



**Jardine Strategic**  
Annual Report 2012



**Jardine Strategic**

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

## Contents

Highlights	1
Chairman's Statement	2
Group Structure	4
Profit and Net Assets Analysis	5
Operating Review	6
Financial Review	14
Directors' Profiles	17
Financial Statements	18
Independent Auditors' Report	90
Five Year Summary	91
Responsibility Statement	92
Corporate Governance	93
Principal Risks and Uncertainties	98
Shareholder Information	99
Group Offices	100

# Highlights

- Underlying profits maintained, and full-year dividend up 7%
- Record Astra earnings mitigated by decline in rupiah
- Good trading performance in Hongkong Land
- Jardine Matheson affected by weak motor earnings in mainland China
- Dairy Farm's earnings increase offset by one-off charge

## Results

	<b>2012</b> US\$m	2011 US\$m	Change %
Revenue together with revenue of Jardine Matheson, associates and joint ventures†	<b>60,453</b>	57,306	5
Underlying profit before tax*	<b>4,597</b>	4,578	–
Underlying profit attributable to shareholders	<b>1,587</b>	1,583	–
Profit attributable to shareholders	<b>1,839</b>	3,943	(53)
Shareholders' funds	<b>21,344</b>	19,652	9
	US\$	US\$	%
Underlying earnings per share*	<b>2.58</b>	2.55	1
Earnings per share	<b>2.99</b>	6.36	(53)
Dividends per share	<b>0.24</b>	0.225	7
Net asset value per share#	<b>60.65</b>	48.36	25

†Includes 100% of revenue from Jardine Matheson, associates and joint ventures.

\*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.

#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

There were good trading performances in a number of the Group companies in 2012 despite the moderating effects on the region of global economic uncertainty. Earnings growth was, however, held back principally by difficult market conditions for Jardine Matheson's motors operation in mainland China, a one-off charge in Dairy Farm and currency weakness reducing the reported contribution from Astra.

## Performance

The Group's revenue for 2012, including 100% of revenue from Jardine Matheson, associates and joint ventures, was US\$60.5 billion, compared with US\$57.3 billion in 2011. Jardine Strategic achieved an underlying profit before tax for the year of US\$4,597 million, little changed from the prior year. Underlying profit attributable to shareholders was also in line with 2011 at US\$1,587 million, while underlying earnings per share were 1% higher at US\$2.58.

The profit attributable to shareholders for the year was US\$1,839 million, with the main non-trading item being a modest increase in the value of Hongkong Land's investment property portfolio, and compares with US\$3,943 million in 2011 which benefited from a more significant increase in valuations. Shareholders' funds were 9% higher at US\$21.3 billion.

The Group's consistent and growing profit generation, cash flows and retained earnings of recent years have enabled it to combine high levels of capital expenditure with low levels of debt. Net debt excluding financial services companies at the year end was US\$3.1 billion, or 7% of consolidated total equity.

In light of the Group's strong liquidity, the Board is recommending a final dividend of US\$17.00 per share, which represents an overall increase of 7% for the full year.

## Business Developments

Within Jardine Matheson's directly held businesses, Jardine Pacific produced mixed results leading to a decline in earnings. While some good performances are expected in the coming year, the results from its air cargo handling business will be impacted by the long planned move of a major customer to its own dedicated facility in Hong Kong. Jardine Motors' results were severely affected by continued challenges in its Mercedes-Benz sales operations in mainland China where margins came under intense pressure, although the group remains confident in the potential for this business. Jardine Lloyd Thompson recorded notable organic growth, further enhancing operational efficiency and increasing its returns from the growing economies of Asia and Latin America.

Hongkong Land produced a good result in 2012 as rental reversions in its prime Hong Kong Central office portfolio remained positive in a market supported by a lack of new supply. Earnings from residential development benefited from the completion of two Singapore projects and additional unit sales in Hong Kong. In mainland China, the group's commercial developments in Beijing progressed well, as did its residential projects, and Hongkong Land has entered the Indonesian residential market with a joint venture to develop a prime residential community in Jakarta.

Dairy Farm delivered healthy increases in like-for-like sales in most of its major businesses during the year, with particularly good performances in Hong Kong and Indonesia. Complementing its continued organic growth, Dairy Farm entered the new markets of Cambodia and the Philippines through acquisitions. Its contribution was, however, held back by the reversal of US\$59 million supplier income in Malaysia incorrectly accrued in prior years. The group's focus is on strengthening the appeal of its brands to consumers across Asia and it is investing in supply chain management to drive productivity gains and support further growth.

Despite challenging market conditions, Mandarin Oriental was able to produce an improved underlying profit during the year. Its development programme made progress as management contracts for three new hotels under development were announced, and the group assumed management of a luxury hotel in Atlanta in the United States. Mandarin Oriental, Guangzhou was opened in January 2013, and further openings in Shanghai and Taipei are scheduled for later in the year. Mandarin Oriental has also recently acquired the freehold of its Paris hotel.

Jardine Cycle & Carriage's motor operations faced difficult trading conditions in a number of markets in Southeast Asia in 2012, although Astra's contribution was maintained despite a weakening Indonesian rupiah. Astra produced another record result in its reporting currency as it benefited from a strong Indonesian economy supported by robust domestic demand. Good performances were achieved by its motor car and financial services operations, but motorcycle sales declined in a softer market. Income from the heavy equipment and mining sector was little changed, with lower equipment sales being substantially offset by successful contract coal mining

results. Astra remains active in new business development in areas such as the production of a new 'green' car, increased coal mine ownership, further infrastructure investments and an electronic banking project. Its associate, Bank Permata, recently completed a US\$212 million rights issue to support future business expansion.

## People

Ben Keswick took over as Managing Director on 1st April 2012, with Anthony Nightingale having stepped down from the role and now a non-executive Director. Adam Keswick also joined the Board on 1st April.

## Outlook

Despite the economic environment remaining uncertain, most of the Group's businesses have continued to trade well. As the Group's finances remain robust and our businesses are pursuing diverse development programmes, the outlook for 2013 is satisfactory.

### **Sir Henry Keswick**

*Chairman*

8th March 2013



# Jardine Strategic

## Jardine Strategic



### Jardine Matheson

An Asian-based conglomerate with a portfolio of interests in leading businesses, held in part through its 82% stake in Jardine Strategic. (55%)



### Hongkong Land

A listed property group with some 450,000 sq. m. of prime commercial property in central Hong Kong and further high quality commercial and residential developments in Asia. (50%)



A listed pan-Asian retail group operating over 5,600 outlets, including supermarkets, hypermarkets, health and beauty stores, convenience 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 16 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. (72%)



### 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 25th March 2013.)

## 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 and employee benefits related advice, brokerage and associated services, combining specialist skills in the London and international insurance markets with a worldwide network. (42%)

(Figures in brackets show effective ownership by Jardine Matheson as at 25th March 2013.)

# Profit and Net Assets Analysis

## Underlying Profit and Shareholders' Funds

	Underlying profit attributable to shareholders				Shareholders' funds			
	2012		2011		2012		2011	
	US\$m	%	US\$m	%	US\$m	%	US\$m	%
Jardine Matheson*	<b>176</b>	<b>10</b>	199	12	<b>1,516</b>	<b>7</b>	1,232	6
Hongkong Land	<b>391</b>	<b>23</b>	353	21	<b>13,074</b>	<b>64</b>	12,443	65
Dairy Farm	<b>347</b>	<b>20</b>	368	22	<b>1,151</b>	<b>6</b>	938	5
Mandarin Oriental	<b>52</b>	<b>3</b>	44	2	<b>769</b>	<b>4</b>	746	4
Jardine Cycle & Carriage	<b>42</b>	<b>3</b>	44	2	<b>237</b>	<b>1</b>	252	1
Astra	<b>696</b>	<b>40</b>	687	40	<b>3,196</b>	<b>15</b>	2,961	16
Other holdings	<b>15</b>	<b>1</b>	16	1	<b>601</b>	<b>3</b>	643	3
	<b>1,719</b>	<b>100</b>	1,711	100	<b>20,544</b>	<b>100</b>	19,215	100
Corporate	<b>(132)</b>		(128)		<b>800</b>		437	
	<b>1,587</b>		1,583		<b>21,344</b>		19,652	

\*Excluding Jardine Strategic and its subsidiaries and associates.

## Market Value Basis Net Assets†

	2012		2011	
	US\$m	%	US\$m	%
Jardine Matheson	<b>4,914</b>	<b>13</b>	3,051	10
Hongkong Land	<b>8,225</b>	<b>23</b>	5,342	18
Dairy Farm	<b>11,440</b>	<b>31</b>	9,793	33
Mandarin Oriental	<b>1,069</b>	<b>3</b>	1,106	4
Jardine Cycle & Carriage	<b>10,113</b>	<b>28</b>	9,374	32
Other holdings	<b>611</b>	<b>2</b>	736	3
	<b>36,372</b>	<b>100</b>	29,402	100
Jardine Strategic Corporate	<b>766</b>		386	
	<b>37,138</b>		29,788	
Net asset value per share (US\$)#	<b>60.65</b>		48.36	

†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\$22,926 million (2011: US\$16,985 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\$37,138 million (2011: US\$29,788 million) and on 612 million (2011: 616 million) shares outstanding at the year end which excludes the Company's share of the shares held by Jardine Matheson of 508 million (2011: 504 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 JLT. Through its holding in Jardine Strategic it has interests in the other Group companies.

	2012	2011	Change (%)
Revenue (US\$ billion)	39.6	38.0	4
Underlying profit attributable to shareholders (US\$ million)	1,479	1,495	(1)
Underlying earnings per share (US\$)	4.06	4.13	(2)
Net asset value per share (US\$)	48.54	45.09	8

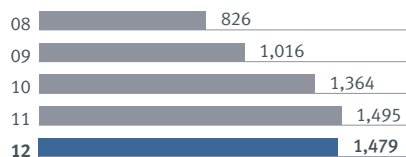
Jardine Matheson achieved an underlying profit before tax for the year of US\$4,762 million, little changed from 2011. Its underlying profit attributable to shareholders was modestly down at US\$1,479 million, while underlying earnings per share were 2% lower at US\$4.06. Jardine Matheson's profit attributable to shareholders was US\$1,688 million, compared with US\$3,449 million in 2011, primarily due to lower increases in investment property values.

## Jardine Pacific

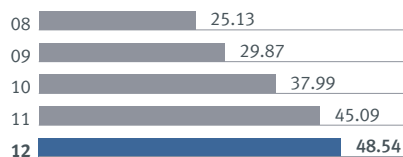
Jardine Pacific's underlying profit of US\$153 million was 15% lower than in 2011 reflecting the mixed results within its businesses. With a gain of US\$10 million, mainly arising

on the revaluation of investment properties, the profit attributable to shareholders was US\$163 million, compared with US\$216 million in 2011. Shareholders' funds were US\$613 million at the end of 2012 and the underlying return on average shareholders' funds was 25%. The group's engineering and construction interests did well with improved earnings at Jardine Schindler, Jardine Engineering Corporation and Gammon, where the order book rose to US\$3.5 billion. The aviation and shipping interests performed less well as markets remained difficult. Jardine Restaurants' operation in Hong Kong achieved good higher profits, but this was offset by reduced earnings in Taiwan. Jardine OneSolution recorded lower revenue and profit.





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



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

### Jardine Motors

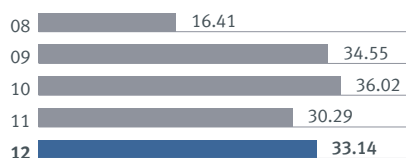
Jardine Motors recorded an underlying profit of US\$18 million, down 71%. The fall in earnings was due to a loss in mainland China following a severe decline in sales and margins in Zung Fu's business. A revised trading approach by Mercedes, as well as plans to release four new models including the new S Class towards the end of 2013, should provide a more positive trading environment. Accordingly, despite the current setback, Jardine Motors remains confident in the potential for its business in Southern China. Zung Fu produced a modest increase in profit in Hong Kong and Macau where it achieved higher deliveries of Mercedes-Benz passenger cars and saw a good performance by Hyundai. While the market in the United Kingdom continued to be difficult, Jardine Motors' dealerships were able to achieve increased vehicle sales and improved results.

### Jardine Lloyd Thompson

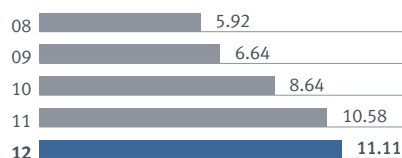
Jardine Lloyd Thompson's total revenue for the year was US\$1,401 million, an increase of 7% in its reporting currency. Underlying profit before tax and exceptional items was US\$257 million, a reported increase of 10%, while underlying diluted earnings per share rose by 11%. This good performance was set against generally poor trading conditions. Jardine Lloyd Thompson's Latin American and Asian operations, however, again achieved strong growth and together now generate 18% of total revenue, not including revenues generated for the London market. The Risk & Insurance group, comprising the worldwide specialist insurance, wholesale and reinsurance broking operations, achieved a 6% increase in underlying trading profit in its reporting currency. The Employee Benefits business also enjoyed a successful year, producing a trading profit up 8% in its reporting currency.

**Hongkong Land** is a major listed group with some 450,000 sq. m. of prime commercial property in the heart of Hong Kong. The group also develops high quality commercial and residential projects in other cities in the Region.

	<b>2012</b>	2011	Change (%)
Underlying profit attributable to shareholders (US\$ million)	<b>777</b>	703	11
Net asset value per share (US\$)	<b>11.11</b>	10.58	5



Underlying Earnings per Share (US¢)



Net Asset Value per Share (US\$)

Hongkong Land performed well during the year despite the effects on the region of the prevailing global economic uncertainty, achieving an 11% increase in underlying profit at US\$777 million. Taking into account the increase in the value of its investment properties, profit attributable to shareholders for 2012 was US\$1,439 million, compared with US\$5,306 million in 2011, while net asset value per share rose from US\$10.58 to US\$11.11. The group's financial position remained strong with year-end net debt of US\$3.3 billion and gearing at 13%.

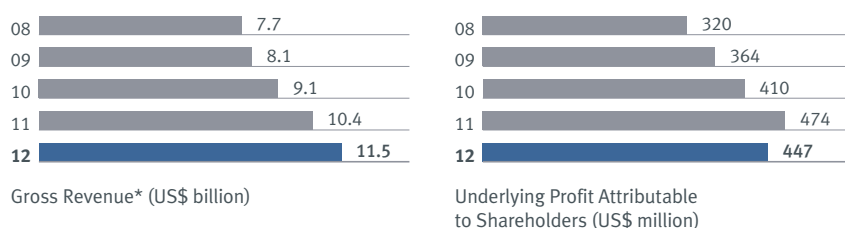
Leasing demand was relatively weak in both Hong Kong and Singapore, although the effects were tempered by the group's limited vacancy. In the Hong Kong Central office portfolio rental reversions continued to be generally positive as vacancy was only 3.4% at the year end, while the retail portfolio remained fully let. In Singapore, the office portfolio was fully leased, with the exception of the third tower at Marina Bay

Financial Centre, which was almost 80% let by the end of the year. The group's 50%-owned office portfolio in Jakarta was 94% let.

In the residential sector, there was a further contribution from unit sales in Hong Kong and Macau. In Singapore, two fully pre-sold projects were completed, and an additional development site was acquired in August 2012 for approximately US\$300 million. In mainland China, the group benefited from continuing sales completions at Maple Place in Beijing and at its 50%-owned joint venture, Bamboo Grove, in Chongqing. Sales continued at projects in Chongqing, Chengdu and Shenyang.

**Dairy Farm** is a leading pan-Asian retailer. The listed group, together with its associates and joint ventures, operates over 5,600 outlets – including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants.

	<b>2012</b>	2011	Change (%)
Gross revenue* (US\$ billion)	<b>11.5</b>	10.4	10
Underlying profit attributable to shareholders (US\$ million)	<b>447</b>	474	(6)
Adjusted underlying profit attributable to shareholders† (US\$ million)	<b>506</b>	450	13



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

†Excludes the effects of the reversal of supplier income.

