosh
Office address	:	P.T. Eratex Djaja Tbk., Jl. Raya Bukit Darmo no. 6, Surabaya
Domicile address/according KTP or other ID card	:	Jl. Raya Margorejo Indah no.4, Surabaya
Phone number	:	(62 31) 8439004
Position	:	Acting President Director

Name	:	Frankie Ma Ngon
Office address	:	P.T. Eratex Djaja Tbk., Soekarno Hatta no.23, Probolinggo
Domicile address/according KTP or other ID card	:	Soekarno Hatta no.23, Probolinggo
Phone number	:	(62 335) 421866
Position	:	Director

State that :

1. Responsible for the preparation and presentation of the Company's financial statements.
2. The Company's financial statements have been prepared and presented in accordance with generally accepted accounting principles.
3. a. All Information contained in the Company's financial statements are complete and correct.
   b. The Company's financial statements do not contain misleading material information or facts, and do not omit material information and facts.
4. Responsible for the Company's internal control system.

This statement letter is made truthfully.

Surabaya, March 30, 2011

For Acting President Director
P.T. Eratex Djaja Tbk
METERAI TEMPEL
0BACBAAF164820569
6000 DJP
Surojit Ghosh

Director
For P.T. Eratex Djaja Tbk.
METERAI TEMPEL
4A75BAAF5??055204
6000 DJP
Frankie Ma Ngon
Authorized Signatory

MANAGEMENT DISCUSSION AND ANALYSIS

Operational

Various measures were taken by the company in trying to cope with the unfavorable conditions bought on by the global economic crisis which had a severe impact on the economies of the developed world. 98% of the company sales are exported and the majority of these sales were to the North American market and the EU.

The recession in these two main markets were still felt strongly till middle of the year with consumer confidence and discretionary spending being reduced. As most of the Company's exports are fashion wear and in the mid to upper categories the sales were quite low in the first half of 2010.The Company however focused on taking on new customers and trying to win back some of the company's older buyers who had earlier left the buyers list for various reasons.

By the second half the company had secured new business and required significant additional working capital. Unfortunately the amount of trade facilities were not enough and the losses of the first semester were responsible to some extent for the drain on cash reserves.

The Company also rationalized workers to better improve efficiency. In end 2010 the company decided to restart the Shirts production lines which were shut down in 2009 as the demand for shirts were significantly larger than in earlier year.

Total production in Basic Units (BU) of Pants was 5.05 million BU in 2010 against 4.62 million BU is 2009. In shirts the total production was 1.61 million BU in 2010 against only 0.17 million in 2009.Thus the product line is now more diverse and this adds strength to the marketing effort.

Financial

For the year ended December 2010 the operational results were not in keeping with the anticipation of the management and business plans made earlier for a successful turn around of the business.

The Sales in Indonesian Rupiah were IDR 233.11 Billion and was 6.07% lower compared to the previous year's sales in Indonesian Rupiah.

The year 2010 also was a period when the company identified a number of nonmoving items in inventory and provisions for diminution in value of stocks were made in the financial statements in line with the company's stated accounting policy. The Gross Margin was negative in 2010 partly as a result of write down of stocks apart from inability to reach breakeven sales revenue due to market conditions and lack of working capital.

The higher volume of business contracted for by Q4 2010 was as a result of better sales from the second semester and some provision of additional working capital towards the end of the year. This is shown by higher levels of trade receivables and levels of inventory.

The Balance Sheet has an accumulated Loss of IDR 257.35 Billion. The Capital Deficiency is IDR 206.42 Billion. The losses of the current year and past years have caused the company to be dependant for assistance from its founding shareholders and from the main lender of the company, HSBC Bank.

The Company has strong support from its stakeholders and it appears that the company has now been past the lowest point in the garments industry trade cycle. It is now looking like that 2011 may show better results than 2010. The company will be able to meet its trade liabilities and runs its operations with the support of its stakeholders will definitely show.

BUSINESS OUTLOOK

The Company has made a list of items and will focus on these to improve step by step the financial health of the company. The main direction is to increase sales so it can cover its full overheads and generate surplus cash, improve margins on sales and reduce costs of goods produced.

Some of the specific objectives are expanding the production range to certain high volume items to achieve higher efficiency, further expand the customer base by spreading the sales more evenly, reducing business with certain customers who are difficult to service in terms of shorter lead times and higher customer servicing needs.

The company will also adjust the costings for sales of its products to account for higher inflation and stronger IDR currency, further increase efficiency in every area especially in the production facilities at Probolinggo & balance the product mix in such a fashion that the company obtains the best Gross Margin and manages the best efficiency at the same time.

GOOD CORPORATE GOVERNANCE

PT Eratex Djaja Tbk as a public listed company is committed to upholding the implementation of good corporate governance as a way to manage the company.

This is not a new implementation but has been continuously executed from year to year even before the regulation on the requirement to implement good corporate governance was issued.
This is not merely due to its status as a public listed company, but also enforced as a form of company's responsibility to all of the stakeholders.

The implementation is continuously and dynamically carried out along with the changes that happen in the company, by upholding fairness, transparency, accountability, and responsibility.

The Board of Commissioners

The Board of Commissioners of the Company consists of 3 (three) Commissioners, including 1 (one) President Commissioner, and 1 (one) Independent Commissioner.

The duty and authority of the Board of Commissioners are according to the Company's Articles of Association and Regulation on Limited Liability Company No. 40 year 2007.

The Board of Commissioners gives strategic direction to be further used as a guidline to define Company's work plan. It includes strategic direction to improve sales, production, financial condition of the Company.

In their actions, the Board of Commissioners also monitors and is kept abreast on the progress of the activities of the Company.
Giving suggestion, advice and opinion to the Direcors to ensure optimum performance of the Company as per the strategy laid down, through the implementation of good corporate governance.

The Board of Commissioners in regular basis carries out evaluation on the operational and financial reports of the Company. Discusses and studies them with the Audit Commitee and also the Board of Directors as part of the required monitoring.

The Board of Directors

The Board of Directors of the Company consists of 4 (four) directors, including 1 (one) Acting President Director, and 1 (one) Non Affiliated Director.

The duty and authority of the Board of Directors are according to the Company's Articles of Association and Regulation on Limited Liability Company No. 40 year 2007.

President Director coordinates the board to define annual company's work plan which then to be approved by the Board of Commissioners.
The Board of Directors executing the Company management and ensuring Company's performance achievement as per the strategy and work plan that has been defined and dully approved, through the implementation of good corporate governance.

In their actions, the Board of Directors look after each work unit and resources of the Company to ensure the best achievements of the Company's performance. It includes making and implementing required corrections and improvements.

The Board of Directors reports the performance and result of their work on regular basis to the Board of Commissioners and General Meeting of Shareholders in accordance to the Company's Articles of Association.

Remuneration of the Board of Commissioners and Directors

The renumeration for the Board of Commissioners and Directors is determined by Annual General Meeting of Shareholders, and in 2009 Meeting it has been approved to give the Board of Commissioners authority to determined the remuneration for the Board of Commissioners and the Board of Directors as they deem fit.

Audit Commitee

In accordance to Capital Market Supervisory Board Regulation No. IX.I.5 attachment Decree of Capital Market Supervisory Chairman No. Kep-29/PM/2004 and the Jakarta Stock Exchange Regulation I-A No.Kep-305/BEJ/07-2004 point C1, Company had formed the Audit Commitee and currently it has 3 (three) members including Company's Independent Commissioner who chair the commitee.

The Audit Commitee gives their opinion to the Board of Commissioners related to company's reports and financial projections, items reported by Directors, company's compliance to regulations on capital market as well as other regulation related to company's operational activities.

The Audit Commitee also identifies and reports other important matter which will need the attention from Board of Commissioner, including risk faced by the Company and the execution of the risk managements.

Corporate Secretary

To comply with the Capital Market Supervisory Board Regulation No. IX.I.4, Corporate Secretary function was established and it reports to the Acting President Director of the Company.

Corporate Secretary gives inputs to the Board of Directors related to the compliance to the requirement from the Capital Market regulation.

Corporate Secretary functioning as intermediate between investor and the Company, it gives information that is needed by investor.

It also act as an intermediate between Capital Supervisory Board, Stock Exchange, and other institution related with the status as Public Listed Company.

Internal Audit

In conjunction with the implementation of good corporate governance, the Company has applied an internal control system through Internal Audits that carry out monitoring function towards activities done in all the Company's work unist, on their compliance to the procedure and regulation that has been adopted and applied in the Company.

Internal Audit gives inputs to the management about this compliance which will also contribute to the accuracy and reliability of the reporting system. Also to give analysis on the internal risk which may exist, and provide the alternative solutions

In carrying out its function, Internal Audit upholding its independency to ensure transparency and avoid conflict of interest.

Internal Audit reports directly to the Acting President Director. In carrying out its monitoring function, can directly communicate and partnering with the Audit Commitee of the Company.

The Business Risks

As a labour intensive industry with nearly 100% export orientation, domestic decision related to labour issues and wages, fluctuation Rupiah value, economic and political condition of destination country; are significant risk factors.

Beside that, as a company with high sensitivity to the rise of general expenses, Company's profitability will also affected by inflations and increase of basic expenses like fuel, electricity, cost on licenses and required bureaucratic procedures.

As one of the vendors in the integrated supply chain network implemented by majority of our clients, on time delivery of finish product is important and must be supported by on time delivery and the smooth running the logistic for raw material.
Any hindrance which might caused by either Company's internal factor, raw material supplier, and other external factor related to politics, economic, rules and regulation on trade sector, will also an important aspect.

Company implements an accurate planning system, supported by personnel and expert specialist in garment industry; to face the above challenges technically. Proactiveness and anticipations is implemented in all aspect of process to minimalize any negative impact that might happen.
Improvement in human resources quality is also an important step taken to create high quality of work and efficiency which become a basic demand in current and future business environment.

Improvement and expansion on the market target area is also done to ensure enough order and reduce business risk. Company actively widening its market target areas to various destination country with improvement of customer numbers.

Social Responsibility

Company fully understand that nature, environment and the polulation around are part of Company's stakeholder. And therefore, in every chances of its business and production activities, Company always prioritizing awareness and responsible actions toward the well being and the preservation of all that stakeholders.

Consumption of energy and other natural resource done responsibly and optimum, the use of eco friendly materials, waste management base on the standard quality requirement, all of those are part of Company's responsibility that has become an integrat part of company's activities.

Employee and people welfare is also protected by ensuring a good working environment, enough nutrition, and sport facilities.
Together with the local Labour Department, Company provides a structured training and education for the un-employed to give them enough skill to find job.
Also other social activities along with the local community as a reflection of Company's awareness to them, such as donation on natural catastrophe, religious celebrations, held religious mass circumsission, blood donor, maintenance on local town garden, etc.

Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan
Registered Public Accountants
Decree of the Finance Minister of the Republic of Indonesia No. 1198/KM. 1/2009

This report is originally issued in Indonesian Language

PKF
Accountants & business advisers

Report No. 089/PHAA-S/GA/III/2011

Independent Auditor's Report

The Shareholders, Board of Commissioners and Directors

PT ERATEX DJAJA Tbk

We have audited the consolidated balance sheets of PT Eratex Djaja Tbk (the "Company") and its Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, statements of changes in equity (capital deficiency) and statements of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of PT Eratex (Hong Kong) Ltd, a consolidated subsidiary, whose statements reflect total assets and liabilities constituting 5.25% and 0.72%, respectively, of the consolidated total assets and liabilities as of December 31, 2010 and total revenue constituting 2.84% of the consolidated net income for the year then ended. Those financial statements were audited by other independent auditors, whose report dated March 16, 2011 expressed an unqualified opinion, has been furnished to us, and our opinion, in so far as it relates to the amounts included for PT Eratex (Hongkong) Ltd, is based solely on the report of the other independent auditors.

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

In our opinion, based on our audit and the report of other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT Eratex Djaja Tbk and its Subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

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Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan
Registered Public Accountants

PKF
Accountants & business advisers

This report is originally issued in Indonesian Language

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 36 to the consolidated financial statement, the Company's has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about the company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 36. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

PAUL HADIWINATA, HIDAJAT, ARSONO, ADE FATMA & REKAN

Handriono, CPA
Public Accountant License No. 09.1.1032

March 30, 2011

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

Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan is a member of PKF International Limited, an association of legally independent member firms.

