



**Jardine Strategic**  
Annual Report 2013



**Jardines**

Jardine Strategic is a holding company with its principal interests in Jardine Matheson, Hongkong Land, Dairy Farm, Mandarin Oriental, Jardine Cycle & Carriage and Astra International. These companies are leaders in the fields of engineering and construction, transport services, insurance broking, property investment and development, retailing, restaurants, luxury hotels, motor vehicles and related activities, financial services, heavy equipment, mining and agribusiness.

Jardine Strategic's policy is to take strategic stakes in multinational businesses, particularly those with an Asian focus, and to support their expansion. It also complements these interests with smaller positions in quality businesses with existing or potential links with the Group.

Jardine Strategic is incorporated in Bermuda and has a premium listing on the London Stock Exchange, with secondary listings in Bermuda and Singapore. Jardine Matheson Limited, which operates from Hong Kong, acts as General Manager to the Company and provides management services to the Group companies. It makes available senior management and provides financial, legal, human resources and treasury support services to the Group's subsidiaries and associates.

**Jardine Strategic Holdings Limited**

Jardine House  
Hamilton  
Bermuda

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# Highlights

- Underlying earnings\* up 3%
- Full-year dividend up 6%
- Hongkong Land, Mandarin Oriental and Jardine Motors perform well
- Solid rupiah result from Astra
- 20% interest acquired in leading China motor dealership group

## Results

	<b>2013</b> US\$m	2012 US\$m restated <sup>†</sup>	Change %
Revenue together with revenue of Jardine Matheson, associates and joint ventures <sup>#</sup>	<b>61,380</b>	60,453	2
Underlying profit before tax*	<b>4,431</b>	4,580	(3)
Underlying profit attributable to shareholders*	<b>1,616</b>	1,575	3
Profit attributable to shareholders	<b>1,700</b>	1,827	(7)
Shareholders' funds	<b>22,028</b>	21,341	3
	US\$	US\$	%
Underlying earnings per share*	<b>2.65</b>	2.56	3
Earnings per share	<b>2.79</b>	2.97	(6)
Dividends per share	<b>0.255</b>	0.24	6
Net asset value per share <sup>+</sup>	<b>50.34</b>	60.65	(17)

\*The Group uses 'underlying profit' in its internal financial reporting to distinguish between ongoing business performance and non-trading items, as more fully described in note 1 to the financial statements. Management considers this to be a key measure which provides additional information to enhance understanding of the Group's underlying business performance.

<sup>†</sup>The accounts have been restated due to a change in accounting policy upon adoption of IAS 19 (amended 2011) 'Employee Benefits', as set out in note 1 to the financial statements.

<sup>#</sup>Includes 100% of revenue from Jardine Matheson, associates and joint ventures.

<sup>+</sup>Net asset value per share is calculated on a market value basis, details of which are set out on page 5.

# Chairman's Statement

## Overview

Good trading performances were achieved by a number of the Group's businesses during 2013. Overall earnings growth, however, was held back by a softer rupiah exchange rate and certain operations suffering in the face of difficult markets.

In January of this year, the Company agreed to acquire a minority interest in Zhongsheng Group, which is one of mainland China's leading motor dealership groups, increasing significantly its investment in the country in a business sector that the Group knows well.

## Performance

The Group's revenue for 2013, including 100% of revenue from Jardine Matheson, associates and joint ventures, was US\$61.4 billion, compared with US\$60.5 billion in 2012. The underlying profit before tax was US\$4,431 million in 2013, a 3% decline from the prior year. Underlying profit attributable to shareholders was 3% higher at US\$1,616 million, while underlying earnings per share were also up 3% at US\$2.65.

Within Jardine Matheson's interests, Jardine Pacific's operations produced mixed results in more difficult trading conditions. Jardine Motors achieved a promising turnaround in its mainland China operation and improved results in the United Kingdom and Hong Kong. Jardine Lloyd Thompson's good profit growth benefited from organic growth, cost control and acquisitions.

Hongkong Land reported an excellent profit with strong contributions from both its commercial and its residential interests. Dairy Farm's sales were higher and its Hong Kong operations recorded good results, but it faced more challenging markets elsewhere. Most of Mandarin Oriental's hotels maintained their trading performances, while its reported result also benefited from gains arising from the acquisition of the freehold of its Paris property. The results from Jardine Cycle & Carriage's motor activities were mixed as most markets remained difficult. Astra achieved good rupiah results in its financial services, motorcycle and mining contracting operations, although this was countered by weaker results elsewhere.

The Group's profit attributable to shareholders of US\$1,700 million included its US\$135 million share of the increase in the valuation of investment properties, and compares with US\$1,827 million in 2012 which included an increase of US\$341 million in investment property values.

The Group continues to enjoy strong operating cash flows, ample committed facilities and access to the capital markets. This provides a sound financial base on which to support investment in developing its leading market positions. Total capital investment across the Group, including 100% of Jardine Matheson, associates and joint ventures, exceeded US\$5.2 billion in 2013. The consolidated net debt at the end of 2013, excluding financial services companies, was US\$2.3 billion, representing gearing of 5%, which compares to US\$3.1 billion at the end of 2012 and gearing of 7%.

In the light of the Group's strong liquidity, the Board is recommending a final dividend of US\$18.00 per share, which represents an increase of 6% for the full year.

## Business Developments

Within Jardine Matheson's directly held interests, Jardine Pacific's businesses produced a lower contribution reflecting some mixed underlying performances. Earnings from Hong Kong Air Cargo Terminals were reduced following the planned move of a major customer to its own dedicated facility. There were disappointing performances by the group's KFC business in Taiwan and by Jardine OneSolution, although good results were achieved by its engineering and construction operations. Jardine Motors produced an increased profit as its Mercedes-Benz sales activities in mainland China reversed their earnings decline, and its dealerships in the United Kingdom and Hong Kong traded well. JLT had another year of good organic growth, with encouraging results from Reinsurance, Asia, Latin America and Employee Benefits, culminating in the acquisition of Towers Watson's reinsurance broking business for US\$250 million.

Hongkong Land reported an excellent result in 2013 with improved performances from both its commercial property interests and its residential developments. In Hong Kong, rent reversions remained positive for both its office and retail

portfolios, while in Singapore it benefited from a full-year's contribution from Marina Bay Financial Centre and higher average rents. Hongkong Land's residential earnings reflected the completion of three projects in Singapore. The group currently has commercial developments underway in Beijing, Jakarta and Phnom Penh, and is expanding its residential activities in the region with new ventures in mainland China, Indonesia and the Philippines.

Dairy Farm achieved sales growth across all its divisions, but its profit was held back by mixed performances within its Food businesses in Southeast Asia. The group made several operational changes during the year which are designed to lay the foundations for further growth. It has been reorganized by format into four divisions so as to allow greater focus on its offer to consumers, enable scale to be built more quickly, and improve its financial performance over the longer term. In parallel, Dairy Farm is investing significantly in its people, infrastructure and systems.

Most of Mandarin Oriental's hotels were able to maintain or enhance their competitive positions in 2013. The group's growth strategy was progressed during the year with the opening of hotels in Guangzhou and Shanghai, and the announcement of management contracts for hotels under development in Bali, Chongqing, Istanbul and Shenzhen. Meanwhile, five new hotels are scheduled to open over the next 18 months in Taipei, Bodrum, Marrakech, Beijing and Milan.

Jardine Cycle & Carriage's non-Astra motor operations continued to face difficult trading conditions in a number of markets in Southeast Asia, although there was a pleasing improvement in Truong Hai Auto Corporation in Vietnam. The group has expanded its motor operations with a new joint venture in Myanmar.

Astra maintained its profit performance in its reporting currency, with strong earnings in its financial services, motorcycle and coal mining contracting businesses more than compensating for declines elsewhere. Its contribution to the Group's results, however, was lower due to an 11% decline in the average rupiah exchange rate against the US dollar. Astra is pursuing a strategy of expansion into new areas where

it believes that it can develop market-leading businesses by building on its existing expertise, customer base and reputation for quality. Initiatives included the launch of Low Cost Green Cars, the acquisition of a stake in a wheel rim manufacturer, the launch of a commercial and residential property development project in central Jakarta alongside Hongkong Land, and in January 2014 the announcement of a new life insurance joint venture with Aviva plc.

In January 2014, the Company agreed to invest US\$731 million for an interest in Hong Kong-listed Zhongsheng Group, which is one of mainland China's leading motor dealership groups. The investment represents an initial 11% equity interest together with convertible bonds, which entitles the Group's interest to increase to 20%. Zhongsheng represents a range of major international marques and operates over 170 outlets in some 60 cities across 15 provinces and regions.

## Corporate Developments

The Company has announced its intention, subject to shareholder approval, to transfer the listing of its shares on the Main Market of the London Stock Exchange to the standard listing category from the current premium listing category.

## People

David Hsu joined the Board on 6th January 2014.

## Outlook

While the Group's businesses have generally started 2014 trading well, it is expected that the overall performance for the year will be affected by the continuation of last year's uneven market conditions, a reduced contribution from Hongkong Land's residential completions and a weaker average exchange rate for the Indonesian rupiah.

## Sir Henry Keswick

*Chairman*

6th March 2014



# Jardine Strategic

## Jardine Strategic



### Jardine Matheson

An Asian-based conglomerate with a portfolio of interests in leading businesses, held in part through its 83% stake in Jardine Strategic. (56%)



### Hongkong Land

A listed property group with some 800,000 sq. m. of prime commercial property, principally in Hong Kong and Singapore, and high quality residential developments in Asia. (50%)



A listed pan-Asian retail group operating over 5,800 outlets, including supermarkets, hypermarkets, convenience stores, health and beauty stores, home furnishings stores and restaurants. (78%)



A listed hotel investment and management group with a portfolio of 44 deluxe and first class hotels and resorts worldwide, including 18 under development. (74%)



### Jardine Cycle & Carriage

A Singapore-listed company with an interest of just over 50% in Astra, a major listed Indonesian conglomerate, and other motor interests in Southeast Asia. (73%)



### ASTRA international

The largest Indonesian motor group, manufacturing, assembling and distributing motor vehicles, motorcycles and components in partnership with industry leaders such as Toyota, Daihatsu and Honda.

Astra's financial services businesses consist of consumer finance (principally motor vehicle and motorcycle), insurance and banking.

Astra's other interests include heavy equipment and mining, oil palm plantations, infrastructure and logistics, and information technology.

(Figures in brackets show effective ownership by Jardine Strategic as at 20th March 2014.)

## Jardine Matheson



### Jardine Pacific

A holding company with a select portfolio representing many of the Group's non-listed Asian businesses, principally in engineering and construction, transport services, restaurants and IT services. (100%)



### Jardine Motors Group

A group engaged in the sales and service of motor vehicles in Hong Kong, Macau and the United Kingdom, and with a large and growing presence in Southern China. (100%)



A leading provider of insurance, reinsurance and employee benefits related advice, brokerage and associated services, combining specialist knowledge in the London and international insurance markets with a worldwide network. (42%)

(Figures in brackets show effective ownership by Jardine Matheson as at 20th March 2014.)

# Profit and Net Assets Analysis

## Underlying Profit and Shareholders' Funds

	Underlying profit attributable to shareholders				Shareholders' funds			
	2013		2012		2013		2012	
	US\$m	%	US\$m restated*	%	US\$m	%	US\$m restated*	%
Jardine Matheson†	173	10	169	10	1,739	8	1,516	7
Hongkong Land	467	27	390	23	13,428	64	13,074	64
Dairy Farm	373	21	345	20	1,201	6	1,152	6
Mandarin Oriental	69	4	51	3	799	4	769	4
Jardine Cycle & Carriage	43	2	42	2	239	1	237	1
Astra	617	35	695	41	2,945	14	3,192	15
Other holdings	12	1	15	1	613	3	601	3
	1,754	100	1,707	100	20,964	100	20,541	100
Corporate	(138)		(132)		1,064		800	
	1,616		1,575		22,028		21,341	

\*The accounts have been restated due to a change in accounting policy upon adoption of IAS 19 (amended 2011) 'Employee Benefits', as set out in note 1 to the financial statements.

†Excluding Jardine Strategic and its subsidiaries and associates.

## Market Value Basis Net Assets#

	2013		2012	
	US\$m	%	US\$m	%
Jardine Matheson	3,344	11	4,914	13
Hongkong Land	6,942	24	8,225	23
Dairy Farm	9,971	34	11,440	31
Mandarin Oriental	1,231	4	1,069	3
Jardine Cycle & Carriage	7,406	25	10,113	28
Other holdings	623	2	611	2
	29,517	100	36,372	100
Jardine Strategic Corporate	1,054		766	
	30,571		37,138	
Net asset value per share (US\$) <sup>†</sup>	50.34		60.65	

#Market value basis net assets are calculated based on the market price of the Company's holdings for listed companies, with the exception of the holding in Jardine Matheson which has been calculated by reference to the market value of US\$19,762 million (2012: US\$22,926 million) less the Company's share of the market value of Jardine Matheson's interest in the Company. For unlisted companies a Directors' valuation has been used.

†Net asset value per share is calculated on 'market value basis net assets' of US\$30,571 million (2012: US\$37,138 million) and on 607 million (2012: 612 million) shares outstanding at the year end which excludes the Company's share of the shares held by Jardine Matheson of 513 million (2012: 508 million) shares.

# Operating Review

**Jardine Matheson** is a holding company with extensive operations in trading and services through Jardine Pacific; sales and service of motor vehicles through Jardine Motors; and the provision of insurance and employee benefits related advice, brokerage and associated services through Jardine Lloyd Thompson. Through its holding in Jardine Strategic it has interests in the other Group companies.

	2013	2012	Change (%)
Revenue (US\$ billion)	39.5	39.6	–
Underlying profit attributable to shareholders (US\$ million)	1,502	1,462	3
Underlying earnings per share (US\$)	4.09	4.01	2
Net asset value per share (US\$)	49.84	48.53	3

Jardine Matheson achieved an underlying profit before tax for the year of US\$4,600 million, a decrease of 3%. Underlying profit attributable to shareholders was up 3% at US\$1,502 million, while underlying earnings per share were 2% higher at US\$4.09. Its profit attributable to shareholders was US\$1,566 million, compared with US\$1,671 million in 2012, reflecting a modest increase in investment property portfolio values.

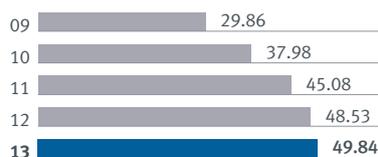
## Jardine Pacific

Jardine Pacific's underlying profit of US\$110 million was 24% lower than 2012 reflecting the mixed results within its businesses. The profit attributable to shareholders was US\$112 million, compared with US\$155 million in 2012. Shareholders' funds were US\$703 million at the end of 2013, and the underlying return on average shareholders'

funds was 17%. The group's engineering and construction businesses all performed well generating higher earnings, and Gammon's order book increased to US\$4.5 billion. Hong Kong Air Cargo Terminals saw its earnings decline as a major customer undertook a planned move to its own dedicated facility, while the results of Jardine Shipping Services and Jardine Aviation Services improved slightly. Jardine Restaurants' Pizza Hut operations in Hong Kong and Taiwan produced higher sales and profits, but its KFC franchise in Taiwan reported a loss as a result of difficult trading conditions and an increased franchise fee. The group acquired the KFC franchise in Hong Kong during the year. Jardine OneSolution saw a decline in revenue and recorded a trading loss following an underperformance in all its markets.



Jardine Matheson  
Underlying Profit Attributable to Shareholders  
(US\$ million)



Jardine Matheson  
Net Asset Value per Share (US\$)

### Jardine Motors

Jardine Motors recorded a much improved underlying profit result of US\$59 million, compared with US\$15 million in 2012. A breakeven result was achieved in mainland China, following a loss recorded in 2012, as its service operations produced higher income and losses arising on new car sales were reduced as margins improved slightly. Zung Fu produced a modest increase in profit in Hong Kong and Macau, with higher deliveries of Mercedes-Benz passenger cars and an increased contribution from Hyundai. The group's dealerships in the United Kingdom performed better with vehicle sales up and margins enhanced slightly, and the result included a US\$3.6 million gain from the sale of dealerships.

### Jardine Lloyd Thompson

JLT's total revenue for the year was US\$1,533 million, up 11% in its reporting currency. Underlying profit after tax and non-controlling interests was US\$188 million, a reported

increase of 13%. This result was achieved through continued investment, cost control and organic growth across the business with good performances from its Reinsurance, Asia, Latin America and Employee Benefits operations. JLT's contribution to Jardine Matheson's underlying profit was up 7% after adjusting for foreign exchange movements and costs associated with the relocation of its London head office. The Risk & Insurance group, comprising specialist insurance, wholesale and reinsurance broking businesses, achieved revenue growth of 7% all of which was organic and underlying trading profit also grew by 7%. In November, JLT acquired Towers Watson's reinsurance broking business, which significantly increased its reinsurance operation, particularly in North America. The Employee Benefits group delivered strong results with revenue growth of 25%, including organic growth of 14%, while underlying trading profit grew by 29%.

**Hongkong Land** is a major listed group with some 800,000 sq. m. of prime office and luxury retail property in key Asian cities, principally in Hong Kong and Singapore. The group also has a number of high quality residential projects under development in Greater China and Southeast Asia.

	<b>2013</b>	2012	Change (%)
Underlying profit attributable to shareholders (US\$ million)	<b>935</b>	776	20
Net asset value per share (US\$)	<b>11.41</b>	11.11	3



Underlying Earnings per Share (US\$)



Net Asset Value per Share (US\$)

Hongkong Land reported a record underlying profit attributable to shareholders of US\$935 million, up 20%, with improved performances from both its commercial and residential activities. The profit attributable to shareholders of US\$1,190 million included US\$255 million of property valuation gains, and compares with US\$1,438 million in 2012 which included valuation gains of US\$662 million. The net asset value per share at 31st December 2013 was US\$11.41, compared with US\$11.11 at the end of 2012. The group remained financially robust with year-end net debt of US\$3.0 billion and gearing of 11%.

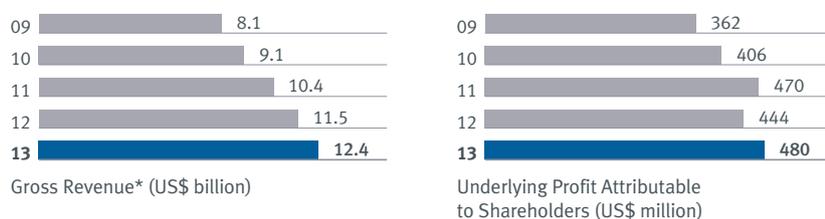
In its commercial properties rental reversions remained largely positive in Hong Kong, despite demand for office space remaining subdued, while its retail portfolio was fully occupied. The contribution from Singapore rose due to the inclusion of a full year of results from the now complete Marina Bay Financial Centre and higher average rents.

In mainland China, the development of a luxury retail complex on a prime site at Wangfujing in Beijing, which will incorporate a Mandarin Oriental hotel, is progressing.

Earnings from residential developments rose strongly following the completion in Singapore of two fully-sold projects by MCL Land and the one-third owned Marina Bay Suites which was some 90% pre-sold. In mainland China, sales completions continued in projects in Beijing and Chongqing, and sales of further units were also completed in Hong Kong and Macau. In Indonesia, construction began at a residential joint venture near central Jakarta, and planning is underway for a second project in the city in conjunction with Astra. In the Philippines, the final phase of a development of luxury apartments in central Manila is being progressed.

**Dairy Farm** is a leading pan-Asian retailer. The listed group, together with its associates and joint ventures, operates over 5,800 outlets – including supermarkets, hypermarkets, convenience stores, health and beauty stores, home furnishings stores and restaurants.

	<b>2013</b>	2012	Change (%)
Gross revenue* (US\$ billion)	<b>12.4</b>	11.5	8
Underlying profit attributable to shareholders (US\$ million)	<b>480</b>	444	8



\*Includes 100% of revenue from associates and joint ventures.

Dairy Farm's sales, including 100% of associates and joint ventures, rose 8% to US\$12.4 billion in 2013. Underlying profit was up 8% at US\$480 million. The profit attributable to shareholders was US\$501 million, an increase of 12%, including a net non-trading gain of US\$21 million arising mainly from a property disposal in Indonesia.

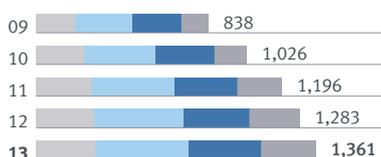
If the write-off of prior years' Malaysian supplier income is excluded from Dairy Farm's 2012 results, underlying earnings in 2013 were 4% lower. This was largely a reflection of the mixed performances within Dairy Farm's Food businesses. There was increased profitability in Hong Kong and mainland China, but lower earnings in Indonesia, Singapore and Malaysia due to increased competition, higher operating costs, a weaker economic environment and adverse currency movements. In Malaysia, steps are being taken to rebuild the fundamentals of the hypermarket and supermarket

operations, which has shown some stabilization. In contrast to the Food division, there were record sales and profits from the group's Health & Beauty, Home Furnishings and Restaurants divisions.

A fifth IKEA store in Taiwan was opened in early September with encouraging initial results, and the construction of the first IKEA store in Indonesia is currently on track for opening by the end of the year. Across both the Food and Health & Beauty divisions significant work is underway to develop a stronger own-label offering. The group is also investing in the renovation of existing stores to enhance the shopping experience for its customers, while improvements are being made in its supply chain to obtain greater efficiencies and higher productivity.

**Mandarin Oriental** is a listed hotel investment and management group. It has a portfolio of 44 deluxe and first class hotels and resorts worldwide, including 18 under development, and has ‘Residences’ connected to a number of its properties.

	<b>2013</b> US\$m	2012 US\$m	Change %
Combined total revenue of hotels under management	<b>1,361</b>	1,283	6
Underlying profit attributable to shareholders	<b>93</b>	69	35



Combined Total Revenue by Geographical Area (US\$ million)

■ Hong Kong    ■ Other Asia  
■ North America    ■ Europe



Net Asset Value per Share\* (US\$)

\* With freehold and leasehold properties at valuation.

Mandarin Oriental performed well with underlying profit up 35% to a record US\$93 million. The underlying earnings benefited from a profit of US\$7 million arising upon the acquisition in February of the freehold rights of the group’s Paris hotel together with an increased contribution from the hotel itself. Profit attributable to shareholders was US\$96 million in 2013, compared to US\$71 million in the prior year.

The occupancy and average rates were maintained at the group’s two wholly-owned hotels in Hong Kong, while the performance in Tokyo improved significantly. The trading performances of its other Asian hotels were resilient. In Europe, a continued strong performance in Munich more than offset subdued results in Geneva. London was marginally down following a record year in 2012, while in Paris the hotel

stabilized further with improvements in occupancy and average rate. In America, increased demand led to an overall improved performance.

Mandarin Oriental opened luxury hotels in Guangzhou and Shanghai during the year, while it ceased to manage the Chiang Mai resort and the Grand Lapa in Macau. The group has announced management contracts for hotels under development in Bali, Chongqing, Istanbul and Shenzhen, and within the next 18 months, expects to open five new hotels in Taipei, Bodrum, Marrakech, Beijing and Milan. Mandarin Oriental now operates 26 hotels with a further 18 under development, and has six *Residences at Mandarin Oriental* connected to its properties with a further seven under development.

**Jardine Cycle & Carriage** is a Singapore-listed company with an interest of just over 50% in Astra, a major listed Indonesian conglomerate, and other motor interests in Southeast Asia.

	<b>2013</b>	2012	Change (%)
Revenue (US\$ billion)	<b>19.8</b>	21.5	(8)
Underlying profit attributable to shareholders (US\$ million)	<b>894</b>	1,015	(12)
Shareholders' funds (US\$ million)	<b>4,261</b>	4,633	(8)



Revenue (US\$ billion)



Underlying Profit Attributable to Shareholders (US\$ million)

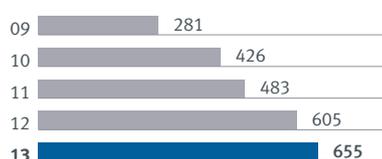
Jardine Cycle & Carriage's underlying profit declined by 12% to US\$894 million in 2013. Profit attributable to shareholders was 7% lower at US\$915 million after accounting for non-trading items. Astra's contribution to underlying profit at US\$849 million was 13% lower than 2012, largely due to an 11% decline in the average rupiah exchange rate. The contribution from the group's other motor interests was little changed.

Among the group's non-Astra motor businesses, its Singapore operations did well with only a marginal decline in earnings despite government measures to curb demand for vehicles. Intense competition led to a lower profit for

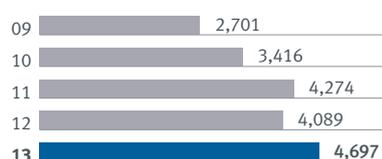
Cycle & Carriage Bintang in Malaysia, although investment continued with the opening of a tenth Mercedes-Benz outlet. In Indonesia, Tunas Ridean's profits suffered lower margins and increased labour costs, although its finance operation did well. In Vietnam, the contribution from Truong Hai Auto Corporation increased significantly due to improved sales and margins, and lower interest costs. Jardine Cycle & Carriage has recently entered into a 60%-owned joint venture in Myanmar and has secured rights for the distribution and after-sales service of Mercedes-Benz, Mazda and Fuso vehicles.

**Astra** is a listed diversified Indonesian group with interests in the automotive sector, financial services, heavy equipment and mining, oil palm plantations, infrastructure and logistics, and information technology.

	2013	2012	Change* (%)
Gross revenue† (US\$ billion)	<b>30.6</b>	31.8	8
Profit attributable to shareholders# (US\$ million)	<b>1,838</b>	2,062	–
Shareholders' funds# (US\$ million)	<b>6,886</b>	7,363	18



Motor Vehicle Sales including Associates and Joint Ventures (thousand units)



Motorcycle Sales including Associates and Joint Ventures (thousand units)



Gross Revenue† (US\$ billion)

\*Based on the change in Indonesian rupiah, being the reporting currency of Astra. †Includes 100% of revenue from associates and joint ventures. #Reported under Indonesian GAAP.

Astra produced a net profit under Indonesian accounting standards that was little changed at Rp19.4 trillion, equivalent to US\$1,838 million. Strong results from its financial services and mining contracting businesses were offset by a decline in earnings from its heavy equipment and palm oil subsidiaries. Its automotive activities delivered slightly improved results, as a decline in the contribution from its components business was countered by an improved result from its motorcycle operations.

While automotive demand remained favourable during 2013, increased competition from additional domestic capacity coupled with higher labour costs led to the earnings contribution from the car sector being little changed. Astra's automotive component businesses achieved higher sales volumes, but earnings fell 4% following rises in both material and labour costs. There was, however, an improved contribution from the motorcycle businesses, which saw its market share increasing from 58% to 61%.

Net income from the group's financial services businesses grew by 15% in 2013. Strong growth in Permata Bank and the automotive-focused Astra Credit Companies, Toyota Astra Financial Services and Federal International Finance, was partly offset by a decline in the group's heavy equipment-focused finance companies, Surya Artha Nusantara Finance and

Komatsu Astra Finance. Insurance company, Asuransi Astra Buana, recorded higher earnings.

