

Directors' Report

The directors of Jardine Cycle & Carriage Limited present their report to the members together with the audited financial statements for the financial year ended 31 December 2006.

1. Directors

The directors of the Company in office at the date of this report are as follows:

Anthony John Liddell Nightingale Chairman
 Boon Yoon Chiang[#] Deputy Chairman
 Adam Phillip Charles Keswick Group Managing Director
 Chiew Sin Cheok Group Finance Director, appointed 1 November 2006
 Datuk Azlan Zainol
 Chang See Hiang[#]
 Cheah Kim Teck
 Mark Spencer Greenberg[#] appointed 7 June 2006
 Hassan Abas[#]
 Lim Ho Kee[#]
 James Arthur Watkins[#]
 Alan Yeo Chee Yeow[#]
 Owen Howell-Price alternate to Anthony John Liddell Nightingale

[#] Audit Committee member

2. Directors' Interests

As at 31 December 2006 and 1 January 2006 or date of appointment, if later, the directors of the Company had interests set out below in the ordinary shares of the Company and related companies. These were direct interests except where otherwise indicated:

Name of director/Par value per share	The Company	Jardine Matheson US\$0.25	Jardine Strategic US\$0.05	Dairy Farm US\$0.05 ^{5/9}	Astra International Rp500	MCL Land	Cycle & Carriage Bintang RM1
As at 31 December 2006							
Anthony Nightingale	–	1,007,389	16,875	24,375	600,000	–	15,000
		5,462 [#]		9,808 [#]	10,000 [#]		
Adam Keswick	–	842,480	–	–	–	–	–
		28,131,216 [*]					
Boon Yoon Chiang	–	10,000	–	–	–	–	–
Cheah Kim Teck	11,001	–	–	–	–	–	–
James Watkins	–	103,013	–	–	–	–	–
Owen Howell-Price	–	–	–	56,614	–	–	–
As at 1 January 2006, or date of appointment, if later							
Anthony Nightingale	–	1,002,332	16,875	24,375	600,000	–	15,000
		5,333 [#]		9,808 [#]	10,000 [#]		
Adam Keswick	–	842,480	–	–	–	–	–
		27,463,055 [*]					
Boon Yoon Chiang	–	10,000	–	–	–	–	–
Cheah Kim Teck	11,001	–	–	–	–	5,000	–
James Watkins	–	100,567	–	–	–	–	–
Owen Howell-Price	–	–	–	56,614	–	–	–

* Deemed interest in shares held by a discretionary family trust in which Adam Keswick is a potential ultimate beneficiary.

[#] Non-beneficial deemed interest.

In addition:

- a. At 31 December 2006, Cheah Kim Teck held options in respect of 100,000 (1.1.06: 100,000) ordinary shares in the Company issued pursuant to the CCL Executives' Share Option Scheme 2000.
- b. At 31 December 2006, Adam Keswick and Mark Greenberg held options in respect of 200,000 (1.1.06: 200,000) and 100,000 (7.6.06: 100,000) ordinary shares, respectively, in Jardine Matheson issued pursuant to that company's Senior Executive Share Incentive Schemes.
- c. At 31 December 2006 and 1 January 2006 or date of appointment, if later, Anthony Nightingale, Adam Keswick, Boon Yoon Chiang and Mark Greenberg had deemed interests in 35,915,991 ordinary shares in Jardine Matheson as discretionary objects under the 1947 Trust, the income of which is available for distribution to senior executive officers and employees of Jardine Matheson and its wholly-owned subsidiaries.

There were no changes in the abovementioned interests as regards to the Company between the end of the financial year and 21 January 2007.

No other person who was a director of the Company at the end of the financial year had an interest in any shares or debentures of the Company or its related companies either at the beginning or end of the financial year or on 21 January 2007.

At no time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate, except for the CCL Executives' Share Option Scheme 2000. None of the directors in office as at the date of this report had exercised any options during the financial year (2005: 215,000).

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related company with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as shown in Note 36 to the financial statements and in this report, and except that certain directors who are nominees of the substantial shareholders have employment relationships either with the substantial shareholders or their related companies and have received remuneration in those capacities.

3. Audit Committee

In relation to the financial statements of the Group and the Company for the financial year ended 31 December 2006, the Audit Committee reviewed the audit plans and scope of the audit examination of the internal and external auditors of the Company. The internal and external auditors' findings on the internal controls of the companies within the Group and management's response to these findings were also discussed with the internal and external auditors and management. The Audit Committee's activities included a review of the financial statements of the Group and the Company for the financial year ended 31 December 2006, and the reports of the external auditors thereon. The Audit Committee has had four meetings since the report of the previous financial year.

The Audit Committee has recommended to the Board of Directors the re-appointment of our auditors, PricewaterhouseCoopers, as external auditors of the Company at the forthcoming Annual General Meeting.

4. Share Options

During 2006, no options were granted by the Company pursuant to the CCL Executives' Share Option Scheme 2000 ("ESOS II").

The ESOS II became operative on 1 January 2000 and replaced the CCL Senior Executives' Share Option Scheme ("ESOS I") which expired on 31 December 1999. As at 31 December 2006, the outstanding options totalled 291,000, all of which have become vested. Options in respect of 52,000 shares relate to ESOS I while the remaining options pertaining to 239,000 shares relate to ESOS II. The total number of shares that can be issued pursuant to ESOS II shall not exceed 15% of the issued share capital of the Company.

Directors' Report

4. Share Options (continued)

During the financial year, 175,000 shares were issued pursuant to the exercise of these options. As at 31 December 2006, the following options to take up 291,000 unissued shares in the Company were outstanding:

Date of grant	No. of options				Adjusted exercise price S\$	Expiry date
	At 1.1.2006	Exercised	Expired/ cancelled	At 31.12.2006		
5.4.1999	69,000	17,000	–	52,000	4.340	4.4.2009
1.3.2000	20,000	–	–	20,000	1.645	28.2.2010
8.5.2001	8,000	8,000	–	–	1.067	7.5.2011
28.2.2002	129,000	10,000	–	119,000	1.664	27.2.2012
26.2.2003	240,000	140,000	–	100,000	1.204	25.2.2013
	466,000	175,000	–	291,000		

The exercise prices of the outstanding share options at 1 January 2006 were adjusted and reduced by a range of S\$1.262 to S\$1.359 per share as a result of a distribution of 242,824,655 ordinary shares of MCL Land Limited held by the Company to its shareholders by way of a dividend in specie.

The information on directors of the Company participating in the share option schemes is as follows:

Name of director	No. of options				Outstanding as at 31.12.2006
	Granted during the financial year ended 31.12.2006	Granted since the commencement of the schemes to 31.12.2006	Exercised since the commencement of the schemes to 31.12.2006	Lapsed since the commencement of the schemes to 31.12.2006	
Cheah Kim Teck	–	565,000	255,000	210,000	100,000

There were no participants who are controlling shareholders of the Company and their associates. A person who is a substantial shareholder of the Company is not eligible to participate in the share option schemes. The share option schemes do not provide for participation by parent group employees. The Company's ultimate holding company is Jardine Matheson Holdings Limited.

No employee received options granted pursuant to the schemes which, in aggregate, represented 5% or more of the total number of shares available under the share option schemes.

No options were granted pursuant to the share option schemes with an exercise price at a discount to the market.

No options were granted by the Company or any subsidiary during the financial year and there were no unissued shares under option at the end of the financial year.

5. Auditors

Our auditors, PricewaterhouseCoopers, being eligible, have expressed their willingness to accept re-appointment at the Annual General Meeting.

On behalf of the directors

Anthony Nightingale
Director

Hassan Abas
Director

Singapore
1 March 2007

Independent Auditor's Report

To the members of Jardine Cycle & Carriage Limited (Incorporated In Singapore) and subsidiaries

We have audited the accompanying financial statements of Jardine Cycle & Carriage Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 118, which comprise the balance sheets of the Company and of the Group as at 31 December 2006, the profit and loss account and the statement of recognised income and expense of the Company and the consolidated profit and loss account, consolidated statement of recognised income and expense and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act and the International Financial Reporting Standards, for which approval from the Accounting and Corporate Regulatory Authority has been obtained. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion,

- a. the balance sheet, profit and loss account and statement of recognised income and expense of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act (the "Act") and the International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, and the results, statement of recognised income and expense of the Company and of the Group and cash flows of the Group for the financial year ended on that date; and
- b. the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers
Certified Public Accountants

Singapore
1 March 2007

Consolidated Profit and Loss Account

For the year ended 31 December

	Notes	2006 US\$m	Restated 2005 US\$m
Continuing operations			
Revenue	3	7,186.3	3,768.3
Cost of sales		(5,733.3)	(3,074.1)
Gross profit		1,453.0	694.2
Other operating income		168.1	65.6
Selling and distribution expenses		(464.2)	(263.9)
Administrative expenses		(435.1)	(233.3)
Other operating expenses		(120.0)	(41.4)
Operating profit	4	601.8	221.2
Net financing charges	6	(55.3)	(16.3)
Share of associates' and joint ventures' results	16	155.0	276.0
Profit before tax		701.5	480.9
Tax	7	(174.2)	(71.7)
Profit after tax from continuing operations		527.3	409.2
Discontinued operations			
Revenue	3	-	29.4
Profit before tax		-	18.7
Tax	7	-	(2.1)
Profit after tax from discontinued operations	24	-	16.6
Profit after tax		527.3	425.8
Profit attributable to:			
Shareholders of the Company		223.8	281.7
Minority interests		303.5	144.1
		527.3	425.8
		US¢	US¢
Earnings per share:			
- basic	9	66.02	84.06
- diluted		65.98	83.99
Earnings per share from continuing operations:			
- basic	9	66.02	82.18
- diluted		65.98	82.11

The notes on pages 63 to 118 form an integral part of the financial statements.

Consolidated Balance Sheet

As at 31 December

	Notes	2006 US\$m	Restated 2005 US\$m
Non-current assets			
Intangible assets	10	457.7	421.9
Leasehold land use rights	11	429.9	399.4
Property, plant and equipment	12	1,274.4	1,037.5
Investment properties	13	33.0	51.1
Plantations	14	460.1	383.1
Interests in associates and joint ventures	16	1,372.3	1,093.7
Other investments	17	99.8	43.4
Debtors	19	963.1	1,218.0
Deferred tax assets	28	57.6	51.7
Other non-current assets	18	71.5	73.1
		5,219.4	4,772.9
Current assets			
Development properties for sale	20	–	415.9
Stocks	21	613.2	678.2
Debtors	22	1,694.8	2,054.3
Current tax assets		123.6	45.1
Other investments	17	3.0	–
Bank balances and other liquid funds			
– non-finance companies		395.6	317.2
– finance companies		172.8	186.6
	23	568.4	503.8
		3,003.0	3,697.3
Non-current assets classified as held for sale	24	2.2	–
		3,005.2	3,697.3
Total assets		8,224.6	8,470.2

Consolidated Balance Sheet

As at 31 December

	Notes	2006 US\$m	Restated 2005 US\$m
Non-current liabilities			
Provisions	26	15.5	10.6
Long-term borrowings			
– non-finance companies		325.0	394.6
– finance companies		722.7	1,005.3
	27	1,047.7	1,399.9
Deferred tax liabilities	28	299.6	270.6
Other non-current liabilities	29	179.7	166.4
		1,542.5	1,847.5
Current liabilities			
Provisions	26	26.3	38.9
Current borrowings			
– non-finance companies		675.3	542.0
– finance companies		953.9	1,168.9
	27	1,629.2	1,710.9
Current tax liabilities		36.3	74.0
Dividend payable	8	–	250.6
Creditors	25	935.1	1,017.1
		2,626.9	3,091.5
Total liabilities		4,169.4	4,939.0
Net assets		4,055.2	3,531.2
Equity			
Share capital	31	495.7	185.4
Share premium	32	–	274.0
Fair value and other reserves	33	330.2	307.3
Revenue reserve	34	1,079.7	777.3
Shareholders' funds		1,905.6	1,544.0
Minority interests	35	2,149.6	1,987.2
		4,055.2	3,531.2

The notes on pages 63 to 118 form an integral part of the financial statements.

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December

	2006 US\$m	Restated 2005 US\$m
Surplus on revaluation of intangible assets, net of tax	–	280.5
Surplus on revaluation of land and buildings, net of tax	35.2	14.0
Fair value changes of hedging derivatives, net of tax	(1.4)	–
Fair value changes of available-for-sale investments, net of tax	17.4	(4.2)
Actuarial gain/(loss) on defined benefit pension plans, net of tax	(10.8)	25.1
Loss on dilution of interests in subsidiaries/associates	–	(0.2)
Translation difference	296.2	(37.3)
Net gain recognised directly in equity	336.6	277.9
Profit after tax	527.3	425.8
Total recognised income and expense for the year	863.9	703.7
Total recognised income and expense attributed to:		
Shareholders of the Company	374.1	536.0
Minority interests	489.8	167.7
	863.9	703.7

The notes on pages 63 to 118 form an integral part of the financial statements.

Profit and Loss Account

For the year ended 31 December

	Notes	2006 US\$m	2005 US\$m
Revenue	3	182.9	225.1
Other operating income		0.7	0.9
Administrative expenses		(9.8)	(10.6)
Other operating expenses		(6.6)	(89.3)
Operating profit	4	167.2	126.1
Net financing charges	6	(9.9)	(8.7)
Profit before tax		157.3	117.4
Tax	7	(26.5)	(34.5)
Profit after tax		130.8	82.9

The notes on pages 63 to 118 form an integral part of the financial statements.

Balance Sheet

As at 31 December

	Notes	2006 US\$m	2005 US\$m
Non-current assets			
Property, plant and equipment	12	0.9	0.9
Interests in subsidiaries	15	1,202.0	1,358.3
Interests in associates and joint ventures	16	47.8	44.6
		1,250.7	1,403.8
Current assets			
Debtors	22	20.0	19.8
Bank balances and other liquid funds	23	29.1	0.3
		49.1	20.1
Total assets		1,299.8	1,423.9
Non-current liabilities			
Deferred tax liabilities	28	0.4	0.4
		0.4	0.4
Current liabilities			
Current borrowings	27	182.4	254.0
Current tax liabilities		0.8	0.8
Dividend payable	8	–	250.6
Creditors	25	70.1	66.2
		253.3	571.6
Total liabilities		253.7	572.0
Net assets		1,046.1	851.9
Equity			
Share capital	31	495.7	185.4
Share premium	32	–	274.0
Share option reserve	33	0.3	0.3
Revenue reserve	34	550.1	392.2
		1,046.1	851.9

The notes on pages 63 to 118 form an integral part of the financial statements.