CONSOLIDATED FINANCIAL STATEMENT

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

	Notes	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	2e, 4	951,842	1,847,862	106	197
Trade receivables - third parties, net of provision for doubtful accounts of nil in 2010 and 2009	2h, 5	17,418,287	3,275,271	1,937	348
Other receivables - third parties, net of provision for doubtful accounts of Rp 335,400 in 2010 and Rp 320,505 in 2009	6	580,333	746,990	65	80
Inventories, net of provision for declining in value of Rp 4,491,308 in 2010 and Rp 203,356 in 2009	2i, 7	50,464,150	38,638,502	5,613	4,110
Prepaid taxes	2o, 21a	283,917	22,329	32	2
Advance payments	8	666,851	2,304,857	74	245
Prepaid expenses	9	988,788	811,400	109	86
TOTAL CURRENT ASSETS		**71,354,168**	**47,647,211**	**7,936**	**5,069**
NON - CURRENT ASSETS					
Long-term investments, net of provision for declining in value of investment of Rp 277,500 in 2010 and 2009	2f, 10	-	-	-	-
Deferred tax assets	2o, 21d	2,503,218	1,329,115	278	141
Fixed assets, net of accumulated depreciation of Rp 26,370,376 in 2010 and Rp 24,223,103 in 2009	2j, 2k, 2l, 11	31,628,427	34,330,004	3,518	3,652
Intangible assets, net of accumulated amortization of Rp 642,892 in 2010 and Rp 512,271 in 2009	2m, 12	1,290,928	1,346,949	144	143
Taxes receivable	2o, 21e	418,179	4,218,273	47	449
Guarantee deposits		82,653	85,647	9	9
Asset held for sale	2k	489,854	489,854	54	52
TOTAL NON-CURRENT ASSETS		**36,413,259**	**41,799,842**	**4,050**	**4,447**
TOTAL ASSETS FROM DISCONTINUING OPERATION	2q, 3	**7,560,157**	**8,328,899**	**841**	**886**
TOTAL ASSETS		**115,327,584**	**97,775,952**	**12,827**	**10,402**

* The consolidated financial statements presented in US Dollars are solely for the convenience of the reader and translated from financial statements in Rupiah using exchange rates as set out in Note 1c.

See accompanying notes to consolidated financial statements which form an integral part of these consolidated financial statements

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)

As of December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

	Notes	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
LIABILITIES, MINORITY INTEREST AND CAPITAL DEFICIENCY					
CURRENT LIABILITIES					
Short-term bank loans	13	119,629,700	73,724,226	13,305	7,843
Trade payables - third parties	14	28,773,028	19,323,304	3,200	2,056
Other payables - third parties	15	2,058,253	2,743,897	229	292
Advance received	16	-	571,017	-	61
Accrued expenses	17	16,964,102	11,123,188	1,887	1,183
Taxes payable	2o, 21b	2,293,144	2,190,603	255	233
Current maturity portion of consumer finance payable	19	16,063	81,461	2	9
Current maturity portion of long-term loans	20	-	4,881,104	-	519
TOTAL CURRENT LIABILITIES		**169,734,290**	**114,638,800**	**18,878**	**12,196**
LONG-TERM LIABILITIES					
Payables to related parties	2n, 18	27,108,479	18,954,476	3,015	2,016
Consumer finance payable, net of current maturity portion	19	-	16,063	-	2
Long-term loans, net of current maturity portion	20	113,950,909	112,099,770	12,674	11,926
Provision for employee service entitlements	2p, 22	10,755,350	10,194,583	1,196	1,085
TOTAL LONG-TERM LIABILITIES		**151,814,738**	**141,264,892**	**16,885**	**15,028**
TOTAL LIABILITIES		**321,549,028**	**255,903,692**	**35,763**	**27,224**
MINORITY INTEREST IN SUBSIDIARIES' NET ASSETS	2b, 2f, 23	**-**	**9,260**	**-**	**1**
CAPITAL DEFICIENCY					
Share capital: Nominal value of Rp 500 (in full Rupiah) per share. Authorized capital of 392,944,000 shares. Issued and fully paid-up 98,236,000 shares.	24	49,118,000	49,118,000	5,463	5,225
Additional paid-in capital, net	25	1,437,950	1,437,950	160	153
Exchange difference due to financial statement translations	2c	371,470	(38,058)	42	(4)
Deficits		(257,354,293)	(208,862,748)	(28,624)	(22,219)
TOTAL CAPITAL DEFICIENCY		**(206,426,873)**	**(158,344,856)**	**(22,959)**	**(16,845)**
TOTAL LIABILITIES FROM DISCONTINUING OPERATION	2q, 3	**205,429**	**207,856**	**23**	**22**
TOTAL LIABILITIES, MINORITY INTEREST AND CAPITAL DEFICIENCY		**115,327,584**	**97,775,952**	**12,827**	**10,402**

* The consolidated financial statements presented in US Dollars are solely for the convenience of the reader and translated from financial statements in Rupiah using exchange rates as set out in Note 1c.

See accompanying notes to consolidated financial statements which form an integral part of these consolidated financial statements

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

	Notes	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION					
REVENUE	2d, 26	233,110,260	247,105,382	25,927	26,288
COST OF REVENUE	2d, 27, 28	246,353,633	232,880,876	27,400	24,775
GROSS MARGIN		**(13,243,373)**	**14,224,506**	**(1,473)**	**1,513**
OPERATING EXPENSES:					
Selling expenses	2d, 29	10,174,414	11,871,444	1,131	1,263
General and administration expenses	2d, 30	24,101,543	35,208,527	2,681	3,746
Total operating expenses		**34,275,957**	**47,079,971**	**3,812**	**5,009**
OPERATING LOSS		**(47,519,330)**	**(32,855,465)**	**(5,285)**	**(3,495)**
OTHER INCOME (EXPENSES):					
Interest income	2d	7,552	25,850	1	3
Interest expense		(16,110,061)	(19,498,626)	(1,792)	(2,074)
Foreign exchange gain (loss), net	2c	7,136,000	27,587,958	794	2,935
Gain on disposal of fixed assets	11	12,378,426	387,269	1,377	41
Realization (provision) for declining in inventories value	2i, 2q	(4,287,952)	1,077,103	(477)	115
Provision for doubtful accounts	2h	(28,797)	(320,505)	(3)	(34)
Claim		(99,207)	(1,477,322)	(11)	(157)
Loan waiver	20	-	1,880,000	-	200
Others		(836,748)	310,741	(94)	33
Total other income (expenses), net		**(1,840,787)**	**9,972,468**	**(205)**	**1,061**
LOSS BEFORE CORPORATE INCOME TAX		**(49,360,117)**	**(22,882,997)**	**(5,490)**	**(2,434)**
Income tax benefits (expenses):	2o, 21c				
Current		(102,922)	(237,721)	(11)	(25)
Deferred		1,174,103	(1,168,591)	131	(124)
LOSS BEFORE MINORITY INTEREST		(48,288,936)	(24,289,309)	(5,370)	(2,584)
Minority interest in loss of subsidy	2b, 2f, 23	9,260	-	1	-
NET LOSS FROM CONTINUING OPERATION		**(48,279,676)**	**(24,289,309)**	**(5,369)**	**(2,584)**
DISCONTINUING OPERATION					
NET LOSS FROM DISCONTINUING OPERATION	2q, 3	**(211,869)**	**(1,082,393)**	**(24)**	**(115)**
NET LOSS FROM ALL OPERATIONS		**(48,491,545)**	**(25,371,702)**	**(5,393)**	**(2,699)**
Net loss per share from all operations (full Rupiah amount)	2s	(494)	(258)	(0)	(0)
Net loss per share from continuing operation (full Rupiah amount)	2s	(491)	(247)	(0)	(0)

* The consolidated financial statements presented in US Dollars are solely for the convenience of the reader and translated from financial statements in Rupiah using exchange rates as set out in Note 1c.

See accompanying notes to consolidated financial statements which form an integral part of these consolidated financial statements

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)

For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

	Issued and fully paid-up capital	Additional paid-in capital, net	Exchange difference on financial statement translations	Deficits	Total capital deficiency
Balance as of December 31, 2008	49,118,000	1,437,950	(1,712,496)	(183,491,046)	(134,647,592)
Net loss for 2009	-	-	-	(25,371,702)	(25,371,702)
Translation of the financial statements of foreign Subsidiary Companies	-	-	1,674,438	-	1,674,438
Balance as of December 31, 2009	**49,118,000**	**1,437,950**	**(38,058)**	**(208,862,748)**	**(158,344,856)**
Net loss for 2010	-	-	-	(48,491,545)	(48,491,545)
Translation of the financial statements of foreign Subsidiary Companies	-	-	409,528	-	409,528
Balance as of December 31, 2010	**49,118,000**	**1,437,950**	**371,470**	**(257,354,293)**	**(206,426,873)**
Balance as of December 31, 2009 in US$	**5,225**	**153**	**(4)**	**(22,219)**	**(16,845)**
Balance as of December 31, 2010 in US$	**5,463**	**160**	**42**	**(28,624)**	**(22,959)**

* The consolidated financial statements presented in US Dollars are solely for the convenience of the reader and translated from financial statements in Rupiah using exchange rates as set out in Note 1c.

See accompanying notes to consolidated financial statements which form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

	Notes	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUED OPERATION					
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers		216,983,460	251,661,125	24,133	26,772
Cash paid to suppliers		(174,931,989)	(132,545,597)	(19,456)	(14,101)
Cash paid to employees		(86,359,908)	(90,305,787)	(9,605)	(9,607)
Cash paid for operating expenses		(20,475,902)	(25,014,507)	(2,277)	(2,661)
Cash generated from operations (used in)		**(64,784,339)**	**3,795,234**	**(7,205)**	**404**
Income tax payment		2,829,144	1,194,007	314	127
Cash received from (paid to) others		896,210	6,589,219	100	701
Net cash provided by operating activities (used for)		**(61,058,985)**	**11,578,460**	**(6,791)**	**1,232**
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of fixed assets		(817,022)	(991,592)	(91)	(105)
Interest received		7,552	25,850	1	3
Proceeds from sale of fixed assets		12,729,972	5,663,000	1,416	602
Cash received from proceed of fixed assets		(571,017)	-	(64)	-
Decrease of other assets		56,021	102,377	7	11
Net cash provided by investing activities		**11,405,506**	**4,799,635**	**1,269**	**511**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceed from short-term and long-term bank loans		50,839,968	3,204,725	5,655	341
Interest paid		(10,952,695)	(19,498,626)	(1,218)	(2,074)
Proceed from payable to related parties		8,870,186	-	986	-
Net cash used in financing activities (used for)		**48,757,459**	**(16,293,901)**	**5,423**	**(1,733)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS CONTINUING OPERATION		**(896,020)**	**84,194**	**(99)**	**9**
DISCONTINUING OPERATION					
Net cash used in operating activities		(427,083)	(20,947,711)	(48)	(2,228)
Net cash provided by investing activities		104,209	17,165,863	12	1,826
Net cash used in financing activities		-	(126,405)	-	(13)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM DISCONTINUING OPERATION		**(322,874)**	**(3,908,253)**	**(36)**	**(416)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM ALL OPERATION		**(1,218,894)**	**(3,824,059)**	**(135)**	**(407)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**2,170,736**	**5,994,796**	**241**	**638**
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**951,842**	**2,170,736**	**106**	**231**
ACTIVITIES NOT AFFECTING CASH FLOWS:					
Loan waiver		-	1,880,000	-	200

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See accompanying notes to consolidated financial statements which form an integral part of these consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

01 GENERAL

a. Company history

PT ERATEX DJAJA Tbk (the "Company") was established in the framework of Foreign Capital Investment Law No.1, 1967 by Notarial Deed No.7 dated October 12, 1972 based on Deed prepared by Koerniatini Karim, Public Notary in Jakarta. The Company's Articles of Association have been amended several times, made on June 15, 2004 by Notarial Deed No. 79 prepared by Sutjipto, S.H., Public Notary in Jakarta concerning the change of the Company's name from PT Eratex Djaja Ltd Tbk to PT Eratex Djaja Tbk and an increase in the authorized capital to Rp 196,472,000. This amendment was approved by the Minister of Justice and Human Rights of the Republic of Indonesia under decision letter No. C-21010 HT.01.04.TH.2004 dated August 20, 2004; and the latest amendment was made on November 4, 2008, by Notarial Deed No.2 prepared by Wahyu Nuraini, S.H, Public Notary in Jakarta concerning the change of notarial deed of establishment to conform with Corporate Law No.40 Year 2007 on Limited Liabilities Companies. On July 28, 2009, the notarial deed has been approved by the Minister of Regulation and Law with decision letter number AHU-0046846.AH.01.09.

The activities of the Company are integrated textile manufacturing, including spinning, weaving, finishing, garment making and sells its products in both local and export markets.

The Company commenced its commercial operations in 1974.

The Company's factory is located at Jl. Soekarno-Hatta, Probolinggo, East Java. As of December 31, 2010 and 2009, the Company had 2,485 employees and 2,079 employees, respectively. The Company's registered office is in Jakarta with an executive office in Surabaya, and a branch in Hongkong opened in 1990.

On August 21, 1990, the Company registered its shares on the Stock Exchange of Indonesia in accordance with approval of the Minister of Finance of the Republic of Indonesia no. SI-125/SHM/MK.10/1990 dated July 14, 1990. Since 2000, all shares have been registered on the Indonesia Stock Exchange.

The compositions of the Board of Commissioners, Board of Directors and Independent Audit Committee of the Company as of December 31, 2010 and 2009 were as follows:

December 31, 2010		**December 31, 2009**	
Board of Commissioners		Board of Commissioners	
President Commissioner	: Adrian Hau Chak Fu	President Commissioner	: Adrian Hau Chak Fu
Independent Commissioner	: Ferenz Cendrawasih	Independent Commissioner	: Ferenz Cendrawasih
Commissioner	: Julian Wong Wai Chua	Commissioner	: Julian Wong Wai Chua
Board of Directors		Board of Directors	
President Director (Acting)	: Surojit Ghosh	President Director (Acting)	: Surojit Ghosh
Director	: Frankie Ma Ngon	Executive Director	: Frankie Ma Ngon
Director	: Chow Chi Keung	Director	: Chow Chi Keung
Director Non-Affiliated	: Sujoko Efferin	Director Non-Affiliated	: Sujoko Efferin
Independent Audit Committees		Independent Audit Committees	
Ferenz Cendrawasih		Ferenz Cendrawasih	
Hempy Ali		Hempy Ali	
Lea Buntaran		Lea Buntaran	

The total remuneration of the Board of Commissioners of the Company for the years 2010 and 2009 were amounted to Rp 132,565 and Rp 109,472, respectively, while total remuneration of the Board of Directors of the Company for the years 2010 and 2009 were amounted to Rp 1,792,421 and Rp 2,445,791, respectively.

