Jardine Strategic
Annual Report
2008

Jardine Strategic

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. The Company also has a minority investment in Rothschilds Continuation, the merchant banking house.

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 its primary share listing in London. The Company's shares are also listed 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 subsidiary undertakings and associates.

Jardine Strategic Holdings Limited
Jardine House
Hamilton
Bermuda

Contents

Highlights

- Underlying earnings per share up 19 %
- Good results from Astra and Dairy Farm
- Markets weaken as year ends
- Net asset value per share down 36 %
- Hongkong Land property portfolio value declines in second half

Results

	2008 US$m	2007 US$m	Change %
Gross revenue*	**36,156**	31,616	14
Revenue	**18,455**	15,328	20
Profit after tax	**1,552**	2,712	(43)
Underlying profit attributable to shareholders†	**859**	723	19
Profit attributable to shareholders	**692**	2,024	(66)
Total equity	**13,337**	13,318	–
Shareholders' funds	**9,705**	9,787	(1)
	US$	US$	%
Underlying earnings per share†	**1.39**	1.17	19
Earnings per share	**1.12**	3.28	(66)
Dividends per share	**0.19**	0.18	6
Net asset value per share#	**18.15**	28.22	(36)

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

†The Group uses 'underlying business performance' in its internal financial reporting to distinguish between the underlying profits and non-trading items, as more fully described in note 1(u) to the financial statements. Management considers this to be a key measure and has provided this analysis as additional information in order to provide greater 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

After a good first nine months in 2008, several of the Group's businesses were affected in the final quarter by the global economic downturn which followed the sharp further deterioration in financial markets. Overall, however, the earnings momentum achieved led to a satisfactory result for the full year.

Performance

Jardine Strategic recorded an underlying profit of US$859 million for 2008, an increase of 19%. Underlying earnings per share rose 19% to US$1.39. The turnover of the Group for the year, including 100% of Jardine Matheson, associates and joint ventures, was US$36.2 billion, compared with US$31.6 billion in 2007.

Within Jardine Matheson, Jardine Pacific did well to record modestly higher earnings as certain of its businesses faced weaker markets. Jardine Motors had a more difficult year, particularly in the United Kingdom, while Jardine Lloyd Thompson achieved an improved trading performance. Dairy Farm produced another impressive result with all its major retail operations continuing to perform well. Hongkong Land reported a good increase in profit from its commercial properties, but weakness in the Singapore residential market led to provisions being required. At Mandarin Oriental, profits declined as trading conditions became harsher as the year progressed. Jardine Cycle & Carriage benefited from an overall strong year at Astra, despite some softening towards the year end. The Group also benefited from lower net financing charges.

The Company's share of the downward revaluation of investment properties for 2008 included US$253 million from Hongkong Land and US$5 million from Jardine Matheson, and compares with upward revaluations of US$1,211 million in 2007. These revaluations are taken through the profit and loss account in accordance with accounting standards and, together with other non-trading items, being principally a gain of US$97 million arising on an increase in the Company's interest in Hongkong Land partly offset by a US$32 million share in the reduction in the fair value of plantations, led to a profit attributable to shareholders of US$692 million. This compares with US$2,024 million in 2007.

The Group benefits from surplus cash, strong operating cash flows and substantial committed facilities with no significant refinancing required over the next year. At 31st December 2008, consolidated net debt excluding financial services companies was 38% lower at US$528 million, resulting in gearing of 4%. Hongkong Land, currently an associate, had net debt of US$2,601 million at the year end. Assuming the pro-forma consolidation of Hongkong Land, the Group's gearing excluding financial services companies was 16% at the end of 2008.

Shareholders' funds were 1% lower at US$9.7 billion. The net asset value per share, based on the market price of the Company's holdings, declined by 36% to US$18.15 at the year end.

The Board is recommending a final dividend of US¢13.10 per share, representing an overall increase of 6% for the full year.

Business Activity

Within Jardine Matheson, Jardine Pacific saw mixed results from its businesses, although its engineering and construction operations performed well and are expected to benefit further from increased expenditure on infrastructure projects. Jardine Motors was more severely affected by the economic downturn, particularly in the United Kingdom, but the development of its network of Mercedes-Benz outlets in Southern China remains on track. Jardine Lloyd Thompson's restructuring is now substantially complete and has produced greater business volumes, lower costs and enhanced profitability.

Hongkong Land's property markets came off their highs in the second half of 2008, but the company's earnings will continue to benefit from positive rental reversions achieved during the year. Sales of its residential developments, however, are likely to become more difficult. Construction is proceeding at its Singapore joint venture development, Marina Bay Financial Centre, with over 60% of the commercial office space having been pre-committed well in advance of completion. Hongkong Land is expected to become a subsidiary during 2009 after many years of open market share purchases.

Dairy Farm is continuing to expand its retail businesses across Asia's growing consumer markets, particularly in Malaysia, Indonesia and mainland China, and the group is now operating some 4,650 outlets in the region. Strong growth was achieved in both sales and profit in 2008, and positive cash flows had eliminated net borrowings by the year end.

Mandarin Oriental's expansion plans are progressing well despite the worsening trading environment. It currently has 23 hotels in operation and expects to open a further three in 2009. The group has added Moscow and Atlanta to its development portfolio of 18 properties, although some projects might face delays in the current climate. In January 2009, agreement was reached for the sale of the group's 50% interest in its existing property in Macau, which should give rise to a profit of US$75 million when completed later this year.

In July 2008, Jardine Cycle & Carriage acquired a 20% interest in Truong Hai Automotive Corporation, a Vietnamese group with interests in the manufacture, sale and maintenance of commercial vehicles and passenger cars. The investment offers further exposure for the Group to the developing Vietnamese economy.

Astra benefited from a robust Indonesian economy in 2008 with particularly good sales in its motor operations and record earnings from its palm oil plantations, although commodity prices and economic conditions deteriorated in the final quarter. The group has continued to develop its coal mining interests with the acquisition of a further mine, while at the same time expanding its palm oil plantations.

During the year the Company acquired a further 1% interest in Hongkong Land, which itself repurchased 2% of its issued capital in the latter part of the year. The Company also increased its shareholding in Jardine Cycle & Carriage to 68%, while Astra invested further in shares of its subsidiaries, United Tractors and Astra Otoparts.

People

We welcomed Charles Allen-Jones to the Board in May 2008.

Outlook

Following a good year in 2008, it is still too early to judge the full effects of the global downturn on Jardine Strategic's interests in 2009. Nevertheless, the Group remains soundly financed and in a good position to weather the current economic challenges.

Henry Keswick
Chairman

6th March 2009

Jardine Strategic

Jardine Strategic

Hongkong Land

A listed property group with some 5 million sq. ft of prime commercial property in central Hong Kong and further high quality commercial and residential developments in Asia. (49%)

Dairy Farm

A listed pan-Asian retail group operating some 4,700 outlets, including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants. (78%)

Mandarin Oriental The Hotel Group

A listed international hotel investment and management group with a portfolio of 41 deluxe and first class hotels and resorts worldwide, including 18 under development. (73%)

Rothschilds Continuation

An unlisted holding company within the Rothschild group with various financial services interests, including the investment bank N M Rothschild & Sons. (21%)

Jardine Cycle & Carriage

A Singapore-listed holding company with an interest of just over 50% in the listed Indonesian conglomerate, Astra, and motor trading interests in Southeast Asia. (68%)

Astra international

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

Astra's financial services businesses consist of consumer finance (principally automobile and motorcycle), insurance and a 45% interest in Bank Permata.

Astra's other interests include heavy machinery; mining contracting; oil palm plantations; and distribution of office automation products and IT services.

(Figures in brackets show effective ownership by Jardine Strategic as at 18th March 2009.)

Jardine Matheson

Jardine Matheson

An Asian-based conglomerate with a portfolio of interests in leading businesses, held in part through its 81% stake in Jardine Strategic. (53%)

Jardine Pacific

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

JLT

A leading listed insurance and reinsurance broker, risk management adviser and employee benefits consultant, combining specialist skills in the London insurance market with an international network. (32%)

(Figures in brackets show effective ownership by Jardine Matheson as at 18th March 2009.)

Segmental Information

Underlying Profit and Shareholders' Funds

	Underlying profit attributable to shareholders				Shareholders' funds			
	2008 US$m	2008 %	2007 US$m	2007 %	2008 US$m	2008 %	2007 US$m	2007 %
Jardine Matheson*	119	14	130	18	801	8	970	10
Hongkong Land	179	21	163	22	5,578	58	5,595	57
Dairy Farm	250	29	201	28	471	5	388	4
Mandarin Oriental	52	6	59	8	811	8	925	10
Jardine Cycle & Carriage	29	3	27	4	177	2	127	1
Astra	293	34	222	31	1,478	15	1,346	14
Other holdings	17	2	18	2	605	6	815	8
Corporate	(80)	(9)	(97)	(13)	(216)	(2)	(379)	(4)
	859	100	723	100	9,705	100	9,787	100

*Excluding Jardine Strategic and its subsidiary undertakings and associates.

Market Value Basis Net Assets

	2008 US$m	2008 %	2007 US$m	2007 %
Jardine Matheson	1,236	11	1,821	10
Hongkong Land	2,738	25	5,342	31
Dairy Farm	4,482	40	4,576	26
Mandarin Oriental	710	6	1,698	10
Jardine Cycle & Carriage	1,604	14	3,406	20
Other holdings	691	6	890	5
Jardine Strategic Corporate	(201)	(2)	(343)	(2)
	11,260	100	17,390	100
Net asset value per share (US$)	18.15		28.22	

'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$6,151 million *(2007: US$9,139 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$11,260 million *(2007: US$17,390 million)* and on 620 million *(2007: 617 million)* shares outstanding at the year end which excludes the Company's share of the shares held by Jardine Matheson of 473 million *(2007: 466 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 insurance and reinsurance broking, risk management and employee benefit services through Jardine Lloyd Thompson. Through its holding in Jardine Strategic it has interests in the other Group companies.

	2008	2007	Change (%)
Revenue (US$ billion)	22.4	19.4	15
Underlying profit attributable to shareholders (US$ million)	822	719	14
Underlying earnings per share (US$)	2.33	2.03	15
Net asset value per share (US$)	23.30	24.09	(3)

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

Jardine Matheson
Net Asset Value per Share (US$)

Jardine Matheson achieved a record underlying profit of US$822 million in 2008, an increase of 14%. Underlying earnings per share rose 15% to US$2.33. Jardine Matheson's profit attributable to shareholders of US$666 million reflected the reduced investment property values in Hongkong Land and Jardine Pacific and other non-trading items. Shareholders' funds decreased 3% to US$8.2 billion.

Jardine Pacific

Jardine Pacific produced an underlying profit of US$116 million in 2008, slightly above 2007, with good performances from its engineering and construction businesses.
A decrease of US$10 million in the value of the group's investment property portfolio was substantially offset by gains on disposals, leading to a profit attributable to shareholders of US$113 million for the year. Shareholders' funds were US$361 million at the end of 2008, giving an underlying return of 28% on average shareholders' funds.

Gammon benefited from increased volumes, leading to improved profits and a record order book. Jardine Schindler performed satisfactorily on new installations and grew its maintenance portfolio, while JEC's profit reflected a good performance in Thailand. Hong Kong Air Cargo Terminals suffered from the sharp global slowdown in trade in the final quarter of 2008, recording a 4% drop in cargo throughput for the full year. Jardine Shipping Services experienced lower freight rates and volumes in the second half, while Jardine Aviation Services was also impacted by reduced fee income and higher operating costs. Jardine Restaurants saw softening in sales in both Hong Kong and Taiwan, and JOS recorded lower sales due to a weaker market.

Jardine Motors

Jardine Motors' underlying profit declined 30% in 2008 to US$44 million, primarily due to the deterioration in the motor vehicle market in the United Kingdom. Its profit attributable to shareholders, at US$39 million, was also reduced by a fall in the value of properties.

Zung Fu achieved satisfactory results in Hong Kong with deliveries of Mercedes-Benz passenger cars at similar levels to 2007, despite the adverse effects of the economic downturn in the final quarter. Its dealership in Macau also benefited from higher sales. In Southern China, its Mercedes-Benz dealerships continued their profitable growth in 2008 with new car deliveries increasing by over 30%. The group's operations in the United Kingdom, however, experienced very difficult trading conditions, and additional costs were also incurred in repositioning the business to address the market weaknesses.

Jardine Lloyd Thompson

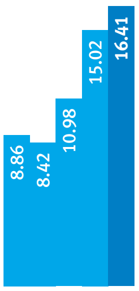
Jardine Lloyd Thompson's businesses performed well in 2008 despite the challenging conditions in insurance markets as the group benefited from the repositioning undertaken in recent years. The group announced a turnover equivalent to US$989 million, up 13% in its reporting currency, due to good organic growth and acquisitions. Underlying profit after tax and minorities in its reporting currency was 17% higher, reflecting the higher turnover, an increased contribution from an associate and good cost control. The profit after tax and minorities was equivalent to US$117 million, a decrease of 12% in its reporting currency from the 2007 result which had included an exceptional net gain.

The risk and insurance group, comprising Jardine Lloyd Thompson's worldwide retail operations and specialist risk and insurance broking operations based largely in London, achieved a satisfactory increase in turnover and trading profit against a background of continuing soft insurance market conditions. The employee benefits business in the United Kingdom also achieved good increases in both turnover and trading profit. Trading profit margins were maintained or improved across the group.

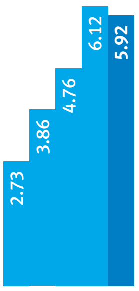
Hongkong Land is a major listed group with some 5 million sq. ft of prime commercial property in the heart of Hong Kong. The group also develops high quality commercial and residential projects in other cities in the Region.

	2008	2007	Change (%)
Underlying profit attributable to shareholders (US$ million)	**375**	345	9
Adjusted net asset value per share* (US$)	**5.92**	6.12	(3)

*Based on shareholders' funds excluding deferred tax on revaluation surpluses of investment properties where no tax would be payable on the sale of the properties.



Underlying Earnings per Share (US¢)



Adjusted Net Asset Value per Share* (US$)

A positive rental reversion cycle in Hong Kong's Central district enabled Hongkong Land to report an underlying profit up 9% at US$375 million, despite a US$140 million share of a provision against residential development properties in Singapore by its subsidiary MCL Land. The year-end valuation of the group's commercial investment properties, including the share of investment properties in joint ventures and associates, was 4% lower for the year at US$14,525 million. The incorporation of this revaluation produced a loss attributable to shareholders of US$109 million, compared with a profit of US$2,840 million in 2007.

While rents in Hong Kong's Central district remained at record levels throughout 2008 and demand for high quality commercial office space continued to be strong, there were signs of weakening towards the year end. The luxury retail market also performed well before it too started to weaken in the fourth quarter. The Singapore office market began to soften in the second half of the year, although the group's wholly-owned property One Raffles Link and its joint venture property One Raffles Quay both remain fully let. Its joint venture development, Marina Bay Financial Centre, which is due to complete in two phases in 2010 and 2012, now has over 60% of its commercial office space pre-committed. In the residential sector, developments in Beijing, Chongqing and Singapore were completed during the year allowing profits to be recognized.

Dairy Farm is a leading pan-Asian retailer. The listed group, together with its associates and joint ventures, operates some 4,700 outlets – including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants.

	2008	2007	Change (%)
Gross revenue* (US$ billion)	7.7	6.8	13
Underlying profit attributable to shareholders (US$ million)	320	258	24

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

Trading conditions were generally favourable in Dairy Farm's major markets in 2008. The group achieved further good results with sales, including 100% of associates and joint ventures, increasing by 13% to US$7.7 billion and underlying profit increasing by 24% to US$320 million. Its profit attributable to shareholders was US$333 million and included non-trading gains of US$13 million from asset disposals. Overall, Dairy Farm's cash generation has remained strong leading to the effective elimination of net gearing at the year end and ensuring that adequate funds are available for expansion.

Dairy Farm's operations in both Hong Kong and Macau performed well. In Southern China, it now has more than 500 7-Eleven stores operating, and improved results have been achieved from its enhanced health and beauty outlets. In Taiwan, Dairy Farm's supermarkets performed better with the continued development of smaller-format fresh stores, while IKEA's underlying performance is making progress. Maxim's was able to maintain its profitability despite much more challenging conditions in Hong Kong.

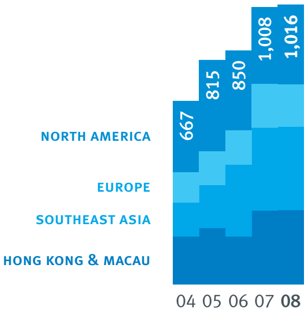
All formats in Malaysia achieved another year of good results as expansion continued in both peninsular and East Malaysia. Its growth in Singapore was led by the supermarkets and convenience stores, while Giant hypermarkets also performed better following a difficult year in 2007. Dairy Farm's performance in Indonesia improved significantly in all formats, with nine new hypermarkets being opened bringing the total to 26. The group has also extended its operations to Brunei. In the group's joint ventures in India, its health and beauty chain maintained a measured pace of expansion while its supermarkets continued to face highly competitive trading conditions.

