JARDINE MATHESON HOLDINGS LIMITED

PRELIMINARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2018

Consolidated Profit and Loss Account

for the year ended 31st December 2018

	Note	2018 Underlying business performance US$m	2018 Non-trading items US$m	2018 Total US$m	2017 Underlying business performance US$m restated	2017 Non-trading items US$m restated	2017 Total US$m restated
Revenue	3	**42,527**	**–**	**42,527**	38,748	–	38,748
Net operating costs	4	**(38,558)**	**(872)**	**(39,430)**	(35,489)	553	(34,936)
Change in fair value of investment properties		**–**	**1,251**	**1,251**	–	4,706	4,706
Operating profit		**3,969**	**379**	**4,348**	3,259	5,259	8,518
Net financing charges	5	**(312)**	**–**	**(312)**	(161)	–	(161)
Share of results of associates and joint ventures	6						
– before change in fair value of investment properties		**1,274**	**(32)**	**1,242**	1,204	(8)	1,196
– change in fair value of investment properties		**–**	**189**	**189**	–	(32)	(32)
		1,274	**157**	**1,431**	1,204	(40)	1,164
Profit before tax		**4,931**	**536**	**5,467**	4,302	5,219	9,521
Tax	7	**(973)**	**9**	**(964)**	(819)	(3)	(822)
Profit after tax		**3,958**	**545**	**4,503**	3,483	5,216	8,699
Attributable to:							
Shareholders of the Company	8 & 9	**1,703**	**29**	**1,732**	1,543	2,400	3,943
Non-controlling interests		**2,255**	**516**	**2,771**	1,940	2,816	4,756
		3,958	**545**	**4,503**	3,483	5,216	8,699
		US$		US$	US$		US$
Earnings per share	8						
– basic		**4.53**		**4.60**	4.10		10.48
– diluted		**4.52**		**4.59**	4.09		10.46

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2018

	Note	2018 US$m	2017 US$m restated
Profit for the year		**4,503**	8,699
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans	*18*	**(25)**	77
Net revaluation surplus before transfer to investment properties			
– intangible assets	*10*	**2**	6
– tangible assets	*11*	**1**	–
Reversal of fair value gain upon reclassification of equity investments to associates		**–**	(67)
Tax on items that will not be reclassified		**3**	(8)
		(19)	8
Share of other comprehensive (expense)/income of associates and joint ventures		**(10)**	17
		(29)	25
Items that may be reclassified subsequently to profit or loss:			
Net exchange translation differences			
– net (loss)/gain arising during the year		**(825)**	167
– transfer to profit and loss		**47**	9
		(778)	176
Revaluation of other investments at fair value through other comprehensive income			
– net (loss)/gain arising during the year	*15*	**(22)**	22
– transfer to profit and loss		**(3)**	(3)
		(25)	19
Cash flow hedges			
– net gain/(loss) arising during the year		**31**	(39)
– transfer to profit and loss		**–**	10
		31	(29)
Tax relating to items that may be reclassified		**(13)**	8
Share of other comprehensive (expense)/income of associates and joint ventures		**(533)**	406
		(1,318)	580
Other comprehensive (expense)/income for the year, net of tax		**(1,347)**	605
Total comprehensive income for the year		**3,156**	9,304
Attributable to:			
Shareholders of the Company		**1,152**	4,370
Non-controlling interests		**2,004**	4,934
		3,156	9,304

Consolidated Balance Sheet

at 31st December 2018

	Note	At 31st December 2018 US$m	At 31st December 2017 US$m restated	At 1st January 2017 US$m restated
Assets				
Intangible assets	*10*	**3,378**	3,009	2,825
Tangible assets	*11*	**7,786**	7,008	6,239
Investment properties	*12*	**34,753**	33,538	28,609
Bearer plants	*13*	**487**	498	497
Associates and joint ventures	*14*	**14,611**	13,061	10,599
Other investments	*15*	**2,592**	2,673	1,369
Non-current debtors	*16*	**3,082**	3,042	2,936
Deferred tax assets	*17*	**389**	406	376
Pension assets	*18*	**6**	14	5
Non-current assets		**67,084**	63,249	53,455
Properties for sale	*19*	**2,339**	2,594	1,620
Stocks and work in progress	*20*	**3,770**	3,536	3,311
Current debtors	*16*	**7,838**	7,052	7,010
Current investments	*15*	**50**	22	65
Current tax assets		**189**	164	169
Bank balances and other liquid funds	*21*			
– non-financial services companies		**4,801**	5,764	5,314
– financial services companies		**187**	241	229
		4,988	6,005	5,543
		19,174	19,373	17,718
Assets classified as held for sale		**–**	11	3
Current assets		**19,174**	19,384	17,721
Total assets		**86,258**	82,633	71,176

Approved by the Board of Directors

Ben Keswick
John Witt
Directors

28th February 2019

	Note	At 31st December 2018 US$m	2017 US$m restated	At 1st January 2017 US$m restated
Equity				
Share capital	*22*	**184**	181	178
Share premium and capital reserves	*24*	**218**	188	175
Revenue and other reserves		**31,185**	30,005	25,562
Own shares held	*26*	**(5,245)**	(4,715)	(4,100)
Shareholders' funds		**26,342**	25,659	21,815
Non-controlling interests	*27*	**32,855**	32,109	27,987
Total equity		**59,197**	57,768	49,802
Liabilities				
Long-term borrowings	*28*			
– non-financial services companies		**5,418**	5,975	5,343
– financial services companies		**1,655**	1,487	1,518
		7,073	7,462	6,861
Deferred tax liabilities	*17*	**800**	552	513
Pension liabilities	*18*	**413**	385	419
Non-current creditors	*29*	**343**	326	440
Non-current provisions	*30*	**299**	175	151
Non-current liabilities		**8,928**	8,900	8,384
Current creditors	*29*	**10,312**	10,094	8,289
Current borrowings	*28*			
– non-financial services companies		**5,333**	3,195	2,058
– financial services companies		**1,825**	2,154	2,265
		7,158	5,349	4,323
Current tax liabilities		**454**	362	266
Current provisions	*30*	**209**	154	112
		18,133	15,959	12,990
Liabilities classified as held for sale		**–**	6	–
Current liabilities		**18,133**	15,965	12,990
Total liabilities		**27,061**	24,865	21,374
Total equity and liabilities		**86,258**	82,633	71,176

Consolidated Statement of Changes in Equity

for the year ended 31st December 2018

	Share capital US$m	Share premium US$m	Capital reserves US$m	Revenue reserves US$m	Asset revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Own shares held US$m	Attributable to shareholders of the Company US$m	Attributable to non-controlling interests US$m	Total equity US$m
2018											
At 1st January											
– as previously reported	181	32	156	31,312	212	(6)	(1,503)	(4,715)	25,669	32,101	**57,770**
– change in accounting policies *(refer note 1)*	–	–	–	11	–	–	(5)	–	6	57	**63**
– as restated	181	32	156	31,323	212	(6)	(1,508)	(4,715)	25,675	32,158	**57,833**
Total comprehensive income	–	–	–	1,685	1	(14)	(520)	–	1,152	2,004	**3,156**
Dividends paid by the Company	–	–	–	(607)	–	–	–	–	(607)	109	**(498)**
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(902)	**(902)**
Unclaimed dividends forfeited	–	–	–	2	–	–	–	–	2	–	**2**
Issue of shares	–	4	–	–	–	–	–	–	4	–	**4**
Employee share option schemes	–	–	32	–	–	–	–	–	32	1	**33**
Scrip issued in lieu of dividends	3	(3)	–	635	–	–	–	–	635	–	**635**
Increase in own shares held	–	–	–	–	–	–	–	(530)	(530)	(72)	**(602)**
Subsidiaries acquired	–	–	–	–	–	–	–	–	–	57	**57**
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	21	**21**
Change in interests in subsidiaries	–	–	–	(24)	–	–	–	–	(24)	(539)	**(563)**
Change in interests in associates and joint ventures	–	–	–	3	–	–	–	–	3	18	**21**
Transfer	–	3	(6)	3	–	–	–	–	–	–	**–**
At 31st December	**184**	**36**	**182**	**33,020**	**213**	**(20)**	**(2,028)**	**(5,245)**	**26,342**	**32,855**	**59,197**
2017											
At 1st January											
– as previously reported	178	20	155	27,223	210	(32)	(1,854)	(4,100)	21,800	27,937	49,737
– change in accounting policies *(refer note 1)*	–	–	–	22	–	–	(7)	–	15	50	65
– as restated	178	20	155	27,245	210	(32)	(1,861)	(4,100)	21,815	27,987	49,802
Total comprehensive income	–	–	–	3,991	2	26	351	–	4,370	4,934	9,304
Dividends paid by the Company	–	–	–	(571)	–	–	–	–	(571)	101	(470)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(816)	(816)
Unclaimed dividends forfeited	–	–	–	1	–	–	–	–	1	1	2
Issue of shares	–	10	–	–	–	–	–	–	10	–	10
Employee share option schemes	–	–	21	–	–	–	–	–	21	–	21
Scrip issued in lieu of dividends	3	(3)	–	751	–	–	–	–	751	–	751
Increase in own shares held	–	–	–	–	–	–	–	(615)	(615)	(100)	(715)
Subsidiaries acquired	–	–	–	–	–	–	–	–	–	107	107
Subsidiaries disposed of	–	–	–	–	–	–	–	–	–	(1)	(1)
Capital repayment to non-controlling interests	–	–	–	–	–	–	–	–	–	(3)	(3)
Change in interests in subsidiaries	–	–	–	(93)	–	–	–	–	(93)	(101)	(194)
Change in interests in associates and joint ventures	–	–	–	(30)	–	–	–	–	(30)	–	(30)
Transfer	–	5	(20)	15	–	–	–	–	–	–	–
At 31st December	181	32	156	31,309	212	(6)	(1,510)	(4,715)	25,659	32,109	57,768

Consolidated Cash Flow Statement

for the year ended 31st December 2018

	Note	2018 US$m	2017 US$m restated
Operating activities			
Operating profit		**4,348**	8,518
Change in fair value of investment properties		**(1,251)**	(4,706)
Depreciation and amortisation	*31 (a)*	**1,111**	981
Other non-cash items	*31 (b)*	**1,191**	(156)
Increase in working capital	*31 (c)*	**(977)**	(376)
Interest received		**164**	172
Interest and other financing charges paid		**(480)**	(323)
Tax paid		**(902)**	(756)
		3,204	3,354
Dividends from associates and joint ventures		**942**	944
Cash flows from operating activities		**4,146**	4,298
Investing activities			
Purchase of subsidiaries	*31 (d)*	**(1,287)**	(74)
Purchase of associates and joint ventures	*31 (e)*	**(1,191)**	(1,527)
Purchase of other investments	*31 (f)*	**(708)**	(1,609)
Purchase of intangible assets		**(123)**	(172)
Purchase of tangible assets		**(1,423)**	(1,184)
Additions to investment properties		**(166)**	(372)
Additions to bearer plants		**(45)**	(50)
Advance to associates and joint ventures	*31 (g)*	**(990)**	(853)
Advance and repayment from associates and joint ventures	*31 (h)*	**952**	658
Sale of subsidiaries	*31 (i)*	**–**	103
Sale of associates and joint ventures		**–**	73
Redemption of convertible bonds by Zhongsheng		**–**	398
Sale of other investments	*31 (j)*	**236**	369
Sale of intangible assets		**12**	2
Sale of tangible assets		**75**	221
Sale of investment properties		**–**	42
Cash flows from investing activities		**(4,658)**	(3,975)
Financing activities			
Issue of shares		**4**	10
Capital contribution from/(repayment to) non-controlling interests		**21**	(3)
Change in interests in subsidiaries	*31 (k)*	**(563)**	(179)
Purchase of own shares		**(99)**	(95)
Drawdown of borrowings	28	**7,923**	7,601
Repayment of borrowings	28	**(6,373)**	(6,112)
Dividends paid by the Company		**(366)**	(338)
Dividends paid to non-controlling interests		**(902)**	(824)
Cash flows from financing activities		**(355)**	60
Net (decrease)/increase in cash and cash equivalents		**(867)**	383
Cash and cash equivalents at 1st January		**6,001**	5,531
Effect of exchange rate changes		**(181)**	87
Cash and cash equivalents at 31st December	*31 (l)*	**4,953**	6,001

Notes to the Financial Statements

1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and Interpretations adopted by the International Accounting Standards Board ('IASB'). The financial statements have been prepared on a going concern basis and under the historical cost convention except as disclosed in the accounting policies.

Details of the Group's principal accounting policies are included in note 38.

This is the first set of the Group's annual financial statements in which IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' have been applied. Changes to principal accounting policies are described below. There are no other amendments, which are effective in 2018 and relevant to the Group's operations, that have a significant effect on the Group's accounting policies. The Group has not early adopted any standard, interpretation or amendment that have been issued but not yet effective.

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

The Group's reportable segments are set out in note 2 and are described on page 7 and pages 9 to 19.

Changes in principal accounting policies

The Group has adopted the following new accounting standards from 1st January 2018:

IFRS 9 'Financial Instruments'

Under IFRS 9, the gains and losses arising from changes in fair value of the Group's investments in equity investments, previously classified as available-for-sale, have been recognised in profit and loss, instead of through other comprehensive income. Such fair value gains or losses on revaluation of these investments are classified as non-trading items, and do not have any impact on the Group's underlying profit attributable to shareholders and shareholders' funds. The new forward-looking expected credit loss model, which replaces the incurred loss impairment model, mainly affects the loan impairment provisions of the Group's financial services companies in Indonesia. The new hedge accounting rules, which align the accounting for hedging instruments closely with the Group's risk management practices, has no significant impact to the Group.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for the recognition of revenue. It replaces IAS 11 'Construction Contracts' and IAS 18 'Revenue' which covers contracts for goods and services. The core principle in the framework is that revenue is recognised when control of a good or service transfers to a customer. The new standard mainly changes the Group's revenue recognition on certain property sales, from the completion method to the percentage of completion method. This will lead to earlier recognition of revenue when compared to the current completion method.

Changes to accounting policies on adoption of IFRS 9 and 15 have been applied retrospectively, and the comparative financial statements have been restated.

The effects of adopting IFRS 9 and IFRS 15 were as follows:

(i) On the consolidated profit and loss account for the year ended 31st December 2017:

	Increase/(decrease) in profit upon adopting IFRS 9 US$m	Increase/(decrease) in profit upon adopting IFRS 15 US$m
Revenue	–	(708)
Net operating costs	267	669
Share of results of associates and joint ventures	(28)	(1)
Tax	–	7
Profit after tax	239	(33)
Attributable to:		
Shareholders of the Company*	172	(14)
Non-controlling interests	67	(19)
	239	(33)
*Further analysed as:		
Underlying profit attributable to shareholders	(11)	(14)
Non-trading items		
– change in fair value of other investments	255	–
– sale and closure of businesses	(16)	–
– sale of other investments	(56)	–
	183	–
Profit attributable to shareholders	172	(14)
Basic underlying earnings per share (US$)	(0.03)	(0.04)
Diluted underlying earnings per share (US$)	(0.03)	(0.04)
Basic earnings per share (US$)	0.46	(0.04)
Diluted earnings per share (US$)	0.46	(0.04)

(ii) On the consolidated statement of comprehensive income for the year ended 31st December 2017:

	Increase/(decrease) in total comprehensive income upon adopting IFRS 9 US$m	Increase/(decrease) in total comprehensive income upon adopting IFRS 15 US$m
Profit for the year	239	(33)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net exchange translation differences		
– net gain arising during the year	–	3
Revaluation of other investments at fair value through other comprehensive income		
– net gain arising during the year	(366)	–
– transfer to profit and loss	72	–
Share of other comprehensive income of associates and joint ventures	19	(1)
Other comprehensive income for the year, net of tax	(275)	2
Total comprehensive income for the year	(36)	(31)
Attributable to:		
Shareholders of the Company	(11)	(14)
Non-controlling interests	(25)	(17)
	(36)	(31)

(iii) On the consolidated balance sheet at 1st January

	Increase/(decrease) upon adopting					
	IFRS 9		IFRS 15		Total	
	2018	2017	**2018**	2017	**2018**	2017
	US$m	US$m	US$m	US$m	US$m	US$m
Assets						
Non-current assets						
Associates and joint ventures	**(22)**	–	**2**	4	**(20)**	4
Other investments						
– available-for-sale financial assets	**(2,692)**	(1,427)	**–**	–	**(2,692)**	(1,427)
– equity investments at fair value through profit and loss	**2,137**	994	**–**	–	**2,137**	994
– debt investments at fair value through other comprehensive income	**613**	433	**–**	–	**613**	433
	58	–	**–**	–	**58**	–
Deferred tax assets	**–**	–	**2**	1	**2**	1
Current assets						
Properties for sale	**–**	–	**(353)**	(695)	**(353)**	(695)
Stocks and work in progress	**–**	–	**66**	30	**66**	30
Current debtors	**(7)**	–	**138**	313	**131**	313
Total assets	**29**	–	**(145)**	(347)	**(116)**	(347)
Equity						
Total equity						
Revenue and other reserves	**5**	–	**1**	15	**6**	15
Non-controlling interests	**24**	–	**33**	50	**57**	50
	29	–	**34**	65	**63**	65
Liabilities						
Non-current liabilities						
Non-current creditors	**–**	–	**71**	–	**71**	–
Deferred tax liabilities	**–**	–	**8**	13	**8**	13
Current liabilities						
Current creditors	**–**	–	**(258)**	(425)	**(258)**	(425)
Total liabilities	**–**	–	**(179)**	(412)	**(179)**	(412)
Total equity and liabilities	**29**	–	**(145)**	(347)	**(116)**	(347)

Unlisted equity investments included in associates and joint ventures, and other investments, that were previously stated at cost, were measured at fair value at 1st January 2018 upon initial application of IFRS 9 and its transition provision for classification and measurement.

2 Segmental Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company for the purpose of resource allocation and performance assessment. The Group has eight operating segments as more fully described on page 7. No operating segments have been aggregated to form the reportable segments. Set out below is an analysis of the Group's underlying profit, net debt and total equity by reportable segment.