Statement of Recognised Income and Expense

For the year ended 31 December

	2006 US\$m	2005 US\$m
Translation difference – gain/(loss) recognised directly in equity	75.9	(19.8)
Profit after tax	130.8	82.9
Total recognised income and expense for the year	206.7	63.1

The notes on pages 63 to 118 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December

	Notes	2006 US\$m	2005 US\$m
Cash flows from operating activities			
Cash generated from operations	40	1,594.7	11.4
Interest paid		(89.2)	(32.1)
Interest received		39.1	16.3
Other finance costs paid		(1.4)	(0.7)
Income taxes paid		(283.0)	(114.0)
		(334.5)	(130.5)
<i>Net cash flows from/(used in) operating activities</i>		1,260.2	(119.1)
Cash flows from investing activities			
Sale of leasehold land use rights		19.6	6.2
Sale of property, plant and equipment		46.9	47.5
Sale of investment properties		-	49.6
Sale of shares in associates and joint ventures		0.9	3.2
Sale of subsidiaries, net of cash disposed	41	(28.6)	-
Purchase of intangible assets		(1.0)	-
Purchase of leasehold land use rights		(17.3)	(11.7)
Purchase of property, plant and equipment		(394.1)	(266.9)
Purchase of an investment property		-	(8.1)
Purchase of plantations		(21.5)	(6.2)
Purchase of shares in associates and joint ventures		(175.2)	(35.6)
Purchase of other investments		(80.0)	(1.0)
Acquisition of Astra, net of cash acquired	41	-	319.8
Acquisition of other subsidiaries, net of cash acquired	41	(6.8)	(18.1)
Capital repayment of other investments		26.8	2.9
Dividends received from associates (net)		143.9	126.5
<i>Net cash flows from/(used in) investing activities</i>		(486.4)	208.1
Cash flows from financing activities			
Proceeds from issue of shares		0.2	1.2
Drawdown of loans		2,420.0	1,785.9
Repayment of loans		(2,993.1)	(1,486.4)
Investment by minority interests		9.5	-
Dividends paid to minority interests		(174.1)	(66.7)
Dividends paid (net)		(12.7)	(9.7)
<i>Net cash flows from/(used in) financing activities</i>		(750.2)	224.3
Net change in cash and cash equivalents		23.6	313.3
Cash and cash equivalents at the beginning of the year		491.0	177.0
Effect of exchange rate changes		37.3	0.7
Cash and cash equivalents at the end of the year	41	551.9	491.0

The notes on pages 63 to 118 form an integral part of the financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The address of its registered office is 239 Alexandra Road, Singapore 159930.

The principal activities of the Group are the assembly, distribution and retailing of motor vehicles and motorcycles, financial services, heavy equipment, agribusiness, information technology and infrastructure. The Company acts as an investment holding company and a provider of management services.

On 1 March 2007, the Jardine Cycle & Carriage Limited Board of Directors authorised the financial statements for issue.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of Preparation

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.31.

There have been no changes to the accounting policies except for the adoption of the following amendments and interpretation to existing standards shown below:

IAS 19 (amended 2005)	Employee Benefits
IAS 39 (amended 2005)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (amended 2005)	The Fair Value Option
IAS 39 and IFRS 4 (amended 2005)	Financial Guarantee Contracts
IFRIC 4	Determining whether an Arrangement contains a Lease

The adoption of these amendments and interpretation did not have a material impact on the results of the Group.

The following amendment, new standards and interpretations which are relevant to the Group's operations were published, but are effective for accounting periods beginning on or after 1 January 2007 or later periods:

Amendment to IAS 1	Presentation of Financial Statements – Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC 8	Scope of IFRS 2 Share-based Payment
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Agreements

IFRIC 12 addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. It states that for arrangements falling within its scope (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Management is currently assessing the impact of IFRIC 12 on the Group's operations.

The directors anticipate that the adoption of the amendment, new standards and other interpretations in future periods would have no material impact on the Group.

Prior Year Adjustment

With Astra becoming a subsidiary in August 2005, the initial accounting for the business combination under IFRS 3 Business Combinations involved identifying and determining the fair values to be assigned to Astra's identifiable assets, liabilities and contingent liabilities and the cost of the combination.

2.1 Basis of Preparation (continued)

The finalisation of the initial accounting for the business combination has resulted in changes to the Group's balance sheet as at 1 January 2006 and 31 December 2005. The impact of the prior year adjustment is as follows:

	US\$m
Decrease in intangible assets	(60.4)
Decrease in interests in associates and joint ventures	(60.0)
Decrease in deferred tax liabilities	21.8
Decrease in minority interests	63.4
	(35.2)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, associates and joint ventures on the basis set out below.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition dates, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account.

All inter-company balances, transactions and unrealised gains have been eliminated in full on consolidation. Unrealised losses from inter-company transactions are also eliminated unless cost cannot be recovered. Adjustments have been made where necessary to ensure consistency with the policies adopted by the Group.

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities in which the Group has contractual arrangements to jointly share control with one or more other parties. Associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting and are initially recorded at cost. The Group's investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Its share of post-acquisition profit and loss is recognised in the consolidated profit and loss account.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate or joint venture.

Significant unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments have been made where necessary to ensure consistency with the policies adopted by the Group.

The results of subsidiaries, associates and joint ventures are included or excluded from the consolidated financial statements from the effective dates of acquisition or disposal, respectively.

Minority interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Property, Plant and Equipment

Freehold land is stated at valuation. Freehold buildings and the building component of owner-occupied leasehold properties are stated at valuation less accumulated depreciation and impairment losses. Independent valuations are performed every three years on an open market basis, and in the case of the building component on leasehold land, on the basis of depreciated replacement cost. Depreciated replacement cost is used as the most reliable basis of allocating open market value to the building component. In the intervening years, the directors review the carrying values and adjustment is made where there has been a material change. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Revaluation surpluses and deficits are dealt with in asset revaluation reserves, except for movements on individual properties below depreciated cost which are dealt with in the profit and loss account. All other assets are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial year in which they are incurred.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items.

Freehold land is not depreciated. Depreciation of all other assets is calculated using the straight line method to write-off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

Building and leasehold improvements	2% – 33 ¹ / ₃ %
Plant and machinery	5% – 50%
Office furniture, fixtures and equipment	10% – 33 ¹ / ₃ %
Transportation equipment and motor vehicles	12.5% – 25%

The residual value, useful lives and depreciation method of property, plant and equipment are reviewed at each balance sheet date and adjusted if appropriate.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

The revaluation surplus on land and buildings is transferred directly to retained earnings on sale of the property.

2.4 Plantations

Plantations principally comprise oil palm plantations. Immature plantations include costs incurred for field preparation, planting, fertilising and maintenance, borrowing costs incurred on loans used to finance the development, and an allocation of other attributable costs based on hectares planted. These costs approximate their fair values. Plantations are considered mature three to four years after planting and once they are generating average annual fresh fruit bunches of four to six tons per hectare. Plantations are measured at each balance sheet date at their fair values, representing the present value of expected net cash flows from the assets in their present location and condition determined annually by independent professionally qualified valuers, less estimated point of sale costs. Changes in fair values are recorded in the profit and loss account.

2.5 Investment Properties

Investment properties are properties held for long-term rental yields. Investment properties are stated at fair value, determined annually by independent, professionally qualified valuers based on the open market value for existing use. The changes in fair values of investment properties are taken to the profit and loss account.

2.6 Intangible Assets

i. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition, and in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition and the carrying amount of the proportion of the minority interests acquired. If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognised directly in the profit and loss account. Goodwill on acquisition of associates and joint ventures is included in interests in associates and joint ventures while goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of subsidiaries is tested annually for impairment and carried at cost less accumulated impairment loss.

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

2.6 Intangible Assets (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each of those cash-generating units represents the Group's investment in each country of operation, the secondary reporting segment.

ii. Franchise rights

Franchise rights, which are rights under franchise agreements with automobile and heavy equipment manufacturers, are separately identified intangible assets acquired as part of a business combination. These franchise agreements are expected to continue for an indefinite period and, where these agreements do not have indefinite terms, it is believed that renewal of these agreements can be obtained without significant cost. Franchise rights are tested annually for impairment and carried at cost less accumulated impairment losses.

iii. Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. These costs are amortised using the straight line method over their estimated useful lives of 5 years.

2.7 Leasehold Land Use Rights

Leasehold land use rights are payments to acquire long-term interests in owner-occupied property. Leasehold land use rights acquired by way of a business combination are measured at their fair values at the acquisition date. For subsequent measurement, leasehold land use rights are amortised over the useful life of the lease which includes the renewal period if the lease can be renewed without significant cost. The estimated useful lives range from 1 to 94 years.

2.8 Impairment of Non-financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment. In addition, goodwill is reviewed for impairment annually.

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 cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial Assets

Financial assets are initially recognised at fair value plus transaction costs. Subsequent measurement of financial assets depends on the classification of the financial assets.

The Group classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method, less impairment allowance. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "debtors" in the balance sheet.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are stated at fair values and are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Unrealised gains and losses arising from changes in the fair value of these investments are recognised in the fair value reserves. On disposal of investments or when an investment is determined to be impaired, the cumulative gains and losses previously recognised in the fair value reserves is taken to the profit and loss account.

iii. Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

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 investment. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The fair values of quoted financial assets are based on current market prices. If the market for a financial asset is not active (and for unquoted securities), the Group establishes fair values by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or discounted cash flow analysis.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account) is removed from the fair value reserve within equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity investments are not reversed through the profit and loss account, until the equity investments are disposed of. Impairment testing of debtors is described in note 2.13.

2.10 Investments in Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries, associates and joint ventures are stated in the financial statements of the Company at cost. Where an indication of impairment exists, the carrying amount of the investment is written down immediately to its recoverable amount. The write-down is charged to the profit and loss account.

2.11 Development Properties for Sale

Development properties for sale are stated at the lower of cost and directors' estimate of net realisable value. Cost includes land, construction and related development costs and interest on borrowings obtained to finance the purchase and construction of the properties. The interest on borrowings capitalised is arrived at by reference to the actual rate payable on borrowings by the companies concerned and, with regards to funds obtained from the Group, at the average rate paid. The net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.12 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is generally determined using the specific identification method and weighted average method. The cost of finished goods and work in progress comprises goods held for resale, raw materials, labour and an appropriate portion of overheads. The net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2.13 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the profit and loss account. Bad debts are written off as soon as it is established that these are irrecoverable. Debtors with maturities greater than 12 months after the balance sheet date are classified under non-current assets.

2.14 Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank and other liquid funds, net of bank overdrafts. In the balance sheet, restricted bank balances and deposits are included in other non-current assets and bank overdrafts are included under current borrowings.

2.15 Borrowings

Borrowings are initially stated at fair value, net of transaction costs incurred and any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings. In subsequent periods, borrowings are stated at amortised cost using the effective interest method. Borrowings are classified under non-current liabilities unless their maturities are within 12 months after the balance sheet date.

Borrowing costs that are not used in financing the acquisition or construction of qualifying assets, are recognised as an expense in the period in which they are incurred.

2.16 Provisions

Provisions are recognised when the Group has present legal or constructive obligations as a result of past events, it is more likely than not that an outflow of economic resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount of the obligation can be made.

i. Warranty and goodwill expenses

The Group recognises the estimated liability that falls due under the warranty terms offered on sale of new and used vehicles beyond that which is reimbursed by the manufacturer. The provision is calculated based on the past history of repairs.

ii. Guarantee servicing

The Group recognises the estimated liability for rendering after-sales service offered on sale of new vehicles. The provision is calculated based on the past history of servicing.

iii. Closure costs

The Group recognises a provision for closure costs when legal or constructive obligations arise on closure or disposal of businesses.

2.17 Creditors

Creditors are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

2.18 Employee Benefits

i. Pension obligations

The Group operates a number of defined benefit and defined contribution plans.

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

The Group pays fixed contributions into separate entities for defined contribution plans and has no legal or constructive obligations once the contributions are paid. The Group's contributions to the defined contribution plans are charged to the consolidated profit and loss account in the period to which the contributions relate.

ii. Share-based compensation

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options in respect of shares in the Company or in its subsidiaries 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 at the date of grant, excluding the impact of non-market vesting conditions. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to share option reserve over the remaining vesting period.

The proceeds received net of any transaction costs are credited to share capital when the options are exercised.

iii. Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

2.19 Foreign Currencies

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Singapore Dollar. The financial statements of the Group and the Company are presented in United States Dollars to serve the needs of the readers of the Group's and the Company's financial statements who are spread globally and reflects the international nature of the Group.

Foreign currency transactions of each entity in the Group are translated into its functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the profit and loss account, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

For the purpose of consolidation, the balance sheets of foreign entities are translated into the Group's presentation currency in United States Dollars at the rates of exchange prevailing at the balance sheet date and the results of foreign entities are translated into United States Dollars at the average exchange rates for the financial year. The resulting exchange differences are taken to the Group's foreign currency translation reserve. On disposal, these translation differences are recognised in the profit and loss account as part of the gain or loss on sale. None of the Group's entities has the currency of a hyperinflationary economy.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange prevailing at the balance sheet date.

For the purposes of presenting the financial statements of the Company in United States Dollars, assets and liabilities of the Company are translated at the rates of exchange prevailing at the balance sheet date, the results of the Company are translated at the average exchange rates for the financial year and share capital and reserves are translated at the exchange rates prevailing at the dates of the transactions. The resulting exchange differences are taken to the Company's foreign currency translation reserve.

The exchange rates used for translating assets and liabilities at the balance sheet date are US\$1=S\$1.5350 (2005: US\$1=S\$1.6650), US\$1=RM3.5310 (2005: US\$1=RM3.7798) and US\$1=IDR 9,025 (2005: US\$1=IDR 9,794).

The exchange rates used for translating the results for the year are US\$1=S\$1.5832 (2005: US\$1= S\$1.6664), US\$1=RM3.6573 (2005: US\$1=RM3.7856) and US\$1=IDR 9,147 (2005: US\$1=IDR 9,802).

2.20 Revenue Recognition

Revenue consists of the gross inflow, excluding sales taxes, of economic benefits associated with a transaction. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers, revenue from the rendering of services is recognised when services are performed, provided that the amount can be measured reliably, and revenue from consumer financing and financing leases is recognised over the term of the respective contracts based on a constant rate of return on the net investment. Dividend income is recognised when the right to receive payment is established.

2.21 Tax

Current tax is provided based on the tax payable on the income for the financial year that is chargeable to tax.

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred tax.