01 GENERAL (continued)

b. Subsidiary Companies

The consolidated Subsidiaries and the percentage of equity held as of balance sheet dates are as follows:

Subsidiaries	Domicile	Nature of business	Percentage of ownership	Year commencing of operation
PT Asiatex Garmindo	Jakarta	Integrated garment manufacturing	93.55%	1999
ASA Partners Holdings Ltd	British Virgin Islands	Sub-holding company	100%	2000
PT Eratex (Hongkong) Ltd	Hongkong	General trading	100%	2005
PT Eratex Garment	Jakarta	Integrated garment manufacturing	99%	Pre-operating

Total assets of subsidiaries as at December 31, 2010 and 2009 are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
PT Asiatex Garmindo	521,327	521,040	58	55
ASA Partners Holdings Ltd	1,880	1,880	0	0
PT Eratex (Hongkong) Ltd	6,049,655	5,300,638	673	564
PT Eratex Garment	675,437	715,335	75	76

PT Asiatex Garmindo, ASA Partners Holdings Ltd and PT Eratex Garment currently do not have any activities.

c. Convenience Translation of Financial Statements in Rupiah to United States Dollars Currency

The English version of the consolidated financial statements of the Company and its Subsidiaries, solely for the convenience of readers, have been translated into United States Dollars at the rate of Rp 8,991 and Rp 9,400, respectively, to US$ 1.00, being the middle rate of Bank Indonesia on December 31, 2010 and 2009, respectively. The translation should not be construed as a representation that any or all of the amounts shown could be converted into United States Dollars at this or any other exchange rates.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting and reporting policies adopted by the Company and its Subsidiaries are conform to Generally Accepted Accounting Principles and Practices in Indonesia ("Indonesian GAAP"). The significant accounting principles applied consistently in the preparation of the consolidated financial statements for the years ended December 31, 2010 and 2009 are as follows:

a. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles and Practices in Indonesia, i.e., the Financial Accounting Standards, BAPEPAM regulations, and Guidelines on Financial Statements Presentation set out by BAPEPAM.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The consolidated financial statements, presented in thousands of Rupiah (and the translation in thousands of United States dollars), unless otherwise stated, have been prepared on the accrual basis using the historical costs, except for certain accounts which are measured on the basis described in accounting policies of the related accounts.

The consolidated statements of cash flows have been prepared using the direct method in accordance with the decision letter No. Kep-06/PM/2000 dated March 13, 2000 of the Capital Market Supervisory Board.

b. Principles of Consolidation

The consolidated financial statements, include the Company's financial statements and the financial statements of all Subsidiaries, are controlled by the Company. Control is presumed to exist when more than 50% of a Subsidiary's voting power is directly or indirectly controlled by the Company; or the Company is able to govern the financial and operating policies of a Subsidiary; or control the removal or appointment of a majority of a Subsidiary's board of directors.

In the term of either began or ceased in one certain year during the year, the results included in the consolidated financial statements are limited only by the result when the control commenced or up to the date control ceased.

Inter-company balances and transactions, including unrealized income/loss, have been eliminated to present the financial position and results of operations of the Company and its Subsidiaries as a single company entity.

Minority interest in net income (loss) an equity of the Subsidiaries is presented on a proportional basis with the right of minority shareholders over net income/loss and equity of the Subsidiaries.

c. Foreign Currency Translation

Transactions and balances

The Company maintains its accounting records in Rupiah. Transactions in foreign currencies are recorded at the prevailing rates of exchange in effect on the date of the transactions.

At the balance sheet dates, all foreign currency monetary assets and liabilities are translated in the Rupiah currency using prevailing middle rate of Bank Indonesia on that date. The net foreign exchange gains or losses arise as the result of assets and liabilities translation in foreign currency recognized.

Exchange rates used as of December 31, 2010 and 2009 are as follows:

	2010	2009
United States Dollar 1/Rupiah (full amount)	8,991	9,400
EURO 1/Rupiah (full amount)	11,956	13,510
Hongkong Dollar 1/Rupiah (full amount)	1,155	1,212
Singapore Dollar 1/Rupiah (full amount)	6,981	6,699

Translation of the financial statements of foreign Subsidiary Companies

The financial statements of foreign Subsidiary companies are translated into Rupiah as follows:

- Assets and liabilities are translated at prevailing rates of exchange at balance sheet dates.
- Items in the statements of income are translated with monthly weighted average of middle rates of exchange during the year.
- Equity is translated using the historical rates of exchange.
- Resulting exchange differences are recorded directly against shareholders' interest, as "Exchange difference due to financial statements translations".

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Revenue and Expenses Recognition

Revenue is recognized to the extent when it is probable that the economic benefits will flow to the Company and its Subsidiaries and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of goods*
  Revenue is recognized when the significant risk and rewards of ownership of the goods have been passed to the buyer.
- *Rendering of services*
  Revenue is recognized by reference to the stage of completion of the transaction at balance sheet dates and there is no significant uncertainties remain considering any associated cost.
- *Interest*
  Income is recognized as the interest accrues (taking into account the effective yield on the related asset), unless collectability is in doubt.
- *Expenses* are recognized when incurred (accrual basis).

e. Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits held to maturity are carried at cost.

Cash and cash equivalents are defined as cash on hand and in banks, demand deposits and short-term and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand and in banks, and short-term deposits with maturities of less than three months.

f. Investments

Short-term deposits with maturities of less than three months but held for collateral or have a restriction and short-term deposits with maturities of more than three months are presented as short-term investments and carried at nominal value.

Investments in securities are classified as follows:

(i) Held for trading
Investments, which are classified as "held for trading" are measured at fair value, with unrealized gain or losses as a result of an increase or decrease of the fair value are reported in the current period profit and loss statement. The difference between sales proceed and the carrying amount are recognized as realized gains or losses.

(ii) Available for sale
Investments which are classified as "available for sale" are measured at fair value. The unrealized gains or losses as a result of an increase or decrease of the fair value are reported as a separate component of equity. The differences between sales proceed and the carrying amount are recognized as gains or losses when the investment is sold, collected or otherwise disposed of. Unrealized gains and losses from this investment at which time the cumulative gain or loss previously reported in equity are recognized as income or expenses when realized.

(iii) Held to maturity
Investments which are intended to be held to maturity, such as bonds, are measured at the acquisition cost after un-amortized premium purchase or discount. Discount and premium is amortized using the straight-line method. When there is a permanent decline of fair value below the carrying value, the impairment in value is reported in the current period profit and loss statement.

Investment in shares in other companies with the percentage of ownership as follows:

- Less than 20% is stated at the lower of cost or net realizable value.
- From 20% to 50% is stated at cost and will be increased or decreased by the portion of income (loss) resulting from associated companies and the dividend received is deducted from the investment amount (equity method).
- More than 50% is consolidated.

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Financial Instrument

Effective on January 1, 2010, the Company and its Subsidiaries have adopted PSAK 50 (revised 2006), "Financial Instruments: Presentation and Disclosure", and PSAK 55 (Revised 2006), "Financial Instruments: Recognition and Measurement", which replaces PSAK 50, "Accounting for Certain Investments in Securities" and PSAK 55 (revised 1999), "Accounting for Derivative Instruments and Hedging Activities."

PSAK 50 (Revised 2006), contains requirements for the presentation of financial instruments and identifies the information that should be disclosed. Disclosure requirements apply to the classification of financial instruments, from the perspective of the issuer, in financial assets, financial liabilities and equity instruments; classification related to interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires disclosure of, among other things, information regarding factors that affect the amount, timing and certainty of future cash flows of an entity associated with financial instruments and the accounting policies applied to those instruments.

PSAK 55 (revised 2006) set the basic principles for recognizing and measuring financial assets, financial liabilities and some non-financial items buying or selling contracts. This PSAK, among others, provides definitions and characteristics of derivatives, the categories of financial instruments, recognition and measurement, hedge accounting and the establishment of a hedging relationship.

Financial Assets

- **Initial recognition**
  Financial assets within the scope of PSAK 55 (Revised 2006) are classified as financial assets measured at fair value through profit and loss, loans and receivables, held to maturity investments or financial assets available for sale, whichever is appropriate. The Company and its Subsidiaries determine the classification of financial assets at initial recognition and, where allowed and appropriate, re-evaluate the classification of those assets at the end of each financial period.
  Financial assets of the Company and its Subsidiaries include cash and cash equivalents, account receivable and other receivables, financial instruments that do not have the quotation, and current financial assets and other non-current.
- **Measurement after initial recognition**
  The Company and its Subsidiaries classifies its financial assets in the category loans and receivables. The classification depends on the purpose for which the financial assets were acquired and determined at initial recognitions.

  Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determined term of payments that are not quoted in an active market. Loan and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Financial Liabilities

- **Initial recognition**
  Financial liabilities within the scope of PSAK 55 (revised 2006) could be classified as financial liabilities measured at fair value through profit and loss, loans and debt, or derivatives that are designated as hedging instruments in an effective hedge, whichever is appropriate. The Company and its Subsidiaries determine the classification of their financial liabilities at the time of initial recognition.
  Financial liabilities at initial recognition are recognized at fair value. In the case of financial liabilities not measured at fair value through income statement, the fair value plus transaction costs that are directly attributable to the acquisition or issuance of these financial liabilities.
  Financial liabilities of the Company and its Subsidiaries include trade account payables and other payables, accrued expenses, long-term debt, payable to related parties, and other current and non-current financial liabilities.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Financial Instrument (continued)

Financial Liabilities (continued)

- **Measurement after initial recognition**

  The Company and its Subsidiaries classify its financial liabilities as debt and payable.

  Debt and payable

  After initial recognition, debt and interest bearing payable are subsequently measured at amortized cost using the effective interest rate method.

  Gains and losses are recognized in the consolidated income statements when the liability is derecognized through the amortization process.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, currently owns the rights to perform legal power to offset the amount that has been recognized and there is an intention to settle on a net basis, or to realize its assets and settle their liabilities simultaneously.

Amortized cost of the financial instruments

Cost amortized calculated using the effective interest method less any allowance for impairment in value and payment of principal or value that can not be billed. The calculation is considered a premium or discount on acquisition and includes transaction fees and expenses which are an integral part of the effective interest rate.

Impairment of financial assets

At the end of each reporting period the Company and its Subsidiaries evaluate whether there is objective evidence that financial assets or group of financial assets are impaired.

- **Financial assets that recorded at amortized cost**

  For loans and receivables that recorded at amortized cost, the Company and its Subsidiaries first determine whether there is objective evidence of individual impairment of individually significant financial assets, or collectively for financial assets with insignificant balance individually. If the Company and its Subsidiaries determine that there is no objective evidence on impairment of financial assets, which are assessed individually, regardless whether financial assets is significant or not, then they classify the assets into a group of financial assets that has similar credit risk characteristics and assess the impairment in that group collectively. Asset, which is impaired individually, an the impairment loss is recognized or still recognized, is not included in the impairment assessment collectively.

  If there is objective evidence that an impairment has occurred, the losses are measured as the difference between the carrying value of assets with a present value of estimated future cash flows (excluding future expected credit losses that have not happened). The present value of estimated future cash flows is discounted using the initial effective interest rate of the financial assets (if the loans and receivables which have variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate).

  The carrying value of the asset is reduced through use of the allowance account and the loss recognized in the consolidated income statements. Interest income is recognized based on the carrying value of which has been reduced, based on the effective interest rate of the asset. Loans and receivables, together with related provisions, will be written off when there is no realistic possibility of recovery in the future and all collateral has been realized or have been transferred to the Company and its Subsidiaries. If, on the future period, the impairment loss is increased or decreased because of an event occurring after the impairment is recognized, the impairment losses previously recognized increased or decreased by adjusting the allowance account. If the impairment is then restored, then the recovery is recognized in the income statement.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Financial Instrument (continued)

Derecognition of financial assets and liabilities

- **Financial assets**

  Financial assets (or whichever is appropriate, part of a financial asset or part of a group of similar financial assets) are derecognized when: (1) the right to receive cash flows from such asset has expired, or (2) the Company and its Subsidiaries have transferred their rights to receive cash flows from an asset or have an obligation to pay cash flows to be received in full amount without material delay to a third party in the "pass-through" agreement; and either (a) the Company and its Subsidiaries has transferred substantially all the risks and benefits of the asset, or (b) the Company and its Subsidiaries substantially do no transfer or do not have all the risks and benefits of an asset, but has transferred control of the asset.

- **Financial liabilities**

  Financial liabilities are derecognized when the liabilities is terminated or canceled or expired.