	Jardine Pacific US$m	Jardine Motors US$m	Jardine Lloyd Thompson US$m	Hongkong Land US$m	Dairy Farm US$m	Mandarin Oriental US$m	Jardine Cycle & Carriage US$m	Astra US$m	Corporate and other interests US$m	Intersegment transactions US$m	Underlying businesses performance US$m	Non-trading items US$m	Group US$m
2018													
Gross revenue#	6,827	15,954	1,931	4,642	21,957	985	7,277	33,072	–	(297)	92,348	–	**92,348**
Revenue *(refer note 3)*	2,585	5,905	–	2,665	11,749	614	1,938	17,133	–	(62)	42,527	–	**42,527**
Net operating costs	(2,525)	(5,764)	–	(1,576)	(11,321)	(520)	(1,842)	(15,000)	(72)	62	(38,558)	(872)	**(39,430)**
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	–	–	1,251	**1,251**
Operating profit	60	141	–	1,089	428	94	96	2,133	(72)	–	3,969	379	**4,348**
Net financing charges	(5)	(3)	–	(114)	(33)	(13)	(34)	(123)	13	–	(312)	–	**(312)**
Share of results of associates and joint ventures													
– before change in fair value of investment properties	128	86	77	265	132	6	127	478	(25)	–	1,274	(32)	**1,242**
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	–	–	189	**189**
	128	86	77	265	132	6	127	478	(25)	–	1,274	157	**1,431**
Profit before tax	183	224	77	1,240	527	87	189	2,488	(84)	–	4,931	536	**5,467**
Tax	(14)	(34)	–	(206)	(99)	(19)	(20)	(579)	(2)	–	(973)	9	**(964)**
Profit after tax	169	190	77	1,034	428	68	169	1,909	(86)	–	3,958	545	**4,503**
Non-controlling interests	(5)	(15)	–	(596)	(150)	(23)	(67)	(1,444)	45	–	(2,255)	(516)	**(2,771)**
Profit attributable to shareholders	**164**	**175**	**77**	**438**	**278**	**45**	**102**	**465**	**(41)**	**–**	**1,703**	**29**	**1,732**
Net (debt)/cash (excluding net debt of financial services companies)*	**(88)**	**57**	**–**	**(3,564)**	**(744)**	**(285)**	**(1,289)**	**(900)**	**863**	**–**			**(5,950)**
Total equity	**1,057**	**1,554**	**485**	**38,370**	**1,680**	**1,349**	**1,263**	**12,335**	**1,272**	**(168)**			**59,197**
2017													
Gross revenue	6,619	10,031	1,793	4,291	21,827	983	6,645	31,077	–	(265)	83,001	–	83,001
Revenue *(refer note 3)*	2,391	5,543	–	1,616	11,289	611	1,972	15,365	–	(39)	38,748	–	38,748
Net operating costs	(2,329)	(5,319)	–	(741)	(10,922)	(542)	(1,911)	(13,704)	(60)	39	(35,489)	553	(34,936)
Change in fair value of investment properties	–	–	–	–	–	–	–	–	–	–	–	4,706	4,706
Operating profit	62	224	–	875	367	69	61	1,661	(60)	–	3,259	5,259	8,518
Net financing charges	(5)	(5)	–	(78)	(26)	(11)	(4)	(43)	11	–	(161)	–	(161)
Share of results of associates and joint ventures													
– before change in fair value of investment properties	121	29	67	302	143	11	95	438	(2)	–	1,204	(8)	1,196
– change in fair value of investment properties	–	–	–	–	–	–	–	–	–	–	–	(32)	(32)
	121	29	67	302	143	11	95	438	(2)	–	1,204	(40)	1,164
Profit before tax	178	248	67	1,099	484	69	152	2,056	(51)	–	4,302	5,219	9,521
Tax	(14)	(54)	–	(151)	(93)	(15)	(15)	(473)	(4)	–	(819)	(3)	(822)
Profit after tax	164	194	67	948	391	54	137	1,583	(55)	–	3,483	5,216	8,699
Non-controlling interests	(2)	(10)	–	(551)	(130)	(19)	(55)	(1,193)	20	–	(1,940)	(2,816)	(4,756)
Profit attributable to shareholders	162	184	67	397	261	35	82	390	(35)	–	1,543	2,400	3,943
Net (debt)/cash (excluding net debt of financial services companies)*	(82)	193	–	(2,548)	(599)	(327)	(1,015)	196	779	–			(3,403)
Total equity	1,048	1,489	507	36,876	1,949	1,383	1,689	11,821	1,168	(162)			57,768

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

* Net (debt)/cash is total borrowings less bank balances and other liquid funds. A cash balance of US$3 million is included in assets classified as held for sale at 31st December 2017. Net debt of financial services companies amounted to US$3,293 million at 31st December 2018 *(2017: US$3,400 million)* and relates to Astra.

2 Segmental Information (continued)

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

	2018 US$m	2017 US$m
Underlying profit attributable to shareholders:		
Greater China	**981**	964
Southeast Asia	**689**	557
United Kingdom	**59**	44
Rest of the world	**15**	13
	1,744	1,578
Corporate and other interests	**(41)**	(35)
	1,703	1,543
Non-current assets*:		
Greater China	**40,960**	39,061
Southeast Asia	**18,164**	16,118
United Kingdom	**836**	884
Rest of the world	**1,055**	1,051
	61,015	57,114

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

3 Revenue

	Jardine Pacific US$m	Jardine Motors US$m	Hongkong Land US$m	Dairy Farm US$m	Mandarin Oriental US$m	Jardine Cycle & Carriage US$m	Astra US$m	Intersegment transactions US$m	Group US$m
2018									
By product and service:									
Property	5	–	2,665	–	–	–	279	(10)	**2,939**
Motor vehicles	–	5,905	–	–	–	1,938	7,424	–	**15,267**
Retail and restaurants	682	–	–	11,749	–	–	–	–	**12,431**
Financial services	–	–	–	–	–	–	1,376	–	**1,376**
Engineering, heavy equipment, mining and construction	565	–	–	–	–	–	5,970	(34)	**6,501**
Hotels	–	–	–	–	614	–	–	(2)	**612**
Other	1,333	–	–	–	–	–	2,084	(16)	**3,401**
	2,585	**5,905**	**2,665**	**11,749**	**614**	**1,938**	**17,133**	**(62)**	**42,527**
By geographical location of customers:									
Greater China	1,842	3,087	1,663	7,422	252	–	–	(57)	**14,209**
Southeast Asia	743	–	1,002	4,327	25	1,938	17,133	(5)	**25,163**
United Kingdom	–	2,818	–	–	19	–	–	–	**2,837**
Rest of the world	–	–	–	–	318	–	–	–	**318**
	2,585	**5,905**	**2,665**	**11,749**	**614**	**1,938**	**17,133**	**(62)**	**42,527**
Revenue from contracts with customers:									
Recognised at a point in time	1,948	5,902	1,319	11,749	223	1,882	15,109	(8)	**38,124**
Recognised over time	632	3	214	–	370	56	431	(44)	**1,662**
	2,580	5,905	1,533	11,749	593	1,938	15,540	(52)	**39,786**
Revenue from other sources:									
Rental income from investment properties	5	–	983	–	–	–	2	(10)	**980**
Revenue from financial services companies	–	–	–	–	–	–	1,376	–	**1,376**
Other	–	–	149	–	21	–	215	–	**385**
	5	–	1,132	–	21	–	1,593	(10)	**2,741**
	2,585	**5,905**	**2,665**	**11,749**	**614**	**1,938**	**17,133**	**(62)**	**42,527**

3 Revenue (continued)

	Jardine Pacific US$m	Jardine Motors US$m	Hongkong Land US$m	Dairy Farm US$m	Mandarin Oriental US$m	Jardine Cycle & Carriage US$m	Astra US$m	Intersegment transactions US$m	Group US$m
2017									
By product and service:									
Property	6	–	1,616	–	–	–	–	(9)	1,613
Motor vehicles	–	5,543	–	–	–	1,972	7,108	–	14,623
Retail and restaurants	654	–	–	11,289	–	–	–	–	11,943
Financial services	–	–	–	–	–	–	1,421	–	1,421
Engineering, heavy equipment, mining and construction	525	–	–	–	–	–	4,766	(14)	5,277
Hotels	–	–	–	–	611	–	–	(2)	609
Other	1,206	–	–	–	–	–	2,070	(14)	3,262
	2,391	5,543	1,616	11,289	611	1,972	15,365	(39)	38,748
By geographical location of customers:									
Greater China	1,744	2,864	1,302	6,871	242	–	–	(34)	12,989
Southeast Asia	647	–	314	4,418	23	1,972	15,365	(5)	22,734
United Kingdom	–	2,679	–	–	46	–	–	–	2,725
Rest of the world	–	–	–	–	300	–	–	–	300
	2,391	5,543	1,616	11,289	611	1,972	15,365	(39)	38,748
Revenue from contracts with customers:									
Recognised at a point in time	1,795	5,541	292	11,289	235	1,928	13,305	(8)	34,377
Recognised over time	590	2	272	–	354	44	404	(22)	1,644
	2,385	5,543	564	11,289	589	1,972	13,709	(30)	36,021
Revenue from other sources:									
Rental income from investment properties	6	–	912	–	–	–	1	(9)	910
Revenue from financial services companies	–	–	–	–	–	–	1,422	–	1,422
Other	–	–	140	–	22	–	233	–	395
	6	–	1,052	–	22	–	1,656	(9)	2,727
	2,391	5,543	1,616	11,289	611	1,972	15,365	(39)	38,748

No interest income calculated using effective interest method had been included in revenue from contracts with customers in 2018 and 2017.

3 Revenue (continued)

Contract balances

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed and costs recognised to fulfil future performance obligations on existing contracts that have not yet satisfied. Costs to fulfil are recognised in profit and loss when the related revenue is recognised. Contract assets are transferred to receivables when the rights become unconditional which usually occurs when the customers are billed.

Costs to obtain contracts include costs such as sales commission and stamp duty paid, as a result of obtaining contracts. The Group has capitalised these costs and recognised in profit and loss when the related revenue are recognised.

Contract liabilities primarily relate to the advance consideration received from customers relating to properties for sale, motor vehicles, and engineering, heavy equipment, mining and construction, for which revenue is recognised over time.

Contract assets and contract liabilities are further analysed as follows:

	2018 US$m	2017 US$m
Contract assets *(refer note 16)*		
– properties for sale	**319**	214
– engineering, heavy equipment, mining and construction	**481**	289
– other	**11**	3
	811	506
– provision for impairment	**(17)**	(11)
	794	495
Contract liabilities *(refer note 29)*		
– properties for sale	**353**	854
– motor vehicles	**375**	328
– retail and restaurants	**135**	135
– engineering, heavy equipment, mining and construction	**110**	130
– other	**101**	53
	1,074	1,500

Increases in contract assets during the year were in line with the growth of the Group's contracted sales. Decreases in contract liabilities during the year were in line with the completion of pre-sale property projects.

Contract assets include costs to fulfil of US$285 million *(2017: US$203 million)*. Costs to fulfil of US$181 million *(2017: US$233 million)* have been recognised in profit and loss during the year.

Costs to obtain contracts of US$23 million *(2017: US$6 million)* have been recognised in profit and loss during the year.

3 Revenue (continued)

Revenue recognised in relation to contract liabilities

Revenue recognised in the current year relating to carried-forward contract liabilities:

	2018 US$m	2017 US$m
Properties for sale	**806**	155
Motor vehicles	**160**	172
Retail and restaurants	**135**	125
Engineering, heavy equipment, mining and construction	**50**	44
Other	**56**	15
	1,207	511

Revenue expected to be recognised on unsatisfied contracts with customers

The following table shows the timing of revenue to be recognised on unsatisfied performance obligations at 31st December 2018:

	Properties for sale US$m	Motor vehicles US$m	Engineering, heavy equipment, mining and construction US$m	Other US$m	Total US$m
Within one year	716	96	790	75	**1,677**
Between one and two years	142	63	133	13	**351**
Between two and three years	100	36	138	2	**276**
Between three and four years	–	18	19	1	**38**
Between four and five years	10	10	3	–	**23**
Beyond five years	–	–	2	–	**2**
	968	**223**	**1,085**	**91**	**2,367**

As permitted under the transitional provisions in IFRS 15, the transaction price allocated to unsatisfied performance obligations at 31st December 2017 is not disclosed.

4 Net Operating Costs

	2018 US$m	2017 US$m
Cost of sales	**(32,140)**	(29,381)
Other operating income	**788**	1,073
Selling and distribution costs	**(4,682)**	(4,483)
Administration expenses	**(2,216)**	(2,002)
Other operating expenses	**(1,180)**	(143)
	(39,430)	(34,936)
The following credits/(charges) are included in net operating costs:		
Cost of stocks recognised as expense	**(28,650)**	(26,173)
Cost of properties for sale recognised as expense	**(1,396)**	(442)
Amortisation of intangible assets	**(137)**	(127)
Depreciation of tangible assets	**(949)**	(829)
Depreciation of bearer plants	**(25)**	(25)
Impairment of intangible assets	**(127)**	(12)
Impairment of tangible assets	**(205)**	(8)
Write down of stocks and work in progress	**(80)**	(51)
Reversal of write down of stocks and work in progress	**33**	34
Impairment of financing debtors	**(147)**	(148)
Impairment of trade debtors, contract assets and other debtors	**(80)**	(57)
Operating expenses arising from investment properties	**(179)**	(176)
Net foreign exchange (losses)/gains	**(12)**	3
Employee benefit expense		
– salaries and benefits in kind	**(3,768)**	(3,498)
– share options granted	**(6)**	(8)
– defined benefit pension plans *(refer note 18)*	**(87)**	(90)
– defined contribution pension plans	**(102)**	(96)
	(3,963)	(3,692)
Operating lease expenses		
– minimum lease payments	**(1,242)**	(1,170)
– contingent rents	**(58)**	(42)
– subleases	**44**	40
	(1,256)	(1,172)
Auditors' remuneration		
– audit	**(19)**	(19)
– non-audit services	**(3)**	(4)
	(22)	(23)
Dividend income from equity investments	**66**	49
Interest income from debt investments	**41**	40
Rental income from properties	**31**	33
Net operating costs included the following gains/(losses) from non-trading items:		
Change in fair value of other investments	**(476)**	366
Sale and closure of businesses	**132**	(10)
Sale of property interests	**34**	194
Restructuring of businesses *(refer note 9)*	**(467)**	–
Reclassification of a joint venture as a subsidiary	**(61)**	–
Redevelopment of a hotel	**(27)**	–
Other	**(7)**	3
	(872)	553

5 Net Financing Charges

	2018 US$m	2017 US$m
Interest expense		
– bank loans and advances	**(290)**	(166)
– other	**(131)**	(119)
	(421)	(285)
Fair value losses on fair value hedges	**(9)**	(6)
Fair value adjustment on hedged items attributable to the hedged risk	**9**	6
	–	–
	(421)	(285)
Interest capitalised	**17**	52
Commitment and other fees	**(88)**	(101)
Financing charges	**(492)**	(334)
Financing income	**180**	173
	(312)	(161)

6 Share of Results of Associates and Joint Ventures

	2018 US$m	2017 US$m
By business:		
Jardine Pacific	**128**	121
Jardine Motors	**86**	29
Jardine Lloyd Thompson	**43**	62
Hongkong Land	**429**	248
Dairy Farm	**133**	142
Mandarin Oriental	**6**	11
Jardine Cycle & Carriage	**127**	104
Astra	**479**	446
Corporate and other interests	**–**	1
	1,431	1,164
Share of results of associates and joint ventures included the following gains/(losses) from non-trading items:		
Change in fair value of investment properties	**189**	(32)
Change in fair value of other investments	**1**	1
Sale and closure of businesses	**1**	1
Costs associated with regulatory reviews	**(17)**	–
Merger-related costs	**(15)**	–
Other	**(2)**	(10)
	157	(40)

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

7 Tax

	2018 US$m	2017 US$m
Tax charged to profit and loss is analysed as follows:		
Current tax	**(928)**	(854)
Deferred tax	**(36)**	32
	(964)	(822)
Greater China	**(326)**	(302)
Southeast Asia	**(648)**	(510)
United Kingdom	**(2)**	(4)
Rest of the world	**12**	(6)
	(964)	(822)
Reconciliation between tax expense and tax at the applicable tax rate*:		
Tax at applicable tax rate	**(835)**	(1,520)
Income not subject to tax		
– change in fair value of investment properties	**205**	785
– other items	**120**	153
Expenses not deductible for tax purposes		
– change in fair value of investment properties	**(4)**	(2)
– other items	**(296)**	(111)
Tax losses and temporary differences not recognised	**(85)**	(47)
Utilisation of previously unrecognised tax losses and temporary differences	**3**	13
Recognition of previously unrecognised tax losses and temporary differences	**1**	4
Deferred tax assets written off	**(7)**	(1)
Deferred tax liabilities written back	**3**	–
Underprovision in prior years	**(11)**	(9)
Withholding tax	**(65)**	(65)
Land appreciation tax in mainland China	**(15)**	(20)
Tax refund on disposal of other investments in prior year	**19**	–
Change in tax rate	**1**	–
Other	**2**	(2)
	(964)	(822)
Tax relating to components of other comprehensive income is analysed as follows:		
Remeasurements of defined benefit plans	**3**	(8)
Cash flow hedges	**(13)**	8
	(10)	–

Share of tax charge of associates and joint ventures of US$528 million *(2017: US$482 million)* is included in share of results of associates and joint ventures. There is no share of tax charge included in the share of other comprehensive income of associates and joint ventures in 2018 and 2017.

*The applicable tax rate for the year was 20.7% *(2017: 18.2%)* and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

8 Earnings per Share

Basic earnings per share are calculated on profit attributable to shareholders of US$1,732 million *(2017: US$3,943 million)* and on the weighted average number of 376 million *(2017: 376 million)* shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$1,731 million *(2017: US$3,941 million)*, which is after adjusting for the effects of the conversion of dilutive potential ordinary shares of subsidiaries, associates or joint ventures, and on the weighted average number of 376 million *(2017: 377 million)* shares in issue during the year.

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

	Ordinary shares in millions	
	2018	2017
Weighted average number of shares in issue	**732**	720
Company's share of shares held by subsidiaries	**(356)**	(344)
Weighted average number of shares for basic earnings per share calculation	**376**	376
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**–**	1
Weighted average number of shares for diluted earnings per share calculation	**376**	377

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:

	2018			2017		
		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	**1,732**	**4.60**	**4.59**	3,943	10.48	10.46
Non-trading items *(refer note 9)*	**(29)**			(2,400)		
Underlying profit attributable to shareholders	**1,703**	**4.53**	**4.52**	1,543	4.10	4.09

9 Non-trading Items

	2018 US$m	2017 US$m
By business:		
Jardine Pacific	**23**	12
Jardine Motors	**2**	204
Jardine Lloyd Thompson	**(34)**	(4)
Hongkong Land	**603**	1,952
Dairy Farm	**(217)**	–
Mandarin Oriental	**(14)**	–
Jardine Cycle & Carriage	**(280)**	100
Astra	**3**	6
Corporate and other interests	**(57)**	130
	29	2,400
An analysis of non-trading items after interest, tax and non-controlling interests is set out below:		
Change in fair value of investment properties		
– Hongkong Land	**594**	1,930
– other	**19**	19
	613	1,949
Change in fair value of other investments	**(316)**	255
Sale and closure of businesses	**80**	1
Sale of property interests	**23**	194
Tax refund on disposal of other investments in prior year	**16**	–
Restructuring of businesses	**(296)**	–
Reclassification of a joint venture as a subsidiary	**(40)**	–
Redevelopment of a hotel	**(18)**	–
Costs associated with regulatory reviews	**(17)**	–
Merger-related costs	**(15)**	–
Other	**(1)**	1
	29	2,400

Restructuring of businesses related to Dairy Farm's restructuring of its Southeast Asia Food business following the completion of a strategic review. The charges comprised impairment charges of the carrying values of certain goodwill and assets, as well as provisions related to the associated leases of the underperforming stores and future payments to landlords, tenants and employees.

Sale and closure of businesses included a gain of US$94 million related to the disposal of a subsidiary in the Philippines by Dairy Farm under a partnership arrangement with Robinsons Retail Holdings, Inc. ('Robinsons Retail'), a multi-format retailer listed on the Philippine Stock Exchange *(refer note 14)*.