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 values of the net assets acquired and their tax bases.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.22 Leases

i. Finance leases – Group company is the lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term borrowings, except for those with maturities of less than 12 months which are included in current borrowings. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the assets or the lease term.

ii. Operating leases - Group company is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight line basis over the period of the lease. When an operating 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 period in which termination takes place.

iii. Operating leases – Group company is the lessor

Assets leased out under operating leases are included in investment properties and stated at fair value and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

2.23 Discontinued Operations

A discontinued operation is a component of the Group's business that either has been disposed of, or that is classified as held-for-sale and

- i. represents a single major line of business or geographical area of operations; or
- ii. is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- iii. is a subsidiary acquired exclusively with a view to resale.

Results and cash flows attributable to a discontinued operation (including comparative figures) are disclosed separately from the continuing operations.

2.24 Financial Guarantee Contracts

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 guarantee will be called upon and an outflow of resources embodying economic benefits will be required to settle the obligations.

2.25 Insurance Contracts

Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Group defines contracts with significant insurance risk as those, which have a possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

For insurance contracts, premiums are recognised as revenue (earned premiums) 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 income 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.

2.26 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 changes of investment properties; gains and losses arising from sale of businesses, investment and properties; impairment of non-depreciable intangible assets and other investments; provisions for onerous leases and closure of businesses; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

2.27 Derivative Financial Instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognised in the balance sheet at fair value on the date a derivative contract is entered into and subsequently are remeasured at their fair values. The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability or a firm commitment (fair value hedge), a hedge of a forecasted transaction (cash flow hedge) or a hedge of a net investment in a foreign entity (net investment hedge).

The fair value of derivative financial instruments is classified as a non-current asset or liability if the remaining maturities of the derivative financial instruments are greater than 12 months.

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

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

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

2.28 Segment Reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

2.29 Dividends

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

2.30 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.31 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.

i. Acquisition of subsidiaries, associates and joint ventures

The 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 use rights, property, plant and equipment, investment properties and plantations are determined by independent professionally qualified valuers by reference to comparable 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.

ii. Property, plant and equipment

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

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

iii. Investment properties

The fair values of investment properties are determined by independent, professionally qualified valuers based on the open market for existing use.

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

iv. Plantations

The fair values of plantations are determined by independent, professionally qualified valuers based on the expected cash flows from the plantations.

v. Impairment of assets

The Group tests annually whether goodwill and other non-financial 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 fair value less costs to sell or value in use calculations prepared on the basis of management's assumptions and estimates.

The guidance of IAS 39 (amended 2004) is followed in determining when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and section performance, changes in technology and operational and financing cash flow.

vi. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

Provision for deferred tax is made on the revaluation of investment properties held under operating leases on the basis that their values would be recovered through use rather than through sale.

vii. Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

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

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

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

3. Revenue

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Sale of goods	5,304.4	3,043.7	–	–
Rendering of services	1,177.4	405.8	0.9	1.1
Financial services	688.7	334.7	–	–
Rental income	1.9	2.9	–	–
Dividends	–	–	182.0	224.0
Others	13.9	10.6	–	–
	7,186.3	3,797.7	182.9	225.1

Notes to the Financial Statements

4. Operating Profit

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Operating profit is determined after charging:				
Depreciation on property, plant and equipment (Note 12)	222.3	82.4	0.2	0.3
Amortisation of leasehold land use rights (Note 11)	14.9	6.0	–	–
Audit remuneration of:				
– auditors of the Company	0.7	0.3	0.6	0.2
– other auditors	3.2	2.1	1.0	1.0
Non-audit fees paid to auditors of the Company	0.1	0.2	–	–
Rental expenses – operating leases	14.4	6.1	0.4	0.4
Impairment of:				
– intangible assets	–	0.8	–	–
– financing debtors	87.9	85.5	–	–
– trade debtors	31.5	6.7	–	–
– non-trade debtors	0.4	–	–	–
– repossessed assets	–	5.0	–	–
– amount owing by subsidiaries	–	–	5.8	1.4
– interests in subsidiaries	–	–	0.7	87.9
Loss on disposal of repossessed assets	103.8	17.1	–	–
Revaluation deficit of property, plant and equipment	1.4	1.8	–	–
Fair value loss of investment properties (Note 13)	–	0.8	–	–
Provision for:				
– warranty and goodwill expenses (Note 26)	6.4	7.1	–	–
– guarantee servicing (Note 26)	0.8	0.7	–	–
– closure costs (Note 26)	0.3	16.4	–	–
– others (Note 26)	4.8	8.2	–	–
Operating expenses arising from investment properties	0.6	1.2	–	–
Stocks:				
– cost of stocks recognised as an expense (included in cost of sales)	4,819.9	2,662.8	–	–
– write-down of stocks	8.0	4.9	–	–
Fair value changes of financial derivative contracts	15.8	5.2	–	–

4. Operating Profit (continued)

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
And crediting:				
Rental income from:				
– investment properties	1.6	2.7	–	–
– other properties	0.9	0.3	–	–
Dividend income from other investments	5.1	4.5	–	–
Profit on disposal of:				
– leasehold land use rights	13.0	–	–	–
– property, plant and equipment	11.5	2.9	–	–
– investment properties	–	1.2	–	–
– shares in associates	–	–	0.4	0.9
– shares in subsidiaries (Note 41)	11.3	–	–	–
Write-back in impairment of:				
– non-trade debtors	–	0.3	–	–
– repossessed assets	1.6	–	–	–
– amounts owing by associates	–	11.8	–	–
– foreseeable losses of development properties for sale	–	4.7	–	–
Reversal of write-down of stocks made in previous years	6.0	2.9	–	–
Net exchange gain	48.9	6.7	–	0.1
Fair value gain on:				
– plantations (Note 14)	22.2	15.2	–	–
– investment properties (Note 13)	5.8	–	–	–
Excess of net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost of business combination	0.2	–	–	–

5. Employee Benefits

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Wages and salaries	430.9	167.0	4.7	5.3
Pension costs – defined contribution plans	5.8	5.4	0.1	0.1
Pension costs – defined benefit plans	12.4	21.2	–	–
Termination benefits	3.5	1.0	–	0.3
Retirement gratuity	–	0.5	–	–
	452.6	195.1	4.8	5.7

6. Net Financing Charges

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Interest expense on:				
– bank borrowings	65.6	25.5	9.7	8.1
– other borrowings	27.3	4.0	–	–
	92.9	29.5	9.7	8.1
Fair value (gain)/loss on cash flow hedges	(0.2)	0.1	(0.2)	0.1
Other finance costs	1.4	0.7	0.4	0.5
Interest income	(38.8)	(15.5)	–	–
	55.3	14.8	9.9	8.7

Notes to the Financial Statements

7. Tax

Tax expense attributable to profit is made up of:

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Current tax:				
– Singapore	7.9	6.3	5.9	26.0
– Foreign	165.7	79.5	20.6	8.5
	173.6	85.8	26.5	34.5
Deferred tax (Note 28)	0.6	(13.0)	–	–
	174.2	72.8	26.5	34.5
Adjustments in respect of prior years	–	1.0	–	–
	174.2	73.8	26.5	34.5

The following sets out the differences between the tax expense on the Group's and Company's profit before tax and the theoretical amount that would arise using the domestic tax rates applicable to profits of the respective companies.

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Profit before tax	701.5	499.6	157.3	117.4
Less: Share of associates' and joint ventures' results after tax	(155.0)	(275.8)	–	–
	546.5	223.8	157.3	117.4
Tax calculated at domestic tax rates applicable to profits in the respective countries	162.2	65.4	23.6	15.8
Income not subject to tax	(7.7)	(22.4)	(2.1)	(2.8)
Expenses not deductible for tax purposes	9.4	23.9	5.0	21.5
Utilisation of previously unrecognised:				
– tax losses	(2.7)	(2.4)	–	–
– temporary differences	–	(0.6)	–	–
Tax losses arising in the year not recognised	1.3	0.6	–	–
Recognition of assets during the year on previously unrecognised temporary differences	(0.1)	(0.7)	–	–
Withholding tax	10.7	7.9	–	–
Others	1.1	1.1	–	–
	174.2	72.8	26.5	34.5

The effective applicable tax rate was 32% (2005: 33%).

8. Dividends (Net)

At the Annual General Meeting on 30 April 2007, a final dividend in respect of 2006 of US¢17.00 per share less income tax amounting to a dividend of approximately US\$47.8 million is to be proposed. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2007. The dividends paid in 2006 and 2005 were as follows:

	Group and Company	
	2006	2005
	US\$m	US\$m
Final dividend in respect of previous year of US¢15.00 per share, (2004: US¢8.00) less income tax	40.6	21.3
Interim dividend in respect of current year of US¢3.00 per share, (2005: US¢3.00) less income tax	8.2	8.0
Interim dividend in respect of 2005 distribution in specie	–	250.6
	48.8	279.9
Value of scrip dividends allotted and issued are shown as follows:		
Final dividend in respect of previous financial year	30.6	14.4
Interim dividend in respect of current financial year	5.5	5.2
	36.1	19.6

On 25 January 2006, the distribution of 242,824,655 ordinary shares of MCL Land Limited held by the Company to its shareholders by way of a dividend in specie, was completed. The distribution was in the proportion of 0.72 MCL Land Stock Units for every one ordinary share of S\$1.00 in the capital of the Company. The dividend rate was S\$1.55 per share less income tax.

Notes to the Financial Statements

9. Earnings Per Share

	Group	
	2006 US\$m	2005 US\$m
Basic earnings per share		
Profit attributable to shareholders	223.8	281.7
Weighted average number of ordinary shares in issue (millions)	339.0	335.1
Basic earnings per share	US¢66.02	US¢84.06
Profit attributable to shareholders from continuing operations	223.8	275.4
Basic earnings per share from continuing operations	US¢66.02	US¢82.18
Profit attributable to shareholders from discontinued operations	–	6.3
Basic earnings per share from discontinued operations	US¢–	US¢1.88

Diluted earnings per share

Profit attributable to shareholders	223.8	281.7
Weighted average number of ordinary shares in issue (millions)	339.0	335.1
Adjustment for assumed conversion of share options (millions)	0.2	0.3
Weighted average number of ordinary shares for diluted earnings per share (millions)	339.2	335.4
Diluted earnings per share	US¢65.98	US¢83.99
Profit attributable to shareholders from continuing operations	223.8	275.4
Diluted earnings per share from continuing operations	US¢65.98	US¢82.11
Profit attributable to shareholders from discontinued operations	–	6.3
Diluted earnings per share from discontinued operations	US¢–	US¢1.88

Underlying earnings per share

Underlying profit attributable to shareholders	211.3	296.7
Basic underlying earnings per share	US¢62.33	US¢88.54
Diluted underlying earnings per share	US¢62.29	US¢88.46

A reconciliation of profit attributable to shareholders and underlying profit attributable to shareholders is as follows:

	Group	
	2006 US\$m	2005 US\$m
Profit attributable to shareholders	223.8	281.7
Less: Non-trading items (net of tax and minority interests)		
Profit on liquidation/closure of Australian operations	3.5	3.6
Fair value changes of investment properties	2.5	–
Profit on disposal of Malaysian properties	6.5	–
Loss on closure of Thailand operations	–	(5.0)
Provision for loss arising from the distribution of MCL Land shares in specie	–	(12.8)
Impairment of intangible assets	–	(0.8)
	12.5	(15.0)
Underlying profit attributable to shareholders	211.3	296.7

9. **Earnings Per Share** (continued)

The underlying profit attributable to shareholders by business is shown below:

	Group	
	2006 US\$m	2005 US\$m
Astra		
Motor vehicles	45.4	81.9
Motorcycles	56.5	98.1
Other automotive	12.9	16.1
Total automotive	114.8	196.1
Non-automotive	104.4	94.1
Corporate costs	(14.3)	(17.1)
Trading profit	204.9	273.1
Foreign exchange difference and others	3.1	(0.3)
	208.0	272.8
Motors		
Singapore	29.6	20.2
Malaysia	0.9	2.9
Indonesia (Tunas Ridean)	1.3	5.9
Australia	-	2.6
Others	-	(2.6)
	31.8	29.0
Property		
	-	20.1
Corporate costs and others	(17.8)	(17.4)
Withholding tax on dividends from Indonesia	(10.7)	(7.8)
	(28.5)	(25.2)
Underlying profit attributable to shareholders	211.3	296.7

In 2005, the contribution from Astra, which has been consolidated since 1 August 2005, was for 13 months.

Notes to the Financial Statements

10. Intangible Assets

	Goodwill US\$m	Franchise rights US\$m	Computer software US\$m	Total US\$m
Group				
2006				
Balance at 1 January, as previously reported	193.9	288.4	–	482.3
Prior year adjustment (Note 2.1)	12.2	(72.6)	–	(60.4)
Balance at 1 January, as restated	206.1	215.8	–	421.9
Translation adjustments	17.2	18.4	–	35.6
Additions	0.9	–	1.0	1.9
Disposals arising from sale of a subsidiary (Note 41)	(1.7)	–	–	(1.7)
Balance at 31 December	222.5	234.2	1.0	457.7
Cost	223.4	234.2	1.0	458.6
Impairment	(0.9)	–	–	(0.9)
	222.5	234.2	1.0	457.7
2005				
Balance at 1 January	–	–	–	–
Translation adjustments	1.9	1.7	–	3.6
Additions	205.0	–	–	205.0
Additions arising from acquisition of a subsidiary (Note 41)	–	214.1	–	214.1
Impairment charge (Note 4)	(0.8)	–	–	(0.8)
Balance at 31 December	206.1	215.8	–	421.9
Cost	206.9	215.8	–	422.7
Impairment	(0.8)	–	–	(0.8)
	206.1	215.8	–	421.9

The analysis of goodwill by geographical segments is as follows:

	Group	
	2006 US\$m	2005 US\$m
Indonesia	222.5	204.5
Singapore	–	1.6
	222.5	206.1

The directors have performed an impairment review of the carrying amounts of goodwill and franchise rights at 31 December 2006 and have concluded that no impairment has occurred.

The impairment review of goodwill was made by comparing the carrying amount of the cash-generating unit, to which the goodwill has been allocated, with the recoverable amount of the unit which was based on the fair value less costs to sell.

The impairment review of franchise rights 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 financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimates stated below.

Growth rates	3% – 4%
Pre-tax discount rates	21% – 28%

The growth rates do not exceed the long-term average growth rates of the industries. The pre-tax discount rates reflect business specific risks relating to the relevant industries.