United Tractors reported net income 16% lower as sales of Komatsu heavy equipment fell 32% following a decline in demand from the mining sector due to weaker coal prices. The coal mine contracting operations of subsidiary, Pamapersada Nusantara, benefited from increased mine site capacity and reported a 13% improvement in revenue. United Tractors' mining subsidiaries reported a decline in revenue of 34%, with coal sales 26% lower and average coal prices down 14%.

Astra Agro Lestari saw net income fall 25% despite an increase in sales. Average crude palm oil prices achieved were down 1%, and income also suffered from lower crop yield, higher labour costs and foreign exchange translation loss on US dollar borrowings.

Net income from infrastructure, logistics and other businesses increased by 10%, however, if items classified as non-trading are excluded, net income was down 19%. Its toll road saw increased traffic volume, while its TRAC car rental business experienced a 33% decline in net income due to higher depreciation and operating costs. Astra Graphia, which is active in the area of document information and communication technology solutions, reported net income up 22%.

## Business Model

Jardine Strategic is a holding company within the Jardine Matheson Group which takes long-term strategic investments in multinational businesses and other high quality companies with existing or potential links to the Group. The Company's investments are focused principally on Greater China and Southeast Asia, although some of its operations have a more global reach. The Group companies are leaders in the fields of motor vehicles and related activities, property investment and development, retailing and restaurants, engineering and construction, transport services, luxury hotels, financial services, heavy equipment, mining and agribusiness.

The Group's representation in this broad mix of business sectors and the spread between cash generating activities and long-term property assets enables it to focus its investment in high growth markets while spreading the risk that might otherwise be associated with its geographic concentration. This strategy, combined with a strong balance sheet, is designed to achieve long-term growth in both earnings and net asset value.

### **Ben Keswick**

*Managing Director*

6th March 2014

# Financial Review

## Accounting Policies

The Directors continue to review the appropriateness of the accounting policies adopted by the Group having regard to developments in International Financial Reporting Standards. In 2013, a number of new or amended standards became effective and the Group adopted those which are relevant to the Group's operations. As mentioned in note 1 to the financial statements, the only standard adopted that impacts the consolidated profit and loss account and balance sheet is IAS 19 (amended 2011) 'Employee Benefits'. The adoption of this standard does not have a material effect on the financial statements, but the comparative financial statements have been restated. In addition, pursuant to the new or amended standards, additional disclosures have been made in the financial statements in respect of pension plans, fair value measurements, interests in subsidiaries that have material non-controlling interests, and interests in material associates and joint ventures.

## Results

In 2013, revenue decreased marginally to US\$32.7 billion. Gross revenue, including 100% of revenue from Jardine Matheson, associates and joint ventures, which is a better measure of the extent of the Group's operations, increased slightly to US\$61.4 billion, reflecting higher revenue growth from Jardine Lloyd Thompson and the associates and joint ventures of Hongkong Land and Dairy Farm.

Underlying operating profit was US\$3,427 million, a drop of US\$230 million or 6%. This reflected the mixed performances from the Group's businesses. There was a decrease in contribution of US\$409 million from Astra. Against this, there were increases from Hongkong Land of US\$117 million, Dairy Farm of US\$45 million and Mandarin Oriental of US\$30 million.

Astra's underlying operating profit has been impacted by an 11% movement in the average exchange rate for the Indonesian rupiah against the US dollar. In its reporting currency, lower contributions from Astra's heavy equipment, mining and agribusiness were mitigated by the strong results from financial services and mining contracting. The underlying operating profit of its automotive businesses was broadly in line with 2012.

Hongkong Land's improved underlying operating profit was due to the good performances from both its commercial and residential activities with rent reversions remaining largely positive and an increased number of completions, respectively. The underlying operating profit for Dairy Farm rose by US\$45 million with increased profits from all major units except for the Food business in Southeast Asia. Mandarin Oriental benefited from a gain of US\$7 million relating to the acquisition of the freehold rights to its Paris hotel together with much improved results from the hotels in Paris and Tokyo.

The operating profit of US\$3,334 million included a number of non-trading items, including a net decrease of US\$62 million in the fair value of investment properties mainly in Hongkong Land, an impairment charge on the investment in Tata Power of US\$55 million and a gain of US\$29 million on the sale of certain property interests in Dairy Farm.

Net financing charges decreased by US\$13 million over 2012, primarily due to lower interest rates and the lower level of net debt. Interest cover exclusive of financial services companies remained strong at 34 times, calculated as the sum of underlying operating profit and share of results of Jardine Matheson, associates and joint ventures divided by net financing charges.

The underlying profit contribution from Jardine Matheson increased by 2% to US\$173 million reflecting an increase of US\$24 million from Jardine Motors due to better margins and higher service income in mainland China and higher deliveries and margins in Hong Kong and the United Kingdom, partly offset by the lower contribution from Jardine Pacific due to losses incurred by its KFC franchise in Taiwan and Jardine OneSolution.

The Group's share of underlying results of associates and joint ventures increased by 7% to US\$934 million. The higher contribution came from the recognition of sales on completion of a residential property project by a Hongkong Land joint venture in Singapore together with higher rentals and occupancy from certain joint venture commercial properties there and an improved contribution from Dairy Farm's restaurant associate. This was partly offset by lower contributions from the associates and joint ventures of

Astra, where good performances in automotive and financial services businesses were more than offset by the weakness of the Indonesian rupiah.

The overall contribution from the Group's associates and joint ventures included a number of non-trading items, among which were increases in the fair value of investment properties held by Hongkong Land's associates and joint ventures, partly offset by an asset impairment within Astra.

The underlying effective tax rate for the year was 24%, which is broadly in line with that of 2012.

Underlying profit attributable to shareholders at US\$1,616 million is US\$41 million higher than last year. The increase was due to increases of US\$77 million from Hongkong Land, US\$28 million from Dairy Farm and US\$18 million from Mandarin Oriental, partly offset by a decrease in contribution of US\$78 million from Astra, which reported a net profit similar to the level achieved in 2012 in its reporting currency. After reclassifying certain items to non-trading for Group reporting purposes and adjusting for exchange movements, Astra's contribution to the Group shows a decrease. Had Astra's earnings been translated using the same rate as applied in 2012, Astra's contribution to the Group's underlying earnings would have been US\$75 million higher than reported. Underlying earnings per share increased by 3% to US\$2.65.

The profit attributable to shareholders for the year of US\$1,700 million included a surplus of US\$135 million on the revaluation of investment properties, mainly in Hongkong Land, a gain of \$18 million on the sale of property interests in Dairy Farm and the impairment of investments totalling US\$61 million held by the Company and Astra. Earnings per share were US\$2.79, a decrease of 6%, primarily due to the smaller increase in the valuation of Hongkong Land's investment properties.

## Dividends

The Board is recommending a final dividend of US\$0.18 per share, giving a total dividend of US\$0.255 per share for the year, payable on 14th May 2014 to those persons registered as shareholders on 21st March 2014. The dividends are payable in cash with a scrip alternative.

## Summarized Cash Flow

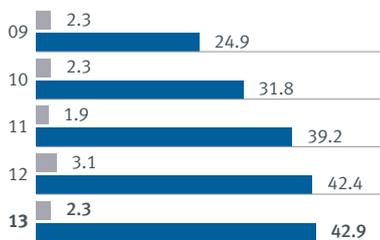
	2013 US\$m	2012 US\$m
Operating cash flow	3,275	1,666
Dividends from associates and joint ventures	533	622
Operating activities	3,808	2,288
Capital expenditure and investments	(2,230)	(2,681)
Cash flow before financing	1,578	(393)

## Cash Flow

The cash inflow from operating activities for the year was US\$3,808 million. This represented an increase of US\$1,520 million on 2012 principally due to a much lower increase in working capital in Hongkong Land and Astra.

Capital expenditure for the year before disposals amounted to US\$2,653 million and was broadly spread throughout the Group. This included the following:

- US\$74 million for the purchase of subsidiaries, primarily the acquisitions by Astra of a 100% interest in an integrated logistics hub based in East Kalimantan and a 51% interest in an automotive component business which manufactures wheel rims;
- US\$488 million mainly for Hongkong Land's purchase of, and capital injections into, various associates in mainland China and Indonesia, and Astra's capital injections into a number of associates and joint ventures;
- US\$106 million for the purchase of other investments mainly by Astra's general insurance business;
- US\$294 million for the purchase of intangible assets, which included US\$127 million for leasehold land mainly for use by Astra's new motor dealerships, US\$67 million for the construction and improvement costs for toll roads and US\$52 million of commissions for securing insurance contracts in Astra;



Net Debt\* and Total Equity (US\$ billion)

■ Net Debt  
■ Total Equity

\*Excluding net debt of financial services companies.

- US\$1,397 million for the purchase of tangible assets, which included US\$296 million in Dairy Farm, US\$418 million in Mandarin Oriental mainly for its purchase of the freehold interest in Paris, and US\$664 million in Astra mainly for the acquisition of US\$238 million of heavy equipment and machinery, predominantly by Pamapersada Nusantara in response to capacity expansion in its mining contracting business, US\$151 million in its automotive business mainly for outlet development and additional operational machinery and equipment, and US\$179 million in its agribusiness to develop plantation infrastructure;
- US\$223 million for additions to investment properties in Hongkong Land and Astra, and US\$65 million for additions to plantations in Astra; and
- a contribution to the Group's cash flow of US\$219 million from the repayment from associates and joint ventures in Hongkong Land, and US\$109 million from the sale of other investments held by Astra.

In addition to the above capital expenditure, the Group purchased additional interests in Group companies for a total cost of US\$187 million and Astra sold part of its interest in PT Astra Otoparts for US\$260 million, which are both presented as financing activities in the cash flow statement.

## Funding

At the year end, undrawn committed facilities totalled US\$6.1 billion. In addition, the Group had available liquid funds of US\$4.9 billion. Net borrowings, excluding those relating to Astra's financial services companies, were

US\$2.3 billion, representing 5% of total equity. Astra's financial services companies had net borrowings of US\$3.5 billion, US\$0.3 billion down from 2012 mainly due to the translation effect of the weaker rupiah. The Group's total equity increased by US\$0.5 billion to US\$42.9 billion during the year.

The average tenor of the Group's debt at 31st December 2013 was 4.7 years, compared with 4.5 years at the end of 2012. US dollar denominated borrowings comprised 7% of the Group's total borrowings. Non-US dollar denominated borrowings are directly related to the Group's businesses in the countries of the currencies concerned. As at 31st December 2013 approximately 54% of the Group's borrowings, exclusive of financial services companies, were at floating rates and the remaining 46% were fixed rate borrowings or covered by interest rate hedges with major creditworthy financial institutions.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, both short and long term, to give flexibility to develop the business.

## Treasury Policy

The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty about costs. The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield.

## Principal Risks and Uncertainties

A review of the principal risks and uncertainties facing the Group is set out on page 110.

### James Riley

*Chief Financial Officer*

6th March 2014

# Directors' Profiles

## Sir Henry Keswick\*

### *Chairman*

Sir Henry joined the Board in 1988 and became Chairman in 1989. He is chairman of Jardine Matheson, having first joined the group in 1961, and is a director of Dairy Farm, Hongkong Land and Mandarin Oriental. He is also vice chairman of the Hong Kong Association.

## Ben Keswick\*

### *Managing Director*

Mr Ben Keswick was appointed as Managing Director in 2012. He has held a number of executive positions since joining the Jardine Matheson group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited and Jardine Cycle & Carriage and a commissioner of Astra. He is also chairman and managing director of Dairy Farm, Hongkong Land and Mandarin Oriental, managing director of Jardine Matheson and a director of Jardine Pacific and Jardine Motors.

## Charles Allen-Jones

Mr Allen-Jones joined the Board in 2008. He was formerly senior partner of Linklaters, where he had been a partner for 33 years until 2001. Mr Allen-Jones is a non-executive director of Hongkong Land and Caledonia Investments and vice chairman of the Council of the Royal College of Art.

## David Hsu

Mr Hsu joined the Board in January 2014 having first joined the Jardine Matheson group in 2011. He is chairman of Jardine Matheson (China) with responsibility for supporting the group's business developments in mainland China, Taiwan and Macau. He was previously chief executive of J.P. Morgan Asset Management in the Asia Pacific Region. Mr Hsu is also a director of Jardine Matheson Limited.

## Jenkin Hui

Mr Hui was appointed a Director in 1999. He is a director of Hongkong Land, Jardine Matheson, Central Development and a number of property and investment companies.

## Adam Keswick\*

Mr Adam Keswick was appointed a Director in 2012. He is chairman of Jardine Pacific and chairman and chief executive of Jardine Motors. He has held a number of executive positions since joining the Jardine Matheson group from N M Rothschild & Sons in 2001, including group strategy director and, thereafter, group managing director of Jardine Cycle & Carriage between 2003 and 2007. Mr Keswick is also deputy chairman of Jardine Matheson Limited, deputy managing director of Jardine Matheson, and a director of Dairy Farm, Hongkong Land, Mandarin Oriental and Zhongsheng Group Holdings.

## Simon Keswick\*

Mr Simon Keswick joined the Board in 1986. He joined the Jardine Matheson group in 1962 and is a director of Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental.

## Dr George C.G. Koo

Dr Koo, a Fellow of the Royal College of Surgeons, joined the Board in 1996. He is the founder and managing director of the Hong Kong Lithotripter Centre. He is also a director of Dairy Farm.

## Lord Leach of Fairford\*

Lord Leach joined the Board in 1987. He joined the Jardine Matheson group in 1983 after a career in banking and merchant banking. He is deputy chairman of Jardine Lloyd Thompson, and a director of Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental. He is also a member of the supervisory board of Paris Orléans.

## Anthony Nightingale

Mr Nightingale was Managing Director of the Company from 2006 to 2012. He held a number of senior positions since first joining the Jardine Matheson group in 1969 until his retirement from executive office in 2012. He is also a director of Dairy Farm, Hongkong Land, Jardine Cycle & Carriage, Jardine Matheson, Mandarin Oriental, China Xintiandi, Prudential and Schindler and a commissioner of Astra. Mr Nightingale also acts as an adviser for certain companies outside the Group and holds a number of senior public appointments, including acting as a non-official member of the Commission on Strategic Development, a Hong Kong representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council and a member of the UK ASEAN Business Council Advisory Panel. He is an Honorary Professor of the School of Business of the Hong Kong Baptist University.

## Percy Weatherall

Mr Weatherall was Managing Director of the Company from 2000 to 2006. He held a number of senior positions since first joining the Jardine Matheson group in 1976 until his retirement from executive office in 2006. He is also a director of Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental. He is chairman of Corney & Barrow and the Nith District Salmon Fishery Board.

\*Executive Director

## Company Secretary and Registered Office

John C. Lang  
Jardine House, 33-35 Reid Street  
Hamilton  
Bermuda

# Consolidated Profit and Loss Account

for the year ended 31st December 2013

	Note	2013			2012		
		Underlying business performance US\$m	Non-trading items US\$m	Total US\$m	Underlying business performance US\$m restated	Non-trading items US\$m	Total US\$m restated
Revenue	5	<b>32,666</b>	–	<b>32,666</b>	33,098	–	33,098
Net operating costs	6	<b>(29,239)</b>	<b>(31)</b>	<b>(29,270)</b>	(29,441)	–	(29,441)
Change in fair value of investment properties		–	<b>(62)</b>	<b>(62)</b>	–	321	321
Operating profit		<b>3,427</b>	<b>(93)</b>	<b>3,334</b>	3,657	321	3,978
Net financing charges	7						
– financing charges		<b>(242)</b>	–	<b>(242)</b>	(239)	–	(239)
– financing income		<b>139</b>	–	<b>139</b>	123	–	123
		<b>(103)</b>	–	<b>(103)</b>	(116)	–	(116)
Share of results of Jardine Matheson	8	<b>173</b>	<b>(5)</b>	<b>168</b>	169	4	173
Share of results of associates and joint ventures	9						
– before change in fair value of investment properties		<b>934</b>	<b>(23)</b>	<b>911</b>	870	(45)	825
– change in fair value of investment properties		–	<b>352</b>	<b>352</b>	–	361	361
		<b>934</b>	<b>329</b>	<b>1,263</b>	870	316	1,186
Sale of an associate	10	–	–	–	–	(66)	(66)
Profit before tax		<b>4,431</b>	<b>231</b>	<b>4,662</b>	4,580	575	5,155
Tax	11	<b>(805)</b>	<b>(7)</b>	<b>(812)</b>	(842)	(14)	(856)
Profit after tax		<b>3,626</b>	<b>224</b>	<b>3,850</b>	3,738	561	4,299
Attributable to:							
Shareholders of the Company	12 & 13	<b>1,616</b>	<b>84</b>	<b>1,700</b>	1,575	252	1,827
Non-controlling interests		<b>2,010</b>	<b>140</b>	<b>2,150</b>	2,163	309	2,472
		<b>3,626</b>	<b>224</b>	<b>3,850</b>	3,738	561	4,299
		US\$		US\$	US\$		US\$
Earnings per share	12						
– basic		<b>2.65</b>		<b>2.79</b>	2.56		2.97
– diluted		<b>2.65</b>		<b>2.79</b>	2.56		2.97

# Consolidated Statement of Comprehensive Income

for the year ended 31st December 2013

		<b>2013</b>	2012
		US\$m	US\$m
	<i>Note</i>		restated
Profit for the year		<b>3,850</b>	4,299
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	23	<b>41</b>	(54)
Net revaluation surplus before transfer to investment properties			
– intangible assets	14	<b>2</b>	–
– tangible assets	15	<b>1</b>	–
Tax on items that will not be reclassified		<b>(9)</b>	13
		<b>35</b>	(41)
Share of other comprehensive income/(expense) of Jardine Matheson		<b>27</b>	(24)
Share of other comprehensive income/(expense) of associates and joint ventures		<b>1</b>	(21)
		<b>63</b>	(86)
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net loss arising during the year		<b>(1,794)</b>	(323)
– transfer to profit and loss		<b>(1)</b>	(2)
		<b>(1,795)</b>	(325)
Revaluation of other investments			
– net (loss)/gain arising during the year	20	<b>(28)</b>	180
– transfer to profit and loss		<b>(11)</b>	(75)
		<b>(39)</b>	105
Impairment of other investments		<b>55</b>	–
Cash flow hedges			
– net loss arising during the year		<b>(40)</b>	(15)
– transfer to profit and loss		<b>77</b>	19
		<b>37</b>	4
Tax relating to items that may be reclassified		<b>(8)</b>	1
Share of other comprehensive income of Jardine Matheson		<b>6</b>	25
Share of other comprehensive (expense)/income of associates and joint ventures		<b>(641)</b>	33
		<b>(2,385)</b>	(157)
Other comprehensive expense for the year, net of tax		<b>(2,322)</b>	(243)
Total comprehensive income for the year		<b>1,528</b>	4,056
Attributable to:			
Shareholders of the Company		<b>973</b>	1,888
Non-controlling interests		<b>555</b>	2,168
		<b>1,528</b>	4,056

# Consolidated Balance Sheet

at 31st December 2013

	Note	At 31st December		At 1st January
		2013	2012	2012
		US\$m	US\$m	US\$m
			restated	restated
<b>Assets</b>				
Intangible assets	14	<b>2,088</b>	2,269	2,126
Tangible assets	15	<b>6,426</b>	6,582	5,628
Investment properties	16	<b>23,688</b>	23,561	22,589
Plantations	17	<b>856</b>	1,026	1,058
Investment in Jardine Matheson	18	<b>1,734</b>	1,511	1,227
Associates and joint ventures	19	<b>7,749</b>	7,261	6,461
Other investments	20	<b>1,096</b>	1,208	1,065
Non-current debtors	21	<b>2,792</b>	2,682	2,500
Deferred tax assets	22	<b>226</b>	221	153
Pension assets	23	<b>30</b>	17	20
Non-current assets		<b>46,685</b>	46,338	42,827
Properties for sale	24	<b>2,670</b>	2,513	1,521
Stocks and work in progress	25	<b>2,330</b>	2,706	2,405
Current debtors	21	<b>5,269</b>	5,907	5,359
Current investments	20	<b>17</b>	13	4
Current tax assets		<b>129</b>	113	69
Bank balances and other liquid funds	26			
– non-financial services companies		<b>4,617</b>	3,629	3,699
– financial services companies		<b>284</b>	318	222
		<b>4,901</b>	3,947	3,921
Non-current assets classified as held for sale	27	<b>15,316</b>	15,199	13,279
Current assets		<b>7</b>	8	47
		<b>15,323</b>	15,207	13,326
<b>Total assets</b>		<b>62,008</b>	61,545	56,153

Approved by the Board of Directors

**Ben Keswick**  
**Lord Leach of Fairford**  
*Directors*

6th March 2014

	Note	At 31st December		At 1st January
		2013 US\$m	2012 US\$m restated	2012 US\$m restated
<b>Equity</b>				
Share capital	28	56	56	56
Share premium and capital reserves	29	1,370	1,366	1,356
Revenue and other reserves		22,440	21,646	19,949
Own shares held	31	(1,838)	(1,727)	(1,714)
Shareholders' funds		22,028	21,341	19,647
Non-controlling interests	32	20,862	21,036	19,599
Total equity		42,890	42,377	39,246
<b>Liabilities</b>				
Long-term borrowings	33			
– non-financial services companies		4,552	5,342	4,620
– financial services companies		1,674	2,319	2,002
		6,226	7,661	6,622
Deferred tax liabilities	22	707	773	626
Pension liabilities	23	213	260	189
Non-current creditors	34	384	382	280
Non-current provisions	35	116	123	99
Non-current liabilities		7,646	9,199	7,816
Current creditors	34	6,742	6,439	6,133
Current borrowings	33			
– non-financial services companies		2,385	1,425	947
– financial services companies		2,079	1,803	1,670
		4,464	3,228	2,617
Current tax liabilities		210	258	297
Current provisions	35	56	44	44
Current liabilities		11,472	9,969	9,091
Total liabilities		19,118	19,168	16,907
Total equity and liabilities		62,008	61,545	56,153

# Consolidated Statement of Changes in Equity

for the year ended 31st December 2013

	Share capital US\$m	Share premium US\$m	Capital reserves US\$m	Revenue reserves US\$m	Contributed surplus US\$m	Asset revaluation reserves US\$m	Hedging reserves US\$m	Exchange reserves US\$m	Own shares held US\$m	Attributable to shareholders of the Company US\$m	Attributable to non-controlling interests US\$m	Total equity US\$m
<b>2013</b>												
At 1st January												
– as previously reported	56	1,199	167	21,050	304	213	(23)	105	(1,727)	21,344	21,046	<b>42,390</b>
– change in accounting policy for employee benefits	–	–	–	(3)	–	–	–	–	–	(3)	(10)	<b>(13)</b>
– as restated	56	1,199	167	21,047	304	213	(23)	105	(1,727)	21,341	21,036	<b>42,377</b>
Total comprehensive income	–	–	–	1,797	–	1	24	(849)	–	973	555	<b>1,528</b>
Dividends paid by the Company	–	–	–	(150)	–	–	–	–	–	(150)	–	<b>(150)</b>
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(951)	<b>(951)</b>
Employee share option schemes	–	–	14	–	–	–	–	–	–	14	3	<b>17</b>
Scrip issued in lieu of dividends	–	–	–	6	–	–	–	–	–	6	–	<b>6</b>
Increase in own shares held	–	–	–	–	–	–	–	–	(111)	(111)	–	<b>(111)</b>
Subsidiaries acquired	–	–	–	–	–	–	–	–	–	–	52	<b>52</b>
Subsidiaries disposed of	–	–	–	–	–	–	–	–	–	–	(1)	<b>(1)</b>
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	75	<b>75</b>
Change in interests in subsidiaries	–	–	–	(44)	–	–	–	–	–	(44)	93	<b>49</b>
Change in interests in associates and joint ventures	–	–	–	(1)	–	–	–	–	–	(1)	–	<b>(1)</b>
Transfer	–	–	(10)	10	–	–	–	–	–	–	–	<b>–</b>
At 31st December	<b>56</b>	<b>1,199</b>	<b>171</b>	<b>22,665</b>	<b>304</b>	<b>214</b>	<b>1</b>	<b>(744)</b>	<b>(1,838)</b>	<b>22,028</b>	<b>20,862</b>	<b>42,890</b>
<b>2012</b>												
At 1st January												
– as previously reported	56	1,199	157	19,344	304	213	(41)	134	(1,714)	19,652	19,609	39,261
– change in accounting policy for employee benefits	–	–	–	(4)	–	–	–	(1)	–	(5)	(10)	(15)
– as restated	56	1,199	157	19,340	304	213	(41)	133	(1,714)	19,647	19,599	39,246
Total comprehensive income	–	–	–	1,899	–	–	18	(29)	–	1,888	2,168	4,056
Dividends paid by the Company	–	–	–	(141)	–	–	–	–	–	(141)	–	(141)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,003)	(1,003)
Unclaimed dividends forfeited	–	–	–	3	–	–	–	–	–	3	3	6
Employee share option schemes	–	–	11	–	–	–	–	–	–	11	2	13
Scrip issued in lieu of dividends	–	–	–	6	–	–	–	–	–	6	–	6
Increase in own shares held	–	–	–	–	–	–	–	–	(13)	(13)	–	(13)
Subsidiaries acquired	–	–	–	–	–	–	–	–	–	–	152	152
Subsidiaries disposed of	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Conversion of convertible bonds in a subsidiary	–	–	–	–	–	–	–	–	–	–	56	56
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	5	5
Change in interests in subsidiaries	–	–	–	(59)	–	–	–	–	–	(59)	55	(4)
Change in interests in associates and joint ventures	–	–	–	(1)	–	–	–	–	–	(1)	–	(1)
Transfer	–	–	(1)	–	–	–	–	1	–	–	–	–
At 31st December	<b>56</b>	<b>1,199</b>	<b>167</b>	<b>21,047</b>	<b>304</b>	<b>213</b>	<b>(23)</b>	<b>105</b>	<b>(1,727)</b>	<b>21,341</b>	<b>21,036</b>	<b>42,377</b>

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US\$1,700 million (2012: US\$1,827 million) and net fair value gain on other investments (net of impairment and transfer to profit and loss) of US\$51 million (2012: US\$121 million). Cumulative net fair value gain on other investments amounted to US\$311 million (2012: US\$260 million).

Contributed surplus represents the excess in value of shares acquired in consideration for the issue of the Company's shares, over the nominal value of those shares issued. Under the Bye-Laws of the Company, the contributed surplus is distributable.

