

## 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 2008.

### 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 #  
 Benjamin William Keswick Group Managing Director  
 Chiew Sin Cheok Group Finance Director  
 Datuk Azlan Zainol  
 Chang See Hiang #  
 Cheah Kim Teck  
 Mark Spencer Greenberg #  
 Hassan Abas #  
 Lim Ho Kee #  
 James Arthur Watkins #

# Audit Committee member

### 2. Directors' Interests

As at 31 December 2008 and 1 January 2008, 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<br>– | Jardine Matheson<br>US\$0.25 | Jardine Strategic<br>US\$0.05 | Dairy Farm<br>US\$0.05 <sup>5/9</sup> | Astra International<br>Rp 500 | Cycle & Carriage Bintang<br>RM1 |
|--------------------------------------|------------------|------------------------------|-------------------------------|---------------------------------------|-------------------------------|---------------------------------|
| <b>As at 31 December 2008</b>        |                  |                              |                               |                                       |                               |                                 |
| Anthony Nightingale                  | –                | 1,016,240                    | 17,126                        | 24,375                                | 600,000                       | 15,000                          |
|                                      |                  | 5,725 #                      |                               | 9,808 #                               | 10,000 #                      |                                 |
| Benjamin Keswick                     | –                | 2,315,643                    | –                             | –                                     | –                             | –                               |
|                                      |                  | 37,503,225*                  |                               |                                       |                               |                                 |
| Cheah Kim Teck                       | 20,189           | –                            | –                             | –                                     | –                             | –                               |
| James Watkins                        | –                | 107,961                      | –                             | –                                     | –                             | –                               |
| <b>As at 1 January 2008</b>          |                  |                              |                               |                                       |                               |                                 |
| Anthony Nightingale                  | –                | 1,007,389                    | 16,934                        | 24,375                                | 600,000                       | 15,000                          |
|                                      |                  | 5,595 #                      |                               | 9,808 #                               | 10,000 #                      |                                 |
| Benjamin Keswick                     | –                | 1,978,037                    | –                             | –                                     | –                             | –                               |
|                                      |                  | 36,005,365*                  |                               |                                       |                               |                                 |
| Cheah Kim Teck                       | 19,681           | –                            | –                             | –                                     | –                             | –                               |
| James Watkins                        | –                | 105,516                      | –                             | –                                     | –                             | –                               |

# Non-beneficial deemed interest.

\* Deemed interest in shares held by family trusts in which Benjamin Keswick is a beneficiary.

In addition:

- a. At 31 December 2008, Benjamin Keswick, Chiew Sin Cheok and Mark Greenberg held options in respect of 300,000 (1.1.08: 300,000), 20,000 (1.1.08: 20,000) and 200,000 (1.1.08: 100,000) ordinary shares, respectively, in Jardine Matheson issued pursuant to that company's Senior Executive Share Incentive Schemes.
- b. At 31 December 2008 and 1 January 2008, Anthony Nightingale, Benjamin 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 2009.

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 2009.

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.

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 32 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 2008, 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 2008, 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 LLP, as external auditors of the Company at the forthcoming Annual General Meeting.

### 4. Share Options

During 2008, 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 2008, the outstanding options totalled 35,000, all of which have become vested. 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.

During the financial year, 66,000 shares were issued pursuant to the exercise of options granted under ESOS I and ESOS II. As at 31 December 2008, the following options to take up 35,000 unissued shares in the Company were outstanding:

| Date of grant | No. of options |           |               | Exercise price<br>S\$ | Expiry Date |
|---------------|----------------|-----------|---------------|-----------------------|-------------|
|               | At 1.1.2008    | Exercised | At 31.12.2008 |                       |             |
| 5.4.1999      | 20,000         | 20,000    | –             | 4.340                 | 4.4.2009    |
| 28.2.2002     | 81,000         | 46,000    | 35,000        | 1.664                 | 27.2.2012   |
|               | 101,000        | 66,000    | 35,000        |                       |             |

## DIRECTORS' REPORT

### 4. Share Options *(continued)*

No directors of the Company held any options in the Company as at 1 January 2008 and 31 December 2008.

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.

### 5. Auditors

Our auditors, PricewaterhouseCoopers LLP, 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  
18 March 2009

**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 39 to 97, which comprise the balance sheets of the Company and of the Group as at 31 December 2008, 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 financial year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the "Act") and the International Financial Reporting Standards, for which approval from the Accounting and Corporate Regulatory Authority has been obtained. This responsibility includes:

- (a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) 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 involves performing procedures to obtain audit 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 management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion,

- (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 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 2008, 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 LLP  
Public Accountants and  
Certified Public Accountants

Singapore  
18 March 2009

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December

|  | Notes | 2008<br>US\$m   | 2007<br>US\$m |
|--|-------|-----------------|---------------|
| <b>Revenue</b>   | 3     | <b>11,192.2</b> | 8,920.7       |
| Net operating costs  | 4     | (10,041.1)      | (7,860.3)     |
| <b>Operating profit</b>                                    |       | <b>1,151.1</b>  | 1,060.4       |
| Financing charges  |       | (54.9)          | (79.7)        |
| Financing income   |       | 63.7            | 35.6          |
| Net financing income/(charges)                             | 6     | 8.8             | (44.1)        |
| Share of associates' and joint ventures' results after tax | 16    | 270.1           | 125.7         |
| <b>Profit before tax</b>                                   |       | <b>1,430.0</b>  | 1,142.0       |
| Tax  | 7     | (366.6)         | (317.5)       |
| <b>Profit after tax</b>                                    |       | <b>1,063.4</b>  | 824.5         |
| <b>Profit attributable to:</b>                             |       |                 |               |
| Shareholders of the Company                                |       | 448.2           | 340.1         |
| Minority interests   |       | 615.2           | 484.4         |
|  |       | <b>1,063.4</b>  | 824.5         |
|  |       | US¢             | US¢           |
| <b>Earnings per share:</b>                                 |       |                 |               |
| – basic  | 9     | 127.15          | 98.47         |
| – diluted  | 9     | 127.15          | 98.47         |

The notes on pages 47 to 97 form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December

|  | 2008<br>US\$m | 2007<br>US\$m |
|--|---------------|---------------|
| Fair value changes of available-for-sale investments, net of tax | (15.7)        | (12.3)        |
| Revaluation surplus of assets, net of tax                        | 154.2         | 25.6          |
| Fair value changes of hedging derivatives, net of tax            | 8.1           | (1.3)         |
| Actuarial loss on defined benefit pension plans, net of tax      | (21.6)        | (0.9)         |
| Reserves realised on disposal                                    | 1.7           | 7.2           |
| Translation difference   | (708.6)       | (171.1)       |
| Net loss recognised directly in equity                           | (581.9)       | (152.8)       |
| Profit after tax   | 1,063.4       | 824.5         |
| <b>Total recognised income and expense for the year</b>          | <b>481.5</b>  | <b>671.7</b>  |
| Total recognised income and expense attributable to:             |               |               |
| Shareholders of the Company                                      | 186.5         | 274.6         |
| Minority interests   | 295.0         | 397.1         |
|  | <b>481.5</b>  | <b>671.7</b>  |

The notes on pages 47 to 97 form an integral part of the financial statements.

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December

|                          | Notes | 2008<br>US\$m | 2007<br>US\$m |
|--------------------------|-------|---------------|---------------|
| <b>Revenue</b>           | 3     | <b>224.8</b>  | 144.1         |
| Net operating costs      | 4     | (10.0)        | (5.7)         |
| <b>Operating profit</b>  |       | <b>214.8</b>  | 138.4         |
| Financing charges        |       | (1.3)         | (5.9)         |
| Financing income         |       | 0.1           | 0.2           |
| Net financing charges    | 6     | (1.2)         | (5.7)         |
| <b>Profit before tax</b> |       | <b>213.6</b>  | 132.7         |
| Tax                      | 7     | (23.3)        | (16.9)        |
| <b>Profit after tax</b>  |       | <b>190.3</b>  | 115.8         |

The notes on pages 47 to 97 form an integral part of the financial statements.

## BALANCE SHEET

As at 31 December

|  | Notes | 2008<br>US\$m  | 2007<br>US\$m  |
|--|-------|----------------|----------------|
| <b>Non-current assets</b>                  |       |                |                |
| Property, plant and equipment              | 12    | 0.5            | 0.7            |
| Interests in subsidiaries                  | 15    | 1,275.7        | 1,276.3        |
| Interests in associates and joint ventures | 16    | 100.1          | 26.4           |
| Other investments                          | 17    | 6.8            | 6.5            |
|  |       | <b>1,383.1</b> | <b>1,309.9</b> |
| <b>Current assets</b>                      |       |                |                |
| Current debtors                            | 20    | 8.5            | 8.4            |
| Bank balances and other liquid funds       | 21    | 4.0            | 6.9            |
|  |       | <b>12.5</b>    | <b>15.3</b>    |
| <b>Total assets</b>                        |       | <b>1,395.6</b> | <b>1,325.2</b> |
| <b>Non-current liabilities</b>             |       |                |                |
| Deferred tax liabilities                   | 26    | 0.3            | 0.3            |
|  |       | <b>0.3</b>     | <b>0.3</b>     |
| <b>Current liabilities</b>                 |       |                |                |
| Current borrowings                         | 25    | –              | 38.1           |
| Current tax liabilities                    |       | 0.8            | 0.8            |
| Current creditors                          | 23    | 73.2           | 74.6           |
|  |       | <b>74.0</b>    | <b>113.5</b>   |
| <b>Total liabilities</b>                   |       | <b>74.3</b>    | <b>113.8</b>   |
| <b>Net assets</b>                          |       | <b>1,321.3</b> | <b>1,211.4</b> |
| <b>Equity</b>                              |       |                |                |
| Share capital                              | 28    | 632.3          | 555.2          |
| Fair value and other reserves              | 29    | 225.5          | 223.5          |
| Revenue reserve                            | 30    | 463.5          | 432.7          |
|  |       | <b>1,321.3</b> | <b>1,211.4</b> |

The notes on pages 47 to 97 form an integral part of the financial statements.

## STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December

|   | 2008<br>US\$m | 2007<br>US\$m |
|---|---------------|---------------|
| Fair value gain on available-for-sale investment        | 0.3           | –             |
| Translation difference                                  | 1.7           | 70.0          |
| Gains recognised directly in equity                     | 2.0           | 70.0          |
| Profit after tax  | 190.3         | 115.8         |
| <b>Total recognised income and expense for the year</b> | <b>192.3</b>  | <b>185.8</b>  |

The notes on pages 47 to 97 form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

|   | Notes | 2008<br>US\$m | 2007<br>US\$m |
|---|-------|---------------|---------------|
| <b>Cash flows from operating activities</b>                 |       |               |               |
| Cash generated from operations                              | 36    | 1,477.2       | 1,491.4       |
| Interest paid   |       | (55.4)        | (79.7)        |
| Interest received   |       | 64.4          | 35.6          |
| Other finance costs paid                                    |       | (3.1)         | (6.2)         |
| Income taxes paid   |       | (353.5)       | (211.8)       |
|   |       | (347.6)       | (262.1)       |
| <i>Net cash flows from operating activities</i>             |       | 1,129.6       | 1,229.3       |
| <b>Cash flows from investing activities</b>                 |       |               |               |
| Sale of leasehold land use rights                           |       | 9.4           | 10.9          |
| Sale of property, plant and equipment                       |       | 82.9          | 41.4          |
| Sale of investment properties                               |       | 9.1           | 6.3           |
| Sale of plantations   |       | 13.8          | –             |
| Sale of subsidiaries, net of cash disposed                  | 37    | (33.3)        | –             |
| Sale of shares in associates and joint ventures             |       | 4.0           | 33.6          |
| Sale of other investments                                   |       | 66.4          | 7.3           |
| Purchase of intangible assets                               |       | (20.5)        | (22.0)        |
| Purchase of leasehold land use rights                       |       | (19.8)        | (8.7)         |
| Purchase of property, plant and equipment                   |       | (593.8)       | (332.2)       |
| Purchase of plantations                                     |       | (70.5)        | (41.1)        |
| Purchase of subsidiaries, net of cash acquired              | 37    | (229.5)       | 2.0           |
| Purchase of shares in associates and joint ventures         |       | (80.4)        | –             |
| Purchase of other investments                               |       | (156.2)       | (61.2)        |
| Capital repayment of other investments                      |       | 14.3          | 8.1           |
| Dividends received from associates and joint ventures (net) |       | 168.2         | 39.3          |
| <i>Net cash flows used in investing activities</i>          |       | (835.9)       | (316.3)       |
| <b>Cash flows from financing activities</b>                 |       |               |               |
| Proceeds from issue of shares                               |       | 0.1           | 0.2           |
| Drawdown of loans   |       | 2,528.6       | 2,193.8       |
| Repayment of loans  |       | (2,364.0)     | (2,799.2)     |
| Investment by minority interests                            |       | 152.7         | 0.4           |
| Dividends paid to minority interests                        |       | (257.8)       | (148.9)       |
| Dividends paid (net)  |       | (82.5)        | (20.7)        |
| <i>Net cash flows used in financing activities</i>          |       | (22.9)        | (774.4)       |
| Net change in cash and cash equivalents                     |       | 270.8         | 138.6         |
| Cash and cash equivalents at the beginning of the year      |       | 672.1         | 551.9         |
| Effect of exchange rate changes                             |       | (103.8)       | (18.4)        |
| Cash and cash equivalents at the end of the year            | 37    | 839.1         | 672.1         |

The notes on pages 47 to 97 form an integral part of the financial statements.

## NOTES TO 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 manufacture, assembly, distribution and retail of motor vehicles and motorcycles, financial services, agribusiness, heavy equipment and mining, information technology and infrastructure. The Company acts as an investment holding company and a provider of management services.

On 18 March 2009, 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 interpretations to existing standards shown below:

|          |  |
|----------|--|
| IFRIC 11 | Group and Treasury Share Transactions  |
| IFRIC 12 | Service Concession Arrangements  |
| IFRIC 14 | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The adoption of the new interpretations did not have a material impact on the results of the Group.

The following new standard, amendments and interpretations which are relevant to the Group's operations were published, but are effective for accounting periods beginning on or after 1 January 2009 or later periods:

|                     |  |
|---------------------|--|
| Amendment to IFRS 2 | Share-based Payment  |
| Amendment to IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| Amendment to IFRS 7 | Financial Instruments: Disclosure                            |
| IFRS 3 (revised)    | Business Combinations  |
| IFRS 8              | Operating Segments   |
| Amendment to IAS 1  | Presentation of Financial Statements                         |
| Amendment to IAS 16 | Property, Plant and Equipment                                |
| Amendment to IAS 19 | Employee Benefits  |
| Amendment to IAS 23 | Borrowing Costs  |
| IAS 27 (revised)    | Consolidated and Separate Financial Statements               |
| Amendment to IAS 32 | Financial Instruments: Presentation                          |
| Amendment to IAS 38 | Intangible Assets  |
| Amendment to IAS 39 | Financial Instruments: Recognition and Measurement           |
| Amendment to IAS 40 | Investment Property  |
| IFRIC 13            | Customer Loyalty Programmes                                  |
| IFRIC 15            | Agreements for the Construction of Real Estate               |
| IFRIC 16            | Hedges of a Net Investment in a Foreign Operation            |
| IFRIC 17            | Distributions of Non-cash Assets to Owners                   |

The directors anticipate that the adoption of IFRS 8 will not substantially change the Group's reportable segments as they are consistent with the internal reporting provided to management while they are still in the process of assessing the impact of adopting Amendment to IAS 1 to the Group. The adoption of the other amendments and other interpretations in future periods would have no material impact on the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 and buildings, and the building component of owner-occupied leasehold properties are stated at valuation. Independent valuations are performed every three years on an open market basis, and in the case of the building component of leasehold 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. 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. Mining properties, which are contractual rights to mine and own coal reserves in specified concession areas, and other assets are stated at historical cost or at fair value if acquired as part of a business combination, less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Cost of mining properties includes expenditure to restore and rehabilitate coal mining areas following the completion of production.

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.