11. Leasehold Land Use Rights

	Group	
	2006 US\$m	2005 US\$m
Net book value at 1 January	399.4	24.8
Translation adjustments	33.8	2.7
Additions	17.3	11.7
Additions arising from acquisition of subsidiaries (Note 41)	6.2	374.1
Disposals	(6.6)	(7.9)
Disposals arising from disposal of subsidiaries (Note 41)	(5.2)	–
Amortisation (Note 4)	(14.9)	(6.0)
Classified as non-current assets held for sale	(0.1)	–
Net book value at 31 December	429.9	399.4
Cost	456.8	411.8
Amortisation	(26.9)	(12.4)
	429.9	399.4

As at 31 December 2006 and 2005, certain of the leasehold land use rights were pledged as security for borrowings (Notes 12 and 27).

Notes to the Financial Statements

12. Property, Plant and Equipment

	Freehold land US\$m	Buildings and leasehold improvements US\$m	Plant & machinery US\$m	Office furniture, fixtures & equipment US\$m	Transportation equipment & motor vehicles US\$m	Total US\$m
Group						
2006						
Net book value at 1 January	10.3	383.6	425.2	55.0	163.4	1,037.5
Translation adjustments	0.6	32.8	37.3	5.1	14.1	89.9
Additions	0.2	69.6	225.7	44.3	54.3	394.1
Additions arising from acquisition						
of subsidiaries (Note 41)	–	1.9	5.7	–	–	7.6
Revaluation	–	28.2	–	–	–	28.2
Disposals	(0.8)	(7.6)	(12.3)	(4.2)	(10.7)	(35.6)
Disposals arising from sale of						
subsidiaries (Note 41)	–	(8.0)	(14.8)	(1.1)	(0.8)	(24.7)
Depreciation charge (Note 4)	–	(30.5)	(124.7)	(29.1)	(38.0)	(222.3)
Impairment	(0.1)	–	–	–	–	(0.1)
Classified as non-current assets						
held for sale	–	(0.2)	–	–	–	(0.2)
Net book value at 31 December	10.2	469.8	542.1	70.0	182.3	1,274.4
Cost/valuation	10.2	541.0	678.9	106.1	211.3	1,547.5
Accumulated depreciation	–	(71.2)	(136.8)	(36.1)	(29.0)	(273.1)
	10.2	469.8	542.1	70.0	182.3	1,274.4
2005						
Net book value at 1 January	10.1	45.0	3.1	4.3	3.0	65.5
Translation adjustments	–	1.7	2.9	0.4	1.2	6.2
Additions	–	83.1	128.4	16.3	39.1	266.9
Additions arising from acquisition						
of subsidiaries (Note 41)	–	266.6	365.1	47.1	143.0	821.8
Revaluation	0.2	3.7	–	–	–	3.9
Disposals	–	(2.9)	(34.2)	(0.6)	(6.7)	(44.4)
Depreciation charge (Note 4)	–	(13.6)	(40.1)	(12.5)	(16.2)	(82.4)
Net book value at 31 December	10.3	383.6	425.2	55.0	163.4	1,037.5
Cost/valuation	10.3	421.6	474.6	73.5	171.7	1,151.7
Accumulated depreciation	–	(38.0)	(49.4)	(18.5)	(8.3)	(114.2)
	10.3	383.6	425.2	55.0	163.4	1,037.5

The Group's freehold land and buildings and leasehold buildings were last revalued in 2005 by independent professionally qualified valuers. Valuations were made on the basis of open market value, and in the case of the leasehold buildings on the basis of depreciated replacement cost. In 2006, the carrying values were reviewed by the directors. The revaluation surplus (net of deferred tax) in 2006 amounted to US\$20.8 million (2005: revaluation surplus of US\$5.7 million) of which the Group's share of US\$9.3 million (2005: US\$5.6 million) was credited to the asset revaluation reserve.

If all freehold land, freehold and leasehold buildings had been included in the financial statements at cost less depreciation, the net written down value of these properties would have been US\$316.5 million (2005: US\$276.0 million).

The fixed assets and leasehold land use rights (Note 11) of the Group with a net book value of US\$401.3 million (2005: US\$372.5 million) have been pledged as collateral for bank loans (Note 27).

The carrying amount of fixed assets held under finance leases at 31 December 2006 amounted to US\$169.8 million (2005: US\$126.2 million).

12. Property, Plant and Equipment (continued)

	Leasehold improvements US\$m	Office furniture, fixtures & equipment US\$m	Motor vehicles US\$m	Total US\$m
Company				
2006				
Net book value at 1 January	–	0.1	0.8	0.9
Additions	–	–	0.5	0.5
Disposals	–	–	(0.3)	(0.3)
Depreciation charge (Note 4)	–	–	(0.2)	(0.2)
Net book value at 31 December	–	0.1	0.8	0.9
Cost	0.4	0.5	1.0	1.9
Accumulated depreciation	(0.4)	(0.4)	(0.2)	(1.0)
	–	0.1	0.8	0.9
2005				
Net book value at 1 January	–	0.2	0.7	0.9
Additions	–	–	0.8	0.8
Disposals	–	–	(0.5)	(0.5)
Depreciation charge (Note 4)	–	(0.1)	(0.2)	(0.3)
Net book value at 31 December	–	0.1	0.8	0.9
Cost	0.4	0.5	1.0	1.9
Accumulated depreciation	(0.4)	(0.4)	(0.2)	(1.0)
	–	0.1	0.8	0.9

13. Investment Properties

	Group	
	2006 US\$m	2005 US\$m
At valuation:		
Freehold land and buildings	4.3	25.3
Leasehold land and buildings	28.7	25.8
	33.0	51.1
Movements during the year:		
Balance at 1 January	51.1	31.5
Translation adjustments	3.5	0.1
Fair value changes (Note 4)	5.8	(0.8)
Additions	–	12.1
Additions arising from acquisition of subsidiaries (Note 41)	–	19.6
Disposals	(0.1)	(11.4)
Disposals arising from disposal of subsidiaries (Note 41)	(25.3)	–
Classified as non-current assets held for sale	(2.0)	–
Balance at 31 December	33.0	51.1

The valuations of the investment properties including undeveloped pieces of land were conducted by independent professionally qualified valuers, based on the open market value for existing use.

Notes to the Financial Statements

14. Plantations

The Group's plantation assets are primarily for the production of palm oil, which after refining is sold as crude palm oil. The plantations are valued, by independent professionally qualified valuers, at their fair values less point of sale costs using the discounted cash flow method.

	Group	
	2006 US\$m	2005 US\$m
Movements during the year:		
Balance at 1 January	383.1	–
Translation adjustments	33.3	2.8
Additions	21.5	6.2
Additions arising from acquisition of subsidiaries (Note 41)	0.2	359.1
Disposals	(0.2)	(0.2)
Fair value gain (Note 4)	22.2	15.2
Balance at 31 December	460.1	383.1
Immature plantations	35.8	14.2
Mature plantations	424.3	368.9
	460.1	383.1

The major assumptions used in the valuation of the 157,841 (2005: 152,035) hectares of plantations are:

	2006	2005
Fresh fruit bunch price per ton		
– at valuation date	\$80 to \$87	\$63 to \$77
– annual price inflation (for the first 5 years)	3%	2.5%
Cost of production per ton		
– annual cost inflation	10%	5% to 15%
Discount rates	16%	16% to 19%

During the year, the Group harvested 3.0 million tons (2005: 1.1 million tons) of produce from the plantations with a fair value at the point of harvest less point of sales costs of US\$246.1 million (2005: US\$75.9 million).

Plantations amounting to US\$54.1 million at 31 December 2006 (2005: US\$101.6 million) are pledged as security for borrowings (Note 27).

15. Interests in Subsidiaries

	Company	
	2006 US\$m	2005 US\$m
At cost:		
– quoted equity securities		
(market value: 2006: US\$3,563.8 million; 2005: US\$2,401.7 million)	1,120.3	1,358.7
– unquoted equity securities	98.5	89.5
	1,218.8	1,448.2
Less: Impairment	(16.8)	(89.9)
	1,202.0	1,358.3

A list of principal subsidiaries is set out in Note 47.

16. Interests in Associates and Joint Ventures

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
At cost:				
– quoted equity securities (Group market value: 2006: US\$373.2 million; 2005: US\$216.3 million)	344.1	225.9	24.8	22.8
– unquoted equity securities	263.4	213.4	23.0	22.3
	607.5	439.3	47.8	45.1
Less: Impairment	–	–	–	(0.5)
Post-acquisition reserves	764.8	654.4	–	–
	1,372.3	1,093.7	47.8	44.6

The Group's investment in associates and joint ventures included the following goodwill in respect of acquisitions made from 1 January 2001:

	Group	
	2006 US\$m	2005 US\$m
Net book value at 1 January	3.6	53.3
Translation adjustments	1.1	(4.4)
Additions	58.6	137.6
Reclassification of Astra as a subsidiary	–	(182.9)
Net book value at 31 December	63.3	3.6

The share of results of associates and joint ventures amounting to US\$155.0 million (2005: US\$275.8 million) are shown after tax and minority interests, and after the excess of net fair value of the identifiable assets, liabilities and contingent liabilities of associates and joint ventures acquired over cost of business combination of US\$1.2 million (2005: US\$0.2 million).

The Group's share of the assets, liabilities and results of associates and joint ventures is summarised below:

	2006 US\$m	2005 US\$m
Non-current assets	1,547.7	1,351.1
Current assets	2,537.9	1,753.8
Current liabilities	(2,261.7)	(1,658.1)
Non-current liabilities	(512.3)	(354.2)
Attributable to minority interests	(2.6)	(2.5)
Share of attributable net assets	1,309.0	1,090.1
Revenue	3,064.5	3,538.5
Net profit after tax and minority interests	153.8	275.6
Capital commitments	30.4	34.4
Contingent liabilities	156.1	176.4

A list of the Group's principal associates and joint ventures is set out in Note 47.

Notes to the Financial Statements

17. Other Investments

The Group's other investments consist of available-for-sale and held-to-maturity financial assets.

	Group	
	2006 US\$m	2005 US\$m
Available-for-sale		
– quoted investments	55.1	10.6
– unquoted investments	41.7	28.2
	96.8	38.8
Held-to-maturity – unquoted investments	6.0	4.6
	102.8	43.4
Non-current	99.8	43.4
Current	3.0	–
	102.8	43.4

Movements during the year for available-for-sale securities:

Balance at 1 January	43.4	16.3
Prior year adjustment	(4.6)	–
Balance at 1 January, as restated	38.8	16.3
Translation adjustments	3.3	0.2
Fair value changes	2.5	(1.4)
Impairment	–	(0.2)
Additions	75.2	–
Additions arising from acquisition of a subsidiary (Note 41)	–	23.9
Capital repayment	(23.0)	–
Balance at 31 December	96.8	38.8

Movements during the year for held-to-maturity securities:

Balance at 1 January	–	6.4
Prior year adjustment	4.6	–
Balance at 1 January, as restated	4.6	6.4
Translation adjustments	0.4	0.1
Additions	4.8	1.0
Capital repayment	(3.8)	(2.9)
Balance at 31 December	6.0	4.6

Included in the available-for-sale unquoted equity securities is a 49% shareholding in DaimlerChrysler Malaysia Sdn Bhd (“DCM”) held through the Group's subsidiary, Cycle & Carriage Bintang Berhad (“CCB”). DCM is not considered an associate of the Group as the Group holds its interest through DCM's Class B shares which do not carry any voting rights nor any right to share in the equity interest in DCM. In addition, the shares do not contain any veto rights except for veto rights under the Malaysian Company law.

18. Other Non-current Assets

	Group	
	2006 US\$m	2005 US\$m
Restricted bank balances and deposits (Note 23)	5.6	9.8
Loan to a customer (Note 22)	25.6	32.9
Loan to employees	17.2	20.9
Other non-current assets	23.1	9.5
	71.5	73.1

Restricted bank balances and deposits comprise margin deposits for letter of credit facilities obtained by certain subsidiaries and guarantee deposits to third parties.

19. Financing Debtors

	Group	
	2006 US\$m	2005 US\$m
Consumer financing		
– gross	1,959.0	2,520.4
– allowance for impairment	(96.7)	(105.5)
	1,862.3	2,414.9
Financing leases		
– gross investment	88.5	31.3
– unearned finance income	(15.9)	(5.3)
– net investment	72.6	26.0
– allowance for impairment	(1.3)	(0.8)
	71.3	25.2
	1,933.6	2,440.1
Non-current	963.1	1,218.0
Current (Note 22)	970.5	1,222.1
	1,933.6	2,440.1

	Gross investment		Net investment	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Due dates of investment in financing leases:				
Within one year	45.3	15.7	34.8	12.2
Between one and two years	30.9	11.7	26.3	10.2
Between two and five years	12.3	3.9	11.5	3.6
	88.5	31.3	72.6	26.0

The fair value of the financing debtors approximates its carrying value of US\$2,009.8 million (2005: US\$2,440.1 million).

Financing debtors are due within 5 years (2005: 5 years) from the balance sheet date and the interest rates range from 13% to 47.5% per annum (2005: 13% to 47.5% per annum).

Financing debtors amounting to US\$455.5 million at 31 December 2006 (2005: US\$432.2 million) are pledged as security for borrowings (Note 27).

Notes to the Financial Statements

20. Development Properties For Sale

	Group	
	2006 US\$m	2005 US\$m
Properties in the course of development		
Freehold land at cost	–	45.0
Leasehold land at cost	–	311.5
	–	356.5
Add: Development cost	–	38.6
Interest, property tax and overheads capitalised	–	24.2
	–	419.3
Less: Provision for foreseeable losses	–	(3.4)
	–	415.9
Interest capitalised during the financial year	–	1.7

The interest rate used to determine the amount of borrowing costs capitalised ranged from 1.5% to 3.9% per annum in 2005. Development properties with a net book value of US\$293.5 million as at 31 December 2005 had been pledged by way of first legal mortgages for long-term bank loans granted to subsidiaries (Note 27).

On 25 January 2006, the Group exited the property segment following the distribution of its 65.6% interest in MCL Land Limited to its shareholders by way of a dividend in specie (Note 8).

21. Stocks

	Group	
	2006 US\$m	2005 US\$m
Finished goods	508.4	564.3
Work in progress	11.7	22.7
Raw materials	23.3	44.9
Spare parts	31.8	29.6
Others	38.0	16.7
	613.2	678.2

Stocks amounting to US\$9.5 million at 31 December 2006 (2005: US\$26.2 million) have been pledged as collateral for bank borrowings and loans (Note 27).