  When an existing financial liabilities are replaced by other financial liabilities from the same lender with substantially different terms, or substantial terms modification of an liabilities which currently exist, the exchange or modification is treated as a derecognition of the original liability and recognition of new liabilities, and the difference between the carrying amount of each liability is recognized in the income statement.

h. Trade Receivables

Trade receivables are recognized and carried at original invoice amount less allowance for doubtful accounts. A provision for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

i. Inventories

Inventories are stated at cost or net realizable value, whichever is lower.

Cost is based on the average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Finished goods and goods in process are including fixed and variable factory overhead in addition to direct materials and labor.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Inventory provision are determined by the calculation of inventory value by the end of the accounting period.

j. Lease

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

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

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Fixed Assets

As of January 1, 2009, the Company has been implemented PSAK No. 16 "Fixed Assets" (Revised 2007) as determined by the Indonesian Institute of Accountants. The Company has decided to use cost method concerned to the fixed assets accounting policy.

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

Buildings and structures	25 years
Machinery and equipment	15 years
Vehicles	10 years
Furniture and fixtures	10 years

The cost of repair and maintenance is charged to income as incurred; significant renewals or betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in earnings.

Fixed assets which are not in used, will be classified as asset held for sale.

Construction in progress represents the accumulated costs of materials and other costs related to the construction of fixed asset. The accumulated costs will be reclassified to the appropriate fixed asset account when the construction is completed and the asset is ready for its intended use.

l. Impairment of Assets

At each balance sheet date, the Company and subsidiaries review whether there is any indication of asset impairment or not.

Fixed assets and other assets, including intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

m. Intangible Assets

The expense incurred in relation to the extension of land-rights are capitalized and amortized over the lifetime of the land-rights which is 20 years.

The expense incurred in relation to the acquisition of software are capitalized and amortized over 10 years.

As of each balance sheet date, the Company and its Subsidiaries assess whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

n. Related Parties

In the ordinary course of business, the Company has transactions with entities which are regarded as having special relationship as defined under PSAK No. 7, "Related Party Disclosures".

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

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Taxation

Under PSAK No.46, current tax expenses will be determined based on profit subject to tax for the current period and calculated using the currently applying tax rates.

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

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

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

Indonesian tax regulations do not apply a concept of consolidated tax returns. Therefore, the tax balances in the consolidated financial statements represent the combination of the Company's and its Subsidiaries tax position.

p. Provision for employee service entitlements

The Company recognizes an unfunded employee benefit liability in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("the Law"). Before January 1, 2005, the Company recognized employee benefits obligations based on the actuary assessment under PSAK No.24 "Cost Benefit Pension Accounting" published in 1994.

Under PSAK No. 24 (Revised 2004), "Employee Benefit", the cost of providing employee benefit under the Law is determined using the projected unit credit actuarial valuation method based on projected unit credit. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the defined benefit obligation and 10% of the fair value of plan assets. These gains or losses are recognized on a straight-line method of the expected average remaining working lives of the employees. Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

q. Discontinuing operation

The discontinuing of operation for an unknown period of time and unknown management plan for the future to continue its operation in textile industry since its inability to compete in international or local market, the increase of transportation costs, increase of world oil prices and raw material (cotton), where the Company's division activities can be separated operationally and the purpose of financial statement reporting in the Company and its Subsidiaries as a whole, have to be calculated in accordance with PSAK No.58 (Revised 2003) on "Discontinued Operation". PSAK No.58 (Revised 2003) obligate the financial statements prepared in the period where required the financial statements prepared in the period in which there are plans to discontinue actions (preliminary disclosure) must be included in the information related to discontinued operation.

In order to disclose asset valuation, liabilities, income, expenses, gains, losses and cash flows of discontinued operation in accordance with PSAK revealed that those elements of financial statement can be directly attributed to the discontinued operation, if those elements will be sold, left out, expended or eliminated by the time the discontinuing process of operation has finished. In reverse, foresaid elements considered being used continually after the discontinuing process cannot be included in the discontinued operation classification. Comparative information on the prior year should be presented to distinguish between continued and discontinued operation.

r. Use of estimates

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumption that effect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts that differ from those estimates.

02 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Basic Earnings Per Share

In accordance with PSAK No. 56, "Earning Per Share", net income (loss) from normal operations per share and net income (loss) per share are computed by dividing the respective income (loss) with the weighted average number of shares outstanding during the year. Earnings per share calculations are based on 98,236,000 shares for the years ended December 31, 2010 and 2009.

t. Segment Information

In accordance with PSAK No. 5 (Revised 2000),"Segment Reporting", business segments provide information of products or services that are subjected to risks and returns that are different from those of other business segments. Geographical segments provide information of products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

Revenue, expense, assets and liabilities segments are determined before intra-group balances and transactions within the group are eliminated as part of the consolidation process.

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

03 DISCONTINUING OPERATION

Based on "Circular Resolutions in Lieu of Board of Commissioners Meeting" of PT Eratex Djaja Tbk on July 14, 2008, the Company's President Director gained authority to discontinue the operation of textile division and announce that discontinuing. The textile division operation has been stopped for unlimited period of time, in terms of decreasing economic stability, prospect of the current business and the loss occurred in effect of the whole company's performance.

The operation of textile division was officially discontinued in August 2008.

The main classifications of assets and liabilities of the discontinued operations are listed below:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
ASSETS				
Cash and cash equivalents (Note 4)	-	322,874	-	34
Trade receivables - third parties, net (Note 5)	-	8,155	-	1
Other receivables - third parties, net (Note 6)	25,440	106,331	3	11
Inventories, net (Note 7)	157,632	203,871	18	22
Prepaid expenses (Note 9)	-	43,940	-	5
Deferred tax assets (Note 21d)	104,011	322,822	12	34
Fixed assets, net (Note 11)	7,022,795	7,024,395	781	747
Intangible assets, net (Note 12)	279	46,511	0	5
Guarantee deposits	250,000	250,000	27	27
Total	**7,560,157**	**8,328,899**	**841**	**886**
LIABILITIES				
Trade payables - third parties (Note 14)	191,793	194,220	21	21
Other payables - third parties (Note 15)	13,636	13,636	2	1
Total	**205,429**	**207,856**	**23**	**22**
REVENUE				
Revenue (Note 26)	-	1,094,315	-	116
Cost of revenue (Note 27)	-	(634,666)	-	(68)
Operating expenses (Notes 29, 30)	(26,401)	(588,912)	(3)	(63)
Operating loss	**(26,401)**	**(129,263)**	**(3)**	**(14)**
OTHER INCOME (EXPENSES)				
Interest income	477	5,340	0	1
Interest expense	-	(126,405)	-	(13)
Foreign exchange gain (loss), net	5,121	2,453,459	1	261
Loss on disposal of fixed assets	55,900	(3,128,159)	6	(333)
Provision for declining in inventories value	-	2,877,841	-	306
Provision for uncollectible receivables	(8,155)	-	(1)	-
Others, net	(20,000)	(2,533,226)	(2)	(269)
Total other expenses, net	**33,343**	**(451,150)**	**4**	**(48)**
Gain (loss) before corporate income tax	**6,942**	**(580,414)**	**1**	**(62)**
Income tax expense	**(218,811)**	**(501,980)**	**(24)**	**(53)**
NET LOSS	**(211,869)**	**(1,082,393)**	**(24)**	**(115)**

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

04 CASH AND CASH EQUIVALENTS

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Cash on hand	**149,662**	**181,040**	**17**	**19**
Cash in banks:				
Rupiah:				
The Hongkong and Shanghai Banking Corporation Ltd	149,277	17,374	17	2
PT Bank Mandiri (Persero) Tbk	47,601	4,658	5	0
PT Bank Central Asia Tbk	10,960	1,213,157	1	129
Others	-	50	-	0
US Dollar:				
PT Bank Mandiri (Persero) Tbk	464,760	-	52	-
The Hongkong and Shanghai Banking Corporation Ltd	12,396	431,583	1	46
PT Bank DBS Indonesia	11,947	-	1	-
Euro:				
The Hongkong and Shanghai Banking Corporation Ltd	105,239	-	12	-
Total cash equivalents	**802,180**	**1,666,822**	**89**	**177**
TOTAL CASH AND CASH EQUIVALENTS	**951,842**	**1,847,862**	**106**	**197**
DISCONTINUING OPERATION				
Cash on hand	**-**	**20,000**	**-**	**2**
Cash in banks:				
Rupiah:				
PT Bank Central Asia Tbk	-	6,218	-	1
PT Bank Mandiri (Persero) Tbk	-	6,922	-	1
The Hongkong and Shanghai Banking Corporation Ltd	-	31	-	0
US Dollar:				
PT Bank DBS Indonesia	-	12,540	-	1
PT Bank Mandiri (Persero) Tbk	-	256,538	-	27
Euro:				
The Hongkong and Shanghai Banking Corporation Ltd	-	20,625	-	2
Total cash in banks	**-**	**302,874**	**-**	**32**
TOTAL CASH AND CASH EQUIVALENTS (Note 3)	**-**	**322,874**	**-**	**34**

In 2010 there were no call deposits. Interest rates for call deposits in US$ is in the range of 0.004% per annum in 2009.

There is no balance of cash and cash equivalents to related parties.

05 TRADE RECEIVABLES - THIRD PARTIES

This account consists of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Export sales	17,140,303	2,241,742	1,906	238
Local sales	277,984	1,033,528	31	110
Total trade receivables - third parties	**17,418,287**	**3,275,271**	**1,937**	**348**
Less: Allowance for doubtful accounts	**-**	**-**	**-**	**-**
Total trade receivables - third parties, net	**17,418,287**	**3,275,271**	**1,937**	**348**
DISCONTINUING OPERATION				
Local sales	615,107	615,107	68	65
Total trade receivables - third parties	**615,107**	**615,107**	**68**	**65**
Less: Allowance for doubtful accounts	**(615,107)**	**(606,952)**	**(68)**	**(65)**
Total trade receivables - third parties, net (Note 3)	**-**	**8,155**	**-**	**1**

Details of trade receivables from third parties are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Export customers	17,140,303	2,241,743	1,906	238
PT Dwi Putra Sakt	224,605	883,404	25	94
Other customers (below Rp 500,000 each)	53,379	150,124	6	16
Total	**17,418,287**	**3,275,271**	**1,937**	**348**
DISCONTINUING OPERATION				
Mr. Deddy	606,952	606,952	67	65
Other customers (below Rp 500,000 each)	8,155	8,155	1	1
Total (Note 3)	**615,107**	**615,107**	**68**	**65**

Aging analysis of trade receivables from third parties since issuance of invoices are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Less than 1 month	12,135,134	3,275,271	1,350	348
1 - less than 3 months	4,743,309	-	528	-
3 - less than 6 months	539,844	-	60	-
More than 12 months	-	-	-	-
Total	**17,418,287**	**3,275,271**	**1,937**	**348**

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

05 TRADE RECEIVABLES - THIRD PARTIES (continued)

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
DISCONTINUING OPERATION				
1 - less than 3 months	-	-	-	-
3 - less than 6 months	-	8,155	-	1
More than 12 months	615,107	606,952	68	65
Total (Note 3)	**615,107**	**615,107**	**68**	**65**

Details of trade receivables from third parties based on currency are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Rupiah	277,984	1,033,528	31	110
Foreign currencies	17,140,303	2,241,743	1,906	238
Total	**17,418,287**	**3,275,271**	**1,937**	**348**
DISCONTINUING OPERATION				
Rupiah	615,107	615,107	68	65
Total (Note 3)	**615,107**	**615,107**	**68**	**65**

Movement in allowances for doubtful accounts is as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Balance at beginning of the year	-	217,266	-	23
Add: Provision during the year	-	-	-	-
Less: Receivables payment	-	(217,266)	-	-
Balance at end of the year	**-**	**-**	**-**	**23**
DISCONTINUING OPERATION				
Balance at beginning of the year	606,952	606,952	67	65
Add: Provision during the year	8,155	-	1	-
Less: Receivables payment	-	-	-	-
Balance at end of the year (Note 3)	**615,107**	**606,952**	**68**	**65**

These receivables are pledged as collateral for the bank loan facility (Note 20).

Management believes that the provision for doubtful accounts on trade receivables is adequate to cover possible losses on uncollectible accounts.

06 OTHER RECEIVABLES - THIRD PARTIES

This account consists of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Temporary advances	473,293	459,386	52	49
Others	442,440	608,110	49	65
Total other receivables - third parties	**915,733**	**1,067,495**	**101**	**114**
Less allowance for doubtful accounts				
Balance at beginning of the year	320,505	338,524	35	36
Add: Provision during the year	28,797	320,505	2	34
Less: Receivables payment	-	(338,524)	-	(36)
Less: Foreign exchange revaluation	(13,902)	-	(1)	-
Balance at end of year	**335,400**	**320,505**	**36**	**34**
Total other receivables - third parties, net	**580,333**	**746,990**	**65**	**80**
DISCONTINUING OPERATION				
Others	25,440	106,331	3	11
Total other receivables - third parties (Note 3)	**25,440**	**106,331**	**3**	**11**

Management believes that the provision for doubtful accounts on other receivables is adequate to cover possible losses on uncollectible accounts.