Freehold land is not depreciated. Mining properties are depreciated using the unit of production method. Depreciation of all other assets is calculated using the straight line method to allocate the cost or valuation of each asset to their residual values over their estimated useful lives at the following annual rates:

|   |  |
|---|--|
| Building and leasehold improvements         | 3 <sup>1</sup> / <sub>3</sub> % – 50%  |
| Plant and machinery                         | 5% – 50%                               |
| Office furniture, fixtures and equipment    | 10% – 50%                              |
| Transportation equipment and motor vehicles | 12 <sup>1</sup> / <sub>2</sub> % – 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, which principally comprise oil palm plantations and exclude the related land, are measured at each balance sheet date at their fair values, representing the present value of expected net cash flows from the assets in their present location and condition determined internally, less estimated point of sale costs. Assumptions used by management in the valuation are reviewed by independent, professionally qualified valuers. Changes in fair values are recorded in the profit and loss account. The plantations which have a life of approximately 25 years are considered mature three to four years after planting and once they are generating fresh fruit bunches which average four to six tonnes per hectare per year.

#### 2.5 Investment Properties

Investment properties are properties, including those held under operating leases, 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. Changes in fair values are recorded in 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.

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 motor vehicle and heavy equipment principals, 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 costs, taking into account the history of renewal and the relationships between the franchisee and contracting parties. Franchise rights are not amortised, but are tested annually for impairment and carried at cost less accumulated impairment losses.

##### iii. Concession rights

Concession rights are rights under service concession agreements. The fair value of the service concession are amortised using the straight line method over their service concession period.

##### iv. Customer acquisition costs

Commissions that are related to securing new insurance contracts and renewing existing insurance contracts with a term of more than one year are capitalised. All other costs are recognised as expenses when incurred. The customer acquisition costs are subsequently amortised over the life of the contract.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.6 Intangible Assets (continued)

#### v. Deferred exploration costs

Exploration costs are capitalised when the rights of tenure of a coal mining area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area. Deferred exploration costs are assessed for impairment if facts and circumstances indicate that an impairment may exist.

#### vi. 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 five 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 lives of the leases which include the renewal period if the leases can be renewed without significant cost. The estimated useful lives range from 1 to 94 years.

### 2.8 Impairment of Non-financial Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. 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.

#### 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. Held-to-maturity financial assets are carried at amortised cost using the effective interest method.

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 2.12.

#### **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 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.

#### **2.12 Debtors**

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, except where the effect of discounting would be immaterial, less allowance for impairment. Repossessed assets of financial services companies are measured at the lower of cost of the carrying amount of the debtors in default and fair value less costs to sell.

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the debtors are impaired. 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.

#### **2.13 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 non-current debtors and bank overdrafts are included under current borrowings.

#### **2.14 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.

#### **2.15 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.

#### **2.16 Creditors**

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2.17 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 government 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.

### 2.18 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\$1.4390 (2007: US\$1 = S\$1.4437), US\$1 = RM3.4735 (2007: US\$1 = RM3.3080) and US\$1 = IDR 10,950 (2007: US\$1 = IDR 9,419).

The exchange rates used for translating the results for the year are US\$1 = S\$1.4099 (2007: US\$1 = S\$1.5023), US\$1 = RM3.3364 (2007: US\$1 = RM3.4268) and US\$1 = IDR 9,757 (2007: US\$1 = IDR 9,164).

### 2.19 Revenue Recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

- i. Revenue from the sale of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.
- ii. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.
- iii. Revenue from consumer financing and finance leases is recognised over the term of the respective contracts based on a constant rate of return on the net investment.
- iv. Dividend income is recognised when the right to receive payment is established.

### 2.20 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 business 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.

### 2.21 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 lives 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.22 Non-current Assets Held for Sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

### 2.23 Insurance Contracts

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

### 2.24 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 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 plantations and investment properties; gains and losses arising from sale of businesses, investments 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.

### 2.26 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 ultimately is recognised in the profit and loss account. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in hedging reserves is immediately transferred to the 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.

## 2.27 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 components operating in other economic environments.

## 2.28 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.

## 2.29 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.

## 2.30 Financial Risk Management

### i. Financial risk factors

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

The Company co-ordinates, under the directions of the directors, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to mitigate the financial impact of fluctuations in interest rates and exchange rates and to minimise the Group's financial risks. The Group uses derivatives, principally interest rate swaps and caps, and forward foreign exchange contracts as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies.

It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31 December 2008 are disclosed in Note 34.

### a. Market risk

#### *Foreign exchange risk*

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

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

At 31 December 2008, the Group's Indonesian Rupiah functional entities had United States Dollar denominated net monetary liabilities of US\$162.9 million (2007: US\$204.2 million). At 31 December 2008, if the United States Dollar had strengthened/weakened by 10% against the Indonesian Rupiah with all other variables held constant, the Group's profit attributable to shareholders would have been US\$5.6 million (2007: US\$4.2 million) lower/higher, arising mainly from foreign exchange losses/gains taken to the profit and loss account on translation. The sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. There are no significant monetary balances held by Group companies at 31 December 2008 that are denominated in a non-functional currency. Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.30 Financial Risk Management (continued)

#### *Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through the use of interest rate swaps, caps and collars. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% - 60% of its gross borrowings, exclusive of the financial services companies, in fixed rate instruments with an average tenor of two to three years. The financial services companies borrow predominately at a fixed rate. The interest rate profile of the Group's borrowings after taking into account the economic effects of derivative financial instruments is set out in Note 25.

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

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

At 31 December 2008, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US\$3.6 million (2007: US\$0.5 million) higher/lower and hedging reserves would have been US\$6.6 million (2007: US\$1.2 million) higher/lower as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. There is no significant variation in the sensitivity analysis as a result of interest rate caps and collars. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in those interest rates, specifically the Indonesian rates, which have the most impact on the Group over the period until the next annual balance sheet date. In the case of effective fair value hedges, changes in fair value caused by interest rate movements balance out in the profit and loss account against changes in the fair value of the hedged item. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in market interest rates of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

#### *Price risk*

The Group is exposed to equity securities price risk because of quoted and unquoted equity investments which are available-for-sale and held by the Group at fair value. Gains and losses arising from changes in the fair value of these investments are dealt with in reserves. The performance of the Group's quoted and unquoted available-for-sale investments are monitored regularly, together with a regular assessment of their relevance to the Group's long term strategic plans. Details of the Group's available-for-sale investments are contained in Note 17.

Available-for-sale investments are unhedged. At 31 December 2008, if the price of quoted and unquoted available-for-sale equity investments had been 25% higher/lower with all other variables held constant, total equity would have been US\$16.3 million (2007: US\$12.8 million) higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

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

#### b. Credit risk

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

The Group manages its deposits with banks and financial institutions and transactions involving derivative financial instruments by monitoring credit ratings and limiting the aggregate risk to any individual counterparty. The utilisation of credit limits is regularly monitored. At 31 December 2008, deposits with banks and financial institutions amounted

to US\$840.0 million (2007: US\$690.7 million) of which 19% (2007: 28%) were made to financial institutions with credit ratings of no less than A- (Fitch). Similarly, transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In Indonesia, it may be necessary to deposit money with banks that have a lower credit rating, however the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance, and a corporate guarantee of US\$2.1 million (2007: US\$2.9 million) given by the Company for a subsidiary to secure bank facilities. The Group's exposures to credit risk arising from consumer finance and trade debtors, and derivative financial instruments with a positive fair value are set out in Note 20. The Group's exposure to credit risk arising from bank deposits is set out in Note 21.

c. Liquidity risk

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

At 31 December 2008, total available committed and uncommitted borrowing facilities amounted to US\$3,657.9 million (2007: US\$3,529.4 million) of which US\$2,175.5 million (2007: US\$2,191.5 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totaled US\$779.3 million (2007: US\$1,176.4 million).

An ageing analysis of the Group's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates is included in Notes 23, 25 and 34.

ii. Capital management

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

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

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

The gearing ratios at 31 December 2008 and 2007 were as follows:

|   | 2008      | Group<br>2007 |
|---|-----------|---------------|
| Gearing ratio excluding financial services companies  | 3%        | 5%            |
| Gearing ratio including financial services companies  | 28%       | 33%           |
| Interest cover excluding financial services companies | 658 times | 18 times      |
| Interest cover including financial services companies | *         | 28 times      |

\* not applicable due to net financing income position

The decrease in gearing ratio as at 31 December 2008 as compared to 2007 are primarily due to strong cash flows generated by Group companies and a reduction in joint financing with recourse.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.30 Financial Risk Management (continued)

#### iii. Fair value estimation

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

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

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

The fair values of cross currency swaps, forward foreign exchange contracts and interest rate swaps and caps have been determined using rates quoted by the Group's bankers at the balance sheet date.

### 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 and investment properties 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 annually by independent, professionally qualified valuers based on the open market values.

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 management based on the expected cash flows from the plantations.

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

#### v. Impairment of assets

The Group tests annually whether goodwill and other non-financial assets that have indefinite useful lives have 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. Changing the key assumptions, including the discount rates or the growth rates in the cash flow projections, could materially affect the value-in-use calculations.

The results of the impairment review undertaken at 31 December 2008 on the Group's indefinite life franchise rights indicated that no impairment charge was necessary. In 2007, there was a post-tax impairment charge of US\$75.0 million which arose in the motorcycle distribution franchise rights of an associate due to a reduction in its market share in the motorcycle market in Indonesia.

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

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 government 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.

viii. Non-trading items

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management.

### 3. Revenue

|                       | Group         |               | Company       |               |
|-----------------------|---------------|---------------|---------------|---------------|
|                       | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Sale of goods         | 8,832.8       | 6,984.1       | –             | –             |
| Rendering of services | 1,673.6       | 1,247.2       | 0.9           | 0.9           |
| Financial services    | 657.3         | 671.1         | –             | –             |
| Rental income         | 1.5           | 1.5           | –             | –             |
| Dividends             | –             | –             | 223.9         | 143.2         |
| Others                | 27.0          | 16.8          | –             | –             |
|                       | 11,192.2      | 8,920.7       | 224.8         | 144.1         |

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Net Operating Costs

|                                   | Group         |               | Company       |               |
|-----------------------------------|---------------|---------------|---------------|---------------|
|                                   | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Cost of sales                     | (8,829.2)     | (6,983.2)     | –             | –             |
| Other operating income            | 156.7         | 153.1         | 1.6           | 10.6          |
| Selling and distribution expenses | (565.8)       | (486.2)       | –             | –             |
| Administrative expenses           | (592.6)       | (509.9)       | (11.6)        | (11.7)        |
| Other operating expenses          | (210.2)       | (34.1)        | –             | (4.6)         |
|                                   | (10,041.1)    | (7,860.3)     | (10.0)        | (5.7)         |

The following credits/(charges) are included in net operating costs:

|   |           |           |       |       |
|---|-----------|-----------|-------|-------|
| Depreciation of property, plant and equipment (Note 12)               | (287.1)   | (269.2)   | (0.2) | (0.2) |
| Amortisation of:  |           |           |       |       |
| – intangible assets (Note 10)   | (10.8)    | (2.4)     | –     | –     |
| – leasehold land use rights (Note 11)                                 | (15.5)    | (16.0)    | –     | –     |
| Audit remuneration of:  |           |           |       |       |
| – auditors of the Company   | (0.6)     | (0.5)     | (0.4) | (0.4) |
| – other auditors  | (3.8)     | (3.9)     | (0.7) | (1.2) |
| Non-audit fees paid to auditors of the Company                        | (0.1)     | (0.1)     | –     | –     |
| Profit/(loss) on disposal of:   |           |           |       |       |
| – leasehold land use rights   | 6.5       | 7.2       | –     | –     |
| – property, plant and equipment                                       | 46.0      | 11.6      | –     | –     |
| – investment properties   | 0.9       | –         | –     | –     |
| – plantations   | 3.6       | (0.2)     | –     | –     |
| – shares in associates and joint ventures                             | 1.1       | (5.1)     | –     | 10.4  |
| – shares in subsidiaries (Note 37)                                    | 3.3       | (1.5)     | 0.3   | –     |
| – repossessed assets  | (50.7)    | (73.3)    | –     | –     |
| (Impairment)/write-back in impairment of:                             |           |           |       |       |
| – intangible assets (Note 10)   | (0.5)     | –         | –     | –     |
| – leasehold land use rights (Note 11)                                 | (5.1)     | –         | –     | –     |
| – property, plant and equipment (Note 12)                             | –         | (0.2)     | –     | –     |
| – financing debtors (Note 18)   | (99.5)    | (77.7)    | –     | –     |
| – trade debtors (Note 20)   | (6.9)     | 9.2       | –     | –     |
| – other debtors (Note 20)   | (0.2)     | 0.3       | –     | (2.3) |
| – interests in subsidiaries   | –         | –         | –     | (1.3) |
| – other investments   | –         | –         | –     | (0.8) |
| Fair value gain/(loss) on:  |           |           |       |       |
| – plantations (Note 14)   | (161.9)   | 35.0      | –     | –     |
| – investment properties (Note 13)                                     | 0.5       | 1.6       | –     | –     |
| – derivatives not qualifying as hedges                                | 16.7      | 12.0      | –     | –     |
| Revaluation deficit of property, plant and equipment                  | (2.8)     | (4.2)     | –     | –     |
| Stocks:   |           |           |       |       |
| – cost of stocks recognised as an expense (included in cost of sales) | (7,803.6) | (6,068.8) | –     | –     |
| – write-down of stocks  | (18.5)    | (10.7)    | –     | –     |
| – reversal of write-down of stocks made in previous years             | 3.4       | 5.3       | –     | –     |

#### 4. Net Operating Costs (continued)

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Provision for:  |               |               |               |               |
| – warranty and goodwill expenses (Note 24)  | (2.0)         | (3.9)         | –             | –             |
| – guarantee servicing (Note 24)   | (0.6)         | (0.5)         | –             | –             |
| – closure costs (Note 24)   | 2.2           | (3.7)         | –             | –             |
| – others (Note 24)  | (20.9)        | (3.3)         | –             | –             |
| Operating expenses arising from investment properties   | (0.7)         | (0.6)         | –             | –             |
| Net exchange gain/(loss)  | (49.7)        | (21.9)        | 1.1           | (0.1)         |
| Rental expenses – operating leases  | (35.5)        | (17.7)        | (0.6)         | (0.5)         |
| Rental income from:   |               |               |               |               |
| – investment properties   | 1.3           | 1.5           | –             | –             |
| – other properties  | 2.8           | 0.8           | –             | –             |
| Dividend income from other investments  | 8.5           | 4.9           | –             | –             |
| Interest income from other investments  | 7.3           | 7.7           | –             | –             |
| Excess of net fair value of identifiable assets, liabilities and<br>contingent liabilities acquired over cost of business combination | –             | 5.4           | –             | –             |

#### 5. Employee Benefits

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Wages and salaries                         | 549.9         | 491.1         | 4.8           | 4.3           |
| Pension costs – defined contribution plans | 6.2           | 9.2           | 0.1           | 0.1           |
| Pension costs – defined benefit plans      | 16.0          | 15.5          | –             | –             |
| Termination benefits                       | 2.8           | 2.1           | –             | –             |
|  | 574.9         | 517.9         | 4.9           | 4.4           |

#### 6. Net Financing Income/(Charges)

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Interest expense on:   |               |               |               |               |
| – bank borrowings  | (37.5)        | (48.7)        | (1.2)         | (5.5)         |
| – other borrowings   | (14.4)        | (24.7)        | –             | –             |
|  | (51.9)        | (73.4)        | (1.2)         | (5.5)         |
| Fair value gain/(loss) on derivatives not qualifying as hedges | 0.1           | (0.3)         | 0.1           | (0.2)         |
| Other finance costs  | (3.1)         | (6.0)         | (0.2)         | (0.2)         |
| Interest income  | 63.7          | 35.6          | 0.1           | 0.2           |
|  | 8.8           | (44.1)        | (1.2)         | (5.7)         |

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Tax

Tax expense attributable to profit is made up of:

|                                       | Group         |               | Company       |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Current tax:                          |               |               |               |               |
| – Singapore                           | 1.8           | 8.3           | –             | 6.3           |
| – Foreign                             | 444.9         | 305.9         | 23.3          | 10.7          |
|                                       | 446.7         | 314.2         | 23.3          | 17.0          |
| Deferred tax (Note 26)                | (84.4)        | 4.9           | –             | (0.1)         |
|                                       | 362.3         | 319.1         | 23.3          | 16.9          |
| Adjustments in respect of prior years | 4.3           | (1.6)         | –             | –             |
|                                       | 366.6         | 317.5         | 23.3          | 16.9          |

The following sets out the differences between the tax expense on the Group's and the 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       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Profit before tax   | 1,430.0       | 1,142.0       | 213.6         | 132.7         |
| Less: Share of associates' and joint ventures' results after tax                          | (270.1)       | (125.7)       | –             | –             |
|   | 1,159.9       | 1,016.3       | 213.6         | 132.7         |
| Tax calculated at domestic tax rates applicable to profits<br>in the respective countries | 336.0         | 297.9         | 27.2          | 15.8          |
| Income not subject to tax   | (10.5)        | (9.6)         | (6.1)         | (2.8)         |
| Expenses not deductible for tax purposes  | 32.4          | 23.8          | 2.2           | 3.9           |
| Utilisation of previously unrecognised:   |               |               |               |               |
| – tax losses  | (0.2)         | (4.1)         | –             | –             |
| – temporary differences   | (0.2)         | (0.1)         | –             | –             |
| Deferred tax liabilities written back   | (1.9)         | –             | –             | –             |
| Tax losses arising in the year not recognised   | 0.9           | 0.5           | –             | –             |
| Temporary differences arising in the year not recognised                                  | –             | 0.2           | –             | –             |
| Recognition of assets during the year on previously unrecognised<br>temporary differences | –             | 0.1           | –             | –             |
| Withholding tax   | 16.6          | 10.1          | –             | –             |
| Adjustments in respect of prior years   | 4.3           | (1.6)         | –             | –             |
| Change in tax rates   | (10.4)        | 0.4           | –             | –             |
| Others  | (0.4)         | (0.1)         | –             | –             |
|   | 366.6         | 317.5         | 23.3          | 16.9          |

The effective applicable tax rate was 32% (2007: 31%).