10 Intangible Assets

	Goodwill US$m	Franchise rights US$m	Leasehold land US$m	Concession rights US$m	Deferred exploration costs US$m	Other US$m	Total US$m
2018							
Cost	1,303	158	999	563	120	497	**3,640**
Amortisation and impairment	(88)	–	(247)	(31)	(29)	(236)	**(631)**
Net book value at 1st January	1,215	158	752	532	91	261	**3,009**
Exchange differences	(43)	(10)	(47)	(35)	(1)	(9)	**(145)**
New subsidiaries	271	–	–	–	428	6	**705**
Additions	–	–	17	25	14	109	**165**
Disposals	(102)	–	(3)	–	–	(21)	**(126)**
Revaluation surplus before transfer to investment properties	–	–	2	–	–	–	**2**
Transfer from investment properties	–	–	32	–	–	–	**32**
Amortisation	–	–	(39)	(4)	(22)	(72)	**(137)**
Impairment charge	(117)	–	–	–	–	(10)	**(127)**
Net book value at 31st December	**1,224**	**148**	**714**	**518**	**510**	**264**	**3,378**
Cost	1,443	148	983	552	989	508	**4,623**
Amortisation and impairment	(219)	–	(269)	(34)	(479)	(244)	**(1,245)**
	1,224	**148**	**714**	**518**	**510**	**264**	**3,378**
2017							
Cost	1,278	159	938	484	75	432	3,366
Amortisation and impairment	(86)	–	(211)	(28)	(25)	(191)	(541)
Net book value at 1st January	1,192	159	727	456	50	241	2,825
Exchange differences	18	(1)	(4)	(5)	–	2	10
New subsidiaries	11	–	–	–	38	–	49
Additions	–	–	65	84	6	110	265
Disposals	(3)	–	(1)	–	–	–	(4)
Revaluation surplus before transfer to investment properties	–	–	6	–	–	–	6
Transfer to investment properties	–	–	(1)	–	–	–	(1)
Amortisation	–	–	(40)	(3)	(3)	(81)	(127)
Impairment charge	(1)	–	–	–	–	(11)	(12)
Reclassified to assets held for sale	(2)	–	–	–	–	–	(2)
Net book value at 31st December	1,215	158	752	532	91	261	3,009
Cost	1,303	158	999	563	120	497	3,640
Amortisation and impairment	(88)	–	(247)	(31)	(29)	(236)	(631)
	1,215	158	752	532	91	261	3,009

	2018 US$m	2017 US$m
Goodwill allocation by business:		
Jardine Pacific	**71**	70
Jardine Motors	**64**	67
Dairy Farm	**585**	723
Mandarin Oriental	**39**	39
Astra	**465**	316
	1,224	1,215

10 Intangible Assets (continued)

Goodwill relating to Dairy Farm is allocated to groups of cash-generating units ('CGU') identified by banners or group of stores acquired in each geographical segment. Dairy Farm management has assessed the recoverable amount of each CGU based on value in use calculations using cash flow projections based on approved budgets which have forecasts covering a period of three years and projections for a further two years.

Total impairment charge of goodwill of US$117 million recognised in the profit and loss in 2018 included an impairment charge of US$102 million related to Dairy Farm's Giant businesses in Malaysia and Singapore following the completion of a strategic review of its Southeast Asia Food business. Goodwill related to the Malaysian Giant business was fully impaired during the year and goodwill related to the Singapore Giant business has been reduced to its estimated recoverable amount.

Key assumptions used for value-in-use calculations for the remaining significant balances of Dairy Farm goodwill in 2018 include budgeted gross margins between 21% and 30% and average sales growth rates are between 0.3% and 3.8% to project cash flows, which vary across the Group's business segments and geographical locations, over a five-year period and thereafter, and are based on management expectations for the market development; and pre-tax discount rates of between 6% and 14% 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 this review, management concluded that no further impairment charge was required.

Goodwill relating to Astra included goodwill arising from acquisition of shares in Astra and Astra's acquisition of 95% interest in PT Agincourt Resources in 2018 *(refer note 31 (d))*. For the purpose of impairment review in respect of goodwill arising from acquisition of shares in Astra, the carrying value of Astra is compared with the recoverable amount measured by reference to the quoted market price of the shares held. On the basis of this review and the continued expected level of profitability, management concluded that no impairment has occurred.

Franchise rights are rights under franchise agreements with automobile and heavy equipment manufacturers. These franchise agreements are deemed to have indefinite lives because either they do not have any term of expiry or their renewal would be probable and would not involve significant costs, taking into account the history of renewal and the relationships between the franchisee and the contracting parties. The carrying amounts of franchise rights, which included automotive of US$53 million and heavy equipment of US$93 million, are not amortised 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 2018 and has concluded that no impairment has occurred. The impairment review was made by comparing the carrying amounts of the cash-generating units in which the franchise rights reside with the recoverable amounts of the cash-generating units. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using growth rates between 3% and 4%. Pre-tax discount rate of 14% reflecting business specific risks, is applied to the cash flow projections.

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

At 31st December 2018, the carrying amount of leasehold land pledged as security for borrowings amounted to US$4 million *(2017: US$4 million) (refer note 28)*.

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

The remaining amortisation periods for intangible assets are as follows:

Leasehold land	up to 81 years
Concession rights	by traffic volume over 37 to 41 years
Computer software	up to 7 years
Deferred exploration costs	by unit of production
Other	various

11 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
2018							
Cost	1,166	3,264	1,516	1,156	4,418	2,077	**13,597**
Depreciation and impairment	(112)	(744)	(944)	(722)	(2,791)	(1,276)	**(6,589)**
Net book value at 1st January	1,054	2,520	572	434	1,627	801	**7,008**
Exchange differences	(38)	(89)	(14)	1	(95)	(42)	**(277)**
New subsidiaries	–	–	10	682	142	4	**838**
Additions	55	222	167	–	793	287	**1,524**
Disposals	(8)	(25)	(39)	–	(33)	(15)	**(120)**
Revaluation surplus before transfer to investment properties	–	1	–	–	–	–	**1**
Transfer to investment properties	–	(5)	–	–	–	–	**(5)**
Transfer to stock and work in progress	–	–	–	–	(2)	(27)	**(29)**
Depreciation charge	(11)	(124)	(140)	(20)	(426)	(228)	**(949)**
Impairment charge	(24)	(128)	(11)	–	(21)	(21)	**(205)**
Net book value at 31st December	**1,028**	**2,372**	**545**	**1,097**	**1,985**	**759**	**7,786**
Cost	1,154	3,313	1,527	1,797	5,053	2,068	**14,912**
Depreciation and impairment	(126)	(941)	(982)	(700)	(3,068)	(1,309)	**(7,126)**
	1,028	**2,372**	**545**	**1,097**	**1,985**	**759**	**7,786**
2017							
Cost	1,010	3,030	1,343	1,058	3,772	1,960	12,173
Depreciation and impairment	(103)	(639)	(841)	(715)	(2,494)	(1,142)	(5,934)
Net book value at 1st January	907	2,391	502	343	1,278	818	6,239
Exchange differences	81	21	23	–	7	2	134
New subsidiaries	8	11	1	103	75	1	199
Additions	78	207	181	–	623	256	1,345
Disposals	(7)	(3)	(9)	–	(8)	(13)	(40)
Transfer from/(to) stock and work in progress	–	–	–	–	5	(33)	(28)
Depreciation charge	(13)	(103)	(125)	(12)	(352)	(224)	(829)
Impairment charge	–	–	(1)	–	(1)	(6)	(8)
Reclassified to assets held for sale	–	(4)	–	–	–	–	(4)
Net book value at 31st December	1,054	2,520	572	434	1,627	801	7,008
Cost	1,166	3,264	1,516	1,156	4,418	2,077	13,597
Depreciation and impairment	(112)	(744)	(944)	(722)	(2,791)	(1,276)	(6,589)
	1,054	2,520	572	434	1,627	801	7,008

Impairment charge in 2018 primarily related to Dairy Farm's restructuring of its Southeast Asia Food business *(refer note 9)*.

Freehold properties include a hotel property of US$105 million *(2017: US$109 million)*, which is stated net of a grant of US$21 million *(2017: US$21 million)*.

Net book value of leasehold properties, plant and machinery and motor vehicles acquired under finance leases amounted to US$260 million, US$28 million and US$2 million *(2017: US$269 million, US$3 million and US$3 million)*, respectively.

Rental income from properties and other tangible assets amounted to US$243 million *(2017: US$286 million)* including contingent rents of US$1 million *(2017: US$3 million)*.

11 Tangible Assets (continued)

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

	2018 US$m	2017 US$m
Within one year	**101**	117
Between one and two years	**59**	70
Between two and five years	**52**	73
Beyond five years	**2**	3
	214	263

At 31st December 2018, the carrying amount of tangible assets pledged as security for borrowings amounted to US$519 million *(2017: US$480 million) (refer note 28)*.

12 Investment Properties

	Completed commercial properties US$m	Under development commercial properties US$m	Completed residential properties US$m	Total US$m
2018				
At 1st January	32,432	408	698	**33,538**
Exchange differences	(130)	(18)	(1)	**(149)**
Additions	118	21	1	**140**
Transfer	332	(332)	–	**–**
Transfer to intangible assets	–	(32)	–	**(32)**
Transfer from tangible assets	–	5	–	**5**
Change in fair value	1,218	(2)	35	**1,251**
At 31st December	**33,970**	**50**	**733**	**34,753**
Freehold properties				**168**
Leasehold properties				**34,585**
				34,753
2017				
At 1st January	26,911	1,019	679	28,609
Exchange differences	(173)	45	(4)	(132)
Additions	69	337	–	406
Disposals	(8)	(44)	–	(52)
Transfer	990	(990)	–	–
Transfer from intangible assets	1	–	–	1
Change in fair value	4,642	41	23	4,706
At 31st December	32,432	408	698	33,538
Freehold properties				172
Leasehold properties				33,366
				33,538

12 Investment Properties (continued)

The Group measures its investment properties at fair value. The fair values of the Group's investment properties at 31st December 2018 and 2017, which were principally held by Hongkong Land, have been determined on the basis of valuations carried out by independent valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. Hongkong Land employed Jones Lang LaSalle to value its commercial investment properties in Hong Kong, mainland China, Singapore, Vietnam and Cambodia which are either freehold or held under leases with unexpired lease terms of more than 20 years. The valuations, which conform to the International Valuation Standards issued by the International Valuation Standards Council and the HKIS Valuation Standards issued by the Hong Kong Institute of Surveyors, were arrived at by reference to the net income, allowing for reversionary potential, of each property. The valuations are comprehensively reviewed by Hongkong Land.

Fair value measurements of residential properties using no significant unobservable inputs

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

Fair value measurements of commercial properties using significant unobservable inputs

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

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

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

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

12 Investment Properties *(continued)*

Information about fair value measurements of Hongkong Land's commercial investment properties using significant unobservable inputs at 31st December 2018:

Completed properties	Fair value US$m	Valuation method	Range of significant unobservable inputs: Prevailing market rent per month US$	Range of significant unobservable inputs: Capitalisation/ discount rates %
Hong Kong	31,784	Income capitalisation	5.6 to 37.1 per square foot	2.75 to 5.00
Mainland China	881	Income capitalisation	93.8 per square metre	3.75
Singapore	584	Income capitalisation	7.5 to 8.6 per square foot	3.50 to 4.80
Vietnam and Cambodia	137	Discounted cash flow	21.0 to 44.5 per square metre	12.50 to 15.00
Total	33,386			

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

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

Rental income from investment properties amounted to US$984 million *(2017: US$914 million)* including contingent rents of US$16 million *(2017: US$9 million)*.

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

	2018 US$m	2017 US$m
Within one year	**894**	826
Between one and two years	**652**	620
Between two and five years	**831**	728
Beyond five years	**316**	321
	2,693	2,495

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

At 31st December 2018, the carrying amount of investment properties pledged as security for borrowings amounted to US$881 million *(2017: US$899 million) (refer note 28)*.

13 Bearer Plants

The Group's bearer plants are primarily for the production of palm oil.

	2018 US$m	2017 US$m
Movements during the year:		
Cost	**648**	629
Depreciation	**(150)**	(132)
Net book value at 1st January	**498**	497
Exchange differences	**(32)**	(4)
Additions	**48**	55
Disposals	**(2)**	(25)
Depreciation charge	**(25)**	(25)
Net book value at 31st December	**487**	498
Immature bearer plants	**95**	118
Mature bearer plants	**392**	380
	487	498
Cost	**644**	648
Accumulated depreciation	**(157)**	(150)
	487	498

At 31st December 2018 and 2017, the Group's bearer plants had not been pledged as security for borrowings.

14 Associates and Joint Ventures

	2018 US$m	2017 US$m
Listed associates		
– Yonghui	**648**	696
– Zhongsheng	**472**	431
– Siam City Cement	**332**	343
– Jardine Lloyd Thompson	**274**	288
– Robinsons Retail	**214**	–
– Greatview	**112**	118
– other	**122**	104
	2,174	1,980
Unlisted associates	**1,753**	1,800
Share of attributable net assets	**3,927**	3,780
Goodwill on acquisition	**1,550**	1,222
	5,477	5,002
Listed joint ventures		
– Permata Bank	**641**	650
– PT Tunas Ridean	**112**	102
	753	752
Unlisted joint ventures	**8,326**	7,178
Share of attributable net assets	**9,079**	7,930
Goodwill on acquisition	**55**	129
	9,134	8,059
	14,611	13,061

14 Associates and Joint Ventures (continued)

	Associates 2018 US$m	Associates 2017 US$m	Joint ventures 2018 US$m	Joint ventures 2017 US$m
Movements of associates and joint ventures during the year:				
At 1st January				
– as previously reported	**5,025**	3,458	**8,063**	7,137
– change in accounting policies *(refer note 1)*	**(23)**	(20)	**3**	24
– as restated	**5,002**	3,438	**8,066**	7,161
Share of results after tax and non-controlling interests	**557**	528	**874**	636
Share of other comprehensive income after tax and non-controlling interests	**(212)**	184	**(331)**	239
Dividends received	**(396)**	(319)	**(546)**	(625)
Acquisitions, increases in attributable interests and advances	**702**	1,444	**1,810**	1,413
Disposals, decreases in attributable interests and repayment of advances	**(203)**	(227)	**(739)**	(833)
Employee share options schemes	**27**	16	**–**	–
Reclassification	**–**	(61)	**–**	61
Other	**–**	(1)	**–**	7
At 31st December	**5,477**	5,002	**9,134**	8,059
Fair value of listed associates and joint ventures	**6,665**	6,873	**751**	783

Acquisition of associates during the year included Dairy Farm's acquisition of a 20% interest in Robinsons Retail. In November 2018, Dairy Farm completed the exchange of its 100% interest in a Philippine subsidiary, which operates supermarkets and hypermarkets, for a consideration of US$336 million in the form of a 12.15% interest in the enlarged share capital of Robinsons Retail under a partnership arrangement. This, together with further shares acquired from the existing controlling shareholders and in the market totalling US$220 million, gave Dairy Farm a total shareholding of 20% in Robinsons Retail.

At the date of acquisition, goodwill amounting to US$346 million was recognised for the Group's investment in Robinsons Retail. A gain on disposal of the Philippine subsidiary attributable to the Group of US$94 million was recognised in 2018 and was credited to the profit and loss.

In addition, the Group accepted an offer from Marsh & McLennan Companies to sell the entire 41% interest in Jardine Lloyd Thompson at net proceeds of US$2.1 billion. The sale is expected to complete in Spring 2019, conditional upon regulatory approvals.

(a) Investment in associates
The material associates of the Group are listed below. These associates have share capital consisting solely of ordinary shares, which are held directly by the Group.

Nature of investments in material associates in 2018 and 2017:

Name of entity	Nature of business	Country of incorporation/ principal place of business/ place of listing	% of ownership interest 2018	% of ownership interest 2017
Maxim's Caterers Limited ('Maxim's')	Restaurants	Hong Kong/Hong Kong/ Unlisted	**50**	50
Yonghui Superstores Co., Limited ('Yonghui')	Supermarkets and hypermarkets	Mainland China/ Mainland China/ Shanghai	**20**	20
Siam City Cement Public Company Limited ('Siam City Cement')	Cement manufacturing	Thailand/Thailand/ Thailand	**26**	26
PT Astra Daihatsu Motor	Automotive	Indonesia/Indonesia/ Unlisted	**32**	32

14 Associates and Joint Ventures (continued)

Summarised financial information for material associates

Summarised balance sheets at 31st December (unless otherwise indicated):

	Maxim's	Yonghui†	Siam City Cement	PT Astra Daihatsu Motor	Total
	US$m	US$m	US$m	US$m	US$m
2018					
Non-current assets	1,130	2,864	2,341	455	**6,790**
Current assets					
Cash and cash equivalents	269	836	68	481	**1,654**
Other current assets	210	2,426	364	439	**3,439**
Total current assets	479	3,262	432	920	**5,093**
Non-current liabilities					
Financial liabilities*	(145)	–	(809)	–	**(954)**
Other non-current liabilities*	(52)	(27)	(161)	(49)	**(289)**
Total non-current liabilities	(197)	(27)	(970)	(49)	**(1,243)**
Current liabilities					
Financial liabilities*	(353)	(592)	(211)	–	**(1,156)**
Other current liabilities*	(144)	(2,252)	(246)	(576)	**(3,218)**
Total current liabilities	(497)	(2,844)	(457)	(576)	**(4,374)**
Non-controlling interests	(16)	(119)	(46)	–	**(181)**
Net assets	**899**	**3,136**	**1,300**	**750**	**6,085**
2017					
Non-current assets	1,083	2,195	2,413	574	6,265
Current assets					
Cash and cash equivalents	193	850	52	528	1,623
Other current assets	182	2,032	315	322	2,851
Total current assets	375	2,882	367	850	4,474
Non-current liabilities					
Financial liabilities*	(155)	–	(809)	–	(964)
Other non-current liabilities*	(43)	(20)	(167)	(60)	(290)
Total non-current liabilities	(198)	(20)	(976)	(60)	(1,254)
Current liabilities					
Financial liabilities*	(324)	(61)	(167)	–	(552)
Other current liabilities*	(128)	(1,646)	(250)	(458)	(2,482)
Total current liabilities	(452)	(1,707)	(417)	(458)	(3,034)
Non-controlling interests	(14)	(67)	(45)	–	(126)
Net assets	794	3,283	1,342	906	6,325

*Financial liabilities exclude trade and other payables and provisions, which are presented under other current and non-current liabilities.

† Based on unaudited summarised balance sheets at 30th September 2018 and 2017.