# Consolidated Cash Flow Statement

for the year ended 31st December 2013

		2013	2012
		US\$m	US\$m
	Note		restated
<b>Operating activities</b>			
Operating profit		3,334	3,978
Change in fair value of investment properties		62	(321)
Depreciation and amortization	36 (a)	992	981
Other non-cash items	36 (b)	298	318
Increase in working capital	36 (c)	(358)	(2,239)
Interest received		133	121
Interest and other financing charges paid		(253)	(210)
Tax paid		(933)	(962)
		<b>3,275</b>	1,666
Dividends from associates and joint ventures		533	622
Cash flows from operating activities		<b>3,808</b>	2,288
<b>Investing activities</b>			
Purchase of subsidiaries	36 (d)	(74)	(127)
Purchase of associates and joint ventures	36 (e)	(488)	(253)
Purchase of other investments	36 (f)	(106)	(256)
Purchase of intangible assets		(294)	(296)
Purchase of tangible assets		(1,397)	(1,281)
Additions to investment properties		(223)	(562)
Additions to plantations		(65)	(87)
Advance to associates, joint ventures and others	36 (g)	(6)	(367)
Advance and repayment from associates, joint ventures and others	36 (h)	219	59
Sale of subsidiaries	36 (i)	14	8
Sale of associates and joint ventures		-	8
Sale of other investments	36 (j)	109	423
Sale of intangible assets		8	4
Sale of tangible assets		72	38
Sale of investment properties		1	8
Cash flows from investing activities		<b>(2,230)</b>	(2,681)
<b>Financing activities</b>			
Capital contribution from non-controlling interests		75	5
Advance from non-controlling interests		1	22
Change in interests in subsidiaries	36 (k)	73	(28)
Drawdown of borrowings		8,492	7,475
Repayment of borrowings		(7,798)	(5,757)
Dividends paid by the Company		(268)	(251)
Dividends paid to non-controlling interests		(951)	(1,003)
Cash flows from financing activities		<b>(376)</b>	463
Net increase in cash and cash equivalents		<b>1,202</b>	70
Cash and cash equivalents at 1st January		<b>3,918</b>	3,904
Effect of exchange rate changes		<b>(225)</b>	(56)
Cash and cash equivalents at 31st December	36 (l)	<b>4,895</b>	3,918

# Notes to the Financial Statements

## 1 Principal Accounting Policies

### *Basis of preparation*

The financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

*Standards, amendments and interpretations effective in 2013 which are relevant to the Group's operations:*

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IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (amended 2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to IFRSs	2009 – 2011 Cycle

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As set out on pages 26 to 28, the only standard adopted that impacts the consolidated profit and loss account and balance sheet is IAS 19 (amended 2011).

IFRS 10 'Consolidated Financial Statements' replaces SIC Interpretation 12 'Consolidation – Special Purpose Entities' and most of IAS 27 'Consolidated and Separate Financial Statements'. It contains a new single consolidation model that identifies control as the basis for consolidation for all types of entities. It provides a definition of control that comprises the elements of power over an investee; exposure of rights to variable returns from an investee; and ability to use power to affect the reporting entity's returns.

IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' and SIC 13 'Jointly Controlled Entities – Non Monetary Contributions by Venturers'. Under IFRS 11, joint arrangements are classified as either joint operations (whereby the parties that have joint control have rights to the assets and obligations for the liabilities of the joint arrangements) or joint ventures (whereby the parties that have joint control have rights to the net assets of the joint arrangements). Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenue and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any. Accounting for joint ventures is now covered by IAS 28 (2011) as proportionate consolidation is no longer permitted.

IFRS 12 'Disclosure of Interests in Other Entities' requires entities to disclose information that helps financial statements readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Disclosure required includes significant judgements and assumptions made in determining whether an entity controls, jointly controls, significantly influences or has some other interest in other entities.

IFRS 13 'Fair Value Measurement' requires entities to disclose information about the valuation techniques and inputs used to measure fair value, as well as information about the uncertainty inherent in fair value measurements. The standard applies to both financial and non-financial items measured at fair value. Fair value is now defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e. an exit price).

Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' focus on disclosures of quantitative information about recognized financial instruments that are offset in the balance sheet, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

Amendments to IFRSs 10, 11 and 12 on transition guidance provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' improve the consistency and clarity of the presentation of items of other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. Items that will not be reclassified – such as remeasurements of defined benefit pension plans – will be presented separately from items that may be reclassified in the future – such as deferred gains and losses on cash flow hedges. The amounts of tax related to the two groups are required to be allocated on the same basis.

IAS 19 (amended 2011) 'Employee Benefits' requires, for defined benefit plans, the assumed return on plan assets recognized in the profit and loss to be the same as the rate used to discount the defined benefit obligation. Previously, the Group determined income on plan assets based on their long-term rate of expected return. It also requires past service costs to be recognized immediately in profit or loss. Additional disclosures are required to present the characteristics of defined benefit plans, the amount recognized in the financial statements, and the risks arising from defined benefit plans and multi-employer plans. The Group has applied the amended standard retrospectively and the comparative financial statements have been restated in accordance with the transition provisions of the standard. Details of the effect of the change are set out on pages 27 and 28.

IAS 27 (2011) 'Separate Financial Statements' supersedes IAS 27 (2008) and prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. There is no impact on the consolidated financial statements as the changes only affect the separate financial statements of the investing entity.

IAS 28 (2011) 'Investments in Associates and Joint Ventures' supersedes IAS 28 (2008) and prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

Annual improvements to IFRSs 2009 – 2011 Cycle comprises a number of non-urgent but necessary amendments to IFRSs. The amendments which are relevant to the Group's operations include the following:

Amendment to IAS 1 'Presentation of Financial Statements' clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period – that is, the opening position. No notes are required to support this balance sheet. When management provides additional comparative information voluntarily – for example, profit and loss account, balance sheet – it should present the supporting notes to these additional statements.

Amendment to IAS 16 'Property, Plant and Equipment' clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, this equipment used for more than one period is classified as property, plant and equipment.

Amendment to IAS 32 'Financial Instruments: Presentation' clarifies that income tax related to profit distributions is recognized in the profit and loss account, and income tax related to the costs of equity transactions is recognized in equity. Prior to the amendment, IAS 32 was ambiguous as to whether the tax effects of distributions and the tax effects of equity transactions should be accounted for in the profit and loss account or in equity.

Amendment to IAS 34 'Interim Financial Reporting' clarifies the disclosure requirements for segment assets and liabilities in interim financial statements. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

The effects of adopting IAS 19 (amended 2011) on the current financial year are not material and those on the comparative financial statements were as follows:

(a) On the consolidated profit and loss for the year ended 31st December 2012

	Increase/(decrease) in profit US\$m
Net operating costs	(10)
Share of results of Jardine Matheson	(7)
Tax	1
Profit after tax	(16)
Attributable to:	
Shareholders of the Company	(12)
Non-controlling interests	(4)
Basic earnings per share (US\$)	(0.02)
Diluted earnings per share (US\$)	(0.02)

(b) On the consolidated statement of comprehensive income for the year ended 31st December 2012

	Increase/(decrease) in total comprehensive income US\$m
Profit after tax	(16)
Remeasurement of defined benefit plans	10
Tax on items that will not be reclassified	(1)
Share of other comprehensive expense of Jardine Matheson	7
Share of other comprehensive expense of associates and joint ventures	1
Net exchange translation differences	1
Total comprehensive income for the year	2
Attributable to:	
Shareholders of the Company	2

## (c) On the consolidated balance sheet

	Increase/(decrease)	
	31st December 2012 US\$m	1st January 2012 US\$m
Associates and joint ventures	(2)	(3)
Deferred tax assets	3	3
<b>Total assets</b>	<b>1</b>	<b>–</b>
Revenue and other reserves	(3)	(5)
Non-controlling interests	(10)	(10)
Deferred tax liabilities	(1)	(1)
Pension liabilities	15	16
<b>Total equity and liabilities</b>	<b>1</b>	<b>–</b>

The adoption does not have any effect on the consolidated cash flows.

*The following standards, amendments and interpretations which are effective after 2013, are relevant to the Group's operations and yet to be adopted*

IFRS 9	Financial Instruments
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies
Annual Improvements to IFRSs	2010 – 2012 Cycle 2011 – 2013 Cycle

The Group is currently assessing the impact of these new standards and amendments but expects their adoption will not have a material effect on the consolidated profit and loss account and balance sheet, although there will be additional disclosures in respect of Amendments to IAS 36.

IFRS 9 'Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39. It is effective for annual periods beginning on or after 1st January 2015. However, on 24th July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open pending the finalization of the impairment and classification and measurement requirements. It is likely that the standard will be effective no earlier than 2017 and the Group will adopt the standard from its effective date.

IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities, to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 'Remeasurement of Embedded Derivatives'.

IFRS 9 (2013) aligns hedge accounting more closely with risk management. It also establishes a more principles-based approach to hedge accounting, particularly in respect of assessing hedge effectiveness and assessing what qualifies as a hedged item.

Amendments to IAS 19 'Employee Benefits' regarding defined benefit plans. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for periods beginning on or after 1st July 2014 and the Group will adopt the amendments from the effective date.

Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (effective 1st January 2014) are made to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of offset' and 'simultaneous realization and settlement'. The Group will adopt the amendments from 1st January 2014.

Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' (effective 1st January 2014) set out the changes to the disclosures when recoverable amount is determined based on fair value less costs of disposal. The key amendments are (a) to remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment, (b) to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed, and (c) to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed. The Group will adopt the amendments from 1st January 2014.

Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' (effective 1st January 2014) provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group will adopt the amendments from 1st January 2014.

IFRIC 21 'Levies' (effective 1st January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Group will apply the interpretation from 1st January 2014.

Annual Improvements to IFRSs 2010 – 2012 Cycle comprise a number of non-urgent but necessary amendments. The amendments, effective for periods beginning on or after 1st July 2014, which are relevant to the Group's operations include the following:

Amendment to IFRS 2 'Share-based Payment' clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Amendment to IFRS 3 'Business Combinations' clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 'Financial Instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss.

Amendment to IFRS 8 'Operating Segments' requires disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

Amendment to IAS 24 'Related Party Disclosures' includes, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

Annual Improvements to IFRSs 2011 – 2013 Cycle comprise a number of non-urgent but necessary amendments. The amendments, which are largely effective for periods beginning on or after 1st July 2014, which are relevant to the Group's operations include the following:

IFRS 3 'Business Combinations' clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

IFRS 13 'Fair Value Measurement' clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts within the scope of IAS 39 or IFRS 9.

IAS 40 'Investment Property' clarifies that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The principal operating subsidiaries, associates and joint ventures have different functional currencies in line with the economic environments of the locations in which they operate. The functional currency of the Company is United States dollars. The consolidated financial statements are presented in United States dollars.

The Group's reportable segments are set out in note 4 and are described on page 4 and pages 6 to 13.

### ***Basis of consolidation***

(i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the Group's interests in associates and joint ventures and its investment in Jardine Matheson.

(ii) A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition include the fair value at the acquisition date of any contingent consideration. The Group recognizes the non-controlling interest's proportionate share of the recognized identifiable net assets of the acquired subsidiary. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognized the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognized in profit and loss.

All material intercompany transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated.

(iii) An associate is an entity, not being a subsidiary or joint venture, over which the Group exercises significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates and joint ventures are included on the equity basis of accounting.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates and joint ventures are recognized in the consolidated financial statements only to the extent of unrelated investor's interests in the associates and joint ventures.

(iv) The Company has a 56% interest in its ultimate holding company, Jardine Matheson Holdings Ltd. The results of Jardine Matheson are included on the equity basis of accounting. The cost of and related income arising from shares held in the Company by Jardine Matheson are eliminated from shareholders' funds and profit, respectively.

(v) Non-controlling interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.

(vi) The results of subsidiaries, associates and joint ventures, and Jardine Matheson are included or excluded from their effective dates of acquisition or disposal, respectively. The results of entities other than subsidiaries, associates and joint ventures, and Jardine Matheson are included to the extent of dividends received when the right to receive such dividend is established.

### **Foreign currencies**

Transactions in foreign currencies are accounted for at the exchange rates ruling at the transaction dates.

Assets and liabilities of subsidiaries, associates and joint ventures, together with all other monetary assets and liabilities expressed in foreign currencies, are translated into United States dollars at the rates of exchange ruling at the year end. Results expressed in foreign currencies are translated into United States dollars at the average rates of exchange ruling during the year, which approximate the exchange rates at the dates of the transactions.

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognized in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments, such exchange differences are recognized in profit and loss. Exchange differences on available-for-sale investments are recognized in other comprehensive income as part of the gains and losses arising from changes in their fair value. Exchange differences relating to changes in the amortized cost of monetary securities classified as available-for-sale and all other exchange differences are recognized in profit and loss.

Goodwill and fair value adjustments arising on acquisition of a foreign entity after 1st January 2003 are treated as assets and liabilities of the foreign entity and translated into United States dollars at the rate of exchange ruling at the year end.

### **Impairment of non-financial assets**

Assets that have indefinite useful lives are not subject to amortization and are tested for impairment annually and whenever there is an indication that the assets may be impaired. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the units may be impaired. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment annually.

### **Intangible assets**

(i) Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition-date fair value of any previously held equity interest in the acquiree over the acquisition-date fair value of the Group's share of the net identifiable assets acquired. Non-controlling interests are measured at their proportionate share of the net identifiable assets at the acquisition date. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in profit and loss. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

The profit or loss on disposal of subsidiaries, associates and joint ventures is stated after deducting the carrying amount of goodwill relating to the entity sold.

(ii) Franchise rights, which are rights under franchise agreements, are separately identified intangible assets acquired as part of a business combination. These franchise agreements are deemed to have indefinite lives because either they do not have any term of expiry or their renewal by the Group would be probable and would not involve significant costs, taking into account the history of renewal and the relationships between the franchisee and the contracting parties. The useful lives are reviewed at each balance sheet date. Franchise rights are carried at cost less accumulated impairment loss.

(iii) Leasehold land represents payments to third parties to acquire short-term interests in property. These payments are stated at cost and are amortized over the useful life of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

(iv) Concession rights are operating rights for toll roads under service concession arrangements. The cost of the construction services provided under the arrangements is amortized over the period of the concession.

(v) Other intangible assets are stated at cost less accumulated amortization. Amortization is calculated on the straight line basis to allocate the cost of intangible assets over their estimated useful lives.

**Tangible fixed assets and depreciation**

Freehold land and buildings, and the building component of owner-occupied leasehold properties are stated at cost less any accumulated depreciation and impairment. Long-term interests in leasehold land are classified as finance leases and grouped under tangible assets if substantially all risks and rewards relating to the land have been transferred to the Group, and are amortized over the useful life of the lease. Grants related to tangible assets are deducted in arriving at the carrying amount of the assets. Mining properties, which are contractual rights to mine and own coal reserves in specified concession areas, and other tangible fixed assets are stated at cost less amounts provided for depreciation. Cost of mining properties includes expenditure to restore and rehabilitate coal mining areas following the completion of production.

Depreciation of tangible fixed assets other than mining properties is calculated on the straight line basis to allocate the cost or valuation of each asset to its residual value over its estimated useful life. The residual values and useful lives are reviewed at each balance sheet date. The estimated useful lives are as follows:

Buildings	21 – 150 years
Surface, finishes and services of hotel properties	20 – 30 years
Leasehold improvements	period of the lease
Leasehold land	period of the lease
Plant and machinery	2 – 20 years
Furniture, equipment and motor vehicles	2 – 25 years

No depreciation is provided on freehold land as it is deemed to have an indefinite life. Mining properties are depreciated using the unit of production method.

Where the carrying amount of a tangible fixed asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The profit or loss on disposal of tangible fixed assets is recognized by reference to their carrying amount.

**Investment properties**

Properties including those under operating leases which are held for long-term rental yields or capital gains are classified and accounted for as investment properties, but the business model does not necessarily envisage that the properties will be held for their entire useful life. Investment properties are carried at fair value, representing estimated open market value determined annually by independent qualified valuers who have recent experience in the location and category of the investment property being valued. The market value of each property is calculated on the discounted net rental income allowing for reversionary potential. Changes in fair value are recognized in profit and loss.

**Plantations**

Plantations, which principally comprise oil palm plantations and exclude the related land, are measured at each balance sheet date at their fair values, representing the present value of expected net cash flows from the assets in their present location and condition determined internally, less estimated point of sale costs, based on a discounted cash flow method using unobservable inputs. Changes in fair values are recorded in the profit and loss account. The plantations which have a life of approximately 25 years are considered mature three to four years after planting and once they are generating fresh fruit bunches which average four to six tonnes per hectare per year.

**Investments**

(i) Investments are classified by management as available for sale or held to maturity on initial recognition. Available-for-sale investments are shown at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in equity. On the disposal of an investment or when an investment is determined to be impaired, the cumulative gain or loss previously deferred in equity is recognized in profit and loss. Held-to-maturity investments are shown at amortized cost. Investments are classified under non-current assets unless they are expected to be realized within 12 months after the balance sheet date.

(ii) At each balance sheet date, the Group assesses whether there is objective evidence that an investment is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

(iii) All purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the investment.

### **Leases**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) Amount due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(ii) Plant and machinery under finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

(iii) Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight line basis over the period of the lease. When a lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the year in which termination takes place.

### **Properties for sale**

Properties for sale, which comprise land and buildings held for resale, are stated at the lower of cost and net realizable value. The cost of properties for sale comprises land costs, and construction and other development costs.

### **Stocks and work in progress**

Stocks, which principally comprise goods held for resale, are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, labour and an appropriate proportion of overheads.

### **Debtors**

Consumer financing debtors and financing lease receivables are measured at amortized cost using the effective interest method. The gross amount due from customers for contract work is stated at cost plus an appropriate proportion of profit, established by reference to the percentage of completion, and after deducting progress payments and provisions for foreseeable losses. Repossessed assets of finance companies are measured at the lower of the carrying amount of the debtors in default and fair value less costs to sell. All other debtors, excluding derivative financial instruments, are measured at amortized cost except where the effect of discounting would be immaterial. Provision for impairment is established when there is objective evidence that the outstanding amounts will not be collected. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the debtor is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

Debtors with maturities greater than 12 months after the balance sheet date are classified under non-current assets.

### **Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions, bank and cash balances, and liquid investments, net of bank overdrafts. In the balance sheet, restricted bank balances and deposits are included in non-current debtors, and bank overdrafts are included in current borrowings.

Liquid investments, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, are included in bank balances and other liquid funds and are stated at market value. Increases or decreases in market value are recognized in profit and loss.

### **Provisions**

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligations can be made.

### ***Borrowings and borrowing costs***

Borrowings are initially recognized at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method.

On the issue of bonds which are convertible into a fixed number of ordinary shares of the issuing entity, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is included in long-term borrowings on the amortized cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option which is recognized and included in shareholders' funds. On the issue of convertible bonds which are not convertible into the issuing entity's own shares or which are not convertible into a fixed number of ordinary shares of the issuing entity, the fair value of the conversion option component is determined and included in current liabilities, and the residual amount is allocated to the carrying amount of the bond. Any conversion option component included in current liabilities is shown at fair value with changes in fair value recognized in profit and loss.

Borrowing costs relating to major development projects are capitalized until the asset is substantially completed. Capitalized borrowing costs are included as part of the cost of the asset. All other borrowing costs are expensed as incurred.

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

### ***Current and deferred tax***

The tax expense for the year comprises current and deferred tax. Tax is recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or direct in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Provision for deferred tax is made on the revaluation of certain non-current assets and, in relation to acquisitions, on the difference between the fair value of the net assets acquired and their tax base. Deferred tax is provided on temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

### ***Employee benefits***

#### ***Pension obligations***

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the costs of providing pensions are charged to profit and loss spreading the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. Plan assets are measured at fair value.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the year in which they occur.

Past service costs are recognized immediately in profit and loss.

The Group's total contributions relating to the defined contribution plans are charged to profit and loss in the year to which they relate.

#### *Share-based compensation*

The Group operates a number of equity settled employee share option schemes. The fair value of the employee services received in exchange for the grant of the options in respect of options granted after 7th November 2002 is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted as determined on the grant date. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognized in profit and loss.

#### ***Non-current assets held for sale***

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Once classified as held for sale, the assets are no longer amortized or depreciated.

#### ***Derivative financial instruments***

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as a hedge of the fair value of a recognized asset or liability ('fair value hedge'), or a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment ('cash flow hedge'), or a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recognized in profit and loss, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit and loss over the residual period to maturity.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognized in other comprehensive income and accumulated in equity under hedging reserves. Changes in the fair value relating to the ineffective portion is recognized immediately in profit and loss. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in hedging reserves are transferred from hedging reserves and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in hedging reserves are transferred to profit and loss in the same periods during which the hedged firm commitment or forecasted transaction affects profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in hedging reserves at that time remains in the hedging reserves and is recognized when the committed or forecasted transaction ultimately is recognized in profit and loss. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserves is immediately transferred to profit and loss.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in profit and loss.

Hedges of net investments in foreign entities are accounted for on a similar basis to that used for cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in exchange reserves; the gain or loss relating to the ineffective portion is recognized immediately in profit and loss.

The fair value of derivatives which are designated and qualify as effective hedges are classified as non-current assets or liabilities if the remaining maturities of the hedged assets or liabilities are greater than 12 months after the balance sheet date.

### **Insurance contracts**

Insurance contracts are those contracts that transfer significant insurance risk.

Premiums on insurance contracts are recognized as revenue proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Claims and loss adjustment expenses are charged to profit and loss as incurred based on the estimated liabilities for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognized when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

### **Non-trading items**

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include fair value gains or losses on revaluation of investment properties and plantations; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

### **Earnings per share**

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. The weighted average number excludes the Company's share of the shares held by Jardine Matheson. For the purpose of calculating diluted earnings per share, profit attributable to shareholders is adjusted for the effects of the conversion of dilutive potential ordinary shares of Jardine Matheson, subsidiaries, associates or joint ventures.

### **Dividends**

Dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date.

The nominal amount of the ordinary shares issued as a result of election for scrip is capitalized out of the share premium account or other reserves, as appropriate.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Revenue from the sale of goods, including properties for sale, is recognized on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers.

(ii) Receipts under operating leases are accounted for on an accrual basis over the lease terms.

(iii) Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

(iv) Revenue from consumer financing and financing leases is recognized over the term of the respective contracts based on a constant rate of return on the net investment.

(v) Interest income is recognized on a time proportion basis taking into account the principal amounts outstanding and the interest rates applicable.

(vi) Dividend income is recognized when the right to receive payment is established.

### **Pre-operating costs**

Pre-operating costs are expensed as they are incurred.

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## **2 Financial Risk Management**

### **Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's treasury function co-ordinates, under the directions of the board of Jardine Matheson Limited, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimize the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, caps and collars, cross-currency swaps, forward foreign exchange contracts and foreign currency options as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the profit and loss account. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2013 are disclosed in note 37.

#### **(i) Market risk**

##### **Foreign exchange risk**

Entities within the Group are exposed to foreign exchange risk from future commercial transactions, net investments in foreign operations and net monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Entities in the Group use cross-currency swaps, forward foreign exchange contracts and foreign currency options in a consistent manner to hedge firm and anticipated foreign exchange commitments and manage their foreign exchange risk arising from future commercial transactions. The Group does not usually hedge its net investments in foreign operations except in circumstances where there is a material exposure arising from a currency that is anticipated to be volatile and the hedging is cost effective. Group entities are required to manage their foreign exchange risk against their functional currency. Foreign currency borrowings are swapped into the entity's functional currency using cross-currency swaps except where the foreign currency borrowings are repaid with cash flows generated in the same foreign currency. The purpose of these hedges is to mitigate the impact of movements in foreign exchange rates on assets and liabilities and the profit and loss account of the Group.

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. At 31st December 2013 the Group's Indonesian rupiah functional entities had United States dollar denominated net monetary liabilities of US\$159 million (2012: liabilities of US\$175 million). At 31st December 2013, if the United States dollar had strengthened/weakened by 10% against the Indonesian rupiah with all other variables unchanged, the Group's profit after tax would have been US\$12 million lower/higher (2012: US\$13 million lower/higher), arising from foreign exchange losses/gains taken on translation. The impact on amounts attributable to the shareholders of the Company would be US\$3 million lower/higher (2012: US\$4 million lower/higher). This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 31st December 2013 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Since the Group manages the interdependencies between foreign exchange risk and interest rate risk of foreign currency borrowings using cross-currency swaps, the sensitivity analysis on financial impacts arising from cross-currency swaps is included in the sensitivity assessment on interest rates under the interest rate risk section.

#### *Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through fixed rate borrowings and the use of derivative financial instruments such as interest rate swaps, caps and collars. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings, exclusive of the financial services companies, in fixed rate instruments. At 31st December 2013 the Group's interest rate hedge exclusive of the financial services companies was 46% (2012: 51%), with an average tenor of eight years (2012: seven years). The financial services companies borrow predominately at a fixed rate. The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 33.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by using forward rate agreements to a maturity of one year, and by entering into interest rate swaps, caps and collars for a maturity of up to five years. Forward rate agreements and interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, caps provide protection against a rise in floating rates above a pre-determined rate, whilst collars combine the purchase of a cap and the sale of a floor to specify a range in which an interest rate will fluctuate.

Fair value interest rate risk is the risk that the value of a financial asset or liability and derivative financial instruments will fluctuate because of changes in market interest rates. The Group manages its fair value interest rate risk by entering into interest rate swaps which have the economic effect of converting borrowings from fixed rate to floating rate, to maintain the Group's fixed rate instruments within the Group's guideline.

At 31st December 2013, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US\$30 million (2012: US\$26 million) higher/lower, and hedging reserves would have been US\$84 million (2012: US\$112 million) higher/lower as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. There is no significant sensitivity resulting from interest rate caps and collars. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong and Indonesian rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in the fair value of the hedged items caused by interest rate movements balance out in the profit and loss account against changes in the fair value of the hedging instruments. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

#### *Price risk*

The Group is exposed to securities price risk because of listed and unlisted investments which are available for sale and held by the Group at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are recognized in other comprehensive income. The performance of the Group's listed and unlisted available-for-sale investments are monitored regularly, together with an assessment of their relevance to the Group's long term strategic plans. Details of the Group's available-for-sale investments are contained in note 20.

Available-for-sale investments are unhedged. At 31st December 2013, if the price of listed and unlisted available-for-sale investments had been 25% higher/lower with all other variables held constant, total equity would have been US\$278 million (2012: US\$305 million) higher/lower unless impaired. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

The Group is exposed to financial risks arising from changes in commodity prices, primarily crude palm oil, coal, steel rebar and copper. The Group considers the outlook for crude palm oil, coal, steel rebar and copper prices regularly in considering the need for active financial risk management. The Group's policy is generally not to hedge commodity price risk, although limited hedging may be undertaken for strategic reasons. In such cases the Group uses forward contracts to hedge the price risk. To mitigate or hedge the price risk, Group entities may enter into a forward contract to buy the commodity at a fixed price at a future date, or a forward contract to sell the commodity at a fixed price at a future date.

#### (ii) Credit risk

The Group's credit risk is primarily attributable to deposits with banks, credit exposures to customers and derivative financial instruments with a positive fair value. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2013, over 66% (2012: 72%) of deposits and balances with banks and financial institutions were made to institutions with credit ratings of no less than A- (Fitch). Similarly transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

In respect of credit exposures to customers, the Group has policies in place to ensure that sales on credit without collateral are made principally to corporate companies with an appropriate credit history and credit insurance is purchased for businesses where it is economically effective. The Group normally obtains collateral over vehicles from consumer financing debtors towards settlement of vehicle receivables. Customers give the right to the Group to sell the repossessed collateral or take any other action to settle the outstanding receivable. Sales to other customers are made in cash or by major credit cards.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

## (iii) Liquidity risk

Prudent liquidity risk management includes managing the profile of debt maturities and funding sources, maintaining sufficient cash and marketable securities, and ensuring the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group's ability to fund its existing and prospective debt requirements is managed by maintaining diversified funding sources with adequate committed funding lines from high quality lenders, and by monitoring rolling short-term forecasts of the Group's cash and gross debt on the basis of expected cash flows. In addition long-term cash flows are projected to assist with the Group's long-term debt financing plans.