22. Debtors

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Trade debtors – third parties	531.1	563.8	–	–
Less: Allowance for impairment	(62.8)	(30.1)	–	–
	468.3	533.7	–	–
Amounts owing by associates (trade)	27.8	25.5	–	–
Amounts owing by subsidiaries (trade)	–	–	–	0.4
	496.1	559.2	–	0.4
Financing debtors (Note 19)	970.5	1,222.1	–	–
Reinsurers' share of estimated losses (Note 39)	16.2	15.5	–	–
Repossessed assets	61.6	66.3	–	–
Less: Allowance for impairment	(18.4)	(18.5)	–	–
	43.2	47.8	–	–
Sundry debtors	22.3	27.5	–	–
Less: Allowance for impairment	(1.1)	(1.2)	–	–
	21.2	26.3	–	–
Loan to employees	6.8	0.3	0.1	0.1
Deposits	11.0	24.9	0.1	0.1
Prepayments	105.1	71.3	0.1	0.2
Interest receivable	1.6	1.3	–	–
Forward foreign currency contracts (Note 38)	–	1.1	–	–
Interest rate swap contracts (Note 38)	0.1	0.3	0.1	–
Interest rate cap contracts (Note 38)	0.1	–	0.1	–
Loan to a customer	7.3	7.2	–	–
Amounts owing by associates and joint ventures (non-trade)	15.6	79.7	9.5	9.9
Less: Allowance for impairment	–	(2.7)	–	–
	15.6	77.0	9.5	9.9
Amounts owing by subsidiaries (non-trade)	–	–	28.7	20.8
Less: Allowance for impairment	–	–	(18.7)	(11.7)
	–	–	10.0	9.1
	1,694.8	2,054.3	20.0	19.8

Bad debts written off against impairment of trade debts amounted to US\$1.5 million (2005: US\$2.4 million) for the Group in 2006.

Trade debtors amounting to US\$9.1 million at 31 December 2006 (2005: US\$39.4 million) have been pledged as collateral for bank borrowings and loans (Note 27).

The loan to a customer is unsecured, repayable on a quarterly basis from 1 March 2006 to 1 December 2009, bears interest at a predetermined amount until 1 December 2005 and at SIBOR plus 8.5% per annum thereafter. The effective interest rate at balance sheet date was 13.9% per annum (2005: 12.93% per annum). The portion due after 12 months has been included in other non-current assets (Note 18).

The advances to subsidiaries, associates and joint ventures are interest free except for a US\$0.6 million non-trade advance repaid by an associate during the year which was interest bearing at 3% per annum at 31 December 2005.

Notes to the Financial Statements

23. Bank Balances and Other Liquid Funds

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Bank and cash balances	270.1	193.5	12.8	0.3
Deposits with an associate	137.6	65.9	–	–
Deposits with other banks and financial institutions	166.3	207.3	16.3	–
Liquid investments	–	46.9	–	–
	574.0	513.6	29.1	0.3
Less: Restricted bank balances and deposits (Note 18)	(5.6)	(9.8)	–	–
	568.4	503.8	29.1	0.3

The short term deposits and bank balances of the Group's property development subsidiaries as at 31 December 2005, amounting to US\$20.0 million and US\$1.0 million respectively, were held under the Housing Developers (Project Account) Rules, withdrawals from which were subject to the provisions of those Rules.

The weighted average effective interest rate on interest bearing deposits at the balance sheet date was 8.4% per annum (2005: 6.8% per annum).

24. Discontinued Operations and Non-current Assets Held for Sale

a. Discontinued Operations

On 25 January 2006, upon completion of the distribution of 242,824,655 ordinary shares of MCL Land Limited held by the Company to its shareholders by way of a dividend in specie, MCL Land Limited ceased to be a subsidiary of the Company accordingly. The distribution completes the Group's strategy of withdrawing from property activities.

	Group 2005 US\$m
Year ended 31 December	
Operating profit of discontinued operations:	
Revenue	29.4
Operating income	0.8
Operating profit	30.2
Financing income	1.5
Share of associates' and joint ventures' results	(0.2)
Profit before tax	31.5
Tax	(2.1)
Profit after tax	29.4
Loss arising from the distribution of shares in specie	(12.8)
Total loss after tax from discontinued operations	16.6
Cash flow of discontinued operations:	
Operating cash flows	2.6
Investment cash flows	(26.6)
Financing cash flows	(87.3)
Total cash inflows	(111.3)

b. Non-current Assets Held for Sale

At 31 December 2006, the non-current assets held for sale of US\$2.2 million consists of an investment property of US\$2.0 million and property, plant and equipment of US\$0.2 million held by the Company's subsidiary, Cycle & Carriage Bintang Berhad. The sale of these two properties is expected to complete by 31 December 2007.

25. Creditors

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Trade creditors	363.6	406.4	–	–
Amounts owing to associates (trade)	122.1	108.0	–	–
Insurance contracts – gross estimated losses and unearned premiums (Note 39)	107.9	100.7	–	–
Sundry creditors	169.2	162.1	3.1	3.5
Accrued development costs	–	2.3	–	–
Accrued operating expenses	124.8	88.9	3.2	3.4
Factoring payable	12.1	34.4	–	–
Interest payable	20.8	15.9	1.9	2.0
Progress billings on development properties for sale	–	84.0	–	–
Forward foreign currency contracts (Note 38)	2.3	1.1	–	–
Cross currency swap contracts (Note 38)	9.0	–	–	–
Forward commodity contracts (Note 38)	0.3	–	–	–
Interest rate swap contracts (Note 38)	–	0.1	–	0.1
Amounts owing to associates and joint ventures (non-trade)	2.8	13.0	–	–
Amounts owing to subsidiaries (non-trade)	–	–	61.9	57.2
Amounts owing to related companies of ultimate holding company (non-trade)	0.2	0.2	–	–
	935.1	1,017.1	70.1	66.2

All non-trade advances from subsidiaries, associates, joint ventures and related companies are unsecured and have no fixed terms of repayment. All advances from subsidiaries, associates, joint ventures and related companies are interest free.

Notes to the Financial Statements

26. Provisions

	Warranty and goodwill expenses US\$m	Guarantee servicing US\$m	Closure costs US\$m	Others US\$m	Total US\$m
Group					
2006					
Balance at 1 January	19.0	0.6	18.4	11.5	49.5
Translation adjustments	1.6	–	1.0	1.1	3.7
Additions arising from acquisition of a subsidiary (Note 41)	–	–	–	0.1	0.1
Provision made during the year (Note 4)	6.4	0.8	0.3	4.8	12.3
Utilised during the year	(5.7)	(0.8)	(17.2)	(0.1)	(23.8)
Balance at 31 December	21.3	0.6	2.5	17.4	41.8
Non-current	–	–	–	15.5	15.5
Current	21.3	0.6	2.5	1.9	26.3
	21.3	0.6	2.5	17.4	41.8
2005					
Balance at 1 January	16.4	0.5	2.2	–	19.1
Translation adjustments	(0.3)	–	–	–	(0.3)
Additions arising from acquisition of a subsidiary (Note 41)	–	–	0.4	3.3	3.7
Provision made during the year (Note 4)	7.3	0.7	17.8	8.2	34.0
Utilised during the year	(4.2)	(0.6)	(0.6)	–	(5.4)
Reversal of unutilised provision	(0.2)	–	(1.4)	–	(1.6)
Balance at 31 December	19.0	0.6	18.4	11.5	49.5
Non-current	–	–	–	10.6	10.6
Current	19.0	0.6	18.4	0.9	38.9
	19.0	0.6	18.4	11.5	49.5

27. Borrowings

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Current borrowings				
Bank loans	637.4	580.2	182.4	252.2
Bank overdrafts	22.1	22.6	–	1.8
Current portion of long-term borrowings:				
– Bank loans	670.5	868.8	–	–
– Astra Sedaya Finance III Bonds	4.9	15.7	–	–
– Astra Sedaya Finance IV Bonds	20.1	26.2	–	–
– Astra Sedaya Finance V Bonds	45.8	52.2	–	–
– Astra Sedaya Finance VI Bonds	40.5	21.2	–	–
– Astra Sedaya Finance VII Bonds	14.9	–	–	–
– Federal International Finance II Bonds	8.5	29.0	–	–
– Federal International Finance III Bonds	22.4	10.1	–	–
– Federal International Finance IV Bonds	18.9	7.3	–	–
– Federal International Finance V Bonds	25.6	39.7	–	–
– Federal International Finance VI Bonds	19.8	–	–	–
– Serasi Autoraya I Bonds	5.0	4.6	–	–
– Finance lease liabilities	53.8	31.7	–	–
– Others	19.0	1.6	–	–
Current borrowings	1,629.2	1,710.9	182.4	254.0
Long-term borrowings				
Bank loans	656.0	1,034.8	–	–
Astra Sedaya Finance III Bonds	–	3.7	–	–
Astra Sedaya Finance IV Bonds	4.2	22.7	–	–
Astra Sedaya Finance V Bonds	17.5	60.7	–	–
Astra Sedaya Finance VI Bonds	37.6	76.3	–	–
Astra Sedaya Finance VII Bonds	41.9	–	–	–
Federal International Finance II Bonds	–	7.6	–	–
Federal International Finance III Bonds	–	20.3	–	–
Federal International Finance IV Bonds	–	18.5	–	–
Federal International Finance V Bonds	32.6	55.4	–	–
Federal International Finance VI Bonds	42.8	–	–	–
Serasi Autoraya I Bonds	12.5	14.7	–	–
Astra Graphia I Bonds	13.4	12.4	–	–
Finance lease liabilities	77.4	66.0	–	–
Others	111.8	6.8	–	–
Long-term borrowings	1,047.7	1,399.9	–	–
Total borrowings	2,676.9	3,110.8	182.4	254.0
Secured	1,022.2	1,054.1	–	–
Unsecured	1,654.7	2,056.7	182.4	254.0
	2,676.9	3,110.8	182.4	254.0

The borrowings are estimated to be repayable as follows:

Within one year	1,629.2	1,710.9	182.4	254.0
Between one and two years	536.0	703.6	–	–
Between two and five years	487.8	665.4	–	–
Beyond five years	23.9	30.9	–	–
	2,676.9	3,110.8	182.4	254.0

Notes to the Financial Statements

27. Borrowings (continued)

The minimum lease payments under the finance lease liabilities were payable as follows:

	Group	
	2006 US\$m	2005 US\$m
Finance lease liabilities – minimum lease payments:		
– not later than one year	62.9	37.8
– later than one year, but not later than five years	83.9	72.2
	146.8	110.0
Future finance charges on finance leases	(15.6)	(12.3)
Present value of finance lease liabilities	131.2	97.7

The present value of finance lease liabilities is as follows:

– not later than one year	53.8	31.7
– later than one year, but not later than five years	77.4	66.0
	131.2	97.7

After taking into account the interest rate caps and interest rate swaps, the interest rate exposure of the borrowings of the Group at the end of the year was as follows:

Currency	Weighted average interest rates %	Fixed rate borrowings		Floating rate borrowings	Total
		Weighted average period outstanding months	US\$m	US\$m	
2006					
Singapore Dollar	4.32	–	–	201.9	201.9
Malaysian Ringgit	4.50	–	–	39.6	39.6
United States Dollar	7.35	29	18.5	599.8	618.3
Japanese Yen	1.91	–	–	20.0	20.0
Indonesian Rupiah	12.66	13	1,468.6	328.5	1,797.1
			1,487.1	1,189.8	2,676.9
2005					
Singapore Dollar	2.87	3	39.0	318.2	357.2
Malaysian Ringgit	3.32	3	33.1	3.8	36.9
United States Dollar	5.94	2	27.0	368.1	395.1
Japanese Yen	1.79	3	12.7	9.4	22.1
Indonesian Rupiah	11.54	14	2,208.3	86.5	2,294.8
Thailand Baht	4.80	–	–	4.7	4.7
			2,320.1	790.7	3,110.8

The fair values of the non-current borrowings at the end of the year were as follows:

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Bank loans	888.0	1,104.5	–	–
Bonds	201.8	280.2	–	–
	1,089.8	1,384.7	–	–

As at 31 December 2006, bank loans and bonds amounting to US\$1,022.2 million (2005: US\$1,054.1 million) are collateralised by debtors, stocks, financing debtors, property, plant and equipment, plantations, leasehold land use rights, bank balances and corporate guarantees issued by foreign shareholders.

	Interest rates	Nominal values	
	%	US\$m	Rp billion
Astra Sedaya Finance ("ASF") Bonds			
ASF III	13.50	4.2	38
ASF IV	12.25 to 12.88	25.0	225
ASF V	10.63 to 11.25	72.0	650
ASF VI	9.80 to 11.00	85.3	770
ASF VII	13.05 to 14.20	63.7	575
		250.2	2,258

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 principal of the bonds. ASF III Bonds will mature in 2007, ASF IV and V Bonds will mature from 2007 to 2008, ASF VI Bonds will mature from 2007 to 2010 and ASF VII Bonds will mature from 2007 to 2009.

	Interest rates	Nominal values	
	%	US\$m	Rp billion
Federal International Finance ("FIF") Bonds			
FIF II	13.50	8.2	75
FIF III	12.75	22.2	200
FIF IV	11.75	22.2	200
FIF V	10.00 to 10.75	66.5	600
FIF VI	13.75 to 14.75	66.5	600
		185.6	1,675

The FIF Bonds were issued by a wholly-owned subsidiary of Astra and are collateralised by fiduciary guarantee over financing debtors of the subsidiary amounting to 80%, 60%, 60%, 60% and 60% of the total principal of the bonds respectively. The FIF II, III and IV Bonds will mature in 2007, FIF V Bonds will mature from 2007 to 2008 and FIF VI Bonds will mature from 2007 to 2009.

The Serasi Autoraya I Bonds with nominal value of Rp198.75 billion (US\$22.0 million) which bear interest at 13.88% per annum were issued by a partly-owned subsidiary of Astra and are collateralised by fiduciary guarantee over transport equipment of the subsidiary. The bonds will mature from 2007 to 2008.

The Astra Graphia I Bonds with nominal value of Rp118.0 billion (US\$13.1 million) which bear interest at 13.38% per annum were issued by a partly-owned subsidiary of Astra and are collateralised by specific collateral equal to 75% of nominal value in the form of land use rights, building and trade debtors of the subsidiary. The bonds will mature in 2008.