## 8. Dividends (Net)

At the Annual General Meeting on 29 April 2009, a final dividend in respect of 2008 of US¢36.00 per share amounting to a dividend of approximately US\$128.0 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 2009. The dividends paid in 2008 and 2007 were as follows:

|   | Group and Company |       |
|---|-------------------|-------|
|   | 2008              | 2007  |
|   | US\$m             | US\$m |
| Final dividend in respect of previous year of US¢32.00 per share,<br>(2007: in respect of 2006 of US¢17.00 less income tax) | 109.1             | 48.2  |
| Interim dividend in respect of current year of US¢14.00 per share,<br>(2007: US¢11.00 less income tax)                      | 50.4              | 31.8  |
|   | 159.5             | 80.0  |

Value of scrip dividends allotted and issued are shown as follows:

|   |      |      |
|---|------|------|
| Final dividend in respect of previous financial year  | 77.0 | 35.7 |
| Interim dividend in respect of current financial year | –    | 23.6 |
|   | 77.0 | 59.3 |

## 9. Earnings Per Share

|  | Group     |           |
|--|-----------|-----------|
|  | 2008      | 2007      |
|  | US\$m     | US\$m     |
| <b>Basic earnings per share</b>  |           |           |
| Profit attributable to shareholders  | 448.2     | 340.1     |
| Weighted average number of ordinary shares in issue (millions)                       | 352.5     | 345.4     |
| Basic earnings per share   | US¢127.15 | US¢98.47  |
| <b>Diluted earnings per share</b>  |           |           |
| Profit attributable to shareholders  | 448.2     | 340.1     |
| Weighted average number of ordinary shares in issue (millions)                       | 352.5     | 345.4     |
| Adjustment for assumed conversion of share options (millions)                        | –*        | –*        |
| Weighted average number of ordinary shares for diluted earnings per share (millions) | 352.5     | 345.4     |
| Diluted earnings per share   | US¢127.15 | US¢98.47  |
| <b>Underlying earnings per share</b>   |           |           |
| Underlying profit attributable to shareholders                                       | 477.2     | 374.0     |
| Basic underlying earnings per share  | US¢135.38 | US¢108.28 |
| Diluted underlying earnings per share  | US¢135.38 | US¢108.28 |

\* Less than 0.1 million

## NOTES TO THE FINANCIAL STATEMENTS

### 9. Earnings Per Share (continued)

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

|  | Group         |               |
|--|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m |
| <b>Profit attributable to shareholders</b>   | <b>448.2</b>  | <b>340.1</b>  |
| <b>Less: Non-trading items (net of tax and minority interests)</b>   |               |               |
| Fair value changes of:   |               |               |
| – plantations  | (47.0)        | 9.5           |
| – investment properties  | 0.2           | 0.4           |
| Profit/(loss) on disposal of:  |               |               |
| – plantation assets  | 9.3           | –             |
| – surplus properties   | 2.2           | 0.2           |
| – subsidiaries and associates  | (0.1)         | (5.8)         |
| Impairment of motorcycle distribution franchise rights in an associate   | –             | (37.6)        |
| Impact of reduced tax rates on deferred tax on valuation of franchise rights   | 4.9           | –             |
| Restructuring of operations  | 1.5           | (4.0)         |
| Excess of net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost of business combination | –             | 2.4           |
| Others   | –             | 1.0           |
|  | <b>(29.0)</b> | <b>(33.9)</b> |
| <b>Underlying profit attributable to shareholders</b>  | <b>477.2</b>  | <b>374.0</b>  |

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

|   | Group         |               |
|---|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m |
| <b>Astra</b>  |               |               |
| Motor vehicles  | 111.1         | 84.9          |
| Motorcycles   | 82.3          | 65.0          |
| Other automotive                                      | 33.3          | 24.3          |
| Financial services                                    | 76.1          | 78.6          |
| Automotive and financial services                     | 302.8         | 252.8         |
| Agribusiness  | 95.9          | 86.0          |
| Heavy equipment and mining                            | 81.3          | 43.6          |
| Other   | 6.3           | 6.5           |
| Resources and others                                  | 183.5         | 136.1         |
| Corporate costs and other                             | (25.8)        | (32.6)        |
|   | <b>460.5</b>  | <b>356.3</b>  |
| <b>Other motor interests</b>                          |               |               |
| Singapore   | 34.6          | 32.8          |
| Malaysia  | 3.5           | 2.3           |
| Indonesia (Tunas Ridean)                              | 8.9           | 7.5           |
| Vietnam   | (2.9)         | –             |
|   | <b>44.1</b>   | <b>42.6</b>   |
| <b>Corporate costs and withholding tax</b>            |               |               |
| Corporate costs                                       | (10.8)        | (14.8)        |
| Withholding tax on dividends from Indonesia           | (16.6)        | (10.1)        |
|   | <b>(27.4)</b> | <b>(24.9)</b> |
| <b>Underlying profit attributable to shareholders</b> | <b>477.2</b>  | <b>374.0</b>  |

## 10. Intangible Assets

|   | Goodwill<br>US\$m | Franchise<br>rights<br>US\$m | Concession<br>rights<br>US\$m | Customer<br>acquisition<br>costs<br>US\$m | Deferred<br>exploration<br>costs<br>US\$m | Computer<br>software<br>& others<br>US\$m | Total<br>US\$m |
|---|-------------------|------------------------------|-------------------------------|---|---|---|----------------|
| <b>Group</b>  |                   |                              |                               |   |   |   |                |
| <b>2008</b>   |                   |                              |                               |   |   |   |                |
| Balance at 1 January  | 216.0             | 224.4                        | –                             | 17.8                                      | –   | 2.2                                       | 460.4          |
| Translation adjustments   | (32.4)            | (31.4)                       | (13.1)                        | (3.2)                                     | (0.6)                                     | (0.4)                                     | (81.1)         |
| Additions   | 19.6              | –                            | 1.6                           | 16.0                                      | 2.3                                       | 0.6                                       | 40.1           |
| Additions arising from acquisition<br>of subsidiaries (Note 37) | –                 | –                            | 119.4                         | –   | 3.4                                       | 1.2                                       | 124.0          |
| Disposals   | (0.8)             | –                            | (0.1)                         | –   | –   | –   | (0.9)          |
| Impairment (Note 4)   | (0.5)             | –                            | –                             | –   | –   | –   | (0.5)          |
| Amortisation (Note 4)   | –                 | –                            | (0.6)                         | (9.3)                                     | –   | (0.9)                                     | (10.8)         |
| Balance at 31 December  | 201.9             | 193.0                        | 107.2                         | 21.3                                      | 5.1                                       | 2.7                                       | 531.2          |
| Cost  | 203.3             | 193.0                        | 107.7                         | 31.3                                      | 5.1                                       | 3.8                                       | 544.2          |
| Amortisation and impairment                                     | (1.4)             | –                            | (0.5)                         | (10.0)                                    | –   | (1.1)                                     | (13.0)         |
|   | 201.9             | 193.0                        | 107.2                         | 21.3                                      | 5.1                                       | 2.7                                       | 531.2          |
| <b>2007</b>   |                   |                              |                               |   |   |   |                |
| Balance at 1 January  | 222.5             | 234.2                        | –                             | –   | –   | 1.0                                       | 457.7          |
| Translation adjustments   | (9.5)             | (9.8)                        | –                             | (0.5)                                     | –   | (0.1)                                     | (19.9)         |
| Additions   | 3.0               | –                            | –                             | 20.4                                      | –   | 1.6                                       | 25.0           |
| Amortisation (Note 4)   | –                 | –                            | –                             | (2.1)                                     | –   | (0.3)                                     | (2.4)          |
| Balance at 31 December  | 216.0             | 224.4                        | –                             | 17.8                                      | –   | 2.2                                       | 460.4          |
| Cost  | 217.0             | 224.4                        | –                             | 19.8                                      | –   | 2.6                                       | 463.8          |
| Amortisation and impairment                                     | (1.0)             | –                            | –                             | (2.0)                                     | –   | (0.4)                                     | (3.4)          |
|   | 216.0             | 224.4                        | –                             | 17.8                                      | –   | 2.2                                       | 460.4          |

The analysis of goodwill by geographical segments is as follows:

|           | Group         |               |
|-----------|---------------|---------------|
|           | 2008<br>US\$m | 2007<br>US\$m |
| Indonesia | 201.9         | 216.0         |

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

The carrying amounts of franchise rights comprise automotive of US\$69.7 million (2007: US\$81.1 million) and heavy equipment of US\$123.3 million (2007: US\$143.3 million). Management has performed an impairment review of the carrying amounts of franchise rights at 31 December 2008 and has concluded that no impairment has occurred. 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 four-year period. Cash flows beyond the four-year period are extrapolated using the estimates stated below:

|                        |           |
|------------------------|-----------|
| Growth rates           | 3% – 4%   |
| Pre-tax discount rates | 30% – 32% |

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Leasehold Land Use Rights

|  | 2008<br>US\$m | Group<br>2007<br>US\$m |
|--|---------------|------------------------|
| Net book value at 1 January                                  | 403.7         | 429.9                  |
| Translation adjustments                                      | (53.4)        | (15.8)                 |
| Additions  | 19.8          | 8.7                    |
| Additions arising from acquisition of subsidiaries (Note 37) | –             | 1.6                    |
| Disposals  | (2.6)         | (3.6)                  |
| Disposals arising from disposal of subsidiaries (Note 37)    | (0.7)         | –                      |
| Transfer from/(to) investment properties (Note 13)           | 1.6           | (0.8)                  |
| Amortisation (Note 4)  | (15.5)        | (16.0)                 |
| Impairment (Note 4)  | (5.1)         | –                      |
| Classified as non-current assets held for sale               | –             | (0.3)                  |
| Net book value at 31 December                                | <b>347.8</b>  | 403.7                  |
| Cost   | <b>402.8</b>  | 445.4                  |
| Amortisation and impairment                                  | <b>(55.0)</b> | (41.7)                 |
|  | <b>347.8</b>  | 403.7                  |

Leasehold land use rights at 31 December 2008 with a net book value of US\$5.5 million (2007: US\$4.2 million) have been pledged as collateral for bank loans (Note 25).

## 12. Property, Plant and Equipment

|                                    | Freehold<br>land<br>US\$m | Mining<br>properties<br>US\$m | Buildings and<br>leasehold<br>improvements<br>US\$m | Plant &<br>machinery<br>US\$m | Office<br>furniture,<br>fixtures &<br>equipment<br>US\$m | Transportation<br>equipment<br>& motor<br>vehicles<br>US\$m | Total<br>US\$m |
|------------------------------------|---------------------------|-------------------------------|---|-------------------------------|--|---|----------------|
| <b>Group</b>                       |                           |                               |   |                               |  |   |                |
| <b>2008</b>                        |                           |                               |   |                               |  |   |                |
| Net book value at 1 January        | 10.8                      | 34.4                          | 479.9   | 528.3                         | 64.7   | 195.1   | 1,313.2        |
| Translation adjustments            | (0.4)                     | (26.9)                        | (77.6)  | (82.2)                        | (8.9)  | (31.5)  | (227.5)        |
| Additions                          | –                         | –                             | 159.9   | 285.8                         | 40.3   | 108.3   | 594.3          |
| Additions arising from acquisition |                           |                               |   |                               |  |   |                |
| of subsidiaries (Note 37)          | –                         | 215.4                         | 2.3   | 0.6                           | 6.8  | 0.2   | 225.3          |
| Revaluation                        | 0.5                       | –                             | 61.4  | –                             | –  | –   | 61.9           |
| Transfer from investment           |                           |                               |   |                               |  |   |                |
| properties (Note 13)               | –                         | –                             | 0.5   | –                             | –  | –   | 0.5            |
| Disposals                          | –                         | –                             | (8.9)   | (37.7)                        | (11.2)   | (16.8)  | (74.6)         |
| Disposals arising from disposal    |                           |                               |   |                               |  |   |                |
| of subsidiaries (Note 37)          | –                         | –                             | (1.8)   | (1.4)                         | (0.5)  | (0.8)   | (4.5)          |
| Depreciation (Note 4)              | –                         | (12.8)                        | (44.6)  | (152.8)                       | (28.5)   | (48.4)  | (287.1)        |
| Classified as non-current assets   |                           |                               |   |                               |  |   |                |
| held for sale                      | (2.1)                     | –                             | (0.2)   | –                             | –  | –   | (2.3)          |
| Net book value at 31 December      | 8.8                       | 210.1                         | 570.9   | 540.6                         | 62.7   | 206.1   | 1,599.2        |
| Cost/valuation                     | 8.8                       | 232.5                         | 700.8   | 833.4                         | 140.4  | 266.6   | 2,182.5        |
| Accumulated depreciation           | –                         | (22.4)                        | (129.9)   | (292.8)                       | (77.7)   | (60.5)  | (583.3)        |
|                                    | 8.8                       | 210.1                         | 570.9   | 540.6                         | 62.7   | 206.1   | 1,599.2        |
| <b>2007</b>                        |                           |                               |   |                               |  |   |                |
| Net book value at 1 January        | 10.2                      | –                             | 469.8   | 542.1                         | 70.0   | 182.3   | 1,274.4        |
| Translation adjustments            | 0.8                       | (0.9)                         | (14.2)  | (22.1)                        | (2.2)  | (7.8)   | (46.4)         |
| Additions                          | –                         | 48.4                          | 40.2  | 161.4                         | 29.5   | 77.0  | 356.5          |
| Additions arising from acquisition |                           |                               |   |                               |  |   |                |
| of subsidiaries (Note 37)          | –                         | –                             | 0.7   | 1.6                           | 0.5  | –   | 2.8            |
| Revaluation                        | –                         | –                             | 25.6  | –                             | –  | –   | 25.6           |
| Disposals                          | –                         | –                             | (3.0)   | (11.9)                        | (2.2)  | (12.5)  | (29.6)         |
| Depreciation (Note 4)              | –                         | (13.1)                        | (38.5)  | (142.8)                       | (30.9)   | (43.9)  | (269.2)        |
| Impairment (Note 4)                | (0.1)                     | –                             | (0.1)   | –                             | –  | –   | (0.2)          |
| Classified as non-current assets   |                           |                               |   |                               |  |   |                |
| held for sale                      | (0.1)                     | –                             | (0.6)   | –                             | –  | –   | (0.7)          |
| Net book value at 31 December      | 10.8                      | 34.4                          | 479.9   | 528.3                         | 64.7   | 195.1   | 1,313.2        |
| Cost/valuation                     | 10.8                      | 47.1                          | 584.1   | 773.3                         | 117.5  | 245.7   | 1,778.5        |
| Accumulated depreciation           | –                         | (12.7)                        | (104.2)   | (245.0)                       | (52.8)   | (50.6)  | (465.3)        |
|                                    | 10.8                      | 34.4                          | 479.9   | 528.3                         | 64.7   | 195.1   | 1,313.2        |

The Group's freehold land and buildings and leasehold buildings were revalued in 2008 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. The revaluation surplus (net of deferred tax) in 2008 amounted to US\$50.6 million (2007: US\$21.5 million) of which the Group's share of US\$21.7 million (2007: US\$11.0 million) was credited to the asset revaluation reserve.