At 31st December 2013, total available borrowing facilities amounted to US\$18.5 billion (2012: US\$18.0 billion) of which US\$10.7 billion (2012: US\$10.9 billion) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, and undrawn uncommitted facilities totalled US\$6.1 billion (2012: US\$5.2 billion) and US\$1.7 billion (2012: US\$1.9 billion), respectively.

The following table analyses the Group's non-derivative financial liabilities, net-settled derivative financial liabilities and gross-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year US\$m	Between one and two years US\$m	Between two and three years US\$m	Between three and four years US\$m	Between four and five years US\$m	Beyond five years US\$m	Total undiscounted cash flows US\$m
<b>At 31st December 2013</b>							
Borrowings	4,817	2,045	1,347	791	371	2,983	<b>12,354</b>
Creditors	5,280	86	51	31	27	88	<b>5,563</b>
Net settled derivative financial instruments	7	2	1	–	–	–	<b>10</b>
Gross settled derivative financial instruments							
– inflow	1,840	438	171	53	53	1,499	<b>4,054</b>
– outflow	1,695	366	149	44	44	1,475	<b>3,773</b>
Estimated losses on insurance contracts	104	–	–	–	–	–	<b>104</b>
<b>At 31st December 2012</b>							
Borrowings	3,660	3,229	1,704	770	512	2,848	12,723
Creditors	5,179	77	49	24	24	95	5,448
Net settled derivative financial instruments	13	7	2	1	–	–	23
Gross settled derivative financial instruments							
– inflow	1,107	1,097	261	59	53	1,553	4,130
– outflow	1,081	1,074	247	50	45	1,526	4,023
Estimated losses on insurance contracts	117	–	–	–	–	–	117

### **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst seeking to maximize benefits to shareholders and other stakeholders. Capital is equity as shown in the consolidated balance sheet plus net debt.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, purchase Group shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances and other liquid funds. Interest cover is calculated as underlying operating profit and share of results of associates and joint ventures divided by net financing charges. The ratios are monitored both inclusive and exclusive of the Group's financial services companies, which by their nature are generally more highly leveraged than the Group's other businesses. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2013 and 2012 are as follows:

	2013	2012
Gearing ratio exclusive of financial services companies (%)	5	7
Gearing ratio inclusive of financial services companies (%)	13	16
Interest cover exclusive of financial services companies (times)	34	32
Interest cover inclusive of financial services companies (times)	44	41

### **Fair value estimation**

(i) Financial instruments that are measured at fair value

For financial instruments that are measured at fair value in the balance sheet, the corresponding fair value measurements are disclosed by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')

The fair value of listed securities, which are classified as available-for-sale, is based on quoted prices in active markets at the balance sheet date. The quoted market price used for listed investments held by the Group is the current bid price.

(b) Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')

The fair values of all interest rate swaps and caps, cross-currency swaps, forward foreign exchange contracts and credit default swaps have been determined using rates quoted by the Group's bankers at the balance sheet date which are calculated by reference to market interest rates and foreign exchange rates.

The fair value of unlisted investments, which are classified as available-for-sale and mainly include club and school debentures, are determined using prices quoted by brokers at the balance sheet date.

(c) Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')

The fair value of unlisted securities, which are classified as available-for-sale, is determined using valuation techniques by reference to observable current market transactions (including price-to earnings and price-to book ratios of listed securities of entities engaged in similar industries) or the market prices of the underlying investments with certain degree of entity specific estimates.

There were no changes in valuation techniques during the year.

The table below analyses financial instruments carried at fair value, by the levels in the fair value measurement hierarchy.

	Quoted prices in active markets US\$m	Observable current market transactions US\$m	Unobservable inputs US\$m	Total US\$m
<b>2013</b>				
Assets				
Available-for-sale financial assets				
– listed securities	943	–	–	943
– unlisted investments	–	9	161	170
	943	9	161	1,113
Derivative financial instruments	–	294	–	294
	<b>943</b>	<b>303</b>	<b>161</b>	<b>1,407</b>
Liabilities				
Contingent consideration payable	–	–	(65)	(65)
Derivative financial instruments	–	(58)	–	(58)
	–	<b>(58)</b>	<b>(65)</b>	<b>(123)</b>
<b>2012</b>				
Assets				
Available-for-sale financial assets				
– listed securities	1,077	–	–	1,077
– unlisted investments	–	8	134	142
	1,077	8	134	1,219
Derivative financial instruments	–	144	–	144
	1,077	152	134	1,363
Liabilities				
Contingent consideration payable	–	–	(66)	(66)
Derivative financial instruments	–	(44)	–	(44)
	–	<b>(44)</b>	<b>(66)</b>	<b>(110)</b>

There were no transfers among the three categories during the year ended 31st December 2013.

Movements of financial instruments which are valued based on unobservable inputs during the year ended 31st December are as follows:

	2013		2012	
	Available-for-sale financial assets US\$m	Contingent consideration payable US\$m	Available-for-sale financial assets US\$m	Contingent consideration payable US\$m
At 1st January	134	66	93	–
Exchange differences	(5)	–	–	1
Additions	6	–	1	65
Capital repayment	(2)	–	–	–
Payment of contingent consideration	–	(1)	–	–
Net change in fair value during the year included in other comprehensive income	28	–	40	–
At 31st December	161	65	134	66

The contingent consideration payable mainly arose from Astra's acquisition of a 60% interest in PT Duta Nurcahya in 2012 and represents the fair value of service fee payable for mining services to be provided by the vendor.

(ii) Financial instruments that are not measured at fair value

The fair values of current debtors, bank balances and other liquid funds, current creditors and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are based on market prices or are estimated using the expected future payments discounted at market interest rates.

**Financial instruments by category**

	Loans and receivables US\$m	Derivatives US\$m	Available- for-sale US\$m	Held-to- maturity US\$m	Other financial liabilities at amortized cost US\$m	Total carrying amount US\$m	Fair value US\$m
<b>2013</b>							
Other investments	–	–	1,113	–	–	<b>1,113</b>	<b>1,113</b>
Debtors	6,966	294	–	–	–	<b>7,260</b>	<b>6,855</b>
Bank balances and other liquid funds	4,901	–	–	–	–	<b>4,901</b>	<b>4,901</b>
	<b>11,867</b>	<b>294</b>	<b>1,113</b>	<b>–</b>	<b>–</b>	<b>13,274</b>	<b>12,869</b>
Borrowings (excluding finance lease liabilities)	–	–	–	–	(10,567)	<b>(10,567)</b>	<b>(10,480)</b>
Finance lease liabilities	–	–	–	–	(123)	<b>(123)</b>	<b>(123)</b>
Trade and other payables excluding non-financial liabilities	–	(58)	–	–	(5,563)	<b>(5,621)</b>	<b>(5,621)</b>
	<b>–</b>	<b>(58)</b>	<b>–</b>	<b>–</b>	<b>(16,253)</b>	<b>(16,311)</b>	<b>(16,224)</b>
<b>2012</b>							
Other investments	–	–	1,219	2	–	1,221	1,221
Debtors	7,533	144	–	–	–	7,677	7,920
Bank balances and other liquid funds	3,947	–	–	–	–	3,947	3,947
	<b>11,480</b>	<b>144</b>	<b>1,219</b>	<b>2</b>	<b>–</b>	<b>12,845</b>	<b>13,088</b>
Borrowings (excluding finance lease liabilities)	–	–	–	–	(10,739)	(10,739)	(10,852)
Finance lease liabilities	–	–	–	–	(150)	(150)	(150)
Trade and other payables excluding non-financial liabilities	–	(44)	–	–	(5,448)	(5,492)	(5,492)
	<b>–</b>	<b>(44)</b>	<b>–</b>	<b>–</b>	<b>(16,337)</b>	<b>(16,381)</b>	<b>(16,494)</b>

### 3 Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

#### ***Acquisition of subsidiaries, associates and joint ventures***

The initial accounting on the acquisition of subsidiaries, associates and joint ventures involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of franchise rights, leasehold land, concession rights, tangible assets, investment properties and plantations are determined by independent valuers by reference to market prices or present value of expected net cash flows from the assets. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities.

On initial acquisition or acquisition of further interests in an entity, an assessment of the level of control or influence exercised by the Group is required. For entities where the Group has a shareholding of less than 50%, an assessment of the Group's level of voting rights, board representation and other indicators of influence is performed to consider whether the Group has de facto control, requiring consolidation of that entity, or significant influence, requiring classification as an associate.

#### ***Tangible fixed assets and depreciation***

Management determines the estimated useful lives and related depreciation charges for the Group's tangible fixed assets. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

#### ***Investment properties***

The fair values of investment properties, which are principally held by Hongkong Land, are determined by independent valuers on an open market for existing-use basis calculated on the discounted net income allowing for reversionary potential. For investment properties in Hong Kong and Singapore, capitalization rates in the range of 3.50% to 4.45% for office (2012: 3.50% to 4.45%) and 4.50% to 5.50% for retail (2012: 4.50% to 5.75%) are used by Hongkong Land in the fair value determination.

Consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalization rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

#### ***Plantations***

The fair values of plantations are determined by management based on the expected cash flows from the plantations.

Management applies judgement in determining the assumptions to be used; the significant ones include a historical average crude palm oil price as the basis for deriving the price of fresh fruit bunches, maintenance costs, inflation, the yield per hectare based on industry standards and historical experience and the discount rate.

#### ***Impairment of assets***

The Group tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is determined based on the higher of its fair value less costs to sell and its value in use, calculated on the basis of management's assumptions and estimates. Changing the key assumptions, including the amount of estimated coal reserves, the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value-in-use calculations.

The results of the impairment reviews undertaken at 31st December 2013 on the Group's indefinite life franchise rights indicated that no impairment charge was necessary. If there is a significant increase in the discount rate and/or a significant adverse change in the projected performance of the business to which these rights attach, it may be necessary to take an impairment charge to profit and loss in the future.

In determining when an available-for-sale equity investment is impaired, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### ***Income taxes***

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Provision for deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both. There is a rebuttable presumption in International Financial Reporting Standards that investment properties measured at fair value are recovered through sale. Thus, deferred tax on revaluation of investment properties held by the Group are calculated at the capital gains tax rate.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilized. The outcome of their actual utilization may be different.

#### ***Pension obligations***

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

#### ***Non-trading items***

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management, but follows the consistent methodology as set out in the Group's accounting policies.

#### 4 Segmental Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company for the purpose of resource allocation and performance assessment. The Group has

six operating segments as more fully described on page 4. No operating segments have been aggregated to form the reportable segments. Set out below is an analysis of the Group's underlying profit, net debt and total equity by reportable segment.

	Jardine Matheson US\$m	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Jardine Cycle & Carriage US\$m	Astra US\$m	Corporate and other interests US\$m	Intersegment transactions US\$m	Underlying businesses performance US\$m	Non-trading items US\$m	Group US\$m
<b>2013</b>											
Revenue (refer note 5)	–	1,857	10,357	669	1,348	18,440	–	(5)	32,666	–	<b>32,666</b>
Net operating costs	–	(940)	(9,835)	(557)	(1,306)	(16,467)	(139)	5	(29,239)	(31)	<b>(29,270)</b>
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	(62)	<b>(62)</b>
Operating profit	–	917	522	112	42	1,973	(139)	–	3,427	(93)	<b>3,334</b>
Net financing charges											
– financing charges	–	(106)	(11)	(17)	(1)	(105)	(2)	–	(242)	–	<b>(242)</b>
– financing income	–	42	8	2	–	78	9	–	139	–	<b>139</b>
	–	(64)	(3)	(15)	(1)	(27)	7	–	(103)	–	<b>(103)</b>
Share of results of Jardine Matheson	173	–	–	–	–	–	–	–	173	(5)	<b>168</b>
Share of results of associates and joint ventures											
– before change in fair value of investment properties	–	235	69	17	27	586	–	–	934	(23)	<b>911</b>
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	352	<b>352</b>
	–	235	69	17	27	586	–	–	934	329	<b>1,263</b>
Profit before tax	173	1,088	588	114	68	2,532	(132)	–	4,431	231	<b>4,662</b>
Tax	–	(149)	(102)	(20)	(7)	(530)	3	–	(805)	(7)	<b>(812)</b>
Profit after tax	173	939	486	94	61	2,002	(129)	–	3,626	224	<b>3,850</b>
Non-controlling interests	–	(472)	(113)	(25)	(18)	(1,385)	3	–	(2,010)	(140)	<b>(2,150)</b>
Profit attributable to shareholders	<b>173</b>	<b>467</b>	<b>373</b>	<b>69</b>	<b>43</b>	<b>617</b>	<b>(126)</b>	<b>–</b>	<b>1,616</b>	<b>84</b>	<b>1,700</b>
Net (debt)/cash (excluding net debt of financial services companies)*	–	<b>(3,025)</b>	<b>638</b>	<b>(479)</b>	<b>17</b>	<b>(303)</b>	<b>831</b>	<b>1</b>			<b>(2,320)</b>
Total equity	<b>1,739</b>	<b>26,899</b>	<b>1,585</b>	<b>1,076</b>	<b>357</b>	<b>9,568</b>	<b>1,728</b>	<b>(62)</b>			<b>42,890</b>
<b>2012</b>											
Revenue (refer note 5)	–	1,115	9,801	648	1,502	20,039	–	(7)	33,098	–	33,098
Net operating costs	–	(315)	(9,324)	(566)	(1,454)	(17,657)	(132)	7	(29,441)	–	(29,441)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	321	321
Operating profit	–	800	477	82	48	2,382	(132)	–	3,657	321	3,978
Net financing charges											
– financing charges	–	(99)	(14)	(15)	(1)	(108)	(2)	–	(239)	–	(239)
– financing income	–	38	3	4	–	72	6	–	123	–	123
	–	(61)	(11)	(11)	(1)	(36)	4	–	(116)	–	(116)
Share of results of Jardine Matheson	169	–	–	–	–	–	–	–	169	4	173
Share of results of associates and joint ventures											
– before change in fair value of investment properties	–	166	63	15	24	598	4	–	870	(45)	825
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	361	361
	–	166	63	15	24	598	4	–	870	316	1,186
Sale of an associate	–	–	–	–	–	–	–	–	–	(66)	(66)
Profit before tax	169	905	529	86	71	2,944	(124)	–	4,580	575	5,155
Tax	–	(124)	(83)	(17)	(8)	(613)	3	–	(842)	(14)	(856)
Profit after tax	169	781	446	69	63	2,331	(121)	–	3,738	561	4,299
Non-controlling interests	–	(391)	(101)	(18)	(21)	(1,636)	4	–	(2,163)	(309)	(2,472)
Profit attributable to shareholders	169	390	345	51	42	695	(117)	–	1,575	252	1,827
Net (debt)/cash (excluding net debt of financial services companies)*	–	(3,273)	521	(136)	32	(922)	640	–			(3,138)
Total equity	1,516	26,184	1,464	1,033	361	10,399	1,435	(15)			42,377

\*Net (debt)/cash is total borrowings less bank balances and other liquid funds. Net debt of financial services companies amounted to US\$3,469 million at 31st December 2013 (2012: US\$3,804 million) and relates to Astra.

**4 Segmental Information** *(continued)*

Set out below are analyses of the Group's underlying profit attributable to shareholders and non-current assets, by geographical areas:

	<b>2013</b>	2012
	US\$m	US\$m
<b><i>Underlying profit attributable to shareholders:</i></b>		
Greater China	<b>704</b>	651
Southeast Asia	<b>954</b>	972
United Kingdom	<b>36</b>	28
Rest of the world	<b>48</b>	41
	<b>1,742</b>	1,692
Corporate and other interests	<b>(126)</b>	(117)
	<b>1,616</b>	1,575
<b><i>Non-current assets*:</i></b>		
Greater China	<b>26,845</b>	26,085
Southeast Asia	<b>13,980</b>	14,856
United Kingdom	<b>733</b>	671
Rest of the world	<b>983</b>	598
	<b>42,541</b>	42,210

\*Excluding financial instruments, deferred tax assets and pension assets.

## 5 Revenue

	Gross revenue		Revenue	
	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m
<b>By business:</b>				
Jardine Matheson	11,379	10,796	–	–
Hongkong Land	3,643	2,526	1,857	1,115
Dairy Farm	12,432	11,541	10,357	9,801
Mandarin Oriental	1,035	1,012	669	648
Jardine Cycle & Carriage	3,019	3,059	1,348	1,502
Astra	30,646	31,831	18,440	20,039
Corporate and other interests	–	503	–	–
Intersegment transactions	(774)	(815)	(5)	(7)
	<b>61,380</b>	<b>60,453</b>	<b>32,666</b>	<b>33,098</b>
<b>By product and service:</b>				
Agribusiness	1,200	1,228	1,200	1,228
Engineering and construction	4,625	5,538	1,480	2,605
Mining	3,341	3,319	3,341	3,319
Financial services	4,358	4,616	1,374	1,423
Logistics and IT services	2,707	2,963	698	770
Motor vehicles	27,352	27,019	11,576	12,081
Property and hotels	4,896	3,769	2,640	1,871
Restaurants	2,020	1,869	–	–
Retail	10,881	10,132	10,357	9,801
	<b>61,380</b>	<b>60,453</b>	<b>32,666</b>	<b>33,098</b>
<b>By geographical location of customers:</b>				
Greater China	15,243	13,960	6,931	6,234
Southeast Asia	42,083	42,111	25,370	26,513
United Kingdom	3,106	3,493	90	93
Rest of the world	948	889	275	258
	<b>61,380</b>	<b>60,453</b>	<b>32,666</b>	<b>33,098</b>

Gross revenue comprises revenue together with 100% of revenue from Jardine Matheson, associates and joint ventures.

## 6 Net Operating Costs

	2013 US\$m	2012 US\$m
Cost of sales	<b>(24,814)</b>	(25,138)
Other operating income	<b>512</b>	523
Selling and distribution costs	<b>(3,214)</b>	(3,112)
Administration expenses	<b>(1,580)</b>	(1,611)
Other operating expenses	<b>(174)</b>	(103)
	<b>(29,270)</b>	(29,441)
<b><i>The following credits/(charges) are included in net operating costs:</i></b>		
Cost of stocks recognized as expense	<b>(21,616)</b>	(21,874)
Cost of properties for sale recognized as expense	<b>(719)</b>	(102)
Amortization of intangible assets	<b>(92)</b>	(81)
Depreciation of tangible assets	<b>(900)</b>	(900)
Impairment of tangible assets	–	(3)
Write down of stocks and work in progress	<b>(49)</b>	(31)
Reversal of write down of stocks and work in progress	<b>11</b>	19
Reversal of write down of properties for sale	<b>12</b>	7
Impairment of debtors	<b>(114)</b>	(142)
Operating expenses arising from investment properties	<b>(151)</b>	(141)
Employee benefit expense		
– salaries and benefits in kind	<b>(2,453)</b>	(2,317)
– share options granted	<b>(6)</b>	(5)
– defined benefit pension plans (refer note 23)	<b>(59)</b>	(59)
– defined contribution pension plans	<b>(59)</b>	(55)
	<b>(2,577)</b>	(2,436)
Net foreign exchange losses	<b>(17)</b>	(6)
Operating lease expenses		
– minimum lease payments	<b>(883)</b>	(831)
– contingent rents	<b>(22)</b>	(41)
– subleases	<b>54</b>	53
	<b>(851)</b>	(819)
Auditors' remuneration		
– audit	<b>(13)</b>	(12)
– non-audit services	<b>(4)</b>	(4)
	<b>(17)</b>	(16)
Dividend and interest income from available-for-sale investments	<b>52</b>	46
Rental income from properties	<b>30</b>	28
<b><i>Net operating costs included the following gains/(losses) from non-trading items:</i></b>		
Decrease in fair value of plantations	<b>(15)</b>	(52)
Asset impairment	<b>(55)</b>	2
Sale and closure of businesses	<b>10</b>	(12)
Sale of investments	–	57
Sale of property interests	<b>29</b>	5
	<b>(31)</b>	–

## 7 Net Financing Charges

	2013	2012
	US\$m	US\$m
Interest expense		
– bank loans and advances	(120)	(122)
– other	(114)	(103)
	(234)	(225)
Fair value (losses)/gains on fair value hedges	(73)	4
Fair value adjustment on hedged items attributable to the hedged risk	73	(4)
	–	–
	(234)	(225)
Interest capitalized	27	14
Commitment and other fees	(35)	(28)
Financing charges	(242)	(239)
Financing income	139	123
	(103)	(116)

## 8 Share of Results of Jardine Matheson

	2013	2012
	US\$m	US\$m
<b>By business:</b>		
Jardine Pacific	63	85
Jardine Motors	31	9
Jardine Lloyd Thompson	37	38
Corporate and other interests	37	41
	168	173
<b>Share of results of Jardine Matheson included the following gains/(losses) from non-trading items:</b>		
Increase in fair value of investment properties	1	5
Restructuring of businesses	(6)	(2)
Other	–	1
	(5)	4

Results are shown after tax and non-controlling interests in Jardine Matheson.

## 9 Share of Results of Associates and Joint Ventures

	<b>2013</b>	2012
	US\$m	US\$m
<b>By business:</b>		
Hongkong Land	<b>586</b>	527
Dairy Farm	<b>66</b>	63
Mandarin Oriental	<b>21</b>	15
Jardine Cycle & Carriage	<b>27</b>	(21)
Astra	<b>563</b>	598
Corporate and other interests	–	4
	<b>1,263</b>	1,186
<b>Share of results of associates and joint ventures included the following gains/(losses) from non-trading items:</b>		
Increase in fair value of investment properties	<b>352</b>	361
Asset impairment	<b>(21)</b>	(45)
Restructuring of businesses	<b>(2)</b>	–
	<b>329</b>	316

Results are shown after tax and non-controlling interests in the associates and joint ventures.

## 10 Sale of an Associate

In June 2012 the Group participated in the restructuring of the Rothschild group interests, pursuant to which it sold its holding of 21% in Rothschilds Continuation Holdings, which it originally acquired for US\$181 million, in exchange for new shares in Paris Orléans ('PO') with a market value of US\$172 million. The Group subsequently sold slightly less than 50% of its interest in PO for cash. These transactions together resulted in a non-trading loss of US\$66 million (*note 13*). The remaining PO shares held by the Group are classified as other investments.

## 11 Tax

	2013	2012
	US\$m	US\$m
<b><i>Tax charged to profit and loss is analyzed as follows:</i></b>		
Current tax	<b>(869)</b>	(877)
Deferred tax	<b>57</b>	21
	<b>(812)</b>	(856)
Greater China	<b>(189)</b>	(173)
Southeast Asia	<b>(614)</b>	(677)
United Kingdom	<b>(3)</b>	(3)
Rest of the world	<b>(6)</b>	(3)
	<b>(812)</b>	(856)
<b><i>Reconciliation between tax expense and tax at the applicable tax rate* :</i></b>		
Tax at applicable tax rate	<b>(663)</b>	(766)
Income not subject to tax		
– change in fair value of investment properties	<b>25</b>	98
– other items	<b>37</b>	40
Expenses not deductible for tax purposes		
– change in fair value of investment properties	<b>(41)</b>	(44)
– other items	<b>(99)</b>	(92)
Tax losses and temporary differences not recognized	<b>(25)</b>	(26)
Utilization of previously unrecognized tax losses and temporary differences	<b>5</b>	1
Recognition of previously unrecognized tax losses and temporary differences	<b>3</b>	2
Deferred tax assets written off	<b>(2)</b>	(2)
(Under)/over provision in prior years	<b>(3)</b>	15
Withholding tax	<b>(49)</b>	(81)
Other	<b>–</b>	(1)
	<b>(812)</b>	(856)
<b><i>Tax relating to components of other comprehensive (expense)/income is analyzed as follows:</i></b>		
Remeasurements of defined benefit plans	<b>(9)</b>	13
Cash flow hedges	<b>(8)</b>	1
	<b>(17)</b>	14

Share of tax charge of Jardine Matheson of US\$17 million and US\$7 million (2012: US\$12 million and credit of US\$2 million) are included in share of results of Jardine Matheson and share of other comprehensive income of Jardine Matheson, respectively. Share of tax charge of associates and joint ventures of US\$326 million and US\$1 million (2012: US\$322 million and credit of US\$6 million) are included in share of results of associates and joint ventures and share of other comprehensive income of associates and joint ventures, respectively.

\*The applicable tax rate for the year was 20.6% (2012: 19.8%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The increase in applicable tax rate was mainly caused by a change in the geographic mix of the Group's profits.

## 12 Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US\$1,700 million (2012: US\$1,827 million) and on the weighted average number of 610 million (2012: 614 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$1,699 million (2012: US\$1,825 million), which is after adjusting for the effects of the conversion of dilutive potential ordinary shares of Jardine Matheson, subsidiaries, associates or joint ventures, and on the weighted average number of 610 million (2012: 614 million) shares in issue during the year.

The weighted average number of shares is arrived at as follows:

	Ordinary shares in millions	
	2013	2012
Weighted average number of shares in issue	1,120	1,120
Company's share of shares held by Jardine Matheson	(510)	(506)
Weighted average number of shares for earnings per share calculation	610	614

Additional basic and diluted earnings per share are also calculated based on underlying profit attributable to shareholders. A reconciliation of earnings is set out below:

	2013			2012		
	US\$m	Basic earnings per share US\$	Diluted earnings per share US\$	US\$m	Basic earnings per share US\$	Diluted earnings per share US\$
Profit attributable to shareholders	1,700	2.79	2.79	1,827	2.97	2.97
Non-trading items (refer note 13)	(84)			(252)		
Underlying profit attributable to shareholders	1,616	2.65	2.65	1,575	2.56	2.56

## 13 Non-trading Items

	2013 US\$m	2012 US\$m
<b>By business:</b>		
Jardine Matheson	(5)	4
Hongkong Land	127	332
Dairy Farm	16	2
Mandarin Oriental	2	1
Jardine Cycle & Carriage	–	12
Astra	(1)	(33)
Corporate and other interests	(55)	(66)
	<b>84</b>	252
<b>An analysis of non-trading items after interest, tax and non-controlling interests is set out below:</b>		
Increase in fair value of investment properties		
– Hongkong Land	127	331
– other	8	10
	<b>135</b>	341
Decrease in fair value of plantations		
Asset impairment	(3)	(12)
Asset impairment	(61)	(31)
Sale and closure of businesses	3	(1)
Sale of investments	–	41
Sale of property interests	18	3
Restructuring of businesses	(8)	(2)
Restructuring of Rothschild and subsequent partial sale of investment in Paris Orléans	–	(66)
Withholding tax	–	(22)
Other	–	1
	<b>84</b>	252

## 14 Intangible Assets

	Goodwill US\$m	Franchise rights US\$m	Leasehold land US\$m	Concession rights US\$m	Other US\$m	Total US\$m
<b>2013</b>						
Cost	891	220	781	384	249	<b>2,525</b>
Amortization and impairment	(4)	–	(138)	(17)	(97)	<b>(256)</b>
Net book value at 1st January	887	220	643	367	152	<b>2,269</b>
Exchange differences	(109)	(45)	(142)	(83)	(25)	<b>(404)</b>
New subsidiaries	13	–	42	–	17	<b>72</b>
Additions	–	–	106	61	78	<b>245</b>
Disposals	–	–	(7)	–	(1)	<b>(8)</b>
Revaluation surplus before transfer to investment properties	–	–	2	–	–	<b>2</b>
Transfer from investment properties	–	–	4	–	–	<b>4</b>
Amortization	–	–	(31)	(5)	(56)	<b>(92)</b>
Net book value at 31st December	<b>791</b>	<b>175</b>	<b>617</b>	<b>340</b>	<b>165</b>	<b>2,088</b>
Cost	794	175	754	357	272	<b>2,352</b>
Amortization and impairment	(3)	–	(137)	(17)	(107)	<b>(264)</b>
	<b>791</b>	<b>175</b>	<b>617</b>	<b>340</b>	<b>165</b>	<b>2,088</b>
<b>2012</b>						
Cost	881	235	670	349	260	2,395
Amortization and impairment	(3)	–	(119)	(13)	(134)	(269)
Net book value at 1st January	878	235	551	336	126	2,126
Exchange differences	(16)	(15)	(34)	(22)	(6)	(93)
New subsidiaries	25	–	–	–	4	29
Additions	–	–	139	58	78	275
Disposals	–	–	(1)	–	–	(1)
Transfer from investment properties	–	–	14	–	–	14
Amortization	–	–	(26)	(5)	(50)	(81)
Net book value at 31st December	887	220	643	367	152	2,269
Cost	891	220	781	384	249	2,525
Amortization and impairment	(4)	–	(138)	(17)	(97)	(256)
	887	220	643	367	152	2,269
					<b>2013</b> US\$m	2012 US\$m
<b>Goodwill allocation by business:</b>						
Dairy Farm					<b>474</b>	508
Mandarin Oriental					<b>24</b>	24
Astra					<b>293</b>	355
					<b>791</b>	887

## 14 Intangible Assets *(continued)*

Goodwill relating to Dairy Farm is allocated to groups of cash-generating units identified by banners or group of stores acquired in each geographical segment. Cash flow projections for impairment reviews are based on budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include budgeted gross margins of between 20% and 52% and growth rates of up to 10% to extrapolate cash flows, which vary across the group's business segments and geographical locations, over a five-year period and thereafter, and are based on management expectations for the market development; and pre-tax discount rates of between 7% and 19% applied to the cash flow projections. The discount rates used reflect business specific risks relating to the relevant industry, business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment has occurred.