14 Associates and Joint Ventures (continued)

Summarised statements of comprehensive income for the year ended 31st December (unless otherwise indicated):

	Maxim's US$m	Yonghui† US$m	Siam City Cement US$m	PT Astra Daihatsu Motor US$m	Total US$m
2018					
Revenue	2,586	8,052	1,370	4,334	**16,342**
Depreciation and amortisation	(122)	(140)	(109)	(116)	**(487)**
Interest income	3	8	–	29	**40**
Interest expense	(1)	(4)	(42)	–	**(47)**
Profit from underlying business performance	267	145	120	450	**982**
Tax	(50)	(46)	(19)	(112)	**(227)**
Profit after tax from underlying business performance	217	99	101	338	**755**
Profit after tax from non-trading items	–	10	–	–	**10**
Profit after tax	217	109	101	338	**765**
Other comprehensive income/(expense)	(7)	–	–	2	**(5)**
Total comprehensive income	**210**	**109**	**101**	**340**	**760**
Dividends received from associates	**51**	**43**	**19**	**140**	**253**
2017					
Revenue	2,238	8,148	1,276	3,897	15,559
Depreciation and amortisation	(102)	(152)	(88)	(123)	(465)
Interest income	1	51	2	32	86
Interest expense	–	(27)	(40)	–	(67)
Profit from underlying business performance	235	290	87	401	1,013
Tax	(42)	(58)	(25)	(96)	(221)
Profit after tax from underlying business performance	193	232	62	305	792
Profit after tax from non-trading items	–	22	–	–	22
Profit after tax	193	254	62	305	814
Other comprehensive income/(expense)	19	(2)	–	(3)	14
Total comprehensive income	212	252	62	302	828
Dividends received from associates	51	34	25	122	232

† Based on the unaudited summarised statements of comprehensive income for the nine months ended 30th September 2018 and twelve months ended 30th September 2017.

The information contained in the summarised balance sheets and statements of comprehensive income reflect the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the Group and the associates, and fair value of the associates at the time of acquisition.

14 Associates and Joint Ventures (continued)

Reconciliation of the summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in its material associates for the year ended 31st December:

	Maxim's US$m	Yonghui US$m	Siam City Cement US$m	PT Astra Daihatsu Motor US$m	Total US$m
2018					
Net assets	899	3,136	1,300	750	**6,085**
Interest in associates (%)	*50*	*20*	*26*	*32*	
Group's share of net assets in associates	450	627	332	239	**1,648**
Goodwill	–	392	388	–	**780**
Other	–	21	–	–	**21**
Carrying value	**450**	**1,040**	**720**	**239**	**2,449**
Fair value	**N/A**	**2,189**	**480**	**N/A**	**2,669**
2017					
Net assets	794	3,283	1,342	906	6,325
Interest in associates (%)	*50*	*20*	*26*	*32*	
Group's share of net assets in associates	397	656	343	289	1,685
Goodwill	–	414	386	–	800
Other	–	40	–	–	40
Carrying value	397	1,110	729	289	2,525
Fair value	N/A	2,962	612	N/A	3,574

14 Associates and Joint Ventures (continued)

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

	2018 US$m	2017 US$m
Share of profit	**291**	268
Share of other comprehensive (expense)/income	**(81)**	81
Share of total comprehensive income	**210**	349
Carrying amount of interests in these associates	**3,028**	2,477

Contingent liabilities relating to the Group's interest in associates

	2018 US$m	2017 US$m
Financial guarantee in respect of facilities made available to an associate	**20**	20

(b) Investment in joint ventures

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

Nature of investments in material joint ventures in 2018 and 2017:

	Nature of business	Country of incorporation and principal place of business	% of ownership interest 2018	2017
Hongkong Land				
– Properties Sub F, Ltd	Property investment	Macau	**49**	49
– BFC Development LLP	Property investment	Singapore	**33**	33
– Central Boulevard Development Pte Ltd	Property investment	Singapore	**33**	33
– One Raffles Quay Pte Ltd	Property investment	Singapore	**33**	33
Astra				
– PT Astra Honda Motor	Automotive	Indonesia	**50**	50
– PT Bank Permata Tbk ('Permata Bank')	Commercial and retail bank	Indonesia	**45**	45

At 31st December 2018, the fair value of the Group's interest in Permata Bank, which is listed on the Indonesian Stock Exchange, was US$539 million *(2017: US$576 million)* and the carrying amount of the Group's interest was US$675 million *(2017: US$688 million)*.

14 Associates and Joint Ventures (continued)

Summarised financial information for material joint ventures

Summarised balance sheets at 31st December:

	Properties Sub F, Ltd US$m	BFC Development LLP US$m	Central Boulevard Development Pte Ltd US$m	One Raffles Quay Pte Ltd US$m	PT Astra Honda Motor US$m	Permata Bank US$m	Total US$m
2018							
Non-current assets	1,380	3,683	2,848	2,804	1,394	3,569	**15,678**
Current assets							
Cash and cash equivalents	65	14	19	7	535	1,685	**2,325**
Other current assets	35	1	1	3	415	5,191	**5,646**
Total current assets	100	15	20	10	950	6,876	**7,971**
Non-current liabilities							
Financial liabilities*	–	(1,248)	(1,181)	(764)	–	(158)	**(3,351)**
Other non-current liabilities*	(147)	–	(20)	(205)	(235)	(101)	**(708)**
Total non-current liabilities	(147)	(1,248)	(1,201)	(969)	(235)	(259)	**(4,059)**
Current liabilities							
Financial liabilities*	–	–	(4)	(1)	–	(173)	**(178)**
Other current liabilities*	(47)	(61)	(35)	(41)	(790)	(8,575)	**(9,549)**
Total current liabilities	(47)	(61)	(39)	(42)	(790)	(8,748)	**(9,727)**
Net assets	**1,286**	**2,389**	**1,628**	**1,803**	**1,319**	**1,438**	**9,863**
2017							
Non-current assets	1,373	3,628	2,797	2,767	1,438	3,564	15,567
Current assets							
Cash and cash equivalents	25	13	17	12	473	1,325	1,865
Other current assets	30	2	5	2	426	5,939	6,404
Total current assets	55	15	22	14	899	7,264	8,269
Non-current liabilities							
Financial liabilities*	–	(1,275)	(1,211)	(778)	–	(353)	(3,617)
Other non-current liabilities*	(146)	–	(21)	(200)	(244)	(105)	(716)
Total non-current liabilities	(146)	(1,275)	(1,232)	(978)	(244)	(458)	(4,333)
Current liabilities							
Financial liabilities*	–	(1)	(6)	(4)	–	(132)	(143)
Other current liabilities*	(47)	(62)	(35)	(48)	(702)	(8,776)	(9,670)
Total current liabilities	(47)	(63)	(41)	(52)	(702)	(8,908)	(9,813)
Net assets	1,235	2,305	1,546	1,751	1,391	1,462	9,690

*Financial liabilities exclude trade and other payables and provisions, which are presented under other current and non-current liabilities.

14 Associates and Joint Ventures (continued)

Summarised statements of comprehensive income for the year ended 31st December:

	Properties Sub F, Ltd US$m	BFC Development LLP US$m	Central Boulevard Development Pte Ltd US$m	One Raffles Quay Pte Ltd US$m	PT Astra Honda Motor US$m	Permata Bank US$m	Total US$m
2018							
Revenue	87	158	110	112	5,129	886	**6,482**
Depreciation and amortisation	(8)	–	–	–	(114)	(17)	**(139)**
Interest income	–	–	–	–	35	–	**35**
Interest expense	(1)	(47)	(32)	(25)	–	–	**(105)**
Profit from underlying business performance	44	72	49	61	600	54	**880**
Tax	(5)	(12)	(8)	(11)	(150)	(5)	**(191)**
Profit after tax from underlying business performance	39	60	41	50	450	49	**689**
Profit after tax from non-trading items	13	132	110	85	–	–	**340**
Profit after tax	52	192	151	135	450	49	**1,029**
Other comprehensive income/(expense)	(2)	(36)	(26)	(34)	1	(5)	**(102)**
Total comprehensive income	**50**	**156**	**125**	**101**	**451**	**44**	**927**
Dividends received from joint ventures	**18**	**24**	**14**	**17**	**223**	**–**	**296**
2017							
Revenue	81	151	109	118	4,749	954	6,162
Depreciation and amortisation	(8)	–	–	–	(127)	(21)	(156)
Interest income	–	–	–	–	32	–	32
Interest expense	–	(39)	(28)	(22)	–	–	(89)
Profit/(loss) from underlying business performance	41	78	55	70	596	(6)	834
Tax	(5)	(13)	(9)	(12)	(146)	(16)	(201)
Profit/(loss) after tax from underlying business performance	36	65	46	58	450	(22)	633
Profit after tax from non-trading items	13	58	43	33	–	–	147
Profit /(loss) after tax	49	123	89	91	450	(22)	780
Other comprehensive income/(expense)	(10)	170	115	128	(8)	(6)	389
Total comprehensive income/(expense)	39	293	204	219	442	(28)	1,169
Dividends received from joint ventures	10	21	24	20	223	–	298

The information contained in the summarised balance sheets and statements of comprehensive income reflect the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the Group and the joint ventures, and fair value of the joint ventures at the time of acquisition. 2017 information was restated, where appropriate, for changes in accounting policies upon adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'.

14 Associates and Joint Ventures (continued)

Reconciliation of the summarised financial information

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

	Properties Sub F, Ltd US$m	BFC Development LLP US$m	Central Boulevard Development Pte Ltd US$m	One Raffles Quay Pte Ltd US$m	PT Astra Honda Motor US$m	Permata Bank US$m	Total US$m
2018							
Net assets	1,286	2,389	1,628	1,803	1,319	1,438	**9,863**
Shareholders' loans	–	1,248	–	104	–	–	**1,352**
Adjusted net assets	1,286	3,637	1,628	1,907	1,319	1,438	**11,215**
Interest in joint ventures (%)	*49*	*33*	*33*	*33*	*50*	*45*	
Group's share of net assets in joint ventures	630	1,212	543	636	660	641	**4,322**
Goodwill	–	–	–	–	–	34	**34**
Carrying value	**630**	**1,212**	**543**	**636**	**660**	**675**	**4,356**
2017							
Net assets	1,235	2,305	1,546	1,751	1,391	1,462	9,690
Shareholders' loans	–	1,275	–	101	–	–	1,376
Adjusted net assets	1,235	3,580	1,546	1,852	1,391	1,462	11,066
Interest in joint ventures (%)	*49*	*33*	*33*	*33*	*50*	*45*	
Group's share of net assets in joint ventures	605	1,193	515	617	695	651	4,276
Goodwill	–	–	–	–	–	37	37
Carrying value	605	1,193	515	617	695	688	4,313

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

	2018 US$m	2017 US$m
Share of profit	**443**	301
Share of other comprehensive (expense)/income	**(102)**	102
Share of total comprehensive income	**341**	403
Carrying amount of interests in these joint ventures	**4,778**	3,746

Commitments and contingent liabilities in respect of joint ventures

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

	2018 US$m	2017 US$m
Commitment to provide funding if called	**1,359**	1,349

There were no contingent liabilities relating to the Group's interest in the joint ventures at 31st December 2018 and 2017.

15 Other Investments

	2018 US$m	2017 US$m
Equity investments measured at fair value through profit and loss		
Listed securities		
– Rothschild & Co	**149**	154
– Schindler Holdings	**246**	286
– The Bank of N.T. Butterfield & Son	**74**	90
– Toyota Motor Corporation	**168**	–
– Vietnam Dairy Products	**957**	1,338
– other	**198**	115
	1,792	1,983
Unlisted securities	**310**	96
	2,102	2,079
Debt investments measured at fair value through other comprehensive income	**540**	613
Debt investments measured at amortised cost	**–**	3
	2,642	2,695
Non-current	**2,592**	2,673
Current	**50**	22
	2,642	2,695

Debt investments comprised of listed bonds.

	2018 US$m	2017 US$m
Movements during the year:		
At 1st January		
– as previously reported	**2,695**	1,434
– change in accounting policy *(refer note 1)*	**58**	–
– as restated	**2,753**	1,434
Exchange differences	**(83)**	22
Additions	**707**	1,609
Disposals and capital repayments	**(236)**	(460)
Reclassification of equity investments to associates	**–**	(297)
Unwinding of discount	**(1)**	(1)
Change in fair value recognised in profit and loss	**(476)**	366
Change in fair value recognised in other comprehensive income	**(22)**	22
At 31st December	**2,642**	2,695

In 2017, Zhongsheng became an associate upon Jardine Strategic's acquisition of additional shares in the company, increasing its interest from 15.5% to 20.0%.

Movements of equity investments which were valued based on unobservable inputs during the year are disclosed in note 40. There was no sale of these investments in 2018. Profit on sale of these investments in 2017 amounted to US$5 million and was credited to profit and loss.

Management considers debt investments have low credit risk when they have a low risk of default based on credit ratings from major rating agencies.

The fair value of debt investments measured at amortised cost was US$3 million at 31st December 2017.

16 Debtors

	2018 US$m	2017 US$m
Consumer financing debtors		
– gross	**4,426**	4,551
– provision for impairment	**(211)**	(202)
	4,215	4,349
Financing lease receivables		
– gross investment	**393**	384
– unearned finance income	**(50)**	(56)
– net investment	**343**	328
– provision for impairment	**(9)**	(9)
	334	319
Financing debtors	**4,549**	4,668
Trade debtors		
– third parties	**2,681**	2,485
– associates	**28**	30
– joint ventures	**74**	91
	2,783	2,606
– provision for impairment	**(81)**	(84)
	2,702	2,522
Contract assets *(refer note 3)*		
– gross	**811**	506
– provision for impairment	**(17)**	(11)
	794	495
Other debtors		
– third parties	**2,712**	2,274
– associates	**14**	7
– joint ventures	**156**	135
	2,882	2,416
– provision for impairment	**(7)**	(7)
	2,875	2,409
	10,920	10,094
Non-current	**3,082**	3,042
Current	**7,838**	7,052
	10,920	10,094
Analysis by geographical area of operation:		
Greater China	**1,336**	1,088
Southeast Asia	**9,323**	8,751
United Kingdom	**109**	127
Rest of the world	**152**	128
	10,920	10,094

16 Debtors (continued)

	2018 US$m	2017 US$m
Fair value:		
Consumer financing debtors	**4,286**	4,414
Financing lease receivables	**337**	322
Financing debtors	**4,623**	4,736
Trade debtors	**2,702**	2,522
Other debtors*	**1,042**	882
	8,367	8,140

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

The fair value of financing debtors is determined based on a discounted cash flow method using unobservable inputs, which are mainly rates of 10% to 35% per annum *(2017: 6% to 35% per annum)*. The higher the rates, the lower the fair value.

The fair value of trade debtors and other debtors, other than short-term debtors, is estimated using the expected future receipts discounted at market rates ranging from 5% to 14% *(2017: 13% to 14%)* per annum. The fair value of short-term debtors approximates their carrying amounts. Derivative financial instruments are stated at fair value.

Financing debtors
Financing debtors comprise consumer financing debtors and financing lease receivables. They relate primarily to Astra's motor vehicle and motorcycle financing.

Financing debtors are due within five years *(2017: five years)* from the balance sheet date and the interest rates range from 9% to 35% per annum *(2017: 6% to 35% per annum)*.

An analysis of financing lease receivables is set out below:

	2018 US$m	2017 US$m
Lease receivables	**393**	384
Guaranteed residual value	**203**	211
Security deposits	**(203)**	(211)
Gross investment	**393**	384
Unearned lease income	**(50)**	(56)
Net investment	**343**	328

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

	2018		2017	
	Gross investment US$m	Net investment US$m	Gross investment US$m	Net investment US$m
Within one year	**221**	**188**	186	150
Between one and two years	**123**	**110**	127	114
Between two and five years	**49**	**45**	71	64
	393	**343**	384	328

16 Debtors (continued)

Impairment of financing debtors

Before accepting any new customer, the Group assesses the potential customer's credit quality and sets credit limits by customer using internal scoring systems. These limits and scoring are reviewed periodically. The Group obtains collateral in the form of motor vehicles and motorcycles from consumer financing debtors.

The loan period ranges from 6 to 60 months for motor vehicles and motorcycles. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment are factors in determining the credit risk of financing debtors. To measure the expected credit losses, the financing debtors have been grouped based on shared credit risk characteristics and the days past due. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Financing debtors are performing when timely repayments are being made. Financing debtors are underperforming and subject to a significant increase in credit risk when motor vehicles and motorcycle financing debtors are overdue for 30 days. Lifetime expected credit losses are provided at this stage. Financing debtors are non-performing if they are overdue for 90 days. Financing debtors are written off when they are overdue for 150 days and there is no reasonable expectation of recovery. In case of default, the Group facilitates the customer to sell the collateral vehicles under fiduciary arrangements for the purpose of recovering the outstanding receivables.

The Group provides for credit losses against the financing debtors as follows:

	Expected credit loss rate %	Estimated gross carrying amount at default US$m
Performing	**0.03 – 9.24**	**3,743**
Underperforming	**0.40 – 16.86**	**951**
Non-performing	**0.58 – 100.00**	**75**
		4,769

Movements in the provisions for impairment are as follows:

	2018 US$m	2017 US$m
At 1st January		
– as previously reported	**(210)**	(196)
– change in accounting policies *(refer note 1)*	**(1)**	–
– as restated	**(211)**	(196)
Exchange differences	**14**	2
Allowance made during the year	**(147)**	(148)
Write off/utilisation	**124**	131
At 31st December	**(220)**	(211)

16 Debtors (continued)

The allowance for impairment of financing debtors are further analysed as follows:

	2018 US$m	2017 US$m
Performing	**(114)**	(115)
Underperforming	**(47)**	(60)
Non-performing	**(59)**	(36)
	(220)	(211)

As at 31st December 2018 and 2017, there are no financing debtors that are written off but still subject to enforcement activities.

Trade and other debtors

The average credit period on sale of goods and services varies among Group businesses and is generally not more than 60 days.

Other debtors are further analysed as follows:

	2018 US$m	2017 US$m
Derivative financial instruments *(refer note 32)*	**189**	47
Restricted bank balances and deposits	**157**	213
Loans to employees	**35**	38
Other amounts due from associates	**14**	7
Other amounts due from joint ventures	**156**	135
Repossessed collateral of finance companies	**16**	41
Other receivables	**483**	416
Financial assets	**1,050**	897
Costs to obtain contracts *(refer note 3)*	**7**	24
Prepayments	**1,214**	998
Reinsurers' share of estimated losses on insurance contracts	**77**	63
Rental and other deposits	**255**	231
Other	**272**	196
	2,875	2,409

Impairment of trade debtors and contract assets

Before accepting any new customer, the individual Group business assesses the potential customer's credit quality and sets credit limits by customer using internal credit scoring systems. These limits and scoring are reviewed periodically.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment are considered indicators that the debtor is impaired and an allowance for impairment is made based on the estimated irrecoverable amount determined by reference to past default experience.

The Group applied the simplified approach to measure expected credit loss, that is a lifetime expected loss allowance for trade debtors and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the historical payment profiles of sales and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the customers to settle the receivables.