Dairy Farm has continued to trade well despite increased competition and a more difficult economic environment in certain markets. Sales, including 100% of associates and joint ventures, increased by 10% to US\$11.5 billion in 2012. Underlying profit was US\$447 million compared with US\$474 million in 2011. The 2012 result reflects the reversal of US\$59 million relating to the incorrect recognition of supplier income in its Malaysian operations over the past few years. Excluding the effects of the reversed supplier income, underlying profit rose from US\$450 million in 2011 to US\$506 million in 2012, an increase of 13%. The reported profit attributable to shareholders for 2012 was US\$450 million. Dairy Farm's financial position remains healthy with net cash at the end of 2012 of US\$521 million.

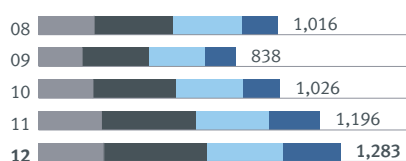
In Hong Kong, Mannings health and beauty stores delivered another impressive result and Wellcome supermarkets traded well. IKEA in both Hong Kong and Taiwan also reported good

growth. The supermarket and hypermarket businesses in Malaysia faced challenging market conditions, while the Guardian health and beauty chain traded satisfactorily. All operations continued to perform well in Indonesia. The Singapore businesses were flat in the face of increased operating costs and weaker economic conditions. Restaurant associate, Maxim's, delivered another strong set of results. There was satisfactory trading in the group's new businesses in Cambodia and the Philippines.

The construction of a fifth IKEA store in Taichung, Taiwan is progressing well and it is expected to open later in 2013. PT Hero has been awarded the franchise rights to operate IKEA stores in Indonesia, and the first store is planned to open in 2014. Maxim's continued to expand its operations in Hong Kong and in mainland China, and has recently opened its first Starbucks store in Vietnam under a new franchise agreement.

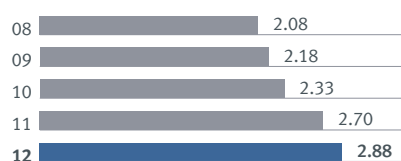
**Mandarin Oriental** is a hotel investment and management group. It has a portfolio of 44 deluxe and first class hotels and resorts worldwide, including 16 under development, and has 'Residences' connected to a number of its properties. The listed company holds equity in selected hotels.

	<b>2012</b> US\$m	2011 US\$m	Change %
Combined total revenue of hotels under management	<b>1,283</b>	1,196	7
Underlying profit attributable to shareholders	<b>71</b>	59	20



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's underlying profit in 2012 was up 20% at US\$71 million as a reduction in corporate business was offset by resilient demand from the leisure sector leading to increased average rates. Profit attributable to shareholders was US\$72 million, compared to US\$67 million in the prior year.

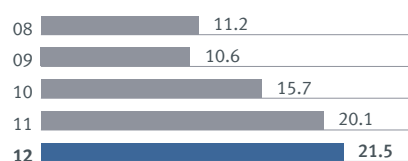
The group's hotels in Hong Kong and Singapore continued to perform well, while its properties in both Tokyo and Bangkok showed some recovery from the effects of natural disasters in 2011. Improvements were seen in most hotels in Europe. Progress was made in Paris as the hotel continued to

stabilize, and the freehold rights of the property were recently acquired for US\$389 million. Individual hotel performances in the United States varied according to local market conditions.

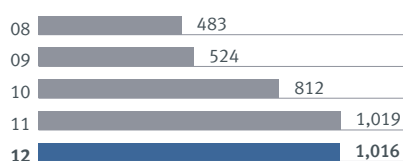
The group now operates 28 hotels and has a further 16 hotels under development. Together these represent over 11,000 rooms in 27 countries. In addition, it operates or has under development 14 *Residences at Mandarin Oriental* connected to its properties.

**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>2012</b>	2011	Change (%)
Revenue (US\$ billion)	<b>21.5</b>	20.1	7
Underlying profit attributable to shareholders (US\$ million)	<b>1,016</b>	1,019	–
Shareholders' funds (US\$ million)	<b>4,639</b>	4,407	5



Revenue (US\$ billion)



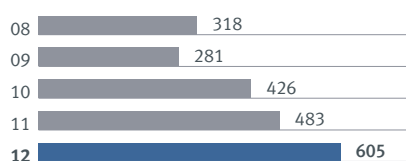
Underlying Profit Attributable to Shareholders (US\$ million)

Jardine Cycle & Carriage produced a stable result in 2012, with underlying profit largely unchanged from 2011 at US\$1,016 million. Profit attributable to shareholders was 4% lower at US\$987 million after accounting for non-trading items. Astra's contribution to underlying profit at US\$1,017 million was only slightly up on the previous year as currency movements offset much of its earnings growth achieved in rupiah. Strong results in its motor car and financial services businesses more than compensated for lower earnings from its heavy equipment and motorcycle operations.

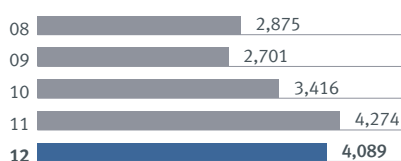
The contribution from the group's other motor interests was 5% lower at US\$58 million. In Indonesia, Tunas Ridean saw improved contributions from its motor vehicle, rental and finance activities, offsetting a decline in its motorcycle business. In the face of a challenging market in Singapore, the group's operations performed satisfactorily as the Mercedes-Benz brand proved to be resilient. In Malaysia, Cycle & Carriage Bintang had a disappointing year as the intense competition in the premium car segment led to significant margin erosion. In Vietnam, Truong Hai Auto Corporation's results suffered from higher financing costs and a sharp fall in the automotive market due to poor consumer sentiment in a weak economy.

**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.

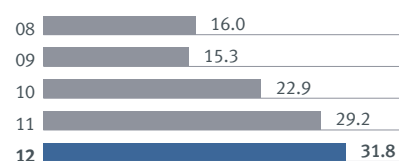
	2012	2011	Change* (%)
Gross revenue† (US\$ billion)	<b>31.8</b>	29.2	17
Profit attributable to shareholders# (US\$ million)	<b>2,062</b>	2,027	9
Shareholders' funds# (US\$ million)	<b>7,363</b>	6,666	18



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 record results with net profit under Indonesian accounting standards of Rp19.4 trillion, up 9%, equivalent to US\$2,062 million. Improved contributions from its motor car and financial services businesses were partially offset by lower earnings in its heavy equipment and motorcycle businesses.

Net income from the group's automotive businesses grew by 15% to Rp9.5 trillion. Car sales rose by 25% to 605,000 units with a stable market share of 54%. In more difficult market conditions, Astra Honda Motor's sales declined by 4% to 4.1 million units, although its market share increased from 53% to 58%. Astra Otoparts, the group's component manufacturing business, reported earnings up 5%.

The amount financed through Astra's automotive-focused consumer finance operations grew by 2% to US\$5.3 billion, while the heavy equipment-focused finance operations were 2% lower at US\$755 million. Group insurance company, Asuransi Astra Buana, recorded higher earnings with improved premiums partly offset by higher commissions and claims expenses. Astra's 45%-held joint venture, Bank Permata,

reported net income up 18% at US\$145 million, with growth in net interest income and fee-based income.

United Tractors' sales of Komatsu heavy equipment were 27% lower due to reduced demand, although the impact was partly mitigated by strong spare parts and service revenue growth. Contract coal mining subsidiary, Pamapersada Nusantara, reported a 25% improvement in net revenue as contract coal production increased 9% to 94 million tonnes and contract overburden removal rose 7% to 855 million cubic metres. Astra Agro Lestari's increased palm oil production offset the effects of lower prices, but higher production costs and operating expenses left net income little changed.

Net income from infrastructure and logistics rose 13%, and if the reversal of a tax provision in 2011 is excluded, the net income rose 35%. The development of toll road interests continued, and there were increased sales volumes in the group's western Jakarta water utility system. TRAC car rentals produced an increase in vehicles under contract, while in information technology Astra Graphia is pursuing new business opportunities.

## 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 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*

8th March 2013

# 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 2012, certain amendments to IFRS 7 'Financial Instruments' became effective and the Group adopted those which are relevant to the Group's operations. As mentioned in note 1 to the financial statements, their adoption does not have a material impact on the Group's accounting policies and disclosures.

## Results

In 2012, revenue increased by 7% to US\$33.1 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 by 5% to US\$60.5 billion.

Underlying operating profit was US\$3,667 million, a marginal increase of US\$11 million. This reflected the mixed performances from the Group's businesses. There was an increase in contribution of US\$114 million from Astra, where strong performances from motor car and financial services businesses compensated for lower earnings from its motorcycle and heavy equipment and mining activities. Against this, there were decreases in contributions from Hongkong Land of US\$31 million due to the reduced number of residential completions and from Dairy Farm of US\$54 million whose strong performance in Hong Kong was more than offset by a one-off reversal of US\$67 million of supplier income in Malaysia incorrectly recognized in prior years.

The operating profit of US\$3,988 million included a non-trading gain of US\$321 million in respect of the increase in the fair value of investment properties mainly in Hongkong Land.

Net financing charges increased US\$16 million over 2011 primarily due to the high level of capital expenditure. Interest cover remained strong at 32 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 decreased by 12% to US\$176 million reflecting decreases of US\$14 million from Jardine Pacific due mainly to lower sales in JOS and higher operating costs in Jardine Restaurants' businesses in Taiwan and US\$24 million from Jardine Motors due to the difficult market conditions in mainland China, mitigated by higher contribution from Jardine Lloyd Thompson due to a strong trading performance and the higher attributable interest following Jardine Matheson's acquisition of an additional 10% stake in November 2011.

The Group's share of underlying results of associates and joint ventures increased by 6% to US\$870 million. The higher contribution from Hongkong Land due to the recognition of sales on completion of a residential property project by one of its joint ventures in Singapore and improved contribution from Dairy Farm's associates were partly offset by lower contributions from certain associates and joint ventures of Astra, mainly the motorcycle assembly business.

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 in Jardine Cycle & Carriage and loss on the restructuring of Rothschilds Continuation and subsequent partial sale of Paris Orléans shares.

The underlying effective tax rate for the year was 24% compared with 23% in 2011. The increase was caused by a slight change in the geographic mix of the Group's profits.

Underlying earnings per share increased by 1% to US\$2.58. The increase of US\$4 million in underlying earnings was due to increases in contributions of US\$38 million from Hongkong Land, US\$8 million from Mandarin Oriental and US\$9 million from Astra, partly offset by a decrease of US\$21 million from Dairy Farm. Astra reported a 9% increase in its underlying earnings, but its contribution to the Group was impacted by a 7% depreciation in the average exchange rate of Indonesian rupiah. Had Astra's earnings been translated using the same



rate as applied in 2011, Astra's contribution to the Group's underlying earnings would have been US\$51 million higher.

The profit attributable to shareholders for the year of US\$1,839 million included a surplus of US\$341 million on the revaluation of investment properties, mainly in Hongkong Land, a net loss of US\$56 million on the sale and impairment of investments held by the Company and Jardine Cycle & Carriage, a non-recurring provision of US\$22 million for tax associated with dividends from Astra and a decrease of US\$12 million in the fair value of Astra's plantations. Earnings per share were US\$2.99, a decrease of 53% primarily due to the significant reduction in the increase in the valuation of Hongkong Land's investment properties.

## Dividends

The Board is recommending a final dividend of US\$0.17 per share, giving a total dividend of US\$0.24 per share for the year, payable on 22nd May 2013 to those persons registered as shareholders on 22nd March 2013. The dividends are payable in cash with a scrip alternative.

## Cash Flow

The cash inflow from operating activities for the year was US\$2,288 million. This represented a decrease of US\$97 million from 2011 principally due to a higher increase in working capital less higher dividends from associates and joint ventures.

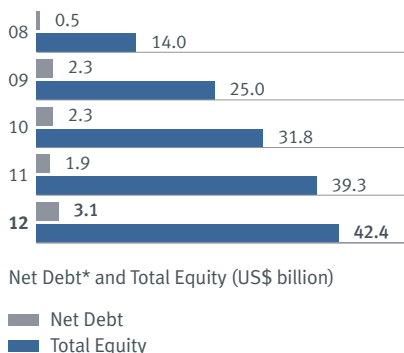
Capital expenditure for the year before disposals amounted to US\$3,229 million and was broadly spread throughout the Group. This included US\$127 million for the purchase of subsidiaries, the main ones being the acquisition by Astra of a coal mine concession company and an exploration mining company and the acquisition by Dairy Farm of a supermarket chain in Cambodia; US\$253 million for the purchase of various associates and joint ventures including the acquisition by Dairy Farm of a 50% interest in a supermarket chain in the Philippines, and Astra's subscription to a joint venture bank's rights issue and capital injections into a number of existing associates and joint ventures;

## Summarized Cash Flow

	2012 US\$m	2011 US\$m
Operating cash flow	1,666	1,787
Dividends from associates and joint ventures	622	598
Operating activities	2,288	2,385
Capital expenditure and investments	(2,681)	(2,156)
Cash flow before financing	(393)	229

US\$256 million for the purchase of other investments, mainly in Jardine Cycle & Carriage and Astra; US\$296 million for the purchase of intangible assets, which included US\$161 million for the purchase of leasehold land mainly for use by Dairy Farm's new outlets in Indonesia and Astra's new motor dealerships, US\$55 million for the construction and improvement costs for toll roads and US\$44 million of commissions for securing insurance contracts in Astra; US\$1,281 million for the purchase of tangible assets, which included US\$290 million in Dairy Farm, US\$64 million in Mandarin Oriental and US\$914 million in Astra mainly for the acquisition of US\$521 million of heavy equipment and machinery, predominantly by Pamapersada Nusantara in response to capacity expansion in its mine contracting business; US\$162 million in its automotive business mainly for outlet development and additional operational machinery and equipment, and US\$182 million in its agribusiness; US\$562 million for additions to investment properties in Hongkong Land which included US\$498 million for the Wangfujing site in Beijing; US\$87 million for the investment in plantations in Astra; and US\$367 million of advances to associates and joint ventures, mainly in Hongkong Land.

The repayment from associates and joint ventures in Hongkong Land contributed US\$58 million, and sale of other investments held by the Company, Jardine Cycle & Carriage and Astra contributed US\$423 million to the Group's cash flow.



\*Excluding net debt of financial services companies.

In addition to the capital expenditure, the Group purchased additional interests in Group companies for a total cost of US\$167 million and Dairy Farm sold part of its interest in PT Hero Supermarket for US\$139 million, which are both presented as financing activities in the cash flow statement.

### Funding

At the year end, undrawn committed facilities totalled US\$5.2 billion. In addition, the Group had available liquid funds of US\$3.9 billion. Net borrowings, excluding those relating to Astra’s financial services companies, were US\$3.1 billion, representing 8% of total equity. Astra’s financial services companies had net borrowings of US\$3.8 billion, US\$0.4 billion up from 2011 as their overall loan book grew. The Group’s total equity increased by US\$3.1 billion to US\$42.4 billion during the year.

The average tenor of the Group’s debt at 31st December 2012 was 4.5 years, which is in line with 2011. US dollar denominated borrowings comprised 9% 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 2012 approximately 49% of the Group’s borrowings, exclusive of financial services companies, were at floating rates and the remaining 51% 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 98.

**James Riley**  
*Chief Financial Officer*

8th March 2013

# 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 April 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 March 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited and Jardine Cycle & Carriage and a commissioner of Astra and United Tractors. He is also managing director of Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental, 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.

## 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 April 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 and Mandarin Oriental.