07 INVENTORIES

This account consist of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Finished goods	10,756,124	17,335,436	1,196	1,844
Goods in process	5,401,156	4,561,261	601	485
Raw materials	19,869,451	11,523,723	2,210	1,226
Sundry stores	8,099,231	5,421,438	901	576
Inventory in transit	10,829,496	-	1,205	-
Total inventories	**54,955,458**	**38,841,858**	**6,113**	**4,132**
Less: Provision for declining in value	**(4,491,308)**	**(203,356)**	**(500)**	**(22)**
Total inventories, net	**50,464,150**	**38,638,502**	**5,613**	**4,110**
DISCONTINUING OPERATION				
Sundry stores	297,232	343,471	33	37
Total inventories	**297,232**	**343,471**	**33**	**37**
Less: Provision for declining in value	**(139,600)**	**(139,600)**	**(16)**	**(15)**
Total inventories, net (Note 3)	**157,632**	**203,871**	**18**	**22**

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

07 INVENTORIES (continued)

Movements in provision for declining in value of inventories are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Balance at beginning of the year	203,356	2,324,324	23	247
Add: Provision during the year	4,287,952	203,356	477	22
Less: Utilization of provision during the year	-	(2,324,324)	-	(247)
Balance at end of the year	**4,491,308**	**203,356**	**500**	**22**
DISCONTINUING OPERATION				
Balance at beginning of the year	139,600	3,017,441	16	321
Add: Provision during the year	-	-	-	-
Less: Utilization of provision during the year	-	(2,877,841)	-	(306)
Balance at end of the year (Note 3)	**139,600**	**139,600**	**16**	**15**

Details of provision for the declining in value of inventories as of balance sheet dates are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Raw materials	2,556,866	-	285	-
Finished goods	1,934,442	203,356	215	22
Total provision for declining in value	**4,491,308**	**203,356**	**500**	**22**
DISCONTINUING OPERATION				
Sundry stores	139,600	139,600	16	15
Total provision for declining in value (Note 3)	**139,600**	**139,600**	**16**	**15**

Inventories as of December 31, 2010 have been insured for fire and other risks for a total coverage of Rp 35 Billion (full Rupiah amount) for 2010 and Rp 103 Billion (full Rupiah amount) for 2009.

Management believes that this insurance is adequate to cover the possibility of losses.

These inventories are pledged as collateral for the bank loan facility (Note 20).

Management believes that the provision for declining in value is adequate to cover the possible losses due to decrease in value of inventory.

08 ADVANCE PAYMENTS

This account consists of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Raw materials	114,642	1,533,208	13	163
Others	552,209	771,649	61	82
Total advance payments	**666,851**	**2,304,857**	**74**	**245**

Others consist of advance payments for the purchase of accessories and spare parts.

09 PREPAID EXPENSES

This account consist of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Insurance	48,565	46,762	5	5
Others	940,223	764,638	104	81
Total prepaid expenses	**988,788**	**811,400**	**109**	**86**
DISCONTINUING OPERATION				
Others	-	43,940	-	5
Total prepaid expenses (Note 3)	**-**	**43,940**	**-**	**5**

10 LONG-TERM INVESTMENTS

The balances of long-term investments as of December 31, 2010 and 2009 are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Investment in associates (at cost):				
PT Pasifik Marketama (less than 20%)	277,500	277,500	31	30
Less: Provision for declining in value of investment	(277,500)	(277,500)	(31)	(30)
Total long-term investments	**-**	**-**	**-**	**-**

The Company has also invested shares in PT Pasifik Marketama, which is engaged in the marketing of garment products.

(Expressed in thousands of Rupiah and in thousands of United States Dollars*, unless otherwise stated)

11 FIXED ASSETS

CONTINUING OPERATION

	Balance Jan 1, 2010	Additions	Disposals	Reclassification/ correction	Balance Dec 31, 2010
2010 MOVEMENTS					
ACQUISITION COST:					
Direct ownership:					
Land leasehold	289,068	-	280,211	-	8,857
Buildings and structures	9,373,468	29,050	894,354	-	8,508,164
Machineries and equipment	38,157,144	595,685	-	-	38,752,829
Vehicles	2,829,069	-	3,340	-	2,825,729
Furniture and fixtures	7,904,358	110,826	111,960	-	7,903,224
Sub-total	**58,553,107**	**735,561**	**1,289,865**	**-**	**57,998,803**
Construction in progress	**-**	**-**	**-**	**-**	**-**
Total acquisition cost	**58,553,107**	**735,561**	**1,289,865**	**-**	**57,998,803**
ACCUMULATED DEPRECIATION:					
Direct ownership:					
Land leasehold	111,642	-	107,808	-	3,834
Buildings and structures	3,722,995	354,361	718,374	-	3,358,982
Machineries and equipment	13,038,692	1,989,976	-	-	15,028,668
Vehicles	1,798,465	182,962	3,340	-	1,978,087
Furniture and fixtures	5,551,309	558,292	108,796	-	6,000,805
Total accumulated depreciation	**24,223,103**	**3,085,591**	**938,318**	**-**	**26,370,376**
NET BOOK VALUE	**34,330,004**				**31,628,427**
EQUIVALENT (US$)	**3,652**				**3,518**

DISCONTINUING OPERATION

	Balance Jan 1, 2010	Additions	Disposals	Reclassification/ correction	Balance Dec 31, 2010
2010 MOVEMENTS					
AT COST OR REVALUATION:					
Land leasehold	47,663	-	-	-	47,663
Buildings and structures	10,557,306	-	-	-	10,557,306
Machineries and equipment	7,625,470	-	-	-	7,625,470
Vehicles	1,409,823	-	116,837	-	1,292,986
Furniture and fixtures	1,144,663	-	-	-	1,144,663
Sub-total	**20,784,925**	**-**	**116,837**	**-**	**20,668,088**
Construction in progress	**-**	**-**	**-**	**-**	**-**
TOTAL ACQUISITION COST	**20,784,925**	**-**	**116,837**	**-**	**20,668,088**
ACCUMULATED DEPRECIATION:					
Land leasehold	20,633	-	-	-	20,633
Buildings and structures	5,182,642	-	-	-	5,182,642
Machineries and equipment	6,185,970	-	-	-	6,185,970
Vehicles	1,270,577	-	115,237	-	1,155,340
Furniture and fixtures	1,100,708	-	-	-	1,100,708
Total accumulated depreciation	**13,760,530**	**-**	**115,237**	**-**	**13,645,293**
NET BOOK VALUE (Note 3)	**7,024,395**				**7,022,795**
EQUIVALENT (US$)	**747**				**781**

11 FIXED ASSETS (continued)

CONTINUING OPERATION

	Balance Jan 1, 2009	Additions	Disposals	Reclassification/ correction	Balance Dec 31, 2009
2009 MOVEMENTS					
ACQUISITION COST:					
Direct ownership:					
Land leasehold	1,837,987	-	1,548,919	-	289,068
Buildings and structures	15,340,743	-	5,967,275	-	9,373,468
Machineries and equipment	37,124,965	466,729	4,404,393	4,969,843	38,157,145
Vehicles	2,947,289	463,940	312,050	(270,110)	2,829,069
Furniture and fixtures	9,154,210	427,322	-	(1,677,174)	7,904,358
Finance lease asset:					
Machineries	4,969,843	-	-	(4,969,843)	-
Sub-total	**71,375,037**	**1,357,991**	**12,232,637**	**(1,947,284)**	**58,553,107**
Construction in progress	**268,876**	**-**	**-**	**(268,876)**	**-**
Total acquisition cost	**71,643,913**	**1,357,991**	**12,232,637**	**(2,216,160)**	**58,553,107**
ACCUMULATED DEPRECIATION:					
Direct ownership:					
Land leasehold	111,642	-	-	-	111,642
Buildings and structures	5,588,519	374,939	2,240,463	-	3,722,995
Machineries and equipment	15,170,211	1,223,519	4,404,393	1,049,355	13,038,693
Vehicles	2,159,095	194,927	312,050	(243,507)	1,798,465
Furniture and fixtures	6,188,936	576,296	-	(1,213,923)	5,551,309
Finance lease asset:					
Machineries	717,866	331,489	-	(1,049,355)	-
Total accumulated depreciation	**29,936,269**	**2,701,170**	**6,956,906**	**(1,457,430)**	**24,223,103**
NET BOOK VALUE	**41,707,644**				**34,330,004**
EQUIVALENT (US$)	**3,809**				**3,652**

DISCONTINUING OPERATION

	Balance Jan 1, 2009	Additions	Disposals	Reclassification/ correction	Balance Dec 31, 2009
2009 MOVEMENTS					
ACQUISITION COST:					
Land leasehold	47,663	-	-	-	47,663
Buildings and structures	10,557,306	-	-	-	10,557,306
Machineries and equipment	60,678,261	-	54,054,520	1,001,729	7,625,470
Vehicles	1,670,238	-	260,415	-	1,409,823
Furniture and fixtures	1,144,663	-	-	-	1,144,663
Sub-total	**74,098,131**	**-**	**54,314,935**	**1,001,729**	**20,784,925**
Construction in progress	**-**	**-**	**-**	**-**	**-**
TOTAL ACQUISITION COST	**74,098,131**	**-**	**54,314,935**	**1,001,729**	**20,784,925**
ACCUMULATED DEPRECIATION:					
Land leasehold	20,633	-	-	-	20,633
Buildings and structures	5,182,642	-	-	-	5,182,642
Machineries and equipment	39,956,087	-	33,769,923	(194)	6,185,970
Vehicles	1,530,295	-	259,718	-	1,270,577
Furniture and fixtures	1,100,708	-	-	-	1,100,708
Total accumulated depreciation	**47,790,365**	**-**	**34,029,641**	**(194)**	**13,760,530**
NET BOOK VALUE (Note 3)	**26,307,766**				**7,024,395**
EQUIVALENT (US$)	**2,403**				**747**

11 FIXED ASSETS (continued)

Disposal represent sales of fixed assets, which can be summarized as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Net book value of disposals	351,547	5,275,731	39	561
Sales price	12,729,973	5,663,000	1,416	602
Gain on disposals of fixed assets	**12,378,426**	**387,269**	**1,377**	**41**
DISCONTINUING OPERATION				
Net book value of disposals	1,600	20,285,294	0	2,158
Sales price	57,500	17,157,135	6	1,825
Loss on disposals of fixed assets	**55,900**	**(3,128,159)**	**6**	**(333)**

Depreciation expenses for the years ended December 31, 2010 and 2009 are Rp 3,085,591 and Rp 2,701,170, respectively, with the following allocations:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Cost of sales	2,500,614	2,147,972	278	229
General and administration expenses	584,977	553,198	65	59
Total	**3,085,591**	**2,701,170**	**343**	**287**

Fixed assets as of December 31, 2010 and 2009 have been insured for fire and other risks for a total coverage of Rp 84 Billion (full Rupiah amount) for the year 2010 and Rp 417 Billion (full Rupiah amount) for the year 2009. Management believes that this insurance is adequate to cover the possibility of losses.

All fixed assets are pledged as collateral for bank loan facilities (Note 20).

12 INTANGIBLE ASSETS

This account consists of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
ACQUISITION COST:				
Software	1,820,959	1,791,459	203	191
Land-rights	112,861	67,761	13	7
Total acquisition cost	**1,933,820**	**1,859,220**	**216**	**198**
ACCUMULATED AMORTIZATION:				
Software	617,485	492,507	69	52
Land-rights	25,407	19,764	3	2
Total accumulated amortization	**642,892**	**512,271**	**72**	**54**
BOOK VALUE	**1,290,928**	**1,346,949**	**144**	**143**

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

12 INTANGIBLE ASSETS (continued)

This account consists of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
DISCONTINUING OPERATION				
ACQUISITION COST:				
Land-rights	22,661	67,761	2	7
Total acquisition cost	**22,661**	**67,761**	**2**	**7**
ACCUMULATED AMORTIZATION:				
Land-rights	22,382	21,250	2	2
Total accumulated amortization	**22,382**	**21,250**	**2**	**2**
BOOK VALUE (Note 3)	**279**	**46,511**	**0**	**5**

13 SHORT-TERM BANK LOANS

This account consists of :

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
The Hongkong and Shanghai Banking Corp Ltd	95,657,136	51,949,849	10,639	5,527
PT Bank DBS Indonesia	23,972,564	21,774,377	2,666	2,316
Total short-term loans	**119,629,700**	**73,724,226**	**13,305**	**7,843**

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch ("HSBC") provided trade and working capital financing facilities which have been restructured on June 25, 2010. This restructuring credit facility has been extended with Amendment to Corporate Facility Agreement No: JAK/101053/U/101124 which effective until February 28, 2011 for a review of the facilities provided by HSBC.

In the Amendment of restructuring credit facilities No: JAK/101053/U/101124, the Company obtained a short-term loan facilities as follows:

- Overdraft I with a limit of US$ 600 with best lending rate minus 7.75% per annum;
- Overdraft III with a limit of US$ 700 with best lending rate minus 5% per annum;
- Combined Limit (CBL) I with a limit of US$ 8,400 with best lending rate minus 5% per annum;
- Exposure Risk Limit with a limit of US$ 400;
- Irregular Installment Loan 4 with a limit of US$ 1,800 with best lending rate minus 5% per annum.

The best lending rate is at 10.65% per annum, but subject to fluctuation at HSBC discretion.

Besides short-term loans facility, the Company also received long-term loans facility (Note 20).