Gross Revenue*
(US$ billion)

Underlying Profit
Attributable
to Shareholders
(US$ million)

Mandarin Oriental is an international hotel investment and management group with a portfolio of 41 deluxe and first class hotels and resorts worldwide, including 18 under development. The listed company holds equity in a number of its hotels.

	2008 US$m	2007 US$m	Change %
Combined total revenue of hotels under management	1,016	1,008	1
Underlying profit attributable to shareholders	67	87	(23)



Combined Total Revenue by Geographical Area (US$ million)

Net Asset Value per Share* (US$)

*With leasehold properties at valuation

After a satisfactory start to the year Mandarin Oriental faced weakening demand as global economic conditions deteriorated, particularly from September 2008 onwards in what is traditionally its strongest season. Earnings before interest, tax, depreciation and amortization for the year were 14% lower at US$164 million. Profit attributable to shareholders was US$67 million, compared to US$108 million in 2007 which included US$21 million in non-trading items.

Most of the group's hotels experienced lower occupancy as demand from the corporate sector declined, although the resilience of the leisure sector contributed to increases in the average room rate. The group's wholly-owned Hong Kong hotels maintained their profitability, but the results from Europe were adversely affected by currency movements and an eight-month renovation project in Geneva. The group's hotels in The Americas were affected by the downturn, but maintained their competitive positions.

Mandarin Oriental's development programme progressed with the announcement of hotel management projects in Moscow and Atlanta, both to be completed in 2011, and a luxury resort in The Maldives, due to open in the next 12 months. Hotels were opened in Boston in October 2008 and Sanya in early 2009, and a further three are due to open this year in Marrakech, Barcelona and Las Vegas, all under long-term management contracts. The opening of its Beijing hotel, which is also a management contract, has been postponed following a fire at the site. Mandarin Oriental now operates 23 hotels with a further 18 under development.

The group has announced the sale of its 50% interest in its existing Macau hotel for some US$90 million, producing a net gain of approximately US$75 million that will be recognized upon its expected completion in mid 2009.

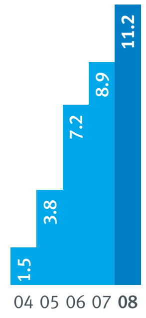
Jardine Cycle & Carriage is a Singapore-listed holding company with a shareholding of just over 50% in the listed Indonesian conglomerate, Astra, and interests in motor trading in Southeast Asia.

	2008	2007	Change (%)
Revenue (US$ billion)	11.2	8.9	25
Underlying profit attributable to shareholders (US$ million)	477	374	28
Shareholders' funds (US$ million)	2,263	2,160	5

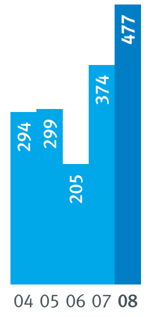
Jardine Cycle & Carriage produced a satisfactory result in 2008 with good performances across the group in the first nine months. A number of its businesses were, however, affected in the final quarter by a decline in commodity prices, the weakening of the Indonesian rupiah and a tightening of credit. Underlying profit rose by 28% to US$477 million in 2008, while profit attributable to shareholders was 32% higher at US$448 million, after accounting for a net non-trading loss of US$29 million. The group's balance sheet remains strong with low levels of gearing.

Astra's contribution to the underlying profit was up 29% at US$460 million, with robust automotive sales and a strong performance by its non-automotive activities for most of the year. Jardine Cycle & Carriage's share of underlying profit from its other motor interests increased by 4% to US$44 million. There was a good performance in Singapore as sales of Mercedes-Benz improved despite a contraction in the motor market and a fine result at Tunas Ridean in Indonesia. Cycle & Carriage Bintang in Malaysia completed a restructuring so as to focus exclusively on Mercedes-Benz, and its reduced requirement for operating funds enabled a special dividend of US$30 million to be paid.

Jardine Cycle & Carriage has invested US$77 million to acquire a 20% shareholding in Truong Hai Automotive Corporation, a Vietnamese group with interests in the manufacture, sale and maintenance of commercial vehicles and passenger cars. The company also increased its shareholding in Tunas Ridean to 38%. In January 2009, Tunas Ridean sold a 51% interest in its wholly-owned automotive finance subsidiary to Bank Mandiri.



Revenue (US$ billion)

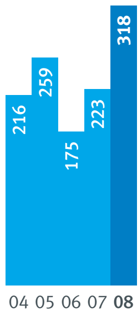


Underlying Profit Attributable to Shareholders (US$ million)

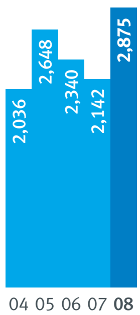
	2008	2007	Change* (%)
Gross revenue† (US$ billion)	16.0	12.3	39
Profit attributable to shareholders# (US$ million)	942	711	41
Shareholders' funds# (US$ million)	3,021	2,863	23

*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.

Gross Revenue† of Astra
(US$ billion)



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



Motorcycle Sales of Astra
including Associates
and Joint Ventures
(thousand units)

Astra

Astra reported a net profit for the year, under Indonesian accounting standards, equivalent to US$942 million, an increase of 41% in its reporting currency. Strong operating cash flows, a substantial dividend from Astra Honda Motor and proceeds from a rights issue by United Tractors were substantially offset by the cost of acquisitions and the investment in shares in group companies, leaving Astra's year-end net debt, excluding borrowings within its financial services operations, largely unchanged at US$169 million.

Astra's automotive operations benefited from a 40% increase in the Indonesian wholesale motor vehicle market. Its sales grew by 43% to 318,000 units, supported by the launch of new models, resulting in an increased market share of 52%. The wholesale motorcycle market grew by 33% in 2008 to 6.2 million units, and sales of the Astra Honda Motor manufacturing and distribution joint venture rose by 34% to 2.9 million units, maintaining its market share at 46%. Astra Otoparts reported a profit up 24% as sales rose by 27%.

The performance of Astra's consumer finance operations improved in line with the growth in automotive sales. The volume financed was US$2.7 billion, up 29% in Indonesian rupiah, although the consumer finance loan book at the year end was little changed at US$1.3 billion as most new business was joint finance without recourse. The profit at 44.5%-owned Bank Permata was down 9% in its reporting currency at US$46 million.

There was an excellent result from 80%-held Astra Agro Lestari with a 33% growth in profit. Palm oil production rose by 7% to 982,000 tonnes and prices achieved were on average 19% higher than in 2007, although prices have now declined significantly from their recent highs. During the year, the company increased its planted area by 10% to 251,000 hectares.

In a good year for United Tractors, which is 60% held, profit was 78% higher. Sales of Komatsu equipment rose 26% to some 4,300 units, although demand reduced significantly in the last quarter. Mining subsidiary, Pamapersada Nusantara, achieved an 8% increase in coal extracted at 59 million tonnes and a 25% increase in overburden removed at 442 million bcm in its contract mining operations, while coal sales from its own mines amounted to 4 million tonnes.

Astra's information technology business and infrastructure investments performed satisfactorily.

Further Interests

Rothschilds Continuation, in which the Company holds a 21% interest, is the holding company of an independent financial services group which has some 50 offices in more than 37 countries worldwide. In a very difficult year globally for the financial services sector, Rothschild fully maintained its position as a leading M&A adviser, although volumes declined. There was, however, increasing demand for the group's debt and restructuring advisory services as the year progressed.

Tata Industries is an unlisted Indian investment company in which the Company holds a 20% shareholding. Tata Industries' largest investment is in Tata Teleservices, a primarily mobile service provider in the fast growing Indian telecom sector. In 2008, DoCoMo of Japan invested US$2.7 billion in Tata Teleservices for a 26% holding and this new capital will be largely employed in the continuing roll-out of Tata Teleservices' GSM infrastructure.

Asia Commercial Bank in Vietnam encountered a significantly tougher trading environment in 2008. Banking sector restrictions to counter inflation were imposed early in the year and these eased only when the global economic slowdown impacted Vietnam later in the year. Despite this, the bank reported 2008 pre-tax profit growth of 20% and paid a special dividend, of which the Company's 7% share was US$5 million.

Anthony Nightingale
Managing Director

6th March 2009

Financial Review

Accounting Policies

There has been no change in the accounting policies adopted by the Group during the course of 2008.

Results

Revenue increased by 20% to US$18.5 billion. Gross revenue, including 100% of revenue from Jardine Matheson, associates and joint ventures, increased by 14% to US$36.2 billion.

Summarized Cash Flow

	2008 US$m	2007 US$m
Operating cash flow of subsidiary undertakings	1,652	1,710
Dividends from Jardine Matheson	152	131
Dividends from associates and joint ventures	386	203
Operating activities	2,190	2,044
Capital expenditure and investments	(1,651)	(569)
Cash flow before financing	539	1,475

Underlying operating profit was US$1,680 million, an increase of 24%. This reflected an increase in the contribution from all major businesses in Astra, as well as higher contribution from Dairy Farm, partially offset by reduction from Mandarin Oriental due to lower occupancy caused by the economic downturn. The overall operating profit of US$1,574 million included a number of non-trading items, among which were decrease in the fair value of Astra's plantations, partially offset by gains on the disposal of Dairy Farm's 50% interest in a joint venture in Korea and a small parcel of Astra's plantations. The equivalent figure for 2007 included gains on the disposal of a 25% interest in Mandarin Oriental, New York, a 20% interest in Edaran Otomobil Nasional and part of the Group's interest in The Bank of N.T. Butterfield & Son, and increase in the fair value of Astra's plantations.

Net financing charges decreased from 2007 due to lower interest rates and lower borrowings. Interest cover, calculated as the underlying operating profit including share of results of Jardine Matheson and associates and joint ventures divided by net financing charges, was 63 times compared with 20 times in 2007.

The underlying profit contribution from Jardine Matheson decreased by 8% to US$119 million following a lower contribution from Jardine Motors, due to the deterioration in the motor vehicle market in the United Kingdom, and higher corporate overheads, partially offset by a higher contribution from Jardine Lloyd Thompson. The overall contribution was reduced due to a decrease in the fair value of Jardine Pacific's investment properties, while the 2007 results included an increase in the fair value of those properties.

The Group's share of underlying results of associates and joint ventures increased by 17% to US$497 million. This is attributable to higher contributions from Hongkong Land and Astra's joint ventures.

The underlying effective tax rate for the year at 29% was marginally lower than 2007.

Underlying basic earnings per share increased 19% to US$1.39. The growth in underlying earnings was due to increased contributions from all businesses except Jardine Matheson and Mandarin Oriental. The overall profit attributable to shareholders for the year of US$692 million included the deficit on the revaluation of investment properties in Hongkong Land, partially offset by the recognition in the profit and loss account of a negative goodwill arising on an increase in the Group's attributable interest in Hongkong Land. Overall basic earnings per share were US$1.12.

Dividends

The Board is recommending a final dividend of US¢13.10 per share, giving a total dividend of US¢19.00 per share for the year payable on 13th May 2009 to those persons registered as shareholders on 20th March 2009. The dividends are payable in cash with a scrip alternative.

Cash Flow and Funding

The cash inflow from operating activities for the year was US$2,190 million. This represented an increase on 2007 principally due to higher operating profit and higher dividends from associates and joint ventures, partially offset by an increase in the level of working capital mainly attributable to higher stocks in Astra. Capital expenditure for the year before disposals amounted to US$1,864 million. This included US$878 million for the purchase of tangible assets, mainly in Dairy Farm, Mandarin Oriental and Astra, US$156 million for the acquisition of a coal mine in Central Kalimantan, US$77 million for the acquisition of a 20% interest in a Vietnamese automotive group, and US$236 million for the acquisition of shares in Group companies.

At the year end, undrawn committed facilities exceeded US$1.2 billion. In addition, the Group had available liquid funds of over US$1.8 billion. Overall net borrowings, excluding those relating to

Astra's financial services companies, decreased by US$323 million to US$528 million, representing 4% of total equity. If the results of Hongkong Land were consolidated, the net gearing would increase to 16%. Astra's financial services companies had net borrowings of US$1.2 billion. Total equity was adversely impacted by deficits on the revaluation of investment properties in Hongkong Land and the Group's available-for-sale investments, actuarial losses on employee benefit plans, and exchange translation losses on the Group's net investments in foreign operations due to the strength of the US dollar.

The average tenor of the Group's debt at 31st December 2008 was 3.1 years compared with 3.9 years in 2007. US dollar denominated borrowings comprised 25% 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 2008 approximately 59% of the Group's borrowings, exclusive of financial services companies, were at floating rates and the remaining 41% were 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.

Asset Valuation

The Group's share of the deficit arising from the revaluation of investment properties amounted to US$257 million, which has been charged to the consolidated profit and loss account.

The fair value of the Group's available-for-sale investments was remeasured at the year end resulting in an attributable net deficit of US$276 million, which was recognized in reserves.

The Group shareholders' funds decreased by 1% to US$9.7 billion. If accounting standards did not require the Group to provide deferred tax on the revaluation surplus on leasehold investment properties in Hong Kong (where there is no capital gains tax) and allowed it to revalue hotel long-leasehold properties, the Group's shareholders' funds would be increased by 18% to US$11.4 billion.

Treasury Policy

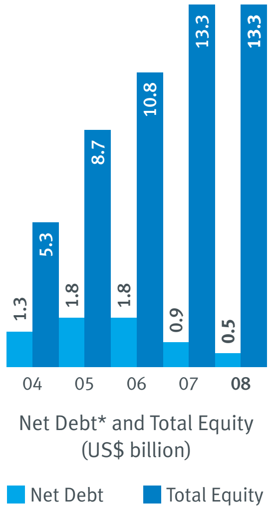
The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty about costs. The investment of the Group's cash resources is managed so as to minimize risk while seeking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

Principal Risks and Uncertainties

A review of the principal risks and uncertainties facing the Group is set out on page 90.

James Riley
Chief Financial Officer

6th March 2009



Net Debt* and Total Equity
(US$ billion)

*Excluding net debt of financial services companies

Directors' Profiles

Henry Keswick*

Chairman

Mr. Henry Keswick 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, Mandarin Oriental and Rothschilds Continuation. He is also vice chairman of the Hong Kong Association.

A.J.L. Nightingale*

Managing Director

Mr. Nightingale was appointed as Managing Director in 2006. He has served in a number of executive positions since joining the Jardine Matheson group in 1969. He is chairman of Jardine Cycle & Carriage, Jardine Matheson Limited, Jardine Motors and Jardine Pacific; and a commissioner of Astra. He is also managing director of Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental. Mr. Nightingale is chairman of the Business Facilitation Advisory Committee established by the Financial Secretary in Hong Kong, a council member of the Hong Kong Trade Development Council and the Employers' Federation of Hong Kong, a Hong Kong representative to the APEC Business Advisory Council and a member of the Greater Pearl River Delta Business Council.

Charles Allen-Jones

Mr. Allen-Jones joined the Board in May 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, a member of the Financial Reporting Review Panel 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.

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 and a member of the Political Consultative Committee of Chekiang Province of the People's Republic of China. He is also a director of Dairy Farm.

R.C. Kwok

Mr. Kwok is a Chartered Accountant and joined the Board in 1987. He joined the Jardine Matheson group in 1964 and is a director of Jardine Matheson Limited, Dairy Farm, Hongkong Land, Jardine Matheson and Mandarin Oriental.

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, Mandarin Oriental and Rothschilds Continuation.

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.