## Simon Keswick\*

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

## 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 March 2012. He held a number of senior positions since first joining the Jardine Matheson group in 1969 until his retirement from executive office in March 2012. He is also a director of Dairy Farm, Hongkong Land, Jardine Cycle & Carriage, Jardine Matheson, Mandarin Oriental 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 2012

	Note	2012			2011		
		Underlying business performance US\$m	Non-trading items US\$m	Total US\$m	Underlying business performance US\$m	Non-trading items US\$m	Total US\$m
Revenue	5	<b>33,098</b>	–	<b>33,098</b>	31,049	–	31,049
Net operating costs	6	<b>(29,431)</b>	–	<b>(29,431)</b>	(27,393)	46	(27,347)
Change in fair value of investment properties		–	<b>321</b>	<b>321</b>	–	4,384	4,384
Operating profit		<b>3,667</b>	<b>321</b>	<b>3,988</b>	3,656	4,430	8,086
Net financing charges	7						
– financing charges		<b>(239)</b>	–	<b>(239)</b>	(227)	–	(227)
– financing income		<b>123</b>	–	<b>123</b>	127	–	127
		<b>(116)</b>	–	<b>(116)</b>	(100)	–	(100)
Share of results of Jardine Matheson	8	<b>176</b>	<b>4</b>	<b>180</b>	199	22	221
Share of results of associates and joint ventures	9						
– before change in fair value of investment properties		<b>870</b>	<b>(45)</b>	<b>825</b>	823	(6)	817
– change in fair value of investment properties		–	<b>361</b>	<b>361</b>	–	238	238
		<b>870</b>	<b>316</b>	<b>1,186</b>	823	232	1,055
Sale of an associate	10	–	<b>(66)</b>	<b>(66)</b>	–	–	–
Profit before tax		<b>4,597</b>	<b>575</b>	<b>5,172</b>	4,578	4,684	9,262
Tax	11	<b>(843)</b>	<b>(14)</b>	<b>(857)</b>	(826)	(10)	(836)
Profit after tax		<b>3,754</b>	<b>561</b>	<b>4,315</b>	3,752	4,674	8,426
Attributable to:							
Shareholders of the Company	12 & 13	<b>1,587</b>	<b>252</b>	<b>1,839</b>	1,583	2,360	3,943
Non-controlling interests		<b>2,167</b>	<b>309</b>	<b>2,476</b>	2,169	2,314	4,483
		<b>3,754</b>	<b>561</b>	<b>4,315</b>	3,752	4,674	8,426
		US\$		US\$	US\$		US\$
Earnings per share	12						
– basic		<b>2.58</b>		<b>2.99</b>	2.55		6.36
– diluted		<b>2.58</b>		<b>2.99</b>	2.55		6.34

# Consolidated Statement of Comprehensive Income

for the year ended 31st December 2012

	<i>Note</i>	<b>2012</b> US\$m	2011 US\$m
Profit for the year		<b>4,315</b>	8,426
Revaluation surpluses before transfer to investment properties from			
– intangible assets	14	–	27
– tangible assets	15	–	4
		–	31
Revaluation of other investments			
– net gain/(loss) arising during the year	20	<b>180</b>	(89)
– transfer to profit and loss		<b>(75)</b>	(20)
		<b>105</b>	(109)
Net actuarial loss on employee benefit plans		<b>(64)</b>	(52)
Net exchange translation differences			
– losses arising during the year		<b>(324)</b>	(75)
– transfer to profit and loss		<b>(2)</b>	–
		<b>(326)</b>	(75)
Cash flow hedges			
– net loss arising during the year		<b>(15)</b>	–
– transfer to profit and loss		<b>19</b>	6
		<b>4</b>	6
Share of other comprehensive expense of Jardine Matheson		<b>(6)</b>	(87)
Share of other comprehensive income/(expense) of associates and joint ventures	19	<b>11</b>	(50)
Tax relating to components of other comprehensive income or expense	11	<b>15</b>	8
Other comprehensive expense for the year		<b>(261)</b>	(328)
<b>Total comprehensive income for the year</b>		<b>4,054</b>	8,098
Attributable to:			
Shareholders of the Company		<b>1,886</b>	3,690
Non-controlling interests		<b>2,168</b>	4,408
		<b>4,054</b>	8,098

# Consolidated Balance Sheet

at 31st December 2012

	<i>Note</i>	<b>2012</b> US\$m	2011 US\$m
<b>Assets</b>			
Intangible assets	14	<b>2,269</b>	2,126
Tangible assets	15	<b>6,582</b>	5,628
Investment properties	16	<b>23,561</b>	22,589
Plantations	17	<b>1,026</b>	1,058
Investment in Jardine Matheson	18	<b>1,511</b>	1,227
Associates and joint ventures	19	<b>7,263</b>	6,464
Other investments	20	<b>1,208</b>	1,065
Non-current debtors	21	<b>2,682</b>	2,500
Deferred tax assets	22	<b>218</b>	150
Pension assets	23	<b>17</b>	20
Non-current assets		<b>46,337</b>	42,827
Properties for sale	24	<b>2,513</b>	1,521
Stocks and work in progress	25	<b>2,706</b>	2,405
Current debtors	21	<b>5,907</b>	5,359
Current investments	20	<b>13</b>	4
Current tax assets		<b>113</b>	69
Bank balances and other liquid funds	26		
– non-financial services companies		<b>3,629</b>	3,699
– financial services companies		<b>318</b>	222
		<b>3,947</b>	3,921
Non-current assets classified as held for sale	27	<b>8</b>	47
Current assets		<b>15,207</b>	13,326
<b>Total assets</b>		<b>61,544</b>	56,153

Approved by the Board of Directors

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

8th March 2013

	<i>Note</i>	<b>2012</b> US\$m	2011 US\$m
<b>Equity</b>			
Share capital	28	56	56
Share premium and capital reserves	29	1,366	1,356
Revenue and other reserves		21,649	19,954
Own shares held	31	<u>(1,727)</u>	<u>(1,714)</u>
Shareholders' funds		21,344	19,652
Non-controlling interests	32	21,046	19,609
Total equity		<u>42,390</u>	<u>39,261</u>
<b>Liabilities</b>			
Long-term borrowings	33		
– non-financial services companies		5,342	4,620
– financial services companies		2,319	2,002
		7,661	6,622
Deferred tax liabilities	22	774	627
Pension liabilities	23	245	173
Non-current creditors	34	382	280
Non-current provisions	35	123	99
Non-current liabilities		<u>9,185</u>	<u>7,801</u>
Current creditors	34	6,439	6,133
Current borrowings	33		
– non-financial services companies		1,425	947
– financial services companies		1,803	1,670
		3,228	2,617
Current tax liabilities		258	297
Current provisions	35	44	44
Current liabilities		<u>9,969</u>	<u>9,091</u>
Total liabilities		<u>19,154</u>	<u>16,892</u>
Total equity and liabilities		<b>61,544</b>	56,153

# Consolidated Statement of Changes in Equity

for the year ended 31st December 2012

	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>2012</b>												
At 1st January	56	1,199	157	19,344	304	213	(41)	134	(1,714)	19,652	19,609	<b>39,261</b>
Total comprehensive income	–	–	–	1,898	–	–	18	(30)	–	1,886	2,168	<b>4,054</b>
Dividends paid by the Company	–	–	–	(141)	–	–	–	–	–	(141)	–	<b>(141)</b>
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,003)	<b>(1,003)</b>
Unclaimed dividends forfeited	–	–	–	3	–	–	–	–	–	3	3	<b>6</b>
Employee share option schemes	–	–	11	–	–	–	–	–	–	11	2	<b>13</b>
Scrip issued in lieu of dividends	–	–	–	6	–	–	–	–	–	6	–	<b>6</b>
Increase in own shares held	–	–	–	–	–	–	–	–	(13)	(13)	–	<b>(13)</b>
Subsidiaries acquired	–	–	–	–	–	–	–	–	–	–	152	<b>152</b>
Subsidiaries disposed of	–	–	–	–	–	–	–	–	–	–	(1)	<b>(1)</b>
Conversion of convertible bonds in a subsidiary	–	–	–	–	–	–	–	–	–	–	56	<b>56</b>
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	5	<b>5</b>
Change in interests in subsidiaries	–	–	–	(59)	–	–	–	–	–	(59)	55	<b>(4)</b>
Change in interests in associates and joint ventures	–	–	–	(1)	–	–	–	–	–	(1)	–	<b>(1)</b>
Transfer	–	–	(1)	–	–	–	–	1	–	–	–	<b>–</b>
<b>At 31st December</b>	<b>56</b>	<b>1,199</b>	<b>167</b>	<b>21,050</b>	<b>304</b>	<b>213</b>	<b>(23)</b>	<b>105</b>	<b>(1,727)</b>	<b>21,344</b>	<b>21,046</b>	<b>42,390</b>
<b>2011</b>												
At 1st January	56	1,199	147	15,811	304	202	(40)	193	(1,522)	16,350	15,446	31,796
Total comprehensive income	–	–	–	3,740	–	11	(1)	(60)	–	3,690	4,408	8,098
Dividends paid by the Company	–	–	–	(133)	–	–	–	–	–	(133)	–	(133)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(896)	(896)
Unclaimed dividends forfeited	–	–	–	2	–	–	–	–	–	2	–	2
Employee share option schemes	–	–	10	–	–	–	–	–	–	10	1	11
Scrip issued in lieu of dividends	–	–	–	142	–	–	–	–	–	142	–	142
Increase in own shares held	–	–	–	–	–	–	–	–	(192)	(192)	–	(192)
Subsidiaries acquired	–	–	–	–	–	–	–	–	–	–	140	140
Conversion of convertible bonds in a subsidiary	–	–	–	–	–	–	–	–	–	–	319	319
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	314	314
Purchase of additional interests in subsidiaries	–	–	–	(215)	–	–	–	–	–	(215)	(122)	(337)
Change in interests in associates and joint ventures	–	–	–	(2)	–	–	–	–	–	(2)	(1)	(3)
Transfer	–	–	–	(1)	–	–	–	1	–	–	–	–
<b>At 31st December</b>	<b>56</b>	<b>1,199</b>	<b>157</b>	<b>19,344</b>	<b>304</b>	<b>213</b>	<b>(41)</b>	<b>134</b>	<b>(1,714)</b>	<b>19,652</b>	<b>19,609</b>	<b>39,261</b>

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US\$1,839 million (2011: US\$3,943 million), net fair value gain on other investments of US\$121 million (2011: loss of US\$99 million) and net actuarial loss on employee benefit plans of US\$62 million (2011: US\$104 million). Cumulative net fair value gain on other investments and net actuarial loss on employee benefit plans amounted to US\$260 million (2011: US\$139 million) and US\$310 million (2011: US\$248 million), respectively.

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 2012

	Note	2012 US\$m	2011 US\$m
<b>Operating activities</b>			
Operating profit		<b>3,988</b>	8,086
Change in fair value of investment properties		<b>(321)</b>	(4,384)
Depreciation and amortization	36 (a)	<b>981</b>	873
Other non-cash items	36 (b)	<b>318</b>	118
Increase in working capital	36 (c)	<b>(2,249)</b>	(2,050)
Interest received		<b>121</b>	129
Interest and other financing charges paid		<b>(210)</b>	(224)
Tax paid		<b>(962)</b>	(761)
		<b>1,666</b>	1,787
Dividends from associates and joint ventures		<b>622</b>	598
Cash flows from operating activities		<b>2,288</b>	2,385
<b>Investing activities</b>			
Purchase of subsidiaries	36 (d)	<b>(127)</b>	(209)
Purchase of associates and joint ventures	36 (e)	<b>(253)</b>	(69)
Purchase of other investments	36 (f)	<b>(256)</b>	(265)
Purchase of intangible assets		<b>(296)</b>	(251)
Purchase of tangible assets		<b>(1,281)</b>	(1,187)
Additions to investment properties		<b>(562)</b>	(86)
Additions to plantations		<b>(87)</b>	(91)
Advance to associates, joint ventures and others	36 (g)	<b>(367)</b>	(259)
Repayment from associates, joint ventures and others	36 (h)	<b>59</b>	115
Sale of subsidiaries	36 (i)	<b>8</b>	2
Sale of associates and joint ventures		<b>8</b>	1
Sale of other investments	36 (j)	<b>423</b>	124
Sale of intangible assets		<b>4</b>	–
Sale of tangible assets		<b>38</b>	15
Sale of investment properties		<b>8</b>	4
Cash flows from investing activities		<b>(2,681)</b>	(2,156)
<b>Financing activities</b>			
Capital contribution from non-controlling interests		<b>5</b>	314
Advance from/(repayment to) non-controlling interests		<b>22</b>	(6)
Change in interests in subsidiaries	36 (k)	<b>(28)</b>	(337)
Drawdown of borrowings		<b>7,475</b>	8,082
Repayment of borrowings		<b>(5,756)</b>	(7,247)
Dividends paid by the Company		<b>(252)</b>	(98)
Dividends paid to non-controlling interests		<b>(1,003)</b>	(896)
Cash flows from financing activities		<b>463</b>	(188)
Net increase in cash and cash equivalents		<b>70</b>	41
Cash and cash equivalents at 1st January		<b>3,904</b>	3,889
Effect of exchange rate changes		<b>(56)</b>	(26)
Cash and cash equivalents at 31st December	36 (l)	<b>3,918</b>	3,904

# 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.

Amendments to IFRS 7 ‘Financial Instruments: Transfers of Financial Assets’ became effective in the current accounting year and are relevant to the Group’s operations. The amendments promote transparency in the reporting of such transfer transactions and improve users’ understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity’s financial position particularly those involving securitization of financial assets. The adoption of these amendments does not have a material impact on the Group’s accounting policies and disclosures.

*The following standards and amendments which are effective after 2012, are relevant to the Group’s operations and yet to be adopted*

IFRS 9	Financial Instruments
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
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements to IFRS	2009 – 2011 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 IFRS 12 and 13.

IFRS 9 ‘Financial Instruments’ (effective 1st January 2015) is the first standard issued as part of a wider project to replace IAS 39. 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 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’. The Group will apply the standard from 1st January 2015.

IFRS 10 ‘Consolidated Financial Statements’ (effective 1st January 2013) 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 investees; and ability to use power to affect the reporting entity’s returns. The Group will apply the standard from 1st January 2013.

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. The Group will apply the standard from 1st January 2013.

IFRS 12 'Disclosure of Interests in Other Entities' (effective 1st January 2013) 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. The Group will apply the standard from 1st January 2013.

IFRS 13 'Fair Value Measurement' (effective 1st January 2013) 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). The Group will apply the standard from 1st January 2013.

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. The Group will adopt the amendments from 1st January 2013.

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 will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The Group will adopt the amendments from 1st January 2013.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (effective 1st July 2012) 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 recycled to profit or loss in the future. Items that will not be recycled – such as actuarial gains or losses on defined benefit pension plans – will be presented separately from items that may be recycled 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. The Group will adopt the amendments from 1st January 2013.

IAS 19 (amended 2011) 'Employee Benefits' (effective 1st January 2013) requires 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. It also requires actuarial gains and losses to be recognized immediately in other comprehensive income and past service costs immediately in profit or loss. Additional disclosures are required to present the characteristics of benefit plans, the amount recognized in the financial statements, and the risks arising from defined benefit plans and multi-employer plans. The Group will apply the amended standard from 1st January 2013.

IAS 27 (2011) 'Separate Financial Statements' (effective 1st January 2013) 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 will be 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' (effective 1st January 2013) 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. The adoption of this standard is not expected to have any material impact on the results of the Group as the Group is already following the standard.

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. The Group will adopt the amendments from 1st January 2014.

IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine' (effective 1st January 2013) 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. The Group will apply the Interpretation from 1st January 2013.

Annual improvements to IFRSs 2009 – 2011 Cycle comprise 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. The Group will adopt the amendment from 1st January 2013.

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. The Group will adopt the amendment from 1st January 2013.

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. The Group will adopt the amendment from 1st January 2013.

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 Group will adopt the amendment from 1st January 2013.

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) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. 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) Associates are entities, not being subsidiaries or joint ventures, over which the Group exercises significant influence. Joint ventures are entities which the Group jointly controls with one or more other venturers. 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 are recognized in the consolidated financial statements only to the extent of unrelated investor's interests in the associates.

(iv) The Company has a 55% 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	14 – 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 – 16 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. 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 are recognized in other comprehensive income in the year in which they occur.

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.

## 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 2012 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 2012 the Group's Indonesian rupiah functional entities had United States dollar denominated net monetary liabilities of US\$175 million (2011: assets of US\$340 million). At 31st December 2012, 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\$13 million lower/higher (2011: US\$26 million higher/lower), arising from foreign exchange losses/gains taken on translation. The impact on amounts attributable to the shareholders of the Company would be US\$4 million lower/higher (2011: US\$6 million higher/lower). 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 2012 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 2012 the Group's interest rate hedge exclusive of the financial services companies was 51% (2011: 52%), with an average tenor of seven years (2011: six 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 to within the Group's guideline.