If all freehold land, buildings and leasehold improvements had been included in the financial statements at cost less depreciation, the net written down value of these properties would have been US\$449.1 million (2007: US\$381.8 million).

Property, plant and equipment at 31 December 2008 with a net book value of US\$221.3 million (2007: US\$378.3 million) have been pledged as collateral for bank loans (Note 25).

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Property, Plant and Equipment (continued)

Included in the additions are plant and machinery acquired under finance leases amounting to US\$0.5 million (2007: US\$24.3 million).

The carrying amount of plant and machinery held under finance leases at 31 December 2008 amounted to US\$75.0 million (2007: US\$152.9 million).

|                               | Leasehold<br>improvements<br>US\$m | Office<br>furniture,<br>fixtures &<br>equipment<br>US\$m | Motor<br>vehicles<br>US\$m | Total<br>US\$m |
|-------------------------------|------------------------------------|--|----------------------------|----------------|
| <b>Company</b>                |                                    |  |                            |                |
| <b>2008</b>                   |                                    |  |                            |                |
| Net book value at 1 January   | –                                  | 0.1  | 0.6                        | 0.7            |
| Depreciation (Note 4)         | –                                  | (0.1)  | (0.1)                      | (0.2)          |
| Net book value at 31 December | –                                  | –  | 0.5                        | 0.5            |
| Cost                          | 0.4                                | 0.5  | 0.8                        | 1.7            |
| Accumulated depreciation      | (0.4)                              | (0.5)  | (0.3)                      | (1.2)          |
|                               | –                                  | –  | 0.5                        | 0.5            |
| <b>2007</b>                   |                                    |  |                            |                |
| Net book value at 1 January   | –                                  | 0.1  | 0.8                        | 0.9            |
| Additions                     | –                                  | –  | 0.3                        | 0.3            |
| Disposals                     | –                                  | –  | (0.3)                      | (0.3)          |
| Depreciation (Note 4)         | –                                  | –  | (0.2)                      | (0.2)          |
| Net book value at 31 December | –                                  | 0.1  | 0.6                        | 0.7            |
| Cost                          | 0.4                                | 0.5  | 0.8                        | 1.7            |
| Accumulated depreciation      | (0.4)                              | (0.4)  | (0.2)                      | (1.0)          |
|                               | –                                  | 0.1  | 0.6                        | 0.7            |

### 13. Investment Properties

|  | Group         |               |
|--|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m |
| At valuation:  |               |               |
| Leasehold land and buildings   | 17.4          | 28.0          |
| Movements during the year are as follows:  |               |               |
| Balance at 1 January   | 28.0          | 33.0          |
| Translation adjustments  | (3.2)         | (1.1)         |
| Fair value changes (Note 4)  | 0.5           | 1.6           |
| Disposals  | (6.0)         | (6.3)         |
| Additions arising from acquisition of subsidiaries (Note 37)                                     | 0.2           | –             |
| Transfer (to)/from leasehold land use rights and property, plant and equipment (Notes 11 and 12) | (2.1)         | 0.8           |
| Balance at 31 December   | 17.4          | 28.0          |

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

#### 14. Plantations

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

|  | Group         |               |
|--|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m |
| Movements during the year are as follows:                    |               |               |
| Balance at 1 January   | 514.6         | 460.1         |
| Translation adjustments                                      | (60.9)        | (21.4)        |
| Additions  | 70.5          | 41.1          |
| Additions arising from acquisition of subsidiaries (Note 37) | 0.6           | –             |
| Disposals  | (10.2)        | (0.2)         |
| Fair value (loss)/gain (Note 4)                              | (161.9)       | 35.0          |
| Balance at 31 December                                       | 352.7         | 514.6         |
| Immature plantations   | 65.4          | 67.2          |
| Mature plantations   | 287.3         | 447.4         |
|  | 352.7         | 514.6         |

The plantations were valued internally at their fair values less point of sale costs using the discounted cash flow method. The major assumptions used in the valuation of the 191,698 (2007: 179,489) hectares of plantations are:

|  | 2008             | 2007             |
|--|------------------|------------------|
| Fresh fruit bunch price per tonne                            | US\$81 to US\$91 | US\$81 to US\$93 |
| Fresh fruit bunch price inflation (for the first five years) | 3%               | 3%               |
| Annual cost inflation (for the first five years)             | 8%               | 8%               |
| Post-tax discount rates                                      | 15%              | 15%              |

During the year, the Group harvested 3.0 million tonnes (2007: 2.9 million tonnes) of produce from the plantations with a fair value at the point of harvest less point of sale costs of US\$467.0 million (2007: US\$406.7 million).

#### 15. Interests in Subsidiaries

|   | Company       |               |
|---|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m |
| At cost:  |               |               |
| – quoted equity securities (market value: 2008: US\$1,987.5 million; 2007: US\$5,926.4 million) | 1,195.0       | 1,191.2       |
| – unquoted equity securities  | 100.0         | 104.4         |
|   | 1,295.0       | 1,295.6       |
| Less: Impairment  | (19.3)        | (19.3)        |
|   | 1,275.7       | 1,276.3       |

A list of principal subsidiaries is set out in Note 41.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. Interests in Associates and Joint Ventures

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| At cost:   |               |               |               |               |
| – quoted equity securities<br>(Group market value: 2008: US\$190.8 million; 2007: US\$394.3 million) | 290.6         | 332.3         | 27.5          | 26.4          |
| – unquoted equity securities   | 253.3         | 224.7         | 72.6          | –             |
|  | 543.9         | 557.0         | 100.1         | 26.4          |
| Post-acquisition reserves  | 811.7         | 785.9         | –             | –             |
|  | 1,355.6       | 1,342.9       | 100.1         | 26.4          |

The market value of quoted equity securities is based on their quoted prices, some of which may not be reflective of their fair values. In determining whether these investments are impaired, management has also considered recent arm's length transactions of a similar nature.

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

|   | 2008<br>US\$m | 2007<br>US\$m |
|---|---------------|---------------|
| Associates                                  |               |               |
| Total assets                                | 421.0         | 373.3         |
| Total liabilities                           | (260.8)       | (236.6)       |
| Attributable to minority interests          | (0.7)         | –             |
| Share of attributable net assets            | 159.5         | 136.7         |
| Revenue                                     | 861.6         | 694.8         |
| Net profit after tax and minority interests | 18.5          | 22.8          |
| Capital commitments                         | 0.3           | 8.7           |
| Joint ventures                              |               |               |
| Non-current assets                          | 1,086.8       | 1,088.2       |
| Current assets                              | 2,800.2       | 2,514.7       |
| Current liabilities                         | (2,416.7)     | (2,105.6)     |
| Non-current liabilities                     | (363.4)       | (345.4)       |
| Attributable to minority interests          | (2.6)         | (2.8)         |
| Share of attributable net assets            | 1,104.3       | 1,149.1       |
| Revenue                                     | 3,904.3       | 2,893.3       |
| Net profit after tax and minority interests | 251.6         | 102.9         |
| Capital commitments                         | 68.3          | 76.6          |
| Contingent liabilities                      | 315.5         | 30.2          |

In 2007, the share of results of associates and joint ventures amounting to US\$125.7 million included a post-tax impairment charge of US\$75.0 million arising from the motorcycle distribution franchise rights.

A list of the Group's principal associates and joint ventures is set out in Note 41.

## 17. Other Investments

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

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Available-for-sale                          |               |               |               |               |
| – quoted investments                        | 114.5         | 97.3          | –             | –             |
| – unquoted investments                      | 54.4          | 46.8          | 6.8           | 6.5           |
|   | 168.9         | 144.1         | 6.8           | 6.5           |
| Held-to-maturity – quoted investments       | 14.5          | 10.6          | –             | –             |
|   | 183.4         | 154.7         | 6.8           | 6.5           |
| Non-current                                 | 179.7         | 133.9         | 6.8           | 6.5           |
| Current                                     | 3.7           | 20.8          | –             | –             |
|   | 183.4         | 154.7         | 6.8           | 6.5           |
| Analysis by geographical area of operation: |               |               |               |               |
| Singapore                                   | 6.8           | 6.5           | 6.8           | 6.5           |
| Indonesia                                   | 153.8         | 128.3         | –             | –             |
| Malaysia                                    | 22.8          | 19.9          | –             | –             |
|   | 183.4         | 154.7         | 6.8           | 6.5           |

Movements during the year are as follows:

|  |        |       |     |     |
|--|--------|-------|-----|-----|
| Balance at 1 January   | 154.7  | 97.1  | 6.5 | –   |
| Translation adjustments  | (23.3) | (3.1) | –   | 0.3 |
| Fair value changes   | (20.3) | 8.3   | 0.3 | –   |
| Additions  | 156.2  | 61.2  | –   | –   |
| Disposals  | (69.6) | (6.9) | –   | –   |
| Capital repayment  | (14.3) | (8.1) | –   | –   |
| Reclassification from associate to available-for-sale investment on<br>reduction of Group's interest | –      | 6.2   | –   | 6.2 |
| Balance at 31 December   | 183.4  | 154.7 | 6.8 | 6.5 |

The fair value of the held-to-maturity quoted investments is US\$14.0 million (2007: US\$10.4 million).

Included in the available-for-sale unquoted investments is a 49% shareholding in Mercedes-Benz Malaysia Sdn Bhd (“MBM”) held through the Group's subsidiary, Cycle & Carriage Bintang Berhad (“CCB”). MBM is not considered an associate of the Group as the Group holds its interest through MBM's Class B shares which do not carry any voting rights nor any right to share in the equity interest in MBM.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Financing Debtors

|                                | Group          |                |
|--------------------------------|----------------|----------------|
|                                | 2008<br>US\$m  | 2007<br>US\$m  |
| Consumer financing debtors     | 1,439.9        | 1,659.6        |
| Less: Allowance for impairment | (109.3)        | (95.4)         |
|                                | <b>1,330.6</b> | <b>1,564.2</b> |
| Financing leases               |                |                |
| – gross investment             | 369.8          | 206.8          |
| – unearned finance income      | (50.3)         | (31.1)         |
| – net investment               | 319.5          | 175.7          |
| Less: Allowance for impairment | (9.0)          | (3.8)          |
|                                | <b>310.5</b>   | <b>171.9</b>   |
|                                | <b>1,641.1</b> | <b>1,736.1</b> |
| Non-current                    | 773.7          | 814.0          |
| Current                        | 867.4          | 922.1          |
|                                | <b>1,641.1</b> | <b>1,736.1</b> |

|  | Gross investment |               | Net investment |               |
|--|------------------|---------------|----------------|---------------|
|  | 2008<br>US\$m    | 2007<br>US\$m | 2008<br>US\$m  | 2007<br>US\$m |
| Due dates of investment in financing leases: |                  |               |                |               |
| Within one year                              | 194.3            | 103.1         | 161.0          | 82.8          |
| Between one and two years                    | 120.8            | 73.3          | 106.9          | 64.5          |
| Between two and five years                   | 51.1             | 30.4          | 48.0           | 28.4          |
| Beyond five years                            | 3.6              | –             | 3.6            | –             |
|  | <b>369.8</b>     | <b>206.8</b>  | <b>319.5</b>   | <b>175.7</b>  |

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

The average loan period is 12 to 36 months for motor vehicles and motorcycles. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment are considered indicators that the debtor is impaired. An allowance for impairment is made based on the estimated irrecoverable amount by reference to past default experience. Assets are repossessed if monthly instalments are overdue for 30 days for motor vehicles and 60 days for motorcycles. Management has considered the balances against which collective impairment provision is made as impaired.

The fair value of the financing debtors is US\$1,557.8 million (2007: US\$1,657.0 million). The fair value of the non-current financing debtors are determined based on cash flows discounted using rates of 10% to 36% (2007: 14% to 34%) per annum.

Financing debtors are due within five years (2007: Five years) from the balance sheet date and the interest rates range from 15% to 28% (2007: 15% to 26%) per annum.

Financing debtors amounting to US\$821.8 million at 31 December 2008 (2007: US\$716.1 million) have been pledged as security for borrowings (Note 25).

Movements in the allowance for impairment of financing debtors are as follows:

|   | 2008<br>US\$m | 2007<br>US\$m |
|---|---------------|---------------|
| Balance at 1 January                    | 99.2          | 98.0          |
| Translation adjustments                 | (17.9)        | (3.8)         |
| Allowance made during the year (Note 4) | 99.5          | 77.7          |
| Utilised during the year                | (62.5)        | (72.7)        |
| Balance at 31 December                  | 118.3         | 99.2          |

#### 19. Stocks

|                  | 2008<br>US\$m | Group<br>2007<br>US\$m |
|------------------|---------------|------------------------|
| Finished goods   | 737.8         | 508.5                  |
| Work in progress | 22.4          | 12.5                   |
| Raw materials    | 53.6          | 41.3                   |
| Spare parts      | 33.9          | 38.1                   |
| Others           | 73.7          | 42.5                   |
|                  | 921.4         | 642.9                  |

Stocks amounting to US\$13.6 million at 31 December 2008 (2007: US\$6.0 million) have been pledged as collateral for bank borrowings and loans (Note 25).

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Debtors

|  | Group          |                | Company       |               |
|--|----------------|----------------|---------------|---------------|
|  | 2008<br>US\$m  | 2007<br>US\$m  | 2008<br>US\$m | 2007<br>US\$m |
| <b>Financing debtors (Note 18)</b>                 | <b>1,641.1</b> | <b>1,736.1</b> | –             | –             |
| <b>Trade debtors</b>                               |                |                |               |               |
| Amounts owing by third parties                     | 595.1          | 639.6          | –             | –             |
| Less: Allowance for impairment                     | (15.2)         | (31.9)         | –             | –             |
|  | 579.9          | 607.7          | –             | –             |
| Amounts owing by associates and joint ventures     | 31.4           | 34.0           | –             | –             |
|  | 611.3          | 641.7          | –             | –             |
| <b>Other debtors</b>                               |                |                |               |               |
| Reinsurers' share of estimated losses (Note 35)    | 16.5           | 20.6           | –             | –             |
| Repossessed assets                                 | 5.8            | 21.0           | –             | –             |
| Sundry debtors                                     | 31.9           | 54.0           | 0.1           | –             |
| Less: Allowance for impairment                     | (0.5)          | (0.8)          | –             | –             |
|  | 31.4           | 53.2           | 0.1           | –             |
| Restricted bank balances and deposits (Note 21)    | 8.4            | 6.1            | –             | –             |
| Loans to employees                                 | 20.5           | 23.1           | 0.1           | 0.1           |
| Deposits   | 24.4           | 27.1           | 0.1           | 0.1           |
| Prepayments  | 119.4          | 123.7          | 0.1           | 0.1           |
| Interest receivable                                | 1.2            | 1.8            | –             | –             |
| Cross currency swap contracts (Note 34)            | 69.9           | 7.2            | –             | –             |
| Forward foreign exchange contracts (Note 34)       | 1.4            | 1.2            | –             | –             |
| Interest rate swap contracts (Note 34)             | 1.2            | –              | –             | –             |
|  | 72.5           | 8.4            | –             | –             |
| Amounts owing by associates and joint ventures     | 12.6           | 20.5           | –             | –             |
| Less: Allowance for impairment                     | (1.5)          | (1.8)          | –             | –             |
|  | 11.1           | 18.7           | –             | –             |
| Amounts owing by subsidiaries                      | –              | –              | 30.5          | 30.4          |
| Less: Allowance for impairment                     | –              | –              | (22.4)        | (22.3)        |
|  | –              | –              | 8.1           | 8.1           |
| Others   | 20.1           | 14.1           | –             | –             |
|  | 331.3          | 317.8          | 8.5           | 8.4           |
|  | 2,583.7        | 2,695.6        | 8.5           | 8.4           |
| <b>Non-current</b>                                 | <b>893.4</b>   | <b>878.3</b>   | –             | –             |
| <b>Current</b>                                     | <b>1,690.3</b> | <b>1,817.3</b> | <b>8.5</b>    | <b>8.4</b>    |
|  | 2,583.7        | 2,695.6        | 8.5           | 8.4           |
| <b>Analysis by geographical area of operation:</b> |                |                |               |               |
| Indonesia  | 2,529.6        | 2,610.4        | –             | –             |
| Singapore  | 36.7           | 52.7           | 8.5           | 8.4           |
| Malaysia   | 17.4           | 32.5           | –             | –             |
|  | 2,583.7        | 2,695.6        | 8.5           | 8.4           |

The average credit period on sale of goods and services varies among Group businesses, but is not more than 60 days. Before accepting any new customer, the Group assesses the potential customer's credit quality and sets credit limits by customer using internal credit scoring systems. These limits and scoring are reviewed periodically. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment are considered indicators that the debtor is impaired and an allowance for impairment is made based on the estimated irrecoverable amount determined by reference to past default experience. The risk of debtors that are neither past due nor impaired as at 31 December 2008 becoming impaired is low as most of the balances have been settled subsequent to the year end.