Notes to the Financial Statements

28. Deferred Tax

The movement on the deferred tax account is as follows:

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Balance at 1 January, as previously reported	(240.7)	(3.6)	(0.4)	(0.4)
Prior year adjustment (Note 2.1)	21.8	–	–	–
Balance at 1 January, as restated	(218.9)	(3.6)	(0.4)	(0.4)
Translation adjustments	(18.5)	(1.7)	–	–
Credited/(charged) to the profit and loss account (Note 7)	(0.6)	13.0	–	–
Charged to reserves	(4.5)	(9.6)	–	–
Additions arising from acquisition of subsidiaries (Note 41)	(1.0)	(217.0)	–	–
Disposals arising from sale of subsidiaries (Note 41)	1.5	–	–	–
Balance at 31 December	(242.0)	(218.9)	(0.4)	(0.4)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets of US\$8.8 million (2005: US\$15.6 million) in respect of tax losses of US\$28.3 million in 2006 (2005: US\$57.3 million) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. These tax losses have expiry dates as follows:

	Group	
	2006 US\$m	2005 US\$m
No expiry date	6.1	25.6
Expiring in one year	0.5	9.2
Expiring in two years	0.8	0.9
Expiring in three years	17.9	1.0
Expiring in four years	1.2	19.3
Expiring in five years	1.8	1.3
	28.3	57.3

The movement in the Group's deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group

Deferred tax liabilities

	Accelerated tax depreciation US\$m	Asset revaluation US\$m	Others US\$m	Total US\$m
2006				
Balance at 1 January, as previously reported	(10.1)	(290.0)	(12.7)	(312.8)
Prior year adjustment	–	21.8	–	21.8
Balance at 1 January, as restated	(10.1)	(268.2)	(12.7)	(291.0)
Translation adjustments	(0.7)	(23.1)	(0.7)	(24.5)
Credited/(charged) to the profit and loss account	5.4	(6.7)	(2.5)	(3.8)
Charged to reserves	–	(4.5)	–	(4.5)
Additions arising from acquisition of subsidiaries (Note 41)	0.2	(1.2)	–	(1.0)
Disposals arising from disposal of subsidiaries	(1.0)	2.5	–	1.5
Reclassifications	5.3	(20.1)	30.3	15.5
Balance at 31 December	(0.9)	(321.3)	14.4	(307.8)

2005

Balance at 1 January	(0.4)	(6.9)	(1.2)	(8.5)
Translation adjustments	(0.1)	(2.1)	–	(2.2)
Credited/(charged) to the profit and loss account	(3.8)	0.4	1.0	(2.4)
Credited to reserves	–	0.5	–	0.5
Additions arising from acquisition of subsidiaries (Note 41)	(5.8)	(260.1)	(12.5)	(278.4)
Balance at 31 December	(10.1)	(268.2)	(12.7)	(291.0)

Deferred tax assets

	Provisions US\$m	Tax losses US\$m	Others US\$m	Total US\$m
2006				
Balance at 1 January	51.6	3.9	16.6	72.1
Translation adjustments	4.5	0.4	1.1	6.0
Credited to the profit and loss account	14.4	(1.4)	(9.8)	3.2
Reclassifications	(4.0)	–	(11.5)	(15.5)
Balance at 31 December	66.5	2.9	(3.6)	65.8
2005				
Balance at 1 January	3.1	0.1	1.7	4.9
Translation adjustments	0.8	–	(0.3)	0.5
Credited to the profit and loss account	12.0	0.2	3.2	15.4
Charged to reserves	–	–	(10.1)	(10.1)
Additions arising from acquisition of subsidiaries (Note 41)	35.7	3.6	22.1	61.4
Balance at 31 December	51.6	3.9	16.6	72.1

Notes to the Financial Statements

28. Deferred Tax (continued)

Company

Deferred tax liabilities

	Unremitted interest income	
	2006 US\$m	2005 US\$m
Balance at 1 January	(0.4)	(0.4)
Balance at 31 December	(0.4)	(0.4)

Deferred tax assets

No deferred tax assets were recognised at the Company level.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Deferred tax assets	57.6	51.7	–	–
Deferred tax liabilities	(299.6)	(270.6)	(0.4)	(0.4)
Balance at 31 December	(242.0)	(218.9)	(0.4)	(0.4)

Deferred tax liabilities of US\$83.2 million (2005: US\$73.1 million) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled US\$832.2 million at 31 December 2006 (2005: US\$731.2 million).

The Group's and Company's deferred tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 15 February 2007, the Singapore Second Minister of Finance announced a reduction in corporate tax rate from 20% to 18% with effect from the year of assessment 2008. The Group's and Company's deferred tax expense for the current financial year have not taken into consideration the effect of the reduction in the corporate tax rate, which will be accounted for in the Group's and Company's deferred tax expense in the year ending 31 December 2007. The Group's deferred tax assets and liabilities as at 31 December 2006 will be reduced by approximately US\$0.5 million and US\$0.2 million, respectively while the Company's deferred tax liabilities will be reduced by approximately US\$0.1 million when the new corporate tax rate of 18% is applied.

29. Other Non-current Liabilities

	Group	
	2006 US\$m	2005 US\$m
Cross currency swap contracts (Note 38)	4.1	–
Forward foreign currency contracts (Note 38)	1.2	0.1
Factoring payable	3.3	16.7
Trade creditors	84.6	84.3
Insurance contracts – gross estimated losses and unearned premiums (Note 39)	39.7	36.1
Sundry creditors	5.0	5.2
Pension liabilities (Note 30)	41.8	22.1
Retention money payable	–	1.9
	179.7	166.4

30. Pension Liabilities

The Group has defined pension plans covering its employees in Indonesia and are either funded or unfunded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The pension liabilities are calculated annually by an independent actuary using the projected unit credit method.

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

	2006 Weighted Average %	Group 2005 Weighted Average %
Discount rate applied to pension obligations	11	11
Expected return on plan assets	10	10
Future salary increases	9	8

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

The amounts recognised in the balance sheet are as follows:

	2006 US\$m	Group 2005 US\$m
Fair value of plan assets	47.0	36.0
Present value of funded obligations	(60.1)	(44.0)
	(13.1)	(8.0)
Present value of unfunded obligations	(48.5)	(33.4)
Unrecognised past service cost	19.8	19.3
Net pension liabilities	(41.8)	(22.1)

Movements in the fair value of plan assets:

Balance at 1 January	36.0	–
Additions arising from acquisition of subsidiaries	0.1	55.9
Disposal arising from disposal of subsidiaries	(0.2)	–
Exchange differences	3.2	0.4
Expected return on plan assets	3.8	3.0
Actuarial gains	1.1	12.6
Contributions from employers	5.3	2.5
Contributions from members	1.1	1.1
Benefits paid	(2.9)	(0.9)
Settlement	(0.7)	(38.6)
Transfer from other plans	0.2	–
Balance at 31 December	47.0	36.0

Notes to the Financial Statements

30. Pension Liabilities (continued)

Movements in the present value of obligations:

	Group	
	2006 US\$m	2005 US\$m
Balance at 1 January	(77.4)	–
Additions arising from acquisition of subsidiaries	(1.2)	(113.5)
Disposal arising from disposal of subsidiaries	0.6	–
Exchange differences	(6.9)	0.6
Current service cost	(6.5)	(5.6)
Interest cost	(9.0)	(8.4)
Gain/(loss) on curtailment and settlement	0.8	(9.9)
Contributions from members	(1.1)	(1.1)
Actuarial gains/(loss)	(12.2)	21.0
Benefits paid	4.4	0.9
Curtailment and settlement	0.7	38.6
Transfer from other plans	(0.8)	–
Balance as at 31 December	(108.6)	(77.4)

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

Equity instruments	16.9	7.2
Debt instruments	19.3	21.2
Other assets	10.8	7.6
	47.0	36.0

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

Current service cost	6.5	5.6
Interest cost	9.0	8.4
Expected return on plan assets	(3.8)	(3.0)
Loss on curtailment and settlement	(0.8)	9.9
Past service cost	1.5	0.3
	12.4	21.2

Actual surplus/(deficit) on plan assets in the year	(4.9)	15.6
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The history of experience adjustments is as follows:

Fair value of plan assets	47.0	36.0
Present value of obligations	(108.6)	(77.4)
Deficit	(61.6)	(41.4)

Experience adjustments on plan obligations	2.1	–
Percentage of plan obligations (%)	2%	–

The estimated amount of contributions expected to be paid to the plans in 2007 is US\$13.3 million.

31. Share Capital of the Company

	2006 US\$m	2005 US\$m
Issued and fully paid:		
Opening balance – 336,604,580 (2005: 333,591,874) ordinary shares	185.4	183.6
Transfer from share premium (Note 32)	274.0	–
Issue of 5,831,806 (2005: 2,533,706) ordinary shares under the Scrip Dividend Scheme	36.1	1.5
Issue of 175,000 (2005: 479,000) ordinary shares under the CCL Executives' Shares Option Schemes	0.2	0.3
Closing balance – 342,611,386 (2005: 336,604,580) ordinary shares	495.7	185.4

Pursuant to the abolition of the concepts of authorised share capital and the par or nominal value of share capital in the Companies (Amendment) Act 2005 which took effect on 30 January 2006, the amount in share premium has become part of the Company's share capital.

The CCL Executives' Share Option Scheme was set up in order to provide selected executives with options to purchase shares in the Company. Options are granted at the price which is equal to the average of the last dealt prices for the share for the three consecutive trading days immediately preceding the date of the grant of option and are exercisable one year from the date of grant and expire ten years after the date. No share options were granted to directors and employees during the year.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006		2005	
	Average exercise price in S\$ per share	No. of Options	Average exercise price in S\$ per share	No. of Options
At 1 January	3.089	466,000	3.574	945,000
Granted during the year	–	–	–	–
Exercised during the year	1.529	(175,000)	4.046	(479,000)
Forfeited during the year	–	–	–	–
Cancelled during the year	–	–	–	–
At 31 December	1.983	291,000	3.089	466,000
Exercisable as at 31 December		291,000		352,668

The weighted average market price at the time of exercise was S\$11.43 (2005: S\$12.28) per share.

At the end of the financial year, the following options granted under the CCL Executives' Share Option Schemes were outstanding:

Adjusted Exercise Price	Expiry Date	No. of Options	
		2006	2005
S\$4.340	4.4.2009	52,000	69,000
S\$1.645	28.2.2010	20,000	20,000
S\$1.067	7.5.2011	–	8,000
S\$1.664	27.2.2012	119,000	129,000
S\$1.204	25.2.2013	100,000	240,000
		291,000	466,000

The fair values of share options granted at the date of grant were estimated using the Trinomial valuation model taking into account the share price at grant date, the exercise price, the risk-free interest rate, the expected dividend yield, volatility and life of the option.

Notes to the Financial Statements

32. Share Premium of the Company

	2006 US\$m	2005 US\$m
Balance at 1 January	274.0	254.9
Issue of shares under Scrip Dividend Scheme	–	18.1
Issue of shares under CCL Executives' Share Options Scheme	–	0.9
Transfer from share option reserve (Note 33)	–	0.1
Transfer to share capital (Note 31)	(274.0)	–
Balance at 31 December	–	274.0

33. Fair Value and Other Reserves

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Composition:				
Fair value reserve	9.5	1.2	–	–
Asset revaluation reserve	317.9	302.0	–	–
Hedging reserve	(0.8)	–	–	–
Share option reserve	0.3	0.3	0.3	0.3
Other reserve	3.3	3.8	–	–
	330.2	307.3	0.3	0.3
Movements:				
Fair value reserve				
Balance at 1 January	1.2	2.7	–	–
Fair value loss of available-for-sale investments, net of tax	8.3	(1.5)	–	–
Balance at 31 December	9.5	1.2	–	–
Asset revaluation reserve				
Balance at 1 January, as previously reported	336.9	10.3	–	–
Prior year adjustment (Note 2.1)	(34.9)	–	–	–
Balance at 1 January, as restated	302.0	10.3	–	–
Surplus on revaluation of intangible assets, net of tax	–	280.5	–	–
Surplus on revaluation of land and buildings, net of tax	16.0	14.1	–	–
Realised on disposal of land and buildings (Note 34)	(0.1)	(2.9)	–	–
Balance at 31 December	317.9	302.0	–	–
Hedging reserve				
Balance at 1 January	–	–	–	–
Fair value changes of derivatives	(0.8)	–	–	–
Balance at 31 December	(0.8)	–	–	–
Share option reserve				
Balance at 1 January	0.3	0.4	0.3	0.4
Transfer to share premium for options exercised (Note 32)	–	(0.1)	–	(0.1)
Balance at 31 December	0.3	0.3	0.3	0.3
Other reserve				
Balance at 1 January	3.8	3.8	–	–
Reserve realised on disposal of subsidiary	(0.5)	–	–	–
Balance at 31 December	3.3	3.8	–	–

34. Revenue Reserve

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Composition:				
Translation reserve	66.9	(63.4)	153.2	77.3
Retained earnings	1,012.8	840.7	396.9	314.9
	1,079.7	777.3	550.1	392.2
Movements:				
Translation reserve				
Balance at 1 January, as previously reported	(63.1)	(13.8)	77.3	97.1
Prior year adjustment (Note 2.1)	(0.3)	-	-	-
Balance at 1 January, as restated	(63.4)	(13.8)	77.3	97.1
Translation difference	131.6	(47.4)	75.9	(19.8)
Reserve realised on:				
- disposal of subsidiaries	(1.3)	-	-	-
- repayment of equity loans	-	(2.2)	-	-
Balance at 31 December	66.9	(63.4)	153.2	77.3
Retained earnings				
Balance at 1 January	840.7	827.4	314.9	511.9
Asset revaluation reserve realised on disposal of land and buildings (Note 33)				
	0.1	2.9	-	-
Capital reserve realised on disposal of subsidiary	0.5	-	-	-
Actuarial gain/(loss) on defined benefit pension plans, net of tax	(4.6)	8.8	-	-
Gain/(loss) on dilution of interests in investments	1.1	(0.2)	-	-
Profit attributable to shareholders	223.8	281.7	130.8	82.9
Dividends (net)	(48.8)	(279.9)	(48.8)	(279.9)
Balance at 31 December	1,012.8	840.7	396.9	314.9

35. Minority Interests

	Group	
	2006 US\$m	2005 US\$m
Balance at 1 January, as previously reported	2,050.6	222.4
Prior year adjustment (Note 2.1)	(63.4)	-
Balance at 1 January, as restated	1,987.2	222.4
Surplus on revaluation of land and buildings, net of tax	19.2	(0.1)
Fair value changes of available-for-sale investments, net of tax	9.1	(2.7)
Fair value changes of derivatives	(0.6)	-
Actuarial gain/(loss) on defined benefit pension plans, net of tax	(6.2)	16.3
Loss on dilution of interests in investments	(1.1)	-
Translation difference	165.9	10.1
Net gain recognised directly in equity	186.3	23.6
Profit for the year	303.5	144.1
Total recognised gain for the year	489.8	167.7
Dividends (net)	(174.1)	(66.7)
Issue of shares	9.5	-
Acquisition/(disposal) of subsidiaries	(162.8)	1,663.8
Balance at 31 December	2,149.6	1,987.2