At 31st December 2012, 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\$26 million (2011: US\$21 million) higher/lower, and hedging reserves would have been US\$112 million (2011: US\$90 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 2012, 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\$305 million (2011: US\$266 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 2012, over 72% (2011: 62%) 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 2012, total available borrowing facilities amounted to US\$18.0 billion (2011: US\$15.3 billion) of which US\$10.9 billion (2011: US\$9.2 billion) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, and undrawn uncommitted facilities totalled US\$5.2 billion (2011: US\$4.0 billion) and US\$1.9 billion (2011: US\$2.1 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 2012</b>							
Borrowings	3,660	3,229	1,704	770	512	2,848	<b>12,723</b>
Creditors	5,179	77	49	24	24	95	<b>5,448</b>
Net settled derivative financial instruments	13	7	2	1	–	–	<b>23</b>
Gross settled derivative financial instruments							
– inflow	1,107	1,097	261	59	53	1,553	<b>4,130</b>
– outflow	1,081	1,074	247	50	45	1,526	<b>4,023</b>
Estimated losses on insurance contracts	117	–	–	–	–	–	<b>117</b>
<b>At 31st December 2011</b>							
Borrowings	2,898	2,318	2,322	778	457	1,869	10,642
Creditors	5,294	51	51	21	12	26	5,455
Net settled derivative financial instruments	15	12	5	1	–	–	33
Gross settled derivative financial instruments							
– inflow	781	751	908	133	33	1,002	3,608
– outflow	738	696	881	121	24	936	3,396
Estimated losses on insurance contracts	121	–	–	–	–	–	121

### 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 2011 and 2012 are as follows:

	2012	2011
Gearing ratio exclusive of financial services companies (%)	<b>7</b>	5
Gearing ratio inclusive of financial services companies (%)	<b>16</b>	14
Interest cover exclusive of financial services companies (times)	<b>32</b>	38
Interest cover inclusive of financial services companies (times)	<b>41</b>	47

**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.

(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 or the market prices of the underlying investments with certain degree of entity specific estimates.

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>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
	<b>1,077</b>	<b>152</b>	<b>134</b>	<b>1,363</b>
Liabilities				
Contingent consideration payable	–	–	(66)	(66)
Derivative financial instruments	–	(44)	–	(44)
	–	<b>(44)</b>	<b>(66)</b>	<b>(110)</b>
<b>2011</b>				
Assets				
Available-for-sale financial assets				
– listed securities	963	–	–	963
– unlisted investments	–	6	93	99
	963	6	93	1,062
Derivative financial instruments	–	131	–	131
	963	137	93	1,193
Liabilities				
Derivative financial instruments	–	(52)	–	(52)



(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>2012</b>							
Other investments	–	–	1,219	2	–	<b>1,221</b>	<b>1,221</b>
Debtors	7,588	144	–	–	–	<b>7,732</b>	<b>7,975</b>
Bank balances and other liquid funds	3,947	–	–	–	–	<b>3,947</b>	<b>3,947</b>
	<b>11,535</b>	<b>144</b>	<b>1,219</b>	<b>2</b>	<b>–</b>	<b>12,900</b>	<b>13,143</b>
Borrowings (excluding finance lease liabilities)	–	–	–	–	(10,739)	<b>(10,739)</b>	<b>(10,852)</b>
Finance lease liabilities	–	–	–	–	(150)	<b>(150)</b>	<b>(150)</b>
Trade and other payables excluding non-financial liabilities	–	(44)	–	–	(5,448)	<b>(5,492)</b>	<b>(5,492)</b>
	–	<b>(44)</b>	–	–	<b>(16,337)</b>	<b>(16,381)</b>	<b>(16,494)</b>
<b>2011</b>							
Other investments	–	–	1,062	7	–	1,069	1,069
Debtors	6,930	131	–	–	–	7,061	7,063
Bank balances and other liquid funds	3,921	–	–	–	–	3,921	3,921
	10,851	131	1,062	7	–	12,051	12,053
Borrowings (excluding finance lease liabilities)	–	–	–	–	(9,133)	(9,133)	(9,206)
Finance lease liabilities	–	–	–	–	(106)	(106)	(106)
Trade and other payables excluding non-financial liabilities	–	(52)	–	–	(5,455)	(5,507)	(5,507)
	–	(52)	–	–	(14,694)	(14,746)	(14,819)



### 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.

#### ***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. Capitalization rates in the range of 3.5% to 4.45% for office (2011: 3.75% to 4.85%) and 4.5% to 5.75% for retail (2011: 4.5% 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 rates.

#### ***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 2012 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 of 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 expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

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>2012</b>											
Revenue (refer note 5)	–	1,115	9,801	648	1,502	20,039	–	(7)	33,098	–	<b>33,098</b>
Net operating costs	–	(314)	(9,320)	(564)	(1,454)	(17,654)	(132)	7	(29,431)	–	<b>(29,431)</b>
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	321	<b>321</b>
Operating profit	–	801	481	84	48	2,385	(132)	–	3,667	321	<b>3,988</b>
Net financing charges											
– financing charges	–	(99)	(14)	(15)	(1)	(108)	(2)	–	(239)	–	<b>(239)</b>
– financing income	–	38	3	4	–	72	6	–	123	–	<b>123</b>
	–	(61)	(11)	(11)	(1)	(36)	4	–	(116)	–	<b>(116)</b>
Share of results of Jardine Matheson	176	–	–	–	–	–	–	–	176	4	<b>180</b>
Share of results of associates and joint ventures											
– before change in fair value of investment properties	–	166	63	15	24	598	4	–	870	(45)	<b>825</b>
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	361	<b>361</b>
	–	166	63	15	24	598	4	–	870	316	<b>1,186</b>
Sale of an associate	–	–	–	–	–	–	–	–	–	(66)	<b>(66)</b>
Profit before tax	176	906	533	88	71	2,947	(124)	–	4,597	575	<b>5,172</b>
Tax	–	(124)	(83)	(17)	(8)	(614)	3	–	(843)	(14)	<b>(857)</b>
Profit after tax	176	782	450	71	63	2,333	(121)	–	3,754	561	<b>4,315</b>
Non-controlling interests	–	(391)	(103)	(19)	(21)	(1,637)	4	–	(2,167)	(309)	<b>(2,476)</b>
Profit attributable to shareholders	<b>176</b>	<b>391</b>	<b>347</b>	<b>52</b>	<b>42</b>	<b>696</b>	<b>(117)</b>	–	<b>1,587</b>	<b>252</b>	<b>1,839</b>
Net (debt)/cash (excluding net debt of financial services companies)*	–	<b>(3,273)</b>	<b>521</b>	<b>(136)</b>	<b>32</b>	<b>(922)</b>	<b>640</b>	–			<b>(3,138)</b>
Total equity	<b>1,516</b>	<b>26,184</b>	<b>1,463</b>	<b>1,033</b>	<b>361</b>	<b>10,413</b>	<b>1,435</b>	<b>(15)</b>			<b>42,390</b>
<b>2011</b>											
Revenue (refer note 5)	–	1,224	9,134	614	1,448	18,636	–	(7)	31,049	–	31,049
Net operating costs	–	(392)	(8,599)	(534)	(1,392)	(16,365)	(118)	7	(27,393)	46	(27,347)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	4,384	4,384
Operating profit	–	832	535	80	56	2,271	(118)	–	3,656	4,430	8,086
Net financing charges											
– financing charges	–	(100)	(21)	(15)	(1)	(81)	(9)	–	(227)	–	(227)
– financing income	–	33	4	3	–	82	5	–	127	–	127
	–	(67)	(17)	(12)	(1)	1	(4)	–	(100)	–	(100)
Share of results of Jardine Matheson	199	–	–	–	–	–	–	–	199	22	221
Share of results of associates and joint ventures											
– before change in fair value of investment properties	–	77	55	10	24	650	7	–	823	(6)	817
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	238	238
	–	77	55	10	24	650	7	–	823	232	1,055
Profit before tax	199	842	573	78	79	2,922	(115)	–	4,578	4,684	9,262
Tax	–	(133)	(99)	(19)	(11)	(563)	(1)	–	(826)	(10)	(836)
Profit after tax	199	709	474	59	68	2,359	(116)	–	3,752	4,674	8,426
Non-controlling interests	–	(356)	(106)	(15)	(24)	(1,672)	4	–	(2,169)	(2,314)	(4,483)
Profit attributable to shareholders	199	353	368	44	44	687	(112)	–	1,583	2,360	3,943
Net (debt)/cash (excluding net debt of financial services companies)*	–	(2,359)	466	(113)	(74)	(66)	279	(1)			(1,868)
Total equity	1,232	24,764	1,151	997	384	9,626	1,123	(16)			39,261

\*Net (debt)/cash is total borrowings less bank balances and other liquid funds. Net debt of financial services companies amounted to US\$3,804 million at 31st December 2012 (2011: US\$3,450 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>2012</b>	2011
	US\$m	US\$m
<b><i>Underlying profit attributable to shareholders:</i></b>		
Greater China	<b>660</b>	615
Southeast Asia	<b>973</b>	1,027
United Kingdom	<b>30</b>	37
Rest of the world	<b>41</b>	16
	<b>1,704</b>	1,695
Corporate and other interests	<b>(117)</b>	(112)
	<b>1,587</b>	1,583
<b><i>Non-current assets*:</i></b>		
Greater China	<b>26,085</b>	24,755
Southeast Asia	<b>14,858</b>	13,059
United Kingdom	<b>671</b>	795
Rest of the world	<b>598</b>	483
	<b>42,212</b>	39,092

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

## 5 Revenue

	Gross revenue		Revenue	
	2012 US\$m	2011 US\$m	2012 US\$m	2011 US\$m
<b>By business:</b>				
Jardine Matheson	10,796	11,020	–	–
Hongkong Land	2,526	2,077	1,115	1,224
Dairy Farm	11,541	10,449	9,801	9,134
Mandarin Oriental	1,012	957	648	614
Jardine Cycle & Carriage	3,059	2,957	1,502	1,448
Astra	31,831	29,182	20,039	18,636
Corporate and other interests	503	1,313	–	–
Intersegment transactions	(815)	(649)	(7)	(7)
	<b>60,453</b>	57,306	<b>33,098</b>	31,049
<b>By product and service:</b>				
Agribusiness	1,228	1,228	1,228	1,228
Engineering and construction	5,538	5,873	2,605	3,086
Mining	3,319	3,175	3,319	3,175
Financial services	4,616	5,102	1,423	1,319
Logistics and IT services	2,963	3,077	770	645
Motor vehicles	27,019	24,746	12,081	10,528
Property and hotels	3,769	3,251	1,871	1,934
Restaurants	1,869	1,648	–	–
Retail	10,132	9,206	9,801	9,134
	<b>60,453</b>	57,306	<b>33,098</b>	31,049
<b>By geographical location of customers:</b>				
Greater China	13,960	13,649	6,234	5,708
Southeast Asia	42,111	38,701	26,513	25,015
United Kingdom	3,493	4,142	93	104
Rest of the world	889	814	258	222
	<b>60,453</b>	57,306	<b>33,098</b>	31,049

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

## 6 Net Operating Costs

	2012 US\$m	2011 US\$m
Cost of sales	<b>(25,138)</b>	(23,393)
Other operating income	<b>523</b>	452
Selling and distribution costs	<b>(3,108)</b>	(2,859)
Administration expenses	<b>(1,605)</b>	(1,510)
Other operating expenses	<b>(103)</b>	(37)
	<b>(29,431)</b>	(27,347)
<b><i>The following credits/(charges) are included in net operating costs:</i></b>		
Cost of stocks recognized as expense	<b>(21,874)</b>	(20,389)
Cost of properties for sale recognized as expense	<b>(102)</b>	(229)
Amortization of intangible assets	<b>(81)</b>	(70)
Depreciation of tangible assets	<b>(900)</b>	(803)
Impairment of intangible assets	–	(1)
Impairment of tangible assets	<b>(3)</b>	–
Write down of stocks and work in progress	<b>(31)</b>	(21)
Reversal of write down of stocks and work in progress	<b>19</b>	7
Reversal of write down of properties for sale	<b>7</b>	44
Impairment of debtors	<b>(142)</b>	(120)
Operating expenses arising from investment properties	<b>(141)</b>	(136)
Employee benefit expense		
– salaries and benefits in kind	<b>(2,317)</b>	(2,107)
– share options granted	<b>(5)</b>	(5)
– defined benefit pension plans (refer note 23)	<b>(49)</b>	(42)
– defined contribution pension plans	<b>(55)</b>	(45)
	<b>(2,426)</b>	(2,199)
Net foreign exchange (losses)/gains	<b>(6)</b>	17
Operating lease expenses		
– minimum lease payments	<b>(831)</b>	(763)
– contingent rents	<b>(41)</b>	(19)
– subleases	<b>53</b>	48
	<b>(819)</b>	(734)
Auditors' remuneration		
– audit	<b>(12)</b>	(10)
– non-audit services	<b>(4)</b>	(3)
	<b>(16)</b>	(13)
Dividend and interest income from available-for-sale investments	<b>46</b>	43
Dividend and interest income from held-to-maturity investments	–	1
Rental income from properties	<b>28</b>	27
<b><i>Net operating costs included the following gains/(losses) from non-trading items:</i></b>		
(Decrease)/increase in fair value of plantations	<b>(52)</b>	37
Asset impairment	<b>2</b>	(1)
Sale and closure of businesses	<b>(12)</b>	–
Sale of investments	<b>57</b>	–
Sale of property interests	<b>5</b>	–
Gain on One Hyde Park lease space	–	10
	–	46

## 7 Net Financing Charges

	2012	2011
	US\$m	US\$m
Interest expense		
– bank loans and advances	(122)	(106)
– other	(103)	(92)
	(225)	(198)
Fair value gains on fair value hedges	4	58
Fair value adjustment on hedged items attributable to the hedged risk	(4)	(58)
	–	–
	(225)	(198)
Interest capitalized	14	2
Commitment and other fees	(28)	(31)
Financing charges	(239)	(227)
Financing income	123	127
	(116)	(100)

## 8 Share of Results of Jardine Matheson

	2012	2011
	US\$m	US\$m
<b>By business:</b>		
Jardine Pacific	90	118
Jardine Motors	10	37
Jardine Lloyd Thompson	39	27
Corporate and other interests	41	39
	180	221
<b>Share of results of Jardine Matheson included the following gains/(losses) from non-trading items:</b>		
Increase in fair value of investment properties	5	12
Sale and closure of businesses	–	3
Sale of property interests	–	8
Acquisition-related costs	–	(1)
Restructuring of businesses	(2)	(2)
Value added tax recovery in Jardine Motors	–	3
Other	1	(1)
	4	22

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

## 9 Share of Results of Associates and Joint Ventures

	<b>2012</b>	2011
	US\$m	US\$m
<b>By business:</b>		
Hongkong Land	<b>527</b>	298
Dairy Farm	<b>63</b>	66
Mandarin Oriental	<b>15</b>	10
Jardine Cycle & Carriage	<b>(21)</b>	24
Astra	<b>598</b>	650
Corporate and other interests	<b>4</b>	7
	<b>1,186</b>	1,055
<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>361</b>	238
Asset impairment	<b>(45)</b>	(17)
Sale and closure of businesses	<b>–</b>	11
	<b>316</b>	232

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

	2012	2011
	US\$m	US\$m
<b>Tax charged to profit and loss is analyzed as follows:</b>		
Current tax	(877)	(877)
Deferred tax	20	41
	<b>(857)</b>	(836)
Greater China	(174)	(161)
Southeast Asia	(677)	(670)
United Kingdom	(3)	(3)
Rest of the world	(3)	(2)
	<b>(857)</b>	(836)
<b>Reconciliation between tax expense and tax at the applicable tax rate* :</b>		
Tax at applicable tax rate	(767)	(1,449)
Income not subject to tax		
– change in fair value of investment properties	98	722
– other items	40	30
Expenses not deductible for tax purposes	(136)	(78)
Tax losses and temporary differences not recognized	(26)	(28)
Utilization of previously unrecognized tax losses and temporary differences	1	11
Recognition of previously unrecognized tax losses and temporary differences	2	1
Deferred tax assets written off	(2)	(1)
Deferred tax liabilities written back	–	12
Over/(under) provision in prior years	15	(3)
Withholding tax	(81)	(51)
Other	(1)	(2)
	<b>(857)</b>	(836)
<b>Tax relating to components of other comprehensive income is analyzed as follows:</b>		
Actuarial valuation of employee benefit plans	14	9
Cash flow hedges	1	(1)
	<b>15</b>	8

Share of tax charge of Jardine Matheson of US\$13 million and credit of US\$4 million (2011: US\$20 million and US\$14 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\$322 million and credit of US\$6 million (2011: US\$311 million and US\$3 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 19.8% (2011: 18.1%) 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 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\$1,839 million (2011: US\$3,943 million) and on the weighted average number of 614 million (2011: 620 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US\$1,837 million (2011: US\$3,926 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 614 million (2011: 620 million) shares in issue during the year.