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

13 SHORT-TERM BANK LOANS (continued)

PT Bank DBS Indonesia

In 2006, PT Bank DBS Indonesia provided facilities for trade finance with a limit of US$ 6,000. This trade finance facility has been matured due and the Company failed to proceed the loan payment. Outstanding balances as of December 31, 2010 and 2009 amounted to US$ 2,316, respectively.

The Company obtained a revolving loan facility from PT Bank DBS Indonesia with a limit of US$ 3,000; the balance as of December 31, 2010 amounted to US$ 349 or equivalent to Rp 3,145,603 and 2009 amounted to US$ 519 or equivalent to Rp 4,881,104. The loan is secured by stand-by letter of credit from shareholders, Eastern Cotton Mills Ltd and Genaire Enterprise Inc (before by South Holdings Ltd) amounted to US$ 2,000.

Interest rates for the years 2010 and 2009 is charged 8% per annum, respectively (Note 20).

The Company failed to proceed payment according to schedule in September 2008, which caused the "stand-by letter of credit" from shareholders and part of the guarantee for the PT Bank DBS Indonesia loan to be realized (Note 18).

This credit loan is secured by the right to sell which is protected by legal powers over the Company's land and building in Probolinggo, fiduciary transfer over machineries, inventory and receivables. The collateral foresaid are to be shared with HSBC on pari passu basis (Note 20).

14 TRADE PAYABLES - THIRD PARTIES

This account represents payables for the purchase of raw and other materials as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Post dated cheque	5,735,179	2,866,952	638	305
Local suppliers	4,810,420	7,413,570	535	789
Foreign suppliers	18,227,429	9,042,782	2,027	962
Total trade payables - third parties	**28,773,028**	**19,323,304**	**3,200**	**2,056**
DISCONTINUING OPERATION				
Local suppliers	191,793	194,220	21	21
Total trade payables - third parties (Note 3)	**191,793**	**194,220**	**21**	**21**

14 TRADE PAYABLES - THIRD PARTIES (continued)

Details of trade payables - third parties based on currency:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Perfecta (HK) Ltd	2,433,373	2,544,067	271	271
Avery Dennisson	2,336,169	-	260	-
Brohers Machine	1,006,101	-	112	-
China Dyeing	681,391	-	76	-
Duerkopp China	660,839	-	74	-
YKK Indonesia	654,691	-	73	-
SML Jakarta	651,493	-	72	-
MS Abadi etc	579,453	-	64	-
CV. Surya Jaya	577,711	-	64	-
Surya Sinar Indah	569,926	127,691	63	14
Suntex Co Ltd	567,519	593,335	63	63
Coats Rejo	555,573	-	62	-
Konboton	499,499	591,461	56	63
Winnitex Investment Co Ltd	428,203	615,629	48	65
Global Fabric Sourcing Co LTD/Global Challenge	34,327	884,725	4	94
Other suppliers (below Rp 500,000 each)	16,536,760	13,966,396	1,838	1,486
Total	**28,773,028**	**19,323,304**	**3,200**	**2,056**
DISCONTINUING OPERATION				
Other suppliers (below Rp 500,000 each)	191,793	194,220	21	21
Total (Note 3)	**191,793**	**194,220**	**21**	**21**

Details of trade payables - third parties based on currency are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Rupiah	6,313,426	6,591,440	702	702
Foreign currencies	22,459,602	12,731,864	2,498	1,354
Total	**28,773,028**	**19,323,304**	**3,200**	**2,056**
DISCONTINUING OPERATION				
Rupiah	191,793	194,220	21	21
Total (Note 3)	**191,793**	**194,220**	**21**	**21**

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

15 OTHER PAYABLES - THIRD PARTIES

This account consists of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Temporary receipts	17,110	289,583	2	31
Dividend	178,693	178,693	20	19
Others	1,862,450	2,275,621	207	242
Total other payables - third parties	**2,058,253**	**2,743,897**	**229**	**292**
DISCONTINUING OPERATION				
Others	13,636	13,636	2	1
Total other payables - third parties (Note 3)	**13,636**	**13,636**	**2**	**1**

16 ADVANCE RECEIVED

This account consists of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Advance received	-	571,017	-	61
Total advanced received	**-**	**571,017**	**-**	**61**

Advance received 2009 consists of customer sales advance, the Company's machinery sales advance, and building sales advance of PT Asiatex Garmindo, Subsidiary.

17 ACCRUED EXPENSES

This account consists of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Interest expenses	12,343,042	7,185,677	1,373	764
Wages and allowances	2,122,163	2,655,123	236	282
Insurance	775,581	234,368	86	25
Processing charges	163,804	236,018	18	25
Others	1,559,512	812,002	174	86
Total accrued expenses	**16,964,102**	**11,123,188**	**1,887**	**1,183**

18 PAYABLES TO RELATED PARTIES

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Eastern Cotton Mills Ltd	8,991,000	9,400,000	1,000	1,000
Genaire Enterprises Inc	16,331,530	-	1,816	-
South Holdings Ltd	-	9,554,476	-	1,016
Directors	1,785,949	-	199	-
	27,108,479	**18,954,476**	**3,015**	**2,016**

Payables to related parties are payables to shareholders as credit loan payment (SBLC) to PT Bank DBS Indonesia on September 2008 amounted to US$ 2,000, each US$ 1,000 to Eastern Cotton Mills Ltd and South Holdings Ltd. The Company also owed to South Holding Ltd for arrangement commission amounted US$ 16. In January 2010, Genaire Enterprise Inc took over the South Holdings Ltd receivables to the Company and in October 2010 took over Company's shares from South Holdings Ltd. The Company also owed to Genaire Enterprise Inc for operational funds of US$ 200 and Company's payable to supplier of US$ 600.

19 CONSUMER FINANCE PAYABLE

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Total financing				
2010	-	97,380	-	10
2011	19,316	19,316	2	2
Less : interest expenses	(3,253)	(19,172)	(0)	(2)
Current financing value	**16,063**	**97,524**	**2**	**10**
Current maturities portion	16,063	81,461	2	9
Total long-term portion, net	-	16,063	-	2

The Company obtained loans from PT Astra Sedaya Finance to purchase one Isuzu Panther vehicle amounted of Rp 144,568 and to purchase one Toyota Kijang vehicle amounted of Rp 98,816 with interest rates each 6.75% and 9.25% per annum. Loans for Panther will run out in April 2011, while loans for Toyota Kijang have ended in August 2010.

21 LONG-TERM LOANS

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
The Hongkong and Shanghai Banking Corp Ltd	113,950,909	112,099,770	12,674	11,926
PT Bank DBS Indonesia	-	4,881,104	-	519
Total loans	**113,950,909**	**116,980,873**	**12,674**	**12,445**
CURRENT MATURITY PORTION:				
PT Bank DBS Indonesia	-	4,881,104	-	519
Total current maturity portion	**-**	**4,881,104**	**-**	**519**
LONG-TERM PORTION:				
The Hongkong and Shanghai Banking Corp Ltd	113,950,909	112,099,770	12,674	11,926

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

20 LONG-TERM LOANS (continued)

The Hong Kong and Shanghai Banking Corporation Limited

The Company entered into a credit agreement with The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch.

In 2006, the Company entered into a new agreement with The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch ("HSBC") to reschedule the repayment of Club Deal Loan to HSBC and to include PT Eratex Garment, Subsidiary as a new borrower. On June 25, 2010 the Company obtained approval for credit facility restructuring from HSBC and it has been extended with Amendment to Corporate Facility Agreement No: JAK/101053/U/101124 which effective until February 28, 2011 for a review of the facilities provided by HSBC.

In the Corporate Facility Agreement, the Company obtained long-term loans as follows:

- Reducing Balance Loan (RBL) with a limit of US$ 4,258 with best lending rate 10.92% per annum.

In Amendment of credit facility restructuring approval No: JAK/101053/U/101124, the Company obtained long term loans facilities as follows:

- Irregular Installment Loan 1 (IIL 1) with a limit of US$ 4,360 with applicable best lending rate minus 5% per annum. HSBC provide a grace period for the IIL 1 facility until the end of 2012, and the Company will begin to pay in monthly installments on a regular basis since January 2013 until the end of 2015.
- Irregular Installment Loan 3 (IIL 3) with a limit of US$ 7,667. This facility has a due date in 2016. For the IIL 3 facility, HSBC provides interest-free loan until the end of 2011. But in the year 2012 until the year 2016, HSBC will charge interest at 15% per annum. Payment of principal and interest will be due in 2016. This loan is subordinated debt. Repayment is subordinated to operating cash requirement including IIL 1, Overdraft, trade facility and required capital expenditure.

The best lending rate is at 10.65% per annum, but subject to fluctuation at HSBC discretion.

This loan is covered by a notarized power of attorney to sell rights over the Company's land and buildings in Probolinggo, fiduciary transfer over machineries, inventories, and trade receivables. Those securities (except for fiduciary transfer over stocks and receivables from PT Eratex Garment, Subsidiary) are joint guarantee with PT Bank DBS Indonesia on pari passu basis.

Pacificway Finance Limited

On December 28, 2009, Robell International Limited and Pacificway Finance Limited has agreed to waive the Company loans amounted to US$ 200.

21 TAXATION

a. PREPAID TAXES

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Value Added Tax	283,917	22,329	32	2
Total prepaid taxes	**283,917**	**22,329**	**32**	**2**

b. TAXES PAYABLE

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Income tax article 21	499,261	435,220	56	46
Income tax article 23/26	954,124	631,768	106	67
Income tax article 4 (2)	55,000	-	6	-
Value added tax	784,759	1,123,615	87	120
Total taxes payable	**2,293,144**	**2,190,603**	**255**	**233**

c. CORPORATE INCOME TAX

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Current income tax expense:				
The Company	-	-	-	-
Subsidiary Companies	(102,922)	(237,721)	(11)	(25)
Sub total	**(102,922)**	**(237,721)**	**(11)**	**(25)**
Deferred tax (expense)/benefit:				
The Company	1,174,103	(1,361,890)	131	(145)
Subsidiary Companies	-	193,299	-	21
Sub total	**1,174,103**	**(1,168,591)**	**131**	**(124)**
Total corporate tax (expenses)/benefit	**1,071,181**	**(1,406,312)**	**120**	**(150)**

The reconciliation between loss before corporate income tax as shown in the consolidated statements of income and the Company income tax computation and the related corporate income tax receivables (over payments) are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Consolidated loss before corporate income tax	(49,353,175)	(23,463,410)	(5,489)	(2,496)
Less: Subsidiaries' commercial loss	(34,710,675)	113,486	(3,861)	12
The Company income before corporate income tax	**(84,063,850)**	**(23,349,924)**	**(9,350)**	**(2,484)**
PERMANENT DIFFERENCES:				
Entertainment, gifts and donations	258,726	214,237	29	23
Travel expenses	4,791	88,469	1	9
Vehicle expenses	54,409	49,077	6	5
Welfare expenses	755,095	1,171,297	84	125
Interest income on deposits and current accounts-subjected to final tax	(8,028)	(31,180)	(1)	(3)
Others	24,349,588	11,357,777	2,708	1,208
Total permanent differences	**25,414,581**	**12,849,677**	**2,827**	**1,367**

21 TAXATION (continued)

c. CORPORATE INCOME TAX (continued)

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
TEMPORARY DIFFERENCES:				
Depreciation of fixed assets	(1,547,254)	(292,667)	(172)	(31)
Provision for doubtful accounts	23,050	(235,284)	3	(25)
Amortization of intangible assets	99,380	95,462	11	10
Provision for employee service entitlements	560,767	68,555	62	7
Provision for inventories	4,368,545	(3,954,944)	486	(421)
Total temporary differences	**3,504,488**	**(4,318,878)**	**390**	**(459)**
Total fiscal loss	**(55,144,781)**	**(14,819,125)**	**(6,133)**	**(1,577)**
PREPAYMENT OF INCOME TAX:				
Income tax article 22	-	245,453	-	26
Income tax article 23	-	103,426	-	11
Overpayment of corporate income tax (Notes 21e)	**-**	**348,879**	**-**	**37**

The Company will report its 2010 annual tax return (SPT) based on the corporate income tax as stated above.

d. DEFERRED TAX ASSETS (LIABILITIES)

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
DEFERRED TAX ASSETS - THE COMPANY:				
Provision for employee service entitlements	2,688,838	2,548,646	299	271
Provision for doubtful accounts	83,850	80,126	9	9
Provision for investment	69,375	69,375	8	7
Provision for declining in value of inventories	1,122,827	50,839	125	5
Total deferred tax assets	**3,964,890**	**2,748,986**	**441**	**292**
DEFERRED TAX LIABILITIES - THE COMPANY:				
Fixed assets	(1,158,860)	(1,098,729)	(129)	(117)
Intangible assets	(302,812)	(321,142)	(34)	(34)
Net deferred tax assets from normal activities	**2,503,218**	**1,329,115**	**278**	**141**
DISCONTINUING OPERATION				
Total deferred tax assets, net (Note 3)	104,011	322,822	12	34

The utilization of deferred tax assets recognized by the Company is dependent upon future taxable income in excess of income arising from the reversal of existing taxable temporary differences.