Notes to the Financial Statements

36. Related Party Transactions

In addition to the related party information shown elsewhere in the financial statements, the following significant related party transactions took place during the financial year:

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
a. With associates and joint ventures:				
Purchase of goods and services	(2,313.8)	(1,246.4)	–	–
Sale of goods and services	330.5	222.4	–	–
Commission and incentives earned	1.4	0.6	–	–
Commission and incentives paid	–	(2.5)	–	–
Bank deposits	137.6	65.9	–	–
Dividend income (gross)	–	–	9.0	70.9
Interest received	6.0	2.7	–	–
Management fee income	0.9	–	–	–
b. With related companies and associates of ultimate holding company:				
Purchase of goods and services	(2.9)	(11.0)	–	–
Management fees paid	(1.3)	(2.1)	(1.0)	(1.9)
Management fees earned	0.2	0.1	0.1	0.1
Secondment costs	(2.2)	(1.8)	(2.1)	(1.8)
Sale of goods and services	0.4	0.1	–	–
Insurance premium paid	(1.0)	(1.1)	(0.3)	(0.3)
Rental income	–	0.4	–	–
c. With directors:				
Sale of goods and services	0.3	–	–	–
Purchase of goods	(0.3)	–	–	–
d. Remuneration of directors of the Company and key management personnel of the Group:				
Salaries and other short-term employee benefits	(3.9)	(4.7)	(2.5)	(2.7)
Retirement gratuity	–	(0.5)	–	–
	(3.9)	(5.2)	(2.5)	(2.7)

37. Commitments

a. Capital commitments

Capital expenditure contracted for at the balance sheet date, but not recognised in the financial statements is as follows:

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Approved and contracted	39.0	32.2	–	–
Approved, but not contracted	22.8	24.1	–	–
	61.8	56.3	–	–

b. Commitments for property development expenditure

Capital expenditure contracted for at the balance sheet date, but not recognised in the financial statements is as follows:

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Approved and contracted	–	177.0	–	–
Approved, but not contracted	–	137.3	–	–
	–	314.3	–	–

c. Operating lease commitments

The Group leases various property, plant and machinery under cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments and receivables under non-cancellable operating leases contracted for at the reporting date, but not recognised as liabilities or receivables, are as follows:

	Group		Company	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Lease rentals payable:				
– not later than one year	4.5	4.2	0.1	0.2
– later than one year, but not later than five years	7.3	3.2	0.1	0.1
	11.8	7.4	0.2	0.3
Lease rentals receivable:				
– not later than one year	4.4	16.5	–	–
– later than one year, but not later than five years	32.6	6.1	–	–
– later than five years	–	1.1	–	–
	37.0	23.7	–	–

38. Financial Instruments

Financial risk management

The Group manages its exposure to financial risk using a variety of techniques and instruments. Entering into speculative transactions is specifically prohibited. The objective is to provide a degree of certainty on costs.

i. Foreign exchange risk

Foreign currency transaction exposures for the purchase of stocks are covered on a consistent basis by forward contracts and options and foreign currency borrowings are partly covered by currency swaps. The purpose of these hedges is to eliminate the impact of movements in foreign exchange rates on transactions.

ii. 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 interest rate sensitive assets and liabilities, and partly through the use of derivative financial instruments such as interest rate swaps and caps.

iii. Liquidity risk

The Group's ability to fund its existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

iv. Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available-for-sale investments. The Group is exposed to financial risks arising from changes in prices of crude palm oil and fresh fruit bunch and has entered into derivatives or other contracts to manage the risk of a decline in the prices of these commodities.

v. Counterparty risk

The Group's ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Group manages these risks by monitoring the credit ratings and limiting the aggregate risk to any individual counterparty.

vi. Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The maximum exposure to credit risk at balance sheet date is the fair value of each class of debtor.

Fair value estimation

The carrying amounts of the following financial assets and financial liabilities approximate their fair values due to their short-term maturities: bank balances and other liquid funds, debtors, creditors, amounts owing to and from subsidiaries, associates and joint ventures and short-term borrowings.

The fair value of quoted available-for-sale investments is based on the current market price while the fair value of unquoted investments is estimated by reference to the discounted cash flows of the underlying net assets that are not traded in active markets.

The fair values of long-term borrowings and financing debtors are estimated using the expected future payments discounted at market interest rates available to the Group at the balance sheet date.

The fair values of forward foreign currency contracts, interest rate swaps and interest rate caps have been calculated using rates quoted by the Group's bankers to terminate the contracts at the balance sheet date. The fair values of forward commodity contracts are based on current market prices.

a. Derivative financial instruments

At 31 December, the fair values of the Group's and the Company's derivative financial instruments were:

	Assets US\$m	Group Liabilities US\$m	Assets US\$m	Company Liabilities US\$m
2006				
Cross currency swap contracts	–	13.1	–	–
Forward foreign currency contracts	–	3.5	–	–
Forward commodity contracts	–	0.3	–	–
Interest rate swap contracts	0.1	–	0.1	–
Interest rate cap contracts	0.1	–	0.1	–
	0.2	16.9	0.2	–
2005				
Forward foreign currency contracts	1.1	1.1	–	–
Interest rate swap contracts	0.3	0.1	–	0.1
	1.4	1.2	–	0.1

b. Cross currency swap contracts

The contract amounts of the outstanding cross currency swap contracts at 31 December 2006 were US\$134.9 million (2005: nil). The settlement dates on the swap contracts as at 31 December 2006 ranged between one and five years.

c. Forward foreign currency contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31 December 2006 were US\$117.9 million (2005: US\$114.7 million). The settlement dates on the forward contracts as at 31 December 2006 ranged between one and two years.

d. Forward commodity contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31 December 2006 were US\$1.4 million (2005: US\$1.9 million). The settlement dates on the forward contracts as at 31 December 2006 are within one year.

e. Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2006 for the Group and Company were US\$35.8 million and US\$26.1 million, respectively (2005: US\$54.1 million and US\$24.0 million, respectively). These contracts are due between one and two years.

At 31 December 2006, the fixed interest rates are 3.3% per annum (2005: 2.17% to 3.32% per annum).

f. Interest rate caps

The notional principal amounts of the outstanding interest rate cap contracts at 31 December 2006 for the Group and Company were US\$84.7 million (2005: US\$93.1 million and US\$78.1 million, respectively). These contracts are due between one and two years.

At 31 December 2006, the contractual rates range between 3.3% to 3.5% per annum (2005: 3.0% to 3.5% per annum).

Notes to the Financial Statements

39. Insurance Contracts

	Group	
	2006 US\$m	2005 US\$m
Gross estimated losses and claims payable	35.8	32.6
Unearned premiums	111.8	104.2
	147.6	136.8
Less: Reinsurers' share of estimated losses (Note 22)	(16.2)	(15.5)
Total insurance liabilities	131.4	121.3

The gross estimated losses and unearned premiums are analysed as follows:

Non-current (Note 29)	39.7	36.1
Current (Note 25)	107.9	100.7
	147.6	136.8

The amount and timing of claim payments are typically resolved within one year.

Movements in insurance liabilities and reinsurance assets

a. Claims and loss adjustment expenses

	2006 US\$m	2005 US\$m
Balance at 1 January	17.1	–
Additions arising from acquisition of a subsidiary	–	18.5
Cash paid for claims settled in the period	(48.6)	(16.9)
Increase in liabilities		
– arising from current period claims	26.9	13.6
– arising from prior period claims	22.9	1.8
Translation adjustments	2.1	0.1
Total at 31 December	20.4	17.1
Notified claims	18.8	15.7
Incurred, but not reported	1.6	1.4
Total at 31 December	20.4	17.1

b. Unearned premium provision

	2006 US\$m	2005 US\$m
At 1 January	104.2	–
Additions arising from acquisition of a subsidiary	–	89.6
Increase/(decrease)	(1.2)	13.8
Translation adjustments	8.8	0.8
Total at 31 December	111.8	104.2

The risk under an insurance contract is the possibility that the insured event may occur and the resulting loss may vary in severity. Although it is possible for the actual loss to exceed the carrying amount of insurance liabilities, the extent of liabilities of the risk carrier is confined to the sum insured or the limit specified under the contract.

The Group manages its insurance risks through its underwriting guidelines, which are approved by an appropriate level of management regularly. The Group also has adequate reinsurance arrangements and proactive claims handling.

The concentration of insurance risks after reinsurance with reference to the carrying amount of the insurance liabilities is in four classes of business namely motor vehicles, heavy equipment, fire and fire major risks and marine cargo.

The insurance business is not a significant activity of the Group.

40. Cash Flows from Operating Activities

	Group	
	2006 US\$m	2005 US\$m
Profit before tax	701.5	499.6
Adjustments for:		
Interest income	(39.4)	(15.8)
Financing charges	92.7	30.3
Share of associates' and joint ventures' results	(155.0)	(275.8)
Depreciation, amortisation and impairment of property, plant and equipment and leasehold land use rights	237.2	88.4
Impairment of:		
– intangible assets	–	0.8
– other investments	–	0.2
– debtors and write off of bad debts	118.2	85.1
(Profit)/loss on disposal of:		
– leasehold land use rights	(13.0)	2.6
– property, plant and equipment	(11.5)	(2.9)
– investment properties	–	(1.2)
– plantations	0.2	0.2
– repossessed assets	103.8	17.1
– subsidiaries	(11.3)	–
– associates and joint ventures	–	0.1
Fair value changes of:		
– investment properties	(5.8)	0.8
– plantations	(22.2)	(15.2)
Revaluation deficit on property, plant and equipment	1.4	1.8
Write-back in provision for foreseeable losses	–	(4.7)
Write-down of stocks	2.0	2.0
Increase in provisions	11.6	32.4
Foreign exchange translation gain	(37.0)	(8.9)
Excess of net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost of business combination	(0.2)	–
	271.7	(62.7)
Operating profit before working capital changes	973.2	436.9
Changes in working capital		
Development properties for sale	–	(128.5)
Stocks	111.8	(93.3)
Financing debtors	616.7	(234.5)
Debtors	(68.6)	50.3
Creditors	(60.4)	(37.4)
Pensions	5.6	17.3
Financial derivatives	16.4	0.6
	621.5	(425.5)
Cash flows from operating activities	1,594.7	11.4

Notes to the Financial Statements

41. Notes to Consolidated Cash Flow Statement

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	Group	
	2006 US\$m	2005 US\$m
Bank balances and other liquid funds (Note 23)	568.4	503.8
Restricted cash (Note 18)	5.6	9.8
Bank overdrafts (Note 27)	(22.1)	(22.6)
	551.9	491.0

a. Acquisition of PT Astra International Tbk ("Astra") in 2005

Astra was consolidated from 1 August 2005 when the Group acquired a further 2.9% shareholding at a cost of US\$134.0 million, making it a 50.11%-owned subsidiary. Prior to 1 August 2005, Astra was an associate of the Group. Fair value adjustments were determined based on fair values of Astra's identifiable assets and liabilities at the date on which the Group obtained control. Goodwill represents the excess of the cost of acquisition over the fair value of the share of the net identifiable assets acquired, and is attributable to the synergies of the acquired business after the acquisition.

	Group 2005		
	Book value US\$m	Fair value adjustments US\$m	Fair value US\$m
Identifiable assets and liabilities			
Intangible assets – franchise rights	–	214.1	214.1
Leasehold land use rights	69.3	304.8	374.1
Property, plant and equipment	821.8	–	821.8
Investment properties	19.6	–	19.6
Plantations	359.1	–	359.1
Associates and joint ventures	472.0	407.7	879.7
Non-current investments	23.9	–	23.9
Financing and other debtors	1,151.1	–	1,151.1
Deferred tax assets	129.3	(91.1)	38.2
Other non-current assets	32.3	–	32.3
Current assets	2,778.3	–	2,778.3
Current liabilities	(2,171.8)	–	(2,171.8)
Long-term borrowings	(1,260.1)	–	(1,260.1)
Deferred tax liabilities	(170.3)	(84.9)	(255.2)
Pension liabilities	(38.0)	–	(38.0)
Non-current provisions	(3.3)	–	(3.3)
Other non-current liabilities	(69.0)	–	(69.0)
Minority interests	(386.2)	(63.5)	(449.7)
Net assets	1,758.0	687.1	2,445.1
Adjustment for minority interests			(1,219.7)
Net assets acquired			1,225.4
Goodwill			77.7
Adjustment for carrying value of associates and joint ventures			(888.6)
Adjustment to fair values relating to previously held interests			(280.5)
Total cash consideration paid			134.0
Cash and cash equivalents acquired			(453.8)
Net cash flow from acquisition			(319.8)

b. Acquisition of other subsidiaries

In 2006, Astra acquired new subsidiaries and increased its stake in existing subsidiaries for US\$7.1 million (2005: US\$8.2 million).

In 2005, the Group acquired an additional 30% stake in Republic Auto Pte Ltd for US\$1.7 million, making it a 70%-owned subsidiary and also acquired an additional 30% stake in an existing subsidiary, Century Gardens Sdn Bhd for US\$8.0 million.

The new subsidiaries acquired in 2006 contributed revenue of US\$1.1 million and operating loss of US\$0.1 million to the Group. If the acquisition had occurred on 1 January 2006, Group revenue would have been increased by US\$17.3 million and operating profit would have been reduced by US\$0.4 million.

	Group	
	2006 US\$m	2005 US\$m
Identifiable assets and liabilities		
Leasehold land use rights (Note 11)	6.2	–
Property, plant and equipment (Note 12)	7.6	–
Plantations (Note 14)	0.2	–
Other non-current assets	0.2	–
Intercompany balances	–	2.7
Stocks	8.3	8.2
Debtors	3.0	1.0
Bank balances and other liquid funds	0.3	5.2
Pension liabilities	(0.8)	–
Deferred tax liabilities (Note 28)	(1.0)	–
Non-current provisions (Note 26)	(0.1)	–
Borrowings	(6.5)	–
Bank overdraft	–	(5.4)
Current tax liabilities	(0.1)	(0.3)
Creditors	(2.8)	(3.2)
Minority interests	(1.0)	5.5
Net assets acquired	13.5	13.7
Goodwill	0.9	5.3
Excess of net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost of business combination	(0.2)	–
Transfer from associates	(7.1)	(1.1)
Cash consideration paid	7.1	17.9
Cash and cash equivalents acquired	(0.3)	0.2
Net cash flow from acquisition	6.8	18.1

The fair values of the assets and liabilities of the other new subsidiaries acquired approximate their carrying values.