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

	Ordinary shares in millions	
	2012	2011
Weighted average number of shares in issue	1,120	1,118
Company's share of shares held by Jardine Matheson	(506)	(498)
Weighted average number of shares for earnings per share calculation	614	620

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:

	2012			2011		
	US\$m	Basic earnings per share	Diluted earnings per share	US\$m	Basic earnings per share	Diluted earnings per share
		US\$	US\$		US\$	US\$
Profit attributable to shareholders	1,839	2.99	2.99	3,943	6.36	6.34
Non-trading items (refer note 13)	(252)			(2,360)		
Underlying profit attributable to shareholders	1,587	2.58	2.58	1,583	2.55	2.55

## 13 Non-trading Items

	2012	2011
	US\$m	US\$m
<b>By business:</b>		
Jardine Matheson	4	22
Hongkong Land	332	2,315
Dairy Farm	2	8
Mandarin Oriental	1	7
Jardine Cycle & Carriage	12	–
Astra	(33)	8
Corporate and other interests	(66)	–
	<b>252</b>	<b>2,360</b>
<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	331	2,324
– Jardine Matheson	5	12
– Astra	5	–
	<b>341</b>	<b>2,336</b>
(Decrease)/increase in fair value of plantations	(12)	8
Asset impairment	(31)	(10)
Sale and closure of businesses	(1)	12
Sale of investments	41	–
Sale of property interests	3	8
Acquisition-related costs	–	(1)
Restructuring of businesses	(2)	(2)
Value added tax recovery in Jardine Motors	–	3
Gain on One Hyde Park lease space	–	7
Restructuring of Rothschild and subsequent partial sale of investment in Paris Orléans	(66)	–
Withholding tax	(22)	–
Other	1	(1)
	<b>252</b>	<b>2,360</b>

## 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>2012</b>						
Cost	881	235	670	349	260	<b>2,395</b>
Amortization and impairment	(3)	–	(119)	(13)	(134)	<b>(269)</b>
Net book value at 1st January	878	235	551	336	126	<b>2,126</b>
Exchange differences	(16)	(15)	(34)	(22)	(6)	<b>(93)</b>
New subsidiaries	25	–	–	–	4	<b>29</b>
Additions	–	–	139	58	78	<b>275</b>
Disposals	–	–	(1)	–	–	<b>(1)</b>
Transfer from investment properties	–	–	14	–	–	<b>14</b>
Amortization	–	–	(26)	(5)	(50)	<b>(81)</b>
Net book value at 31st December	<b>887</b>	<b>220</b>	<b>643</b>	<b>367</b>	<b>152</b>	<b>2,269</b>
Cost	891	220	781	384	249	<b>2,525</b>
Amortization and impairment	(4)	–	(138)	(17)	(97)	<b>(256)</b>
	<b>887</b>	<b>220</b>	<b>643</b>	<b>367</b>	<b>152</b>	<b>2,269</b>
<b>2011</b>						
Cost	888	235	592	168	206	2,089
Amortization and impairment	(3)	–	(98)	(9)	(91)	(201)
Net book value at 1st January	885	235	494	159	115	1,888
Exchange differences	(8)	(2)	(6)	(7)	(2)	(25)
New subsidiaries	1	2	1	138	11	153
Additions	–	–	89	50	75	214
Revaluation surplus before transfer to investment properties	–	–	27	–	–	27
Transfer to tangible assets and investment properties	–	–	(31)	–	(29)	(60)
Amortization	–	–	(23)	(4)	(43)	(70)
Impairment charge	–	–	–	–	(1)	(1)
Net book value at 31st December	878	235	551	336	126	2,126
Cost	881	235	670	349	260	2,395
Amortization and impairment	(3)	–	(119)	(13)	(134)	(269)
	878	235	551	336	126	2,126
					<b>2012</b> US\$m	2011 US\$m
<b>Goodwill allocation by business:</b>						
Dairy Farm					<b>508</b>	475
Mandarin Oriental					<b>24</b>	24
Astra					<b>355</b>	379
					<b>887</b>	878

## 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 25% and 49% and growth rates of up to 5% 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 20% 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 is required.

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\$79 million and heavy equipment of US\$140 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 2012 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 19% and 23%, 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 2012, the carrying amount of leasehold land pledged as security for borrowings amounted to US\$12 million (2011: US\$13 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:

---

Leasehold land	up to 87 years
Concession rights	35 years
Computer software	up to 7 years
Other	up to 40 years

---

## 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>2012</b>							
Cost	496	1,888	731	705	3,217	1,934	<b>8,971</b>
Depreciation and impairment	(57)	(368)	(421)	(73)	(1,516)	(908)	<b>(3,343)</b>
Net book value at 1st January	439	1,520	310	632	1,701	1,026	<b>5,628</b>
Exchange differences	16	(31)	2	(4)	(91)	(43)	<b>(151)</b>
New subsidiaries	–	1	2	492	1	–	<b>496</b>
Additions	17	311	123	–	693	443	<b>1,587</b>
Disposals	–	(2)	(4)	–	(15)	(9)	<b>(30)</b>
Transfer to stocks and work in progress	–	–	–	–	(36)	(51)	<b>(87)</b>
Depreciation charge	(5)	(68)	(72)	(21)	(473)	(261)	<b>(900)</b>
Impairment charge	–	–	(3)	–	–	–	<b>(3)</b>
Reclassified from non-current assets held for sale	19	23	–	–	–	–	<b>42</b>
Net book value at 31st December	<b>486</b>	<b>1,754</b>	<b>358</b>	<b>1,099</b>	<b>1,780</b>	<b>1,105</b>	<b>6,582</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>
	<b>486</b>	<b>1,754</b>	<b>358</b>	<b>1,099</b>	<b>1,780</b>	<b>1,105</b>	<b>6,582</b>
<b>2011</b>							
Cost	480	1,703	705	299	2,606	1,605	7,398
Depreciation and impairment	(46)	(320)	(398)	(52)	(1,198)	(806)	(2,820)
Net book value at 1st January	434	1,383	307	247	1,408	799	4,578
Exchange differences	(6)	(4)	(2)	(15)	(23)	(15)	(65)
New subsidiaries	2	1	–	400	3	1	407
Additions	32	210	81	22	754	503	1,602
Disposals	–	–	(3)	–	(3)	(8)	(14)
Revaluation surplus before transfer to investment properties	–	4	–	–	–	–	4
Transfer to investment properties, and stocks and work in progress	–	(6)	(7)	–	(17)	(31)	(61)
Transfer from intangible assets	–	22	–	–	–	7	29
Depreciation charge	(4)	(60)	(66)	(22)	(421)	(230)	(803)
Classified as non-current assets held for sale	(19)	(30)	–	–	–	–	(49)
Net book value at 31st December	439	1,520	310	632	1,701	1,026	5,628
Cost	496	1,888	731	705	3,217	1,934	8,971
Depreciation and impairment	(57)	(368)	(421)	(73)	(1,516)	(908)	(3,343)
	439	1,520	310	632	1,701	1,026	5,628

Freehold properties include a hotel property of US\$100 million (2011: US\$101 million), which is stated net of a grant of US\$26 million (2011: US\$26 million).

Net book value of leasehold properties and plant and machinery acquired under finance leases amounted to US\$282 million and US\$152 million (2011: US\$252 million and US\$107 million), respectively.

## 15 Tangible Assets *(continued)*

Rental income from properties and other tangible assets amounted to US\$329 million (2011: US\$329 million) including contingent rents of US\$3 million (2011: US\$3 million).

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

	2012 US\$m	2011 US\$m
Within one year	168	123
Between one and two years	78	54
Between two and five years	60	46
Beyond five years	4	4
	<b>310</b>	227

At 31st December 2012, the carrying amount of tangible assets pledged as security for borrowings amounted to US\$819 million (2011: US\$837 million) (refer note 33).

## 16 Investment Properties

	Freehold properties US\$m	Leasehold properties US\$m	Total US\$m
<b>2012</b>			
At 1st January	51	22,538	<b>22,589</b>
Exchange differences	–	95	<b>95</b>
Additions	2	574	<b>576</b>
Disposals	–	(6)	<b>(6)</b>
Transfer to intangible assets	–	(14)	<b>(14)</b>
Net increase in fair value	2	319	<b>321</b>
At 31st December	<b>55</b>	<b>23,506</b>	<b>23,561</b>
<i>2011</i>			
At 1st January	13	18,048	18,061
Exchange differences	–	27	27
Additions	33	50	83
Disposals	–	(3)	(3)
Transfer from intangible and tangible assets	–	37	37
Net increase in fair value	5	4,379	4,384
At 31st December	51	22,538	22,589

The fair value of the Group's investment properties at 31st December 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, 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 Committee and the HKIS Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, were arrived at by reference to the net income, allowing for reversionary potential, of each property.

Rental income from investment properties amounted to US\$745 million (2011: US\$697 million) including contingent rents of US\$13 million (2011: US\$12 million).

**16 Investment Properties** (continued)

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

	<b>2012</b>	2011
	US\$m	US\$m
Within one year	<b>702</b>	637
Between one and two years	<b>504</b>	482
Between two and five years	<b>411</b>	479
Beyond five years	<b>59</b>	79
At 31st December	<b>1,676</b>	1,677

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 2011 and 2012.

**17 Plantations**

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

	<b>2012</b>	2011
	US\$m	US\$m
<b><i>Movements for the year:</i></b>		
At 1st January	<b>1,058</b>	954
Exchange differences	<b>(67)</b>	(12)
Additions	<b>92</b>	83
Disposals	<b>(5)</b>	(4)
Net (decrease)/increase in fair value	<b>(52)</b>	37
At 31st December	<b>1,026</b>	1,058
Immature plantations	<b>178</b>	253
Mature plantations	<b>848</b>	805
	<b>1,026</b>	1,058
	Hectares	Hectares
Planted area:		
Immature plantations	<b>37,842</b>	46,238
Mature plantations	<b>175,288</b>	160,849
	<b>213,130</b>	207,087



## 17 Plantations *(continued)*

The plantations were valued internally at their fair values less point of sale costs using the discounted cash flow method. The major assumptions used in the valuation are:

	2012	2011
Crude palm oil price per tonne (US\$)	934	889
Effective annual price inflation (for the first five years) (%)	9*	11*
Effective annual cost inflation (for the first five years) (%)	6*	6*
Post-tax discount rates (%)	14	14

During the year, the Group harvested 4.1 million (2011: 3.6 million) tonnes of produce from the plantations with a fair value at the point of harvest less point of sale costs of US\$638 million (2011: US\$638 million).

The Group's plantations had not been pledged as security for borrowings at 31st December 2011 and 2012.

\*0% inflation thereafter.

## 18 Investment in Jardine Matheson

	2012 US\$m	2011 US\$m
Share of attributable net assets including own shares held	2,552	2,379
Own shares held ( <i>refer note 31</i> )	(1,727)	(1,714)
	825	665
Unrealized profit on intercompany transactions	(5)	(5)
Share of attributable net assets	820	660
Goodwill on acquisition	691	567
	1,511	1,227
Fair value	22,926	16,985
<b><i>Movements for the year:</i></b>		
At 1st January	1,227	1,172
Share of results after tax and non-controlling interests	180	221
Share of other comprehensive expense after tax and non-controlling interests	(6)	(87)
Share of dividends of the Company ( <i>refer note 30</i> )	116	107
Dividends received	(461)	(418)
Share of employee share options granted	8	6
Change in attributable interests	461	418
Change in own shares held	(13)	(192)
Other	(1)	–
At 31st December	1,511	1,227

## 19 Associates and Joint Ventures

	2012 US\$m	2011 US\$m
Listed associates		
– PT Tunas Ridean	81	73
– OHTL	20	16
	101	89
Unlisted associates	784	865
	885	954
Listed joint venture – Bank Permata	626	501
Unlisted joint ventures	5,594	4,874
	6,220	5,375
Share of attributable net assets	7,105	6,329
Unrealized profit on intercompany transactions	(1)	(1)
Goodwill on acquisition	159	136
	7,263	6,464
<b><i>By business:</i></b>		
Hongkong Land	4,273	3,551
Dairy Farm	340	195
Mandarin Oriental	110	80
Jardine Cycle & Carriage	168	204
Astra	2,354	2,202
Corporate and other interests	19	233
Unrealized profit on intercompany transactions	(1)	(1)
	7,263	6,464
<b><i>Movements of associates and joint ventures for the year:</i></b>		
At 1st January	6,464	5,849
Share of results after tax and non-controlling interests	1,186	1,055
Share of other comprehensive income after tax and non-controlling interests	11	(50)
Dividends received	(633)	(598)
Acquisitions and increases in attributable interests	520	328
Disposals and decreases in attributable interests	(285)	(117)
Other	–	(3)
At 31st December	7,263	6,464
Fair value of listed associates	309	238
Fair value of listed joint venture	649	603

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

The Group's share of assets, liabilities, capital commitments, contingent liabilities and results of associates and joint ventures are summarized below:

	2012 US\$m	2011 US\$m
<b>Associates</b>		
Total assets	1,771	3,419
Total liabilities	<u>(881)</u>	<u>(2,335)</u>
Total equity	890	1,084
Attributable to non-controlling interests	(5)	(130)
Attributable net assets	885	954
Revenue	3,394	3,116
Profit after tax	205	225
Capital commitments	139	171
<b>Joint ventures</b>		
Non-current assets	7,630	6,490
Current assets	7,502	6,243
Non-current liabilities	(1,809)	(1,544)
Current liabilities	<u>(6,943)</u>	<u>(5,765)</u>
Total equity	6,380	5,424
Attributable to non-controlling interests	(160)	(49)
Attributable net assets	6,220	5,375
Revenue	8,182	6,978
Profit after tax	1,006	888
Capital commitments	31	76
Contingent liabilities	207	164

Financial guarantees issued by the Group to associates and joint ventures and outstanding at 31st December 2012 amounted to US\$90 million (2011: US\$90 million).

## 20 Other Investments

	2012 US\$m	2011 US\$m
<b>Available-for-sale financial assets</b>		
Listed securities		
– Asia Commercial Bank	54	70
– Paris Orléans	97	12
– Schindler Holdings	181	147
– Tata Power	140	114
– The Bank of N.T. Butterfield & Son	30	28
– other	575	592
	1,077	963
Unlisted securities	142	99
	1,219	1,062
Held-to-maturity financial assets		
Listed securities	2	7
	1,221	1,069
Non-current	1,208	1,065
Current	13	4
	1,221	1,069
<b>Analysis by geographical area of operation:</b>		
Greater China	94	58
Southeast Asia	815	821
Rest of the world	312	190
	1,221	1,069
<b>Movements for the year:</b>		
At 1st January	1,069	1,024
Exchange differences	(20)	(10)
Additions	427	266
Disposals	(435)	(122)
Net revaluation surplus/(deficit)	180	(89)
At 31st December	1,221	1,069

Movements of available-for-sale financial assets which are valued based on unobservable inputs are as follows:

	2012 US\$m	2011 US\$m
At 1st January	93	95
Exchange differences	–	(1)
Additions	1	2
Net revaluation surplus/(deficit)	40	(3)
At 31st December	134	93

Profit on sale of these financial assets during 2012 amounted to US\$3 million and was credited to profit and loss.

The fair value of held-to-maturity financial assets is US\$2 million (2011: US\$7 million).

## 21 Debtors

	2012 US\$m	2011 US\$m
Consumer financing debtors		
– gross	4,332	3,953
– provision for impairment	(218)	(206)
	4,114	3,747
Financing lease receivables		
– gross investment	1,084	909
– unearned finance income	(132)	(112)
– net investment	952	797
– provision for impairment	(37)	(19)
	915	778
Financing debtors	5,029	4,525
Trade debtors		
– third parties	1,813	1,755
– associates and joint ventures	77	61
	1,890	1,816
– provision for impairment	(20)	(16)
	1,870	1,800
Other debtors		
– third parties	1,398	1,210
– Jardine Matheson	190	175
– associates and joint ventures	112	160
	1,700	1,545
– provision for impairment	(10)	(11)
	1,690	1,534
	8,589	7,859
Non-current	2,682	2,500
Current	5,907	5,359
	8,589	7,859
<b>Analysis by geographical area of operation:</b>		
Greater China	484	433
Southeast Asia	7,860	7,205
United Kingdom	8	7
Rest of the world	237	214
	8,589	7,859
<b>Fair value:</b>		
Consumer financing debtors	4,381	3,840
Financing lease receivables	891	711
Financing debtors	5,272	4,551
Trade debtors	1,870	1,800
Other debtors*	833	712
	7,975	7,063

\*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% (2011: 7% to 19%) per annum, while the fair value of short-term debtors approximates their carrying amounts. Derivative financial instruments are stated at fair value.