At 31 December 2008, trade and other debtors of the Group and the Company of US\$17.2 million (2007: US\$34.5 million) and US\$22.4 million (2007: US\$22.3 million), respectively, were impaired. The amount of the allowances for the Group and the Company was US\$17.2 million (2007: US\$34.5 million) and US\$22.4 million (2007: US\$22.3 million), respectively. The ageing analysis of these debtors is as follows:

|                        | Group         |               | Company       |               |
|------------------------|---------------|---------------|---------------|---------------|
|                        | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Below 30 days          | 2.2           | 0.3           | –             | –             |
| Between 31 and 60 days | 0.3           | 0.1           | –             | –             |
| Between 61 and 90 days | 0.5           | 0.3           | –             | –             |
| Over 90 days           | 14.2          | 33.8          | 22.4          | 22.3          |
|                        | 17.2          | 34.5          | 22.4          | 22.3          |

At 31 December 2008, trade and other debtors of the Group of US\$171.0 million (2007: US\$227.1 million) were past due but not impaired. The ageing analysis of these debtors is as follows:

|                        | Group         |               |
|------------------------|---------------|---------------|
|                        | 2008<br>US\$m | 2007<br>US\$m |
| Below 30 days          | 103.1         | 149.1         |
| Between 31 and 60 days | 24.3          | 42.4          |
| Between 61 and 90 days | 12.4          | 15.5          |
| Over 90 days           | 31.2          | 20.1          |
|                        | 171.0         | 227.1         |

Movements in the allowance for impairment of trade debtors are as follows:

|  | Group         |               |
|--|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m |
| Balance at 1 January                                 | 31.9          | 62.8          |
| Translation adjustments                              | (2.2)         | (1.3)         |
| Additions arising from acquisition of subsidiaries   | 0.2           | –             |
| Disposals arising from disposal of subsidiaries      | (0.5)         | –             |
| Allowance/(write-back) made during the year (Note 4) | 6.9           | (9.2)         |
| Utilised during the year                             | (21.1)        | (20.4)        |
| Balance at 31 December                               | 15.2          | 31.9          |

Movements in the allowance for impairment of other debtors are as follows:

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Balance at 1 January                                 | 2.6           | 3.2           | 22.3          | 18.7          |
| Translation adjustments                              | (0.6)         | –             | 0.1           | 1.3           |
| Allowance/(write-back) made during the year (Note 4) | 0.2           | (0.3)         | –             | 2.3           |
| Utilised during the year                             | (0.2)         | (0.3)         | –             | –             |
| Balance at 31 December                               | 2.0           | 2.6           | 22.4          | 22.3          |

Trade and other debtors of the Group amounting to US\$9.0 million at 31 December 2008 (2007: US\$5.5 million) have been pledged as collateral for bank borrowings and loans (Note 25).

The advances to subsidiaries, associates and joint ventures are interest free.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Bank Balances and Other Liquid Funds

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Bank and cash balances                                | 422.3         | 283.7         | 4.0           | 6.9           |
| Deposits with banks and financial institutions        | 425.7         | 418.7         | –             | –             |
|   | 848.0         | 702.4         | 4.0           | 6.9           |
| Less: Restricted bank balances and deposits (Note 20) | (8.4)         | (6.1)         | –             | –             |
|   | 839.6         | 696.3         | 4.0           | 6.9           |
| Analysis by geographical area of operation:           |               |               |               |               |
| Indonesia   | 810.7         | 671.2         | –             | –             |
| Singapore   | 20.0          | 21.4          | 4.0           | 6.9           |
| Malaysia  | 17.3          | 9.8           | –             | –             |
|   | 848.0         | 702.4         | 4.0           | 6.9           |

The weighted average effective interest rate on interest bearing deposits at 31 December 2008 was 6.3% (2007: 5.3%) per annum.

### 22. Non-Current Assets Held for Sale

At 31 December 2008, an investment property of a subsidiary was held for sale.

At 31 December 2007, the non-current assets held for sale of US\$3.1 million consisted of leasehold land use rights of US\$0.3 million, property, plant and equipment of US\$0.7 million and an investment property of US\$2.1 million held by a subsidiary.

### 23. Creditors

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| <b>Trade creditors</b>   |               |               |               |               |
| Amounts owing to third parties   | 587.4         | 392.1         | –             | –             |
| Amounts owing to associates and joint ventures                               | 92.5          | 130.6         | –             | –             |
|  | 679.9         | 522.7         | –             | –             |
| <b>Other creditors</b>   |               |               |               |               |
| Insurance contracts – gross estimated losses and unearned premiums (Note 35) | 186.3         | 174.8         | –             | –             |
| Sundry creditors   | 130.7         | 140.7         | 3.9           | 3.3           |
| Accrued operating expenses   | 325.5         | 290.2         | 4.1           | 5.0           |
| Factoring payables   | 0.4           | 2.5           | –             | –             |
| Interest payable   | 13.9          | 16.6          | –             | 0.3           |
| Cross currency swap contracts (Note 34)                                      | 3.0           | 2.6           | –             | –             |
| Forward foreign exchange contracts (Note 34)                                 | 0.4           | 0.8           | –             | –             |
| Interest rate swap contracts (Note 34)                                       | 5.9           | 1.4           | –             | 0.2           |
|  | 9.3           | 4.8           | –             | 0.2           |
| Amounts owing to associates and joint ventures                               | 2.4           | 2.1           | –             | –             |
| Amounts owing to subsidiaries  | –             | –             | 65.2          | 65.8          |
|  | 668.5         | 631.7         | 73.2          | 74.6          |
|  | 1,348.4       | 1,154.4       | 73.2          | 74.6          |
| Non-current  | 93.5          | 58.6          | –             | –             |
| Current  | 1,254.9       | 1,095.8       | 73.2          | 74.6          |
|  | 1,348.4       | 1,154.4       | 73.2          | 74.6          |
| Analysis by geographical area of operation:                                  |               |               |               |               |
| Indonesia  | 1,245.5       | 1,045.2       | –             | –             |
| Singapore  | 72.1          | 96.4          | 73.2          | 74.6          |
| Malaysia   | 30.8          | 12.8          | –             | –             |
|  | 1,348.4       | 1,154.4       | 73.2          | 74.6          |

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

|                              | Group         |               | Company       |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Within one year              | 1,254.2       | 1,092.9       | 73.2          | 74.4          |
| Between one and two years    | 50.5          | 49.7          | –             | –             |
| Between two and three years  | 27.3          | 4.9           | –             | –             |
| Between three and four years | 5.3           | 0.1           | –             | –             |
| Between four and five years  | 0.4           | –             | –             | –             |
| Beyond five years            | 1.4           | 2.0           | –             | –             |
|                              | 1,339.1       | 1,149.6       | 73.2          | 74.4          |

The factoring payables relate to consumer financing debtors of an equivalent amount which were sold with recourse and continue to be recognised as debtors. The maturity of these liabilities corresponds with the related consumer financing debtors and is not more than five years (2007: Five years). The liabilities bear interest at rates of 10.2% 18.25% (2007: 10.2% to 18.25%) per annum.

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

#### 24. Provisions

|   | Warranty and<br>Goodwill<br>expenses<br>US\$m | Guarantee<br>servicing<br>US\$m | Closure<br>costs<br>US\$m | Statutory<br>employee<br>entitlement<br>US\$m | Others<br>US\$m | Total<br>US\$m |
|---|---|---------------------------------|---------------------------|---|-----------------|----------------|
| <b>Group</b>  |   |                                 |                           |   |                 |                |
| <b>2008</b>   |   |                                 |                           |   |                 |                |
| Balance at 1 January  | 20.9  | 0.4                             | 6.4                       | 19.6  | 0.2             | 47.5           |
| Translation adjustments   | 0.1   | –                               | (0.1)                     | (4.4)   | (0.4)           | (4.8)          |
| Additions arising from acquisition<br>of subsidiaries (Note 37) | –   | –                               | –                         | 0.5   | –               | 0.5            |
| Disposals arising from disposal<br>of subsidiaries (Note 37)    | (0.3)   | –                               | (0.2)                     | (0.2)   | –               | (0.7)          |
| Provision made during the year (Note 4)                         | 2.0   | 0.6                             | (2.2)                     | 16.1  | 4.8             | 21.3           |
| Utilised during the year  | (4.7)   | (0.6)                           | (1.7)                     | (1.1)   | –               | (8.1)          |
| Balance at 31 December  | 18.0  | 0.4                             | 2.2                       | 30.5  | 4.6             | 55.7           |
| Non-current   | –   | –                               | –                         | 27.6  | 3.3             | 30.9           |
| Current   | 18.0  | 0.4                             | 2.2                       | 2.9   | 1.3             | 24.8           |
|   | 18.0  | 0.4                             | 2.2                       | 30.5  | 4.6             | 55.7           |
| <b>2007</b>   |   |                                 |                           |   |                 |                |
| Balance at 1 January  | 21.3  | 0.6                             | 2.5                       | 17.2  | 0.2             | 41.8           |
| Translation adjustments   | 1.3   | –                               | 0.2                       | (0.8)   | –               | 0.7            |
| Additions arising from acquisition<br>of subsidiaries (Note 37) | –   | –                               | –                         | 0.1   | –               | 0.1            |
| Provision made during the year (Note 4)                         | 3.9   | 0.5                             | 3.7                       | 3.2   | 0.1             | 11.4           |
| Utilised during the year  | (5.6)   | (0.7)                           | –                         | (0.1)   | (0.1)           | (6.5)          |
| Balance at 31 December  | 20.9  | 0.4                             | 6.4                       | 19.6  | 0.2             | 47.5           |
| Non-current   | –   | –                               | –                         | 17.8  | –               | 17.8           |
| Current   | 20.9  | 0.4                             | 6.4                       | 1.8   | 0.2             | 29.7           |
|   | 20.9  | 0.4                             | 6.4                       | 19.6  | 0.2             | 47.5           |

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Borrowings

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| <b>Current borrowings</b>                  |               |               |               |               |
| Bank loans                                 | 491.0         | 326.8         | –             | 38.1          |
| Bank overdrafts                            | 8.9           | 30.3          | –             | –             |
| Current portion of long-term borrowings:   |               |               |               |               |
| – Bank loans                               | 451.3         | 497.7         | –             | –             |
| – Astra Sedaya Finance IV Bonds            | –             | 4.1           | –             | –             |
| – Astra Sedaya Finance V Bonds             | –             | 16.7          | –             | –             |
| – Astra Sedaya Finance VI Bonds            | 7.2           | 23.6          | –             | –             |
| – Astra Sedaya Finance VII Bonds           | 16.0          | 20.1          | –             | –             |
| – Astra Sedaya Finance VIII Bonds          | 8.2           | 28.0          | –             | –             |
| – Astra Sedaya Finance IX Bonds            | 32.2          | –             | –             | –             |
| – Federal International Finance V Bonds    | –             | 31.7          | –             | –             |
| – Federal International Finance VI Bonds   | 25.7          | 9.9           | –             | –             |
| – Federal International Finance VII Bonds  | 6.8           | 29.1          | –             | –             |
| – Federal International Finance VIII Bonds | 53.2          | –             | –             | –             |
| – Serasi Autoraya I Bonds                  | –             | 10.5          | –             | –             |
| – Astra Graphia I Bonds                    | –             | 12.6          | –             | –             |
| – Finance lease liabilities                | 28.0          | 64.8          | –             | –             |
| – Others                                   | 83.2          | 146.4         | –             | –             |
| Current borrowings                         | 1,211.7       | 1,252.3       | –             | 38.1          |
| <b>Long-term borrowings</b>                |               |               |               |               |
| Bank loans                                 | 673.0         | 561.5         | –             | –             |
| Astra Sedaya Finance VI Bonds              | 4.1           | 12.5          | –             | –             |
| Astra Sedaya Finance VII Bonds             | –             | 19.6          | –             | –             |
| Astra Sedaya Finance VIII Bonds            | 51.1          | 69.2          | –             | –             |
| Astra Sedaya Finance IX Bonds              | 51.6          | –             | –             | –             |
| Federal International Finance VI Bonds     | –             | 30.6          | –             | –             |
| Federal International Finance VII Bonds    | 54.7          | 71.0          | –             | –             |
| Federal International Finance VIII Bonds   | 50.1          | –             | –             | –             |
| Finance lease liabilities                  | 9.9           | 37.6          | –             | –             |
| Others                                     | 69.3          | 137.2         | –             | –             |
| Long-term borrowings                       | 963.8         | 939.2         | –             | –             |
| Total borrowings                           | 2,175.5       | 2,191.5       | –             | 38.1          |
| Secured                                    | 1,470.3       | 1,449.0       | –             | –             |
| Unsecured                                  | 705.2         | 742.5         | –             | 38.1          |
|  | 2,175.5       | 2,191.5       | –             | 38.1          |

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

|                            | Group         |               | Company       |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Within one year            | 1,356.9       | 1,441.5       | –             | 39.2          |
| Between one and two years  | 289.2         | 400.1         | –             | –             |
| Between two and five years | 753.9         | 669.7         | –             | –             |
| Beyond five years          | –             | 146.4         | –             | –             |
|                            | 2,400.0       | 2,657.7       | –             | 39.2          |

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

|   | Group         |               |
|---|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m |
| Finance lease liabilities – minimum lease payments: |               |               |
| – within one year                                   | 28.9          | 71.0          |
| – between one and five years                        | 10.1          | 39.8          |
|   | <b>39.0</b>   | <b>110.8</b>  |
| Future finance charges on finance leases            | (1.1)         | (8.4)         |
| Present value of finance lease liabilities          | <b>37.9</b>   | <b>102.4</b>  |

The present value of finance lease liabilities is as follows:

|                              |             |              |
|------------------------------|-------------|--------------|
| – within one year            | 28.0        | 64.8         |
| – between one and five years | 9.9         | 37.6         |
|                              | <b>37.9</b> | <b>102.4</b> |

After taking into account the economic effects of the derivative financial instruments, the interest rate exposure of the borrowings of the Group at the end of the year was as follows:

| Currency             | Weighted<br>average<br>interest<br>rates<br>% | Fixed rate borrowings                                  |                | Floating<br>rate<br>borrowings | Total          |
|----------------------|---|--|----------------|--------------------------------|----------------|
|                      |   | Weighted<br>average<br>period<br>outstanding<br>Months | US\$m          | US\$m                          | US\$m          |
| <b>2008</b>          |   |  |                |                                |                |
| Singapore Dollar     | 2.14  | –  | –              | 26.4                           | 26.4           |
| United States Dollar | 4.79  | 29   | 162.6          | 347.9                          | 510.5          |
| Japanese Yen         | 2.34  | 36   | 16.6           | 31.3                           | 47.9           |
| Indonesian Rupiah    | 12.04   | 19   | 1,121.6        | 469.1                          | 1,590.7        |
|                      |   |  | <b>1,300.8</b> | <b>874.7</b>                   | <b>2,175.5</b> |
| <b>2007</b>          |   |  |                |                                |                |
| Singapore Dollar     | 3.37  | 7  | 48.5           | 18.0                           | 66.5           |
| Malaysian Ringgit    | 4.03  | 26   | 15.1           | 2.7                            | 17.8           |
| United States Dollar | 6.77  | 42   | 87.1           | 365.2                          | 452.3          |
| Japanese Yen         | 2.24  | 40   | 11.2           | 26.3                           | 37.5           |
| Indonesian Rupiah    | 11.86   | 16   | 1,210.1        | 407.3                          | 1,617.4        |
|                      |   |  | <b>1,372.0</b> | <b>819.5</b>                   | <b>2,191.5</b> |

The fair values of current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values of the non-current borrowings at the end of the year were as follows:

|                  | Group         |               |
|------------------|---------------|---------------|
|                  | 2008<br>US\$m | 2007<br>US\$m |
| Bank loans       | 650.4         | 566.7         |
| Bonds and others | 277.1         | 381.6         |
|                  | <b>927.5</b>  | <b>948.3</b>  |

The fair values are based on market prices or are estimated using the expected future payments discounted at market interest rates ranging from 3.27% to 17.96% (2007: 1.45% to 10%) per annum.