Goodwill relating to Astra has been allocated to the operating segment of Astra. Accordingly, for the purpose of impairment review, the carrying value of Astra is compared with the recoverable amount measured by reference to the quoted market price of the shares held. On the basis of this review and the continued expected level of profitability, management concluded that no impairment has occurred.

Franchise rights are rights under franchise agreements with automobile and heavy equipment manufacturers. These franchise agreements are deemed to have indefinite lives because either they do not have any term of expiry or their renewal would be probable and would not involve significant costs, taking into account the history of renewal and the relationships between the franchisee and the contracting parties. The carrying amounts of franchise rights, which included automotive of US\$64 million and heavy equipment of US\$111 million, are not amortized as such rights will contribute cash flows for an indefinite period. Management has performed an impairment review of the carrying amounts of franchise rights at 31st December 2013 and has concluded that no impairment has occurred. The impairment review was made by comparing the carrying amounts of the cash-generating units in which the franchise rights reside with the recoverable amounts of the cash-generating units. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using growth rates of between 3% and 4%. Pre-tax discount rates of between 14% and 17%, reflecting business specific risks, are applied to the cash flow projections.

Other intangible assets comprise trademarks, computer software, hotel development costs, deferred acquisition costs for insurance contracts and customer contracts.

At 31st December 2013, the carrying amount of leasehold land pledged as security for borrowings amounted to US\$10 million (2012: US\$12 million) (refer note 33).

The amortization charges are all recognized in arriving at operating profit and are included in cost of sales, selling and distribution costs and administration expenses.

The remaining amortization periods for intangible assets are as follows:

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Leasehold land	up to 86 years
Concession rights	34 years
Computer software	up to 7 years
Other	up to 40 years

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## 15 Tangible Assets

	Freehold properties US\$m	Leasehold properties US\$m	Leasehold improve- ments US\$m	Mining properties US\$m	Plant & machinery US\$m	Furniture, equipment & motor vehicles US\$m	Total US\$m
<b>2013</b>							
Cost	549	2,177	833	1,191	3,593	2,117	<b>10,460</b>
Depreciation and impairment	(63)	(423)	(475)	(92)	(1,813)	(1,012)	<b>(3,878)</b>
Net book value at 1st January	486	1,754	358	1,099	1,780	1,105	<b>6,582</b>
Exchange differences	32	(238)	(14)	(104)	(317)	(194)	<b>(835)</b>
New subsidiaries	–	35	–	–	33	2	<b>70</b>
Additions	352	274	122	17	485	373	<b>1,623</b>
Disposals	–	(23)	(3)	–	(5)	(13)	<b>(44)</b>
Revaluation surplus before transfer to investment properties	–	1	–	–	–	–	<b>1</b>
Transfer to investment properties, and stock and work in progress	–	(2)	–	–	(3)	(63)	<b>(68)</b>
Depreciation charge	(10)	(76)	(78)	(25)	(448)	(263)	<b>(900)</b>
Impairment charge	–	–	1	–	(1)	–	<b>–</b>
Reclassified to non-current assets held for sale	–	(3)	–	–	–	–	<b>(3)</b>
Net book value at 31st December	<b>860</b>	<b>1,722</b>	<b>386</b>	<b>987</b>	<b>1,524</b>	<b>947</b>	<b>6,426</b>
Cost	935	2,162	888	1,087	3,391	1,978	<b>10,441</b>
Depreciation and impairment	(75)	(440)	(502)	(100)	(1,867)	(1,031)	<b>(4,015)</b>
	<b>860</b>	<b>1,722</b>	<b>386</b>	<b>987</b>	<b>1,524</b>	<b>947</b>	<b>6,426</b>
<b>2012</b>							
Cost	496	1,888	731	705	3,217	1,934	8,971
Depreciation and impairment	(57)	(368)	(421)	(73)	(1,516)	(908)	(3,343)
Net book value at 1st January	439	1,520	310	632	1,701	1,026	5,628
Exchange differences	16	(31)	2	(4)	(91)	(43)	(151)
New subsidiaries	–	1	2	492	1	–	496
Additions	17	311	123	–	693	443	1,587
Disposals	–	(2)	(4)	–	(15)	(9)	(30)
Transfer to stocks and work in progress	–	–	–	–	(36)	(51)	(87)
Depreciation charge	(5)	(68)	(72)	(21)	(473)	(261)	(900)
Impairment charge	–	–	(3)	–	–	–	(3)
Reclassified from non-current assets held for sale	19	23	–	–	–	–	42
Net book value at 31st December	486	1,754	358	1,099	1,780	1,105	6,582
Cost	549	2,177	833	1,191	3,593	2,117	10,460
Depreciation and impairment	(63)	(423)	(475)	(92)	(1,813)	(1,012)	(3,878)
	486	1,754	358	1,099	1,780	1,105	6,582

Freehold properties include a hotel property of US\$99 million (2012: US\$100 million), which is stated net of a grant of US\$25 million (2012: US\$26 million).

Net book value of leasehold properties and plant and machinery acquired under finance leases amounted to US\$280 million and US\$92 million (2012: US\$282 million and US\$152 million), respectively.

## 15 Tangible Assets *(continued)*

Rental income from properties and other tangible assets amounted to US\$347 million (2012: US\$329 million) including contingent rents of US\$3 million (2012: US\$3 million).

Future minimum rental payments receivable under non-cancellable leases are as follows:

	2013 US\$m	2012 US\$m
Within one year	146	168
Between one and two years	80	78
Between two and five years	88	60
Beyond five years	22	4
	<b>336</b>	<b>310</b>

At 31st December 2013, the carrying amount of tangible assets pledged as security for borrowings amounted to US\$782 million (2012: US\$819 million) (refer note 33).

## 16 Investment Properties

	Completed commercial properties US\$m	Under development commercial properties US\$m	Completed residential properties US\$m	Total US\$m
<b>2013</b>				
At 1st January	22,753	666	142	<b>23,561</b>
Exchange differences	(46)	9	(1)	<b>(38)</b>
Additions	49	192	–	<b>241</b>
Disposals	(12)	–	–	<b>(12)</b>
Transfer to completed commercial properties	172	(172)	–	–
Transfer from/(to) intangible assets	5	(7)	–	<b>(2)</b>
Net decrease in fair value	(53)	(6)	(3)	<b>(62)</b>
At 31st December	<b>22,868</b>	<b>682</b>	<b>138</b>	<b>23,688</b>
Freehold properties				<b>54</b>
Leasehold properties				<b>23,634</b>
				<b>23,688</b>
<b>2012</b>				
At 1st January	22,309	142	138	22,589
Exchange differences	83	11	1	95
Additions	59	514	3	576
Disposals	–	–	(6)	(6)
Transfer to intangible assets	(14)	–	–	(14)
Net increase/(decrease) in fair value	316	(1)	6	321
At 31st December	22,753	666	142	23,561
Freehold properties				55
Leasehold properties				23,506
				23,561

## 16 Investment Properties (continued)

The Group measures its investment properties at fair value. The fair value of the Group's investment properties at 31st December 2013 and 2012, which were principally held by Hongkong Land, has been determined on the basis of valuations carried out by independent valuers not related to the Group. Hongkong Land employed Jones Lang LaSalle to value its commercial investment properties in Hong Kong, China, Singapore, Vietnam and Cambodia which are either freehold or held under leases with unexpired lease terms of more than 20 years. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at by reference to the net income, allowing for reversionary potential, of each property.

### **Fair value measurements using significant observable inputs**

Fair values of completed residential properties are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

### **Fair value measurements using significant unobservable inputs**

Fair values of completed commercial properties in Hong Kong and Singapore are generally derived using the income capitalization method. This valuation method is based on the capitalization of the net income and reversionary income potential by adopting appropriate capitalization rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

Fair values of completed commercial properties in Vietnam and Cambodia are generally derived using the discounted cash flow method. The net present value of the income stream is estimated by applying an appropriate discount rate which reflects the risk profile.

Fair values of under development commercial properties are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completion as at the date of valuation.

The Group's policy is to recognize transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

Information about fair value measurements of Hongkong Land's investment properties using significant unobservable inputs:

		Fair value at 31st December US\$m	Valuation method	Range of significant unobservable inputs	
Commercial Property				Prevailing market rent per month US\$	Capitalization/ discount rates %
Completed	Hong Kong	22,127	Income capitalization	3.9 to 37.6 per square foot	3.65 to 5.50
	Singapore	621	Income capitalization	6.0 to 10.6 per square foot	3.50 to 5.50
	Vietnam and Cambodia	54	Discounted cash flow	23.0 to 52.4 per square metre	15.00 to 16.00
	Total	22,802			
Under development	Mainland China	618	Residual	91.0 per square metre	5.25
	Cambodia	25	Residual	42.0 to 95.0 per square metre	16.00
	Total	643			

## 16 Investment Properties *(continued)*

Prevailing market rents are estimated based on independent valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalization and discount rates are estimated by independent valuers based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

Rental income from investment properties amounted to US\$814 million (2012: US\$745 million) including contingent rents of US\$15 million (2012: US\$13 million).

Future minimum rental payments receivable under non-cancellable leases are as follows:

	2013 US\$m	2012 US\$m
Within one year	711	702
Between one and two years	467	504
Between two and five years	429	411
Beyond five years	64	59
	<b>1,671</b>	1,676

Generally the Group's operating leases in respect of investment properties are for terms of three or more years.

The Group's investment properties had not been pledged as security for borrowings at 31st December 2013 and 2012.

## 17 Plantations

The Group's plantation assets are primarily for the production of palm oil.

	2013 US\$m	2012 US\$m
<b><i>Movements during the year:</i></b>		
At 1st January	1,026	1,058
Exchange differences	(219)	(67)
Additions	69	92
Disposals	(5)	(5)
Net decrease in fair value	(15)	(52)
At 31st December	856	1,026
Immature plantations	105	178
Mature plantations	751	848
	<b>856</b>	1,026
	Hectares	Hectares
Planted area:		
Immature plantations	33,147	37,842
Mature plantations	187,382	175,288
	<b>220,529</b>	213,130

## 17 Plantations (continued)

The plantations were valued internally at their fair values less point of sale costs, based on a discounted cash flow method using unobservable inputs. The major unobservable inputs used in the valuation are:

	2013	2012
Crude palm oil price per tonne (US\$)	909	934
Effective annual price inflation (for the first five years) (%)	9*	9*
Effective annual cost inflation (for the first five years) (%)	7*	6*
Post-tax discount rates (%)	14	14

The higher the crude palm oil price per tonne and the higher the effective annual price inflation, the higher the fair value. The higher the effective annual cost inflation and the higher the post-tax discount rates, the lower the fair value.

Changes in unrealized loss for the year for plantations held at the end of the year amounted to US\$15 million (2012: US\$52 million) and have been included in profit or loss in the line 'Other operating expenses'.

During the year, the Group harvested 3.7 million (2012: 4.1 million) tonnes of produce from the plantations with a fair value at the point of harvest less point of sale costs of US\$482 million (2012: US\$638 million).

The Group's plantations had not been pledged as security for borrowings at 31st December 2013 and 2012.

\*0% inflation thereafter.

## 18 Investment in Jardine Matheson

	2013 US\$m	2012 US\$m
Share of attributable net assets including own shares held	2,734	2,547
Own shares held (refer note 31)	(1,838)	(1,727)
Share of attributable net assets	896	820
Goodwill on acquisition	838	691
	1,734	1,511
Fair value	19,762	22,926
<b>Movements during the year:</b>		
At 1st January – as restated	1,511	1,227
Share of results after tax and non-controlling interests	168	173
Share of other comprehensive expense after tax and non-controlling interests	33	1
Share of dividends of the Company (refer note 30)	124	116
Dividends received	(508)	(461)
Share of employee share options granted	10	8
Change in attributable interests	508	461
Change in own shares held	(111)	(13)
Other	(1)	(1)
At 31st December	1,734	1,511

## 19 Associates and Joint Ventures

	2013 US\$m	2012 US\$m
Listed associates		
– PT Tunas Ridean	71	81
– OHTL	20	20
	91	101
Unlisted associates	861	830
Share of attributable net assets	952	931
Goodwill on acquisition	26	23
	978	954
Listed joint venture – Bank Permata	556	626
Unlisted joint ventures	6,093	5,545
Share of attributable net assets	6,649	6,171
Goodwill on acquisition	122	136
	6,771	6,307
	7,749	7,261
<b><i>By business:</i></b>		
Hongkong Land	4,914	4,273
Dairy Farm	371	340
Mandarin Oriental	113	110
Jardine Cycle & Carriage	168	168
Astra	2,166	2,352
Corporate and other interests	17	18
	7,749	7,261

	Associates		Joint ventures	
	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m
<b><i>Movements of associates and joint ventures during the year:</i></b>				
At 1st January – as restated	954	1,076	6,307	5,385
Share of results after tax and non-controlling interests	246	183	1,017	1,003
Share of other comprehensive income after tax and non-controlling interests	(123)	(13)	(517)	25
Dividends received	(107)	(102)	(426)	(531)
Acquisitions, increases in attributable interests and advances	16	31	494	489
Disposals, decreases in attributable interests and repayment of advances	(8)	(221)	(104)	(64)
At 31st December	978	954	6,771	6,307
Fair value of listed associates/joint ventures	184	309	492	649

## 19 Associates and Joint Ventures (continued)

### (a) Investment in associates

The Group has interests in a number of associates. In the opinion of the management, its 32% ownership interest in PT Astra Daihatsu Motor is material to the Group. The associate has share capital consisting solely of ordinary shares, which are held directly by the Group.

The country of incorporation and principal place of business of PT Astra Daihatsu Motor are in Indonesia.

### Summarized financial information for PT Astra Daihatsu Motor

Summarized balance sheet at 31st December

	<b>2013</b>	2012
	US\$m	US\$m
Non-current assets	<b>610</b>	757
Current assets		
Cash and cash equivalents	<b>474</b>	396
Other current assets	<b>407</b>	402
Total current assets	<b>881</b>	798
Other non-current liabilities	<b>(41)</b>	(46)
Current liabilities		
Financial liabilities (excluding trade payables)	<b>(1)</b>	(2)
Other current liabilities (including trade payables)	<b>(525)</b>	(601)
Total current liabilities	<b>(526)</b>	(603)
Net assets	<b>924</b>	906

Summarized statement of comprehensive income for the year ended 31st December

	<b>2013</b>	2012
	US\$m	US\$m
Revenue	<b>4,560</b>	4,435
Depreciation and amortization	<b>(110)</b>	(105)
Interest income	<b>33</b>	26
Profit from underlying business performance	<b>459</b>	396
Income tax expense	<b>(120)</b>	(103)
Profit after tax from underlying business performance	<b>339</b>	293
Other comprehensive income	<b>(219)</b>	(56)
Total comprehensive income	<b>120</b>	237
Dividends received from associate	<b>32</b>	32

The information above reflects the amounts presented in the financial statement of the associate adjusted for differences in accounting policies between the Group and the associate.

## 19 Associates and Joint Ventures *(continued)*

### **Reconciliation of the summarized financial information**

Reconciliation of the summarized financial information presented to the carrying amount of the Group's interest in PT Astra Daihatsu Motor for the year ended 31st December

	<b>2013</b>	2012
	US\$m	US\$m
Net assets	<b>924</b>	906
Interest in associate (%)	32	32
Group's share of net assets in associate	<b>295</b>	289
Carrying value	<b>295</b>	289

The Group has interests in a number of individually immaterial associates. The following table analyses, in aggregate, the share of profit and other comprehensive income and carrying amount of these associates.

	<b>2013</b>	2012
	US\$m	US\$m
Share of profit	<b>138</b>	90
Share of other comprehensive income	<b>(53)</b>	5
Share of total comprehensive income	<b>85</b>	95
Carrying amount of interests in these associates	<b>683</b>	665

### **Contingent liabilities relating to the Group's interest in associates**

	<b>2013</b>	2012
	US\$m	US\$m
Financial guarantee in respect of facilities made available to an associate	<b>21</b>	20

#### (b) Investment in joint ventures

The material joint ventures of the Group are listed below. These joint ventures have share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investments in material joint ventures in 2013 and 2012:

	Nature of business	Country of incorporation and principal place of business	% of ownership interest	
			<b>2013</b>	2012
Hongkong Land				
– Properties Sub F, Ltd	Property investment	Macau	<b>49</b>	49
– BFC Development LLP	Property investment	Singapore	<b>33</b>	33
– Central Boulevard Development Pte Ltd	Property investment	Singapore	<b>33</b>	33
– One Raffles Quay Pte Ltd	Property investment	Singapore	<b>33</b>	33
Astra				
– PT Astra Honda Motor	Automotive	Indonesia	<b>50</b>	50
– PT Bank Permata Tbk	Commercial and foreign exchange bank	Indonesia	<b>45</b>	45

As at 31st December 2013, the fair value of the Group's interest in PT Bank Permata Tbk, which is listed on the Indonesian Stock Exchange, was US\$492 million (2012: US\$649 million) and the carrying amount of the Group's interest was US\$596 million (2012: US\$677 million). All other joint ventures in the above table are unlisted.

## 19 Associates and Joint Ventures (continued)

### Summarized financial information for material joint ventures

Set out below are the summarized financial information for the Group's material joint ventures.

Summarized balance sheet at 31st December

	Properties Sub F, Ltd US\$m	BFC Development LLP US\$m	Central Boulevard Development Pte Ltd US\$m	One Raffles Quay Pte Ltd US\$m	PT Astra Honda Motor US\$m	PT Bank Permata Tbk US\$m	Total US\$m
<b>2013</b>							
Non-current assets	1,170	3,595	2,467	2,758	1,198	4,824	<b>16,012</b>
Current assets							
Cash and cash equivalents	29	12	117	18	376	1,692	<b>2,244</b>
Other current assets	111	14	142	1	396	7,071	<b>7,735</b>
Total current assets	140	26	259	19	772	8,763	<b>9,979</b>
Non-current liabilities							
Financial liabilities	(91)	(1,331)	(1,275)	(823)	–	(729)	<b>(4,249)</b>
Other non-current liabilities	(109)	–	(15)	(196)	(247)	(44)	<b>(611)</b>
Total non-current liabilities	(200)	(1,331)	(1,290)	(1,019)	(247)	(773)	<b>(4,860)</b>
Current liabilities							
Financial liabilities (excluding trade payables)	(3)	(1)	(8)	(6)	–	(11,490)	<b>(11,508)</b>
Other current liabilities (including trade payables)	(49)	(87)	(168)	(42)	(588)	(186)	<b>(1,120)</b>
Total current liabilities	(52)	(88)	(176)	(48)	(588)	(11,676)	<b>(12,628)</b>
Net assets	<b>1,058</b>	<b>2,202</b>	<b>1,260</b>	<b>1,710</b>	<b>1,135</b>	<b>1,138</b>	<b>8,503</b>
<b>2012</b>							
Non-current assets	1,003	3,505	2,417	2,683	1,459	4,572	15,639
Current assets							
Cash and cash equivalents	45	22	52	24	298	2,568	3,009
Other current assets	61	19	459	2	444	6,469	7,454
Total current assets	106	41	511	26	742	9,037	10,463
Non-current liabilities							
Financial liabilities	(136)	(1,377)	(1,410)	(854)	–	(617)	(4,394)
Other non-current liabilities	(90)	–	–	(186)	(298)	(50)	(624)
Total non-current liabilities	(226)	(1,377)	(1,410)	(1,040)	(298)	(667)	(5,018)
Current liabilities							
Financial liabilities (excluding trade payables)	(5)	(2)	(7)	(5)	–	(11,400)	(11,419)
Other current liabilities (including trade payables)	(58)	(96)	(484)	(39)	(638)	(275)	(1,590)
Total current liabilities	(63)	(98)	(491)	(44)	(638)	(11,675)	(13,009)
Net assets	820	2,071	1,027	1,625	1,265	1,267	8,075

## 19 Associates and Joint Ventures *(continued)*

Summarized statement of comprehensive income for the year ended 31st December

	Properties Sub F, Ltd US\$m	BFC Development LLP US\$m	Central Boulevard Development Pte Ltd US\$m	One Raffles Quay Pte Ltd US\$m	PT Astra Honda Motor US\$m	PT Bank Permata Tbk US\$m	Total US\$m
<b>2013</b>							
Revenue	152	165	852	126	4,947	1,249	<b>7,491</b>
Depreciation and amortization	(9)	–	–	–	(90)	(18)	<b>(117)</b>
Interest income	–	–	–	–	28	–	<b>28</b>
Interest expense	(4)	(48)	(25)	(23)	–	–	<b>(100)</b>
Profit from underlying business performance	95	77	391	72	601	216	<b>1,452</b>
Income tax (expense)/credit	(12)	9	(66)	(12)	(145)	(54)	<b>(280)</b>
Profit after tax from underlying business performance	83	86	325	60	456	162	<b>1,172</b>
Profit after tax from non-trading items	155	206	129	149	–	–	<b>639</b>
Profit after tax	238	292	454	209	456	162	<b>1,811</b>
Other comprehensive income	–	(70)	(35)	(52)	(282)	(291)	<b>(730)</b>
Total comprehensive income	<b>238</b>	<b>222</b>	<b>419</b>	<b>157</b>	<b>174</b>	<b>(129)</b>	<b>1,081</b>
Dividends received from joint ventures	–	<b>30</b>	<b>62</b>	<b>24</b>	<b>152</b>	–	<b>268</b>
<b>2012</b>							
Revenue	115	165	28	109	4,579	1,086	6,082
Depreciation and amortization	(14)	–	–	–	(92)	(18)	(124)
Interest income	1	–	–	–	24	–	25
Interest expense	(6)	(51)	(16)	(22)	–	–	(95)
Profit from underlying business performance	68	79	(8)	58	612	203	1,012
Income tax expense	(8)	(6)	–	(9)	(149)	(55)	(227)
Profit after tax from underlying business performance	60	73	(8)	49	463	148	785
Profit after tax from non-trading items	321	70	223	81	–	–	695
Profit after tax	381	143	215	130	463	148	1,480
Other comprehensive income/(expense)	2	119	46	88	(106)	(72)	77
Total comprehensive income	383	262	261	218	357	76	1,557
Dividends received from joint ventures	66	22	–	21	263	–	372

The information above reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures.

## 19 Associates and Joint Ventures (continued)

### Reconciliation of summarized financial information

Reconciliation of the summarized financial information presented to the carrying amount of the Group's interests in its material joint ventures for the year ended 31st December

	Properties Sub F, Ltd US\$m	BFC Development LLP US\$m	Central Boulevard Development Pte Ltd US\$m	One Raffles Quay Pte Ltd US\$m	PT Astra Honda Motor US\$m	PT Bank Permata Tbk US\$m	Total US\$m
<b>2013</b>							
Net assets	1,058	2,202	1,260	1,710	1,135	1,138	<b>8,503</b>
Shareholders' loans	93	1,332	1,276	107	–	–	<b>2,808</b>
Adjusted net assets	1,151	3,534	2,536	1,817	1,135	1,138	<b>11,311</b>
Interest in joint ventures (%)	49	33	33	33	50	45	
Group's share of net assets in joint ventures	564	1,178	845	605	567	507	<b>4,266</b>
Group adjustments to share of net assets at acquisition	–	–	–	–	1	49	<b>50</b>
Goodwill	–	–	–	–	–	40	<b>40</b>
Carrying value	<b>564</b>	<b>1,178</b>	<b>845</b>	<b>605</b>	<b>568</b>	<b>596</b>	<b>4,356</b>
<b>2012</b>							
Net assets	820	2,071	1,027	1,625	1,265	1,267	8,075
Shareholders' loans	141	1,378	1,411	111	–	–	3,041
Adjusted net assets	961	3,449	2,438	1,736	1,265	1,267	11,116
Interest in joint ventures (%)	49	33	33	33	50	45	
Group's share of net assets in joint ventures	471	1,149	812	578	632	565	4,207
Group adjustments to share of net assets at acquisition	–	–	–	–	1	61	62
Goodwill	–	–	–	–	–	51	51
Carrying value	471	1,149	812	578	633	677	4,320

The Group has interests in a number of individually immaterial joint ventures. The following table analyses, in aggregate, the share of profit and other comprehensive income and carrying amount of these joint ventures.

	2013 US\$m	2012 US\$m
Share of profit	<b>282</b>	355
Share of other comprehensive income	<b>(170)</b>	32
Share of total comprehensive income	<b>112</b>	387
Carrying amount of interests in these joint ventures	<b>2,415</b>	1,987

### Commitments and contingent liabilities in respect of joint ventures

The Group has the following commitments relating to its joint ventures as at 31st December:

	2013 US\$m	2012 US\$m
Commitment to provide funding if called	<b>387</b>	272

There were no contingent liabilities to the Group's interest in the joint ventures at 31st December 2013 and 2012.