*Executive Director

Company Secretary and Registered Office

C.H. Wilken
Jardine House, 33-35 Reid Street
Hamilton
Bermuda

Consolidated Profit and Loss Account

for the year ended 31st December 2008

		2008			2007		
		Underlying business performance	Non-trading items	Total	Underlying business performance	Non-trading items	Total
	Note	US$m	US$m	US$m	US$m	US$m	US$m
Revenue	*4*	**18,455**	**–**	**18,455**	15,328	–	15,328
Net operating costs	*5*	**(16,775)**	**(106)**	**(16,881)**	(13,977)	133	(13,844)
Operating profit	*4*	**1,680**	**(106)**	**1,574**	1,351	133	1,484
Financing charges		**(123)**	**–**	**(123)**	(177)	–	(177)
Financing income		**87**	**–**	**87**	82	–	82
Net financing charges	*6*	**(36)**	**–**	**(36)**	(95)	–	(95)
Share of results of Jardine Matheson	*7*	**119**	**(3)**	**116**	130	59	189
Share of results of associates and joint ventures	*8*	**497**	**(146)**	**351**	425	1,101	1,526
Profit before tax		**2,260**	**(255)**	**2,005**	1,811	1,293	3,104
Tax	*9*	**(481)**	**28**	**(453)**	(372)	(20)	(392)
Profit after tax		**1,779**	**(227)**	**1,552**	1,439	1,273	2,712
Attributable to:							
Shareholders of the Company	*4 & 11*	**859**	**(167)**	**692**	723	1,301	2,024
Minority interests		**920**	**(60)**	**860**	716	(28)	688
		1,779	**(227)**	**1,552**	1,439	1,273	2,712
				US$			US$
Earnings per share	*10*						
– basic				**1.12**			3.28
– diluted				**1.12**			3.19

Consolidated Balance Sheet

at 31st December 2008

	Note	2008 US$m	2007 US$m
Assets			
Intangible assets	*12*	**1,865**	1,766
Tangible assets	*13*	**3,097**	2,912
Investment properties	*14*	**17**	28
Plantations	*15*	**353**	515
Investment in Jardine Matheson	*16*	**793**	962
Associates and joint ventures	*17*	**7,440**	7,514
Other investments	*18*	**562**	697
Non-current debtors	*19*	**1,032**	998
Deferred tax assets	*20*	**92**	102
Pension assets	*21*	**15**	107
Non-current assets		**15,266**	15,601
Stocks and work in progress	*22*	**1,574**	1,225
Current debtors	*19*	**1,872**	1,957
Current investments	*18*	**4**	21
Current tax assets		**76**	149
Bank balances and other liquid funds	*23*		
– non-financial services companies		**1,709**	1,423
– financial services companies		**183**	167
		1,892	1,590
		5,418	4,942
Non-current assets classified as held for sale	*24*	**65**	43
Current assets		**5,483**	4,985
Total assets		**20,749**	20,586

Approved by the Board of Directors

A.J.L. Nightingale
Lord Leach of Fairford
Directors

6th March 2009

	Note	2008 US$m	2007 US$m
Equity			
Share capital	*25*	55	54
Share premium and capital reserves	*26*	1,338	1,331
Revenue and other reserves	*27*	9,620	9,611
Own shares held	*29*	(1,308)	(1,209)
Shareholders' funds		9,705	9,787
Minority interests	*30*	3,632	3,531
Total equity		13,337	13,318
Liabilities			
Long-term borrowings	*31*		
– non-financial services companies		1,754	1,775
– financial services companies		563	616
		2,317	2,391
Deferred tax liabilities	*20*	389	508
Pension liabilities	*21*	94	66
Non-current creditors	*32*	133	63
Non-current provisions	*33*	48	34
Non-current liabilities		2,981	3,062
Current creditors	*32*	2,903	2,670
Current borrowings	*31*		
– non-financial services companies		483	499
– financial services companies		798	806
		1,281	1,305
Current tax liabilities		220	198
Current provisions	*33*	27	33
Current liabilities		4,431	4,206
Total liabilities		7,412	7,268
Total equity and liabilities		20,749	20,586

Consolidated Statement of Recognized Income and Expense

for the year ended 31st December 2008

	2008 US$m	2007 US$m
Surpluses on revaluation of intangible assets	13	–
Surpluses on revaluation of properties	16	114
(Losses)/gains on revaluation of other investments	(292)	165
Actuarial (losses)/gains on employee benefit plans	(228)	59
Net exchange translation differences	(810)	(95)
Losses on cash flow hedges	(34)	(7)
Tax on items taken directly to equity	134	(20)
Net (loss)/income recognized directly in equity	(1,201)	216
Transfer to profit and loss on disposal of other investments	3	(59)
Transfer to profit and loss on realization of exchange reserves	(2)	(4)
Transfer to profit and loss in respect of cash flow hedges	(1)	2
Profit after tax	1,552	2,712
Total recognized income and expense for the year	351	2,867
Attributable to:		
Shareholders of the Company	(45)	2,263
Minority interests	396	604
	351	2,867

Surpluses on revaluation of intangible assets represent the increase in fair value attributable to the Group's previously held interests in associates on the dates they became subsidiary undertakings.

Consolidated Cash Flow Statement

for the year ended 31st December 2008

	Note	2008 US$m	2007 US$m
Operating activities			
Operating profit		1,574	1,484
Depreciation and amortization	34 (a)	490	450
Other non-cash items	34 (b)	314	50
(Increase)/decrease in working capital	34 (c)	(279)	93
Interest received		89	75
Interest and other financing charges paid		(129)	(175)
Tax paid		(407)	(267)
		1,652	1,710
Dividends from Jardine Matheson		152	131
Dividends from associates and joint ventures		386	203
Cash flows from operating activities		2,190	2,044
Investing activities			
Purchase of subsidiary undertakings	34 (d)	(413)	(26)
Purchase of associates and joint ventures	34 (e)	(205)	(113)
Purchase of other investments	34 (f)	(204)	(80)
Purchase of land use rights		(54)	(30)
Purchase of other intangible assets		(38)	(28)
Purchase of tangible assets		(878)	(568)
Purchase of plantations		(71)	(41)
Advance of mezzanine loans		(1)	(3)
Repayment of mezzanine loans		–	12
Capital distribution from associates		23	14
Sale of subsidiary undertakings	34 (g)	(33)	–
Sale of associates and joint ventures	34 (h)	25	104
Sale of other investments	34 (i)	82	127
Sale of land use rights		9	14
Sale of tangible assets		84	43
Sale of investment properties		9	6
Sale of plantations		14	–
Cash flows from investing activities		(1,651)	(569)
Financing activities			
Capital contribution from minority shareholders		159	5
Drawdown of borrowings		3,555	3,664
Repayment of borrowings		(3,421)	(4,572)
Dividends paid by the Company		(32)	(33)
Dividends paid to minority shareholders		(363)	(256)
Cash flows from financing activities		(102)	(1,192)
Effect of exchange rate changes		(109)	(16)
Net increase in cash and cash equivalents		328	267
Cash and cash equivalents at 1st January		1,554	1,287
Cash and cash equivalents at 31st December	34 (j)	1,882	1,554

Notes to the Financial Statements

1 Principal Accounting Policies

(a) 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.

Interpretations effective in 2008 which are relevant to the Group's operations

IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' provides guidance on whether share-based payment transactions involving treasury shares or involving entities within a group should be accounted for as equity-settled or cash-settled share-based transactions in the separate financial statements of the entities.

IFRIC 12 'Service Concession Arrangements' applies to concession arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. It requires the operator of a service concession arrangement to recognize a financial asset, an intangible asset or both, depending on the contractual terms of the arrangement.

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognized as an asset under a defined benefit plan. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

The adoption of the above interpretations does not have a material impact on the Group's financial statements.

Standards, amendments and interpretations effective after 2008 which are relevant to the Group's operations but will have no material impact on the Group's accounting policies

IAS 23 'Borrowing Costs' (effective from 1st January 2009) supersedes IAS 23 (as revised in 1993) and requires the capitalization of borrowing costs relating to qualifying assets.

Amendments to IFRS 2 'Vesting Conditions and Cancellations' (effective from 1st January 2009) restrict vesting conditions to service conditions and performance conditions, and specify that a failure to meet a non-vesting condition, whether by the entity or by the counterparty, should be treated as a cancellation.

IAS 16 (Amendment) 'Property, Plant and Equipment' and the consequential amendment to IAS 7 'Statement of Cash Flows' (effective from 1st January 2009) is part of the 2008 improvement project. It specifies that entities whose ordinary activities include renting and subsequently selling the same items of property, plant and equipment should recognize revenue from both renting and selling the assets. The cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

IAS 19 (Amendment) 'Employee Benefits' (effective from 1st January 2009) is part of the 2008 improvement project. It clarifies the distinction between curtailments and negative past service costs under a defined benefit plan.

IAS 38 (Amendment) 'Intangible Assets' (effective from 1st January 2009) is part of the 2008 improvement project. It clarifies that expenditure on advertising and other promotional activities must be recognized in the period in which the entity obtains the right to access the advertising or promotional material.

Amendment to IAS 39 'Eligible Hedged Items' (effective from 1st July 2009) clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

IFRIC 15 'Agreements for the Construction of Real Estate' (effective from 1st January 2009) provides guidance in determining whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue'.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective from 1st October 2008) addresses the nature of the hedged risk and amount of the hedged item for which a hedging relationship may be designated in the consolidated financial statements of a parent entity.

IFRIC 17 'Distributions of Non-cash Assets to Owners' (effective from 1st July 2009) requires that a non-cash dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. The dividend should be measured at the fair value of the net assets to be distributed. Any difference between the dividend paid and the carrying amount of the net assets distributed should be included in profit or loss.

Standards, amendments and interpretations effective after 2008 which are relevant to the Group's operations and yet to be adopted
IFRS 3 'Business Combinations' (effective from 1st July 2009), which replaces IFRS 3 (as issued in 2004) and the related amendment to IAS 27 'Consolidated and Separate Financial Statements' (effective from 1st July 2009) provide guidance for applying the acquisition method for business combinations. The major changes from the existing standards include: the immediate expensing of all acquisition costs, the inclusion in the cost of acquisition of the fair value at acquisition date of any contingent purchase consideration, the removal of the requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating goodwill, and changes in a parent's ownership interest in a subsidiary undertaking that do not result in the loss of control should be accounted for as equity transactions. The Group will apply IFRS 3 and IAS 27 (as amended in 2008) from 1st January 2010 and will revise its accounting policy on business combinations accordingly.

IFRS 8 'Operating Segments' (effective from 1st January 2009) supersedes IAS 14 'Segment Reporting' and requires the reporting of financial and descriptive information about an entity's reportable segments on the basis of internal reports that are regularly reviewed by its management. The Group will apply IFRS 8 from 1st January 2009. There will be no change in the Group's reportable segments as they are consistent with the internal reporting provided to management.

IAS 1 'Presentation of Financial Statements' (effective from 1st January 2009) replaces IAS 1 (as revised in 2003 and amended in 2005) and sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirement for their content. The Group will apply IAS 1 from 1st January 2009.

Amendments to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' (effective from 1st January 2009) remove the definition of the cost method from IAS 27 and allow an entity to recognize a dividend from subsidiary, jointly controlled entity or associate in profit and loss in its separate financial statements when its right to receive the dividend is established. The Group will apply amendments to IFRS 1 and IAS 27 from 1st January 2009. There will be no impact on the consolidated financial statements as the changes only affect the separate financial statements of the investing entity.

IFRS 5 (Amendment) 'Non-current Assets Held for Sale and Discontinued Operations' (effective from 1st July 2009) is part of the 2008 improvement project. It specifies that if a sale plan involving loss of control of a subsidiary undertaking meets the held-for-sale criteria, the assets and liabilities of the subsidiary undertaking should be reclassified and accounted for as a disposal group in accordance with IFRS 5. The Group will apply the amendment from 1st January 2010, but it is not expected to have any significant impact on the results of the Group.

IAS 40 (Amendment) 'Investment Property' (effective from 1st January 2009) is part of the 2008 improvement project. It requires property that is being constructed or developed for future use as investment property should be classified as investment property. The Group will apply the amendment from 1st January 2009, but it is not expected to have any significant impact on the results of the Group.

IFRIC 13 'Customer Loyalty Programmes' (effective from 1st July 2008) addresses the accounting by entities that grant loyalty award credits to customers who buy goods or services. It requires that the consideration receivable from the customer is allocated between the separately identifiable components of the sale transaction using fair values. The Group will apply IFRIC 13 from 1st January 2009, but it is not expected to have any significant impact on the results of the Group.

The principal operating subsidiary undertakings, 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.

(b) Basis of consolidation
(i) The consolidated financial statements include the financial statements of the Company, its subsidiary undertakings and, on the basis set out in (ii) and (iii) below, its associates and joint ventures and its investment in Jardine Matheson. Subsidiary undertakings are entities over which the Group has the power to govern the financial and operating policies. The results of subsidiary undertakings, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.

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

(ii) Associates are entities, not being subsidiary undertakings 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.

Rothschilds Continuation has a financial year end of 31st March. The company publishes audited financial statements annually and prepares half-year unaudited financial statements. The results of Rothschilds Continuation are included in these financial statements by reference to its latest half-year and annual financial statements adjusted for the effects of significant transactions or events that occur up to the balance sheet date.

(iii) The Company has a 53% 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.

(iv) Minority interests represent the proportion of the results and net assets of subsidiary undertakings and their associates and joint ventures not attributable to the Group.

(v) The results of entities other than subsidiary undertakings, associates and joint ventures, and Jardine Matheson are included to the extent of dividends received when the right to receive such dividend is established.

(c) Foreign currencies
Transactions in foreign currencies are accounted for at the exchange rates ruling at the transaction dates.

Assets and liabilities of subsidiary undertakings, 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 subsidiary undertakings, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are taken directly to exchange reserves. On the disposal of these investments, such exchange differences are recognized in the consolidated profit and loss account as part of the profit or loss on disposal. Exchange differences on available-for-sale investments are dealt with in reserves as part of the gains and losses arising from changes in their fair value. All other exchange differences are dealt with in the consolidated profit and loss account.

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.

(d) Impairment
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. 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. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

(e) Intangible assets
(i) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking, associate or joint venture at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary undertaking, the excess of the cost of acquisition over the carrying amount of the proportion of the minority interests acquired. If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognized directly in the consolidated profit and loss account. Goodwill on acquisitions of subsidiary undertakings 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 for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

The profit or loss on disposal of subsidiary undertakings, associates and joint ventures includes 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) Land use rights are payments to third parties to acquire long-term interests in owner-occupied 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 under service concession arrangements. The fair value 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.

(f) Tangible fixed assets and depreciation

Freehold land and buildings, and the building component of owner-occupied leasehold properties are stated at valuation. Independent valuations are performed every three years on an open market basis and, in the case of the building component of leasehold properties, on the basis of depreciated replacement cost. Depreciated replacement cost is used as the most reliable basis of allocating open market value to the building component. In the intervening years the Directors review the carrying values and adjustment is made where there has been a material change. Revaluation surpluses and deficits are dealt with in asset revaluation reserves except for movements on individual properties below depreciated cost which are dealt with in the consolidated profit and loss account. Grants related to tangible fixed 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	20 – 150 years
Surface, finishes and services of hotel properties	20 – 30 years
Leasehold improvements	period of the lease
Plant and machinery	2 – 20 years
Furniture, equipment and motor vehicles	2 – 15 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.

(g) Investment properties

Investment properties are held for long-term rental yields. Properties under operating leases which are held for long-term rental yields are classified and accounted for as investment properties. 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 recorded in the consolidated profit and loss account.

(h) Plantations

Plantations principally comprise oil palm plantations and exclude the related land. Immature plantations include costs incurred for field preparation, planting, fertilizing and maintenance, borrowing costs incurred on loans used to finance the development, and an allocation of other attributable costs based on hectares planted. These costs approximate to their fair values. Plantations are considered mature three to four years after planting and once they are generating average annual fresh fruit bunches of four to six tonnes per hectare. Plantations 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 by management, less estimated point of sale costs. Changes in fair value are recorded in the consolidated profit and loss account.

(i) 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 the fair value are dealt with in reserves. On the disposal of an investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognized in reserves is included in the consolidated profit and loss account. Held-to-maturity investments are shown at amortized cost. Investments are classified under non-current assets unless their maturities are within twelve 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.

(j) 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 payment is 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 the consolidated profit and loss account 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.

(k) 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.

(l) Debtors

Consumer financing debtors and finance 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 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 in the consolidated profit and loss account.

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

(m) 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 dealt with in the consolidated profit and loss account.

(n) 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.

(o) 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, 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 the consolidated profit and loss account.

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 under non-current liabilities unless their maturities are within twelve months after the balance sheet date.

(p) Deferred tax
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.

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 subsidiary undertakings, 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.

(q) 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 the consolidated profit and loss account 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 full in the year in which they occur, outside the consolidated profit and loss account, in the consolidated statement of recognized income and expense.

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

Share-based compensation
The Group operates a number of 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. 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 the consolidated profit and loss account.

(r) 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.

(s) 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 either 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 recorded in the consolidated profit and loss account, 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 the consolidated profit and loss account 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 hedging reserves. 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 the consolidated profit and loss account and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the consolidated profit and loss account. 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 the consolidated profit and loss account. 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 the consolidated profit and loss account.

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 consolidated profit and loss account.

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 exchange reserves; the gain or loss relating to the ineffective portion is recognized immediately in the consolidated profit and loss account.

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 twelve months after the balance sheet date.

(t) 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 the consolidated profit and loss account 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.

(u) 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; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

(v) 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, subsidiary undertakings, associates or joint ventures.

(w) Dividends

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

Scrip dividends are accounted for as a bonus issue. 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.