At 31 December 2008, bank loans and bonds amounting to US\$1,470.3 million (2007: US\$1,449.0 million) have been collateralised by debtors, stocks, financing debtors, property, plant and equipment and leasehold land use rights.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Borrowings (continued)

|                                    | Interest rates<br>% | Nominal values |            |
|------------------------------------|---------------------|----------------|------------|
|                                    |                     | US\$m          | Rp billion |
| Astra Sedaya Finance ("ASF") Bonds |                     |                |            |
| ASF VI                             | 10.6% – 11.0%       | 11.3           | 123.8      |
| ASF VII                            | 14.1% – 14.2%       | 16.0           | 175.5      |
| ASF VIII                           | 9.4% – 10.4%        | 59.5           | 652.0      |
| ASF IX                             | 9.1% – 10.3%        | 84.1           | 921.3      |
|                                    |                     | 170.9          | 1,872.6    |

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 VI Bonds will mature from 2009 to 2010, ASF VII Bonds will mature in 2009, ASF VIII Bonds will mature from 2009 to 2011 and ASF IX Bonds will mature from 2009 to 2011.

|   | Interest rates<br>% | Nominal values |            |
|---|---------------------|----------------|------------|
|   |                     | US\$m          | Rp billion |
| Federal International Finance ("FIF") Bonds |                     |                |            |
| FIF VI                                      | 14.8%               | 25.8           | 282.0      |
| FIF VII                                     | 10.0% – 10.8%       | 61.7           | 676.0      |
| FIF VIII                                    | 11.1% – 12.6%       | 103.6          | 1,134.0    |
|   |                     | 191.1          | 2,092.0    |

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 60% of the total principal of the bonds. The FIF VI Bonds will mature in 2009, FIF VII Bonds will mature from 2009 to 2011 and FIF VIII Bonds will mature from 2009 to 2011.

### 26. Deferred Tax

The movement on the deferred tax account is as follows:

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Balance at 1 January   | (246.3)       | (242.0)       | (0.3)         | (0.4)         |
| Translation adjustments                                      | 28.4          | 10.5          | –             | –             |
| Credited/(charged) to profit and loss account (Note 7)       | 84.4          | (4.9)         | –             | 0.1           |
| Credited/(charged) to reserves                               | 50.3          | (9.9)         | –             | –             |
| Additions arising from acquisition of subsidiaries (Note 37) | (74.6)        | –             | –             | –             |
| Disposals arising from disposal of subsidiaries (Note 37)    | (4.1)         | –             | –             | –             |
| Balance at 31 December                                       | (161.9)       | (246.3)       | (0.3)         | (0.3)         |

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\$1.9 million (2007: US\$2.8 million) in respect of tax losses of US\$6.3 million in 2008 (2007: US\$9.9 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         |               |
|----------------------------|---------------|---------------|
|                            | 2008<br>US\$m | 2007<br>US\$m |
| No expiry date             | 2.2           | 6.9           |
| Expiring in one year       | –             | 0.2           |
| Expiring in two years      | 0.2           | 0.2           |
| Expiring in three years    | 1.3           | 1.2           |
| Expiring in four years     | 0.7           | 0.8           |
| Expiring beyond four years | 1.9           | 0.6           |
|                            | 6.3           | 9.9           |

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<br>tax<br>depreciation<br>US\$m | Asset<br>revaluation<br>US\$m | Others<br>US\$m | Total<br>US\$m |
|--|---|-------------------------------|-----------------|----------------|
| <b>2008</b>  |   |                               |                 |                |
| Balance at 1 January                               | (5.6)                                       | (315.3)                       | 8.1             | (312.8)        |
| Translation adjustments                            | (0.5)                                       | 38.8                          | (0.8)           | 37.5           |
| Credited/(charged) to profit and loss account      | 14.1  | 74.8                          | (3.0)           | 85.9           |
| Charged to reserves                                | –   | 50.3                          | –               | 50.3           |
| Additions arising from acquisition of subsidiaries | 0.4   | (80.8)                        | –               | (80.4)         |
| Disposals arising from disposal of subsidiaries    | (3.9)                                       | –                             | –               | (3.9)          |
| Balance at 31 December                             | 4.5   | (232.2)                       | 4.3             | (223.4)        |

|  |        |         |        |         |
|--|--------|---------|--------|---------|
| <b>2007</b>  |        |         |        |         |
| Balance at 1 January                               | (10.4) | (312.0) | 21.3   | (301.1) |
| Translation adjustments                            | 0.1    | 13.3    | (0.6)  | 12.8    |
| Credited/(charged) to profit and loss account      | 4.9    | (6.8)   | (12.6) | (14.5)  |
| Charged to reserves                                | –      | (10.0)  | –      | (10.0)  |
| Additions arising from acquisition of subsidiaries | (0.2)  | 0.2     | –      | –       |
| Balance at 31 December                             | (5.6)  | (315.3) | 8.1    | (312.8) |

**Deferred tax assets**

|  | Provisions<br>US\$m | Tax losses<br>US\$m | Others<br>US\$m | Total<br>US\$m |
|--|---------------------|---------------------|-----------------|----------------|
| <b>2008</b>  |                     |                     |                 |                |
| Balance at 1 January                               | 54.8                | 6.5                 | 5.2             | 66.5           |
| Translation adjustments                            | (5.7)               | (0.7)               | (2.7)           | (9.1)          |
| Credited/(charged) to profit and loss account      | (11.4)              | (5.6)               | 15.5            | (1.5)          |
| Additions arising from acquisition of subsidiaries | 0.2                 | 5.1                 | 0.5             | 5.8            |
| Disposals arising from disposal of subsidiaries    | (0.2)               | –                   | –               | (0.2)          |
| Balance at 31 December                             | 37.7                | 5.3                 | 18.5            | 61.5           |

|   |       |       |        |       |
|---|-------|-------|--------|-------|
| <b>2007</b>                                   |       |       |        |       |
| Balance at 1 January                          | 66.5  | 8.1   | (15.5) | 59.1  |
| Translation adjustments                       | (1.9) | –     | (0.3)  | (2.2) |
| Credited/(charged) to profit and loss account | (9.8) | (1.6) | 21.0   | 9.6   |
| Balance at 31 December                        | 54.8  | 6.5   | 5.2    | 66.5  |

**Company  
Deferred tax liabilities**

|  | Unremitted interest<br>income |               |
|--|-------------------------------|---------------|
|  | 2008<br>US\$m                 | 2007<br>US\$m |
| Balance at 1 January                         | (0.3)                         | (0.4)         |
| Credited to profit and loss account (Note 7) | –                             | 0.1           |
| Balance at 31 December                       | (0.3)                         | (0.3)         |

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Deferred Tax (continued)

#### 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       |               |
|--------------------------|---------------|---------------|---------------|---------------|
|                          | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Deferred tax assets      | 57.4          | 60.1          | –             | –             |
| Deferred tax liabilities | (219.3)       | (306.4)       | (0.3)         | (0.3)         |
| Balance at 31 December   | (161.9)       | (246.3)       | (0.3)         | (0.3)         |

Deferred tax liabilities of US\$131.9 million (2007: US\$106.4 million) on temporary differences associated with investments in subsidiaries of US\$1,318.9 million (2007: US\$1,063.6 million) have not been recognised as there is no current intention of remitting the retained earnings to the Company.

The Group's and the Company's deferred tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 22 January 2009, the Singapore Minister of Finance announced a reduction in corporate tax rate from 18% to 17% with effect from the year of assessment 2010. The Group's and the 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 the Company's deferred tax expense in the year ending 31 December 2009. The Group's deferred tax assets as of 31 December 2008 will be reduced by approximately US\$0.2 million, while the Group's and the Company's deferred tax liabilities will be reduced by less than US\$0.1 million when the new corporate tax rate of 17% is applied.

### 27. Pension Liabilities

The Group has defined benefit 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:

|  | Group                            |                                  |
|--|----------------------------------|----------------------------------|
|  | 2008<br>Weighted<br>Average<br>% | 2007<br>Weighted<br>Average<br>% |
| Discount rate applied to pension obligations | 12                               | 10                               |
| Expected return on plan assets               | 11                               | 9                                |
| Future salary increases                      | 10                               | 8                                |

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

|                                       | Group         |               |
|---------------------------------------|---------------|---------------|
|                                       | 2008<br>US\$m | 2007<br>US\$m |
| Fair value of plan assets             | 44.1          | 63.6          |
| Present value of funded obligations   | (62.8)        | (68.7)        |
|                                       | (18.7)        | (5.1)         |
| Present value of unfunded obligations | (62.5)        | (55.2)        |
| Unrecognised past service cost        | 14.2          | 18.0          |
| Net pension liabilities               | (67.0)        | (42.3)        |

Movements in the fair value of plan assets are as follows:

|  | Group         |               |
|--|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m |
| Balance at 1 January                               | 63.6          | 47.0          |
| Additions arising from acquisition of subsidiaries | 0.7           | 0.6           |
| Disposals arising from disposal of subsidiaries    | (1.4)         | –             |
| Translation adjustments                            | (7.6)         | (2.5)         |
| Expected return on plan assets                     | 5.5           | 4.3           |
| Actuarial (loss)/gain                              | (12.4)        | 6.5           |
| Contributions from employers                       | 3.2           | 11.3          |
| Contributions from members                         | 1.0           | 1.0           |
| Benefits paid                                      | (7.8)         | (5.0)         |
| Transfer from other plans                          | (0.7)         | 0.4           |
| Balance at 31 December                             | 44.1          | 63.6          |

Movements in the present value of obligations are as follows:

|  |         |         |
|--|---------|---------|
| Balance at 1 January                               | (123.9) | (108.6) |
| Additions arising from acquisition of subsidiaries | (1.2)   | (1.5)   |
| Disposals arising from disposal of subsidiaries    | 2.3     | –       |
| Exchange differences                               | 19.6    | 5.1     |
| Current service cost                               | (8.4)   | (7.9)   |
| Interest cost                                      | (12.1)  | (10.9)  |
| Gain on curtailment and settlement                 | 0.1     | 0.1     |
| Contributions from members                         | (1.0)   | (1.0)   |
| Actuarial loss                                     | (12.9)  | (5.0)   |
| Benefits paid                                      | 11.7    | 6.6     |
| Transfer from other plans                          | 0.5     | (0.8)   |
| Balance at 31 December                             | (125.3) | (123.9) |

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

|                    |      |      |
|--------------------|------|------|
| Equity instruments | 11.5 | 26.9 |
| Debt instruments   | 24.5 | 29.3 |
| Other assets       | 8.1  | 7.4  |
|                    | 44.1 | 63.6 |

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

|   |       |       |
|---|-------|-------|
| Current service cost                      | 8.4   | 7.9   |
| Interest cost                             | 12.1  | 10.9  |
| Expected return on plan assets            | (5.5) | (4.3) |
| Loss on curtailment and settlement        | (0.1) | (0.1) |
| Past service cost                         | 1.1   | 1.1   |
|   | 16.0  | 15.5  |
| Actual surplus on plan assets in the year | 6.9   | 10.8  |

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Pension Liabilities (continued)

The history of experience adjustments is as follows:

|  | 2008<br>US\$m | Group         |               | 2005<br>US\$m |
|--|---------------|---------------|---------------|---------------|
|  |               | 2007<br>US\$m | 2006<br>US\$m |               |
| Fair value of plan assets                  | 44.1          | 63.6          | 47.0          | 36.0          |
| Present value of obligations               | (125.3)       | (123.9)       | (108.6)       | (77.4)        |
| Deficit                                    | (81.2)        | (60.3)        | (61.6)        | (41.4)        |
| Experience adjustments on plan assets      | 8.6           | 5.5           | –             | –             |
| Percentage of plan assets (%)              | 20%           | 9%            | –             | –             |
| Experience adjustments on plan obligations | 6.3           | 4.4           | 2.1           | –             |
| Percentage of plan obligations (%)         | 5%            | 4%            | 2%            | –             |

The estimated amount of contributions expected to be paid to the plans in 2009 is US\$20.5 million.

### 28. Share Capital of the Company

|   | 2008<br>US\$m | 2007<br>US\$m |
|---|---------------|---------------|
| Issued and fully paid:  |               |               |
| Opening balance – 349,260,506 (2007: 342,611,386) ordinary shares                               | 555.2         | 495.7         |
| Issue of 6,351,154 (2007: 6,459,120) ordinary shares under the Scrip Dividend Scheme            | 77.0          | 59.3          |
| Issue of 66,000 (2007: 190,000) ordinary shares under the CCL Executives' Shares Option Schemes | 0.1           | 0.2           |
| Closing balance – 355,677,660 (2007: 349,260,506) ordinary shares                               | 632.3         | 555.2         |

The Company did not hold any treasury shares as at 31 December 2008 (31 December 2007: Nil).

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:

|                            | 2008                                    |                | 2007                                    |                |
|----------------------------|---|----------------|---|----------------|
|                            | Average exercise price in S\$ per share | No. of Options | Average exercise price in S\$ per share | No. of Options |
| At 1 January               | 2.194                                   | 101,000        | 1.983                                   | 291,000        |
| Exercised during the year  | 2.475                                   | (66,000)       | 1.871                                   | (190,000)      |
| At 31 December             | 1.664                                   | 35,000         | 2.194                                   | 101,000        |
| Exercisable at 31 December |   | 35,000         |   | 101,000        |

The weighted average market price at the time of exercise was S\$15.16 (2007: S\$14.68) 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 |         |
|-------------------------|-------------|----------------|---------|
|                         |             | 2008           | 2007    |
| S\$4.340                | 4.4.2009    | –              | 20,000  |
| S\$1.664                | 27.2.2012   | 35,000         | 81,000  |
|                         |             | 35,000         | 101,000 |

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.

## 29. Fair Value and Other Reserves

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| <b>Composition:</b>  |               |               |               |               |
| Fair value reserve   | (3.0)         | 2.5           | 0.3           | –             |
| Asset revaluation reserve  | 397.7         | 329.6         | –             | –             |
| Hedging reserve  | 2.7           | (0.9)         | –             | –             |
| Share option reserve   | 0.3           | 0.3           | 0.3           | 0.3           |
| Translation reserve  | (323.0)       | (3.2)         | 224.9         | 223.2         |
| Other reserve  | 3.3           | 3.3           | –             | –             |
|  | <b>78.0</b>   | <b>331.6</b>  | <b>225.5</b>  | <b>223.5</b>  |
| <b>Movements:</b>  |               |               |               |               |
| <b>Fair value reserve</b>  |               |               |               |               |
| Balance at 1 January   | 2.5           | 9.5           | –             | –             |
| Fair value gain/(loss) of available-for-sale investments, net of tax | (7.2)         | (7.5)         | 0.3           | –             |
| Reserve realised on disposal   | 1.7           | 0.5           | –             | –             |
| Balance at 31 December   | (3.0)         | 2.5           | 0.3           | –             |
| <b>Asset revaluation reserve</b>                                     |               |               |               |               |
| Balance at 1 January   | 329.6         | 317.9         | –             | –             |
| Surplus on revaluation of assets, net of tax                         | 68.8          | 12.8          | –             | –             |
| Reserve realised on disposal (Note 30)                               | (0.7)         | (1.1)         | –             | –             |
| Balance at 31 December   | 397.7         | 329.6         | –             | –             |
| <b>Hedging reserve</b>   |               |               |               |               |
| Balance at 1 January   | (0.9)         | (0.8)         | –             | –             |
| Fair value changes of derivatives, net of tax                        | 3.6           | (0.6)         | –             | –             |
| Reserve realised on disposal   | –             | 0.5           | –             | –             |
| Balance at 31 December   | 2.7           | (0.9)         | –             | –             |
| <b>Share option reserve</b>  |               |               |               |               |
| Balance at 1 January/31 December                                     | 0.3           | 0.3           | 0.3           | 0.3           |
| <b>Translation reserve</b>   |               |               |               |               |
| Balance at 1 January   | (3.2)         | 66.9          | 223.2         | 153.2         |
| Translation difference   | (319.8)       | (76.6)        | 1.7           | 70.0          |
| Reserve realised on disposal   | –             | 6.5           | –             | –             |
| Balance at 31 December   | (323.0)       | (3.2)         | 224.9         | 223.2         |
| <b>Other reserve</b>   |               |               |               |               |
| Balance at 1 January/31 December                                     | 3.3           | 3.3           | –             | –             |

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Revenue Reserve

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Balance at 1 January   | 1,272.9       | 1,012.8       | 432.7         | 396.9         |
| Asset revaluation reserve realised on disposal of assets (Note 29) | 0.7           | 1.1           | –             | –             |
| Actuarial loss on defined benefit pension plans, net of tax        | (9.0)         | (0.5)         | –             | –             |
| Gain on dilution of interests in investments                       | 0.2           | –             | –             | –             |
| Reserves realised on disposal                                      | –             | (0.6)         | –             | –             |
| Profit attributable to shareholders                                | 448.2         | 340.1         | 190.3         | 115.8         |
| Total recognised gain for the year                                 | 440.1         | 340.1         | 190.3         | 115.8         |
| Dividends (net)  | (159.5)       | (80.0)        | (159.5)       | (80.0)        |
| Others   | (1.1)         | –             | –             | –             |
| Balance at 31 December   | 1,552.4       | 1,272.9       | 463.5         | 432.7         |

The Group's revenue reserve includes actuarial loss on defined benefit pension plans of US\$5.3 million (2007: gain of US\$3.7 million).