## 20 Other Investments

	2013 US\$m	2012 US\$m
Available-for-sale financial assets		
Listed securities		
– Asia Commercial Bank	51	54
– Paris Orléans	104	97
– Schindler Holdings	188	181
– Tata Power	103	140
– The Bank of N.T. Butterfield & Son	35	30
– other	462	575
	<b>943</b>	1,077
Unlisted securities	170	142
	<b>1,113</b>	1,219
Held-to-maturity financial assets		
Listed securities	–	2
	<b>1,113</b>	1,221
Non-current	<b>1,096</b>	1,208
Current	<b>17</b>	13
	<b>1,113</b>	1,221
<b><i>Analysis by geographical area of operation:</i></b>		
Greater China	70	94
Southeast Asia	710	815
Rest of the world	333	312
	<b>1,113</b>	1,221
<b><i>Movements during the year:</i></b>		
At 1st January	1,221	1,069
Exchange differences	(89)	(20)
Additions	126	427
Disposals and capital repayments	(115)	(435)
Unwinding of discount	(2)	–
Net revaluation (deficit)/surplus	(28)	180
At 31st December	<b>1,113</b>	1,221

Movements of available-for-sale financial assets which were valued based on unobservable inputs during the year are disclosed in note 2. Profit on sale of these assets in 2012 amounted to US\$2 million and was credited to profit and loss. There was no sale of these assets in 2013.

No held-to-maturity financial assets was held at 31st December 2013. The fair value of held-to-maturity financial assets at 31st December 2012 was US\$2 million.

## 21 Debtors

	2013 US\$m	2012 US\$m
Consumer financing debtors		
– gross	3,915	4,332
– provision for impairment	(183)	(218)
	3,732	4,114
Financing lease receivables		
– gross investment	889	1,084
– unearned finance income	(102)	(132)
– net investment	787	952
– provision for impairment	(33)	(37)
	754	915
Financing debtors	4,486	5,029
Trade debtors		
– third parties	1,804	1,813
– associates and joint ventures	76	77
	1,880	1,890
– provision for impairment	(24)	(20)
	1,856	1,870
Other debtors		
– third parties	1,380	1,398
– Jardine Matheson	241	190
– associates and joint ventures	109	112
	1,730	1,700
– provision for impairment	(11)	(10)
	1,719	1,690
	8,061	8,589
Non-current	2,792	2,682
Current	5,269	5,907
	8,061	8,589
<b>Analysis by geographical area of operation:</b>		
Greater China	366	484
Southeast Asia	7,401	7,860
United Kingdom	10	8
Rest of the world	284	237
	8,061	8,589
<b>Fair value:</b>		
Consumer financing debtors	3,368	4,381
Financing lease receivables	713	891
Financing debtors	4,081	5,272
Trade debtors	1,856	1,870
Other debtors*	918	778
	6,855	7,920

\*Excluding prepayments, rental and other deposits, and other non-financial debtors.

## 21 Debtors (continued)

Trade and other debtors excluding derivative financial instruments are stated at amortized cost. The fair value of these debtors other than short-term debtors is estimated using the expected future receipts discounted at market rates ranging from 6% to 15% (2012: 6% to 15%) per annum, while the fair value of short-term debtors approximates their carrying amounts. Derivative financial instruments are stated at fair value.

### Financing debtors

Financing debtors comprise consumer financing debtors and financing lease receivables. They relate primarily to Astra's motor vehicle and motorcycle financing. Before accepting any new customer, the Group assesses the potential customer's credit quality and sets credit limits by customer using internal scoring systems. These limits and scoring are reviewed periodically. The Group obtains collateral in the form of motor vehicles and motorcycles from financing debtors who give the Group the right to sell the repossessed collateral or take any other action to settle the outstanding debt.

The loan repayment or lease period ranges from 6 to 60 months for motor vehicles and motorcycles. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payment are considered indicators that the debtor is impaired. An allowance for impairment is made based on the estimated irrecoverable amount by reference to past default experience and current economic conditions. The impaired financing debtors arise mainly from retail customers, which are assessed collectively. The Group has the right to repossess the assets whenever its customers default on their installments obligations. It usually exercises its right if monthly installments are overdue for 30 days for motor vehicles and 60 days for motorcycles. Management has considered the balances against which collective impairment provision is made as impaired.

The maturity analysis of consumer financing debtors at 31st December is as follows:

	2013	2012
	US\$m	US\$m
<b><i>Including related finance income</i></b>		
Within one year	<b>2,654</b>	3,268
Between one and two years	<b>1,387</b>	1,359
Between two and five years	<b>853</b>	772
	<b>4,894</b>	5,399
<b><i>Excluding related finance income</i></b>		
Within one year	<b>2,027</b>	2,535
Between one and two years	<b>1,122</b>	1,113
Between two and five years	<b>766</b>	684
	<b>3,915</b>	4,332

### Financing lease receivables

An analysis of financing lease receivables is set out below:

	2013	2012
	US\$m	US\$m
Lease receivables	<b>889</b>	1,084
Guaranteed residual value	<b>300</b>	310
Security deposits	<b>(300)</b>	(310)
Gross investment	<b>889</b>	1,084
Unearned lease income	<b>(102)</b>	(132)
Net investment	<b>787</b>	952

## 21 Debtors (continued)

The maturity analyses of financing lease receivables at 31st December are as follows:

	2013		2012	
	Gross investment	Net investment	Gross investment	Net investment
	US\$m	US\$m	US\$m	US\$m
Within one year	514	444	613	523
Between one and two years	273	247	341	306
Between two and five years	102	96	130	123
	<b>889</b>	<b>787</b>	1,084	952

The fair value of the financing debtors is US\$4,081 million (2012: US\$5,272 million). The fair value of financing debtors is determined based on cash flows discounted using rates of 9% to 32% per annum (2012: 8% to 29% per annum).

Financing debtors are due within five years (2012: five years) from the balance sheet date and the interest rates range from 12% to 32% per annum (2012: 7% to 43% per annum).

### Trade and other debtors

The average credit period on sale of goods and services varies among Group businesses and is generally not more than 60 days. Before accepting any new customer, the individual Group business assesses the potential customer's credit quality and sets credit limits by customer using internal credit scoring systems. These limits and scoring are reviewed periodically.

An allowance for impairment of trade and other debtors is made based on the estimated irrecoverable amount. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired.

At 31st December 2013, consumer financing debtors of US\$31 million (2012: US\$51 million), financing lease receivables of US\$133 million (2012: US\$1 million), trade debtors of US\$103 million (2012: US\$68 million) and other debtors of US\$13 million (2012: US\$11 million) were impaired. The impaired consumer financing debtors and financing lease receivables were covered by provisions for impairment of these debtors which are assessed collectively. The amounts of the provisions for trade debtors and other debtors were US\$24 million (2012: US\$20 million) and US\$11 million (2012: US\$10 million), respectively. It was assessed that a portion of the debtors is expected to be recovered.

At 31st December 2013, consumer financing debtors of US\$315 million (2012: US\$522 million), financing lease receivable of US\$182 million (2012: US\$260 million), trade debtors of US\$547 million (2012: US\$478 million) and other debtors of US\$87 million (2012: US\$61 million), respectively, were past due but not impaired. The ageing analysis of these debtors is as follows:

	Consumer financing debtors		Financing lease receivables		Trade debtors		Other debtors	
	2013	2012	2013	2012	2013	2012	2013	2012
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Below 30 days	265	421	174	147	340	273	9	11
Between 31 and 60 days	44	85	8	108	124	148	2	3
Between 61 and 90 days	6	16	–	5	58	37	2	12
Over 90 days	–	–	–	–	25	20	74	35
	<b>315</b>	522	<b>182</b>	260	<b>547</b>	478	<b>87</b>	61

The risk of trade and other debtors that are neither past due nor impaired at 31st December 2013 becoming impaired is low as they have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 21 Debtors (continued)

### Other debtors

Other debtors are further analyzed as follows:

	2013	2012
	US\$m	US\$m
Derivative financial instruments	294	144
Restricted bank balances and deposits	7	10
Loans to employees	33	39
Amount due from Jardine Matheson	241	190
Other amounts due from associates and joint ventures	109	112
Repossessed assets of finance companies	14	14
Other receivables	220	269
Financial assets	918	778
Prepayments	495	615
Reinsurers' share of estimated losses on insurance contracts	44	55
Rental and other deposits	154	163
Other	108	79
	<b>1,719</b>	1,690

Restricted bank balances and deposits comprise cash and time deposits which are either restricted for interest payments or placed as margin deposits for letter of credit facilities obtained by certain subsidiaries and guarantee deposits to third parties.

Amount due from Jardine Matheson comprises a loan of US\$240 million which was drawn down under a facility granted by a subsidiary of the Company to a wholly-owned subsidiary of Jardine Matheson and a current account with a balance of US\$1 million. The loan bears interest at LIBOR plus 1.0% p.a. and is repayable on demand.

Repossessed assets of finance companies represent collateral obtained from customers towards settlement of automobile and motorcycle receivables which are in default. The fair value of the collateral held amounted to US\$14 million (2012: US\$14 million). The finance company is given the right by the customers to sell the repossessed collateral. Any excess of proceeds from the sale over the outstanding receivables is refunded to the customers.

Movements in the provisions for impairment are as follows:

	Consumer financing debtors		Financing lease receivables		Trade debtors		Other debtors	
	2013	2012	2013	2012	2013	2012	2013	2012
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
At 1st January	(218)	(206)	(37)	(19)	(20)	(16)	(10)	(11)
Exchange differences	47	13	7	2	4	-	-	-
Additional provisions	(97)	(114)	(5)	(20)	(11)	(9)	(2)	(1)
Unused amounts reversed	-	-	-	-	1	1	-	2
Amounts written off	85	89	2	-	3	4	1	-
At 31st December	(183)	(218)	(33)	(37)	(23)	(20)	(11)	(10)

At 31st December 2013, the carrying amount of consumer financing debtors, financing lease receivables, trade debtors and other debtors pledged as security for borrowings amounted to US\$1,951 million, US\$221 million, US\$1 million and US\$6 million (2012: US\$2,150 million, US\$318 million, US\$1 million and US\$7 million), respectively (refer note 33).

## 22 Deferred Tax Assets/(Liabilities)

	Accelerated tax depreciation US\$m	Fair value gains/ losses US\$m	Losses US\$m	Employee benefits US\$m	Provisions and other temporary differences US\$m	Total US\$m
<b>2013</b>						
At 1st January						
– as previously reported	(174)	(586)	17	77	110	<b>(556)</b>
– change in accounting policy for employee benefits	–	–	–	4	–	<b>4</b>
– as restated	(174)	(586)	17	81	110	<b>(552)</b>
Exchange differences	1	85	(3)	(17)	(31)	<b>35</b>
New subsidiaries	–	(7)	3	–	–	<b>(4)</b>
Credited to profit and loss	16	(1)	(4)	8	38	<b>57</b>
Charged to other comprehensive income	–	(8)	–	(9)	–	<b>(17)</b>
At 31st December	<b>(157)</b>	<b>(517)</b>	<b>13</b>	<b>63</b>	<b>117</b>	<b>(481)</b>
Deferred tax assets	79	(45)	6	54	132	<b>226</b>
Deferred tax liabilities	(236)	(472)	7	9	(15)	<b>(707)</b>
	<b>(157)</b>	<b>(517)</b>	<b>13</b>	<b>63</b>	<b>117</b>	<b>(481)</b>
<b>2012</b>						
At 1st January						
– as previously reported	(165)	(506)	14	44	136	(477)
– change in accounting policy for employee benefits	–	–	–	4	–	<b>4</b>
– as restated	(165)	(506)	14	48	136	(473)
Exchange differences	(1)	23	(1)	(4)	(8)	<b>9</b>
New subsidiaries	–	(123)	–	–	–	(123)
Credited to profit and loss	(10)	19	4	14	(6)	<b>21</b>
Credited to other comprehensive income	–	1	–	13	–	<b>14</b>
Reclassification	2	–	–	10	(12)	–
At 31st December	(174)	(586)	17	81	110	(552)
Deferred tax assets	81	(47)	4	65	118	221
Deferred tax liabilities	(255)	(539)	13	16	(8)	(773)
	(174)	(586)	17	81	110	(552)

Deferred tax balances predominantly comprise non-current items. Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

Deferred tax assets of US\$97 million (2012: US\$91 million) arising from unused tax losses of US\$406 million (2012: US\$391 million) have not been recognized in the financial statements. Included in the unused tax losses, US\$172 million have no expiry date and the balance will expire at various dates up to and including 2021.

Deferred tax liabilities of US\$386 million (2012: US\$349 million) arising on temporary differences associated with investments in subsidiaries of US\$3,863 million (2012: US\$3,270 million) have not been recognized as there is no current intention of remitting the retained earnings of these subsidiaries to the holding companies in the foreseeable future.

## 23 Pension Plans

The Group operates defined benefit pension plans in the main territories in which it operates, with the major plans in Hong Kong and Indonesia. Most of the pension plans are final salary defined benefits, calculated based on a members' length of service and their salaries in the final years leading up to retirement. In both Hong Kong and Indonesia, the pension benefits are paid in one lump sum. With the exception of certain plans in Hong Kong, all the defined benefit plans are closed to new members. In addition, although all plans are impacted by the discount rate, liabilities in Hong Kong and Indonesia are driven by salary increases.

The Group's defined benefit plans are either funded or unfunded, with the assets of the funded plans held independently of the Group's assets in separate trustee administered funds. Plan assets held in trusts are governed by local regulations and practices in each country. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the company and the boards of trustees. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

The amounts recognized in the consolidated balance sheet are as follows:

	<b>2013</b>	2012
	US\$m	US\$m
Fair value of plan assets	<b>372</b>	393
Present value of funded obligations	<b>(360)</b>	(392)
	<b>12</b>	1
Present value of unfunded obligations	<b>(195)</b>	(244)
Net pension liabilities	<b>(183)</b>	(243)
<b><i>Analysis of net pension liabilities:</i></b>		
Pension assets	<b>30</b>	17
Pension liabilities	<b>(213)</b>	(260)
	<b>(183)</b>	(243)

**23 Pension Plans** (continued)

The movement in the net pension liabilities is as follows:

	Fair value of plan assets US\$m	Present value of obligation US\$m	Total US\$m
<b>2013</b>			
At 1st January – as restated	393	(636)	<b>(243)</b>
Current service cost	–	(53)	<b>(53)</b>
Interest income/(expense)	16	(29)	<b>(13)</b>
Past service cost and gains on settlements	–	8	<b>8</b>
Administration expenses	(1)	–	<b>(1)</b>
	15	(74)	<b>(59)</b>
	408	(710)	<b>(302)</b>
Exchange differences	(26)	80	<b>54</b>
New subsidiaries	–	(5)	<b>(5)</b>
Remeasurements			
– return on plan assets, excluding amounts included in interest income	9	–	<b>9</b>
– change in financial assumptions	–	74	<b>74</b>
– experience losses	–	(42)	<b>(42)</b>
	9	32	<b>41</b>
Contributions from employers	20	–	<b>20</b>
Contributions from plan participants	2	(2)	–
Benefit payments	(39)	48	<b>9</b>
Transfer from other plans	(2)	2	–
At 31st December	<b>372</b>	<b>(555)</b>	<b>(183)</b>
<b>2012</b>			
At 1st January – as restated	368	(537)	(169)
Current service cost	–	(45)	(45)
Interest income/(expense)	19	(31)	(12)
Past service cost and losses on settlements	–	(2)	(2)
	19	(78)	(59)
	387	(615)	(228)
Exchange differences	(7)	19	12
Remeasurements			
– return on plan assets, excluding amounts included in interest income	22	–	22
– change in financial assumptions	–	(74)	(74)
– experience losses	–	(2)	(2)
	22	(76)	(54)
Contributions from employers	20	–	20
Contributions from plan participants	2	(2)	–
Benefit payments	(31)	38	7
At 31st December – as restated	393	(636)	(243)

## 23 Pension Plans *(continued)*

The weighted average duration of the defined benefit obligation at 31st December 2013 is 12 years (2012: 13 years).

Expected maturity analysis of undiscounted pension benefits at 31st December is as follows:

	<b>2013</b>	2012
	US\$m	US\$m
Less than a year	<b>51</b>	52
Between one and two years	<b>54</b>	61
Between two and five years	<b>155</b>	157
Beyond five years	<b>4,142</b>	5,078
	<b>4,402</b>	5,348

The principal actuarial assumptions used for accounting purposes at 31st December are as follows:

	Hong Kong		Indonesia		Others	
	<b>2013</b>	2012	<b>2013</b>	2012	<b>2013</b>	2012
	%	%	%	%	%	%
Discount rate	<b>4.4</b>	3.4	<b>7.7</b>	6.5	<b>2.4</b>	2.4
Salary growth rate	<b>5.0</b>	5.0	<b>7.4</b>	7.6	<b>2.3</b>	2.1

As the participants of the plans relating to employees in Hong Kong and Indonesia usually take one-off lump sum amounts from the plans upon retirement, mortality is not an assumption for these plans.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
		US\$m	US\$m
Discount rate	1%	<b>(50)</b>	<b>60</b>
Salary growth rate	1%	<b>60</b>	<b>(50)</b>

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of balance sheet.

**23 Pension Plans** (continued)

The analysis of the fair value of plan assets at 31st December is as follows:

	Asia Pacific US\$m	Europe US\$m	North America US\$m	Global US\$m	Total US\$m
<b>2013</b>					
Quoted investments					
Equity instruments	85	–	–	–	<b>85</b>
Debt instruments					
– government	38	–	–	–	<b>38</b>
– corporate bonds					
– investment grade	21	–	–	–	<b>21</b>
	59	–	–	–	<b>59</b>
Investment funds	3	33	65	4	<b>105</b>
	<u>147</u>	<u>33</u>	<u>65</u>	<u>4</u>	<u><b>249</b></u>
Unquoted investments					
Debt instruments					
– government	5	17	6	3	<b>31</b>
– corporate bonds					
– investment grade	1	6	12	–	<b>19</b>
– non-investment grade	–	–	2	–	<b>2</b>
	1	6	14	–	<b>21</b>
	6	23	20	3	<b>52</b>
Investment funds	–	–	–	65	<b>65</b>
	<u>6</u>	<u>23</u>	<u>20</u>	<u>68</u>	<u><b>117</b></u>
Total investments	<u>153</u>	<u>56</u>	<u>85</u>	<u>72</u>	<u><b>366</b></u>
Cash and cash equivalents					<b>10</b>
Benefits payable and other					<b>(4)</b>
					<b>372</b>

## 23 Pension Plans (continued)

	Asia Pacific US\$m	Europe US\$m	North America US\$m	Global US\$m	Total US\$m
<i>2012</i>					
Quoted investments					
Equity instruments	105	–	–	–	105
Debt instruments					
– government	51	–	–	–	51
– corporate bonds					
– investment grade	24	–	–	–	24
	75	–	–	–	75
Investment funds	1	24	34	4	63
	181	24	34	4	243
Unquoted investments					
Debt instruments					
– government	9	26	12	3	50
– corporate bonds					
– investment grade	1	6	18	–	25
– non-investment grade	–	–	1	–	1
	1	6	19	–	26
	10	32	31	3	76
Investment funds	–	–	–	67	67
	10	32	31	70	143
Total investments	191	56	65	74	386
Cash and cash equivalents					10
Benefits payable and other					(3)
					393

The defined benefit plans in Hong Kong have 2 strategic asset allocations for its open and closed plans. The open plans have an equity/debt allocation of 70/30 whilst the closed plans have a 60/40 split.

The strategic asset allocation is derived from the asset-liability modeling ('ALM') review, done triennially to ensure the plans can meet future funding and solvency requirements. The last ALM review was completed in 2012, with the new strategic asset allocations adopted in the first quarter of 2013.

As at 31st December 2013, the Hong Kong plans had assets of US\$271 million (2012: US\$265 million). These assets were invested 22% in Asia Pacific, 20% in Europe and 32% in North America (2012: 27%, 21% and 24%, respectively). In 2013, 57% and 43% of the investments were in quoted and unquoted instruments respectively. In 2012, the split was 46% and 54%. The high percentage of quoted instruments provides liquidity to fund drawdowns and benefit payments. Within the quoted equity allocation, the plan is well diversified in terms of sectors, with the top three being financials, properties and technology with a combined fair value of US\$28 million. In 2012 the top three sectors were financials, industrials, and properties with a combined fair value of US\$32 million.

In Indonesia, Astra's defined benefit plan has a strategic asset allocation of 40/60 equity/debt, in line with 2012's allocation. Under local pension regulations, the plan can only invest in domestic equity and debt and there is a 20% cap on the plan holding Astra-group related securities. As of 31st December 2013, the plan had total investments in Astra group of 19%, largely similar to 2012. All of Astra's investments are in quoted instruments and the top three sectors of the quoted equity instruments for both 2013 and 2012 were financials, consumer goods, and industrials, with combined fair values of US\$22 million and US\$26 million respectively.

## 23 Pension Plans *(continued)*

Through its defined benefit pension plans, the Group is expected to be exposed to a number of risks such as asset volatility, changes in bond yields, inflation risk and life expectancy, the most significant of which are detailed below:

### ***Asset volatility***

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The Group's defined benefit plans hold a percentage of equities, which are expected to outperform corporate bonds in the long-term, whilst providing volatility and risk in the short-term.

In Hong Kong, where the Group has open and closed plans, the assets and liabilities mix are distinct to reduce the level of investment risk to each plan. The closed plans reduced their equity exposure and increased investments in government and corporate bonds in the first quarter of 2013. The open plans retained a higher exposure to equities to generate higher returns to meet pension obligations. Management believes that the long-term nature of the plan liabilities and the strength of the Group supports a level of equity investment as part of the Group's long term strategy to manage the plans efficiently.

### ***Changes in bond yields***

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

### ***Inflation risk***

The majority of the Group's plan assets are unaffected by inflation.

### ***Life expectancy***

The Hong Kong and Indonesia plans provide for a lump-sum benefit payment at retirement.

The Group ensures that the investment positions are managed within an ALM framework that is developed to achieve long-term returns that are in line with the obligations under the pension schemes. Within the ALM framework, the Group's objective is to match assets to the pension obligations by investing in a well-diversified portfolio that generates sufficient risk-adjusted returns that match the benefit payments. The Group also actively monitors the duration and the expected yield of the investments to ensure it matches the expected cash outflows arising from the pension obligations.

Investments across the plans are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The Group maintains an active and regular contribution schedule across all the plans. The contributions to all its plans in 2013 were US\$20 million and the estimated amount of contributions expected to be paid to all its plans in 2014 is US\$48 million.

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## 24 Properties for Sale

	2013	2012
	US\$m	US\$m
Properties in the course of development	2,570	2,416
Completed properties	100	97
	<b>2,670</b>	2,513

As at 31st December 2013, properties in the course of development amounting to US\$1,890 million (2012: US\$1,774 million) were not scheduled for completion within the next twelve months.

At 31st December 2013, the carrying amount of properties for sale pledged as security for borrowings amounted to US\$711 million (2012: US\$315 million) (refer note 33).

## 25 Stocks and Work in Progress

	2013	2012
	US\$m	US\$m
Finished goods	2,073	2,355
Work in progress	40	48
Raw materials	58	94
Spare parts	71	87
Other	88	122
	<b>2,330</b>	2,706

At 31st December 2013, the carrying amount of stocks and work in progress pledged as security for borrowings amounted to US\$2 million (2012: US\$2 million) (refer note 33).

## 26 Bank Balances and Other Liquid Funds

	2013	2012
	US\$m	US\$m
Deposits with banks and financial institutions	3,849	2,717
Bank balances	961	1,110
Cash balances	91	120
	<b>4,901</b>	<b>3,947</b>
<b>Analysis by currency:</b>		
Chinese renminbi	447	216
Euro	47	25
Hong Kong dollar	273	199
Indonesian rupiah	1,207	871
Japanese yen	19	20
Malaysian ringgit	66	74
New Taiwan dollar	27	16
Singapore dollar	347	310
United Kingdom sterling	13	10
United States dollar	2,436	2,188
Other	19	18
	<b>4,901</b>	<b>3,947</b>

The weighted average interest rate on deposits with banks and financial institutions is 3.0% (2012: 1.6%) per annum.

## 27 Non-current Assets Classified as Held for Sale

The major class of assets classified as held for sale is set out below:

	2013	2012
	US\$m	US\$m
Tangible assets	7	8

At 31st December 2012, the non-current assets classified as held for sale included Dairy Farm's interest in a piece of land in Malaysia and one retail property in Singapore. The land in Malaysia was sold during 2013 at a profit of US\$1 million while the retail property in Singapore remained unsold at 31st December 2013. Two additional retail properties in Singapore were classified as non-current assets held for sale in 2013. The sale of these three properties is expected to be completed in 2014 at amounts not materially different from their carrying values.

## 28 Share Capital

		<b>2013</b>	2012
		US\$m	US\$m
<b>Authorized:</b>			
1,500,000,000 shares of US¢5 each		<b>75</b>	75
1,000,000 shares of US\$800 each		<b>800</b>	800
		<b>875</b>	875

	Ordinary shares in millions	<b>2013</b>	2012
	<b>2013</b>	US\$m	US\$m
<b>Issued and fully-paid shares of US¢5 each:</b>			
At 1st January and 31st December	<b>1,120</b>	56	56

## 29 Share Premium and Capital Reserves

	Share premium	Capital reserves	Total
	US\$m	US\$m	US\$m
<b>2013</b>			
At 1st January	1,199	167	<b>1,366</b>
Value of employee services under share option schemes	–	14	<b>14</b>
Transfer	–	(10)	<b>(10)</b>
At 31st December	<b>1,199</b>	<b>171</b>	<b>1,370</b>
<b>2012</b>			
At 1st January	1,199	157	1,356
Value of employee services under share option schemes	–	11	11
Transfer	–	(1)	(1)
At 31st December	1,199	167	1,366

Capital reserves include US\$104 million (2012: US\$104 million) representing the share capital and share premium of Jardine Securities Limited, the holding company of the Group prior to the reorganization in 1987 when Jardine Strategic Holdings Limited became the new holding company and are non-distributable. The balance represents the value of employee services under the Group's employee share option schemes.

### 30 Dividends

	2013 US\$m	2012 US\$m
Final dividend in respect of 2012 of US\$17.00 (2011: US\$16.00) per share	190	179
Interim dividend in respect of 2013 of US\$7.50 (2012: US\$7.00) per share	84	78
	<b>274</b>	257
Company's share of dividends paid on the shares held by Jardine Matheson	<b>(124)</b>	(116)
	<b>150</b>	141
<b>Shareholders elected to receive scrip in respect of the following:</b>		
Final dividend in respect of previous year	4	5
Interim dividend in respect of current year	2	1
	<b>6</b>	6

A final dividend in respect of 2013 of US\$18.00 (2012: US\$17.00) per share amounting to a total of US\$202 million (2012: US\$190 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. The net amount after deducting the Company's share of the dividends payable on the shares held by Jardine Matheson of US\$92 million (2012: US\$86 million) will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2014.

### 31 Own Shares Held

Own shares held of US\$1,838 million (2012: US\$1,727 million) represent the Company's share of the cost of 924 million (2012: 920 million) ordinary shares in the Company held by Jardine Matheson and are deducted in arriving at shareholders' funds.