### Consumer financing debtors

The consumer financing debtors 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 consumer 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 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. 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:

	2012 US\$m	2011 US\$m
<b><i>Including related finance income</i></b>		
Within one year	<b>3,268</b>	2,887
Between one and two years	<b>1,359</b>	1,394
Between two and five years	<b>772</b>	749
	<b>5,399</b>	5,030
<b><i>Excluding related finance income</i></b>		
Within one year	<b>2,535</b>	2,162
Between one and two years	<b>1,113</b>	1,124
Between two and five years	<b>684</b>	667
	<b>4,332</b>	3,953

### Financing lease receivables

An analysis of financing lease receivables is set out below:

	2012 US\$m	2011 US\$m
Lease receivables	<b>1,084</b>	909
Guaranteed residual value	<b>310</b>	248
Security deposits	<b>(310)</b>	(248)
Gross investment	<b>1,084</b>	909
Unearned lease income	<b>(132)</b>	(112)
Net investment	<b>952</b>	797

## 21 Debtors (continued)

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

	2012		2011	
	Gross investment	Net investment	Gross investment	Net investment
	US\$m	US\$m	US\$m	US\$m
Within one year	613	523	506	428
Between one and two years	341	306	303	274
Between two and five years	130	123	99	94
Beyond five years	–	–	1	1
	<b>1,084</b>	<b>952</b>	909	797

The fair value of the financing debtors is US\$5,272 million (2011: US\$4,551 million). The fair value of the non-current financing debtors are determined based on cash flows discounted using rates of 8% to 29% per annum (2011: 8% to 29% per annum).

Financing debtors are due within five years (2011: five years) from the balance sheet date and the interest rates range from 7% to 43% per annum (2011: 7% to 46% 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 2012, trade debtors of US\$68 million (2011: US\$43 million) and other debtors of US\$11 million (2011: US\$11 million) were impaired. The amounts of the provisions were US\$20 million (2011: US\$16 million) and US\$10 million (2011: US\$11 million), respectively. It was assessed that a portion of the debtors is expected to be recovered. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2012	2011	2012	2011
	US\$m	US\$m	US\$m	US\$m
Below 30 days	1	1	1	1
Between 61 and 90 days	1	–	–	–
Over 90 days	66	42	10	10
	<b>68</b>	43	<b>11</b>	11

At 31st December 2012, trade debtors of US\$478 million (2011: US\$639 million) and other debtors of US\$61 million (2011: US\$27 million), respectively, were past due but not impaired. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2012	2011	2012	2011
	US\$m	US\$m	US\$m	US\$m
Below 30 days	273	349	11	7
Between 31 and 60 days	148	189	3	5
Between 61 and 90 days	37	88	12	1
Over 90 days	20	13	35	14
	<b>478</b>	639	<b>61</b>	27

## 21 Debtors (continued)

The risk of trade and other debtors that are neither past due nor impaired at 31st December 2012 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.

### Other debtors

Other debtors are further analyzed as follows:

	2012	2011
	US\$m	US\$m
Derivative financial instruments	144	131
Restricted bank balances and deposits	10	10
Loans to employees	39	38
Amount due from Jardine Matheson	190	175
Other amounts due from associates and joint ventures	112	160
Repossessed assets of finance companies	14	12
Reinsurers' share of estimated losses on insurance contracts	55	66
Other receivables	269	144
Financial assets	833	736
Prepayments	615	561
Rental and other deposits	163	140
Other	79	97
	<b>1,690</b>	1,534

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\$184 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\$6 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 (2011: US\$12 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 customer.

Movements in the provisions for impairment are as follows:

	Consumer financing debtors		Financing lease receivables		Trade debtors		Other debtors	
	2012	2011	2012	2011	2012	2011	2012	2011
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
At 1st January	(206)	(178)	(19)	(15)	(16)	(17)	(11)	(13)
Exchange differences	13	3	2	1	-	-	-	-
Additional provisions	(114)	(112)	(20)	(5)	(9)	(4)	(1)	(3)
Unused amounts reversed	-	-	-	-	1	2	2	2
Amounts written off	89	81	-	-	4	3	-	3
At 31st December	(218)	(206)	(37)	(19)	(20)	(16)	(10)	(11)

At 31st December 2012, the carrying amount of consumer financing debtors, financing lease receivable and trade debtors pledged as security for borrowings amounted to US\$2,150 million, US\$318 million and US\$1 million (2011: US\$2,017 million, US\$353 million and US\$1 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>2012</b>						
At 1st January	(165)	(506)	14	44	136	<b>(477)</b>
Exchange differences	(1)	23	(1)	(4)	(8)	<b>9</b>
New subsidiaries	–	(123)	–	–	–	<b>(123)</b>
Credited to profit and loss	(10)	19	4	13	(6)	<b>20</b>
Credited to other comprehensive income	–	1	–	14	–	<b>15</b>
Reclassification	2	–	–	10	(12)	<b>–</b>
At 31st December	<b>(174)</b>	<b>(586)</b>	<b>17</b>	<b>77</b>	<b>110</b>	<b>(556)</b>
Deferred tax assets	81	(47)	4	62	118	<b>218</b>
Deferred tax liabilities	(255)	(539)	13	15	(8)	<b>(774)</b>
	<b>(174)</b>	<b>(586)</b>	<b>17</b>	<b>77</b>	<b>110</b>	<b>(556)</b>
<b>2011</b>						
At 1st January	(163)	(391)	17	29	85	(423)
Exchange differences	–	7	–	–	(3)	4
New subsidiaries	–	(107)	–	–	–	(107)
Credited to profit and loss	(2)	(14)	(3)	6	54	41
Credited to other comprehensive income	–	(1)	–	9	–	8
At 31st December	(165)	(506)	14	44	136	(477)
Deferred tax assets	56	(54)	7	33	108	150
Deferred tax liabilities	(221)	(452)	7	11	28	(627)
	(165)	(506)	14	44	136	(477)

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\$91 million (2011: US\$80 million) arising from unused tax losses of US\$391 million (2011: US\$342 million) have not been recognized in the financial statements. Included in the unused tax losses, US\$159 million have no expiry date and the balance will expire at various dates up to and including 2021.

Deferred tax liabilities of US\$349 million (2011: US\$290 million) arising on temporary differences associated with investments in subsidiaries of US\$3,270 million (2011: US\$2,899 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 has a number of defined benefit pension plans, covering all the main territories in which it operates with the major plans relating to employees in Hong Kong and Southeast Asia. Most of the pension plans are final salary defined benefit plans and are either funded or unfunded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

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

	2012 Weighted average %	2011 Weighted average %
Discount rate applied to pension obligations at 31st December	5.1	6.3
Expected return on plan assets at 1st January	8.1	8.2
Future salary increases	6.4	6.5

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 5.2% to 13.1% per annum and global bonds of 2% to 10% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

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

	2012 US\$m	2011 US\$m
Fair value of plan assets	393	368
Present value of funded obligations	(392)	(351)
	1	17
Present value of unfunded obligations	(244)	(186)
Unrecognized past service cost	15	16
Net pension liabilities	(228)	(153)
<b>Analysis of net pension liabilities:</b>		
Pension assets	17	20
Pension liabilities	(245)	(173)
	(228)	(153)
<b>Movements in the fair value of plan assets:</b>		
At 1st January	368	376
Exchange differences	(7)	(1)
New subsidiaries	–	1
Expected return on plan assets	29	31
Actuarial gains/(losses)	12	(36)
Contributions from sponsoring companies	20	15
Contributions from plan members	2	2
Benefits paid	(31)	(21)
Transfer to other plans	–	1
At 31st December	393	368

## 23 Pension Plans *(continued)*

	2012	2011
	US\$m	US\$m
<b><i>Movements in the present value of obligations:</i></b>		
At 1st January	<b>(537)</b>	(477)
Exchange differences	<b>19</b>	4
New subsidiaries	–	(1)
Current service cost	<b>(45)</b>	(39)
Interest cost	<b>(31)</b>	(32)
Contributions from plan members	<b>(2)</b>	(2)
Actuarial losses	<b>(76)</b>	(17)
Benefits paid	<b>38</b>	27
Plan amendment	<b>(2)</b>	–
At 31st December	<b>(636)</b>	(537)

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

	2012	2011
	US\$m	US\$m
Equity instruments	<b>195</b>	175
Debt instruments	<b>153</b>	145
Other assets	<b>45</b>	48
	<b>393</b>	368

The five year history of experience adjustments is as follows:

	2012	2011	2010	2009	2008
	US\$m	US\$m	US\$m	US\$m	US\$m
Fair value of plan assets	<b>393</b>	368	376	330	221
Present value of obligations	<b>(636)</b>	(537)	(477)	(427)	(313)
Deficit	<b>(243)</b>	(169)	(101)	(97)	(92)
Experience adjustments on plan assets	<b>12</b>	(35)	21	57	(109)
Percentage of plan assets (%)	<b>3</b>	(10)	6	17	(49)
Experience adjustments on plan obligations	<b>(10)</b>	(5)	17	(22)	1
Percentage of plan obligations (%)	<b>(2)</b>	(1)	3	(5)	–

The estimated amount of contributions expected to be paid to the plans in 2013 is US\$41 million.

## 23 Pension Plans *(continued)*

The amounts recognized in profit and loss are as follows:

	2012 US\$m	2011 US\$m
Current service cost	45	39
Interest cost	31	32
Expected return on plan assets	(29)	(31)
Past service cost	2	2
	<b>49</b>	42
Actual return/(loss) on plan assets in the year	41	(5)

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

## 24 Properties for Sale

	2012 US\$m	2011 US\$m
Properties in the course of development	2,416	1,374
Completed properties	97	147
	<b>2,513</b>	1,521

As at 31st December 2012, properties in the course of development amounting to US\$1,774 million (2011: US\$1,347 million) were not scheduled for completion within the next twelve months.

At 31st December 2012, the carrying amount of properties for sale pledged as security for borrowings amounted to US\$315 million (2011: nil) (refer note 33).

## 25 Stocks and Work in Progress

	2012 US\$m	2011 US\$m
Finished goods	2,355	2,130
Work in progress	48	38
Raw materials	94	73
Spare parts	87	72
Other	122	92
	<b>2,706</b>	2,405

At 31st December 2012, the carrying amount of stocks and work in progress pledged as security for borrowings amounted to US\$2 million (2011: US\$2 million) (refer note 33).

## 26 Bank Balances and Other Liquid Funds

	2012	2011
	US\$m	US\$m
Deposits with banks and financial institutions	2,717	2,623
Bank balances	1,110	1,195
Cash balances	120	103
	<b>3,947</b>	3,921
<b><i>Analysis by currency:</i></b>		
Chinese renminbi	216	101
Euro	25	8
Hong Kong dollar	199	490
Indonesian rupiah	871	1,063
Japanese yen	20	18
Malaysian ringgit	74	117
New Taiwan dollar	16	10
Singapore dollar	310	205
United Kingdom sterling	10	17
United States dollar	2,188	1,875
Other	18	17
	<b>3,947</b>	3,921

The weighted average interest rate on deposits with banks and financial institutions is 1.6% (2011: 2.3%) 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:

	2012	2011
	US\$m	US\$m
Tangible assets	8	47

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 sale of these properties is expected to be completed in 2013 at amounts not materially different from their carrying values.

At 31st December 2011, the non-current assets classified as held for sale included Dairy Farm's interest in two retail properties in Malaysia and one retail property in Singapore. The Malaysian properties remained unsold and were reclassified to tangible assets during 2012.

## 28 Share Capital

	<b>2012</b>	2011
	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>2012</b>	2011
	<b>2012</b>	2011	US\$m	US\$m
<b>Issued and fully-paid shares of US\$5 each:</b>				
At 1st January	<b>1,120</b>	1,115	<b>56</b>	56
Scrip issued in lieu of dividends	–	5	–	–
At 31st December	<b>1,120</b>	1,120	<b>56</b>	56

## 29 Share Premium and Capital Reserves

	Share premium	Capital reserves	Total
	US\$m	US\$m	US\$m
<b>2012</b>			
At 1st January	1,199	157	<b>1,356</b>
Value of employee services under share option schemes	–	11	<b>11</b>
Transfer	–	(1)	<b>(1)</b>
At 31st December	<b>1,199</b>	<b>167</b>	<b>1,366</b>
<b>2011</b>			
At 1st January	1,199	147	1,346
Value of employee services under share option schemes	–	10	10
At 31st December	1,199	157	1,356

Capital reserves include US\$104 million (2011: 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

	2012 US\$m	2011 US\$m
Final dividend in respect of 2011 of US\$16.00 (2010: US\$15.00) per share	179	167
Interim dividend in respect of 2012 of US\$7.00 (2011: US\$6.50) per share	78	73
	<b>257</b>	240
Company's share of dividends paid on the shares held by Jardine Matheson	<b>(116)</b>	(107)
	<b>141</b>	133
<b>Shareholders elected to receive scrip in respect of the following:</b>		
Final dividend in respect of previous year	5	141
Interim dividend in respect of current year	1	1
	<b>6</b>	142

A final dividend in respect of 2012 of US\$17.00 (2011: US\$16.00) per share amounting to a total of US\$190 million (2011: US\$179 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\$86 million (2011: US\$81 million) will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2013.

## 31 Own Shares Held

Own shares held of US\$1,727 million (2011: US\$1,714 million) represent the Company's share of the cost of 920 million (2011: 920 million) ordinary shares in the Company held by Jardine Matheson and are deducted in arriving at shareholders' funds.