(x) 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 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 and title has passed.

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

(iii) 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.

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

(y) Pre-operating costs

Pre-operating costs are expensed as they are incurred.

(z) Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

2 Financial Risk Management

(a) 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 minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, caps and collars, and 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 consolidated 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 2008 are disclosed in note 35.

(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.

Group companies are required to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions, entities in the Group use forward foreign exchange contracts and foreign currency options in a consistent manner to hedge firm and anticipated foreign exchange commitments. 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. Foreign currency borrowings are required to be 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.

At 31st December 2008 the Group's Indonesian rupiah functional entities had United States dollar denominated net monetary liabilities of US$165 million *(2007: US$211 million)*. At 31st December 2008, if the United States dollar had strengthened/weakened by 10% against the Indonesian rupiah with all other variables unchanged, the Group's profit after tax would have been US$12 million *(2007: US$15 million)* lower/higher, arising from foreign exchange losses/gains taken on translation. The amount attributable to the Group after minority interests would be US$2 million *(2007: US$3 million)*. 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 2008 that are denominated in a non-functional currency. 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; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

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 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 with an average tenor of two to three years. At 31st December 2008 the Group's interest rate hedge exclusive of the financial services companies was 41% *(2007: 39%)*, with an average tenor of 3 years *(2007: 2.5 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 31.

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.

At 31st December 2008, 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$1 million *(2007: US$2 million)* higher/lower, and hedging reserves would have been US$27 million *(2007: US$9 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 variation in the sensitivity analysis as a result of 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 fair value caused by interest rate movements balance out in the profit and loss account against changes in the fair value of the hedged item. 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 dealt with in reserves. 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 18.

Available-for-sale investments are unhedged. At 31st December 2008, 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$138 million *(2007: US$177 million)* higher/lower. 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 and coal. The Group's policy is generally not to hedge commodity price risk, although limited hedging is 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 companies 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. The Group considers the outlook for crude palm oil and coal prices regularly in considering the need for active financial risk management.

(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, capital adequacy ratios, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2008, over 67% *(2007: 66%)* 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. The Group normally obtains collateral 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. The Group's exposure to credit risk arising from debtors is set out in note 19 and totals US$2,904 million *(2007: US$2,955 million)*. The Group's exposure to credit risk arising from exposure to derivative financial instruments with a positive fair value is disclosed in note 19 as a component of other debtors and totals US$105 million *(2007: US$23 million)*. The Group's exposure to credit risk arising from deposits and balances with banks and financial institutions is set out in note 23 and totals US$1,821 million *(2007: US$1,524 million)*.

(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 2008, total available borrowing facilities amounted to US$5.7 billion *(2007: US$5.8 billion)* of which US$3.6 billion *(2007: US$3.7 billion)* was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totaled US$1.2 billion *(2007: US$1.6 billion)*.

An ageing analysis of the Group's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates is included in notes 31, 32 and 35.

(b) 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 business performance 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 2007 and 2008 are as follows:

	2008	2007
Gearing ratio exclusive of financial services companies (%)	**4**	6
Gearing ratio inclusive of financial services companies (%)	**13**	16
Interest cover exclusive of financial services companies (times)	**57**	18
Interest cover inclusive of financial services companies (times)	**63**	20

The decrease in gearing ratio at 31st December 2008 and the increase in interest cover for the year then ended as compared to 2007 are primarily due to strong cashflows generated by Group companies.

(c) Fair value estimation

The fair value of listed investments is based on quoted market prices. The quoted market price used for listed investments held by the Group is the current bid price. Unlisted investments have been valued by reference to the market prices of the underlying investments or by reference to the current market value of identical or similar investments.

The fair values of current debtors, bank balances and other liquid funds, current creditors and current borrowings are assumed to approximate their carrying amount 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.

The fair value of interest rate swaps and caps is calculated by reference to the present value of the estimated future cash flows, taking into account current interest rates as observed from the market. The fair value of forward foreign exchange contracts is determined using forward exchange market rates of the same remaining tenor at the balance sheet date.

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.

(a) Acquisition of subsidiary undertakings, associates and joint ventures

The initial accounting on the acquisition of subsidiary undertakings, 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, land use rights, 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.

(b) Tangible fixed assets and depreciation

Freehold land and buildings, and the building component of owner-occupied leasehold properties are valued every three years by independent valuers. In the intervening years the Group reviews the carrying values and adjustment is made where there has been a material change. In arriving at the valuation of land and buildings, assumptions and economic estimates have to be made.

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 or sold.

(c) Investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing-use basis calculated on the discounted net income allowing for reversionary potential.

In making the judgement, 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.

(d) Plantations

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

Management determines the assumptions to be used including the yield per hectare based on industry standards and historical experience, a ten-year moving average crude palm oil price as the basis for deriving the price of fresh fruit bunches, maintenance costs and the appropriate capitalization rates. These assumptions are reviewed by independent professionally qualified valuers.

(e) 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 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 2008 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 the consolidated profit and loss account in the future.

In determining when an investment is other-than-temporarily 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.

(f) 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.

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.

As required by International Financial Reporting Standards, provision for deferred tax is made on the revaluation of investment properties held under operating leases on the basis that their values would be recovered through use rather than through sale.

(g) 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 liability.

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

(h) 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.

4 Segmental Information

Jardine Strategic has six principal businesses as more fully described on page 4. Accordingly its primary segment reporting format is by business segments and its secondary segment information is reported geographically. Geographic segments are based on the location of the operations, except revenue which is based on the location of customers.

	Gross revenue		Revenue		Operating profit		Underlying profit attributable to shareholders		Capital expenditure		Segment assets		Segment liabilities	
	2008 US$m	2007 US$m	2008 US$m	2007 US$m	2008 US$m	2007 US$m	2008 US$m	2007 US$m	2008 US$m	2007 US$m	2008 US$m	2007 US$m	2008 US$m	2007 US$m
By business:														
Jardine Matheson	7,068	7,094	–	–	–	–	119	130	–	–	–	–	–	–
Hongkong Land	1,022	933	–	–	–	–	179	163	–	–	–	–	–	–
Dairy Farm	7,742	6,810	6,733	5,887	387	276	250	201	256	239	2,114	1,969	(1,605)	(1,490)
Mandarin Oriental	899	905	530	529	82	133	52	59	73	58	1,287	1,447	(112)	(109)
Jardine Cycle & Carriage	1,834	1,754	1,218	1,239	56	38	29	27	9	5	288	354	(126)	(137)
Astra														
– automotive	10,512	8,020	5,390	4,198	291	237	130	90	143	110	1,199	1,250	(418)	(387)
– financial services	1,456	1,330	833	798	183	173	48	48	31	32	2,005	2,071	(1,661)	(1,732)
– agribusiness	836	651	836	651	219	352	69	55	129	86	757	897	(73)	(69)
– heavy equipment	2,968	2,075	2,860	1,982	405	260	52	31	607	195	1,913	1,379	(533)	(340)
– other	254	238	109	80	9	11	(6)	(2)	155	8	202	78	(36)	(22)
– intersegment transactions/ balances	(54)	(36)	(54)	(36)	1	1	–	–	–	–	(14)	(20)	14	20
	15,972	12,278	9,974	7,673	1,108	1,034	293	222	1,065	431	6,062	5,655	(2,707)	(2,530)
– goodwill	–	–	–	–	–	–	–	–	72	16	294	271	–	–
	15,972	12,278	9,974	7,673	1,108	1,034	293	222	1,137	447	6,356	5,926	(2,707)	(2,530)
	34,537	29,774	18,455	15,328	1,633	1,481	922	802	1,475	749	10,045	9,696	(4,550)	(4,266)
Corporate and other interests	2,106	2,233	–	–	(59)	4	(63)	(79)	–	–	39	31	(27)	(38)
Intersegment transactions/ balances	(487)	(391)	–	–	–	(1)	–	–	–	–	(17)	(22)	10	16
	36,156	31,616	18,455	15,328	1,574	1,484	859	723	1,475	749	10,067	9,705	(4,567)	(4,288)
By geographical location:														
Greater China	8,829	7,915	3,712	3,281	241	196	446	349	95	100	1,429	1,442	(883)	(738)
Southeast Asia	22,642	18,330	14,456	11,751	1,365	1,209	427	371	1,338	623	7,941	7,437	(3,605)	(3,422)
United Kingdom	2,386	2,788	80	87	23	23	17	31	10	2	267	400	(12)	(18)
Rest of the world	680	741	207	209	4	53	32	51	32	24	408	417	(50)	(88)
	34,537	29,774	18,455	15,328	1,633	1,481	922	802	1,475	749	10,045	9,696	(4,550)	(4,266)
Corporate and other interests	2,106	2,233	–	–	(59)	4	(63)	(79)	–	–	39	31	(27)	(38)
Intersegment transactions/ balances	(487)	(391)	–	–	–	(1)	–	–	–	–	(17)	(22)	10	16
	36,156	31,616	18,455	15,328	1,574	1,484	859	723	1,475	749	10,067	9,705	(4,567)	(4,288)

	2008 US$m	2007 US$m
Operating profit	1,574	1,484
Results of Jardine Matheson	116	189
Results of Hongkong Land	25	1,342
Results of other associates and joint ventures	326	184
Net financing charges and tax	(489)	(487)
Profit after tax	1,552	2,712

	Segment assets 2008 US$m	Segment assets 2007 US$m	Segment liabilities 2008 US$m	Segment liabilities 2007 US$m
Segment assets and liabilities	10,067	9,705	(4,567)	(4,288)
Investment in Jardine Matheson	801	970	–	–
Investment in Hongkong Land	5,578	5,595	–	–
Investment in other associates and joint ventures	1,867	1,931	–	–
Unallocated assets and liabilities	2,449	2,398	(2,845)	(2,980)
Unrealized profit on intercompany transactions	(13)	(13)	–	–
Total assets and liabilities	20,749	20,586	(7,412)	(7,268)

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

Revenue consists primarily of the sale of goods. Rental income from investment properties amounted to US$1 million *(2007: US$2 million)*.

Capital expenditure comprises additions of intangible assets, tangible assets, investment properties and plantations, including those arising from acquisitions of subsidiary undertakings.

Greater China includes Hong Kong, Macau, mainland China and Taiwan.

Unallocated assets and liabilities comprise other investments, tax assets and liabilities, and cash and cash equivalents and borrowings of non-financial services companies.

5 Net Operating Costs

	2008 US$m	2007 US$m
Cost of sales	**(13,828)**	(11,411)
Other operating income	**198**	289
Selling and distribution costs	**(2,078)**	(1,835)
Administration expenses	**(943)**	(843)
Other operating expenses	**(230)**	(44)
	(16,881)	(13,844)
The following credits/(charges) are included in net operating costs:		
Cost of stocks recognized as expense	**(12,545)**	(10,257)
Depreciation of tangible assets	**(457)**	(428)
Amortization of intangible assets	**(33)**	(22)
Impairment of intangible assets	**(9)**	–
Impairment of tangible assets	**(3)**	(2)
Impairment of debtors	**(107)**	(68)
Operating expenses arising from investment properties	**(1)**	(1)
Employee benefit expense		
– salaries and benefits in kind	**(1,298)**	(1,173)
– share options granted	**(6)**	(4)
– defined benefit pension plans *(refer note 21)*	**(23)**	(23)
– defined contribution pension plans	**(36)**	(34)
	(1,363)	(1,234)
Net foreign exchange losses	**(31)**	(19)
Operating leases		
– minimum lease payments	**(555)**	(487)
– contingent rents	**(11)**	(10)
– subleases	**32**	28
	(534)	(469)
Interest income from mezzanine loans	**–**	2
Dividend and interest income from available-for-sale investments	**24**	16
Dividend and interest income from held-to-maturity investments	**2**	1
Rental income	**15**	9
Net operating costs included the following gains/(losses) from non-trading items:		
Increase in fair value of investment properties	**2**	1
(Decrease)/increase in fair value of plantations	**(162)**	35
Sale and closure of businesses	**14**	17
Sale of plantations and related assets	**34**	–
Sale of investments	**1**	70
Sale of property interests	**2**	–
Change in attributable interests in subsidiary undertakings	**–**	2
Restructuring of businesses	**2**	(7)
Realization of exchange gains*	**1**	8
Discount on acquisition of businesses	**–**	3
Other	**–**	4
	(106)	133

*Arising on repatriation of capital from foreign subsidiary undertakings.

6 Net Financing Charges

	2008 US$m	2007 US$m
Interest expense		
– bank loans and advances	(88)	(111)
– other	(30)	(56)
	(118)	(167)
Fair value gain on fair value hedges	12	15
Fair value adjustment on hedged items attributable to the hedged risk	(12)	(15)
	–	–
Commitment and other fees	(5)	(10)
Financing charges	(123)	(177)
Financing income	87	82
	(36)	(95)

7 Share of Results of Jardine Matheson

	2008 US$m	2007 US$m
By business:		
Jardine Pacific	60	114
Jardine Motors	21	42
Jardine Lloyd Thompson	20	24
Corporate and other interests	15	17
Intersegment transactions	–	(8)
	116	189
Share of results of Jardine Matheson included the following gains/(losses) from non-trading items:		
(Decrease)/increase in fair value of investment properties	(5)	38
Revaluation of property interests	(2)	–
Sale and closure of businesses	2	5
Sale of property interests	2	1
Restructuring of businesses	(1)	7
Realization of exchange gains*	–	4
Value added tax recovery in Jardine Motors	1	5
Other	–	(1)
	(3)	59

Results are shown after tax and minority interests in Jardine Matheson.

*Arising on repatriation of capital from a foreign subsidiary undertaking.

8 Share of Results of Associates and Joint Ventures

	2008 US$m	2007 US$m
By business:		
Hongkong Land	25	1,342
Dairy Farm	30	30
Mandarin Oriental	11	23
Jardine Cycle & Carriage	6	9
Astra	264	116
Corporate and other interests	15	6
	351	1,526
Share of results of associates and joint ventures included the following gains/(losses) from non-trading items:		
(Decrease)/increase in fair value of investment properties	(253)	1,173
Asset impairment	(5)	(70)
Sale and closure of businesses	2	(10)
Sale of investments	3	2
Sale of property interests	–	4
Change in attributable interests in associates	101	2
Deferred tax on franchise rights*	6	–
	(146)	1,101

Results are shown after tax and minority interests in the associates and joint ventures.

*Arising on change in tax rate on deferred tax relating to the valuation of franchise rights on acquisition of Astra.

9 Tax

	2008 US$m	2007 US$m
Current tax	(528)	(382)
Deferred tax	75	(10)
	(453)	(392)
Greater China	(41)	(29)
Southeast Asia	(405)	(339)
United Kingdom	(9)	(5)
Rest of the world	2	(19)
	(453)	(392)
Reconciliation between tax expense and tax at the applicable tax rate:		
Tax at applicable tax rate	(418)	(359)
Income not subject to tax	31	15
Expenses not deductible for tax purposes	(46)	(36)
Tax losses and temporary differences not recognized	(9)	(11)
Utilization of previously unrecognized tax losses and temporary differences	1	7
Recognition of previously unrecognized tax losses and temporary differences	(3)	2
Deferred tax assets written off	(1)	–
Deferred tax liabilities written back	2	–
Over provision in prior years	–	2
Withholding tax	(21)	(15)
Change in tax rates	13	1
Other	(2)	2
	(453)	(392)

The applicable tax rate for the year was 27.2% *(2007: 25.9%)* and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The increase in the applicable tax rate is caused by a change in the profitability of the Group's subsidiary undertakings in the respective territories.

Share of tax of Jardine Matheson of US$12 million *(2007: US$34 million)* and of associates and joint ventures of US$55 million *(2007: US$307 million)* are included in share of results of Jardine Matheson and share of results of associates and joint ventures respectively.

10 Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US$692 million *(2007: US$2,024 million)* and on the weighted average number of 618 million *(2007: 618 million)* shares in issue during the year *(refer note 1(v))*.

Diluted earnings per share are calculated on profit attributable to shareholders of US$691 million *(2007: US$1,973 million)*, which is after adjusting for the effects of the conversion of dilutive potential ordinary shares of Jardine Matheson, subsidiary undertakings, associates or joint ventures *(refer note 1(v))*.