### 31. Minority Interests

|   | Group         |               |
|---|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m |
| Balance at 1 January  | 2,398.2       | 2,149.6       |
| Revaluation surplus of assets, net of tax                     | 85.4          | 12.8          |
| Fair value loss of available-for-sale investments, net of tax | (8.5)         | (4.8)         |
| Fair value changes of hedging derivatives, net of tax         | 4.5           | (0.7)         |
| Actuarial loss on defined benefit pension plans, net of tax   | (12.6)        | (0.4)         |
| Loss on dilution of interests in investments                  | (0.2)         | –             |
| Translation difference  | (388.8)       | (94.5)        |
| Reserves realised on disposal                                 | –             | 0.3           |
| Profit of the year  | 615.2         | 484.4         |
| Total recognised gain for the year                            | 295.0         | 397.1         |
| Dividends (net)   | (257.8)       | (148.9)       |
| Issue of shares   | 151.2         | 0.4           |
| Acquisition of subsidiaries                                   | (2.6)         | –             |
| Disposal of subsidiaries                                      | (24.2)        | –             |
| Balance at 31 December  | 2,559.8       | 2,398.2       |

### 32. 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       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| <b>a. With associates and joint ventures:</b>   |               |               |               |               |
| Purchase of goods and services  | (4,195.9)     | (3,087.9)     | –             | –             |
| Sale of goods and services  | 454.6         | 327.9         | –             | –             |
| Commission and incentives earned  | 11.4          | 22.0          | –             | –             |
| Bank deposits and balances  | 185.3         | 125.4         | –             | –             |
| Dividend income (gross)   | –             | –             | 3.0           | 8.4           |
| Interest received   | 16.8          | 11.0          | –             | –             |
| <b>b. With related companies and associates of ultimate holding company:</b>                  |               |               |               |               |
| Sale of 40% shareholding in Ampang Investments  | –             | 12.1          | –             | 12.1          |
| Management fees paid  | (2.5)         | (2.1)         | (2.4)         | (1.9)         |
| Secondment costs  | (2.3)         | (2.0)         | (2.3)         | (2.0)         |
| <b>c. With directors:</b>   |               |               |               |               |
| Sale of goods and services  | –             | 0.2           | –             | –             |
| Purchase of goods and services  | –             | (0.1)         | –             | –             |
| <b>d. Remuneration of directors of the Company and key management personnel of the Group:</b> |               |               |               |               |
| Salaries and other short-term employee benefits   | (4.9)         | (4.4)         | (3.2)         | (2.7)         |

### 33. 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       |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Approved and contracted      | 104.3         | 45.4          | –             | –             |
| Approved, but not contracted | 13.3          | 5.2           | –             | –             |
|                              | 117.6         | 50.6          | –             | –             |

#### b. 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       |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m | 2007<br>US\$m |
| Lease rentals payable:       |               |               |               |               |
| – within one year            | 5.7           | 6.7           | 0.2           | 0.3           |
| – between one and five years | 7.8           | 14.1          | 0.1           | –             |
| – beyond five years          | 20.4          | 14.8          | –             | –             |
|                              | 33.9          | 35.6          | 0.3           | 0.3           |
| Lease rentals receivable:    |               |               |               |               |
| – within one year            | 61.0          | 60.6          | –             | –             |
| – between one and five years | 47.8          | 58.7          | –             | –             |
| – beyond five years          | 1.9           | 1.5           | –             | –             |
|                              | 110.7         | 120.8         | –             | –             |

## NOTES TO THE FINANCIAL STATEMENTS

### 34. Derivative Financial Instruments

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

|                                      | Group           |                      | Company         |                      |
|--------------------------------------|-----------------|----------------------|-----------------|----------------------|
|                                      | Assets<br>US\$m | Liabilities<br>US\$m | Assets<br>US\$m | Liabilities<br>US\$m |
| <b>2008</b>                          |                 |                      |                 |                      |
| Designated as cash flow hedges       |                 |                      |                 |                      |
| – Cross currency swap contracts      | 58.1            | 3.0                  | –               | –                    |
| – Interest rate swap contracts       | 0.9             | 5.9                  | –               | –                    |
|                                      | 59.0            | 8.9                  | –               | –                    |
| Not qualifying as hedges             |                 |                      |                 |                      |
| – Cross currency swap contracts      | 11.8            | –                    | –               | –                    |
| – Forward foreign exchange contracts | 1.4             | 0.4                  | –               | –                    |
| – Interest rate swap contracts       | 0.3             | –                    | –               | –                    |
|                                      | 13.5            | 0.4                  | –               | –                    |
| <b>2007</b>                          |                 |                      |                 |                      |
| Designated as cash flow hedges       |                 |                      |                 |                      |
| – Cross currency swap contracts      | 7.2             | 0.8                  | –               | –                    |
| – Interest rate swap contracts       | –               | 0.5                  | –               | –                    |
|                                      | 7.2             | 1.3                  | –               | –                    |
| Not qualifying as hedges             |                 |                      |                 |                      |
| – Cross currency swap contracts      | –               | 1.8                  | –               | –                    |
| – Forward foreign exchange contracts | 1.2             | 0.8                  | –               | –                    |
| – Interest rate swap contracts       | –               | 0.9                  | –               | 0.2                  |
|                                      | 1.2             | 3.5                  | –               | 0.2                  |

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

|                                      | Within<br>one year<br>US\$m | Between<br>one and<br>two years<br>US\$m | Between<br>two and<br>five years<br>US\$m |
|--------------------------------------|-----------------------------|--|---|
| <b>Group</b>                         |                             |  |   |
| <b>2008</b>                          |                             |  |   |
| Net settled                          |                             |  |   |
| – Interest rate swap contracts       | 1.5                         | 0.8                                      | 0.5                                       |
| Gross settled                        |                             |  |   |
| – Cross currency swap contracts      | 183.9                       | 136.5                                    | 49.8                                      |
| – Forward foreign exchange contracts | 32.9                        | –  | –   |
|                                      | 218.3                       | 137.3                                    | 50.3                                      |
| <b>Group</b>                         |                             |  |   |
| <b>2007</b>                          |                             |  |   |
| Net settled                          |                             |  |   |
| – Interest rate swap contracts       | 0.6                         | 0.1                                      | –   |
| Gross settled                        |                             |  |   |
| – Cross currency swap contracts      | 50.0                        | 109.5                                    | 233.5                                     |
| – Forward foreign exchange contracts | 90.0                        | –  | –   |
|                                      | 140.6                       | 109.6                                    | 233.5                                     |
| <b>Company</b>                       |                             |  |   |
| <b>2007</b>                          |                             |  |   |
| Net settled                          |                             |  |   |
| – Interest rate swap contracts       | 0.2                         | –  | –   |

**a. Cross currency swap contracts**

The contract amounts of the outstanding cross currency swap contracts at 31 December 2008 were US\$318.6 million (2007: US\$333.0 million).

**b. Forward foreign exchange contracts**

The contract amounts of the outstanding forward foreign exchange contracts at 31 December 2008 were US\$32.9 million (2007: US\$90.0 million).

**c. Interest rate swap contracts**

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2008 for the Group and the Company were US\$213.0 million and nil, respectively (2007: US\$227.2 million and US\$27.7 million, respectively). At 31 December 2008, the fixed interest rates range from 2.6% to 13.7% per annum (2007: 3.3% to 11.45% per annum).

**d. Interest rate cap contracts**

The notional principal amounts of the outstanding interest rate cap contracts at 31 December 2008 for the Group and the Company were US\$14.4 million (2007: US\$41.6 million). At 31 December 2008, the contractual rate was 1.9% per annum (2007: 1.9% to 3.5% per annum).

**35. Insurance Contracts**

|   | Group         |               |
|---|---------------|---------------|
|   | 2008<br>US\$m | 2007<br>US\$m |
| Gross estimated losses and claims payable             | 41.3          | 41.5          |
| Unearned premiums                                     | 145.0         | 133.3         |
|   | <b>186.3</b>  | <b>174.8</b>  |
| Less: Reinsurers' share of estimated losses (Note 20) | (16.5)        | (20.6)        |
| Total insurance liabilities                           | <b>169.8</b>  | <b>154.2</b>  |

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

|             | 2008<br>US\$m | 2007<br>US\$m |
|-------------|---------------|---------------|
| Non-current | 74.4          | 52.1          |
| Current     | 111.9         | 122.7         |
|             | <b>186.3</b>  | <b>174.8</b>  |

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**

|  | 2008<br>US\$m | 2007<br>US\$m |
|--|---------------|---------------|
| Balance at 1 January                       | 20.9          | 19.6          |
| Cash paid for claims settled in the period | (53.4)        | (49.4)        |
| Increase in liabilities                    |               |               |
| – arising from current period claims       | 35.4          | 26.3          |
| – arising from prior period claims         | 25.7          | 25.3          |
| Translation adjustments                    | (3.8)         | (0.9)         |
| Total at 31 December                       | <b>24.8</b>   | <b>20.9</b>   |
| Notified claims                            | 23.6          | 19.2          |
| Incurred, but not reported                 | 1.2           | 1.7           |
| Total at 31 December                       | <b>24.8</b>   | <b>20.9</b>   |

**b. Unearned premium provision**

|                         | 2008<br>US\$m | 2007<br>US\$m |
|-------------------------|---------------|---------------|
| At 1 January            | 133.3         | 111.8         |
| Increase/(decrease)     | (22.4)        | 26.9          |
| Translation adjustments | 34.1          | (5.4)         |
| Total at 31 December    | <b>145.0</b>  | <b>133.3</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

### 35. Insurance Contracts (continued)

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.

### 36. Cash Flows from Operating Activities

|   | Group          |                |
|---|----------------|----------------|
|   | 2008<br>US\$m  | 2007<br>US\$m  |
| Profit before tax   | 1,430.0        | 1,142.0        |
| <b>Adjustments for:</b>   |                |                |
| Financing income  | (63.7)         | (35.6)         |
| Financing charges   | 54.9           | 79.7           |
| Share of associates' and joint ventures' results  | (270.1)        | (125.7)        |
| Depreciation of property, plant and equipment   | 287.1          | 269.2          |
| Amortisation of leasehold land use rights and intangible assets   | 26.3           | 18.4           |
| Fair value changes of:  |                |                |
| – plantations   | 161.9          | (35.0)         |
| – investment properties   | (0.5)          | (1.7)          |
| Impairment of:  |                |                |
| – debtors   | 106.6          | 68.5           |
| – leasehold land use rights   | 5.1            | –              |
| – property, plant and equipment   | –              | 0.2            |
| – intangible assets   | 0.5            | –              |
| (Profit)/loss on disposal of:   |                |                |
| – leasehold land use rights   | (6.5)          | (7.2)          |
| – property, plant and equipment   | (46.0)         | (11.6)         |
| – investment properties   | (0.9)          | –              |
| – plantations   | (3.6)          | 0.2            |
| – subsidiaries  | (3.3)          | 1.5            |
| – associates and joint ventures   | (1.1)          | 5.1            |
| – repossessed assets  | 50.7           | 73.3           |
| – other investments   | 3.1            | (0.3)          |
| Write-down of stocks  | 15.1           | 5.4            |
| Revaluation deficit on property, plant and equipment  | 2.8            | 4.2            |
| Changes in provisions   | 21.3           | 10.6           |
| Foreign exchange loss   | 3.9            | 9.9            |
| Excess of net fair value of identifiable assets, liabilities<br>and contingent liabilities acquired over cost of business combination | –              | (5.4)          |
|   | <b>343.6</b>   | <b>323.7</b>   |
| <b>Operating profit before working capital changes</b>  | <b>1,773.6</b> | <b>1,465.7</b> |
| <b>Changes in working capital</b>   |                |                |
| Stocks  | (418.0)        | (42.3)         |
| Financing debtors   | (218.8)        | 42.2           |
| Debtors   | 1.8            | (227.6)        |
| Creditors   | 329.7          | 250.4          |
| Pensions  | 8.9            | 3.0            |
|   | <b>(296.4)</b> | <b>25.7</b>    |
| <b>Cash flows from operating activities</b>   | <b>1,477.2</b> | <b>1,491.4</b> |

### 37. Notes to Consolidated Statement of Cash Flows

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

|  | Group         |               |
|--|---------------|---------------|
|  | 2008<br>US\$m | 2007<br>US\$m |
| Bank balances and other liquid funds including restricted balances (Note 21) | 848.0         | 702.4         |
| Bank overdrafts (Note 25)  | (8.9)         | (30.3)        |
|  | <b>839.1</b>  | <b>672.1</b>  |

#### a. Acquisition of subsidiaries

In 2008, Astra acquired new subsidiaries which included PT Buah Turangga Agung, PT Marga Mandala Sakti and PT Astra Graphia Information Technology, and increased its interests in existing subsidiaries for US\$237.4 million (2007: US\$0.1 million).