### 32 Non-controlling Interests

	2013 US\$m	2012 US\$m
<b>By business:</b>		
Hongkong Land	13,462	13,111
Dairy Farm	383	312
Mandarin Oriental	277	264
Jardine Cycle & Carriage	135	143
Astra	6,602	7,206
Others	3	-
	<b>20,862</b>	21,036

#### **Summarized financial information on subsidiaries with material non-controlling interests**

Set out below are the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

## 32 Non-controlling Interests (continued)

Summarized balance sheet at 31st December

	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Astra US\$m
<b>2013</b>				
Current				
Assets	4,367	1,931	397	7,241
Liabilities	(2,192)	(2,426)	(715)	(5,827)
Total current net assets/(liabilities)	2,175	(495)	(318)	1,414
Non-current				
Assets	28,629	2,032	1,621	11,162
Liabilities	(3,905)	(160)	(308)	(3,198)
Total non-current net assets	24,724	1,872	1,313	7,964
Non-controlling interests	(42)	(96)	(6)	(1,943)
Net assets	<b>26,857</b>	<b>1,281</b>	<b>989</b>	<b>7,435</b>
<b>2012</b>				
Current				
Assets	3,854	1,840	539	7,876
Liabilities	(1,567)	(2,390)	(156)	(5,590)
Total current net assets/(liabilities)	2,287	(550)	383	2,286
Non-current				
Assets	27,931	2,010	1,229	12,076
Liabilities	(4,034)	(221)	(661)	(4,203)
Total non-current net assets	23,897	1,789	568	7,873
Non-controlling interests	(36)	(46)	(5)	(2,078)
Net assets	26,148	1,193	946	8,081

Summarized profit and loss for the year ended 31st December

	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Astra US\$m
<b>2013</b>				
Profit after tax from underlying business performance	939	487	94	2,039
Profit after tax from non-trading items	261	26	3	39
Profit after tax	1,200	513	97	2,078
Other comprehensive (expense)/income	(78)	(123)	11	(2,065)
Total comprehensive income	<b>1,122</b>	<b>390</b>	<b>108</b>	<b>13</b>
Total comprehensive income/(expense) allocated to non-controlling interests	<b>13</b>	<b>(7)</b>	–	<b>(141)</b>
Dividends paid to non-controlling interests	<b>(7)</b>	–	–	<b>(129)</b>
<b>2012</b>				
Profit after tax from underlying business performance	780	447	69	2,375
Profit after tax from non-trading items	669	3	2	(38)
Profit after tax	1,449	450	71	2,337
Other comprehensive income	287	1	19	(600)
Total comprehensive income	1,736	451	90	1,737
Total comprehensive income allocated to non-controlling interests	12	2	–	231
Dividends paid to non-controlling interests	(1)	–	–	(161)

**32 Non-controlling Interests** (continued)

Summarized cash flows at 31st December

	Hongkong Land US\$m	Dairy Farm US\$m	Mandarin Oriental US\$m	Astra US\$m
<b>2013</b>				
Cash flows from operating activities				
Cash generated from operations	835	551	112	2,609
Interest paid	(117)	(11)	(18)	(29)
Tax paid	(139)	(95)	(19)	(628)
Other operating cash flows	329	238	82	314
Cash flows from operating activities	908	683	157	2,266
Cash flows from investing activities	(378)	(285)	(422)	(1,144)
Cash flows from financing activities	(117)	(316)	132	(527)
Net increase/(decrease) in cash and cash equivalents	413	82	(133)	595
Cash and cash equivalents at 1st January	981	665	453	1,118
Effect of exchange rate changes	8	(36)	(4)	(191)
Cash and cash equivalents at 31st December	<b>1,402</b>	<b>711</b>	<b>316</b>	<b>1,522</b>
<b>2012</b>				
Cash flows from operating activities				
Cash generated from operations	1,107	480	84	1,537
Interest paid	(72)	(15)	(14)	(36)
Tax paid	(147)	(121)	(16)	(624)
Other operating cash flows	(589)	354	72	426
Cash flows from operating activities	299	698	126	1,303
Cash flows from investing activities	(846)	(496)	(87)	(1,461)
Cash flows from financing activities	561	(262)	(54)	(100)
Net increase/(decrease) in cash and cash equivalents	14	(60)	(15)	(258)
Cash and cash equivalents at 1st January	967	719	469	1,441
Effect of exchange rate changes	–	6	(1)	(65)
Cash and cash equivalents at 31st December	981	665	453	1,118

The information above is the amount before inter-company eliminations.

### 33 Borrowings

	2013		2012	
	Carrying amount US\$m	Fair value US\$m	Carrying amount US\$m	Fair value US\$m
Current				
– bank overdrafts	6	6	29	29
– other bank advances	1,164	1,164	746	746
– other advances	8	8	9	9
	<b>1,178</b>	<b>1,178</b>	784	784
Current portion of long-term borrowings				
– bank loans	1,944	1,944	1,845	1,845
– bonds and notes	1,261	1,261	497	497
– finance lease liabilities	43	43	54	54
– other loans	38	38	48	48
	<b>3,286</b>	<b>3,286</b>	2,444	2,444
	<b>4,464</b>	<b>4,464</b>	3,228	3,228
Long-term borrowings				
– bank loans	2,311	2,312	2,953	2,966
– bonds and notes	3,810	3,723	4,580	4,680
– finance lease liabilities	80	80	96	96
– other loans	25	24	32	32
	<b>6,226</b>	<b>6,139</b>	7,661	7,774
	<b>10,690</b>	<b>10,603</b>	10,889	11,002

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 0.5% to 11.8% (2012: 0.3% to 12.8%) per annum. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

	2013 US\$m	2012 US\$m
Secured	4,460	4,971
Unsecured	6,230	5,918
	<b>10,690</b>	10,889

Secured borrowings at 31st December 2013 included Hongkong Land's bank borrowings of US\$230 million (2012: US\$157 million) which were secured against its properties for sale, Mandarin Oriental's bank borrowings of US\$555 million (2012: US\$553 million) which were secured against its tangible assets, and Astra's bonds and notes of US\$1,753 million (2012: US\$1,883 million) which were secured against its various assets as described below and bank borrowings of US\$1,922 million (2012: US\$2,378 million) which were secured against its various assets.

**33 Borrowings** (continued)

<i>By currency:</i>	Weighted average interest rates %	Fixed rate borrowings		Floating rate borrowings US\$m	Total US\$m
		Weighted average period outstanding Years	US\$m		
<b>2013</b>					
Euro	1.8	3.4	6	207	<b>213</b>
Hong Kong dollar	3.0	10.1	2,013	1,556	<b>3,569</b>
Indonesian rupiah	7.6	1.3	3,632	885	<b>4,517</b>
Japanese yen	1.2	–	–	29	<b>29</b>
Malaysian ringgit	4.2	0.1	–	106	<b>106</b>
New Taiwan dollar	1.7	–	–	9	<b>9</b>
Singapore dollar	2.2	3.4	508	775	<b>1,283</b>
Swiss franc	1.2	18.0	2	54	<b>56</b>
United Kingdom sterling	2.7	0.5	33	99	<b>132</b>
United States dollar	2.5	1.6	351	422	<b>773</b>
Other	1.9	–	–	3	<b>3</b>
			<b>6,545</b>	<b>4,145</b>	<b>10,690</b>
<b>2012</b>					
Euro	5.9	0.7	7	–	7
Hong Kong dollar	2.9	10.3	1,839	1,494	3,333
Indonesian rupiah	8.3	1.5	4,295	634	4,929
Japanese yen	1.3	0.4	–	37	37
Malaysian ringgit	4.7	0.2	62	30	92
New Taiwan dollar	1.7	–	–	6	6
Singapore dollar	2.4	4.0	603	705	1,308
Swiss franc	1.5	19.3	2	52	54
United Kingdom sterling	3.0	1.5	33	98	131
United States dollar	2.6	2.1	453	535	988
Other	2.0	–	–	4	4
			<b>7,294</b>	<b>3,595</b>	<b>10,889</b>

The weighted average interest rates and period of fixed rate borrowings are stated after taking into account hedging transactions.

### 33 Borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at 31st December after taking into account hedging transactions are as follows:

	<b>2013</b>	2012
	US\$m	US\$m
Within one year	<b>6,389</b>	5,652
Between one and two years	<b>1,453</b>	1,899
Between two and three years	<b>669</b>	1,324
Between three and four years	<b>242</b>	98
Between four and five years	<b>1</b>	244
Beyond five years	<b>1,936</b>	1,672
	<b>10,690</b>	10,889

The finance lease liabilities are as follows:

	Minimum lease payments		Present value of finance lease liabilities	
	<b>2013</b>	2012	<b>2013</b>	2012
	US\$m	US\$m	US\$m	US\$m
Within one year	<b>46</b>	56	<b>43</b>	54
Between one and five years	<b>83</b>	98	<b>80</b>	96
	<b>129</b>	154	<b>123</b>	150
Future finance charges on finance leases	<b>(6)</b>	(4)		
Present value of finance lease liabilities	<b>123</b>	150		
Current			<b>43</b>	54
Non-current			<b>80</b>	96
			<b>123</b>	150

**33 Borrowings** (continued)

Details of the bonds and notes outstanding at 31st December 2013 are as follows:

	Maturity	Interest rates %	Nominal values	2013		2012	
				Current US\$m	Non- current US\$m	Current US\$m	Non- current US\$m
<b>Hongkong Land</b>							
5.50% 10-year notes	2014	5.50	US\$500 million	507	–	–	528
3.65% 10-year notes	2015	3.65	S\$375 million	–	297	–	308
3.86% 8-year notes	2017	3.86	S\$50 million	–	42	–	45
4.135% 10-year notes	2019	4.135	HK\$200 million	–	25	–	25
4.1875% 10-year notes	2019	4.1875	HK\$300 million	–	39	–	39
4.25% 10-year notes	2019	4.25	HK\$300 million	–	39	–	39
4.22% 10-year notes	2020	4.22	HK\$500 million	–	68	–	73
4.24% 10-year notes	2020	4.24	HK\$500 million	–	64	–	64
3.43% 10-year notes	2020	3.43	S\$150 million	–	118	–	122
3.95% 10-year notes	2020	3.95	HK\$500 million	–	64	–	64
4.28% 12-year notes	2021	4.28	HK\$500 million	–	67	–	74
3.86% 10-year notes	2022	3.86	HK\$410 million	–	52	–	52
4.50% 10-year notes	2022	4.50	US\$500 million	–	462	–	497
3.00% 10-year notes	2022	3.00	HK\$305 million	–	39	–	39
2.90% 10-year notes	2022	2.90	HK\$200 million	–	26	–	26
3.95% 10-year notes	2023	3.95	HK\$1,100 million	–	141	–	–
3.95% 10-year notes	2023	3.95	HK\$300 million	–	39	–	–
4.10% 15-year notes	2025	4.10	HK\$300 million	–	38	–	38
4.50% 15-year notes	2025	4.50	US\$600 million	–	617	–	619
3.75% 15-year notes	2026	3.75	HK\$302 million	–	39	–	39
4.00% 15-year notes	2027	4.00	HK\$785 million	–	99	–	99
4.04% 15-year notes	2027	4.04	HK\$473 million	–	61	–	61
3.95% 15-year notes	2027	3.95	HK\$200 million	–	26	–	26
3.15% 15-year notes	2028	3.15	HK\$300 million	–	38	–	–
4.22% 15-year notes	2028	4.22	HK\$325 million	–	42	–	–
4.11% 20-year notes	2030	4.11	HK\$800 million	–	103	–	103
4.125% 20-year notes	2031	4.125	HK\$200 million	–	25	–	25
4.00% 20-year partly paid notes	2032	4.00	HK\$240 million	–	20	–	10
5.25% 30-year notes	2040	5.25	HK\$250 million	–	32	–	32
<b>Astra Sedaya Finance</b>							
XI bonds	2014	10.9	Rp270 billion	22	–	18	28
XII bonds	2015	9.7 – 10.0	Rp1,321 billion	61	47	25	136
Berkelanjutan I Tahap I bonds	2017	8.0 – 8.6	Rp4,188 billion	–	343	77	436
Berkelanjutan I Tahap II bonds	2014	7.5	Rp941 billion	77	–	61	97
Berkelanjutan I Tahap III bonds	2016	6.75 – 7.75	Rp1,470 billion	29	92	–	–
Berkelanjutan II Tahap I bonds	2016	6.75 – 7.75	Rp1,600 billion	53	78	–	–
Berkelanjutan II Tahap II bonds	2017	8.75 – 9.75	Rp1,770 billion	44	100	–	–
<b>Federal International Finance</b>							
X bonds	2014	10.55	Rp500 billion	41	–	41	52
XI bonds	2014	9.6	Rp1,869 billion	153	–	50	193
Berkelanjutan I Tahap I bonds	2015	7.35 – 7.65	Rp2,962 billion	109	134	103	310
Berkelanjutan I Tahap II bonds	2016	6.75 – 7.75	Rp2,400 billion	58	138	–	–
Shogun bonds	2014	7.9 – 9.25	US\$20 million	20	–	20	20
<b>SAN Finance</b>							
I bonds	2014	9.3	Rp294 billion	24	–	10	30
II bonds	2015	7.7 – 8.4	Rp947 billion	11	66	57	98
Berkelanjutan I Tahap I bonds	2016	8.8 – 9.75	Rp445 billion	9	28	–	–
Surya Artha Nusantara Finance II notes	2014	8.35	Rp200 billion	16	–	–	21
<b>Serasi Auto Raya</b>							
II bonds	2015	10.2	Rp463 billion	–	38	19	48
III bonds	2016	7.75 – 8.75	Rp620 billion	27	24	16	64
				<b>1,261</b>	<b>3,810</b>	497	4,580

### 33 Borrowings (continued)

The Astra Sedaya Finance bonds were issued by a wholly-owned subsidiary of Astra and are collateralized by fiduciary guarantee over financing debtors of the subsidiary amounting to 60% of the total outstanding principal of the bonds.

The Federal International Finance bonds were issued by a wholly-owned subsidiary of Astra and are collateralized by fiduciary guarantee over financing debtors of the subsidiary amounting to 60% of the total outstanding principal of the bonds.

The San Finance bonds and Surya Artha Nusantara Finance notes were issued by a partly-owned subsidiary of Astra and are collateralized by fiduciary guarantee over net investment in finance leases of the subsidiary amounting to 60% of the total outstanding principal of the bonds and notes.

The Serasi Auto Raya bonds were unsecured and issued by a wholly-owned subsidiary of Astra.

The Shogun bonds FIF were issued by a wholly-owned subsidiary of Astra and are collateralized by fiduciary guarantee over financing debtors of the subsidiary amounting to 60% of the total outstanding principal of the bonds.

### 34 Creditors

	2013 US\$m	2012 US\$m
Trade creditors		
– third parties	3,216	2,836
– associates and joint ventures	224	309
	3,440	3,145
Accruals	1,360	1,374
Amounts due to Jardine Matheson	32	34
Other amounts due to associates and joint ventures	68	10
Rental and other refundable deposits	263	463
Derivative financial instruments	58	44
Other creditors	400	422
Financial liabilities	5,621	5,492
Gross estimated losses on insurance contracts	104	117
Proceeds from properties for sale received in advance	678	672
Rental income received in advance	26	19
Other income received in advance	167	170
Deferred warranty income	3	2
Unearned premiums on insurance contracts	328	338
Other	199	11
	7,126	6,821
Non-current	384	382
Current	6,742	6,439
	7,126	6,821
<b>Analysis by geographical area of operation:</b>		
Greater China	2,300	1,820
Southeast Asia	4,673	4,852
United Kingdom	14	16
Rest of the world	139	133
	7,126	6,821

Derivative financial instruments are stated at fair value. Other creditors are stated at amortized cost. The fair values of these creditors approximate their carrying amounts.

**35 Provisions**

	Motor vehicle warranties US\$m	Closure cost provisions US\$m	Obligations under onerous leases US\$m	Reinstatement and restoration costs US\$m	Statutory employee entitlements US\$m	Others US\$m	Total US\$m
<b>2013</b>							
At 1st January	29	2	–	32	102	2	<b>167</b>
Exchange differences	(1)	–	–	(3)	(22)	(1)	<b>(27)</b>
Additional provisions	7	5	9	6	8	4	<b>39</b>
Utilized	(3)	(2)	–	(2)	–	–	<b>(7)</b>
At 31st December	<b>32</b>	<b>5</b>	<b>9</b>	<b>33</b>	<b>88</b>	<b>5</b>	<b>172</b>
Non-current	–	–	5	30	76	5	<b>116</b>
Current	32	5	4	3	12	–	<b>56</b>
	<b>32</b>	<b>5</b>	<b>9</b>	<b>33</b>	<b>88</b>	<b>5</b>	<b>172</b>
<b>2012</b>							
At 1st January	23	7	–	31	81	1	143
Exchange differences	1	–	–	–	(6)	–	(5)
Additional provisions	8	2	–	3	28	2	43
Unused amounts reversed	–	(3)	–	(2)	–	–	(5)
Utilized	(3)	(4)	–	–	(1)	(1)	(9)
At 31st December	29	2	–	32	102	2	167
Non-current	–	–	–	29	92	2	123
Current	29	2	–	3	10	–	44
	29	2	–	32	102	2	167

Motor vehicle warranties are estimated liabilities that fall due under the warranty terms offered on sale of new and used vehicles beyond that which is reimbursed by the manufacturers.

Closure cost provisions are established when legal or constructive obligations arise on closure or disposal of businesses.

Other provisions principally comprise provisions in respect of indemnities on disposal of businesses and legal claims.

## 36 Notes to Consolidated Cash Flow Statement

### (a) Depreciation and amortization

	2013	2012
	US\$m	US\$m
<b>By business:</b>		
Hongkong Land	2	2
Dairy Farm	197	192
Mandarin Oriental	60	54
Jardine Cycle & Carriage	10	9
Astra	723	724
	<b>992</b>	<b>981</b>

### (b) Other non-cash items

	2013	2012
	US\$m	US\$m
<b>By nature:</b>		
Profit on sale of subsidiaries	(10)	(2)
Profit on sale of other investments	(11)	(83)
Profit on sale of intangible assets	–	(3)
Profit on sale of tangible assets	(33)	(8)
Profit on sale of investment properties	–	(2)
Loss on sale of repossessed assets	56	78
Loss on sale of plantations and related assets	1	5
Decrease in fair value of plantations	15	52
Impairment of other investment	55	–
Impairment of tangible assets	–	3
Impairment of debtors	114	142
Write down of stocks and work in progress	49	31
Reversal of write down of stocks and work in progress	(11)	(19)
Reversal of write down of properties for sale	(12)	(7)
Change in provisions	12	31
Net foreign exchange losses	67	28
Options granted under employee share option schemes	6	5
Supplier income adjustment relating to prior years	–	67
	<b>298</b>	<b>318</b>
<b>By business:</b>		
Hongkong Land	(12)	(9)
Dairy Farm	–	84
Mandarin Oriental	(3)	–
Jardine Cycle & Carriage	14	(58)
Astra	244	301
Corporate and other interests	55	–
	<b>298</b>	<b>318</b>

**36 Notes to Consolidated Cash Flow Statement** (continued)

## (c) Increase in working capital

	<b>2013</b>	2012
	US\$m	US\$m
Increase in properties for sale	<b>(160)</b>	(908)
Increase in stocks and work in progress	<b>(121)</b>	(497)
Increase in debtors	<b>(906)</b>	(1,152)
Increase in creditors	<b>799</b>	282
Increase in pension obligations	<b>30</b>	36
	<b>(358)</b>	(2,239)

## (d) Purchase of subsidiaries

	<b>2013</b>	2012
	Fair value	Fair value
	US\$m	US\$m
Intangible assets	<b>59</b>	4
Tangible assets	<b>70</b>	496
Associates and joint ventures	<b>9</b>	–
Non-current debtors	<b>1</b>	–
Current tax assets	<b>4</b>	–
Current assets	<b>72</b>	6
Deferred tax liabilities	<b>(4)</b>	(123)
Pension liabilities	<b>(5)</b>	–
Current liabilities	<b>(59)</b>	–
Non-controlling interests	<b>–</b>	(38)
Fair value of identifiable net assets acquired	<b>147</b>	345
Adjustment for non-controlling interests	<b>(52)</b>	(114)
Goodwill	<b>13</b>	25
Total consideration	<b>108</b>	256
Adjustment for contingent consideration	<b>–</b>	(65)
Payment for contingent consideration	<b>1</b>	–
Consideration paid in previous year	<b>–</b>	(63)
Cash and cash equivalents of subsidiaries acquired	<b>(35)</b>	(1)
Net cash outflow	<b>74</b>	127

For the subsidiaries acquired during 2013, the fair value of the identifiable assets and liabilities at the acquisition date is provisional and will be finalized within one year after the acquisition dates.

The fair value of the identifiable assets and liabilities at the acquisition dates of certain subsidiaries acquired during 2012 as included in the comparative figures was provisional. The fair value was finalized in 2013. As the difference between the provisional and the finalized fair value was not material, the comparative figures have not been adjusted.

Net cash outflow for purchase of subsidiaries in 2013 included US\$42 million and US\$31 million for Astra's acquisition of a 100% interest in PT Pelabuhan Penajam Banua Taka, a port business in Indonesia, in January 2013, and a 51% interest in PT Pakoakuina, a producer of wheel rims for both motor cars and motorcycles, in April 2013, respectively.

## 36 Notes to Consolidated Cash Flow Statement *(continued)*

### (d) Purchase of subsidiaries *(continued)*

Net cash outflow in 2012 included US\$32 million for Dairy Farm's acquisition of a 70% interest in the Lucky supermarket chain in Cambodia in March 2012, and US\$43 million and US\$52 million for Astra's acquisition of a 60% interest in PT Duta Nurcahya, a mining company completed in April 2012 and a 100% interest in PT Borneo Berkat Makmur, a mining company completed in September 2012, respectively.

The total purchase consideration of PT Duta Nurcahya amounted to US\$171 million and included contingent consideration of US\$65 million which represents the fair value of service fee payable for mining services to be provided by the vendor. US\$63 million of the consideration was prepaid in 2011.

The goodwill arising from the acquisition of the Lucky supermarket chain amounted to US\$25 million and was attributable to its leading market position in Cambodia and retail market.

None of the goodwill is expected to be deductible for tax purposes.

Revenue and loss after tax since acquisition in respect of subsidiaries acquired during the year amounted to US\$100 million and US\$6 million, respectively. Had the acquisitions occurred on 1st January 2013, consolidated revenue and consolidated profit after tax for the year ended 31st December 2013 would have been US\$32,714 million and US\$3,866 million, respectively.

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(e) Purchase of associates and joint ventures in 2013 included US\$394 million for Hongkong Land's investments in new joint ventures mainly in China and Indonesia, and US\$65 million for Astra's capital injections into certain associates and joint ventures in Indonesia.

Purchase in 2012 included US\$112 million in Dairy Farm, mainly for its acquisition of a 50% interest in Rustan Supercenters Inc. in the Philippines; and US\$33 million and US\$95 million for Astra's capital injections into certain associates and joint ventures in Indonesia, and subscription to Bank Permata's rights issue, respectively.

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(f) Purchase of other investments in 2013 mainly included acquisition of securities by Astra.

Purchase of other investments in 2012 mainly included acquisition of securities by Jardine Cycle & Carriage and Astra.

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(g) Advance to associates, joint ventures and others in 2013 comprised Hongkong Land's loans to its property joint ventures.

Advance in 2012 comprised Hongkong Land's loans to its property joint ventures of US\$348 million and Mandarin Oriental's loan to Mandarin Oriental, New York of US\$19 million.

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(h) Advance and repayment from associates, joint ventures and others in 2013 mainly included advance and repayment from Hongkong Land's property joint ventures.

Advance and repayment in 2012 mainly included repayment from Hongkong Land's property joint ventures of US\$58 million.

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**36 Notes to Consolidated Cash Flow Statement** (continued)

## (i) Sale of subsidiaries

	<b>2013</b>	2012
	US\$m	US\$m
Investment properties	<b>12</b>	–
Other investment	<b>4</b>	–
Current assets	<b>2</b>	6
Current liabilities	<b>(12)</b>	–
Net assets	<b>6</b>	6
Adjustment for non-controlling interests	<b>(1)</b>	(1)
Net assets disposed of	<b>5</b>	5
Profit on disposal	<b>10</b>	2
Sale proceeds	<b>15</b>	7
Adjustment for deferred consideration	<b>1</b>	1
Cash and cash equivalents of subsidiaries disposed of	<b>(2)</b>	–
Net cash inflow	<b>14</b>	8

Sale of subsidiaries in 2013 included US\$9 million from Astra's disposal of its 100% interest in PT Suryaraya Prawira.

The revenue and profit after tax in respect of subsidiaries disposed of during the year amounted to US\$1 million and US\$1 million, respectively.

## (j) Sale of other investments in 2013 comprised Astra's sale of securities.

Sale in 2012 mainly included Jardine Cycle & Carriage's sale of securities of US\$134 million, Astra's sale of securities of US\$192 million and the Company's partial sale of its interest in Paris Orléans of US\$93 million.

## (k) Change in interests in subsidiaries

	<b>2013</b>	2012
	US\$m	US\$m
Increase in attributable interests		
– Jardine Cycle & Carriage	<b>136</b>	132
– other	<b>51</b>	35
Decrease in attributable interests	<b>(260)</b>	(139)
	<b>(73)</b>	28

Increase in attributable interests in other subsidiaries in 2013 comprised Astra's acquisition of an additional 15% interest in PT Asmin Bara Bronang, increasing its controlling shareholding to 75%.

Decrease in attributable interests in 2013 comprised Astra's reduction in its interest in PT Astra Otoparts from 96% to 80%.

Decrease in 2012 comprised Dairy Farm's reduction in its interest in PT Hero Supermarket from 94% to 81%.

## 36 Notes to Consolidated Cash Flow Statement *(continued)*

(l) Analysis of balances of cash and cash equivalents

	2013 US\$m	2012 US\$m
Bank balances and other liquid funds <i>(refer note 26)</i>	4,901	3,947
Bank overdrafts <i>(refer note 33)</i>	(6)	(29)
	<b>4,895</b>	<b>3,918</b>

## 37 Derivative Financial Instruments

The fair values of derivative financial instruments at 31st December are as follows:

	2013		2012	
	Positive fair value US\$m	Negative fair value US\$m	Positive fair value US\$m	Negative fair value US\$m
Designated as cash flow hedges				
– forward foreign exchange contracts	2	–	1	2
– interest rate swaps and caps	–	10	–	23
– cross currency swaps	283	13	99	18
	<b>285</b>	<b>23</b>	100	43
Designated as fair value hedges				
– interest rate swaps	5	–	14	–
– cross currency swaps	4	34	30	1
	<b>9</b>	<b>34</b>	44	1

### **Forward foreign exchange contracts**

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2013 were US\$140 million (2012: US\$275 million).

### **Interest rate swaps and caps**

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2013 were US\$862 million (2012: US\$1,129 million).

At 31st December 2013, the fixed interest rates relating to interest rate swaps and caps vary from 0.6% to 7.0% (2012: 0.6% to 7.0%) per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.2% to 2.6% (2012: 0.2% to 3.2%) per annum.

### **Cross currency swaps**

The contract amounts of the outstanding cross currency swap contracts at 31st December 2013 totalled US\$3,167 million (2012: US\$3,170 million).

### 38 Commitments

	<b>2013</b>	2012
	US\$m	US\$m
<b>Capital commitments:</b>		
Authorized not contracted		
– joint ventures	–	1
– other	<b>1,284</b>	1,616
	<b>1,284</b>	1,617
Contracted not provided		
– joint ventures	<b>387</b>	272
– other	<b>394</b>	306
	<b>781</b>	578
	<b>2,065</b>	2,195
<b>Operating lease commitments:</b>		
Total commitments under operating leases		
– due within one year	<b>711</b>	681
– due between one and two years	<b>513</b>	507
– due between two and three years	<b>302</b>	320
– due between three and four years	<b>172</b>	213
– due between four and five years	<b>125</b>	153
– due beyond five years	<b>648</b>	985
	<b>2,471</b>	2,859

Total future sublease payments receivable relating to the above operating leases amounted to US\$49 million (2012: US\$45 million).