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

	Ordinary shares in millions	
	2008	2007
Weighted average number of shares in issue	**1,087**	1,077
Company's share of shares held by Jardine Matheson	**(469)**	(459)
Weighted average number of shares for earnings per share calculation	**618**	618

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:

		2008			2007	
		Basic earnings per share	Diluted earnings per share		Basic earnings per share	Diluted earnings per share
	US$m	US$	US$	US$m	US$	US$
Profit attributable to shareholders	**692**	**1.12**	**1.12**	2,024	3.28	3.19
Non-trading items *(refer note 11)*	**167**			(1,301)		
Underlying profit attributable to shareholders	**859**	**1.39**	**1.39**	723	1.17	1.17

11 Non-trading Items

An analysis of non-trading items after interest, tax and minority interests is set out below:

	2008 US$m	2007 US$m
(Decrease)/increase in fair value of investment properties		
– Hongkong Land	(253)	1,173
– Jardine Matheson	(5)	38
– other	1	–
	(257)	1,211
(Decrease)/increase in fair value of plantations	(32)	6
Asset impairment		
– Mandarin Oriental, Kuala Lumpur	–	4
– motorcycle franchise rights	–	(24)
– other	(3)	–
	(3)	(20)
Revaluation of property interests	(2)	–
Sale and closure of businesses		
– 50% interest in Olive Young	9	–
– 25% interest in Mandarin Oriental, New York	–	12
– other	4	(7)
	13	5
Sale of plantations and related assets	6	–
Sale of investments	4	71
Sale of property interests	2	5
Change in attributable interests in subsidiary undertakings and associates	96	3
Restructuring of businesses		
– SIACI in Jardine Lloyd Thompson	–	10
– other	1	(5)
	1	5
Realization of exchange gains*	1	10
Discount on acquisition of businesses	–	1
Value added tax recovery in Jardine Motors	1	5
Deferred tax on franchise rights†	3	–
Other	–	(1)
	(167)	1,301

*Arising on repatriation of capital from a foreign subsidiary undertaking and from a foreign subsidiary undertaking in Jardine Matheson.

†Arising on change in tax rate on deferred tax relating to the valuation of franchise rights on acquisition of Astra.

12 Intangible Assets

	Goodwill US$m	Franchise rights US$m	Land use rights US$m	Concession rights US$m	Other US$m	Total US$m
2008						
Cost	700	224	860	–	44	**1,828**
Amortization and impairment	(1)	–	(55)	–	(6)	**(62)**
Net book value at 1st January	699	224	805	–	38	**1,766**
Exchange differences	(46)	(31)	(55)	(13)	(6)	**(151)**
New subsidiary undertakings	11	–	–	119	5	**135**
Additions	81	–	53	2	39	**175**
Disposals	(1)	–	(3)	–	–	**(4)**
Transfer from investment properties	–	–	2	–	–	**2**
Amortization	–	–	(18)	(1)	(14)	**(33)**
Impairment charge	(1)	–	(5)	–	(3)	**(9)**
Classified as non-current assets held for sale	–	–	(16)	–	–	**(16)**
Net book value at 31st December	**743**	**193**	**763**	**107**	**59**	**1,865**
Cost	744	193	834	108	79	**1,958**
Amortization and impairment	(1)	–	(71)	(1)	(20)	**(93)**
	743	**193**	**763**	**107**	**59**	**1,865**
2007						
Cost	683	234	853	–	16	1,786
Amortization and impairment	(1)	–	(39)	–	(1)	(41)
Net book value at 1st January	682	234	814	–	15	1,745
Exchange differences	(7)	(10)	(16)	–	–	(33)
New subsidiary undertakings	7	–	2	–	–	9
Additions	17	–	30	–	28	75
Disposals	–	–	(4)	–	–	(4)
Transfer to investment properties	–	–	(1)	–	–	(1)
Amortization	–	–	(17)	–	(5)	(22)
Classified as non-current assets held for sale	–	–	(3)	–	–	(3)
Net book value at 31st December	699	224	805	–	38	1,766
Cost	700	224	860	–	44	1,828
Amortization and impairment	(1)	–	(55)	–	(6)	(62)
	699	224	805	–	38	1,766

12 Intangible Assets *(continued)*

	2008 US$m	2007 US$m
Goodwill allocation by business:		
Dairy Farm	**403**	399
Mandarin Oriental	**24**	23
Astra	**316**	277
	743	699

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

Additions of goodwill relate to increase in attributable interests in subsidiary undertakings.

Goodwill relating to Dairy Farm is allocated to groups of cash-generating units identified by business or geographical segments. 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 22% and 49% and growth rates of up to 6% to extrapolate cash flows, which vary across the group's business segments and geographical locations, over a five-year period, and are based on management expectations for the market development, and pre-tax discount rates of between 8% and 23% 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 its geographical segment, which consists of a group of cash generating units and represents the lowest level management monitors the goodwill. Accordingly, for the purpose of impairment review, the carrying value of Astra is compared with the recoverable amount of the business determined by reference to value-in-use calculations. These calculations use pre-tax cash flow projections based on budgets covering a four-year period. Cash flows beyond the four-year period are extrapolated using a growth rate of 3%. A pre-tax discount rate of 24%, reflecting business specific risks, is applied to the cash flow projections. On the basis of this review and the continued expected level of profitability, management concluded that no impairment is required.

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 comprised automotive of US$70 million and heavy equipment of US$123 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 2008 and has concluded that no impairment is required. 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 four-year period. Cash flows beyond the four-year period are extrapolated using growth rates of between 3% and 4%. Pre-tax discount rates of between 30% and 32%, reflecting business specific risks, are applied to the cash flow projections.

At 31st December 2008, the carrying amount of land use rights pledged as security for borrowings amounted to US$188 million *(2007: US$186 million) (refer note 31)*.

The amortization charges are included in net operating costs in the consolidated profit and loss account.

13 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
2008							
Cost or valuation	621	1,017	492	47	1,231	1,003	**4,411**
Depreciation and impairment	(16)	(158)	(289)	(13)	(516)	(507)	**(1,499)**
Net book value at 1st January	605	859	203	34	715	496	**2,912**
Exchange differences	(110)	(78)	(3)	(27)	(86)	(49)	**(353)**
New subsidiary undertakings	–	2	–	216	1	7	**226**
Additions	16	186	86	–	335	244	**867**
Disposals	–	(10)	(2)	–	(41)	(32)	**(85)**
Depreciation charge	(4)	(53)	(53)	(13)	(195)	(139)	**(457)**
Impairment charge	–	–	(2)	–	–	(1)	**(3)**
Net revaluation surplus	(44)	56	–	–	–	–	**12**
Classified as non-current assets held for sale	(2)	(20)	–	–	–	–	**(22)**
Net book value at 31st December	**461**	**942**	**229**	**210**	**729**	**526**	**3,097**
Cost or valuation	481	1,132	545	232	1,308	1,111	**4,809**
Depreciation and impairment	(20)	(190)	(316)	(22)	(579)	(585)	**(1,712)**
	461	**942**	**229**	**210**	**729**	**526**	**3,097**
2007							
Cost or valuation	553	931	440	–	1,088	892	3,904
Depreciation and impairment	(13)	(114)	(259)	–	(388)	(433)	(1,207)
Net book value at 1st January	540	817	181	–	700	459	2,697
Exchange differences	12	(2)	4	(1)	(16)	(5)	(8)
New subsidiary undertakings	–	1	–	–	–	–	1
Additions	17	71	65	48	223	199	623
Disposals	–	(3)	(3)	–	(12)	(17)	(35)
Depreciation charge	(4)	(49)	(44)	(13)	(180)	(138)	(428)
Impairment charge	–	–	–	–	–	(2)	(2)
Net revaluation surplus	71	25	–	–	–	–	96
Classified as non-current assets held for sale	(31)	(1)	–	–	–	–	(32)
Net book value at 31st December	605	859	203	34	715	496	2,912
Cost or valuation	621	1,017	492	47	1,231	1,003	4,411
Depreciation and impairment	(16)	(158)	(289)	(13)	(516)	(507)	(1,499)
	605	859	203	34	715	496	2,912

13 Tangible Assets *(continued)*

The Group's freehold properties and the building component of leasehold properties were revalued at 31st December 2008 by independent professionally qualified valuers. Deficits on individual properties below depreciated cost of US$3 million *(2007: US$4 million)* have been charged to the consolidated profit and loss account, and a net surplus of US$15 million *(2007: US$100 million)* has been taken directly to asset revaluation reserves. The amounts attributable to the Group are deficits of US$1 million and US$15 million respectively.

Freehold properties include a hotel property of US$126 million *(2007: US$148 million)*, which is stated net of a grant of US$29 million *(2007: US$30 million)*.

Net book value of plant and machinery acquired under finance leases amounted to US$75 million *(2007: US$153 million)*.

At 31st December 2008, the carrying amount of tangible assets pledged as security for borrowings amounted to US$1,058 million *(2007: US$1,330 million) (refer note 31)*.

If the freehold properties and the building component of leasehold properties had been included in the financial statements at cost less depreciation, the carrying value would have been US$1,100 million *(2007: US$1,112 million)*.

14 Investment Properties

	Freehold properties US$m	Leasehold properties US$m	Total US$m
2008			
At 1st January	–	28	**28**
Exchange differences	–	(3)	**(3)**
Disposals	–	(6)	**(6)**
Transfer to land use rights	–	(2)	**(2)**
At 31st December	**–**	**17**	**17**
2007			
At 1st January	4	29	33
Exchange differences	–	(1)	(1)
Disposals	–	(2)	(2)
Transfer from land use rights	–	1	1
Net revaluation surplus	–	1	1
Classified as non-current assets held for sale	(4)	–	(4)
At 31st December	–	28	28

At 31st December 2008, the carrying amount of investment properties pledged as security for borrowings amounted to US$14 million *(2007: US$12 million) (refer note 31)*.

15 Plantations

The Group's plantation assets are primarily for the production of palm oil which, after refining, is sold as crude palm oil.

	2008 US$m	2007 US$m
Movement in fair value of plantations for the year:		
At 1st January	**515**	460
Exchange differences	**(61)**	(21)
Additions	**71**	41
Disposals	**(10)**	–
Net (decrease)/increase in fair value	**(162)**	35
At 31st December	**353**	515
Immature plantations	**66**	67
Mature plantations	**287**	448
	353	515

During the year, 3 million *(2007: 3 million)* tonnes of produce were harvested from the plantations with a fair value at the point of harvest less point of sale costs of US$467 million *(2007: US$407 million)*.

The major assumptions used in the valuation of the 191,698 *(2007: 179,489)* hectares of plantation at 31st December are as follows:

	2008	2007
Fresh fruit bunch price per tonne (US$)	**81 – 91**	81 – 93
Fresh fruit bunch price inflation (%)	**3**	3
Annual cost inflation (%)	**8**	8
Discount rate (%)	**15**	15

16 Investment in Jardine Matheson

	2008 US$m	2007 US$m
Share of attributable net assets including own shares held	1,823	1,903
Own shares held *(refer note 29)*	(1,308)	(1,209)
	515	694
Unrealized profit on intercompany transactions	(8)	(8)
Share of attributable net assets	507	686
Goodwill on acquisition	286	276
	793	962
Fair value	6,151	9,139
Movements of share of attributable net assets for the year:		
At 1st January	686	679
Revaluation of properties		
– net revaluation surplus	4	–
Revaluation of other investments		
– fair value (loss)/gain	(2)	2
Employee benefit plans		
– actuarial (loss)/gain	(88)	31
– deferred tax	16	(8)
Net exchange translation differences		
– amount arising in year	(36)	9
– transfer to profit and loss	–	(2)
Cash flow hedges		
– fair value loss	(22)	(1)
– deferred tax	5	–
Share of results after tax and minority interests	116	189
Share of dividends of the Company *(refer note 28)*	86	79
Dividends received	(228)	(197)
Share of employee share options granted	3	3
Change in attributable interests	76	66
Transfer to goodwill	(10)	(9)
Change in own shares held	(99)	(155)
At 31st December	507	686
Movements of goodwill on acquisition for the year:		
Net book value at 1st January	276	267
Additions	10	9
Net book value at 31st December	286	276

17 Associates and Joint Ventures

	2008 US$m	2007 US$m
Listed associates		
– Hongkong Land	5,523	5,543
– The Oriental Hotel (Thailand)	57	76
– other	36	35
	5,616	5,654
Unlisted associates	539	584
	6,155	6,238
Listed joint venture – Bank Permata	219	228
Unlisted joint ventures	918	938
	1,137	1,166
Share of attributable net assets	7,292	7,404
Unrealized profit on intercompany transactions	(5)	(5)
Goodwill on acquisition	153	115
	7,440	7,514
By business:		
Hongkong Land	5,578	5,595
Dairy Farm	130	121
Mandarin Oriental	154	208
Jardine Cycle & Carriage	108	35
Astra	1,245	1,305
Corporate and other interests	230	255
Unrealized profit on intercompany transactions	(5)	(5)
	7,440	7,514
Fair value of listed associates	2,845	5,492
Fair value of listed joint venture	154	326

17 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:

	2008 US$m	2007 US$m
Associates		
Total assets	12,515	12,758
Total liabilities	(6,247)	(6,390)
Total equity	6,268	6,368
Attributable to minority interests	(113)	(130)
Attributable net assets	6,155	6,238
Revenue	2,411	2,104
Profit after tax	–	1,436
Capital commitments	520	901
Contingent liabilities	23	35
Joint ventures		
Non-current assets	1,130	1,113
Current assets	2,806	2,524
Non-current liabilities	(371)	(353)
Current liabilities	(2,425)	(2,115)
Total equity	1,140	1,169
Attributable to minority interests	(3)	(3)
Attributable net assets	1,137	1,166
Revenue	3,931	2,942
Profit after tax	252	105
Capital commitments	68	78
Contingent liabilities	316	30

17 Associates and Joint Ventures *(continued)*

	2008 US$m	2007 US$m
Movements of share of attributable net assets for the year:		
At 1st January	7,404	6,032
Revaluation of intangible assets		
– deferred tax	16	–
Revaluation of properties		
– net revaluation (deficit)/surplus	(2)	14
– deferred tax	10	(8)
Revaluation of other investments		
– fair value loss	(42)	(15)
– deferred tax	–	7
– transfer to profit and loss on disposals	(3)	(1)
Employee benefit plans		
– actuarial (loss)/gain	(23)	6
– deferred tax	3	1
Net exchange translation differences		
– amount arising in year	(176)	1
Cash flow hedges		
– fair value gain	1	2
– transfer to profit and loss	(2)	2
Share of results after tax and minority interests	352	1,526
Change in attributable interests recognized in profit and loss	(101)	(2)
Dividends received	(386)	(203)
Reclassification as subsidiary undertakings	(25)	–
Acquisitions and change in attributable interest	293	101
Disposals	(27)	(51)
Classified as non-current assets held for sale	–	(7)
Other	–	(1)
At 31st December	7,292	7,404
Movements of goodwill on acquisition for the year:		
Net book value at 1st January	115	105
Net exchange translation differences	(9)	(1)
Additions	48	15
Disposals	–	(4)
Change in attributable interests recognized in profit and loss	(1)	–
Net book value at 31st December	153	115

18 Other Investments

	2008 US$m	2007 US$m
Available-for-sale financial assets		
Listed securities		
– Asia Commercial Bank	74	197
– Schindler Holdings	50	72
– The Bank of N.T. Butterfield & Son	39	62
– other	151	97
	314	428
Unlisted securities	238	280
	552	708
Held-to-maturity financial assets		
Listed securities	14	10
	566	718
Non-current	562	697
Current	4	21
	566	718
Fair value of held-to-maturity financial assets	14	10
Analysis by geographical area of operation:		
Greater China	9	12
Southeast Asia	430	571
Rest of the world	127	135
	566	718
Movements for the year:		
At 1st January	718	570
Exchange differences	(24)	(3)
Additions	204	88
Disposals and capital repayments	(84)	(115)
Net revaluation (deficit)/surplus	(248)	178
At 31st December	566	718

19 Debtors

	2008 US$m	2007 US$m
Consumer financing debtors		
– gross	1,440	1,659
– provision for impairment	(109)	(95)
	1,331	1,564
Financing lease receivables		
– net investment	319	176
– provision for impairment	(9)	(4)
	310	172
Trade debtors		
– third parties	658	678
– associates and joint ventures	35	38
	693	716
– provision for impairment	(17)	(33)
	676	683
Other debtors		
– third parties	574	514
– Jardine Matheson	1	2
– associates and joint ventures	14	23
	589	539
– provision for impairment	(2)	(3)
	587	536
	2,904	2,955
Non-current	1,032	998
Current	1,872	1,957
	2,904	2,955
Analysis by geographical area of operation:		
Greater China	128	107
Southeast Asia	2,701	2,774
United Kingdom	9	12
Rest of the world	66	62
	2,904	2,955
Fair value:		
Consumer financing debtors	1,268	1,496
Financing lease receivables	290	161
Trade debtors	676	683
Other debtors	558	529
	2,792	2,869

19 Debtors *(continued)*

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 grading systems. 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 period ranges from 12 to 36 months for both 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 an assessment with reference to historical loss experience and when there is an objective evidence that the outstanding amounts will probably not be collected. Assets are repossessed if monthly instalments 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.