The new subsidiaries acquired in 2008 contributed revenue of US\$24.8 million and operating profit of US\$1.8 million to the Group. If the acquisition had occurred on 1 January 2008, Group revenue would have been increased by US\$72.4 million and operating profit would have been increased by US\$15.0 million.

|  | Book<br>value<br>US\$m | Fair value<br>adjustment<br>US\$m | 2008<br>Fair<br>value<br>US\$m | 2007<br>Book value/<br>Fair value<br>US\$m |
|--|------------------------|-----------------------------------|--------------------------------|--|
| Intangible assets (Notes 10)   | 87.0                   | 37.0                              | 124.0                          | –  |
| Leasehold land use rights (Note 11)  | –                      | –                                 | –                              | 1.6  |
| Property, plant and equipment (Note 12)  | 9.6                    | 215.7                             | 225.3                          | 2.8  |
| Investment properties (Note 13)  | 0.2                    | –                                 | 0.2                            | –  |
| Plantations (Note 14)  | 0.6                    | –                                 | 0.6                            | –  |
| Non-current debtors  | 0.7                    | –                                 | 0.7                            | 0.2  |
| Deferred tax assets (Note 26)  | 0.7                    | (0.4)                             | 0.3                            | –  |
| Stocks   | 5.5                    | –                                 | 5.5                            | 2.5  |
| Debtors  | 7.7                    | (0.1)                             | 7.6                            | 1.6  |
| Current tax assets   | 0.5                    | –                                 | 0.5                            | –  |
| Bank balances and other liquid funds   | 7.9                    | –                                 | 7.9                            | 2.1  |
| Non-current provisions (Note 24)   | –                      | –                                 | –                              | (0.1)                                      |
| Non-current borrowings   | (27.6)                 | –                                 | (27.6)                         | –  |
| Deferred tax liabilities (Note 26)   | (0.9)                  | (74.0)                            | (74.9)                         | –  |
| Pension liabilities  | (0.3)                  | –                                 | (0.3)                          | (1.0)                                      |
| Current provisions (Note 24)   | (0.5)                  | –                                 | (0.5)                          | –  |
| Current borrowings   | (9.4)                  | –                                 | (9.4)                          | –  |
| Current tax liabilities  | –                      | –                                 | –                              | 0.1  |
| Non-current creditors  | –                      | –                                 | –                              | (0.5)                                      |
| Creditors  | (9.2)                  | 0.1                               | (9.1)                          | (3.3)                                      |
| Net assets   | 72.5                   | 178.3                             | 250.8                          | 6.0  |
| Adjustment for minority interests  |                        |                                   | (75.0)                         | (2.6)                                      |
| Net assets acquired  |                        |                                   | 175.8                          | 3.4  |
| Goodwill   |                        |                                   | 7.8                            | 2.8  |
| Excess of net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost of business combination |                        |                                   | –                              | (3.6)                                      |
| Carrying value of associates and joint ventures  |                        |                                   | (25.6)                         | (3.6)                                      |
| Fair value adjustment relating to the associates and joint ventures  |                        |                                   | (9.9)                          | –  |
| Cash paid for business combination   |                        |                                   | 148.1                          | (1.0)                                      |
| Cash and cash equivalents of subsidiaries acquired   |                        |                                   | (7.9)                          | (2.1)                                      |
| Net cash flow from business combination  |                        |                                   | 140.2                          | (3.1)                                      |
| Carrying value of minority interests acquired on existing subsidiaries   |                        |                                   | 77.6                           | 2.7  |
| Goodwill on the acquisition of minority interests  |                        |                                   | 11.7                           | 0.2  |
| Excess of net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost of minority interests   |                        |                                   | –                              | (1.8)                                      |
| Net cash flow from acquisition   |                        |                                   | 229.5                          | (2.0)                                      |

## NOTES TO THE FINANCIAL STATEMENTS

### 37. Notes to Consolidated Statement of Cash Flows (continued)

#### b. Disposal of subsidiaries

In 2008, the Company's subsidiary Cycle & Carriage Bintang Berhad disposed of certain subsidiaries and Astra reduced its interest in existing subsidiaries for US\$25.9 million.

In 2007, the Company's wholly-owned subsidiary, CCL Indo-China Investments sold its entire interest in Automobile Holding (Thailand) Ltd.

|  | 2008<br>US\$m | Group<br>2007<br>US\$m |
|--|---------------|------------------------|
| <b>Book values of identifiable assets and liabilities</b>      |               |                        |
| Intangible assets (Note 10)                                    | (0.8)         | –                      |
| Leasehold land use rights (Note 11)                            | (0.7)         | –                      |
| Property, plant and equipment (Note 12)                        | (4.5)         | –                      |
| Interests in associates and joint ventures                     | (1.6)         | –                      |
| Non-current debtors  | (2.1)         | –                      |
| Deferred tax assets (Note 26)                                  | (4.1)         | –                      |
| Stocks   | (21.7)        | –                      |
| Debtors  | (18.0)        | –                      |
| Current tax assets   | (2.0)         | –                      |
| Bank balances and other liquid funds                           | (59.2)        | –                      |
| Non-current provisions (Note 24)                               | 0.2           | –                      |
| Pension liabilities  | 0.4           | –                      |
| Current provisions (Note 24)                                   | 0.5           | –                      |
| Current borrowings   | 2.8           | –                      |
| Current tax liabilities  | 3.0           | –                      |
| Creditors  | 26.5          | –                      |
| Net assets   | (81.3)        | –                      |
| Adjustment for minority interests                              | 24.2          | –                      |
| Net assets disposed of   | (57.1)        | –                      |
| Currency translation difference                                | –             | (1.5)                  |
| Adjustment for carrying value of associates and joint ventures | 34.5          | –                      |
| Profit/(loss) on disposal of subsidiaries                      | (3.3)         | 1.5                    |
| Cash proceeds from disposal                                    | (25.9)        | –                      |
| Cash and cash equivalents of subsidiaries disposed             | 59.2          | –                      |
| Net cash flow from disposal                                    | (33.3)        | –                      |

### 38. Segment Information

#### a. Primary reporting format – business segments

The segment results for the years ended 31 December 2008 and 2007 are as follows:

|                                | Revenue       |               | Segment Results |               |
|--------------------------------|---------------|---------------|-----------------|---------------|
|                                | 2008<br>US\$m | 2007<br>US\$m | 2008<br>US\$m   | 2007<br>US\$m |
| Astra:                         |               |               |                 |               |
| – Automotive                   | 5,390.0       | 4,181.4       | 288.0           | 234.7         |
| – Financial services           | 832.8         | 822.7         | 183.2           | 173.3         |
| – Heavy equipment and mining   | 2,859.9       | 1,982.3       | 404.5           | 259.6         |
| – Agribusiness                 | 836.4         | 650.5         | 218.4           | 352.3         |
| – Others                       | 108.8         | 80.6          | 9.4             | 11.3          |
| – Elimination                  | (54.3)        | (35.6)        | 0.9             | 0.9           |
|                                | 9,973.6       | 7,681.9       | 1,104.4         | 1,032.1       |
| Motor                          | 1,218.6       | 1,238.8       | 56.9            | 43.2          |
| Others                         | –             | –             | (10.2)          | (14.9)        |
|                                | 11,192.2      | 8,920.7       | 1,151.1         | 1,060.4       |
| Net financing income/(charges) |               |               | 8.8             | (44.1)        |

Share of associates' and joint ventures' results:

|                   |         |         |
|-------------------|---------|---------|
| – Astra           | 264.0   | 116.0   |
| – Motor           | 6.1     | 9.2     |
| – Others          | –       | 0.5     |
|                   | 270.1   | 125.7   |
| Profit before tax | 1,430.0 | 1,142.0 |
| Tax               | (366.6) | (317.5) |
| Profit after tax  | 1,063.4 | 824.5   |

The segment assets and liabilities as at 31 December 2008 and 2007 and capital expenditure for the years then ended are as follows:

|                              | Segment Assets |               | Segment Liabilities |               | Capital Expenditure |               |
|------------------------------|----------------|---------------|---------------------|---------------|---------------------|---------------|
|                              | 2008<br>US\$m  | 2007<br>US\$m | 2008<br>US\$m       | 2007<br>US\$m | 2008<br>US\$m       | 2007<br>US\$m |
| Astra:                       |                |               |                     |               |                     |               |
| – Automotive                 | 1,378.8        | 1,464.1       | 418.2               | 387.4         | 143.0               | 110.0         |
| – Financial services         | 2,004.8        | 2,070.6       | 1,660.8             | 1,731.9       | 31.2                | 31.7          |
| – Heavy equipment and mining | 1,912.6        | 1,379.4       | 533.4               | 338.7         | 606.9               | 195.2         |
| – Agribusiness               | 757.4          | 897.3         | 73.2                | 69.3          | 129.5               | 85.7          |
| – Others                     | 201.8          | 77.5          | 36.4                | 22.0          | 154.8               | 8.5           |
| – Elimination                | (13.9)         | (20.3)        | (13.9)              | (20.0)        | –                   | –             |
|                              | 6,241.5        | 5,868.6       | 2,708.1             | 2,529.3       | 1,065.4             | 431.1         |
| Motor                        | 286.1          | 352.3         | 114.6               | 125.7         | 9.4                 | 4.4           |
| Others                       | 0.9            | 1.1           | 10.0                | 10.9          | –                   | 0.3           |
|                              | 6,528.5        | 6,222.0       | 2,832.7             | 2,665.9       | 1,074.8             | 435.8         |

Investments in associates and joint ventures:

|                                |         |         |         |         |         |       |
|--------------------------------|---------|---------|---------|---------|---------|-------|
| – Astra                        | 1,245.6 | 1,305.0 | –       | –       | –       | –     |
| – Motor                        | 110.0   | 37.9    | –       | –       | –       | –     |
|                                | 1,355.6 | 1,342.9 | –       | –       | –       | –     |
| Unallocated assets/liabilities | 946.2   | 871.4   | 1,175.1 | 1,212.5 | –       | –     |
|                                | 8,830.3 | 8,436.3 | 4,007.8 | 3,878.4 | 1,074.8 | 435.8 |

## NOTES TO THE FINANCIAL STATEMENTS

### 38. Segment Information (continued)

Other segment items are as follows:

|                              | Depreciation and amortisation |               | Impairment of debtors |               |
|------------------------------|-------------------------------|---------------|-----------------------|---------------|
|                              | 2008<br>US\$m                 | 2007<br>US\$m | 2008<br>US\$m         | 2007<br>US\$m |
| Astra:                       |                               |               |                       |               |
| – Automotive                 | 92.4                          | 89.1          | 0.7                   | 0.6           |
| – Financial services         | 20.4                          | 13.3          | 99.6                  | 77.7          |
| – Heavy equipment and mining | 161.9                         | 149.3         | 5.9                   | (10.2)        |
| – Agribusiness               | 22.4                          | 19.2          | –                     | (0.1)         |
| – Others                     | 7.9                           | 8.0           | 0.2                   | 0.2           |
|                              | <b>305.0</b>                  | <b>278.9</b>  | <b>106.4</b>          | <b>68.2</b>   |
| Motor                        | 8.2                           | 8.5           | 0.2                   | 0.3           |
| Others                       | 0.2                           | 0.2           | –                     | –             |
|                              | <b>313.4</b>                  | <b>287.6</b>  | <b>106.6</b>          | <b>68.5</b>   |

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, Agribusiness, Heavy Equipment and Mining while its Others segment comprises information technology and infrastructure businesses.

Inter-segment revenue is not significant. Unallocated assets and liabilities comprise other investments, tax assets and liabilities, cash and cash equivalents and borrowings of non-financial services companies. Capital expenditure comprises additions to property, plant and equipment, intangible assets, leasehold land use rights, investment properties and plantations, including those arising from acquisitions of subsidiaries.

#### b. Secondary reporting format – geographical segments

The Group's two business segments operate in four 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 manufacture, assembly, distribution and retail of motor vehicles and motorcycles, financial services, agribusiness, heavy equipment and mining, and others consisting of information technology and infrastructure.

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

Vietnam – the areas of operation are mainly the manufacture, assembly, distribution and retail of motor vehicles.

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<br>US\$m | Total<br>assets<br>US\$m | Capital<br>expenditure<br>US\$m |
|-------------|------------------|--------------------------|---------------------------------|
| <b>2008</b> |                  |                          |                                 |
| Singapore   | 1,051.7          | 261.3                    | 8.5                             |
| Indonesia   | 9,973.6          | 8,398.5                  | 1,065.4                         |
| Malaysia    | 166.9            | 99.4                     | 0.9                             |
| Vietnam     | –                | 71.1                     | –                               |
|             | <b>11,192.2</b>  | <b>8,830.3</b>           | <b>1,074.8</b>                  |
| <b>2007</b> |                  |                          |                                 |
| Singapore   | 1,046.6          | 289.2                    | 2.2                             |
| Indonesia   | 7,681.9          | 8,018.4                  | 431.1                           |
| Malaysia    | 192.2            | 128.7                    | 2.5                             |
|             | <b>8,920.7</b>   | <b>8,436.3</b>           | <b>435.8</b>                    |

### 39. 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.

### 40. Comparative Information

The following comparative figures of the Group consolidated balance sheet and profit and loss account have been reclassified to conform with current year's presentation:

|                        | Before<br>reclassification<br>US\$m | Reclassification<br>US\$m | After<br>reclassification<br>US\$m |
|------------------------|-------------------------------------|---------------------------|------------------------------------|
| Revenue                | 8,895.6                             | 25.1                      | 8,920.7                            |
| Cost of sales          | (6,983.0)                           | (0.2)                     | (6,983.2)                          |
| Other operating income | 178.2                               | (25.1)                    | 153.1                              |
| Financing charges      | (79.9)                              | 0.2                       | (79.7)                             |

## NOTES TO THE FINANCIAL STATEMENTS

### 41. Principal Subsidiaries, Associates and Joint Ventures

The details of principal subsidiaries are as follows:

| Name of company  | Principal activities  | Country of incorporation/<br>place of business | Group's effective interest in equity |           |
|--|---|--|--------------------------------------|-----------|
|  |   |  | 2008<br>%                            | 2007<br>% |
| <b>Singapore</b>   |   |  |                                      |           |
| • Cycle & Carriage Industries Pte Limited                              | Retail of vehicles and provision of after-sales services                            | Singapore                                      | 100.0                                | 100.0     |
| • Cycle & Carriage Automotive Pte Limited                              | Distribution and retail of vehicles and provision of after-sales services           | Singapore                                      | 100.0                                | 100.0     |
| • Cycle & Carriage Kia Pte Ltd   | Distribution and retail of vehicles and provision of after-sales services           | Singapore                                      | 100.0                                | 100.0     |
| • Cycle & Carriage France Pte Ltd                                      | Distribution and retail of vehicles and provision of after-sales services           | Singapore                                      | 100.0                                | 100.0     |
| • Diplomat Parts Pte Ltd   | Investment holding and sale of vehicle parts  | Singapore                                      | 100.0                                | 100.0     |
| • Republic Auto Pte Ltd  | Retail of vehicles  | Singapore                                      | 70.0                                 | 70.0      |
| <b>Malaysia</b>  |   |  |                                      |           |
| ^ Cycle & Carriage Bintang Berhad (Quoted on Bursa Malaysia)           | Retail of vehicles and provision of after-sales services                            | Malaysia                                       | 59.1                                 | 59.1      |
| <b>Indonesia</b>   |   |  |                                      |           |
| ^ PT Astra International Tbk (Quoted on the Indonesia Stock Exchange)  | Investment holding and retail of vehicles and motorcycles                           | Indonesia                                      | 50.1                                 | 50.1      |
| ^ PT United Tractors Tbk (Quoted on the Indonesia Stock Exchange) #    | Distribution and rental of heavy equipment  | Indonesia                                      | 29.8                                 | 29.3      |
| ^ PT Pamapersada Nusantara #   | Mining  | Indonesia                                      | 29.8                                 | 29.3      |
| ^ PT Astra Otoparts Tbk (Quoted on the Indonesia Stock Exchange) #     | Manufacture and sale of automotive components                                       | Indonesia                                      | 47.1                                 | 43.5      |
| ^ PT Astra Agro Lestari Tbk (Quoted on the Indonesia Stock Exchange) # | Development of palm oil plantations, processing and sale of palm oil products       | Indonesia                                      | 39.9                                 | 39.9      |
| ^ PT Federal International Finance                                     | Consumer finance activities   | Indonesia                                      | 50.1                                 | 50.1      |
| ^ PT Astra Graphia Tbk (Quoted on the Indonesia Stock Exchange) #      | Sole agent and distributor of Fuji Xerox copier and information technology products | Indonesia                                      | 38.5                                 | 38.5      |

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

| Name of company   | Principal activities   | Country of incorporation/<br>place of business | Group's effective interest in equity |           |
|---|--|--|--------------------------------------|-----------|
|   |  |  | 2008<br>%                            | 2007<br>% |
| <b>Indonesia</b> (continued)                                      |  |  |                                      |           |
| ^ PT Astra Honda Motor *  | Manufacture, assembly, and distribution of Honda motorcycles and provision of after-sales services | Indonesia                                      | 25.1                                 | 25.1      |
| ^ PT Toyota Astra Motor *   | Distribution of Toyota vehicles  | Indonesia                                      | 25.6                                 | 25.6      |
| + PT Bank Permata Tbk<br>(Quoted on the Indonesia Stock Exchange) | Commercial bank  | Indonesia                                      | 22.3                                 | 22.3      |
| ^ PT Tunas Ridean Tbk<br>(Quoted on the Indonesia Stock Exchange) | Retail of vehicles and motorcycles, provision of operating lease and consumer financing services   | Indonesia                                      | 38.3                                 | 37.4      |
| <b>Vietnam</b>  |  |  |                                      |           |
| ^ Truong Hai Auto Corporation                                     | Manufacture, assembly, distribution and retail of motor vehicles                                   | Vietnam  | 20.5                                 | –         |

• Audited by PricewaterhouseCoopers LLP, Singapore.

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

+ Audited by Siddhrata Siddharta & Widjaja in Indonesia, a member of the worldwide KPMG organisation.

# Direct interest more than 50%.

\* Not consolidated as the entity is not controlled by the Group and is deemed to be a joint venture as the Group shares the control of the entity.