On September 2008, Law No.7 Year 1983 on "Income Tax" was altered for the fourth time under the Law No.36 Year 2008. The new constituent included change in income tax rates from multiple layer rates into using single rates of 28% in fiscal year 2009 and 25% in fiscal year 2010 and so on. The Company recorded the effect of this change of rate in an account with the balance of Rp 34,333 for the year 2009 as part of the current year taxes.

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

21 TAXATION (continued)

e. TAXES RECEIVABLE

The balances of taxes receivable as of December 31, 2010 and 2009 are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Overpayment of corporate income tax				
year 2008	-	2,471,583	-	263
year 2009	338,283	348,879	38	37
Value Added Tax Restitution	-	1,091,049	-	116
Total Company taxes receivable	**338,283**	**3,911,511**	**38**	**416**
Total taxes receivable, Subsidiary	**79,896**	**306,762**	**9**	**33**
Total consolidated taxes receivable	**418,179**	**4,218,273**	**47**	**449**

f. TAX ASSESSMENTS

The Corporate Income Taxes of the Company for the year 2008 had been audited by the Directorate General of Taxes. On June 23, 2010, the Company received Overpayment Tax Assessment (SKPLB) No. 00187/406/08/054/10 due to Company's claim of tax refund amounted to Rp 2,375,417. The overpayment had been overbooked to VAT Tax Assessment amounted to Rp 615,263, correction of the imposition of income tax article 22 amounted to Rp 162 and the remaining balance amounted to Rp 1,760,154 were received by the Company based on Excess Tax Payment Order (SPMKP) No. 80231054-2010 dated July 14, 2010.

In 2010, PT Asiatex Garmindo, Subsidiary received several tax assessments, including Underpayment Tax Assessment (SKPKB) No.00046/207/07/433/10 dated August 29, 2010 for the year 2007 on value added tax amounted to Rp 16,593; Underpayment Tax Assessment (SKPKB) No.00084/203/07/433/10 dated August 29, 2010 for the year 2007 on Income Tax art 23 amounted to Rp 545,855 with taxable income of Rp 4,634,460; as well as Underpayment Tax Assessment (SKPKB) No.00018/204/07/433/10 dated August 29, 2010 for the year 2007 on Income Tax art 26 amounted to Rp 205,336 with taxable income of Rp 693,702.

22 PROVISION FOR EMPLOYEE SERVICE ENTITLEMENTS

The Company and its Subsidiaries provide benefits for their employees who achieve the retirement age at 55 based on the provisions of Labor Law No. 13/2003 dated March 25, 2003 with Projected Unit Credit Method. The benefits are unfunded.

The following tables summarize the components of net employee benefits expense recognized in the consolidated statements of income and amounts recognized in the consolidated balance sheets for the employee benefit liability as determined by an independent actuary, PT Bumi Dharma Aktuaria, in their reports dated March 2, 2011.

a. NET EMPLOYEE BENEFITS EXPENSE

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Current service cost	958,198	836,967	106	89
Interest cost	895,826	751,620	100	80
Actuarial losses	(615,153)	645,080	(68)	68
Net employee benefits expense	**1,238,871**	**2,233,667**	**138**	**237**

22 PROVISION FOR EMPLOYEE SERVICE ENTITLEMENTS (continued)

b. PROVISION FOR EMPLOYEE SERVICE ENTITLEMENTS

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Present value of employee benefits obligation-vested	11,863,805	9,744,078	1,320	1,037
Unrecognized actuarial gain (loss)	(1,108,455)	450,505	(124)	48
Total provision for employee service entitlements	**10,755,350**	**10,194,583**	**1,196**	**1,085**

Movement of provision for employee service entitlements during the years ended December 31, 2010 and 2009 are as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Balance at beginning of the year	10,194,583	10,126,028	1,134	1,077
Add: Net employee benefits expense during the year	1,238,871	2,233,667	138	238
Less: Utilization during the year	(678,104)	(2,165,112)	(76)	(230)
Balance at end of the year	**10,755,350**	**10,194,583**	**1,196**	**1,085**

The principal assumptions used in determining the provision for employee service entitlements are as follows:

	2010	2009
Normal retirement age	55	55
Rate of interest per annum	9.5%	10%
Salary increases per annum	8%	8%
Mortality table	TMI-2000	TMI-2000

23 MINORITY INTEREST IN SUBSIDIARIES' NET ASSETS

The account represents minority interest in net assets of PT Asiatex Garmindo, PT Eratex Garment and subsidiaries of ASA Partners Holdings Ltd as follows:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
Share capital	3,222,260	3,222,260	358	343
Accumulated losses	(3,222,260)	(3,213,000)	(358)	(342)
Total minority interest in subsidiaries' net assets		**9,260**		**1**

24 SHARE CAPITAL

Based on notarial deed No. 79 dated June 15, 2004 prepared by Sutjipto, S.H., Public Notary in Jakarta, the Company's authorized capital was increased to Rp 196,472,000 consisting of 392,944,000 shares with nominal value of Rp 500 (full Rupiah amount) per shares.

The composition of the Company's shareholders as of December 31, 2010 and 2009 are as follows:

Shareholders	Number of shared issued and paid	Percentage of ownership	Issued and paid-up capital amount (Rp)	Issued and paid-up capital amount (US$)
Eastern Cotton Mills Ltd	24,559,000	25.00%	12,279,500	1,366
South Indonesian Holdings Ltd	22,103,100	22.50%	11,051,550	1,229
PT Wakala Korpora Indonesia	10,500,000	10.69%	5,245,800	583
Continuity Developments Ltd	2,455,900	2.50%	1,227,950	137
Public holders	38,618,000	39.31%	19,313,200	2,148
Total	**98,236,000**	**100.00%**	**49,118,000**	**5,463**

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

25 ADDITIONAL PAID-IN CAPITAL, NET

Additional paid-in capital consists of premium on share capital which was received over the nominal value from sale of shares to the public, net of the amount transferred to share capital in 1994 of Rp 24,559,000.

26 REVENUE

This account consists of:

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Net sales - third parties:				
Export sales	229,559,554	241,520,243	25,532	25,694
Local sales	3,550,706	5,585,139	395	594
Total revenue	**233,110,260**	**247,105,382**	**25,927**	**26,288**
DISCONTINUING OPERATION				
Net sales - third parties:				
Local sales	-	1,094,315	-	116
Total revenue (Note 3)	**-**	**1,094,315**	**-**	**116**

27 COST OF REVENUE

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Raw materials used	141,509,321	126,414,393	15,739	13,448
Direct labor	68,564,888	60,944,956	7,627	6,484
Manufacturing expenses (Note 28)	30,587,912	33,693,105	3,402	3,584
Goods in process inventory:				
At beginning of the year	4,561,261	9,311,800	507	991
At end of the year	(5,401,156)	(4,561,261)	(601)	(485)
Cost of goods manufactured	**239,822,226**	**225,802,993**	**26,674**	**24,022**
Finished goods inventory:				
At beginning of the year	17,335,436	23,372,128	1,928	2,486
At end of the year	(10,756,124)	(17,335,436)	(1,196)	(1,844)
Provision for declining in value	56,906	203,356	6	22
Others	(104,810)	837,835	(12)	89
Total cost of revenue	**246,353,633**	**232,880,876**	**27,400**	**24,775**
DISCONTINUING OPERATION				
Finished goods inventory:				
At beginning of the year	-	634,807	-	68
At end of the year	-	-	-	-
Others	-	(141)	-	(0)
Total cost of revenue (Note 3)	**-**	**634,666**	**-**	**68**

28 MANUFACTURING EXPENSES

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Salary and wages	5,826,075	9,180,835	648	977
Water and electricity	5,073,052	4,882,685	564	519
Power and coal	3,151,370	4,178,530	351	445
Handling charges	3,616,960	2,830,720	402	301
Depreciation and amortization	2,544,683	2,113,921	283	225
Repair and maintenance	1,531,871	1,630,205	170	173
Transportation	1,792,113	1,294,429	199	138
Factory supplies	1,044,096	1,277,021	116	136
Machine parts	659,426	1,040,374	73	111
Processing charges	52,642	648,661	6	69
Others	5,295,624	4,615,724	590	489
Total manufacturing expenses	**30,587,912**	**33,693,105**	**3,402**	**3,584**

29 SELLING EXPENSES

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Handling charges	4,260,100	4,158,642	474	442
Bank charges	1,231,558	2,740,417	137	292
Freight	3,176,480	2,585,518	353	275
Transportation	1,070,270	1,403,736	119	149
Others	436,006	983,131	48	105
Total selling expenses	**10,174,414**	**11,871,444**	**1,131**	**1,263**
DISCONTINUING OPERATION				
Bank charges	-	36,769	-	4
Commission	-	27,000	-	3
Handling charges	-	110	-	0
Others	-	198,540	-	21
Total selling expenses (Note 3)	**-**	**262,419**	**-**	**28**

30 GENERAL AND ADMINISTRATION EXPENSES

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
CONTINUING OPERATION				
Salaries and wages	11,297,881	18,371,108	1,257	1,954
Professional fees	3,454,694	5,047,456	384	537
Provision for employee service entitlements	1,238,871	1,877,443	138	200
Insurance	465,349	1,980,691	52	211
Communication	754,308	1,090,157	84	116
Depreciation and amortization	671,529	712,986	75	76
Travel	523,715	594,500	58	63
Bank charges	326,111	265,404	36	28
Rental	429,623	964,397	48	103
Others	4,939,462	4,304,385	549	458
Total general and administration expenses	**24,101,543**	**35,208,527**	**2,681**	**3,746**

PT ERATEX DJAJA Tbk AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the years ended December 31, 2010 and 2009
(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)*

30 GENERAL AND ADMINISTRATION EXPENSES (continued)

	2010 (Rp)	2009 (Rp)	2010 (US$)	2009 (US$)
DISCONTINUING OPERATION				
Bank charges	-	24,004	-	3
Amortization	1,133	3,388	0	0
Communication	-	314	-	0
Travel	-	280	-	0
Others	25,268	298,507	3	32
Total general and administration expenses (Note 3)	**26,401**	**326,493**	**3**	**35**

31 RELATED PARTY TRANSACTIONS

The Company, in the ordinary course of business, has various trade transactions with related parties including sales and purchases, which are conducted in the normal course of business and on normal terms and conditions. The nature of the relationship with the related parties is generally that of companies under common control and associated entities.

For 2010 and 2009, there were no sub-contract transaction production, purchasing, and sales of a related party.

32 ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2010, the Company and its Subsidiaries had monetary assets and liabilities in foreign currencies as follows:

CONTINUING OPERATION		Foreign Currencies (in thousand)	Rupiah
ASSETS:			
Cash and cash equivalents	US$	54	489,102
	EURO	9	105,239
	HKD	51	59,142
Trade receivables - third parties	US$	1,634	14,688,917
	EURO	187	2,238,935
	SGD	30	212,451
Other receivables - third parties	US$	62	557,434
	HKD	0	984
Advance payments	US$	33	298,666
	EURO	0	693
	HKD	4	5,026
Prepaid expenses	US$	28	249,338
Guarantee deposits	HKD	34	39,516
Total assets			**18,945,443**

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

32 ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)

		Foreign Currencies (in thousand)	Rupiah
LIABILITIES:			
Short-term bank borrowings	US$	12,981	116,712,796
	EURO	206	2,466,195
	HKD	390	450,709
Trade payables - third parties	US$	2,290	20,591,246
	EURO	1	14,611
	HKD	1,604	1,853,744
Other payables	US$	99	889,363
Accrued expenses	US$	74	663,870
	HKD	29	33,407
Payable to related parties	US$	2,816	25,322,530
Long-term loans - net of current maturity portion	US$	12,674	113,950,909
Total liabilities			**282,949,380**
Liabilities over assets, net			**(264,003,937)**

33 INFORMATION ON THE BUSINESS SEGMENT

Field of operations:

PT Eratex Djaja Tbk as the Parent Company, operates in the integrated garment manufacturing, including garment making and other garment processing.

PT Asiatex Garmindo as a Subsidiary Company, PT Eratex Garment and ASA Partners Holdings Ltd are the Subsidiaries Company which has no activities during 2010 and 2009.

PT Eratex (Hongkong) Ltd, as a Subsidiary Company is operating in general trading.