Financing lease receivables

An analysis of financing lease receivables is set out below:

	2008 US$m	2007 US$m
Lease receivables	**369**	207
Guaranteed residual value	**93**	57
Security deposits	**(93)**	(57)
Gross investment	**369**	207
Unearned lease income	**(50)**	(31)
Net investment	**319**	176

The due dates of investment in financing leases at 31st December are as follows:

	2008		2007	
	Gross investment US$m	Net investment US$m	Gross investment US$m	Net investment US$m
Within one year	**194**	**161**	103	83
Between one and two years	**121**	**107**	73	65
Between two and five years	**51**	**48**	31	28
Beyond five years	**3**	**3**	–	–
	369	**319**	207	176

19 Debtors *(continued)*

Trade debtors

The average credit period on sale of goods and services varies among Group businesses and is not more than 60 days. Before accepting any new customer, 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 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 2008, trade debtors of US$59 million *(2007: US$34 million)* were impaired. The amount of the provision was US$17 million *(2007: US$33 million)*. It was assessed that a portion of the debtors is expected to be recovered. The ageing analysis of these trade debtors is as follows:

	2008 US$m	2007 US$m
Below 30 days	**36**	–
Between 31 and 90 days	**5**	1
Over 90 days	**18**	33
	59	34

At 31st December 2008, trade debtors of US$174 million *(2007: US$232 million)* were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2008 US$m	2007 US$m
Below 30 days	**107**	160
Between 31 and 60 days	**25**	44
Between 61 and 90 days	**12**	16
Over 90 days	**30**	12
	174	232

The risk of trade debtors that are neither past due nor impaired at 31st December 2008 becoming impaired is low as most of the balances have been settled subsequent to the year end.

19 Debtors *(continued)*

Other debtors

Other debtors are further analyzed as follows:

	2008 US$m	2007 US$m
Prepayments	183	187
Rental and other deposits	104	102
Mezzanine loans	5	4
Derivative financial instruments	105	23
Restricted bank balances and deposits *(refer note 23)*	8	6
Loans to employees	20	23
Amount due from Jardine Matheson	1	2
Other amounts due from associates and joint ventures	13	21
Repossessed assets of finance companies	6	21
Reinsurers' share of estimated losses on insurance contracts	16	20
Other	126	127
	587	536

Movements on the provision for impairment are as follows:

	Consumer financing debtors		Financing lease receivables		Trade debtors		Other debtors	
	2008 US$m	2007 US$m	2008 US$m	2007 US$m	2008 US$m	2007 US$m	2008 US$m	2007 US$m
At 1st January	(95)	(97)	(4)	(1)	(33)	(65)	(3)	(3)
Exchange differences	17	4	1	–	2	1	1	–
Subsidiary undertakings disposed of	–	–	–	–	1	–	–	–
Additional provisions	(93)	(88)	(6)	(3)	(8)	(4)	–	–
Unused amounts reversed	–	13	–	–	–	14	–	–
Amounts written off	62	73	–	–	21	21	–	–
At 31st December	(109)	(95)	(9)	(4)	(17)	(33)	(2)	(3)

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 subsidiary undertakings and guarantee deposits to third parties.

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$6 million *(2007: US$21 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.

The fair values are estimated using the expected future receipts discounted at market rates ranging from 10% to 36% *(2007: 13% to 34%)* per annum.

At 31st December 2008, the carrying amount of consumer financing debtors, financing lease receivables and trade debtors pledged as security for borrowings amounted to US$635 million, US$187 million and US$9 million *(2007: US$618 million, US$98 million and US$5 million)* respectively *(refer note 31)*.

20 Deferred Tax Assets/(Liabilities)

	Accelerated tax depreciation US$m	Asset revaluation US$m	Losses US$m	Pension plans US$m	Provisions and other temporary differences US$m	Total US$m
2008						
At 1st January	(78)	(432)	15	1	88	**(406)**
Exchange differences	2	53	5	(4)	(16)	**40**
New subsidiary undertakings	–	(80)	5	–	–	**(75)**
Subsidiary undertakings disposed of	(4)	–	–	–	–	**(4)**
Credited to consolidated profit and loss account	–	75	(8)	3	5	**75**
Credited to equity	–	64	–	23	–	**87**
Transfer to current tax assets	–	–	–	–	(14)	**(14)**
At 31st December	**(80)**	**(320)**	**17**	**23**	**63**	**(297)**
Deferred tax assets	4	(4)	14	15	63	**92**
Deferred tax liabilities	(84)	(316)	3	8	–	**(389)**
	(80)	**(320)**	**17**	**23**	**63**	**(297)**
2007						
At 1st January	(71)	(427)	14	1	93	(390)
Exchange differences	(1)	12	–	–	(3)	8
Charged to consolidated profit and loss account	(6)	(8)	1	3	(1)	(11)
Charged to equity	–	(10)	–	(3)	(1)	(14)
Classified as non-current assets held for sale	–	1	–	–	–	1
At 31st December	(78)	(432)	15	1	88	(406)
Deferred tax assets	3	(3)	14	9	79	102
Deferred tax liabilities	(81)	(429)	1	(8)	9	(508)
	(78)	(432)	15	1	88	(406)

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$49 million *(2007: US$49 million)* arising from unused tax losses of US$217 million *(2007: US$201 million)* have not been recognized in the financial statements. Included in the unused tax losses, US$129 million have no expiry date and the balance will expire at various dates up to and including 2018.

Deferred tax liabilities of US$132 million *(2007: US$107 million)* on temporary differences associated with investments in subsidiary undertakings of US$1,323 million *(2007: US$1,067 million)* have not been recognized as there is no current intention of remitting the retained earnings to the holding companies.

21 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:

	2008 Weighted average %	2007 Weighted average %
Discount rate applied to pension obligations	**8.6**	7.1
Expected return on plan assets	**8.1**	7.7
Future salary increases	**7.1**	6.2

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 6.5% to 11% per annum and global bonds of 3.5% to 11% 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:

	2008 US$m	2007 US$m
Fair value of plan assets	**221**	328
Present value of funded obligations	**(224)**	(243)
	(3)	85
Present value of unfunded obligations	**(89)**	(63)
Unrecognized past service cost	**13**	19
Net pension (liabilities)/assets	**(79)**	41
Analysis of net pension (liabilities)/assets:		
Pension assets	**15**	107
Pension liabilities	**(94)**	(66)
	(79)	41

21 Pension Plans *(continued)*

	2008 US$m	2007 US$m
Movements in the fair value of plan assets:		
At 1st January	**328**	285
Exchange differences	**(7)**	(3)
New subsidiary undertakings	**1**	–
Subsidiary undertakings disposed of	**(1)**	–
Expected return on plan assets	**25**	22
Actuarial (losses)/gains	**(113)**	24
Contributions from sponsoring companies	**5**	13
Contributions from plan members	**2**	2
Benefits paid	**(18)**	(15)
Transfer to other plans	**(1)**	–
At 31st December	**221**	328
Movements in the present value of obligations:		
At 1st January	**(306)**	(281)
Exchange differences	**22**	6
New subsidiary undertakings	**(1)**	(1)
Subsidiary undertakings disposed of	**2**	–
Current service cost	**(24)**	(24)
Interest cost	**(22)**	(19)
Past services cost	**(2)**	(2)
Contributions from plan members	**(2)**	(2)
Actuarial losses	**(4)**	(2)
Benefits paid	**18**	15
Settlement of unfunded obligations	**5**	4
Transfer to other plans	**1**	–
At 31st December	**(313)**	(306)

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

	2008 US$m	2007 US$m
Equity instruments	**104**	204
Debt instruments	**72**	99
Other assets	**45**	25
	221	328

21 Pension Plans *(continued)*

The five year history of experience adjustments is as follows:

	2008 US$m	2007 US$m	2006 US$m	2005 US$m	2004 US$m
Fair value of plan assets	**221**	328	285	243	190
Present value of obligations	**(313)**	(306)	(281)	(229)	(127)
(Deficit)/surplus	**(92)**	22	4	14	63
Experience adjustments on plan assets	**(109)**	23	23	20	12
Percentage of plan assets (%)	***(49)***	*7*	*8*	*8*	*7*
Experience adjustments on plan obligations	**1**	3	–	–	5
Percentage of plan obligations (%)	**–**	*1*	–	–	*4*

The estimated amount of contributions expected to be paid to the plans in 2009 is US$32 million.

The amounts recognized in the consolidated profit and loss account are as follows:

	2008 US$m	2007 US$m
Current service cost	**24**	24
Interest cost	**22**	19
Expected return on plan assets	**(25)**	(22)
Past service cost	**2**	2
	23	23
Actual (loss)/return on plan assets in the year	**(88)**	46

The above amounts are included in net operating costs.

22 Stocks and Work in Progress

	2008 US$m	2007 US$m
Finished goods	**1,390**	1,090
Work in progress	**22**	13
Raw materials	**54**	41
Spare parts	**35**	39
Others	**73**	42
	1,574	1,225

At 31st December 2008, the carrying amount of stocks and work in progress pledged as security for borrowings amounted to US$14 million *(2007: US$6 million) (refer note 31)*.

23 Bank Balances and Other Liquid Funds

	2008 US$m	2007 US$m
Deposits with banks and financial institutions	**1,348**	1,186
Bank balances	**481**	344
Cash balances	**71**	66
	1,900	1,596
Less restricted bank balances and deposits *(refer note 19)*	**(8)**	(6)
	1,892	1,590
Analysis by geographical area of operation:		
Greater China	**77**	54
Southeast Asia	**894**	757
United Kingdom	**13**	21
Rest of the world	**908**	758
	1,892	1,590

The weighted average interest rate on deposits with banks and financial institutions is 4% *(2007: 5%)* per annum.

24 Non-current Assets Classified as Held for Sale

The major classes of assets classified as held for sale are set out below:

	2008 US$m	2007 US$m
Intangible assets	**15**	–
Tangible assets	**50**	34
Investment properties	**–**	2
Associates and joint ventures	**–**	7
Total assets	**65**	43

At 31st December 2008, the non-current assets classified as held for sale comprise Dairy Farm's interest in two retail properties in Malaysia with a carrying value of US$65 million.

At 31st December 2007, the non-current assets classified as held for sale include Dairy Farm's interest in a retail property in Malaysia with a carrying value of US$33 million and its 50% interest in Olive Young with a carrying value of US$7 million. The sale of Olive Young was completed in February 2008 and resulted in a profit before tax of US$14 million.

25 Share Capital

	2008 US$m	2007 US$m
Authorized:		
1,500,000,000 shares of US¢5 each	**75**	75
1,000,000 shares of US$800 each	**800**	800
	875	875

	Ordinary shares in millions 2008	Ordinary shares in millions 2007	2008 US$m	2007 US$m
Issued and fully paid shares of US¢5 each:				
At 1st January	**1,083**	1,072	**54**	54
Scrip issued in lieu of dividends	**10**	11	**1**	–
At 31st December	**1,093**	1,083	**55**	54

26 Share Premium and Capital Reserves

	Share premium US$m	Capital reserves US$m	Total US$m
2008			
At 1st January	1,210	121	**1,331**
Capitalization arising on scrip issued in lieu of dividends	(1)	–	**(1)**
Value of employee services under share option schemes	–	8	**8**
At 31st December	**1,209**	**129**	**1,338**
2007			
At 1st January	1,210	115	1,325
Value of employee services under share option schemes	–	6	6
At 31st December	1,210	121	1,331

Capital reserves include US$104 million *(2007: 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.

27 Revenue and Other Reserves

	Revenue reserves US$m	Contributed surplus US$m	Asset revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m
2008						
At 1st January	8,909	304	384	(8)	22	**9,611**
Revaluation of intangible assets						
– net revaluation surplus	–	–	4	–	–	**4**
– deferred tax	–	–	9	–	–	**9**
Revaluation of properties						
– net revaluation deficit	–	–	(20)	–	–	**(20)**
– deferred tax	–	–	26	–	–	**26**
Revaluation of other investments						
– fair value loss	(276)	–	–	–	–	**(276)**
– transfer to profit and loss on disposals	(1)	–	–	–	–	**(1)**
Employee benefit plans						
– actuarial loss	(184)	–	–	–	–	**(184)**
– deferred tax	32	–	–	–	–	**32**
Net exchange translation differences						
– amount arising in year	–	–	–	–	(296)	**(296)**
– transfer to profit and loss	–	–	–	–	(1)	**(1)**
Cash flow hedges						
– fair value loss	–	–	–	(37)	–	**(37)**
– deferred tax	–	–	–	8	–	**8**
– transfer to profit and loss	–	–	–	(1)	–	**(1)**
Profit attributable to shareholders	692	–	–	–	–	**692**
Dividends *(refer note 28)*	(112)	–	–	–	–	**(112)**
Scrip issued in lieu of dividends *(refer note 28)*	166	–	–	–	–	**166**
Transfer	1	–	(1)	–	–	**–**
At 31st December	**9,227**	**304**	**402**	**(38)**	**(275)**	**9,620**
of which:						
Company	3,126	304	–	–	–	**3,430**
Associates and joint ventures	4,648	–	68	(1)	83	**4,798**

27 Revenue and Other Reserves *(continued)*

	Revenue reserves US$m	Contributed surplus US$m	Asset revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m
2007						
At 1st January	6,653	304	344	(9)	10	7,302
Revaluation of properties						
– net revaluation surplus	–	–	63	–	–	63
– deferred tax	–	–	(22)	–	–	(22)
Revaluation of other investments						
– fair value gain	176	–	–	–	–	176
– deferred tax	23	–	–	–	–	23
– transfer to profit and loss on disposals	(59)	–	–	–	–	(59)
Employee benefit plans						
– actuarial gain	55	–	–	–	–	55
– deferred tax	(10)	–	–	–	–	(10)
Net exchange translation differences						
– amount arising in year	–	–	–	–	19	19
– transfer to profit and loss	–	–	–	–	(7)	(7)
Cash flow hedges						
– fair value loss	–	–	–	(3)	–	(3)
– deferred tax	–	–	–	2	–	2
– transfer to profit and loss	–	–	–	2	–	2
Profit attributable to shareholders	2,024	–	–	–	–	2,024
Dividends *(refer note 28)*	(107)	–	–	–	–	(107)
Scrip issued in lieu of dividends *(refer note 28)*	153	–	–	–	–	153
Transfer	1	–	(1)	–	–	–
At 31st December	8,909	304	384	(8)	22	9,611
of which:						
Company	2,739	304	–	–	–	3,043
Associates and joint ventures	4,664	–	63	2	75	4,804

Revenue reserves include unrealized net surplus on revaluation of available-for-sale investments of US$212 million *(2007: US$489 million)* and actuarial loss on employee benefit plans of US$135 million *(2007: gain of US$17 million)*.

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

Asset revaluation reserves are non-distributable in certain territories in which the Group operates.

28 Dividends

	2008	2007
	US$m	US$m
Final dividend in respect of 2007 of US¢12.40 *(2006: US¢11.70)* per share	**134**	125
Interim dividend in respect of 2008 of US¢5.90 *(2007: US¢5.60)* per share	**64**	61
	198	186
Company's share of dividends paid on the shares held by Jardine Matheson	**(86)**	(79)
	112	107
Shareholders elected to receive scrip in respect of the following:		
Final dividend in respect of previous year	**113**	103
Interim dividend in respect of current year	**53**	50
	166	153

A final dividend in respect of 2008 of US¢13.10 *(2007: US¢12.40)* per share amounting to a total of US$143 million *(2007: US$134 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$62 million *(2007: US$58 million)* will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2009.

29 Own Shares Held

Own shares held of US$1,308 million *(2007: US$1,209 million)* represent the Company's share of the cost of 886 million *(2007: 875 million)* ordinary shares in the Company held by Jardine Matheson and are deducted in arriving at shareholders' funds.