16 Debtors (continued)

On that basis, the loss allowance as at 31st December 2018 and 2017 based on the ageing of trade debtors and contract assets are as follows:

	Below 30 days	Between 31 and 60 days	Between 61 and 120 days	More than 120 days	Total
2018					
Expected loss rate	0.6%	1.2%	4.2%	25.4%	
Gross carrying amount – trade debtors	2,076	268	186	253	**2,783**
Gross carrying amount – contract assets	776	3	5	27	**811**
Loss allowance	(16)	(3)	(8)	(71)	**(98)**
2017					
Expected loss rate	0.6%	0.9%	1.4%	25.1%	
Gross carrying amount – trade debtors	1,888	237	196	285	2,606
Gross carrying amount – contract assets	477	4	4	21	506
Loss allowance	(13)	(2)	(3)	(77)	(95)

Movements in the provisions for impairment are as follows:

	Trade debtors		Contract assets		Other debtors	
	2018 US$m	2017 US$m	**2018** US$m	2017 US$m	**2018** US$m	2017 US$m
At 1st January						
– as previously reported	**(78)**	(48)	**–**	–	**(7)**	(10)
– change in accounting policies *(refer note 1)*	**(6)**	–	**(11)**	(7)	**–**	–
– as restated	**(84)**	(48)	**(11)**	(7)	**(7)**	(10)
Exchange differences	**4**	–	**–**	–	**–**	–
Disposals	**–**	–	**–**	–	**1**	–
Additional provisions	**(74)**	(57)	**(14)**	(7)	**(3)**	(3)
Unused amounts reversed	**8**	8	**2**	2	**1**	–
Amounts written off	**65**	13	**–**	–	**1**	6
Amortisation	**–**	–	**6**	1	**–**	–
At 31st December	**(81)**	(84)	**(17)**	(11)	**(7)**	(7)

Trade debtors, contract assets and other debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

At 31st December 2018, the carrying amount of consumer financing debtors, financing lease receivables and other debtors pledged as security for borrowings amounted to US$1,303 million, US$22 million and US$12 million *(2017: US$1,765 million, US$6 million and US$11 million)*, respectively *(refer note 28)*. Trade debtors and contract assets had not been pledged as security for borrowings at 31st December 2018 and 2017.

17 Deferred Tax Assets/(Liabilities)

	Accelerated tax depreciation US$m	Fair value gains/ losses US$m	Losses US$m	Employee benefits US$m	Provisions and other temporary differences US$m	Total US$m
2018						
At 1st January						
– as previously reported	(88)	(264)	33	96	83	**(140)**
– change in accounting policies *(refer note 1)*	–	–	–	–	(6)	**(6)**
– as restated	(88)	(264)	33	96	77	**(146)**
Exchange differences	(6)	8	(1)	(6)	(5)	**(10)**
New subsidiaries	–	(170)	–	1	(39)	**(208)**
Disposal	–	–	–	(1)	(1)	**(2)**
Credited/(charged) to profit and loss	(14)	(11)	–	10	(21)	**(36)**
Credited/(charged) to other comprehensive income	–	(13)	–	3	–	**(10)**
Other	–	–	–	–	1	**1**
At 31st December	**(108)**	**(450)**	**32**	**103**	**12**	**(411)**
Deferred tax assets	144	(50)	32	96	167	**389**
Deferred tax liabilities	(252)	(400)	–	7	(155)	**(800)**
	(108)	**(450)**	**32**	**103**	**12**	**(411)**
2017						
At 1st January						
– as previously reported	(65)	(253)	30	96	67	(125)
– change in accounting policies *(refer note 1)*	–	–	–	–	(12)	(12)
– as restated	(65)	(253)	30	96	55	(137)
Exchange differences	(3)	–	1	–	(4)	(6)
New subsidiaries	–	(25)	–	–	(11)	(36)
Credited/(charged) to profit and loss	(20)	6	1	8	37	32
Credited/(charged) to other comprehensive income	–	8	–	(8)	–	–
Other	–	–	1	–	–	1
At 31st December	(88)	(264)	33	96	77	(146)
Deferred tax assets	155	(42)	30	90	173	406
Deferred tax liabilities	(243)	(222)	3	6	(96)	(552)
	(88)	(264)	33	96	77	(146)

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$190 million *(2017: US$160 million)* arising from unused tax losses of US$816 million *(2017: US$660 million)* have not been recognised in the financial statements. Included in the unused tax losses, US$292 million have no expiry date and the balance will expire at various dates up to and including 2037.

Deferred tax liabilities of US$551 million *(2017: US$519 million)* arising on temporary differences associated with investments in subsidiaries of US$5,508 million *(2017: US$5,189 million)* have not been recognised as there is no current intention of remitting the retained earnings of these subsidiaries to the holding companies in the foreseeable future.

18 Pension Plans

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

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

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

	2018 US$m	2017 US$m
Fair value of plan assets	**867**	991
Present value of funded obligations	**(1,013)**	(1,090)
	(146)	(99)
Present value of unfunded obligations	**(261)**	(272)
Net pension liabilities	**(407)**	(371)
Analysis of net pension liabilities:		
Pension assets	**6**	14
Pension liabilities	**(413)**	(385)
	(407)	(371)

18 Pension Plans (continued)

The movement in the net pension liabilities is as follows:

	Fair value of plan assets US$m	Present value of obligations US$m	Total US$m
2018			
At 1st January	991	(1,362)	**(371)**
Current service cost	–	(64)	**(64)**
Interest income/(expense)	28	(49)	**(21)**
Administration expenses	(2)	–	**(2)**
	26	(113)	**(87)**
	1,017	(1,475)	**(458)**
Exchange differences	(26)	47	**21**
New subsidiaries	1	(5)	**(4)**
Disposals	–	5	**5**
Remeasurements			
– return on plan assets, excluding amounts included in interest income	(70)	–	**(70)**
– change in financial assumptions	–	61	**61**
– experience loss	–	(16)	**(16)**
	(70)	45	**(25)**
Contributions from employers	33	–	**33**
Contributions from plan participants	4	(4)	**–**
Benefit payments	(91)	109	**18**
Settlements	(1)	7	**6**
Plan amendment	–	(3)	**(3)**
At 31st December	**867**	**(1,274)**	**(407)**
2017			
At 1st January	901	(1,315)	(414)
Current service cost	–	(61)	(61)
Interest income/(expense)	29	(52)	(23)
Past service cost and gains on settlements	–	(5)	(5)
Administration expenses	(1)	–	(1)
	28	(118)	(90)
	929	(1,433)	(504)
Exchange differences	26	(31)	(5)
Remeasurements			
– return on plan assets, excluding amounts included in interest income	103	–	103
– change in financial assumptions	–	(35)	(35)
– experience gains	–	9	9
	103	(26)	77
Contributions from employers	44	–	44
Contributions from plan participants	4	(4)	–
Benefit payments	(75)	92	17
Settlements	(41)	41	–
Transfer from other plans	1	(1)	–
At 31st December	991	(1,362)	(371)

18 Pension Plans (continued)

The weighted average duration of the defined benefit obligations at 31st December 2018 is 12 years *(2017: 12 years)*.

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

	2018 US$m	2017 US$m
Within one year	**101**	95
Between one and two years	**88**	98
Between two and five years	**345**	328
Between five and ten years	**633**	658
Between ten and fifteen years	**684**	737
Between fifteen and twenty years	**829**	793
Beyond twenty years	**3,780**	3,258
	6,460	5,967

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

	Hong Kong		United Kingdom		Others	
	2018 %	2017 %	**2018** %	2017 %	**2018** %	2017 %
Discount rate	**3.3**	2.9	**2.7**	2.4	**7.9**	7.0
Salary growth rate	**4.8**	4.8	**–**	–	**6.4**	6.4
Inflation rate	**N/A**	N/A	**3.3**	3.2	**N/A**	N/A

Life expectancy for pensioners in the United Kingdom plans at the age of 65 for male and female are 22 years and 24 years, respectively *(2017: 21 years and 23 years)*. As participants of the plans relating to Hong Kong usually take lump sum amounts upon retirement, mortality rate is not a principal assumption for these plans.

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

		(Increase)/decrease on defined benefit obligations	
	Change in assumption %	Increase in assumption US$m	Decrease in assumption US$m
Discount rate	1	**129**	**(155)**
Salary growth rate	1	**(94)**	**77**
Inflation rate	1	**(16)**	**15**

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

18 Pension Plans (continued)

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

	2018 US$m	2017 US$m
Equity investments		
Asia Pacific	**47**	90
Europe	**42**	54
North America	**9**	11
Global	**9**	11
	107	166
Debt investments		
Asia Pacific	**41**	45
Europe	**85**	96
	126	141
Investment funds		
Asia Pacific	**117**	122
Europe	**155**	147
North America	**167**	137
Global	**137**	235
	576	641
Total investments	**809**	948
Cash and cash equivalents	**64**	47
Benefits payable and other	**(6)**	(4)
	867	991

As at 31st December 2018, 100% of equity investments, 100% of debt investments and 72% of investment funds were quoted on active markets *(2017: 100%, 100% and 70%, respectively)*.

The strategic asset allocation is derived from the asset-liability modelling ('ALM') review, done triennially to ensure the plans can meet future funding and solvency requirements. The last ALM review was completed in 2018, with modified strategic asset allocations adopted in 2018. The next ALM review is scheduled for 2021.

As at 31st December 2018, the Hong Kong and United Kingdom plans had assets of US$488 million and US$302 million, respectively *(2017: US$550 million and US$355 million, respectively)*.

The Group maintains an active and regular contribution schedule across all the plans. The contributions to all its plans in 2018 were US$33 million and the estimated amount of contributions expected to be paid to all its plans in 2019 is US$35 million.

19 Properties for Sale

	2018 US$m	2017 US$m
Properties in the course of development	**2,174**	2,420
Completed properties	**165**	174
	2,339	2,594

At 31st December 2018, properties in the course of development amounting to US$1,693 million *(2017: US$1,264 million)* were not scheduled for completion within the next twelve months.

At 31st December 2018 and 2017, the Group's properties for sale had not been pledged as security for borrowings.

20 Stocks and Work in Progress

	2018 US$m	2017 US$m
Finished goods	**3,393**	3,223
Work in progress	**51**	55
Raw materials	**86**	80
Spare parts	**86**	71
Other	**154**	107
	3,770	3,536

At 31st December 2018 and 2017, the Group's stocks and work in progress had not been pledged as security for borrowings.

21 Bank Balances and Other Liquid Funds

	2018 US$m	2017 US$m
Deposits with banks and financial institutions	**3,021**	3,540
Bank balances	**1,824**	2,301
Cash balances	**143**	164
	4,988	6,005
Analysis by currency:		
Chinese renminbi	**765**	446
Euro	**44**	38
Hong Kong dollar	**222**	365
Indonesian rupiah	**1,209**	1,968
Japanese yen	**25**	23
Macau patacas	**29**	28
Malaysian ringgit	**63**	65
New Taiwan dollar	**75**	76
Singapore dollar	**388**	757
United Kingdom sterling	**41**	30
United States dollar	**2,078**	2,165
Other	**49**	44
	4,988	6,005

The weighted average interest rate on deposits with banks and financial institutions is 2.7% *(2017: 2.1%)* per annum.

22 Share Capital

	2018 US$m	2017 US$m
Authorised:		
1,000,000,000 shares of US¢25 each	**250**	250

	Ordinary shares in millions 2018	Ordinary shares in millions 2017	2018 US$m	2017 US$m
Issued and fully paid:				
At 1st January	**726**	714	**181**	178
Scrip issued in lieu of dividends	**11**	12	**3**	3
At 31st December	**737**	726	**184**	181

23 Share-based Long-term Incentive Plans

Share-based long-term incentive plans ('LTIP') have been put in place to provide incentives for selected executives. Awards take the form of share options to purchase ordinary shares in the Company with exercise prices based on the then prevailing market prices, however, share awards which will vest free of payment may also be made. Awards normally vest on or after the third anniversary of the date of grant and may be subject to the achievement of performance conditions.

The 2015 LTIP was adopted by the Company on 5th March 2015. During 2018, awards were granted in the form of options with exercise prices based on the then prevailing market prices, and no free shares were granted. Prior to the adoption of the 2015 LTIP, The Jardine Matheson International Share Option Plan 2005 and The Jardine Matheson Holdings Limited Tax-Qualified Share Option Plan 2005 (formerly The Jardine Matheson Holdings Limited Approved Share Option Plan 2005) provided selected executives with options to purchase ordinary shares in the Company.

The exercise prices of the options granted during 2018, and in prior years, were based on the average market prices for the five trading days immediately preceding the dates of grant of the options. Options normally vest in tranches over a period of three to five years, and are exercisable for up to ten years following the date of grant.

Movements during the year:

	2018		2017	
	Weighted average exercise price US$	Options in millions	Weighted average exercise price US$	Options in millions
At 1st January	**55.7**	**2.6**	51.3	2.7
Granted	**63.4**	**0.4**	65.6	0.4
Exercised	**49.9**	**(0.3)**	38.1	(0.5)
Cancelled	**63.3**	**(0.1)**	–	–
At 31st December	**57.2**	**2.6**	55.7	2.6

The average share price during the year was US$63.6 *(2017: US$63.4)* per share.

Outstanding at 31st December:

Expiry date	Exercise price US$	Options in millions **2018**	2017
2020	32.2	**0.1**	0.2
2021	46.8	**0.1**	0.2
2022	51.2	**0.3**	0.4
2023	64.9	**0.3**	0.4
2024	59.6	**0.1**	0.1
2025	52.8 – 63.4	**0.2**	0.2
2026	53.9 – 56.6	**0.7**	0.7
2027	65.6	**0.4**	0.4
2028	63.4	**0.4**	–
Total outstanding		**2.6**	2.6
of which exercisable		**1.0**	1.0

The fair value of options granted during the year, determined using the Trinomial valuation model, was US$4 million *(2017: US$5 million)*. The significant inputs into the model, based on the weighted average number of options issued, were share price of US$62.23 *(2017: US$64.6)* at the grant dates, exercise price shown above, expected volatility based on the last seven years of 20.7% *(2017: 22.5%)*, dividend yield of 2.6% *(2017: 2.3%)*, option life disclosed above, and annual risk-free interest rate of 2.7% *(2017: 2.2%)*. Options are assumed to be exercised at the end of the seventh year following the date of grant.

24 Share Premium and Capital Reserves

	Share premium US$m	Capital reserves US$m	Total US$m
2018			
At 1st January	32	156	**188**
Capitalisation arising on scrip issued in lieu of dividends	(3)	–	**(3)**
Employee share option schemes			
– exercise of share options	4	–	**4**
– value of employee services	–	32	**32**
Transfer	3	(6)	**(3)**
At 31st December	**36**	**182**	**218**
2017			
At 1st January	20	155	175
Capitalisation arising on scrip issued in lieu of dividends	(3)	–	(3)
Employee share option schemes			
– exercise of share options	10	–	10
– value of employee services	–	21	21
Transfer	5	(20)	(15)
At 31st December	32	156	188

Capital reserves represent the value of employee services under the Group's employee share option schemes. At 31st December 2018, US$26 million *(2017: US$25 million)* related to the Company's Senior Executive Share Incentive Schemes.

25 Dividends

	2018 US$m	2017 US$m
Final dividend in respect of 2017 of US¢120.00 *(2016: US¢112.00)* per share	**872**	800
Interim dividend in respect of 2018 of US¢42.00 *(2017: US¢40.00)* per share	**309**	289
	1,181	1,089
Company's share of dividends paid on the shares held by subsidiaries	**(574)**	(518)
	607	571
Shareholders elected to receive scrip in respect of the following:		
Final dividend in respect of previous year	**613**	553
Interim dividend in respect of current year	**22**	198
	635	751

A final dividend in respect of 2018 of US¢128.00 *(2017: US¢120.00)* per share amounting to a total of US$943 million *(2017: US$872 million)* is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the 2019 Annual General Meeting. The net amount after deducting the Company's share of the dividends payable on the shares held by subsidiaries of US$462 million *(2017: US$421 million)* will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2019.

26 Own Shares Held

Own shares held of US$5,245 million *(2017: US$4,715 million)* represent the Company's share of the cost of 427 million *(2017: 417 million)* ordinary shares in the Company held by subsidiaries and are deducted in arriving at shareholders' funds.

27 Non-controlling Interests

	2018 US$m	2017 US$m
By business:		
Hongkong Land	**22,054**	21,430
Dairy Farm	**574**	686
Mandarin Oriental	**428**	455
Jardine Cycle & Carriage	**482**	643
Astra	**9,003**	8,613
Jardine Strategic	**1,170**	1,054
Other	**122**	134
	33,833	33,015
Less own shares held attributable to non-controlling interests	**(978)**	(906)
	32,855	32,109

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised balance sheets at 31st December:

	Hongkong Land US$m	Dairy Farm US$m	Mandarin Oriental US$m	Astra US$m	Jardine Strategic US$m
2018					
Current					
Assets	4,262	1,617	353	10,198	17,117
Liabilities	(2,250)	(3,611)	(709)	(8,593)	(16,448)
Total current net assets/(liabilities)	2,012	(1,994)	(356)	1,605	669
Non-current					
Assets	40,701	3,773	1,668	15,423	67,926
Liabilities	(4,343)	(286)	(69)	(4,034)	(8,646)
Total non-current net assets	36,358	3,487	1,599	11,389	59,280
Net assets	**38,370**	**1,493**	**1,243**	**12,994**	**59,949**
Non-controlling interests	**28**	**44**	**4**	**2,772**	**28,428**
2017					
Current					
Assets	4,526	1,671	295	9,185	17,033
Liabilities	(1,811)	(3,012)	(172)	(7,271)	(14,216)
Total current net assets/(liabilities)	2,715	(1,341)	123	1,914	2,817
Non-current					
Assets	38,314	3,796	1,725	12,768	64,041
Liabilities	(4,153)	(699)	(568)	(3,052)	(8,628)
Total non-current net assets	34,161	3,097	1,157	9,716	55,413
Net assets	36,876	1,756	1,280	11,630	58,230
Non-controlling interests	34	66	6	2,416	27,677

27 Non-controlling Interests (continued)

Summarised profit and loss for the year ended 31st December:

	Hongkong Land US$m	Dairy Farm US$m	Mandarin Oriental US$m	Astra US$m	Jardine Strategic US$m
2018					
Revenue	**2,665**	**11,749**	**614**	**17,054**	**34,094**
Profit after tax from underlying business performance	1,034	428	65	1,899	3,789
Profit after tax from non-trading items	1,423	(349)	(22)	8	557
Profit after tax	2,457	79	43	1,907	4,346
Other comprehensive income/(expense)	(361)	(57)	(43)	47	(1,297)
Total comprehensive income	**2,096**	**22**	**–**	**1,954**	**3,049**
Total comprehensive income/(expense) allocated to non-controlling interests	**(4)**	**(18)**	**–**	**412**	**1,830**
Dividends paid to non-controlling interests	**(3)**	**–**	**–**	**(176)**	**(844)**
2017					
Revenue	1,616	11,289	611	15,365	30,848
Profit after tax from underlying business performance	948	392	54	1,652	3,292
Profit after tax from non-trading items	4,677	–	–	13	5,124
Profit after tax	5,625	392	54	1,665	8,416
Other comprehensive income/(expense)	297	129	103	(41)	525
Total comprehensive income	5,922	521	157	1,624	8,941
Total comprehensive income/(expense) allocated to non-controlling interests	17	(12)	–	301	4,240
Dividends paid to non-controlling interests	(2)	(1)	–	(134)	(766)

27 Non-controlling Interests (continued)

Summarised cash flows at 31st December:

	Hongkong Land US$m	Dairy Farm US$m	Mandarin Oriental US$m	Astra US$m	Jardine Strategic US$m
2018					
Cash flows from operating activities					
Operating profit	2,332	81	70	2,090	4,081
Non-cash items	(1,238)	616	82	992	959
Interest received	45	4	2	91	156
Interest and other financing charges paid	(172)	(34)	(14)	(208)	(466)
Tax paid	(172)	(96)	(19)	(523)	(843)
Other operating cash flows	(191)	72	25	5	115
Cash flows from operating activities	604	643	146	2,447	4,002
Cash flows from investing activities	(1,056)	(501)	(69)	(2,534)	(4,588)
Cash flows from financing activities	237	(186)	(10)	(399)	13
Net increase/(decrease) in cash and cash equivalents	(215)	(44)	67	(486)	(573)
Cash and cash equivalents at 1st January	1,617	335	184	2,331	5,298
Effect of exchange rate changes	(33)	(6)	(4)	(123)	(170)
Cash and cash equivalents at 31st December	**1,369**	**285**	**247**	**1,722**	**4,555**
2017					
Cash flows from operating activities					
Operating profit	5,608	369	69	1,666	7,958
Non-cash items	(4,729)	236	59	917	(3,769)
Interest received	42	2	1	111	167
Interest and other financing charges paid	(118)	(28)	(12)	(148)	(310)
Tax paid	(137)	(84)	(13)	(410)	(694)
Other operating cash flows	134	176	16	(6)	398
Cash flows from operating activities	800	671	120	2,130	3,750
Cash flows from investing activities	(947)	(281)	(102)	(1,579)	(4,142)
Cash flows from financing activities	(193)	(387)	(22)	(393)	521
Net increase/(decrease) in cash and cash equivalents	(340)	3	(4)	158	129
Cash and cash equivalents at 1st January	1,898	323	183	2,185	5,091
Effect of exchange rate changes	59	9	5	(12)	78
Cash and cash equivalents at 31st December	1,617	335	184	2,331	5,298

Hongkong Land, Dairy Farm, Mandarin Oriental and Astra are subsidiaries of Jardine Strategic.