## 32 Non-controlling Interests

	2012 US\$m	2011 US\$m
<b>By business:</b>		
Hongkong Land	13,111	12,320
Dairy Farm	312	213
Mandarin Oriental	264	251
Jardine Cycle & Carriage	143	159
Astra	7,216	6,666
	<b>21,046</b>	19,609

### 33 Borrowings

	2012		2011	
	Carrying amount US\$m	Fair value US\$m	Carrying amount US\$m	Fair value US\$m
Current				
– bank overdrafts	29	29	17	17
– other bank advances	746	746	622	622
– other advances	9	9	5	5
	<b>784</b>	<b>784</b>	644	644
Current portion of long-term borrowings				
– bank loans	1,845	1,845	1,369	1,369
– bonds and notes	497	497	494	494
– finance lease liabilities	54	54	47	47
– other loans	48	48	63	63
	<b>2,444</b>	<b>2,444</b>	1,973	1,973
	<b>3,228</b>	<b>3,228</b>	2,617	2,617
Long-term borrowings				
– bank loans	2,953	2,966	3,574	3,596
– bonds and notes	4,580	4,680	2,925	2,976
– finance lease liabilities	96	96	59	59
– other loans	32	32	64	64
	<b>7,661</b>	<b>7,774</b>	6,622	6,695
	<b>10,889</b>	<b>11,002</b>	9,239	9,312

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 0.3% to 12.8% (2011: 0.6% to 13.0%) per annum. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

	2012 US\$m	2011 US\$m
Secured	<b>4,971</b>	4,475
Unsecured	<b>5,918</b>	4,764
	<b>10,889</b>	9,239

Secured borrowings at 31st December 2012 included Hongkong Land's bank borrowings of US\$157 million (2011: nil) which were secured against its properties for sale, Mandarin Oriental's bank borrowings of US\$553 million (2011: US\$541 million) which were secured against its tangible assets, and Astra's bonds and notes of US\$1,883 million (2011: US\$1,155 million) which were secured against its various assets as described below and bank borrowings of US\$2,378 million (2011: US\$2,779 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>2012</b>					
Euro	5.9	0.7	7	–	<b>7</b>
Hong Kong dollar	2.9	10.3	1,839	1,494	<b>3,333</b>
Indonesian rupiah	8.3	1.5	4,295	634	<b>4,929</b>
Japanese yen	1.3	0.4	–	37	<b>37</b>
Malaysian ringgit	4.7	0.2	62	30	<b>92</b>
New Taiwan dollar	1.7	–	–	6	<b>6</b>
Singapore dollar	2.4	4.0	603	705	<b>1,308</b>
Swiss franc	1.5	19.3	2	52	<b>54</b>
United Kingdom sterling	3.0	1.5	33	98	<b>131</b>
United States dollar	2.6	2.1	453	535	<b>988</b>
Other	2.0	–	–	4	<b>4</b>
			<b>7,294</b>	<b>3,595</b>	<b>10,889</b>
<b>2011</b>					
Chinese renminbi	7.8	–	–	19	19
Euro	5.9	1.7	8	–	8
Hong Kong dollar	2.3	9.8	1,234	1,420	2,654
Indonesian rupiah	9.2	1.7	3,636	610	4,246
Japanese yen	1.2	2.5	2	37	39
Malaysian ringgit	4.7	0.8	110	55	165
New Taiwan dollar	2.4	0.4	17	6	23
Singapore dollar	2.5	4.6	621	477	1,098
Swiss franc	1.7	20.3	2	44	46
United Kingdom sterling	2.9	2.5	31	95	126
United States dollar	3.1	1.5	489	321	810
Other	1.8	–	–	5	5
			<b>6,150</b>	<b>3,089</b>	<b>9,239</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>2012</b>	2011
	US\$m	US\$m
Within one year	<b>5,652</b>	4,979
Between one and two years	<b>1,899</b>	1,393
Between two and three years	<b>1,324</b>	1,309
Between three and four years	<b>98</b>	573
Between four and five years	<b>244</b>	4
Beyond five years	<b>1,672</b>	981
	<b>10,889</b>	9,239

The finance lease liabilities are as follows:

	Minimum lease payments		Present value of finance lease liabilities	
	<b>2012</b>	2011	<b>2012</b>	2011
	US\$m	US\$m	US\$m	US\$m
Within one year	<b>56</b>	50	<b>54</b>	47
Between one and five years	<b>98</b>	61	<b>96</b>	59
	<b>154</b>	111	<b>150</b>	106
Future finance charges on finance leases	<b>(4)</b>	(5)		
Present value of finance lease liabilities	<b>150</b>	106		
Current			<b>54</b>	47
Non-current			<b>96</b>	59
			<b>150</b>	106

### 33 Borrowings (continued)

An analysis of the carrying amount of the bonds and notes at 31st December is as follows:

	2012		2011	
	Current US\$m	Non-current US\$m	Current US\$m	Non-current US\$m
Hongkong Land 2.75% convertible bonds	–	–	57	–
Hongkong Land 5.50% notes	–	528	–	545
Hongkong Land 3.65% notes	–	308	–	290
Hongkong Land 3.86% notes	–	45	–	41
Hongkong Land 4.135% notes	–	25	–	25
Hongkong Land 4.1875% notes	–	39	–	39
Hongkong Land 4.25% notes	–	39	–	39
Hongkong Land 4.22% notes	–	73	–	70
Hongkong Land 4.24% notes	–	64	–	64
Hongkong Land 3.43% notes	–	122	–	115
Hongkong Land 3.95% notes	–	64	–	64
Hongkong Land 4.28% notes	–	74	–	72
Hongkong Land 3.86% notes	–	52	–	–
Hongkong Land 4.50% notes	–	497	–	–
Hongkong Land 3.00% notes	–	39	–	–
Hongkong Land 2.90% notes	–	26	–	–
Hongkong Land 4.10% notes	–	38	–	38
Hongkong Land 4.50% notes	–	619	–	606
Hongkong Land 3.75% notes	–	39	–	39
Hongkong Land 4.00% notes	–	99	–	–
Hongkong Land 4.04% notes	–	61	–	–
Hongkong Land 3.95% notes	–	26	–	–
Hongkong Land 4.11% notes	–	103	–	103
Hongkong Land 4.125% notes	–	25	–	25
Hongkong Land 4.00% partly paid notes	–	10	–	–
Hongkong Land 5.25% notes	–	32	–	32
Astra Sedaya Finance X bonds	–	–	29	–
Astra Sedaya Finance XI bonds	18	28	58	49
Astra Sedaya Finance XII bonds	25	136	65	160
Astra Sedaya Finance Berkelanjutan I Tahap I bonds	77	436	–	–
Astra Sedaya Finance Berkelanjutan I Tahap II bonds	61	97	–	–
Federal International Finance IX bonds	–	–	60	–
Federal International Finance X bonds	41	52	22	99
Federal International Finance XI bonds	50	193	68	255
Federal International Finance Berkelanjutan I Tahap I bonds	103	310	–	–
Federal International Finance III notes	–	–	33	–
San Finance I bonds	10	30	11	43
San Finance II bonds	57	98	–	–
Serasi Auto Raya II bonds	19	48	27	72
Serasi Auto Raya III bonds	16	64	–	–
Serasi Auto Raya II notes	–	–	11	–
Shogun bonds FIF	20	20	20	40
Surya Artha Nusantara Finance I notes	–	–	33	–
Surya Artha Nusantara Finance II notes	–	21	–	–
	<b>497</b>	<b>4,580</b>	494	2,925

**33 Borrowings** (continued)

Details of the bonds and notes outstanding at 31st December 2012 are as follows:

	Maturity	Interest rates %	Nominal values
<b>Hongkong Land</b>			
5.50% notes	2014	5.50	US\$500 million
3.65% 10-year notes	2015	3.65	S\$375 million
3.86% 8-year notes	2017	3.86	S\$50 million
4.135% 10-year notes	2019	4.135	HK\$200 million
4.1875% 10-year notes	2019	4.1875	HK\$300 million
4.25% 10-year notes	2019	4.25	HK\$300 million
4.22% 10-year notes	2020	4.22	HK\$500 million
4.24% 10-year notes	2020	4.24	HK\$500 million
3.43% 10-year notes	2020	3.43	S\$150 million
3.95% 10-year notes	2020	3.95	HK\$500 million
4.28% 12-year notes	2021	4.28	HK\$500 million
3.86% 10-year notes	2022	3.86	HK\$410 million
4.50% 10-year notes	2022	4.50	US\$500 million
3.00% 10-year notes	2022	3.00	HK\$305 million
2.90% 10-year notes	2022	2.90	HK\$200 million
4.10% 15-year notes	2025	4.10	HK\$300 million
4.50% 15-year notes	2025	4.50	US\$600 million
3.75% 15-year notes	2026	3.75	HK\$302 million
4.00% 15-year notes	2027	4.00	HK\$785 million
4.04% 15-year notes	2027	4.04	HK\$473 million
3.95% 15-year notes	2027	3.95	HK\$200 million
4.11% 20-year notes	2030	4.11	HK\$800 million
4.125% 20-year notes	2031	4.125	HK\$200 million
4.00% 20-year partly paid notes	2032	4.00	HK\$240 million
5.25% 30-year notes	2040	5.25	HK\$250 million
<b>Astra</b>			
Astra Sedaya Finance XI bonds	2014	10.4 – 10.9	Rp445 billion
Astra Sedaya Finance XII bonds	2015	8.9 – 10.0	Rp1,560 billion
Astra Sedaya Finance Berkelanjutan I Tahap I bonds	2017	6.6 – 8.6	Rp4,975 billion
Astra Sedaya Finance Berkelanjutan I Tahap II bonds	2014	6.65 – 7.5	Rp1,530 billion
Federal International Finance X bonds	2014	10.15 – 10.55	Rp900 billion
Federal International Finance XI bonds	2014	8.8 – 9.6	Rp2,349 billion
Federal International Finance Berkelanjutan I Tahap I bonds	2015	6.4 – 7.65	Rp4,000 billion
San Finance I bonds	2014	8.9 – 9.3	Rp395 billion
San Finance II bonds	2015	7.2 – 8.4	Rp1,500 billion
Serasi Auto Raya II bonds	2015	9.1 – 10.2	Rp655 billion
Serasi Auto Raya III bonds	2016	6.9 – 8.75	Rp780 billion
Shogun bonds FIF	2014	9.0 – 9.25	US\$40 million
Surya Artha Nusantara Finance II notes	2014	8.35	Rp200 billion

### 33 Borrowings *(continued)*

The Hongkong Land medium term notes were issued by several wholly-owned subsidiaries of Hongkong Land. During the year, the nominal amount of the medium term note programme increased from US\$3,000 million to US\$5,000 million.

The Astra Sedaya Finance bonds and Astra Sedaya Finance Berkelanjutan I Tahap 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 and Federal International Finance Berkelanjutan 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**

	<b>2012</b>	2011
	US\$m	US\$m
Trade creditors		
– third parties	<b>2,836</b>	3,147
– associates and joint ventures	<b>309</b>	310
	<b>3,145</b>	3,457
Accruals	<b>1,374</b>	1,384
Amounts due to Jardine Matheson	<b>34</b>	27
Other amounts due to associates and joint ventures	<b>10</b>	9
Rental and other refundable deposits	<b>463</b>	413
Derivative financial instruments	<b>44</b>	52
Other creditors	<b>422</b>	165
Financial liabilities	<b>5,492</b>	5,507
Gross estimated losses on insurance contracts	<b>117</b>	121
Proceeds from properties for sale received in advance	<b>672</b>	315
Rental income received in advance	<b>19</b>	18
Other income received in advance	<b>170</b>	150
Deferred warranty income	<b>2</b>	–
Unearned premiums on insurance contracts	<b>338</b>	302
Other	<b>11</b>	–
	<b>6,821</b>	6,413
Non-current	<b>382</b>	280
Current	<b>6,439</b>	6,133
	<b>6,821</b>	6,413
<b><i>Analysis by geographical area of operation:</i></b>		
Greater China	<b>1,820</b>	1,581
Southeast Asia	<b>4,852</b>	4,688
United Kingdom	<b>16</b>	19
Rest of the world	<b>133</b>	125
	<b>6,821</b>	6,413

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	Reinstatement and restoration costs US\$m	Statutory employee entitlements US\$m	Others US\$m	Total US\$m
<b>2012</b>						
At 1st January	23	7	31	81	1	<b>143</b>
Exchange differences	1	–	–	(6)	–	<b>(5)</b>
Additional provisions	8	2	3	28	2	<b>43</b>
Unused amounts reversed	–	(3)	(2)	–	–	<b>(5)</b>
Utilized	(3)	(4)	–	(1)	(1)	<b>(9)</b>
<b>At 31st December</b>	<b>29</b>	<b>2</b>	<b>32</b>	<b>102</b>	<b>2</b>	<b>167</b>
Non-current	–	–	29	92	2	<b>123</b>
Current	29	2	3	10	–	<b>44</b>
	<b>29</b>	<b>2</b>	<b>32</b>	<b>102</b>	<b>2</b>	<b>167</b>
<b>2011</b>						
At 1st January	21	6	30	65	–	122
Exchange differences	–	–	–	(1)	–	(1)
New subsidiaries	–	–	–	1	–	1
Additional provisions	6	4	2	19	1	32
Unused amounts reversed	–	(1)	(1)	–	–	(2)
Utilized	(4)	(2)	–	(3)	–	(9)
<b>At 31st December</b>	<b>23</b>	<b>7</b>	<b>31</b>	<b>81</b>	<b>1</b>	<b>143</b>
Non-current	–	–	29	70	–	99
Current	23	7	2	11	1	44
	<b>23</b>	<b>7</b>	<b>31</b>	<b>81</b>	<b>1</b>	<b>143</b>

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

	2012 US\$m	2011 US\$m
<b>By business:</b>		
Hongkong Land	2	1
Dairy Farm	192	182
Mandarin Oriental	54	50
Jardine Cycle & Carriage	9	9
Astra	724	631
	<b>981</b>	<b>873</b>

### (b) Other non-cash items

	2012 US\$m	2011 US\$m
<b>By nature:</b>		
Profit on sale of subsidiaries	(2)	–
Profit on sale of other investments	(83)	(22)
Profit on sale of leasehold land	(3)	–
Profit on sale of tangible assets	(8)	(2)
Profit on sale of investment properties	(2)	(2)
Loss on sale of repossessed assets	78	81
Loss on sale of plantations and related assets	5	4
Decrease/(increase) in fair value of plantations	52	(37)
Impairment of intangible assets	–	1
Impairment of tangible assets	3	–
Impairment of debtors	142	120
Write down of stocks and work in progress	31	21
Reversal of write down of stocks and work in progress	(19)	(7)
Reversal of write down of properties for sale	(7)	(44)
Change in provisions	31	30
Net foreign exchange losses/(gains)	28	(19)
Options granted under employee share option schemes	5	4
Gain on One Hyde Park lease space	–	(10)
Supplier income adjustment relating to prior years	67	–
	<b>318</b>	<b>118</b>
<b>By business:</b>		
Hongkong Land	(9)	(44)
Dairy Farm	84	9
Jardine Cycle & Carriage	(58)	9
Astra	301	144
	<b>318</b>	<b>118</b>



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

### (c) Increase in working capital

	2012	2011
	US\$m	US\$m
Increase in properties for sale	<b>(908)</b>	(299)
Increase in stocks and work in progress	<b>(497)</b>	(576)
Increase in debtors	<b>(1,152)</b>	(2,501)
Increase in creditors	<b>282</b>	1,306
Increase in pension obligations	<b>26</b>	20
	<b>(2,249)</b>	(2,050)

### (d) Purchase of subsidiaries

	2012	2011
	Fair value	Fair value
	US\$m	US\$m
Intangible assets	<b>4</b>	152
Tangible assets	<b>496</b>	407
Deferred tax assets	–	1
Current assets	<b>6</b>	67
Long-term borrowings	–	(4)
Deferred tax liabilities	<b>(123)</b>	(108)
Current liabilities	–	(78)
Non-controlling interests	<b>(38)</b>	–
Fair value of identifiable net assets acquired	<b>345</b>	437
Adjustment for non-controlling interests	<b>(114)</b>	(140)
Goodwill	<b>25</b>	1
Total consideration	<b>256</b>	298
Adjustment for contingent consideration	<b>(65)</b>	–
Consideration paid in previous year	<b>(63)</b>	(42)
Carrying value of associates and joint ventures	–	(6)
Cash and cash equivalents of subsidiaries acquired	<b>(1)</b>	(41)
Net cash outflow	<b>127</b>	209

Net cash outflow for purchase of subsidiaries 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. The goodwill is not expected to be deductible for tax purposes.

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

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

Net cash outflow for purchase of subsidiaries in 2011 included US\$5 million for Jardine Cycle & Carriage's acquisition of 100% of Lowe Motor, a motor retail group in Malaysia, in May 2011; and US\$147 million and US\$67 million for Astra's acquisition of 60% of PT Asmin Bara Bronang, a coal mine concession company, in May 2011, and 95% of Marga Hanurata Intrinsic, a toll road company, in August 2011, respectively; less a net cash inflow of US\$10 million for Astra's acquisition of an additional 11% of PT Fuji Technica Indonesia, a dies manufacturer in Indonesia, in June 2011.

Revenue and profit after tax since acquisition in respect of subsidiaries acquired during the year amounted to US\$43 million and US\$1 million, respectively. Had the acquisitions occurred on 1st January 2012, consolidated revenue and consolidated profit after tax for the year ended 31st December 2012 would have been US\$33,112 million and US\$4,316 million, respectively.

---

(e) Purchase of associates and joint ventures 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\$10 million, US\$8 million, US\$14 million and US\$95 million for Astra's capital injections into PT Komatsu Astra Finance, PT Toyota Astra Finance and PT AT Indonesia, and subscription to Bank Permata's rights issue, respectively.

Purchase of associates and joint ventures in 2011 included US\$5 million for Dairy Farm's additional capital injection into Foodworld India; US\$19 million for Jardine Cycle & Carriage's acquisition of an additional 4% interest in Truong Hai Auto Corporation; US\$6 million and US\$21 million for Astra's acquisition of a 26% interest in PT TD Automotive Compressor Indonesia and a 20% interest in PT Bukit Enim Energi, respectively; and US\$6 million for the Company's capital injection into JRE Asia Capital.

---

(f) Purchase of other investments in 2012 and 2011 mainly included acquisition of securities by Jardine Cycle & Carriage and Astra.

---

(g) Advance to associates, joint ventures and others in 2012 mainly 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.

Advance to associates, joint ventures and others in 2011 mainly included Hongkong Land's loans to its property joint ventures of US\$258 million.