30 Minority Interests

	2008 US$m	2007 US$m
By business:		
Dairy Farm	**75**	55
Mandarin Oriental	**283**	319
Jardine Cycle & Carriage	**118**	101
Astra	**3,156**	3,056
	3,632	3,531
Movements for the year:		
At 1st January	**3,531**	3,183
Revaluation of intangible assets		
– net revaluation surplus	**9**	–
– deferred tax	**22**	–
Revaluation of properties		
– net revaluation surplus	**36**	51
– deferred tax	**27**	(17)
Revaluation of other investments		
– fair value loss	**(16)**	(11)
– deferred tax	**1**	3
– transfer to profit and loss on disposals	**4**	–
Employee benefit plans		
– actuarial (loss)/gain	**(44)**	4
– deferred tax	**9**	–
Net exchange translation differences		
– amount arising in year	**(514)**	(114)
– transfer to profit and loss	**(1)**	3
Cash flow hedges		
– fair value gain/(loss)	**3**	(4)
– deferred tax	**–**	1
Subsidiary undertakings disposed of	**(27)**	–
Attributable profits less dividends	**492**	423
Capital contribution and change in attributable interests	**100**	9
At 31st December	**3,632**	3,531

31 Borrowings

	2008 Carrying amount US$m	2008 Fair value US$m	2007 Carrying amount US$m	2007 Fair value US$m
Current				
– bank overdrafts	**18**	**18**	42	42
– other bank advances	**526**	**526**	356	356
– other advances	**9**	**9**	–	–
	553	**553**	398	398
Current portion of long-term borrowings				
– bank loans	**468**	**468**	504	504
– bonds	**149**	**149**	186	186
– finance lease liabilities	**28**	**28**	65	65
– other loans	**83**	**83**	152	152
	728	**728**	907	907
	1,281	**1,281**	1,305	1,305
Long-term borrowings				
– bank loans	**1,722**	**1,699**	1,697	1,703
– bonds	**506**	**496**	515	518
– finance lease liabilities	**10**	**10**	38	38
– other loans	**79**	**76**	141	149
	2,317	**2,281**	2,391	2,408
	3,598	**3,562**	3,696	3,713

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 3.3% to 18% *(2007: 1.5% to 10%)* per annum. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

	2008 US$m	2007 US$m
Secured	**2,099**	2,099
Unsecured	**1,499**	1,597
	3,598	3,696

Secured borrowings at 31st December 2008 included Mandarin Oriental's bank borrowings of US$629 million *(2007: US$650 million)* which were secured against its tangible fixed assets, Astra's bonds of US$361 million *(2007: US$388 million)* which were secured against its various assets as described below and bank borrowings of US$1,109 million *(2007: US$1,061 million)* which were secured against its various assets.

31 Borrowings *(continued)*

The borrowings are further summarized as follows:

Currency:	Fixed rate borrowings Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2008					
Chinese renminbi	7.1	–	–	15	**15**
Euro	5.9	4.8	13	–	**13**
Hong Kong dollar	2.6	3.6	257	214	**471**
Indonesian rupiah	12.0	1.6	1,122	469	**1,591**
Japanese yen	1.9	3.0	17	55	**72**
Malaysian ringgit	4.7	2.2	130	131	**261**
New Taiwan dollar	2.9	1.2	39	25	**64**
Singapore dollar	2.7	2.6	17	28	**45**
Swiss franc	2.7	23.8	2	40	**42**
United Kingdom sterling	4.4	5.7	30	91	**121**
United States dollar	5.1	2.2	210	690	**900**
Other	4.3	–	–	3	**3**
			1,837	**1,761**	**3,598**
2007					
Chinese renminbi	5.6	–	–	11	11
Euro	5.8	0.7	15	–	15
Hong Kong dollar	4.2	1.3	242	239	481
Indonesian rupiah	12.2	1.1	867	418	1,285
Japanese yen	3.1	2.6	21	46	67
Malaysian ringgit	4.5	1.3	106	150	256
New Taiwan dollar	2.9	1.9	30	44	74
Singapore dollar	3.2	1.2	17	71	88
Swiss franc	4.4	24.8	2	19	21
United Kingdom sterling	6.8	6.7	43	127	170
United States dollar	7.4	2.3	365	861	1,226
Other	4.3	–	–	2	2
			1,708	1,988	3,696

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

31 Borrowings *(continued)*

The remaining contractual maturities of the borrowings, including related interest payments, are analyzed below. The interest payments are computed using contractual rates and, in the case of floating rate borrowings, based on market rates at the balance sheet date before taking into account hedging transactions. Cash flows denominated in currencies other than United States dollars are converted into United States dollars at the rates of exchange ruling at the balance sheet date.

	2008 US$m	2007 US$m
Within one year	1,484	1,551
Between one and two years	596	485
Between two and three years	783	828
Between three and four years	351	677
Between four and five years	184	195
Beyond five years	605	663
	4,003	4,399

The finance lease liabilities are as follows:

	Minimum lease payments		Present value of finance lease liabilities	
	2008 US$m	2007 US$m	2008 US$m	2007 US$m
Within one year	29	71	28	65
Between one and five years	10	40	10	38
	39	111	38	103
Future finance charges on finance leases	(1)	(8)		
Present value of finance lease liabilities	38	103		
Current			28	65
Non-current			10	38
			38	103

31 Borrowings *(continued)*

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

	2008		2007	
	Current US$m	Non-current US$m	Current US$m	Non-current US$m
Jardine Strategic guaranteed bonds	–	**294**	–	313
Astra Sedaya Finance IV bonds	–	–	4	–
Astra Sedaya Finance V bonds	–	–	17	–
Astra Sedaya Finance VI bonds	**7**	**4**	24	12
Astra Sedaya Finance VII bonds	**16**	–	20	19
Astra Sedaya Finance VIII bonds	**8**	**51**	28	69
Astra Sedaya Finance IX bonds	**32**	**52**	–	–
Federal International Finance V bonds	–	–	32	–
Federal International Finance VI bonds	**26**	–	10	31
Federal International Finance VII bonds	**7**	**55**	29	71
Federal International Finance VIII bonds	**53**	**50**	–	–
Serasi Autoraya I bonds	–	–	10	–
Astra Graphia I bonds	–	–	12	–
	149	**506**	186	515

The Jardine Strategic guaranteed bonds with nominal value of US$300 million and bearing interest at 6.375% per annum were issued by a wholly-owned subsidiary undertaking of the Company in 2001 and are guaranteed by the Company. During the year the Group repurchased and cancelled US$32 million nominal value of the bonds. The bonds will mature on 8th November 2011. The Group has entered into interest rate swap contracts as a hedge against change in the fair value of the bonds due to change in interest rates.

The Astra Sedaya Finance VI, VII, VIII and IX bonds, with nominal values of Rp124 billion, Rp176 billion, Rp652 billion and Rp921 billion, and bearing interest at 10.63% to 11%, 14.1% to 14.2%, 9.38% to 10.35% and 9.08% to 10.3% per annum respectively were issued by a partly-owned subsidiary undertaking of Astra and are collateralized by fiduciary guarantee over consumer financing debtors of the subsidiary undertaking amounting to 60% of the total principal of the bonds *(refer note 19)*. The bonds will mature from 2009 to 2010, in 2009, from 2009 to 2011 and from 2009 to 2011 respectively.

The Federal International Finance VI, VII and VIII bonds, with nominal values of Rp282 billion, Rp676 billion and Rp1,134 billion, and bearing interest at 14.75%, 10% to 10.75% and 11.13% to 12.63% per annum respectively were issued by a wholly-owned subsidiary undertaking of Astra and are collateralized by fiduciary guarantee over consumer financing debtors of the subsidiary undertaking up to 60% of the total principal of the bonds *(refer note 19)*. The bonds will mature in 2009, 2009 to 2011 and 2009 to 2011 respectively.

32 Creditors

	2008 US$m	2007 US$m
Trade creditors		
– third parties	1,701	1,393
– associates and joint ventures	92	131
	1,793	1,524
Accruals	818	763
Amounts due to Jardine Matheson	10	15
Other amounts due to associates and joint ventures	3	2
Deposits accepted	137	142
Interest payable	20	27
Gross estimated losses and unearned premiums on insurance contracts	186	175
Financial liability on puttable instrument	–	42
Factoring liabilities	–	2
Other creditors	32	31
	2,999	2,723
Derivative financial instruments	37	10
	3,036	2,733
Non-current	133	63
Current	2,903	2,670
	3,036	2,733
Analysis by geographical area of operation:		
Greater China	869	724
Southeast Asia	2,090	1,881
United Kingdom	12	17
Rest of the world	65	111
	3,036	2,733

The remaining contractual maturities of creditors, excluding derivative financial instruments, are analyzed as follows:

	2008 US$m	2007 US$m
Within one year	2,901	2,667
Between one and two years	59	50
Between two and three years	28	5
Beyond three years	11	1
	2,999	2,723

The financial liability on puttable instrument represents the present value of the expected payment under a put option to acquire an additional 25.5% interest in PT Hero Supermarket in Dairy Farm.

The fair value of creditors approximate their carrying amounts.

33 Provisions

	Motor vehicle warranties US$m	Closure cost provisions US$m	Reinstatement and restoration costs US$m	Statutory employee entitlements US$m	Other US$m	Total US$m
2008						
At 1st January	21	8	17	20	1	**67**
Exchange differences	–	–	(1)	(4)	–	**(5)**
Additional provisions	2	3	6	16	1	**28**
Unused amounts reversed	–	(5)	–	–	–	**(5)**
Utilized	(5)	(3)	–	(1)	(1)	**(10)**
At 31st December	**18**	**3**	**22**	**31**	**1**	**75**
Non-current	–	–	20	28	–	**48**
Current	18	3	2	3	1	**27**
	18	**3**	**22**	**31**	**1**	**75**
2007						
At 1st January	22	5	12	17	1	57
Exchange differences	1	1	1	(1)	–	2
Additional provisions	4	6	6	4	1	21
Utilized	(6)	(4)	(2)	–	(1)	(13)
At 31st December	21	8	17	20	1	67
Non-current	–	–	16	18	–	34
Current	21	8	1	2	1	33
	21	8	17	20	1	67

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 for obligations under onerous operating leases, indemnities on disposal of businesses and legal claims.

34 Notes to Consolidated Cash Flow Statement

(a) Depreciation and amortization	2008 US$m	2007 US$m
By business:		
Dairy Farm	**137**	124
Mandarin Oriental	**39**	39
Jardine Cycle & Carriage	**9**	9
Astra		
– automotive	**92**	89
– financial services	**21**	13
– agribusiness	**22**	19
– heavy equipment	**162**	149
– other	**8**	8
	305	278
	490	450

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

(b) Other non-cash items	2008 US$m	2007 US$m
By nature:		
Profit on sale of subsidiary undertakings	(3)	–
Profit on sale of associates and joint ventures	(15)	(20)
Loss/(profit) on sale of other investments	2	(69)
Profit on sale of land use rights	(5)	(7)
Profit on sale of tangible assets	(13)	(7)
Loss on sale of repossessed assets	51	73
Profit on sale of investment properties	(1)	–
Profit on sale of plantations and related assets	(34)	–
Increase in fair value of investment properties	–	(1)
Decrease/(increase) in fair value of plantations	162	(35)
Revaluation of property interests	3	4
Impairment of intangible assets	9	–
Impairment of tangible assets	3	2
Impairment of debtors	107	68
Write down of stocks and work in progress	15	6
Change in provisions	20	12
Net foreign exchange losses	2	26
Discount on acquisition of businesses	–	(3)
Change in attributable interest in subsidiary undertakings	5	(2)
Options granted under employee share option schemes	6	4
Scrip dividend from other investments	–	(1)
	314	50
By business:		
Dairy Farm	(2)	10
Mandarin Oriental	8	(29)
Jardine Cycle & Carriage	30	25
Astra		
– automotive	(3)	(7)
– financial services	164	160
– agribusiness	125	(32)
– heavy equipment	(8)	(8)
– other	1	(1)
	279	112
Corporate and other interests	(1)	(68)
	314	50

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

(c) (Increase)/decrease in working capital	2008 US$m	2007 US$m
Increase in stocks and work in progress	(506)	(87)
Increase in debtors	(286)	(223)
Increase in creditors	499	400
Increase in pension obligations	14	3
	(279)	93

	2008			2007
(d) Purchase of subsidiary undertakings	Book value US$m	Fair value adjustments US$m	Fair value US$m	Fair value US$m
Intangible assets	87	37	124	2
Tangible assets	10	216	226	1
Non-current debtors	1	–	1	1
Current assets	23	–	23	9
Long-term borrrowings	(28)	–	(28)	–
Deferred tax liabilities	–	(75)	(75)	–
Pension liabilities	–	–	–	(1)
Current liabilities	(19)	–	(19)	(6)
Net assets	74	178	252	6
Adjustment for minority interests			(28)	(3)
Net assets acquired			224	3
Goodwill			11	4
Total consideration			235	7
Adjustment for carrying value of associates and joint ventures			(26)	(4)
Adjustment for fair value relating to previously held interests			(10)	–
Cash and cash equivalents of subsidiary undertakings acquired			(8)	(2)
Net cash outflow			191	1
Increase in interest in Mandarin Oriental			2	–
Increase in interest in Jardine Cycle & Carriage			137	24
Increase in interests in other subsidiary undertakings			83	1
			413	26

Net cash outflow in 2008 of US$191 million included US$156 million for PT United Tractors' acquisition of a company which holds coal mining rights in Central Kalimantan and US$24 million for increasing Astra's interest in PT Marga Mandalasakti from 34% to 63%.

Increase in interests in other subsidiary undertakings included US$42 million for Dairy Farm's acquisition of an additional interest in PT Hero Supermarket under a put option, and US$20 million and US$21 million for Astra's increased interests in PT Astra Otoparts and PT United Tractors respectively.

Revenue and operating profit since acquisition in respect of subsidiary undertakings acquired during the year amounted to US$28 million and US$2 million respectively. If the acquisitions had occurred on 1st January 2008, Group revenue and operating profit would have been US$18,503 million and US$1,587 million respectively.

(e) Purchase of associates and joint ventures in 2008 included US$77 million for Jardine Cycle & Carriage's acquisition of a 20% interest in Truong Hai Automotive Corporation, and US$97 million and US$21 million for the Company's increased interest in Hongkong Land and investment in Jardine Rothschild Asia Capital respectively. Purchase of associates and joint ventures in 2007 included the Company's increased interest in Hongkong Land of US$104 million.

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

(f) Purchase of other investments in 2008 included US$156 million for Astra's purchase of securities, and US$22 million and US$19 million for the Company's purchase of shares in Paris Orléans and bonds in Hongkong Land respectively. Purchase of other investments in 2007 included US$61 million for Astra's purchase of securities.

(g) Sale of subsidiary undertakings	2008 US$m	2007 US$m
Intangible assets	1	–
Tangible assets	4	–
Associates and joint ventures	2	–
Non-current debtors	2	–
Deferred tax assets	4	–
Current assets	101	–
Current liabilities	(33)	–
Net assets	81	–
Adjustment for minority interests	(24)	–
Net assets disposed of	57	–
Profit on disposal	3	–
Sale proceeds	60	–
Adjustment for carrying value of associates and joint ventures	(34)	–
Cash and cash equivalents of subsidiary undertakings disposed of	(59)	–
Net cash outflow	(33)	–

Sale proceeds in 2008 of US$60 million included US$48 million from Astra's sale of a 15% interest in PT Pantja Motor which reduced its effective interest from 65% to 50%.

The revenue and operating profit in respect of subsidiary undertakings disposed of during the year amounted to US$31 million and US$1 million respectively.

(h) Sale of associates and joint ventures in 2008 included US$21 million from Dairy Farm's sale of its 50% interest in Olive Young. Sale of associates and joint ventures in 2007 included US$71 million from Mandarin Oriental's sale of its 25% interest in Mandarin Oriental, New York, and US$12 million and US$15 million from Jardine Cycle & Carriage's sale of its interests in Ampang Investments and UMF respectively.

(i) Sale of other investments in 2008 mainly comprised Astra's sale of securities. Sale of other investments in 2007 included US$54 million from the Company's partial disposal of its interest in The Bank of N.T. Butterfield & Son, US$11 million from disposal of shares in CNAC and US$46 million from a capital distribution from Edaran Otomobil Nasional followed by sale of that investment.

(j) Analysis of balances of cash and cash equivalents	2008 US$m	2007 US$m
Bank balances and other liquid funds including restricted balances *(refer note 23)*	1,900	1,596
Bank overdrafts *(refer note 31)*	(18)	(42)
	1,882	1,554

35 Derivative Financial Instruments

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

	2008		2007	
	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	**4**	**–**	1	1
– interest rate swaps and caps	**1**	**34**	–	6
– cross currency swaps	**58**	**3**	–	–
	63	**37**	1	7
Designated as fair value hedges				
– interest rate swaps	**29**	**–**	15	–
Not qualifying as hedges				
– forward foreign exchange contracts	**1**	**–**	–	–
– cross currency swaps	**12**	**–**	7	3
	13	**–**	7	3

The remaining contractual maturities of derivative financial instruments, based on their undiscounted cash outflows, are analyzed as follows:

	Within one year US$m	Between one and two years US$m	Between two and five years US$m	Beyond five years US$m
2008				
Net settled				
– forward foreign exchange contracts	4	–	–	–
– interest rate swaps	11	9	39	2
Gross settled				
– forward foreign exchange contracts	57	–	–	–
– cross currency swaps	184	136	50	–
	256	**145**	**89**	**2**
2007				
Net settled				
– interest rate swaps and caps	2	2	2	1
Gross settled				
– forward foreign exchange contracts	145	–	–	–
– cross currency swaps	50	110	233	–
	197	112	235	1

35 Derivative Financial Instruments *(continued)*

Forward foreign exchange contracts
The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2008 were US$86 million *(2007: US$145 million)*.