Notes to the Financial Statements

41. Notes to Consolidated Cash Flow Statement (continued)

c. Disposal of subsidiaries

In 2006, the Company disposed of its entire 65.6% stake in MCL Land Limited by way of a distribution of dividend in specie, disposed of its stake in its Thailand subsidiaries, and Astra reduced its stake in existing subsidiaries for US\$14.3 million.

The revenue and operating profit in respects of the subsidiaries disposed of during the year amounted to US\$7.9 million and US\$1.8 million, respectively.

	Group 2006 US\$m
Identifiable assets and liabilities	
Leasehold land use rights (Note 11)	(5.2)
Property, plant and equipment (Note 12)	(24.7)
Investment properties (Note 13)	(25.3)
Interests in associates and joint ventures	(35.8)
Intangible assets (Note 10)	(1.7)
Other non-current assets	(0.5)
Development properties for sale	(437.4)
Stocks	(13.0)
Debtors	(92.9)
Bank balances and other liquid funds	(42.9)
Non-current liabilities	2.3
Current borrowings	4.9
Deferred tax liabilities (Note 28)	1.5
Current tax liabilities	7.7
Creditors	394.1
Long-term borrowings	73.4
Minority interests	163.8
Net assets disposed of	(31.7)
Currency translation difference	1.2
Provisions utilised	13.8
Amount reclassified to associates	13.7
Profit on disposal of subsidiaries	(11.3)
Cash proceeds from disposal	(14.3)
Cash and cash equivalents disposed	42.9
Net cash flow from disposal	28.6

42. Segment Information

a. Primary reporting format – business segments

The segment results for the years ended 31 December 2006 and 2005 are as follows:

	Revenue		Segment Results	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Astra:				
– Automotive	3,308.1	1,603.6	121.9	52.8
– Financial services	805.3	321.5	82.2	20.1
– Heavy equipment	1,500.0	619.7	177.8	69.7
– Agribusiness	410.8	156.5	158.6	59.3
– Others	69.8	28.0	14.4	1.7
– Elimination	(26.6)	(17.9)	–	(4.7)
	6,067.4	2,711.4	554.9	198.9
Motor	1,118.9	1,056.5	55.5	30.7
Property*	–	29.8	–	31.0
Others	–	–	(8.6)	(22.0)
	7,186.3	3,797.7	601.8	238.6
Financing charges			(55.3)	(14.8)
Share of associates and joint ventures' results:				
– Astra			151.1	266.0
– Motor			3.2	9.5
– Property*			–	(0.2)
– Others			0.7	0.5
			155.0	275.8
Profit before tax			701.5	499.6
Tax			(174.2)	(73.8)
Profit after tax			527.3	425.8

* discontinued operations

Notes to the Financial Statements

42. Segment Information (continued)

a. Primary reporting format – business segments (continued)

The segment assets and liabilities as at 31 December 2006 and 2005 and capital expenditure for the years then ended are as follows:

	Segment Assets		Segment Liabilities		Capital Expenditure	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Astra:						
– Automotive	1,439.8	1,298.2	341.2	361.4	97.7	56.4
– Financial services	2,083.5	2,651.7	295.3	278.5	14.8	6.9
– Heavy equipment	1,263.8	1,188.0	339.5	354.7	219.4	155.9
– Agribusiness	780.0	687.5	40.3	39.2	40.8	20.1
– Others	72.1	97.4	19.9	13.1	7.5	3.3
– Elimination	(8.3)	(81.8)	(7.7)	(55.5)	–	–
	5,630.9	5,841.0	1,028.5	991.4	380.2	242.6
Motor	348.2	347.0	119.5	113.0	13.5	21.9
Property*	4.2	523.4	0.2	106.7	–	1.6
Others	11.0	11.2	8.2	272.4	0.5	0.8
	5,994.3	6,722.6	1,156.4	1,483.5	394.2	266.9

Investments in associates and joint ventures:

– Astra	1,305.0	993.2	–	–	–	–
– Motor	61.5	61.6	–	–	–	–
– Property*	–	34.0	–	–	–	–
– Others	5.8	4.9	–	–	–	–
	1,372.3	1,093.7	–	–	–	–
Unallocated assets/liabilities	858.0	653.9	3,013.0	3,455.5	–	–
	8,224.6	8,470.2	4,169.4	4,939.0	394.2	266.9

Other segment items are as follows:

	Depreciation and amortisation		Impairment of debtors	
	2006 US\$m	2005 US\$m	2006 US\$m	2005 US\$m
Astra:				
– Automotive	79.0	32.1	1.3	(0.2)
– Financial services	10.8	4.3	86.5	90.5
– Heavy equipment	115.8	34.8	30.5	8.7
– Agribusiness	16.1	6.0	–	–
– Others	7.8	3.0	–	–
– Elimination	–	–	0.2	–
	229.5	80.2	118.5	99.0
Motor	7.5	7.5	(0.3)	(2.1)
Property*	–	0.4	–	(11.8)
Others	0.2	0.3	–	–
	237.2	88.4	118.2	85.1

* discontinued operations

The Group is organised into two main business segments; namely Astra and Motor while the Others segment consists of investment holding activities. Astra is further organised into four main business segments, namely Automotive, Financial Services, Heavy Equipment and Agribusiness while its Others segment consists mainly of information technology and infrastructure business.

Inter-segment revenue is not significant. Unallocated assets and liabilities comprise other investments, tax assets and liabilities, cash and cash equivalents and borrowings. Capital expenditure comprises additions to property, plant and equipment.

On 25 January 2006, the Group exited the property segment following the distribution of its 65.6% interest in MCL Land Limited to its shareholders by way of a dividend in specie (Note 8).

b. Secondary reporting format – geographical segments

The Group's two business segments operate in three main geographical areas:

Singapore is the home country of the Company. The areas of operation are motor vehicle distribution, retail and provision of after-sales services and other investment holding activities.

Indonesia – the areas of operation are mainly the assembly, distribution and retailing of motor vehicles and motorcycles, financial services, heavy equipment and agribusiness and others consisting of information technology and infrastructure.

Malaysia – the areas of operation are mainly motor vehicle distribution retail and provision of after-sales services.

Revenue is based on the country in which the customer is located. It would not be materially different if it is based on the country in which the order is received. Total assets and capital expenditure are shown by the geographical area in which the assets are located.

	Revenue US\$m	Total assets US\$m	Capital expenditure US\$m
Year ended 31 December 2006			
Singapore	941.7	317.1	10.7
Indonesia	6,067.4	7,758.2	380.2
Malaysia	175.2	149.1	3.3
Others	2.0	0.2	–
	7,186.3	8,224.6	394.2
Year ended 31 December 2005			
Singapore	856.8	834.1	15.9
Indonesia	2,711.4	7,433.8	242.6
Malaysia	201.5	193.6	7.3
Others	28.0	8.7	1.1
	3,797.7	8,470.2	266.9

43. Immediate and Ultimate Holding Companies

The Company's immediate holding company is Jardine Strategic Singapore Pte Ltd, incorporated in Singapore and its ultimate holding company is Jardine Matheson Holdings Limited, incorporated in Bermuda.

44. Contingent Liabilities

At 31 December 2005, the Company had given corporate guarantees to secure bank facilities and term loans for certain subsidiaries totaling US\$7.6 million (Note 27). The guarantees have been withdrawn in 2006 following the disposal of the relevant subsidiaries.

Notes to the Financial Statements

45. Reconciliation Between IAS 17 and IAS 40 and FRS 25

The following reconciliation of the differences between IAS 17 Leases ("IAS 17") and IAS 40 Investment Properties ("IAS 40") and Singapore's FRS 25 Accounting for Investments ("FRS 25") is disclosed as required by the Accounting and Corporate Regulatory Authority in approving the Company's application for the adoption of International Financial Reporting Standards.

The difference between IAS 17 and IAS 40 and FRS 25 arise from the accounting treatment of valuation changes in investment properties. Under IAS 40, investment properties are carried at fair value and changes in fair values are recognised directly in the profit and loss account. This contrasts with FRS 25 where the investment properties are carried at revalued amounts. The net surplus or deficit on revaluation is first taken to revaluation reserve unless the revaluation surplus is insufficient to cover the deficit, in which case, the amount by which the deficit exceeds the available surplus is charged to the consolidated profit and loss account. The surplus on revaluation not utilised at the date of the sale of investment properties is taken to the consolidated profit and loss account.

The financial effects on key financial information are disclosed as follows:

	Investment properties US\$m	Net assets US\$m	Profit before tax US\$m	Profit attributable to shareholders US\$m	Basic earnings per share US¢
IFRS Group balances as at 31 December 2006	33.0	4,055.2	701.5	223.8	66.02
Effect of transfer of fair value changes to asset revaluation reserve on:					
– profit before tax	–	–	(7.2)	(7.2)	
– tax	–	–	–	2.2	
– minority interests' share	–	–	–	2.5	
	–	–	(7.2)	(2.5)	(0.74)
FRS 25 Group adjusted balances as at 31 December 2006	33.0	4,055.2	694.3	221.3	65.28
IFRS Group balances as at 31 December 2005	51.1	3,629.8	499.6	281.7	84.06
Effect of transfer of fair value changes to asset revaluation reserve on:					
– profit before tax	–	–	2.1	2.1	
– tax	–	–	–	0.1	
– minority interests' share	–	–	–	(0.5)	
	–	–	2.1	1.7	0.51
FRS 25 Group adjusted balances as at 31 December 2005	51.1	3,629.8	501.7	283.4	84.57

46. Comparative Information

The consolidated profit and loss account for the year ended 31 December 2005 has been restated to show revenue and profit from MCL Land Limited, which has been distributed in specie, under discontinued operations and the consolidated balance sheet as at 31 December 2005 has been restated due to the prior year adjustment arising from the finalisation of the initial accounting for the business combination (Note 2.1). In addition, the following comparative figures have been reclassified to conform with the current year's presentation:

	Before reclassification US\$m	Reclassification US\$m	After reclassification US\$m
Other non-current assets	44.5	28.6	73.1
Debtors (current)	2,082.9	(28.6)	2,054.3
Other non-current liabilities	82.1	84.3	166.4
Creditors	1,101.4	(84.3)	1,017.1

47. Principal Subsidiaries, Associates and Joint Ventures

The details of principal subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation/ place of business	Group's effective interest in equity	
			2006 %	2005 %
Singapore				
• Cycle & Carriage Industries Pte Limited	Retailing of vehicles and provision of after-sales services	Singapore	100.0	100.0
• Cycle & Carriage Automotive Pte Limited	Distribution and retailing of vehicles and provision of after-sales services	Singapore	100.0	100.0
• Cycle & Carriage Kia Pte Ltd	Distribution and retailing of vehicles and provision of after-sales services	Singapore	100.0	100.0
• Cycle & Carriage France Pte Ltd	Distribution and retailing of vehicles and provision of after-sales services	Singapore	100.0	–
• Diplomat Parts Pte Ltd (formerly Cycle & Carriage Auto Services Pte Ltd)	Investment holding and sale of vehicle parts	Singapore	100.0	100.0
• Republic Auto Pte Ltd	Retailing of vehicles	Singapore	70.0	70.0
• Cycle & Carriage (Australia) Pte Ltd	Investment holding	Singapore	100.0	100.0
• CCL Indo-China Investments Pte Ltd	Investment holding	Singapore	100.0	100.0
Malaysia				
^ Cycle & Carriage Bintang Berhad (Quoted on Bursa Malaysia)	Distribution, retailing of vehicles and provision of after-sales services	Malaysia	59.1	59.1
Indonesia				
^ PT Astra International Tbk (Quoted on the Jakarta and Surabaya Stock Exchanges)	Investment holding and retailing of vehicles and motorcycles	Indonesia	50.1	50.1
^ PT United Tractors Tbk (Quoted on the Jakarta and Surabaya Stock Exchanges)	Distribution and rental of heavy equipment and mining contractor	Indonesia	29.3	29.3
^ PT Pamapersada Nusantara	Mining contractor	Indonesia	29.3	29.3
* PT Astra Otoparts Tbk (Quoted on the Jakarta and Surabaya Stock Exchanges)	Manufacturer and trader of automotive components	Indonesia	43.5	43.5

Notes to the Financial Statements

47. Principal Subsidiaries, Associates and Joint Ventures (continued)

The details of principal subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation/ place of business	Group's effective interest in equity	
			2006 %	2005 %
Indonesia (continued)				
^ PT Astra Agro Lestari Tbk (Quoted on the Jakarta and Surabaya Stock Exchanges)	Development of palm oil plantations, manufacturing and trading of palm oil products	Indonesia	39.9	39.9
^ PT Federal International Finance	Consumer financing activities	Indonesia	50.1	50.1
^ PT Astra Graphia Tbk (Quoted on the Jakarta and Surabaya Stock Exchanges)	Sole agent and distributor of Fuji Xerox copier and consumer goods	Indonesia	38.5	38.5

The details of principal associates and joint ventures are as follows:

Singapore

@UMF (Singapore) Limited	Leasing and hire purchase	Singapore	50.0	50.0
@Ampang Investments Pte Ltd	Hotelier and holding of properties for rental in Malaysia	Singapore/ Malaysia	40.0	40.0

Indonesia

# PT Astra Honda Motor	Manufacturer, assembler, distributor of Honda motorcycles and provision of after-sales service	Indonesia	25.1	25.1
^ PT Toyota Astra Motor	Distributor, sole agent, importer of completely-built-up Toyota vehicles and provision of after-sales service	Indonesia	25.6	25.6
+ PT Bank Permata Tbk (Quoted on the Jakarta and Surabaya Stock Exchanges)	Commercial and foreign exchange bank	Indonesia	22.3	15.8
^ PT Tunas Ridean Tbk (Quoted on the Jakarta Stock Exchange)	Distribution and retailing of vehicles and motorcycles, provision of operating lease and consumer financing services	Indonesia	37.4	37.4

• Audited by PricewaterhouseCoopers, Singapore.

^ Audited by other members of the worldwide PricewaterhouseCoopers organisation, consisting of Haryanto Sahari & Rekan in Indonesia and PricewaterhouseCoopers, Malaysia.

@ Associates which are not considered significant as defined under rule 718 of the Singapore Exchange Securities Trading Limited ("SGX-ST") and which are audited by firms other than PricewaterhouseCoopers.

Audited by Ernst & Young

+ Audited by KPMG

* Audited by Deloitte Touche Tohmatsu