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

28 Borrowings

	2018 Carrying amount US$m	2018 Fair value US$m	2017 Carrying amount US$m	2017 Fair value US$m
Current				
– bank overdrafts	**35**	**35**	7	7
– other bank advances	**3,796**	**3,796**	3,047	3,047
– other advances	**22**	**22**	5	5
	3,853	**3,853**	3,059	3,059
Current portion of long-term borrowings				
– bank loans	**2,470**	**2,470**	1,244	1,244
– bonds and notes	**809**	**809**	1,030	1,030
– finance lease liabilities	**14**	**14**	3	3
– other loans	**12**	**12**	13	13
	3,305	**3,305**	2,290	2,290
	7,158	**7,158**	5,349	5,349
Long-term borrowings				
– bank loans	**3,052**	**3,053**	3,650	3,636
– bonds and notes	**3,990**	**4,172**	3,797	3,945
– finance lease liabilities	**24**	**24**	1	1
– other loans	**7**	**7**	14	14
	7,073	**7,256**	7,462	7,596
	14,231	**14,414**	12,811	12,945

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 0.1% to 12.3% *(2017: 0.1% to 12.0%)* per annum. This is in line with the definition of 'observable current market transactions' under the fair value measurement hierarchy. The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

	2018 US$m	2017 US$m
Secured	**4,011**	4,052
Unsecured	**10,220**	8,759
	14,231	12,811

Secured borrowings at 31st December 2018 included Hongkong Land's bank borrowings of US$822 million *(2017: US$393 million)* which were secured against its investment properties, Mandarin Oriental's bank borrowings of US$523 million *(2017: US$508 million)* which were secured against its tangible assets, and Astra's bonds and notes of US$974 million *(2017: US$1,648 million)* and bank borrowings of US$1,692 million *(2017: US$1,503 million)* which were secured against its various assets.

28 Borrowings (continued)

By currency:	Fixed rate borrowings Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2018					
Chinese renminbi	4.9	–	–	488	**488**
Hong Kong dollar	3.9	6.8	2,295	1,835	**4,130**
Indonesian rupiah	7.9	2.1	4,362	1,367	**5,729**
Malaysian ringgit	4.4	–	–	241	**241**
Singapore dollar	2.8	7.3	360	745	**1,105**
Thai baht	2.3	–	–	262	**262**
United Kingdom sterling	1.6	–	–	211	**211**
United States dollar	2.7	0.2	203	1,805	**2,008**
Other	1.9	11.9	2	55	**57**
			7,222	**7,009**	**14,231**
2017					
Chinese renminbi	4.9	–	–	393	393
Hong Kong dollar	3.3	7.3	2,106	1,904	4,010
Indonesian rupiah	8.0	1.6	4,163	1,103	5,266
Malaysian ringgit	4.2	–	–	220	220
Singapore dollar	2.3	2.2	189	735	924
United Kingdom sterling	1.3	–	–	210	210
United States dollar	2.0	1.2	210	1,552	1,762
Other	3.0	12.7	2	24	26
			6,670	6,141	12,811

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

28 Borrowings (continued)

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

	2018 US$m	2017 US$m
Floating rate borrowings	**7,009**	6,141
Fixed rate borrowings		
– within one year	**2,221**	2,061
– between one and two years	**389**	1,478
– between two and three years	**230**	875
– between three and four years	**636**	70
– between four and five years	**1,091**	615
– beyond five years	**2,655**	1,571
	7,222	6,670
	14,231	12,811

The finance lease liabilities are as follows:

	Minimum lease payments		Present value of finance lease liabilities	
	2018 US$m	2017 US$m	**2018** US$m	2017 US$m
Within one year	**17**	3	**14**	3
Between one and five years	**27**	1	**24**	1
	44	4	**38**	4
Future finance charges on finance leases	**(6)**	–		
Present value of finance lease liabilities	**38**	4		
Current			**14**	3
Non-current			**24**	1
			38	4

28 Borrowings (continued)

Details of the bonds and notes outstanding at 31st December 2018 are as follows:

	Maturity	Interest rates %	Nominal values	2018 Current US$m	2018 Non-current US$m	2017 Current US$m	2017 Non-current US$m
Hongkong Land							
4.135% 10-year notes	2019	4.135	HK$200 million	**26**	**–**	–	26
4.1875% 10-year notes	2019	4.1875	HK$300 million	**38**	**–**	–	38
4.25% 10-year notes	2019	4.25	HK$300 million	**38**	**–**	–	38
4.22% 10-year notes	2020	4.22	HK$500 million	**–**	**65**	–	66
4.24% 10-year notes	2020	4.24	HK$500 million	**–**	**64**	–	64
3.43% 10-year notes	2020	3.43	S$150 million	**–**	**110**	–	112
3.95% 10-year notes	2020	3.95	HK$500 million	**–**	**64**	–	64
4.28% 12-year notes	2021	4.28	HK$500 million	**–**	**65**	–	66
3.86% 10-year notes	2022	3.86	HK$410 million	**–**	**52**	–	52
4.50% 10-year notes	2022	4.50	US$500 million	**–**	**488**	–	489
3.00% 10-year notes	2022	3.00	HK$305 million	**–**	**39**	–	39
2.90% 10-year notes	2022	2.90	HK$200 million	**–**	**26**	–	26
3.95% 10-year notes	2023	3.95	HK$1,100 million	**–**	**140**	–	140
3.95% 10-year notes	2023	3.95	HK$300 million	**–**	**38**	–	38
4.625% 10-year notes	2024	4.625	US$400 million	**–**	**400**	–	403
4.10% 15-year notes	2025	4.10	HK$300 million	**–**	**38**	–	38
4.50% 15-year notes	2025	4.50	US$600 million	**–**	**610**	–	612
3.75% 15-year notes	2026	3.75	HK$302 million	**–**	**38**	–	38
4.00% 15-year notes	2027	4.00	HK$785 million	**–**	**99**	–	99
4.04% 15-year notes	2027	4.04	HK$473 million	**–**	**60**	–	60
3.95% 15-year notes	2027	3.95	HK$200 million	**–**	**26**	–	26
3.15% 15-year notes	2028	3.15	HK$300 million	**–**	**38**	–	38
4.22% 15-year notes	2028	4.22	HK$325 million	**–**	**41**	–	41
3.83% 10-year notes	2028	3.83	HK$450 million	**–**	**57**	–	–
3.75% 10-year notes	2028	3.75	HK$355 million	**–**	**45**	–	–
4.40% 15-year notes	2029	4.40	HK$400 million	**–**	**51**	–	51
4.11% 20-year notes	2030	4.11	HK$800 million	**–**	**102**	–	102
4.125% 20-year notes	2031	4.125	HK$200 million	**–**	**25**	–	25
4.00% 20-year notes	2032	4.00	HK$240 million	**–**	**30**	–	30
4.12% 15-year notes	2033	4.12	HK$700 million	**–**	**88**	–	–
3.95% 20-year notes	2038	3.95	S$150 million	**–**	**108**	–	–
5.25% 30-year notes	2040	5.25	HK$250 million	**–**	**32**	–	32
Astra Sedaya Finance ('ASF')							
Berkelanjutan II Tahap III bonds	2018	10.6	Rp75 billion	**–**	**–**	5	–
Berkelanjutan II Tahap V bonds	2018	9.25	Rp825 billion	**–**	**–**	61	–
Berkelanjutan III Tahap I bonds	2019	8.5	Rp1,230 billion	**85**	**–**	–	91
Berkelanjutan III Tahap II bonds	2019	7.95	Rp850 billion	**53**	**–**	–	58
Berkelanjutan III Tahap III bonds	2022	8.5 – 8.75	Rp1,500 billion	**–**	**103**	74	111
Berkelanjutan III Tahap IV bonds	2022	7.5 – 7.65	Rp825 billion	**–**	**57**	72	61
Berkelanjutan IV Tahap I bonds	2021	6.1 – 7.5	Rp1,120 billion	**39**	**38**	–	–
Sukuk Mudharabah							
Berkelanjutan I Tahap I bonds	2021	6.1 – 7.5	Rp500 billion	**22**	**12**	–	–
Euro Medium Term Notes	2018	2.88	US$300 million	**–**	**–**	300	–
Euro Medium Term Notes	2021	7.2	Rp695 billion	**–**	**48**	–	–

28 Borrowings (continued)

Details of the bonds and notes outstanding at 31st December 2018 are as follows *(continued)*:

	Maturity	Interest rates %	Nominal values	2018 Current US$m	2018 Non-current US$m	2017 Current US$m	2017 Non-current US$m
Federal International Finance ('FIF')							
Berkelanjutan II Tahap I bonds	2018	9.25	Rp2,061 billion	–	–	150	–
Berkelanjutan II Tahap II bonds	2018	9.25	Rp587 billion	–	–	43	–
Berkelanjutan II Tahap III bonds	2019	9.15	Rp2,507 billion	**173**	–	–	181
Berkelanjutan II Tahap IV bonds	2019	7.95	Rp1,257 billion	**80**	–	–	85
Berkelanjutan III Tahap I bonds	2020	8.45	Rp2,076 billion	–	**142**	105	151
Berkelanjutan III Tahap II bonds	2020	7.5	Rp971 billion	–	**65**	124	71
Berkelanjutan III Tahap III bonds	2021	6.1 – 7.45	Rp3,000 billion	**110**	**82**	–	–
Berkelanjutan III Tahap IV bonds	2021	7.5 – 8.75	Rp1,300 billion	**44**	**45**	–	–
Medium Term Notes	2021	8.15 – 8.2	Rp4,344 billion	–	**297**	–	–
SAN Finance							
Berkelanjutan I Tahap III bonds	2018	9.4	Rp500 billion	–	–	37	–
Berkelanjutan II Tahap I bonds	2019	9.0	Rp1,090 billion	**72**	–	–	74
Berkelanjutan II Tahap II bonds	2022	9.0 – 9.25	Rp471 billion	–	**33**	59	35
Astra Otoparts ('AOP') Medium Term Note							
AOP Medium Term Note Seri B	2019	9.0	Rp350 billion	**24**	–	–	26
Serasi Autoraya ('SERA')							
Berkelanjutan I Tahap I bonds	2023	6.1 – 8.35	Rp500 billion	**5**	**29**	–	–
				809	**3,990**	1,030	3,797

The ASF bonds were issued by a partly-owned subsidiary of Astra and are collateralised by fiduciary guarantee over financing debtors of the subsidiary amounting to 60% of the total outstanding principal of the bonds. The ASF Euro Medium Term Notes were unsecured.

The FIF bonds were issued by a wholly-owned subsidiary of Astra, of which US$460 million are collateralised by fiduciary guarantee over financing debtors of the subsidiary amounting to 60% of the total outstanding principal of the bonds.

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

The AOP Medium Term Note was unsecured and issued by a wholly-owned subsidiary of Astra.

The SERA bonds was unsecured and issued by a wholly-owned subsidiary of Astra.

28 Borrowings (continued)

The movements in borrowings are as follows:

	Bank overdrafts US$m	Long-term borrowings US$m	Short-term borrowings US$m	Finance lease liabilities US$m	Total US$m
2018					
At 1st January	7	7,461	5,339	4	**12,811**
Exchange differences	(2)	(117)	(233)	–	**(352)**
New subsidiaries	–	104	68	–	**172**
Additions	–	–	–	41	**41**
Disposals	–	–	(26)	–	**(26)**
Amortisation of borrowing costs	–	4	10	–	**14**
Transfer	–	(3,328)	3,328	–	**–**
Change in fair value	–	(9)	–	–	**(9)**
Change in bank overdrafts	30	–	–	–	**30**
Drawdown of borrowings	–	5,166	2,757	–	**7,923**
Repayment of borrowings	–	(2,232)	(4,134)	(7)	**(6,373)**
At 31st December	**35**	**7,049**	**7,109**	**38**	**14,231**
2017					
At 1st January	12	6,857	4,260	55	11,184
Exchange differences	–	37	(33)	–	4
New subsidiaries	–	35	90	–	125
Amortisation of borrowing costs	–	4	15	–	19
Transfer	–	(2,657)	2,657	–	–
Change in fair value	–	(5)	–	–	(5)
Change in bank overdrafts	(5)	–	–	–	(5)
Drawdown of borrowings	–	4,554	3,047	–	7,601
Repayment of borrowings	–	(1,364)	(4,697)	(51)	(6,112)
At 31st December	7	7,461	5,339	4	12,811

29 Creditors

	2018 US$m	2017 US$m
Trade creditors		
– third parties	**5,412**	4,703
– associates	**85**	80
– joint ventures	**209**	197
	5,706	4,980
Accruals	**1,965**	1,959
Other amounts due to joint ventures	**142**	154
Rental and other refundable deposits	**411**	422
Deferred consideration payable	**56**	230
Contingent consideration payable	**10**	10
Derivative financial instruments	**52**	43
Other creditors	**616**	473
Financial liabilities	**8,958**	8,271
Contract liabilities *(refer note 3)*	**1,074**	1,500
Gross estimated losses on insurance contracts	**178**	161
Rental income received in advance	**36**	33
Unearned premiums on insurance contracts	**326**	355
Other	**83**	100
	10,655	10,420
Non-current	**343**	326
Current	**10,312**	10,094
	10,655	10,420
Analysis by geographical area of operation:		
Greater China	**3,958**	3,884
Southeast Asia	**6,191**	5,973
United Kingdom	**272**	367
Rest of the world	**234**	196
	10,655	10,420

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

30 Provisions

	Motor vehicle warranties US$m	Closure cost provisions US$m	Obligations under onerous leases US$m	Reinstatement and restoration costs US$m	Statutory employee entitlements US$m	Others US$m	Total US$m
2018							
At 1st January	58	50	14	64	121	22	**329**
Exchange differences	(1)	(3)	(3)	(1)	(8)	(1)	**(17)**
New subsidiaries	–	–	–	25	–	–	**25**
Additional provisions	10	73	90	17	13	7	**210**
Unused amounts reversed	–	(7)	–	(2)	–	(1)	**(10)**
Utilised	(4)	(20)	–	(2)	(2)	(1)	**(29)**
At 31st December	**63**	**93**	**101**	**101**	**124**	**26**	**508**
Non-current	–	7	94	84	100	14	**299**
Current	63	86	7	17	24	12	**209**
	63	**93**	**101**	**101**	**124**	**26**	**508**
2017							
At 1st January	46	8	17	52	108	32	263
Exchange differences	4	1	2	2	(1)	–	8
Additional provisions	13	48	6	13	16	12	108
Unused amounts reversed	–	(3)	(10)	(1)	–	(12)	(26)
Utilised	(5)	(4)	(1)	(2)	(2)	(10)	(24)
At 31st December	58	50	14	64	121	22	329
Non-current	–	1	14	54	100	6	175
Current	58	49	–	10	21	16	154
	58	50	14	64	121	22	329

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.

Provisions are made for obligations under onerous operating leases when the properties are not used by the Group and the net costs of exiting from the leases exceed the economic benefits expected to be received.

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

31 Notes to Consolidated Cash Flow Statement

(a) Depreciation and amortisation

	2018 US$m	2017 US$m
By business:		
Jardine Pacific	**38**	33
Jardine Motors	**37**	31
Hongkong Land	**4**	3
Dairy Farm	**230**	221
Mandarin Oriental	**87**	59
Jardine Cycle & Carriage	**12**	10
Astra	**703**	624
	1,111	981

(b) Other non-cash items

	2018 US$m	2017 US$m
By nature:		
Profit on sale of subsidiaries	**(152)**	(4)
Loss on sale of associates and joint ventures	**46**	4
(Profit)/loss on sale of other investments	**(3)**	1
Profit on sale of intangible assets	**(9)**	(1)
Profit on sale of tangible assets	**(29)**	(183)
Loss on sale of investment properties	**–**	10
Loss on sale of repossessed collateral of finance companies	**54**	58
Fair value loss on agricultural produce	**10**	4
Fair value loss/(gain) on other investments	**476**	(366)
Impairment of intangible assets	**127**	12
Impairment of tangible assets	**205**	8
Impairment of debtors	**227**	205
Write down of stocks and work in progress	**80**	51
Reversal of write down of stocks and work in progress	**(33)**	(34)
Change in provisions	**193**	35
Net foreign exchange losses	**18**	25
Amortisation of borrowing costs for financial services companies	**10**	14
Options granted under employee share option schemes	**5**	5
Recognition of previous deferred fair value gain on land	**(34)**	–
	1,191	(156)
By business:		
Jardine Pacific	**11**	7
Jardine Motors	**15**	(181)
Hongkong Land	**(20)**	(54)
Dairy Farm	**387**	15
Mandarin Oriental	**(7)**	–
Jardine Cycle & Carriage	**493**	(129)
Astra	**303**	317
Corporate and other interests	**9**	(131)
	1,191	(156)

31 Notes to Consolidated Cash Flow Statement (continued)

(c) Increase in working capital

	2018 US$m	2017 US$m
Increase in concession rights	**(20)**	(78)
Decrease/(increase) in properties for sale	**169**	(693)
Increase in stocks and work in progress	**(466)**	(245)
Increase in debtors	**(1,543)**	(837)
Increase in creditors	**849**	1,449
Increase in pension obligations	**34**	28
	(977)	(376)

(d) Purchase of subsidiaries

	2018 Fair value US$m	2017 Fair value US$m
Intangible assets	**434**	38
Tangible assets	**838**	199
Associates and joint ventures	**–**	283
Non-current debtors	**25**	95
Deferred tax assets	**1**	–
Current assets	**145**	320
Long-term borrowings	**(104)**	(35)
Deferred tax liabilities	**(209)**	(36)
Pension liabilities	**(4)**	–
Non-current creditors	**–**	(3)
Non-current provision	**(25)**	–
Current liabilities	**(171)**	(140)
Fair value of identifiable net assets acquired	**930**	721
Goodwill	**271**	11
Adjustment for non-controlling interests	**(57)**	(107)
Total consideration	**1,144**	625
Adjustment for deposit paid	**–**	(12)
Net debt repaid at date of acquisition	**148**	–
Payment for deferred consideration	**82**	–
Adjustment for deferred consideration	**(25)**	(87)
Carrying value of associates and joint ventures	**(44)**	(301)
Cash and cash equivalents of subsidiaries acquired	**(18)**	(151)
Net cash outflow	**1,287**	74

For the subsidiaries acquired during 2018, the fair values of the identifiable assets and liabilities at the acquisition dates are provisional and will be finalised within one year after the acquisition dates.