Interest rate swaps and caps
The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2008 were US$1,080 million *(2007: US$1,131 million)*.

At 31st December 2008, the fixed interest rates relating to interest rate swaps and caps vary from 1.5% to 13.7% *(2007: 1.9% to 11.5%)*.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.2% to 19% *(2007: 1.4% to 8.6%)* per annum.

Cross currency swaps
The contract amounts of the outstanding cross currency swap contracts at 31st December 2008 were US$319 million *(2007: US$333 million)*.

36 Commitments

	2008 US$m	2007 US$m
Capital commitments:		
Authorized not contracted	**203**	151
Contracted not provided	**266**	125
	469	276
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**459**	420
– due between one and two years	**334**	304
– due between two and three years	**206**	190
– due between three and four years	**129**	109
– due between four and five years	**99**	81
– due beyond five years	**954**	656
	2,181	1,760

Total future sublease payments receivable relating to the above operating leases amounted to US$31 million *(2007: US$36 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.

37 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.

38 Related Party Transactions

The ultimate holding company of the Group is Jardine Matheson Holdings Limited, a company incorporated in Bermuda. As at 31st December 2008, the Company held a 53% *(2007: 53%)* interest in Jardine Matheson.

In accordance with the Bye-Laws, Jardine Matheson Limited, a wholly-owned subsidiary undertaking of Jardine Matheson Holdings Limited, 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 undertaking. Total fees payable for services provided to the Company in 2008 amounted to US$54 million *(2007: US$56 million)*.

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

The Group purchases motor vehicles and spare parts from Astra's associates and joint ventures in Indonesia including Toyota-Astra Motor, Astra Honda Motor and Astra Daihatsu Motor. Total cost of motor vehicles and spare parts purchased in 2008 amounted to US$4,182 million *(2007: US$3,087 million)*. The Group also sells motor vehicles and spare parts to its associates and joint ventures in Indonesia including Astra Honda Motor and Astra Daihatsu Motor. Total revenue from sale of motor vehicles and spare parts in 2008 amounted to US$455 million *(2007: US$331 million)*.

The Group and Jardine Matheson use Jardine Lloyd Thompson to place certain of their insurance. Brokerage fees and commissions, net of rebates, paid in 2008 to Jardine Lloyd Thompson were US$7 million *(2007: US$7 million)*.

The Group provides management consultancy services to Hongkong Land. Management fee received by the Group in 2008 from Hongkong Land amounted to US$2 million *(2007: US$2 million)*.

The Group and Jardine Matheson rent property from Hongkong Land. The gross rentals paid to Hongkong Land in 2008 were US$8 million *(2007: US$8 million)*. The Group and Jardine Matheson provide property maintenance and other services to Hongkong Land in 2008 in aggregate amounting to US$23 million *(2007: US$15 million)*.

The Group provides hotel management services to Hongkong Land. Management fee received by the Group in 2008 from Hongkong Land amounted to US$1 million *(2007: US$1 million)*.

The Group manages seven associate and joint venture hotels. Management fee received by the Group in 2008 from these managed hotels amounted to US$15 million *(2007: US$16 million)*.

Bank Permata provides banking services to the Group. The Group's deposits with Bank Permata at 31st December 2008 amounted to US$185 million *(2007: US$125 million)*.

In March 2008, the Company acquired a 1.9% interest in Paris Orléans from Rothschilds Continuation for US$22 million.

In December 2007, the Company acquired a number of available-for-sale investments from Jardine Matheson for US$9 million.

In October 2007, Jardine Cycle & Carriage disposed of its 40% interest in Ampang Investments, an investment holding company whose principal investment is the Concorde Hotel in Kuala Lumpur, to Hongkong Land for US$12 million.

In June 2007, Jardine Matheson disposed of its 50% interest in Colliers Halifax to Hongkong Land for US$22 million.

Amounts of outstanding balances with Jardine Matheson, and with associates and joint ventures are included in debtors and creditors, as appropriate *(refer notes 19 and 32)*.

Details of Directors' remuneration (being the short-term compensation of the key management personnel) are shown on page 87 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

39 Post Balance Sheet Event

In January 2009, Mandarin Oriental announced that it had entered into an agreement to sell its 50% interest in Mandarin Oriental, Macau for US$90 million. The sale is expected to complete in May 2009 and will result in a profit after tax of approximately US$75 million.

40 Summarized Balance Sheet of the Company

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

	2008 US$m	2007 US$m
Subsidiary undertakings	**2,216**	1,983
Investment in Jardine Matheson	**938**	886
Associates	**1,555**	1,458
Total assets	**4,709**	4,327
Share capital *(refer note 25)*	**55**	54
Share premium *(refer note 26)*	**1,209**	1,210
Revenue and other reserves *(refer note 27)*	**3,430**	3,043
Shareholders' funds	**4,694**	4,307
Current liabilities	**15**	20
Total equity and liabilities	**4,709**	4,327

Subsidiary undertakings, investment in Jardine Matheson and associates are shown at cost less amounts provided.

41 Jardine Strategic Corporate Cash Flow and Net Debt

	2008 US$m	2007 US$m
Dividends receivable		
Subsidiary undertakings	287	350
Jardine Matheson	228	197
Associates	164	118
Other holdings	19	12
	698	677
Less taken in scrip	(148)	(117)
	550	560
Other operating cash flows	(79)	(83)
Cash flows from operating activities	471	477
Investing activities		
Purchase of subsidiary undertakings	(139)	(24)
Purchase of associates	(118)	(104)
Purchase of other investments	(47)	(18)
Sale of other investments	–	111
Cash flows from investing activities	(304)	(35)
Financing activities		
Dividends paid by the Company	(32)	(33)
Cash flows from financing activities	(32)	(33)
Fair value adjustment on 6.375% Guarantee Bonds	(12)	(15)
Effect of exchange rate changes	–	(2)
Net decrease in net debt	123	392
Net debt at 1st January	(343)	(735)
Net debt at 31st December	(220)	(343)
Represented by:		
Bank balances and other liquid funds	74	6
6.375% Guaranteed Bonds due 2011	(294)	(313)
Other long-term borrowings	–	(36)
	(220)	(343)

Corporate cash flow and net debt comprises the cash flows and net cash or debt of the Company and of its investment holding and financing subsidiary undertakings.

42 Principal Subsidiary Undertakings and Associates, and Ultimate Holding Company

The principal subsidiary undertakings and associates, and the ultimate holding company of the Group at 31st December 2008 are set out below.

	Country of incorporation	Particulars of issued capital			Attributable interests 2008 %	2007 %	Nature of business
Dairy Farm International Holdings Ltd*	Bermuda	USD	74,832,811	ordinary	**78**	78	Supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants
Hongkong Land Holdings Ltd†	Bermuda	USD	224,932,629	ordinary	**49**	47	Property development & investment, leasing & management
Jardine Cycle & Carriage Ltd*	Singapore	SGD	355,677,660	ordinary	**68**	65	A 50.1% interest in PT Astra International Tbk and motor trading
Jardine Matheson Holdings Ltd#	Bermuda	USD	156,193,772	ordinary	**53**	53	Engineering and construction, transport services, motor trading, property, retailing, restaurants, hotels, financial services, and insurance broking
Mandarin Oriental International Ltd*	Bermuda	USD	49,558,937	ordinary	**73**	74	Hotel management & ownership
PT Astra International Tbk*	Indonesia	IDRm	2,024,178	ordinary	**34**	32	Automotive, financial services, agribusiness and heavy equipment
Rothschilds Continuation Holdings AG†	Switzerland	CHF	60,975,765	ordinary	**20**	21	Financial services including investment banking

*Subsidiary undertakings.

†Associates.

#Ultimate holding company *(refer note 38)*.

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

The financial statements of Hongkong Land can be accessed through the internet at its website.

Independent Auditor's Report

To the members of Jardine Strategic Holdings Limited

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 of 31st December 2008 and the consolidated profit and loss account, consolidated statement of recognized income and expense 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.

Auditor's 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 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 auditor's 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 auditor considers 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 of 31st December 2008, 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.

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
London
United Kingdom

6th March 2009

Five Year Summary

Profit and Loss

	2008 US$m	2007 US$m	2006 US$m	2005 US$m	2004 US$m
Revenue	**18,455**	15,328	12,845	8,825	5,793
Profit attributable to shareholders	**692**	2,024	1,412	1,398	1,122
Underlying profit attributable to shareholders	**859**	723	522	475	404
Earnings per share (US$)	**1.12**	3.28	2.30	2.29	1.82
Underlying earnings per share (US$)	**1.39**	1.17	0.85	0.78	0.66
Dividends per share (US¢)	**19.00**	18.00	17.00	16.00	15.20

Balance Sheet

	2008 US$m	2007 US$m	2006 US$m	2005 US$m	2004 US$m
Total assets	**20,749**	20,586	18,389	16,488	8,698
Total liabilities	**(7,412)**	(7,268)	(7,579)	(7,771)	(3,403)
Total equity	**13,337**	13,318	10,810	8,717	5,295
Shareholders' funds	**9,705**	9,787	7,627	5,859	4,269
Net debt (excluding net debt of financial services companies)	**528**	851	1,769	1,766	1,328
Net asset value per share* (US$)	**18.15**	28.22	19.38	15.50	12.80

Cash Flow

	2008 US$m	2007 US$m	2006 US$m	2005 US$m	2004 US$m
Cash flows from operating activities	**2,190**	2,044	1,813	445	653
Cash flows from investing activities	**(1,651)**	(569)	(920)	(150)	(339)
Net cash flow before financing	**539**	1,475	893	295	314
Cash flow per share from operating activities (US$)	**3.53**	3.32	2.94	0.73	1.06

*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 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

A.J.L. Nightingale
Lord Leach of Fairford
Directors

6th March 2009

Corporate Governance

The Group's corporate governance relies on a combination of shareholder, board and management supervision and strict compliance, internal audit and risk control procedures, within the context of the various international regulatory regimes to which Group companies are subject.

Jardine Strategic Holdings Limited is incorporated in Bermuda. The majority of the Group's business interests are in Asia. The Company has its primary share listing on the London Stock Exchange and secondary listings in Bermuda and Singapore. The primary corporate governance regime applicable to the Company arises under the laws of Bermuda, including under certain specific statutory provisions that apply to the Company alone. The Company has fully complied with that governance regime. The Company is not subject to the Combined Code (the 'Code') that applies to United Kingdom incorporated companies listed in London, but this Report outlines the significant ways in which its corporate governance practices differ from those set out in the Code.

The Management of the Group

The Company is a holding company within the Jardine Matheson Group. The Company's share capital is 81%-owned by Jardine Matheson Holdings Limited, in which the Company itself has a 53% 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, with the boards of the management companies of the Group's listed subsidiaries and certain associated companies being co-ordinated by the board of the General Manager. This board, which meets regularly in Hong Kong, is chaired by the Managing Director and consists of seven other members, including the group finance director, the group strategy director and the group general counsel of Jardine Matheson. In addition, certain Directors of the Company based outside Asia make regular visits to Asia and Bermuda, where they participate in five annual strategic reviews, four of which precede the full Board meetings. These Directors' knowledge of the region and the Group's affairs reinforces the process by which business is reviewed by the Board.

The Board

The Company currently has a Board of nine Directors: four are executive directors of Jardine Matheson and five are non-executive Directors. Their names and brief biographies appear on page 16 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 approach to management described in this Report. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. The Company does not have nomination or remuneration committees or a formal Board evaluation process. Decisions on nomination result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate. There are no decisions required to be made by the Company on remuneration. The members of the Audit Committee are Simon Keswick, Lord Leach of Fairford and R.C. Kwok. The Board has not designated a 'senior independent director' as set out in the Code.

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 2009 and ad hoc procedures are adopted to deal with urgent matters. Two meetings each year are held in Bermuda and two in Asia. 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. Responsibility for implementing the Group's strategy within designated financial parameters is delegated to 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.

Charles Allen-Jones was appointed as a Director of the Company with effect from 8th May 2008. In accordance with Bye-law 85, R.C. Kwok and Lord Leach of Fairford retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Charles Allen-Jones will also retire and, being eligible, offers himself for re-election. Lord Leach of Fairford has a service contract with a subsidiary of Jardine Matheson that has a notice period of six months. Neither Charles Allen-Jones nor R.C. Kwok 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. For the year ended 31st December 2008, Directors' fees payable by the Company amounted to US$400,000 *(2007: US$300,000)*.

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.

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.

Internal Control

The Board has overall responsibility for the Company's system of 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 90.

The Board has delegated to the Audit Committee responsibility for reviewing the operation and effectiveness of the Company's system of internal control and the procedures by which this is monitored. The Audit Committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. 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 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 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 the 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 employees to raise any matters of serious concern. The Audit Committee 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 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 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 department and the findings of the various Group audit committees. The Audit Committee also keeps under review the independence and objectivity of the external auditors.

Directors' Share Interests

The Directors of the Company in office on 18th March 2009 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) 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).

A.J.L. Nightingale	17,126
Charles Allen-Jones	5,020
Simon Keswick	7,569
Dr George C.G. Koo	139,862
R.C. Kwok	1,207
Lord Leach of Fairford	58,809

Substantial Shareholders

As a non-UK issuer, the Company is subject to the DTRs pursuant to which a person must notify the Company of the percentage of voting rights attaching to the share capital of the Company that he holds in certain circumstances. 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 890,547,921 ordinary shares carrying 81.49% 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 18th March 2009.

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

Relations with Shareholders

The Company maintains a dialogue with major shareholders and holds meetings following the announcement of the annual and interim results with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.jardines.com.

The 2009 Annual General Meeting will be held on 7th May 2009. 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.

Securities Purchase Arrangements

At the Annual General Meeting held on 8th May 2008, shareholders renewed the approval of a general mandate authorizing the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

During the year, JMH Investments Limited ('JMHI'), a wholly-owned subsidiary of Jardine Matheson, purchased a total of 1,888,800 ordinary shares of the Company in the market for an aggregate total cost of US$24.5 million. The ordinary shares purchased represented some 0.17% of the Company's issued ordinary share capital. As the Company's interest in Jardine Matheson is over 50%, JMHI is subject to the Company's share repurchase guidelines as agreed with the UK Listing Authority.

Related Party Transactions

Details of transactions with related parties entered into by the Company during the course of the year are included in note 38 to the financial statements on page 79. 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 87 and 88 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 15 and note 2 to the Financial Statements on pages 30 to 33.

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

2008 full-year results announced	6th March 2009
Share registers closed	23rd to 27th March 2009
2008 final dividend scrip election period closes	24th April 2009
Annual General Meeting to be held	7th May 2009
2008 final dividend payable	13th May 2009
2009 half-year results to be announced	7th August 2009*
Share registers to be closed	31st August to 4th September 2009*
2009 interim dividend scrip election period closes	2nd October 2009*
2009 interim dividend payable	21st October 2009*

**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 2008 final dividend by notifying the United Kingdom transfer agent in writing by 24th April 2009. The sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 29th April 2009. 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
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

Press releases and other financial information can be accessed through the Internet at www.jardines.com.

Group Offices

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Jardine Pacific Ltd	25th Floor, Devon House Taikoo Place 979 King's Road Quarry Bay Hong Kong	Telephone Facsimile Email	(852) 2579 2888 (852) 2856 9674 jpl@jardines.com Adam Keswick
Jardine Motors Group Ltd	25th Floor, Devon House Taikoo Place 979 King's Road Quarry Bay Hong Kong	Telephone Facsimile Email	(852) 2579 2888 (852) 2856 9674 jmg@jardines.com Adam Keswick
Jardine Lloyd Thompson Group plc	6 Crutched Friars London EC3N 2PH United Kingdom	Telephone Facsimile Email Website	(44 20) 7528 4444 (44 20) 7528 4185 info@jltgroup.com www.jltgroup.com Dominic Burke
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Dairy Farm Management Services Ltd	7th Floor, Devon House Taikoo Place 979 King's Road Quarry Bay G.P.O. Box 286 Hong Kong	Telephone Facsimile Email Website	(852) 2299 1888 (852) 2299 4888 groupcomm@dairy-farm.com.hk www.dairyfarmgroup.com Michael Kok
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Jardine Cycle & Carriage Ltd	239 Alexandra Road Singapore 159930	Telephone Facsimile Email Website	(65) 6473 3122 (65) 6475 7088 corporate.affairs@jcclgroup.com www.jcclgroup.com Ben Keswick
PT Astra International Tbk	Jl. Gaya Motor Raya No. 8 Sunter II, Jakarta 14330 Indonesia	Telephone Facsimile Email Website	(62 21) 652 2555 (62 21) 651 2058 purel@ai.astra.co.id www.astra.co.id Michael Ruslim