---

(h) Repayment from associates, joint ventures and others in 2012 and 2011 mainly included repayment from Hongkong Land's property joint ventures of US\$58 million and US\$111 million, respectively.

---

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

### (i) Sale of subsidiaries

	2012 US\$m	2011 US\$m
Current assets	6	–
Net assets	6	–
Adjustment for non-controlling interests	(1)	–
Net assets disposed of	5	–
Profit on disposal	2	–
Sale proceeds	7	–
Adjustment for deferred consideration	1	2
Net cash inflow	8	2

(i) Sale of other investments 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.

Sale of other investments in 2011 mainly included Astra's sale of securities.

### (k) Change in interests in subsidiaries

	2012 US\$m	2011 US\$m
Increase in attributable interests		
– Hongkong Land	–	239
– Jardine Cycle & Carriage	132	97
– other	35	1
Decrease in attributable interests	(139)	–
	28	337

Increase in attributable interests in other subsidiaries in 2012 included US\$4 million and US\$5 million for Astra's acquisition of additional 10% and 43% interests in PT Swadharma Bakti Sedaya Finance and PT Staco Estika Sedaya Finance, respectively, and US\$24 million advance payment for its acquisition of an additional 15% interest in PT Asmin Bara Bronang.

Decrease in attributable interests comprised Dairy Farm's reduced interest in PT Hero Supermarket from 94% to 81%.

### (l) Analysis of balances of cash and cash equivalents

	2012 US\$m	2011 US\$m
Bank balances and other liquid funds (refer note 26)	3,947	3,921
Bank overdrafts (refer note 33)	(29)	(17)
	3,918	3,904

### 37 Derivative Financial Instruments

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

	2012		2011	
	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	1	2	2	–
– interest rate swaps and caps	–	23	–	32
– cross currency swaps	99	18	59	20
	100	43	61	52
Designated as fair value hedges				
– interest rate swaps	14	–	10	–
– cross currency swaps	30	1	60	–
	44	1	70	–

#### **Forward foreign exchange contracts**

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2012 were US\$275 million (2011: US\$113 million).

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

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2012 were US\$1,129 million (2011: US\$1,265 million).

At 31st December 2012, the fixed interest rates relating to interest rate swaps and caps vary from 0.6% to 7.0% (2011: 0.7% to 11.9%) 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 3.2% (2011: 0.2% to 4.9%) per annum.

#### **Cross currency swaps**

The contract amounts of the outstanding cross currency swap contracts at 31st December 2012 totalled US\$3,170 million (2011: US\$ 2,815 million).

## 38 Commitments

	2012	2011
	US\$m	US\$m
<b>Capital commitments:</b>		
Authorized not contracted	1,889	2,133
Contracted not provided	306	798
	2,195	2,931
<b>Operating lease commitments:</b>		
Total commitments under operating leases		
– due within one year	681	653
– due between one and two years	507	478
– due between two and three years	320	290
– due between three and four years	213	180
– due between four and five years	153	144
– due beyond five years	985	1,015
	2,859	2,760

Total future sublease payments receivable relating to the above operating leases amounted to US\$45 million (2011: 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 2012, the Company held a 55% (2011: 55%) interest in Jardine Matheson.

In accordance with the Bye-Laws, 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 2012 amounted to US\$127 million (2011: US\$110 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 2012 amounted to US\$8,466 million (2011: US\$7,115 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 2012 amounted to US\$1,166 million (2011: US\$988 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 2012 to Jardine Lloyd Thompson were US\$5 million (2011: US\$4 million).

The Group manages five associate hotels (2011: five associate hotels). Management fees received by the Group in 2012 from these managed hotels amounted to US\$15 million (2011: US\$12 million).

Bank Permata provides banking services to the Group. The Group's deposits with Bank Permata at 31st December 2012 amounted to US\$398 million (2011: US\$401 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 amounted to US\$325 million at 31st December 2012 (2011: US\$275 million).

Details of Directors' remuneration (being the key management personnel compensation) are shown on page 94 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

---

## 41 Post Balance Sheet Event

On 8th February 2013, the Group's subsidiary, Mandarin Oriental, completed the acquisition of the freehold interest in the building housing Mandarin Oriental, Paris and two retail units from a third party for €290 million (US\$389 million). Mandarin Oriental had paid a €10 million (US\$13 million) advance deposit prior to the year end, with the remaining balance of €280 million (US\$376 million) paid in February 2013.

At the balance sheet date (i.e. prior to the acquisition), Mandarin Oriental had a 12-year lease on the hotel which commenced on 18th April 2011 with an option to renew for a further 12 years, while the retail units were leased by the vendor to third party tenants.

## 42 Summarized Balance Sheet of the Company

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

	2012	2011
	US\$m	US\$m
Subsidiaries	4,547	4,450
Investment in Jardine Matheson	1,930	1,617
Total assets	6,477	6,067
Share capital ( <i>refer note 28</i> )	56	56
Share premium ( <i>refer note 29</i> )	1,199	1,199
Revenue and other reserves	5,184	4,781
Shareholders' funds	6,439	6,036
Current liabilities	38	31
Total equity and liabilities	6,477	6,067

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

### 43 Jardine Strategic Corporate Cash Flow and Net Cash

	2012 US\$m	2011 US\$m
<b>Dividends receivable</b>		
Subsidiaries	771	673
Jardine Matheson	461	418
Associates and joint ventures	2	6
Other holdings	11	10
	1,245	1,107
Less taken in scrip	(461)	(418)
	784	689
Other operating cash flows	(132)	(303)
Cash flows from operating activities	652	386
<b>Investing activities</b>		
Capital injection in joint ventures	(1)	(6)
Purchase of other investment	(1)	–
Sale of investment in joint ventures	8	–
Sale of other investment	93	–
Cash flows from investing activities	99	(6)
<b>Financing activities</b>		
Purchase of additional interests in subsidiaries	(132)	(336)
Dividends paid by the Company	(252)	(98)
Cash flows from financing activities	(384)	(434)
Fair value adjustment on 6.375% Guarantee Bonds	–	7
Net increase/(decrease) in net cash	367	(47)
Net cash at 1st January	250	297
Net cash at 31st December	617	250
<b>Represented by:</b>		
Bank balances and other liquid funds	617	250
	617	250

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 2012 are set out below.

	Country of incorporation	Particulars of issued capital			Attributable interests		Nature of business
					2012	2011	
					%	%	
Dairy Farm International Holdings Ltd*	Bermuda	USD	75,031,061	ordinary	<b>78</b>	78	Supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants
Hongkong Land Holdings Ltd*	Bermuda	USD	235,280,678	ordinary	<b>50</b>	50	Property development & investment, leasing & management
Jardine Cycle & Carriage Ltd*	Singapore	SGD	355,712,660	ordinary	<b>72</b>	71	A 50.1% interest in PT Astra International Tbk and motor trading
Jardine Matheson Holdings Ltd†	Bermuda	USD	167,641,208	ordinary	<b>55</b>	55	Engineering & construction, transport services, motor trading, property, retailing, restaurants, hotels, financial services, and insurance broking
Mandarin Oriental International Ltd*	Bermuda	USD	50,019,937	ordinary	<b>74</b>	74	Hotel management & ownership
PT Astra International Tbk*	Indonesia	IDRm	2,024,178	ordinary	<b>36</b>	36	Automotive, financial services, agribusiness, heavy equipment and mining, infrastructure and logistics, and information technology

Attributable interests represent the proportional holdings of the Company, held directly or through its subsidiaries in the issue 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 82% (2011: 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 and its subsidiaries (the 'Group') which comprise the Consolidated Balance Sheet as at 31st December 2012 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 2012, 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 Matters

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

8th March 2013

# Five Year Summary

## Profit and Loss

	2012 US\$m	2011 US\$m	2010 US\$m	2009 US\$m	2008 US\$m
Revenue	<b>33,098</b>	31,049	25,498	18,905	18,455
Profit attributable to shareholders	<b>1,839</b>	3,943	3,535	1,988	630
Underlying profit attributable to shareholders	<b>1,587</b>	1,583	1,439	1,089	863
Earnings per share (US\$)	<b>2.99</b>	6.36	5.69	3.20	1.02
Underlying earnings per share (US\$)	<b>2.58</b>	2.55	2.32	1.75	1.40
Dividends per share (US¢)	<b>24.00</b>	22.50	21.00	20.00	19.00

## Balance Sheet

	2012 US\$m	2011 US\$m	2010 US\$m	2009 US\$m	2008 US\$m
Total assets	<b>61,544</b>	56,153	46,597	37,626	21,394
Total liabilities	<b>(19,154)</b>	(16,892)	(14,801)	(12,664)	(7,361)
Total equity	<b>42,390</b>	39,261	31,796	24,962	14,033
Shareholders' funds	<b>21,344</b>	19,652	16,350	12,697	10,506
Net debt (excluding net debt of financial services companies)	<b>3,138</b>	1,868	2,338	2,327	528
Net asset value per share* (US\$)	<b>60.65</b>	48.36	47.53	32.64	18.15

## Cash Flow

	2012 US\$m	2011 US\$m	2010 US\$m	2009 US\$m	2008 US\$m
Cash flows from operating activities	<b>2,288</b>	2,385	2,034	2,473	2,125
Cash flows from investing activities	<b>(2,681)</b>	(2,156)	(1,366)	(127)	(1,361)
Net cash flow before financing	<b>(393)</b>	229	668	2,346	764
Cash flow per share from operating activities (US\$)	<b>3.72</b>	3.85	3.27	3.98	3.43

\*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 Services Authority of the United Kingdom.

For and on behalf of the Board

**Ben Keswick**

**Lord Leach of Fairford**

*Directors*

8th March 2013

# 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. 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 Services Authority in the United Kingdom, 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 82%-owned by Jardine Matheson Holdings Limited, in which the Company itself has a 55% 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 ten Directors: five are executive directors of Jardine Matheson and five 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 2013 and ad hoc procedures are adopted to deal with urgent matters. In 2012 one meeting was held in Bermuda and three were held in Asia. All current Directors who held office in 2012 attended all four Board meetings, save that Jenkin Hui attended two 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.

On 1st April 2012, Ben Keswick succeeded Anthony Nightingale as Managing Director (the latter remaining as a non-executive Director of the Company). Adam Keswick was appointed a Director with effect from 1st April 2012. In accordance with Bye-law 85, Charles Allen-Jones and Percy Weatherall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Neither Charles Allen-Jones nor Percy Weatherall has 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. A motion to increase the fees payable to the Directors to US\$50,000 each per annum and the fees payable to the Chairman and Managing Director to US\$75,000 each per annum with effect from 1st January 2013 will be proposed at the forthcoming Annual General Meeting.

For the year ended 31st December 2012, Directors' fees payable by the Company amounted to US\$468,000 (2011: US\$416,000).

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**

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.

## Going Concern

The Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are going concerns. The Group prepares comprehensive financial forecasts and, based on these forecasts, cash resources and existing credit facilities, the Directors consider that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

## Code of Conduct

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.

## 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 98.

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 members of the Audit Committee 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, who was appointed a member of the committee in June 2012, attended in that capacity the one Audit Committee meeting which was held following his appointment. 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.

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.

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.

The Audit Committee keeps under review the nature, scope and results of the external audit, the audits conducted by the internal audit function and the findings of the various Group audit committees. The Audit Committee also keeps under review the independence and objectivity of the external auditors, and as part of that process considers and approves the level and nature of non-audit work performed. The terms of reference of the Audit Committee can be found on the Company's website at [www.jardines.com](http://www.jardines.com).

## Directors' Share Interests

The Directors of the Company in office on 25th March 2013 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) 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).

---

Charles Allen-Jones	5,215
Simon Keswick	7,866
Dr George C.G. Koo	142,251
Lord Leach of Fairford	61,096
Anthony Nightingale	17,807

---

## 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 919,852,213 ordinary shares carrying 82.12% 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 25th March 2013.

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



## Relations with Shareholders

The 2013 Annual General Meeting will be held at The Fairmont Southampton, Bermuda on 16th May 2013. 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 10th May 2012, 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.

## 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 86. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom 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 pages 95 and 96 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 Services 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 34 to 39.

## 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

---

2012 full-year results announced	8th March 2013
Share registers closed	25th to 29th March 2013
2012 final dividend scrip election period closes	26th April 2013
Annual General Meeting to be held	16th May 2013
2012 final dividend payable	22nd May 2013
2013 half-year results to be announced	2nd August 2013*
Share registers to be closed	26th to 30th August 2013*
2013 interim dividend scrip election period closes	27th September 2013*
2013 interim dividend payable	16th October 2013*

\*Subject to change

---

## 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 2012 final dividend by notifying the United Kingdom transfer agent in writing by 26th April 2013. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 8th May 2013. 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 Registrars  
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

<b>Jardine Matheson Ltd</b>	48th Floor, Jardine House G.P.O. Box 70 Hong Kong	Telephone (852) 2843 8288 Facsimile (852) 2845 9005 Email <a href="mailto:jml@jardines.com">jml@jardines.com</a> Website <a href="http://www.jardines.com">www.jardines.com</a> Ben Keswick
<b>Matheson &amp; Co., Ltd</b>	3 Lombard Street London EC3V 9AQ United Kingdom	Telephone (44 20) 7816 8100 Facsimile (44 20) 7623 5024 Email <a href="mailto:enquiries@matheson.co.uk">enquiries@matheson.co.uk</a> Website <a href="http://www.matheson.co.uk">www.matheson.co.uk</a> Lord Leach of Fairford
<b>Jardine Pacific Ltd</b>	25th Floor, Devon House Taikoo Place 979 King's Road Quarry Bay Hong Kong	Telephone (852) 2579 2888 Facsimile (852) 2856 9674 Email <a href="mailto:jpl@jardines.com">jpl@jardines.com</a> Ben Birks
<b>Jardine Motors Group Ltd</b>	25th Floor, Devon House Taikoo Place 979 King's Road Quarry Bay Hong Kong	Telephone (852) 2579 2888 Facsimile (852) 2856 9674 Email <a href="mailto:jmg@jardines.com">jmg@jardines.com</a> Adam Keswick
<b>Jardine Lloyd Thompson Group plc</b>	6 Crutched Friars London EC3N 2PH United Kingdom	Telephone (44 20) 7528 4444 Facsimile (44 20) 7528 4185 Email <a href="mailto:info@jltgroup.com">info@jltgroup.com</a> Website <a href="http://www.jltgroup.com">www.jltgroup.com</a> Dominic Burke
<b>Hongkong Land Ltd</b>	8th Floor One Exchange Square Central Hong Kong	Telephone (852) 2842 8428 Facsimile (852) 2845 9226 Email <a href="mailto:gpobox@hkland.com">gpobox@hkland.com</a> Website <a href="http://www.hkland.com">www.hkland.com</a> Y.K. Pang
<b>Dairy Farm Management Services Ltd</b>	7th Floor, Devon House Taikoo Place 979 King's Road Quarry Bay Hong Kong	Telephone (852) 2299 1888 Facsimile (852) 2299 4888 Email <a href="mailto:groupcomm@dairy-farm.com.hk">groupcomm@dairy-farm.com.hk</a> Website <a href="http://www.dairyfarmgroup.com">www.dairyfarmgroup.com</a> Graham D. Allan
<b>Mandarin Oriental Hotel Group International Ltd</b>	7th Floor 281 Gloucester Road Causeway Bay Hong Kong	Telephone (852) 2895 9288 Facsimile (852) 2837 3500 Email <a href="mailto:asia-enquiry@mohg.com">asia-enquiry@mohg.com</a> Website <a href="http://www.mandarinoriental.com">www.mandarinoriental.com</a> Edouard Ettedgui
<b>Jardine Cycle &amp; Carriage Ltd</b>	239 Alexandra Road Singapore 159930	Telephone (65) 6473 3122 Facsimile (65) 6475 7088 Email <a href="mailto:corporate.affairs@jcclgroup.com">corporate.affairs@jcclgroup.com</a> Website <a href="http://www.jcclgroup.com">www.jcclgroup.com</a> Alex Newbigging
<b>PT Astra International Tbk</b>	Jl. Gaya Motor Raya No. 8 Sunter II, Jakarta 14330 Indonesia	Telephone (62 21) 652 2555 Facsimile (62 21) 651 2058 Email <a href="mailto:purel@ai.astra.co.id">purel@ai.astra.co.id</a> Website <a href="http://www.astra.co.id">www.astra.co.id</a> Priyono Sugiarto