The fair values of the identifiable assets and liabilities at the acquisition dates of certain subsidiaries acquired during 2017 as included in the comparative figures were provisional. The fair values were finalised in 2018. As the difference between the provisional and the finalised fair values were not material, the comparative figures have not been adjusted.

Net cash outflow for purchase of subsidiaries in 2018 included US$55 million for Dairy Farm's acquisition of an additional 51% interest in Rose Pharmacy, a health and beauty stores chain in the Philippines, increasing its controlling interest to 100%; and US$1,150 million (including repayment of net debt of US$148 million) for Astra's acquisition of a 95% interest in PT Agincourt Resources, a gold mining company. In addition, there were cash outflows of US$69 million and US$13 million for Astra's payment of deferred consideration for investments in toll road concessions and acquisition of an 80% interest in PT Suprabari Mapanindo Mineral ('Suprabari'), a coal mining company, respectively, in 2017.

31 Notes to Consolidated Cash Flow Statement (continued)

(d) Purchase of subsidiaries *(continued)*
Goodwill in 2018 mainly arose from the acquisitions of Rose Pharmacy of US$97 million, attributable to the leading market position and retail network in the Philippines; and PT Agincourt Resources of US$171 million, attributable to the requirement to recognise deferred tax on the difference between the fair value and the tax value of the assets at the date of acquisition. None of the goodwill is expected to be deductible for tax purposes.

Net cash outflow in 2017 comprised US$18 million for Jardine Motors' acquisition of various motor dealership businesses in the United Kingdom throughout the year; US$42 million for Hongkong Land's acquisition of an additional 50% interest in MCL Land (Malaysia) Sdn Bhd, a property development company, increasing its controlling interest to 100%; and an additional consideration of US$14 million for Astra's acquisition of the above mentioned 80% interest in Suprabari.

Goodwill in 2017 arose from the acquisitions of motor dealership businesses which were attributable to the expected synergies with its existing retail network. None of the goodwill is expected to be deductible for tax purposes.

Revenue and profit after tax since acquisition in respect of subsidiaries acquired during the year amounted to US$331 million and US$68 million, respectively. Had the acquisitions occurred on 1st January 2018, consolidated revenue and profit after tax for the year ended 31st December 2018 would have been US$43,295 million and US$4,665 million, respectively.

(e) Purchase of associates and joint ventures in 2018 mainly included US$834 million for Hongkong Land's investments in mainland China, Thailand and Vietnam; US$220 million related to Dairy Farm's acquisition of a 20% interest in Robinsons Retail *(refer note 14)*; and US$99 million for Astra's investments in toll road concessions.

Purchases in 2017 included Hongkong Land's investments in mainland China, Thailand and Vietnam for a total of US$438 million; Jardine Cycle & Carriage's subscription to rights issue and purchase of additional shares in Siam City Cement Public Company Limited in Thailand of US$138 million, increasing its interest from 24.9% to 25.5%; Astra's investments in toll road concessions of US$274 million and a 25% interest in power plants of US$207 million in Indonesia, and subscription to Permata Bank's rights issue of US$44 million; and Jardine Strategic's acquisition of a 28% interest in Greatview Aseptic Packaging Company Limited, an aseptic carton packaging supplier, of US$241 million and additional investment in Zhongsheng of US$172 million, increasing its interest from 15.5% to 20.0%.

(f) Purchase of other investments in 2018 included US$200 million and US$62 million for Jardine Cycle & Carriage's investments in shares in Toyota Motor Corporation and additional shares in Vietnam Dairy Products increasing its interest to 10.6%, respectively; and US$150 million and US$280 million for Astra's investments in GOJEK and other securities, respectively.

Purchases in 2017 comprised US$1,160 million for acquisition of a 10% interest in Vietnam Dairy Products by Jardine Cycle & Carriage and US$449 million for acquisition of securities by Astra.

(g) Advance to associates and joint ventures in 2018 and 2017 mainly included Hongkong Land's advance to its property joint ventures.

(h) Advance and repayment from associates and joint ventures in 2018 and 2017 mainly included advance and repayment from Hongkong Land's property joint ventures.

(i) Sale of subsidiaries in 2017 included US$83 million for disposal of a mutual fund company by Astra.

---

31 Notes to Consolidated Cash Flow Statement (continued)

(j) Sale of other investments in 2018 mainly included Astra's sale of securities.

Sale in 2017 mainly included disposal of securities by Astra and Jardine Strategic of US$261 million and US$95 million, respectively.

(k) Change in interests in subsidiaries

	2018 US$m	2017 US$m
Increase in attributable interests		
– Jardine Strategic	**(203)**	(107)
– Hongkong Land	**(131)**	–
– Mandarin Oriental	**(33)**	–
– other	**(200)**	(87)
Decrease in attributable interests	**4**	15
	(563)	(179)

Increase in attributable interests in other subsidiaries in 2018 included US$196 million for Astra's acquisition of the remaining 25% interest in Astra Sedaya Finance, a consumer financing company, from Permata Bank, increasing its controlling interest to 100%.

Increase in 2017 included Jardine Motors' acquisition of an additional 40% interest in a motor dealership in mainland China of US$24 million and Dairy Farm's acquisition of a further 34% interest in Rustan Supercenters Inc. in the Philippines of US$60 million, increasing the Group's controlling interests in both subsidiaries to 100%.

(l) Analysis of balances of cash and cash equivalents

	2018 US$m	2017 US$m
Bank balances and other liquid funds *(refer note 21)*	**4,988**	6,005
Bank overdrafts *(refer note 28)*	**(35)**	(7)
Cash and bank balances included in assets classified as held for sale	**–**	3
	4,953	6,001

32 Derivative Financial Instruments

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

	2018		2017	
	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	**6**	**–**	1	2
– interest rate swaps and caps	**3**	**2**	3	–
– cross currency swaps	**174**	**40**	33	32
	183	**42**	37	34
Designated as fair value hedges				
– interest rate swaps and caps	**2**	**–**	3	–
– cross currency swaps	**4**	**10**	7	9
	6	**10**	10	9

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2018 were US$2,844 million *(2017: US$597 million)*. Included in the outstanding amount are contracts totalling US$2.1 billion relating to the offer for sale of Jardine Lloyd Thompson *(refer note 14)*.

Interest rate swaps and caps

The notional principal amounts of the outstanding interest rate swap and cap contracts at 31st December 2018 were US$600 million *(2017: US$610 million)*.

At 31st December 2018, the fixed interest rates relating to interest rate swaps and caps vary from 0.9% to 3.1% *(2017: 0.9% to 3.1%)* per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 1.9% to 3.1% *(2017: 1.3% to 2.2%)* per annum.

Cross currency swaps

The contract amounts of the outstanding cross currency swap contracts at 31st December 2018 totalled US$3,960 million *(2017: US$3,563 million)*.

33 Commitments

	2018 US$m	2017 US$m
Capital commitments:		
Authorised not contracted		
– joint ventures	**–**	–
– other	**1,415**	804
	1,415	804
Contracted not provided		
– joint ventures	**1,359**	1,349
– other	**396**	302
	1,755	1,651
	3,170	2,455

The increase in authorised not contracted capital commitments in 2018 was primarily attributable to Mandarin Oriental's planned redevelopment of The Excelsior, Hong Kong as a commercial property following the hotel closure on 31st March 2019. The redevelopment is expected to take up to six years to complete.

	2018 US$m	2017 US$m
Operating lease commitments:		
Total commitments under operating leases		
– due within one year	**963**	983
– due between one and two years	**688**	687
– due between two and three years	**421**	438
– due between three and four years	**264**	280
– due between four and five years	**195**	214
– due beyond five years	**1,195**	1,108
	3,726	3,710

Total future sublease payments receivable relating to the above operating leases amounted to US$25 million *(2017: 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.

34 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.

35 Related Party Transactions

In the normal course of business the Group undertakes a variety of transactions with certain of its associates and joint ventures.

The most significant of such transactions relate to the purchases of motor vehicles and spare parts from its associates and joint ventures in Indonesia including PT Toyota-Astra Motor, PT Astra Honda Motor and PT Astra Daihatsu Motor. Total cost of motor vehicles and spare parts purchased in 2018 amounted to US$5,449 million *(2017: US$5,272 million)*. The Group also sells motor vehicles and spare parts to its associates and joint ventures in Indonesia including PT Astra Honda Motor, PT Astra Daihatsu Motor and PT Tunas Ridean. Total revenue from sale of motor vehicles and spare parts in 2018 amounted to US$637 million *(2017: US$599 million)*.

The Group uses Jardine Lloyd Thompson to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid by the Group in 2018 to Jardine Lloyd Thompson were US$7 million *(2017: US$6 million)*.

The Group manages six *(2017: six)* associate and joint venture hotels. Management fees received by the Group in 2018 from these managed hotels amounted to US$15 million *(2017: US$14 million)*.

Permata Bank provides banking services to the Group. The Group's deposits with Permata Bank at 31st December 2018 amounted to US$345 million *(2017: US$588 million)*.

Amounts of outstanding balances with associates and joint ventures are included in debtors and creditors, as appropriate *(refer notes 16 and 29)*.

Details of Directors' remuneration (being the key management personnel compensation) are shown on page 133 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

36 Summarised Balance Sheet of the Company

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

	2018 US$m	2017 US$m
Subsidiaries	**1,659**	1,659
Current assets	**556**	–
Total assets	**2,215**	1,659
Share capital *(refer note 22)*	**184**	181
Share premium and capital reserves *(refer note 24)*	**62**	57
Revenue and other reserves	**1,969**	1,188
Shareholders' funds	**2,215**	1,426
Current liabilities	**–**	233
Total equity and liabilities	**2,215**	1,659

Subsidiaries are shown at cost less amounts provided.

37 Principal Subsidiaries

The Group's principal subsidiaries at 31st December 2018 are set out below:

	Country of incorporation/ principal place of business	Nature of business	Attributable interests 2018 %	Attributable interests 2017 %	Proportion of ordinary shares and voting powers at 31st December 2018 held by the Group %	Proportion of ordinary shares and voting powers at 31st December 2018 held by non-controlling interests %
Dairy Farm International Holdings Ltd	Bermuda/ Greater China and Southeast Asia	Supermarkets, hypermarkets, convenience stores, health and beauty stores, home furnishings and restaurants	**65**	65	**78**	**22**
Hongkong Land Holdings Ltd	Bermuda/ Greater China and Southeast Asia	Property development & investment, leasing & management	**43**	42	**50**	**50**
Jardine Cycle & Carriage Ltd	Singapore/ Southeast Asia	A 50.1% interest in PT Astra International Tbk, motor trading and holding	**63**	63	**75**	**25**
Jardine Matheson Ltd	Bermuda/ Hong Kong	Group management	**100**	100	**100**	**–**
Jardine Motors Group Holdings Ltd	Bermuda/ Greater China and United Kingdom	Motor trading	**100**	100	**100***	**–**
Jardine Pacific Holdings Ltd	Bermuda/ Greater China and Southeast Asia	Engineering & construction, transport services, restaurants and IT services	**100**	100	**100**	**–**
Jardine Strategic Holdings Ltd†	Bermuda/ Greater China and Southeast Asia	Holding	**84**	84	**84**	**16**
Mandarin Oriental International Ltd	Bermuda/ Worldwide	Hotel management & ownership	**66**	65	**78**	**22**
Matheson & Co., Ltd	England/ United Kingdom	Holding and management	**100**	100	**100**	**–**
PT Astra International Tbk	Indonesia/ Indonesia	Automotive, financial services, heavy equipment, mining, construction and energy, agribusiness, infrastructure and logistics, information technology and property	**32**	32	**50**	**50**

All subsidiaries are included in the consolidation.

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

*Jardine Motors is directly held by the Company. All other subsidiaries are held through subsidiaries.

†Jardine Strategic held 58% (2017: 57%) of the share capital of the Company.

38 Principal Accounting Policies

Basis of consolidation

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

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

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

All material intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. The cost of and related income arising from shares held in the Company by subsidiaries are eliminated from shareholders' funds and non-controlling interests, and profit, respectively.

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

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

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

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

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

Foreign currencies

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

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

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognised in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments, such exchange differences are recognised in profit and loss. Exchange differences on other investments measured at fair value through other comprehensive income are recognised in other comprehensive income as part of the gains and losses arising from changes in their fair value. All other exchange differences are recognised in profit and loss.

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

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

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

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

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

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

(iv) Concession rights are operating rights for toll roads under service concession arrangements. The cost of the construction services is amortised based on traffic volume projections.

(v) Deferred exploration costs relating to mining resources are capitalised when the rights of tenure of a mining area are current and is considered probable that the costs will be recouped through successful development and exploitation of the area. Deferred exploration costs are amortised using the unit of production method, and are assessed for impairment if facts and circumstances indicate that impairment may exist.

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

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

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

Buildings	14 – 150 years
Surface, finishes and services of hotel properties	20 – 30 years
Leasehold improvements	shorter of unexpected lease term or useful life
Leasehold land	period of the lease
Plant and machinery	2 – 25 years
Furniture, equipment and motor vehicles	2 – 25 years

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

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

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

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

Bearer plants
Bearer plants are stated at cost less any accumulated depreciation and impairment loss. The cost of bearer plants includes costs incurred for field preparation, planting, fertilising and maintenance, capitalisation of borrowing costs incurred on loans used to finance the development of immature bearer plants and an allocation of other indirect costs based on planted hectares. Bearer plants are considered mature three to four years after planting and once they are generating fresh fruit bunches which average four to six tonnes per hectare per year. Depreciation of mature bearer plants commences in the year when the bearer plants are mature using the straight-line method over the estimated useful life of 20 years. Agricultural produce growing on bearer plants comprise oil palm fruits which are measured at fair value. Changes in fair value are recorded in the profit and loss account.

Investments
The Group classifies its investments into the following measurement categories:
(i) Those to be measured subsequently at fair value, either through other comprehensive income or through profit and loss; and

(ii) Those to be measured at amortised cost.

The classification is based on the management's business model and their contractual cash flows characteristics.

Equity investments are measured at fair value with fair value gains and losses recognised in profit and loss, unless management has elected to recognise the fair value gains and losses through other comprehensive income. For equity investments measured at fair value through other comprehensive income, gains or losses realised upon disposal are not reclassified to profit and loss.

Debt investments that are held for collection of contractual cash flows and for sale, where the cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. On disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss.

Debt investments that are held for collection of contractual cash flows till maturity, where the cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on disposal is recognised in profit and loss.

At initial recognition, the Group measures an investment at its fair value plus, in the case of the investment not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the investment. Transaction costs of investments carried at fair value through profit and loss are expensed in profit and loss.

Investments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group assesses on a forward-looking basis the expected credit losses associated with both types of debt investments. They are considered 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Any impairment is recognised in profit and loss.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments.

Investments are classified as non-current assets, unless in the case of debt investments with maturities less than 12 months after the balance sheet date, are classified as current assets.

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 capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

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

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

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

Debtors
Financing and trade debtors are recognised initially at the amount of consideration that is unconditional and measured subsequently at amortised cost using the effective interest method. Finance lease receivables are shown as the finance lease receivables plus the guaranteed residual values at the end of the lease period, net of unearned finance lease income, security deposits and provision for doubtful receivables. A contract asset arises if the Group has a right to consideration in exchange for goods or services the Group has transferred to a customer, that is conditional on something other than the passage of time. Repossessed collateral of finance companies are measured at the lower of the carrying amount of the debtors in default and fair value less costs to sell. All other debtors, excluding derivative financial instruments, are measured at amortised cost except where the effect of discounting would be immaterial. The Group assesses on a forward-looking basis using the three stages expected credit losses model on potential losses associated with its consumer financing debtors and financing lease receivables. The impairment measurement is subject to whether there has been a significant increase in credit risk. For trade debtors and contract assets, the Group applied the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the debtors. Provision for impairment is established by considering potential financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited to profit and loss.

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

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks and financial institutions, bank and cash balances, and liquid investments, net of bank overdrafts. In the balance sheet, 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 recognised in profit and loss.

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

Borrowings and borrowing costs
Borrowings are initially recognised at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised 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 amortised cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option which is recognised and included in shareholders' funds. On the issue of convertible bonds which are not convertible into the issuing entity's own shares or which are not convertible into a fixed number of ordinary shares of the issuing entity, the fair value of the conversion option component is determined and included in current liabilities, and the residual amount is allocated to the carrying amount of the bond. Any conversion option component included in current liabilities is shown at fair value with changes in fair value recognised in profit and loss.

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

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

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

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

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

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

Employee benefits
(i) Pension obligations
The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

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

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

Past service costs are recognised immediately in profit and loss.

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

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

Derivative financial instruments
The Group only enters into derivative financial instruments in order to hedge underlying exposures and not as speculative investments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as a hedge of the fair value of a recognised 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.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recognised in profit and loss, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit and loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit and loss. 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 amortised to profit and loss over the residual period to maturity.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in other comprehensive income and accumulated in equity under hedging reserves. Changes in the fair value relating to the ineffective portion is recognised immediately in profit and loss. Where the hedged item results in the recognition of a non-financial asset or of a non-financial liability, the deferred gains and losses are included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in profit and loss as the hedged item affects profit and loss. Otherwise, amounts deferred in hedging reserves are transferred to profit and loss in the same periods during which the hedged firm commitment or forecasted transaction affects profit and loss. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit and loss within finance cost at the same time as the interest expense on the hedged borrowings. 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 recognised when the committed or forecasted transaction ultimately is recognised in profit and loss. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserves is immediately transferred to profit and loss.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IFRS 9. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IFRS 9 are recognised immediately in profit and loss.

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

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

Insurance contracts
Insurance contracts are those contracts that transfer significant insurance risk.

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

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised 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.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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 equity investments which are measured at fair value through profit and loss; gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

Earnings per share
Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. The weighted average number excludes the Company's share of the shares held by subsidiaries and the shares held by the Trustee under the Senior Executive Share Incentive Schemes. 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 subsidiaries, associates or joint ventures, and the weighted average number of shares is adjusted for the number of shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the year.

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

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

Revenue recognition
(i) Property
Properties for sale
Revenue from properties for sale is recognised when or as the control of the property is transferred to the customer. Revenue consists of the fair value of the consideration received and receivable, net of value added tax, rebates and discounts. Proceeds received in advance for pre-sale are recorded as contract liabilities. Depending on the terms of the contract and the laws that apply to the contract, control of the property may transfer over time or at a point in time.

If control of the property transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the property.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For properties for sale under development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Investment properties
Rental income from investment properties are accounted for on an accrual basis over the lease terms.