	2010 Rp	2009 Rp	2010 US$	2009 US$
REVENUE - INFORMATION BASED ON COMPANY:				
CONTINUING OPERATION				
PT Eratex Djaja Tbk	226,499,577	238,613,824	25,192	25,384
PT Eratex (Hongkong) Ltd	6,610,683	8,491,559	735	904
Total	**233,110,260**	**247,105,383**	**25,927**	**26,288**
Elimination	-	-	-	-
Total	**233,110,260**	**247,105,383**	**25,927**	**26,288**
DISCONTINUING OPERATION				
PT Eratex Djaja Tbk	-	1,094,315	-	116
Total	**-**	**1,094,315**	**-**	**116**

33 INFORMATION ON THE BUSINESS SEGMENT (continued)

	2010 Rp	2009 Rp	2010 US$	2009 US$
REVENUE - INFORMATION BASED ON GEOGRAPHICAL TERRITORY:				
CONTINUING OPERATION				
Export	229,559,554	241,520,243	25,532	25,694
Local	3,550,706	5,585,139	395	594
Total	**233,110,260**	**247,105,382**	**25,927**	**26,288**
Elimination	-	-	-	-
Total	**233,110,260**	**247,105,382**	**25,927**	**26,288**
DISCONTINUING OPERATION				
Local	-	1,094,315	-	116
Total	**-**	**1,094,315**	**-**	**116**
REVENUE - INFORMATION BASED ON PRODUCTS:				
CONTINUING OPERATION				
Garments	226,499,577	238,613,823	25,192	25,384
Others	6,610,683	8,491,559	735	904
Total	**233,110,260**	**247,105,382**	**25,927**	**26,288**
Elimination	-	-	-	-
Total	**233,110,260**	**247,105,382**	**25,927**	**26,288**
DISCONTINUING OPERATION				
Textiles	-	1,094,315	-	116
Total	**-**	**1,094,315**	**-**	**116**
OPERATING INCOME (LOSS) - INFORMATION BASED ON COMPANY:				
CONTINUING OPERATION				
PT Eratex Djaja Tbk	(48,191,715)	(31,658,099)	(5,360)	(3,368)
PT Asiatex Garmindo	(884,684)	(2,605,835)	(98)	(277)
PT Eratex (Hongkong) Ltd	1,793,397	1,431,877	199	152
PT Eratex Garment	-	(3,714)	-	(0)
Total	**(47,283,002)**	**(32,835,771)**	**(5,259)**	**(3,493)**
Elimination	(236,328)	(19,694)	(26)	(2)
Total	**(47,519,330)**	**(32,855,465)**	**(5,285)**	**(3,495)**
DISCONTINUING OPERATION				
PT Eratex Djaja Tbk	(26,401)	(129,263)	(3)	(14)
Total	**(26,401)**	**(129,263)**	**(3)**	**(14)**

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

33 INFORMATION ON THE BUSINESS SEGMENT (continued)

	2010 Rp	2009 Rp	2010 US$	2009 US$
OPERATING INCOME (LOSS) - INFORMATION BASED ON PRODUCTS:				
CONTINUING OPERATION				
Garments	(49,076,399)	(34,263,934)	(5,458)	(3,645)
Others	1,793,397	1,428,163	199	152
Total	**(47,283,002)**	**(32,835,771)**	**(5,259)**	**(3,493)**
Elimination	(236,328)	(19,694)	(26)	(2)
Total	**(47,519,330)**	**(32,855,465)**	**(5,285)**	**(3,495)**
DISCONTINUING OPERATION				
Textiles	(26,401)	(129,263)	(3)	(14)
Total	**(26,401)**	**(129,263)**	**(3)**	**(14)**
NET INCOME (LOSS) - INFORMATION BASED ON COMPANY:				
CONTINUING OPERATION				
PT Eratex Djaja Tbk	(82,896,689)	(24,131,401)	(9,220)	(2,567)
PT Asiatex Garmindo	34,293,167	(1,342,601)	3,814	(143)
PT Eratex (Hongkong) Ltd	590,812	1,194,167	66	127
PT Eratex Garment	(39,898)	10,220	(4)	1
Total	**(48,052,608)**	**(24,269,615)**	**(5,344)**	**(2,582)**
Elimination	(227,068)	(19,694)	(25)	(2)
Total	**(48,279,676)**	**(24,289,309)**	**(5,369)**	**(2,584)**
DISCONTINUING OPERATION				
PT Eratex Djaja Tbk	(211,869)	(1,082,393)	(24)	(115)
Total	**(211,869)**	**(1,082,393)**	**(24)**	**(115)**
NET INCOME (LOSS) - INFORMATION BASED ON PRODUCTS:				
CONTINUING OPERATION				
Garments	(48,603,523)	(25,474,002)	(5,406)	(2,710)
Others	550,915	1,204,387	62	128
Total	**(48,052,608)**	**(24,269,615)**	**(5,344)**	**(2,582)**
Elimination	(227,068)	(19,694)	(25)	(2)
Total	**(48,279,676)**	**(24,289,309)**	**(5,369)**	**(2,584)**
DISCONTINUING OPERATION				
Textiles	(211,869)	(1,082,393)	(24)	(115)
Total	**(211,869)**	**(1,082,393)**	**(24)**	**(115)**

33 INFORMATION ON THE BUSINESS SEGMENT (continued)

	2010 Rp	2009 Rp	2010 US$	2009 US$
ASSETS - INFORMATION BASED ON COMPANY:				
CONTINUING OPERATION				
PT Eratex Djaja Tbk	174,151,940	189,834,543	19,370	20,195
PT Asiatex Garmindo	521,327	521,040	58	55
ASA Partner Holdings	1,880	1,880	0	0
PT Eratex (Hongkong) Ltd	6,049,655	5,300,638	673	564
PT Eratex Garment	675,437	715,335	75	76
Total	**181,400,238**	**196,373,436**	**20,176**	**20,891**
Elimination	(73,632,811)	(106,926,383)	(8,190)	(11,375)
Total	**107,767,427**	**89,447,053**	**11,986**	**9,516**
DISCONTINUING OPERATION				
PT Eratex Djaja Tbk	7,560,157	8,328,899	841	886
Total	**7,560,157**	**8,328,899**	**841**	**886**
ASSETS - INFORMATION BASED ON PRODUCTS:				
CONTINUING OPERATION				
Garments	174,673,266	190,355,583	19,428	20,251
Others	6,726,972	6,017,853	748	640
Total	**181,400,238**	**196,373,436**	**20,176**	**20,891**
Elimination	(73,632,811)	(106,926,383)	(8,190)	(11,375)
Total	**107,767,427**	**89,447,053**	**11,986**	**9,516**
DISCONTINUING OPERATION				
Textiles	7,560,157	8,328,899	841	886
Total	**7,560,157**	**8,328,899**	**841**	**886**

34 MANAGEMENT RISK

The main financial risk encountered by the Company are interest rate risk, liquidity risk, currency risk, and interest rate risk. The Company try to minimize the potential negative impact of the risks by using risk management.

a. Interest rate risk

Interest rate risk on cash flow is a risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates.
Compared with other risk, this risk did not significantly affect the performance of cash flows due to fluctuations in interest rates is relatively small.

(Expressed in thousands of Rupiah and in thousands of United States Dollars, unless otherwise stated)

34 MANAGEMENT RISK (continued)

b. Liquidity risk

Liquidity risk is the risk which the Company will have difficulties in acquiring funds to meet its commitments.

The Company manages this risk by conducting planning and evaluation of cash flows and cash equivalents regularly, comprehensively and thoroughly. In addition, the company always maintain communication with the bank creditors, in order to get support when the liquidity risk is significantly increase.

c. Credit risk

Credit risk is the risk which the Company suffered losses due to customers who fail to meet their debt repayment obligations to the Company.

Among 80% of total sales, the method of payment is carried out by "NON L/C" or credit sales with terms of payment between 30 days to 45 days after shipment. The Company manages this credit risk by conducting elections in a more selective buyer (the selections of buyers who have good credibility payment) and conduct a very strict control of receivables which overdue.

The Company's financial instruments that potentially carry to credit risk consist of cash and cash equivalents and accounts receivables.

d. Currency risk

Currency risk is the risk of fluctuations in the value of financial instruments due to changes in foreign currency exchange rates.

Besides of sales value, this risk resulted in disruption of cash flow if the value of the rupiah is too strong or appreciated for some currencies, especially for US Dollar.

The Company manages currency risk by monitoring the exchange rates intensively, so it can perform appropriate actions, such as acquired hedge facilities from the bank if needed.

98% of the Company's sales are denominated in foreign currencies, while 25% of costs in Rupiah, so that the hedging of foreign currency is a priority for the Company. Bank lender has been supportive by providing derivative contracts facilities such as Limit Risk Exposure Facility (note 13).

35 ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The Company and its Subsidiaries have various financial assets such as accounts receivable and non-operations and its cash and cash equivalents, which arise directly from the activities of the Company and its subsidiaries. Basic financial obligations of the Company and its subsidiaries consist of long term liability, account payable and non business. The main purpose of the financial obligation is to finance the activities of the Company and its Subsidiaries.

The following table presents financial assets and liabilities of the Company and its Subsidiaries on December 31, 2010:

	2010 Rp	2010 US$
FINANCIAL ASSETS		
LOANS AND RECEIVABLES		
Cash and cash equivalent	951,842	106
Trade receivables	17,418,287	1,937
Others current financial assets	1,247,184	139
Total financial assets	**19,617,313**	**2,182**

35 ASSETS AND LIABILITIES IN FOREIGN CURRENCIES (continued)

	2010 Rp	2010 US$
FINANCIAL LIABILITIES		
LOANS AND DEBT		
Short-term bank loans	119,629,700	13,305
Trade payable	28,773,028	3,200
Accrued expenses	16,964,102	1,887
Long term loans	113,950,909	12,674
Others current financial liabilities	2,074,316	231
Payables to related parties	27,108,479	3,015
Total financial liabilities	**308,500,534**	**34,312**

36 MANAGEMENT PLAN

The Financial performance of this year ended December 31, 2010 was not as per the management's anticipation and was in general poorer than in the previous year. Sales in Indonesian Rupiah were 6.07% lower compared to the previous year but in USD were 1.38% lower than in 2009.

The year also saw the strengthening of the IDR from an average of Rp 10,356/ USD in 2009 to IDR 9,080/USD average in 2010 which is a 12.32% increase. The company earns more than 98% of its revenue in foreign currencies and pays more than 25% of its costs in IDR & this has reduced the profitability of the business dramatically. The main reason for the reduction in sales apart from the currency factor was that the company had poor sales in the first semester when the effect of the global crisis was still being felt.

In June 2010, the Company had achieved a restructuring of its banking facilities with the major lender, HSBC, and the bank had made available certain Trade Finance facilities. These facilities however were inadequate to meet the expected growth in sales revenue in the second semester as anticipated by the management. This lead to the company not being able to achieve higher sales which the company had initially forecasted for the Quarter 3 & Quarter 4 of the year.

After further discussions, by the middle of Quarter 4, 2010, the company had received temporary additional trade financing facilities from the bank and this has somewhat regularized the situation by end of the year.

The company therefore suffered losses due to low sales turnover initially due to lack of orders and subsequently due to inadequate working capital. Thus the total sales for the year was inadequate to meet the break even revenue required to cover fixed costs. The intermittent shortfall in trade Finance through out the year also lead to low efficiency, higher overtime costs and overall sub optimal productivity at the manufacturing facilities.

To overcome the decline of sales and achieve improved operating margins the Company's management has taken the following steps:

1. Expanding the production range to certain high volume items to achieve higher efficiency.
2. Further expand the customer base by spreading the sales more evenly.
3. Reducing business with certain customers who have in the past taken a higher proportion of sales but are difficult to service in terms of shorter lead times and higher customer servicing needs.
4. Increase gross margin by adjusting the costings for sales of its products to account for higher inflation and stronger IDR currency.
5. Further reduce manpower and increase efficiency in every area especially in the production facilities at Probolinggo.
6. Work with the Bank to arrange a new Financing Plan which will allow the company to grow its revenue and at first achieve break even and then progress to profitable levels of sales & margin generation.

36 MANAGEMENT PLAN (continued)

The management would also like to add that the year 2011 shows good sales growth and there is a distinct trend in more orders being received by the company.

The further growth of the business as anticipated by the management in the second semester of 2011 will depend on availability of additional facilities being available. The company estimates that it can target a growth in revenue of 30% over the previous year in the current financial year.

Economic improvements and sustained recovery are dependant on several factors such as fiscal and monetary actions under taken by the Government and by authorities in the target markets of the Company. Many of such variables are outside the control of the management of the Company.

37 REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

The following summarizes the Accounting Standards issued by Indonesian Accounting Standard Board (DSAK), which are relevant to the Company, up to the date of completion of the Company's consolidated financial statements but not yet effective were as follows:

Effective on or after January 1, 2011:

a. PSAK No. 1 (Revised 2009), "Presentation of Financial Statements".
b. PSAK No. 2 (Revised 2009), "Statement of Cash Flows".
c. PSAK No. 3 (Revised 2010), "Interim Financial Statements".
d. PSAK No. 4 (Revised 2009), "Consolidated and Separate Financial Statements".
e. PSAK No. 5 (Revised 2009), "Operating Segments".
f. PSAK No. 7 (Revised 2010), "Related Parties Disclosure".
g. PSAK No. 8 (Revised 2010), "Subsequent Events after end of the reporting period".
h. PSAK No. 10 (Revised 2010), "Effects of changes in foreign exchange".
i. PSAK No. 12 (Revised 2009), "Participation in Joint Venture".
j. PSAK No. 15 (Revised 2009), "Investment in Associated Entities".
k. PSAK No. 19 (Revised 2010), "Intangible Assets".
l. PSAK No. 22 (Revised 2010), "Business Combination".
m. PSAK No. 23 (Revised 2010), "Revenue".
n. PSAK No. 25 (Revised 2009), "Accounting Policies, Changes in Accounting Estimates and Errors".
o. PSAK No. 48 (Revised 2009), "Assets Impairment".
p. PSAK No. 57 (Revised 2009), "Provisions, Contingent Liabilities and Contingent Assets".
q. PSAK No. 58 (Revised 2009), "Non-Current Assets, Held for Sale and Discontinued Operations".

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

38 COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of these consolidated financial statements that are completed on March 30, 2011.