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify accurately future rentals payable under such leases.

### 39 Contingent Liabilities

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the financial statements.

## 40 Related Party Transactions

The ultimate holding company of the Group is Jardine Matheson Holdings Limited ('Jardine Matheson'), a company incorporated in Bermuda. As at 31st December 2013, the Company held a 56% (2012: 55%) interest in Jardine Matheson.

In accordance with the Bye-Laws of the Company, Jardine Matheson Limited, a wholly-owned subsidiary of Jardine Matheson, has been appointed General Manager of the Company under a General Manager Agreement. With effect from 1st January 2008, Jardine Matheson Limited has sub-delegated certain of its responsibilities under the agreement to a fellow subsidiary. Total fees payable for services provided to the Company in 2013 amounted to US\$132 million (2012: US\$127 million).

In the normal course of business the Group undertakes a variety of transactions with Jardine Matheson, and with certain of its associates and joint ventures. The more significant of such transactions are described below.

The Group purchases motor vehicles and spare parts from its associates and joint ventures in Indonesia including PT Toyota-Astra Motor, PT Astra Honda Motor and PT Astra Daihatsu Motor. Total cost of motor vehicles and spare parts purchased in 2013 amounted to US\$8,019 million (2012: US\$8,466 million). The Group also sells motor vehicles and spare parts to its associates and joint ventures in Indonesia including PT Astra Honda Motor, PT Astra Daihatsu Motor and PT Tunas Ridean. Total revenue from sale of motor vehicles and spare parts in 2013 amounted to US\$1,174 million (2012: US\$1,166 million).

The Group and Jardine Matheson use Jardine Lloyd Thompson to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid in 2013 to Jardine Lloyd Thompson were US\$5 million (2012: US\$5 million).

The Group manages five associate hotels (2012: five associate hotels). Management fees received by the Group in 2013 from these managed hotels amounted to US\$15 million (2012: US\$15 million).

Bank Permata provides banking services to the Group. The Group's deposits with Bank Permata at 31st December 2013 amounted to US\$652 million (2012: US\$398 million).

Amounts of outstanding balances with Jardine Matheson, and associates and joint ventures are included in debtors and creditors, as appropriate (refer notes 21 and 34). The Group has also committed to provide loan facilities to Jardine Matheson. Undrawn facilities at 31st December 2013 amounted to US\$160 million (2012: US\$116 million).

Details of Directors' remuneration (being the key management personnel compensation) are shown on page 106 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

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## 41 Summarized Balance Sheet of the Company

Included below is certain summarized balance sheet information of the Company disclosed in accordance with Bermuda law.

	2013	2012
	US\$m	US\$m
Subsidiaries	<b>4,621</b>	4,547
Investment in Jardine Matheson	<b>2,275</b>	1,930
Total assets	<b>6,896</b>	6,477
Share capital (refer note 28)	<b>56</b>	56
Share premium (refer note 29)	<b>1,199</b>	1,199
Revenue and other reserves	<b>5,606</b>	5,184
Shareholders' funds	<b>6,861</b>	6,439
Current liabilities	<b>35</b>	38
Total equity and liabilities	<b>6,896</b>	6,477

Subsidiaries and investment in Jardine Matheson are shown at cost less amounts provided.

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## 42 Post Balance Sheet Event

In January 2014, the Company purchased new shares in Zhongsheng Group Holdings Limited ('Zhongsheng') equivalent to 12.5% of existing share capital for a consideration equivalent to US\$332 million, and agreed to subscribe for an equivalent of US\$399 million of convertible bonds. Zhongsheng is one of mainland China's leading motor dealership groups and its shares are listed in Hong Kong. The bonds are exercisable within three years, at the Company's discretion, for a further 12.5% of the existing share capital of Zhongsheng. After fully exercising the convertible bonds, the Company will have an interest of some 20% of the then issued share capital of Zhongsheng. The investment will be financed through the Group's existing cash resources.

## 43 Jardine Strategic Corporate Cash Flow and Net Cash

	2013 US\$m	2012 US\$m
<b>Dividends receivable</b>		
Subsidiaries	811	771
Jardine Matheson	508	461
Joint ventures	2	2
Other holdings	11	11
	<b>1,332</b>	1,245
Less taken in scrip	<b>(508)</b>	(461)
	<b>824</b>	784
Other operating cash flows	<b>(184)</b>	(132)
Cash flows from operating activities	<b>640</b>	652
<b>Investing activities</b>		
Capital injection in joint ventures	-	(1)
Purchase of other investment	(5)	(1)
Sale of investment in joint ventures	-	8
Sale of other investment	-	93
Cash flows from investing activities	<b>(5)</b>	99
<b>Financing activities</b>		
Purchase of additional interests in subsidiaries	<b>(136)</b>	(132)
Dividends paid by the Company	<b>(268)</b>	(252)
Cash flows from financing activities	<b>(404)</b>	(384)
Net increase in net cash	<b>231</b>	367
Net cash at 1st January	<b>617</b>	250
Net cash at 31st December	<b>848</b>	617
<b>Represented by:</b>		
Bank balances and other liquid funds	<b>848</b>	617
	<b>848</b>	617

Corporate cash flow and net cash comprises the cash flows and net cash of the Company and of its investment holding and financing subsidiaries.

## 44 Ultimate Holding Company and Principal Subsidiaries

The ultimate holding company and principal subsidiaries of the Group at 31st December 2013 are set out below.

	Country of incorporation/ principal place of business	Nature of business	Attributable interests		Proportion of ordinary shares and voting powers at 31st December 2013 held by	
			2013 %	2012 %	the Group %	non-controlling interests %
Dairy Farm International Holdings Ltd*	Bermuda/ Greater China and Southeast Asia	Supermarkets, hypermarkets, convenience stores, health and beauty stores, home furnishings stores and restaurants	<b>78</b>	78	<b>78</b>	<b>22</b>
Hongkong Land Holdings Ltd*	Bermuda/ Greater China and Southeast Asia	Property development & investment, leasing & management	<b>50</b>	50	<b>50</b>	<b>50</b>
Jardine Cycle & Carriage Ltd*	Singapore/ Southeast Asia	A 50.1% interest in PT Astra International Tbk and motor trading	<b>73</b>	72	<b>73</b>	<b>27</b>
Jardine Matheson Holdings Ltd†	Bermuda/ Greater China, United Kingdom and Southeast Asia	Engineering & construction, transport services, restaurants, property, IT services, motor trading and insurance broking	<b>56</b>	55	<b>56</b>	<b>N/A</b>
Mandarin Oriental International Ltd*	Bermuda/ Worldwide	Hotel management & ownership	<b>74</b>	74	<b>74</b>	<b>26</b>
PT Astra International Tbk*	Indonesia/ Indonesia	Automotive, financial services, agribusiness, heavy equipment and mining, infrastructure and logistics, and information technology	<b>37</b>	36	<b>50</b>	<b>50</b>

All subsidiaries are included in the consolidation.

Attributable interests represent the proportional holdings of the Company, held directly or through its subsidiaries, in the issued share capitals of the respective companies, after the deduction of any shares held by the trustees of the employee share option schemes of any such company and any shares in any such company owned by its wholly-owned subsidiaries.

\*Subsidiaries

†Ultimate holding company (*refer note 40*). Jardine Matheson held 83% (2012: 82%) of the share capital of the Company.

# Independent Auditors' Report

To the members of Jardine Strategic Holdings Limited

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Jardine Strategic Holdings Limited (the 'Company') and its subsidiaries (the 'Group') which comprise the Consolidated Balance Sheet as at 31st December 2013 and the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

## Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Section 90 of the Bermuda Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' Responsibility

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

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

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

## Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31st December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

## Report on Legal and Regulatory Requirements

We have nothing to report in respect of the following matters that under the UK Listing Rules we are required to review:

- Directors' Statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

## Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## PricewaterhouseCoopers LLP

*Chartered Accountants*

London  
United Kingdom

6th March 2014

# Five Year Summary

## Profit and Loss\*

	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m	2009 US\$m
Revenue	<b>32,666</b>	33,098	31,049	25,498	18,905
Profit attributable to shareholders	<b>1,700</b>	1,827	3,931	3,524	1,984
Underlying profit attributable to shareholders	<b>1,616</b>	1,575	1,571	1,428	1,085
Earnings per share (US\$)	<b>2.79</b>	2.97	6.34	5.67	3.19
Underlying earnings per share (US\$)	<b>2.65</b>	2.56	2.54	2.30	1.75
Dividends per share (US¢)	<b>25.50</b>	24.00	22.50	21.00	20.00

## Balance Sheet\*

	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m	2009 US\$m
Total assets	<b>62,008</b>	61,545	56,153	46,595	37,623
Total liabilities	<b>(19,118)</b>	(19,168)	(16,907)	(14,817)	(12,676)
Total equity	<b>42,890</b>	42,377	39,246	31,778	24,947
Shareholders' funds	<b>22,028</b>	21,341	19,647	16,344	12,693
Net debt (excluding net debt of financial services companies)	<b>2,320</b>	3,138	1,868	2,338	2,327
Net asset value per share† (US\$)	<b>50.34</b>	60.65	48.36	47.53	32.64

## Cash Flow

	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m	2009 US\$m
Cash flows from operating activities	<b>3,808</b>	2,288	2,385	2,034	2,473
Cash flows from investing activities	<b>(2,230)</b>	(2,681)	(2,156)	(1,366)	(127)
Net cash flow before financing	<b>1,578</b>	(393)	229	668	2,346
Cash flow per share from operating activities (US\$)	<b>6.24</b>	3.72	3.85	3.27	3.98

\*Figures prior to 2013 have been restated due to a change in accounting policy upon adoption of IAS 19 (amended 2011) 'Employee Benefits'.

†Net asset value per share is calculated on a market value basis.

# Responsibility Statement

The Directors of the Company confirm to the best of their knowledge that:

(a) the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board; and

(b) the sections of this Report, including the Chairman's Statement, Operating Review and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Conduct Authority of the United Kingdom.

For and on behalf of the Board

**Ben Keswick**  
**Adam Keswick**  
*Directors*

6th March 2014

# Corporate Governance

Jardine Strategic Holdings Limited is incorporated in Bermuda. The majority of the Group's business interests are in Asia. The Company's equity shares have a premium listing on the London Stock Exchange, and secondary listings in Bermuda and Singapore. A Special General Meeting has been convened for 8th April 2014 to seek shareholder approval for the transfer to a standard listing from a premium listing on the London Stock Exchange. The Company attaches importance to the corporate stability that is fundamental to the Group's ability to pursue a long-term strategy in Asian markets. It is committed to high standards of governance. Its approach, however, developed over many years, differs from that envisaged by the UK Corporate Governance Code (the 'UK Code'), which was originally introduced as a guide for United Kingdom incorporated companies listed on the London Stock Exchange. As provided in the Listing Rules issued by the Financial Conduct Authority of the United Kingdom (the 'FCA'), the Company's premium listed status requires that this Report address how the main principles of the UK Code have been applied by the Company, and explain the reasons for the different approach adopted by the Company as compared to the UK Code's provisions. The Company's governance differs from that contemplated by provisions of the UK Code on board balance and refreshment, director independence, board evaluation procedures, nomination and remuneration committees and the appointment of a senior independent director.

## The Management of the Group

The Company is a holding company within the Jardine Matheson Group. The Company's share capital is 83%-owned by Jardine Matheson Holdings Limited, in which the Company itself has a 56% interest. Similar to the Company, Jardine Matheson is Bermuda incorporated and listed in London, Bermuda and Singapore. The Memorandum of Association of the Company provides for the chairman of Jardine Matheson to be, or to appoint, the Managing Director of the Company. The managing director of Jardine Matheson has been so appointed. In addition, the Bye-laws of the Company provide for Jardine Matheson, or such wholly-owned subsidiary as it shall appoint, to be the General Manager of the Company. Jardine Matheson Limited, a Hong Kong-based management company, has been so appointed, and has sub-delegated certain of its responsibilities to a fellow wholly-owned subsidiary. The General Manager provides management services to the Company and other members of the Group. The Company itself has no employees.

The Company is concerned primarily with the oversight and co-ordination of its interests in the other listed companies within the wider Group. Operational management is delegated to the appropriate level, and co-ordination with the Group's listed subsidiaries is undertaken by the board of the General Manager. This board, which meets regularly in Hong Kong, is chaired by the Managing Director and consists of six other members, including the deputy managing director, the group finance director, the group strategy director and the group general counsel of Jardine Matheson. In addition, as part of the Company's tiered approach to oversight and management, certain Directors of the Company who do not serve on the board of the General Manager and who are based outside Asia make regular visits to Asia and Bermuda where they participate in four annual Group strategic reviews. All of these reviews precede the Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration by the Board.

## The Board

The Company currently has a Board of eleven Directors: five are executive directors of Jardine Matheson and six are non-executive Directors. Their names and brief biographies appear on page 17 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflect the Group's commitment to its long-term strategy, the Company's shareholding structure and the Group's tiered approach to oversight and management as described above. These factors explain the balance on the Board between executive and non-executive Directors, the stability of the Board, the absence of nomination and remuneration committees and the conduct of Board evaluation procedures. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. Accordingly the Board has not designated a 'senior independent director' as set out in the UK Code. There are no decisions required to be made by the Company on remuneration.

Among the matters which the Board decides are the Company's investment strategy, its annual budget, dividends and major corporate activities. The Board is scheduled to hold four meetings in 2014 and ad hoc procedures are adopted to deal with urgent matters. In 2013 one meeting was held in Bermuda and three were held in Asia. All current Directors who held office in 2013 attended all four Board meetings, save that Jenkin Hui, Simon Keswick, Lord Leach of Fairford and Anthony Nightingale attended three meetings. The Board receives high quality, up to date information for each of its meetings. This information is approved by the General Manager before circulation, and is then the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself.

The division of responsibilities between the Chairman and the Managing Director is well established. The Chairman's role is to lead the Board as it oversees the Group's strategic and financial direction. The role of Managing Director is to implement the strategy set by the Board and to manage the Group's operations. An important part of this is undertaken in his capacity as chairman of the board of the General Manager.

### **Directors' Appointment, Retirement, Remuneration and Service Contracts**

Each new Director is appointed by the Board and, in accordance with Bye-law 92 of the Company's Bye-laws, each new Director is subject to retirement at the first Annual General Meeting after appointment. Thereafter, the Director will be subject to retirement by rotation pursuant to Bye-law 85 whereby one-third of the Directors retire at the Annual General Meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation pursuant to Bye-law 85 does not extend to the Chairman or Managing Director.

David Hsu was appointed as a Director of the Company with effect from 6th January 2014. In accordance with Bye-law 85, Simon Keswick and Dr George C.G. Koo retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, David Hsu will also retire and, being eligible, offers himself for re-election. David Hsu and Simon Keswick each has a service contract with a subsidiary of Jardine Matheson that has a notice period of six months. Dr George C.G. Koo does not have a service contract with the Company or its subsidiaries.

Directors' fees are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. For the year ended 31st December 2013, Directors' fees payable by the Company amounted to US\$550,000 (2012: US\$468,000).

The Company purchases insurance to cover its Directors against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by law, the Company also indemnifies its Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

### **Directors' Responsibilities in respect of the Financial Statements and Annual Report**

The Directors are required under the Bermuda Companies Act 1981 to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the Annual General Meeting. The financial statements should present fairly in accordance with International Financial Reporting Standards ('IFRS') the financial position of the Group at the end of the year and the results of its operations and its cash flows for the year then ended. The Directors consider that applicable accounting policies under IFRS, applied on a consistent basis and supported by prudent and reasonable judgments and estimates, have been followed in preparing the financial statements. The Board is also responsible for preparing the annual report and financial statements in such a manner that they, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

### **Code of Conduct, Inclusion and Diversity**

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in the Jardine Matheson Code of Conduct, a set of guidelines to which every Group employee must adhere. The code requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The code prohibits the giving or receiving of illicit payments, and requires all employees to be treated fairly, impartially and with respect. It also requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organizations. The Group has in place procedures by which employees can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

Inclusion and diversity are encouraged within the Group companies. As a multinational Group with a broad range of businesses operating primarily across East Asia and Southeast Asia, although with further interests elsewhere in the world, the Group believes in promoting equal opportunities in recruiting, developing and rewarding its people regardless of race, gender, nationality, religion, sexual orientation or background. The scale and breadth of the Group's businesses necessitate that they seek the best people from the communities in which they operate most suited to their needs.

## Report of the Audit Committee

The Board has established an Audit Committee, the members of which are Lord Leach of Fairford, Anthony Nightingale and Percy Weatherall; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. Simon Keswick stepped down as a member of the Audit Committee on 8th March 2013. The Board considers that the members of the Audit Committee have, collectively, the requisite skills, knowledge and experience to enable it to discharge its responsibilities in a proper manner. All current members of the Audit Committee attended both its meetings during the year, save that Anthony Nightingale attended one meeting. The Company's Managing Director, together with representatives of the General Manager and the internal and external auditors, attend the Audit Committee meetings by invitation.

Prior to completion and announcement of the half-year and year-end results, a review of the Company's financial information and any issues raised in connection with the preparation of the results, including the adoption of new accounting policies, is undertaken by the Audit Committee with the Managing Director and representatives of the General Manager and a report is received from the external auditors. The Audit Committee also assesses any reports on frauds identified during the period under review. The external auditors also have access to the Board, and to the boards of the Group's operating companies.

At the request of the Board, the Audit Committee considered whether the annual report and financial statements for the year ended 31st December 2013, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy. The Audit Committee is satisfied that this is the case.

The significant issues considered in relation to the financial statements, and for which the Audit Committee concluded appropriate and reasonable accounting estimates and judgments were made, are summarized below:

- 1 The Audit Committee considered whether it was appropriate for the financial statements to be prepared on the basis that the Company and the Group are going concerns. Comprehensive financial forecasts had been prepared and, based on these forecasts, cash resources and existing credit facilities, the Audit Committee considered that the Company and the Group have adequate resources to continue in business for the foreseeable future. Based on this review, the Directors continue to adopt the going concern basis in preparing the financial statements.
- 2 The Audit Committee reviewed the year-end valuation of the material investment properties, which are based on external valuations performed by independent valuers. The Audit Committee received confirmation that there was an overall consensus of views between management and the valuers and the external auditors concerning the valuations. The independence and objectivity of the valuers were also assessed and confirmed by the Audit Committee.
- 3 The Audit Committee received reports on management's assessment of the Group's assets for impairment. At each balance sheet date, assets with an indefinite useful life and any other assets with impairment indicators are tested for impairment. The Audit Committee considered and accepted the results of these assessments, including matters such as the amount by which the recoverable amount of the assets exceeded their carrying amount and the appropriateness of key and judgemental assumptions.
- 4 The Audit Committee received reports on the performance and provisioning of Astra's consumer financing receivables. Underlying trends and risks associated with such receivables were noted.
- 5 The Audit Committee received an update on developments in accounting standards and their current year impact on the Group, particularly IFRS 10 'Consolidated Financial Statements' and IAS 19 (amended 2011) 'Employee Benefits'. Developments that might impact future financial statements were noted and these will continue to be monitored and assessed.

The Audit Committee considered the external audit function with reviews conducted by the internal audit functions and the Chief Financial Officer together with the finance directors of the Group's operating companies. The Audit Committee also considered the independence and objectivity of the external auditors, and as part of that process has reviewed and approved the level and nature of non-audit work performed. The Audit Committee found the performance, independence and objectivity of the external auditors to be satisfactory and recommended to the Board the re-appointment of the external auditors, PricewaterhouseCoopers, at the forthcoming Annual General Meeting. PricewaterhouseCoopers have been auditors of the Group since 1990 and the Board believes that their expertise, independence and understanding of the Group's extensive and complex business activities makes them best qualified to continue in their role.

The terms of reference of the Audit Committee can be found on the Company's website at [www.jardines.com](http://www.jardines.com).

The Audit Committee keeps under review the nature, scope and results of the audits conducted by the internal audit function and the findings of the various Group audit committees.

## **Risk Management and Internal Control**

The Board has overall responsibility for the Company's system of risk management and internal control. The system of internal control is designed to manage, rather than eliminate, business risk; to help safeguard its assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

The principal risks and uncertainties facing the Company are set out on page 110.

The Board has delegated to the Audit Committee responsibility for reviewing areas of risk and uncertainty, the operation and effectiveness of the Company's system of internal control and the procedures by which these are monitored. The Audit Committee considers the system and procedures on a regular basis, and reports to the Board semi-annually.

The General Manager oversees the implementation of the systems of internal control throughout the Group. The implementation of the systems of internal control within the Group's operating companies is the responsibility of each company's board and its executive management. The effectiveness of these systems is monitored by the internal audit function, which is outside the operating companies, and by a series of audit committees that operate in each major business unit across the Group. The internal audit function also monitors the approach taken by the business units to risk. The findings of the internal audit function and recommendations for any corrective action required are reported to the relevant audit committee and, if appropriate, to the Audit Committee of the Company. The Audit Committee also reviews the effectiveness of the internal audit function.

The Group has in place an organizational structure with defined lines of responsibility and delegation of authority. Across the Group there are established policies and procedures for financial planning and budgeting; for information and reporting systems; for assessment of risk; and for monitoring the Group's operations and performance. The information systems in place are designed to ensure that the financial information reported is reliable and up to date.

The Group's policy on commercial conduct underpins the internal control process, particularly in the area of compliance. The policy, as set out in the Code of Conduct, is reinforced and monitored by an annual compliance certification process.

The Audit Committee has also been given the responsibility to oversee the effectiveness of the formal procedures for Group employees to raise any matters of serious concern and is required to review any reports made under those procedures that are referred to it by the internal audit function.

## Directors' Share Interests

The Directors of the Company in office on 20th March 2014 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the FCA) as set out below in the ordinary share capital of the Company. These interests included those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

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Charles Allen-Jones	5,248
Simon Keswick	7,916
Dr George C.G. Koo	143,170
Lord Leach of Fairford	64,489
Anthony Nightingale	17,922

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## Substantial Shareholders

As a non-UK issuer, the Company is subject to the DTRs pursuant to which a person must in certain circumstances notify the Company of the percentage of voting rights attaching to the share capital of the Company that he holds. The obligation to notify arises if that person acquires or disposes of shares in the Company which results in the percentage of voting rights which he holds reaching, exceeding or falling below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

The Company has been informed that Jardine Matheson is interested indirectly in 924,388,939 ordinary shares carrying 82.51% of the voting rights attaching to the Company's issued ordinary share capital. Apart from this shareholding, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 20th March 2014.

There were no contracts of significance with corporate substantial shareholders during the year under review.

## Relations with Shareholders

The 2014 Annual General Meeting will be held at Rosewood Tucker's Point, Bermuda on 8th May 2014. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. All shareholders are invited to attend the Annual General Meeting and participate in communicating with the Company. The Company holds regular meetings with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at [www.jardines.com](http://www.jardines.com).

## Securities Purchase Arrangements

At the Annual General Meeting held on 16th May 2013, shareholders renewed the approval of a general mandate authorizing the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

During the year, JMHI Investments Limited ('JMHI'), a wholly-owned subsidiary of Jardine Matheson, purchased a total of 4,536,726 ordinary shares of the Company in the market for an aggregate total cost of US\$182.4 million. The ordinary shares purchased represented some 0.40% of the Company's issued ordinary share capital. As the Company's interest in Jardine Matheson is over 50%, JMHI is subject to the Company's share repurchase guidelines as agreed with the UK Listing Authority.

## Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 40 to the financial statements on page 99. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FCA apply.

# Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on page 108 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure and Transparency Rules issued by the Financial Conduct Authority of the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Operating Review.

## Economic Risk

Most of the Group's businesses are exposed to the risk of negative developments in global and regional economies and financial markets, either directly or through the impact on the Group's joint venture partners, franchisors, bankers, suppliers or customers. These developments can result in recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs, oil prices and in the cost of raw materials. Such developments might increase operating costs, reduce revenues, lower asset values or result in the Group's businesses being unable to meet in full their strategic objectives.

## Commercial Risk and Financial Risk

Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks. These risks are further pronounced when operating in volatile markets.

A number of the Group's businesses make significant investment decisions in respect of developments or projects that take time to come to fruition and achieve the desired returns and are, therefore, subject to market risks.

The Group's businesses operate in areas that are highly competitive, and failure to compete effectively in terms of price, product specification or levels of service can have an adverse effect on earnings. Significant pressure from such competition may lead to reduced margins. The quality and safety of the products and services provided by the Group's businesses are also important and there is an associated risk if they are below standard.

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 16 and note 2 to the financial statements on pages 37 to 43.

## Concessions, Franchises and Key Contracts

A number of the Group's businesses and projects are reliant on concessions, franchises, management or other key contracts. Cancellation, expiry or termination, or the renegotiation of any such concession, franchise, management or other key contracts, could have an adverse effect on the financial condition and results of operations of certain subsidiaries, associates and joint ventures of the Group.

## Regulatory and Political Risk

The Group's businesses are subject to a number of regulatory environments in the territories in which they operate. Changes in the regulatory approach to such matters as foreign ownership of assets and businesses, exchange controls, planning controls, emission regulations, tax rules and employment legislation have the potential to impact the operations and profitability of the Group's businesses. Changes in the political environment in such territories can also affect the Group's businesses.

## Terrorism, Pandemic and Natural Disasters

A number of the Group's operations are vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism.

All Group businesses would be impacted by a global or regional pandemic which could be expected to seriously affect economic activity and the ability of our businesses to operate smoothly. In addition, many of the territories in which the Group operates can experience from time to time natural disasters such as earthquakes and typhoons.

# Shareholder Information

## Financial Calendar

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2013 full-year results announced	6th March 2014
Share registers closed	24th to 28th March 2014
2013 final dividend scrip election period closes	25th April 2014
Annual General Meeting to be held	8th May 2014
2013 final dividend payable	14th May 2014
2014 half-year results to be announced	1st August 2014*
Share registers to be closed	25th to 29th August 2014*
2014 interim dividend scrip election period closes	26th September 2014*
2014 interim dividend payable	15th October 2014*

\*Subject to change

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## Dividends

Shareholders will receive their dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2013 final dividend by notifying the United Kingdom transfer agent in writing by 25th April 2014. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 29th April 2014. Shareholders holding their shares through The Central Depository (Pte) Ltd ('CDP') in Singapore will receive United States dollars unless they elect, through CDP, to receive Singapore dollars. Shareholders, including those who hold their shares through CDP, may also elect to receive a scrip alternative to their dividends.

## Registrars and Transfer Agent

Shareholders should address all correspondence with regard to their shareholdings or dividends to the appropriate registrar or transfer agent.

### Principal Registrar

Jardine Matheson International Services Ltd  
P.O. Box HM 1068  
Hamilton HM EX  
Bermuda

### Jersey Branch Registrar

Capita Registrars (Jersey) Ltd  
12 Castle Street  
St Helier, Jersey JE2 3RT  
Channel Islands

### United Kingdom Transfer Agent

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU, England

### Singapore Branch Registrar

M & C Services Private Ltd  
112 Robinson Road #05-01  
Singapore 068902

Press releases and other financial information can be accessed through the internet at [www.jardines.com](http://www.jardines.com).

# Group Offices

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