(ii) Motor vehicles
Revenue from the sale of motor vehicles, including motorcycles, and rendering of aftersales services, is recognised through dealership structures. In instances where the contracts with customers include multiple deliverables, the separate performance obligations are identified. The transaction price, which is represented by the consideration fixed in the contract and net of discounts if any, is then allocated to each performance obligation based on their relative stand-alone selling prices. When a stand-alone selling price is not directly observable, it is estimated. Revenue from the sale of motor vehicles is recognised when control of the motor vehicles is transferred to the customer, which generally coincides with the point of delivery. Revenue from the aftersales services is recognised when the services are rendered. In instances where payments are received in advance from customers but there are unfulfilled aftersales services obligations by the Group, a contract liability is recognised for which revenue is subsequently recognised over time as the services are rendered.

(iii) Retail and restaurants
Revenue from retail includes sales from the supermarket and hypermarkets, health and beauty stores, and home furnishing stores. Revenue consists of the fair value of goods sold to customers, net of returns, discounts and sales related taxes. Sale of goods is recognised at the point of sale, when the control of the asset is transferred to the customers, and is recorded at the net amount received from customers.

Revenue from restaurants comprises the sale of food and beverages and is recognised at the point when the Group sells the food and beverages to the customer and payment is due immediately when the customer purchases the food and beverages.

(iv) Financial services
Revenue from consumer financing and finance leases is recognised over the term of the respective contracts based on a constant rate of return on the net investment, using the effective interest method. Revenue from insurance premiums is recognised 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.

(v) Engineering, heavy equipment, mining and construction
Engineering
Revenue from engineering, including supplying, installing and servicing engineering equipment is recognised over time based on the enforceable right to payment for the performance completed to date and using the output method on the basis of direct measurements of the value to customer of the Group's performance to date, as evidenced by the certification by qualified architects and/or surveyors. When there is more than one single performance obligation under a contract or any contract modification creates a separate performance obligation, the revenue will be allocated to each performance obligation based on their relative stand-alone selling prices. Payments received in advance from customers but there are unfulfilled obligations, are recognised as contract liabilities.

Claims, variations and liquidated damages are accounted for as variable consideration and are included in contract revenue provided that it is highly probable that a significant reversal will not occur in the future.

Heavy equipment
Revenue from heavy equipment includes sale of heavy equipment and rendering of maintenance services. In instances where the contracts with customers include multiple deliverables, the separate performance obligations are identified and generally referred as sale of heavy equipment and rendering of maintenance services. The transaction price, which is represented by the consideration fixed in the contract and net of discounts if any, is then allocated to each performance obligation based on their relative stand-alone selling prices. Revenue from the sale of heavy equipment is recognised when control of the heavy equipment is transferred to the customer, which generally coincides with the point of delivery. Payments from customers for maintenance services are received in advance and recognised as a contract liability. Revenue from the maintenance services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be reported, as soon as it can be estimated reliably. The stage of completion is measured by reference to cost incurred to date compared to estimated total costs for each contract.

Mining
Revenue from mining includes contract mining services and through the Group's own production. The performance obligations identified as contract mining services relate to the extraction of coal and removal of overburden on behalf of the customers. Revenue is recognised when the services are rendered by reference to the volume of coal extracted and overburden removed at contracted rates, and payment is due upon delivery. Revenue from its own mining production is recognised when control of the output is transferred to the customer, which generally coincides with the point of delivery.

Construction
Revenue from construction includes contracts to provide construction and foundation services for building, civil and maritime works. Under the contracts, the Group's construction activities creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, and hence revenue is recognised over time by reference to the progress towards completing the construction works. Under this method, the revenue recognised is based on the latest estimate of the total value of the contract and actual completion rate determined by reference to the physical state of progress of the works.

Claims, variations and liquidated damages are accounted for as variable consideration and are included in contract revenue provided that it is highly probable that a significant reversal will not occur in the future.

(vi) Hotels
Revenue from hotel ownership comprises amounts earned in respect of rental of rooms, food and beverage sales, and other ancillary services and goods supplied by the subsidiary hotels. Revenue is recognised over the period when rooms are occupied or services are performed. Revenue from the sale of food and beverages and goods is recognised at the point of sale when the food and beverages and goods are delivered to customers. Payment is due immediately when the hotel guest occupies the room and receives the services and goods.

Revenue from hotel and residences branding and management comprises gross fees earned from the branding and management of all the hotels and residences operated by the Group. Branding and management fees are recognised over time as determined by the relevant contract, taking into account the performance of the hotels, and the sales and operating expenses of the residences. Fees charged to the subsidiary hotels are eliminated upon consolidation. Hotels and residences are invoiced in accordance with the terms of contract and fees are payable when invoiced.

Pre-operating costs
Pre-operating costs are expensed as they are incurred.

39 Standards and Amendments Issued But Not Yet Effective

A number of new standards and amendments, which are effective for accounting periods beginning after 2018, have been published and will be adopted by the Group from their effective dates. An assessment of the impact of the standards and amendments, that are relevant and have a material impact to the Group, is set out below.

IFRS 16 'Leases' (effective from 1st January 2019)
The standard replaces IAS 17 Leases and related interpretations and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. The distinction between operating and finance leases is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding lease liability have to be recognised on the balance sheet for all leases by lessees, except for leases with a term of less than 12 months or with low-value. The accounting for lessors will not change significantly.

IFRS 16 will affect primarily the accounting for the Group's operating leases. The key financials of the Group's retail, restaurants and motor dealership businesses will be most affected by the new standard. The Group will apply IFRS 16 based on a full retrospective approach from 1st January 2019.

Based on the current assessment, it is estimated that the change in accounting for the Group's operating leases will result in the recognition of right-of-use assets and lease liabilities of both approximately US$4.5 billion as at 1st January 2018 and 31st December 2018. The Group's underlying profit attributable to shareholders for the year ended 31st December 2018 would decrease by approximately 3%. The impact to shareholders' funds and gearing both as at 1st January 2018 and 31st December 2018 are insignificant.

IFRS 17 'Insurance Contracts' (effective from 1st January 2021)
The standard replaces IFRS 4 'Insurance Contracts'. It is a comprehensive standard with a fundamental overhaul of insurance accounting, covering recognition and measurement, presentation and disclosure. It requires insurance contract liabilities reported on the balance sheet using current assumptions at each reporting date. It is likely to have a significant impact on profit and shareholders' funds for insurance companies. There could also be an increase in volatility in reported profit and shareholders' funds compared to today's accounting models. The new standard will have an effect on the Group's insurance companies, which are in the process of reviewing the standard and identifying an implementation plan.

40 Financial Risk Management

Financial risk factors

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

The Group's treasury function co-ordinates, under the directions of the board of Jardine Matheson Limited, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimise the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, caps and collars, cross-currency swaps, forward foreign exchange contracts and foreign currency options as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. The effective portion of the change in the fair value of the hedging instrument is deferred into the cash flow hedge reserve through other comprehensive income and will be recognised in profit and loss when the hedged item affects profit and loss. This will effectively result in recognising interest expense at a fixed interest rate for the hedged loans and inventory at the fixed foreign currency rate for the hedged purchases.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

The Group enters into interest rate swaps and caps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was approximately 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to: (i) the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan; and (ii) differences in critical terms between the interest rate swaps and loans. There was no ineffectiveness during 2018 or 2017 in relation to the interest rate swaps.

(i) Market risk

Foreign exchange risk

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

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

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. At 31st December 2018 the Group's Indonesian rupiah functional entities had United States dollar denominated net monetary assets of US$106 million *(2017: US$358 million)*. At 31st December 2018, 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$8 million higher/lower *(2017: US$27 million higher/lower)*, arising from foreign exchange gains/losses taken on translation. The impact on amounts attributable to the shareholders of the Company would be US$2 million higher/lower *(2017: US$6 million higher/lower)*. This sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no other significant monetary balances held by Group companies at 31st December 2018 that are denominated in a non-functional currency. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

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

Interest rate risk
The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through fixed rate borrowings and the use of derivative financial instruments such as interest rate swaps, caps and collars. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings, exclusive of the financial services companies, in fixed rate instruments. At 31st December 2018 the Group's interest rate hedge exclusive of the financial services companies was 39% *(2017: 38%)*, with an average tenor of six years *(2017: six years)*. The financial services companies borrow predominately at a fixed rate. The interest rate profile of the Group's borrowings after taking into account hedging transactions are set out in note 28.

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

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

At 31st December 2018, 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$5 million lower/higher *(2017: US$8 million* higher/lower*)*, and hedging reserves would have been US$92 million *(2017: US$93 million)* higher/lower as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. There is no significant sensitivity resulting from interest rate caps and collars. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States, Hong Kong and Indonesian rates, over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in the fair value of the hedged items caused by interest rate movements balance out in the profit and loss account against changes in the fair value of the hedging instruments. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

Price risk

The Group is exposed to securities price risk because of its equity investments which are measured at fair value through profit and loss and debt investments which are measured at fair value through other comprehensive income. Gains and losses arising from changes in the fair value of these investments are recognised in profit and loss or other comprehensive income according to their classification. The performance of these investments are monitored regularly, together with an assessment of their relevance to the Group's long-term strategic plans. Details of these investments are contained in note 15.

The Group's interest in these investments are unhedged. At 31st December 2018, if the price of these investments had been 25% higher/lower with all other variables held constant, total equity would have been US$661 million *(2017: US$673 million)* higher/lower, of which US$526 million *(2017: US$520 million)* relating to equity investments would be reflected in operating profit as non-trading items. 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 coal, steel rebar and copper. The Group considers the outlook for coal, steel rebar and copper prices regularly in considering the need for active financial risk management. The Group's policy is generally not to hedge commodity price risk, although limited hedging may be undertaken for strategic reasons. In such cases the Group uses forward contracts to hedge the price risk. To mitigate or hedge the price risk, Group entities may enter into a forward contract to buy the commodity at a fixed price at a future date, or a forward contract to sell the commodity at a fixed price at a future date.

(ii) Credit risk
The Group's credit risk is primarily attributable to deposits with banks, contractual cash flows of debt investments carried at amortised cost and those measured at fair value through other comprehensive income, credit exposures to customers and derivative financial instruments with a positive fair value. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and capital adequacy ratios of counterparties, and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. 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.

The Group's debt investments are considered to be low risk investments. The investments are monitored for credit deterioration based on credit ratings from major rating agencies.

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

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

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

At 31st December 2018, total available borrowing facilities amounted to US$26.4 billion *(2017: US$22.8 billion)* of which US$14.2 billion *(2017: US$12.8 billion)* was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, and undrawn uncommitted facilities totalled US$8.0 billion *(2017: US$6.9 billion)* and US$4.2 billion *(2017: US$3.1 billion)*, respectively.

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

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flows US$m
At 31st December 2018							
Borrowings	7,612	1,836	1,428	2,186	585	2,376	**16,023**
Creditors	8,654	108	59	22	22	41	**8,906**
Gross settled derivative financial instruments							
– inflow	3,814	699	680	899	252	1,052	**7,396**
– outflow	3,819	721	687	886	239	1,053	**7,405**
Estimated losses on insurance contracts	178	–	–	–	–	–	**178**
At 31st December 2017							
Borrowings	5,907	2,482	1,372	872	1,746	2,162	14,541
Creditors	7,978	84	92	16	12	46	8,228
Net settled derivative financial instruments	1	–	–	–	–	–	1
Gross settled derivative financial instruments							
– inflow	1,336	754	333	136	873	1,098	4,530
– outflow	1,361	767	346	143	872	1,089	4,578
Estimated losses on insurance contracts	161	–	–	–	–	–	161

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 maximise benefits to shareholders and other stakeholders. Capital is equity as shown in the consolidated balance sheet plus net debt.

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

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

The ratios at 31st December 2018 and 2017 are as follows:

	2018	2017
Gearing ratio exclusive of financial services companies (%)	**10**	6
Gearing ratio inclusive of financial services companies (%)	**16**	12
Interest cover exclusive of financial services companies (times)	**15**	23
Interest cover inclusive of financial services companies (times)	**17**	28

Fair value estimation

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities ('quoted prices in active markets')
The fair values of listed securities and bonds are based on quoted prices in active markets at the balance sheet date. The quoted market price used for listed investments held by the Group is the current bid price.

(b) Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions')
The fair values of derivative financial instruments are determined using rates quoted by the Group's bankers at the balance sheet date. The rates for interest rate swaps and caps, cross-currency swaps and forward foreign exchange contracts are calculated by reference to market interest rates and foreign exchange rates.

The fair values of unlisted investments mainly include club and school debentures, are determined using prices quoted by brokers at the balance sheet date.

(c) Inputs for assets or liabilities that are not based on observable market data ('unobservable inputs')
The fair values of other unlisted equity investments are determined using valuation techniques by reference to observable current market transactions (including price-to earnings and price-to book ratios of listed securities of entities engaged in similar industries) or the market prices of the underlying investments with certain degree of entity specific estimates or discounted cash flow by projecting the cash inflows from these investments.

There were no changes in valuation techniques during the year.

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

	Quoted prices in active markets US$m	Observable current market transactions US$m	Unobservable inputs US$m	Total US$m
2018				
Assets				
Other investments				
– equity investments	1,792	57	253	**2,102**
– debt investments	540	–	–	**540**
	2,332	57	253	**2,642**
Derivative financial instruments at fair value				
– through other comprehensive income	–	183	–	**183**
– through profit and loss	–	6	–	**6**
	2,332	**246**	**253**	**2,831**
Liabilities				
Contingent consideration payable	–	–	(10)	**(10)**
Derivative financial instruments at fair value				
– through other comprehensive income	–	(42)	–	**(42)**
– through profit and loss	–	(10)	–	**(10)**
	–	**(52)**	**(10)**	**(62)**
2017				
Assets				
Other investments				
– equity investments	1,983	47	49	2,079
– debt investments	613	–	–	613
	2,596	47	49	2,692
Derivative financial instruments at fair value				
– through other comprehensive income	–	37	–	37
– through profit and loss	–	10	–	10
	2,596	94	49	2,739
Liabilities				
Contingent consideration payable	–	–	(10)	(10)
Derivative financial instruments at fair value				
– through other comprehensive income	–	(34)	–	(34)
– through profit and loss	–	(9)	–	(9)
	–	(43)	(10)	(53)

There were no transfers among the three categories during the year ended 31st December 2018 and 2017.

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

	2018		2017	
	Unlisted equity investments	Contingent consideration payable	Unlisted equity investments	Contingent consideration payable
	US$m	US$m	US$m	US$m
At 1st January				
– as previously reported	**49**	**(10)**	56	(10)
– change in accounting policy *(refer note 1)*	**58**	**–**	–	–
– as restated	**107**	**(10)**	56	(10)
Exchange differences	**(13)**	**–**	2	–
Additions	**163**	**–**	2	–
Disposal	**–**	**–**	(11)	–
Net change in fair value during the year included in profit and loss	**(4)**	**–**	–	–
At 31st December	**253**	**(10)**	49	(10)

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

(ii) Financial instruments that are not measured at fair value
The fair values of current debtors, bank balances and other liquid funds, current creditors and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

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

Financial instruments by category

The fair values of financial assets and financial liabilities, together with carrying amounts at 31st December 2018 and 2017 are as follows:

	Fair value of hedging instruments US$m	Fair value through profit and loss US$m	Fair value through other comprehensive income US$m	Financial assets at amortised costs US$m	Other financial liabilities US$m	Total carrying amount US$m	Fair value US$m
2018							
Financial assets measured at fair value							
Other investments							
– equity investments	–	2,102	–	–	–	2,102	2,102
– debt investments	–	–	540	–	–	540	540
Derivative financial instruments	189	–	–	–	–	189	189
	189	**2,102**	**540**	**–**	**–**	**2,831**	**2,831**
Financial assets not measured at fair value							
Debtors	–	–	–	8,112	–	8,112	8,178
Bank balances	–	–	–	4,988	–	4,988	4,988
	–	**–**	**–**	**13,100**	**–**	**13,100**	**13,166**
Financial liabilities measured at fair value							
Derivative financial instruments	(52)	–	–	–	–	(52)	(52)
Contingent consideration payable	–	(10)	–	–	–	(10)	(10)
	(52)	**(10)**	**–**	**–**	**–**	**(62)**	**(62)**
Financial liabilities not measured at fair value							
Borrowings (excluding finance lease liabilities)	–	–	–	–	(14,193)	(14,193)	(14,376)
Finance lease liabilities	–	–	–	–	(38)	(38)	(38)
Trade and other payable excluding non-financial liabilities	–	–	–	–	(8,896)	(8,896)	(8,896)
	–	**–**	**–**	**–**	**(23,127)**	**(23,127)**	**(23,310)**

	Fair value of hedging instruments US$m	Fair value through profit and loss US$m	Fair value through other comprehensive income US$m	Financial assets at amortised costs US$m	Other financial liabilities US$m	Total carrying amount US$m	Fair value US$m
2017							
Financial assets measured at fair value							
Other investments							
– equity investments	–	2,079	–	–	–	2,079	2,079
– debt investments	–	–	613	–	–	613	613
Derivative financial instruments	47	–	–	–	–	47	47
	47	2,079	613	–	–	2,739	2,739
Financial assets not measured at fair value							
Other investments							
– debt investments	–	–	–	3	–	3	3
Debtors	–	–	–	8,040	–	8,040	8,178
Bank balances	–	–	–	6,005	–	6,005	6,005
	–	–	–	14,048	–	14,048	14,186
Financial liabilities measured at fair value							
Derivative financial instruments	(43)	–	–	–	–	(43)	(43)
Contingent consideration payable	–	(10)	–	–	–	(10)	(10)
	(43)	(10)	–	–	–	(53)	(53)
Financial liabilities not measured at fair value							
Borrowings (excluding finance lease liabilities)	–	–	–	–	(12,807)	(12,807)	(12,941)
Finance lease liabilities	–	–	–	–	(4)	(4)	(4)
Trade and other payable excluding non-financial liabilities	–	–	–	–	(8,218)	(8,218)	(8,218)
	–	–	–	–	(21,029)	(21,029)	(21,163)

41 Critical Accounting Estimates and Judgements

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

Acquisition of subsidiaries, associates and joint ventures

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

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

Investment properties

The fair values of investment properties, which are principally held by Hongkong Land, are determined by independent valuers on an open market for existing-use basis calculated on the discounted net income allowing for reversionary potential. For investment properties in Hong Kong and Singapore, capitalisation rates in the range of 2.75% to 3.50% for office *(2017: 2.75% to 3.50%)* and 3.75% to 5.00% for retail *(2017: 3.75% to 5.00%)* are used by Hongkong Land in the fair value determination.

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

Impairment of assets

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

The results of the impairment reviews undertaken at 31st December 2018 on the Group's indefinite life franchise rights indicated that no impairment charge was necessary. If there is a significant increase in the discount rate and/or a significant adverse change in the projected performance of the business to which these rights attach, it may be necessary to take an impairment charge to profit and loss in the future.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the balance sheet date *(refer note 16)*.

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

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

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

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

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

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

Revenue recognition
The Group uses the percentage of completion method to account for its contract revenue of certain development properties sales. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

For revenue from the heavy equipment maintenance contracts, the Group exercises judgment in determining the level of actual service provided to the end of the reporting period as a proportion of the total services to be reported, and estimated total costs of the maintenance contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is immediately recognised as a current year expense.

For other contracts with customers which include multiple deliverables, the separate performance obligations are identified. The transaction price is then allocated to each performance obligation based on their stand-alone selling prices. From time to time, when a stand-alone selling price may not be directly observable, the Group estimated the selling price using expected costs of rendering such services and adding an appropriate margin.

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