FINANCIAL REVIEW

Accounting Policies
The Group revised its accounting policy in respect of its owner-occupied freehold land and buildings, and the building component of owner-occupied leasehold properties to the cost model, where previously the valuation model was used. This change harmonises the treatment of land and buildings, both freehold and leasehold, and aligns the Group's accounting policy with industry practice, enhancing the comparability of the Group's financial statements with those of its international peers. The directors believe that the new policy provides more reliable and relevant financial information to the users of the financial statements.

The following amendments and interpretations to existing standards which are effective in the current accounting period and relevant to the Group's operations were adopted in 2010:

Amendments to IFRS 2	Group Cash-settled Share-based Payment Tranºsactions
Amendment to IAS 17	Leases
Amendment to IAS 39	Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
Improvements to IFRSs (2009)	

The Group also early adopted the following amendment which is relevant to its operations:

Amendment to IAS 12	Deferred Tax: Recovery of Underlying Assets

The revision of the Group's accounting policy and the adoption of the amendments and interpretations did not have a material impact on the results of the Group.

Results
The Group produced record results largely due to the excellent growth of its Indonesian businesses which was further enhanced by the strength of the rupiah.

Group revenue rose by 47% to US$15.7 billion. Revenue from Astra grew by 51% to US$14.4 billion with increases reflected in all its businesses, while revenue from the Group's other motor interests rose by 20% to US$1.3 billion.

Operating profit at US$2.2 billion was 70% up on the previous year with improved performances in almost all of Astra's businesses, partly offset by lower results from the Group's motor operations in Singapore. The operating profit included a number of non-trading items, the largest of which was the fair value gain of US$422 million on oil palm plantations, compared to the fair value loss of US$64 million in the previous year, arising mainly from the increase in crude palm oil prices assumed.

Net financing income was less than US$1 million, compared to US$6 million in the previous year.

The Group's share of associates' and joint ventures' results after tax at US$578 million was more than double the previous year. This was due to the higher contribution from Astra's motorcycle and automotive component associates and Bank Permata.

The effective tax rate of the Group was 26% compared to 30% in 2009, as the statutory tax rate in Indonesia was reduced from 28% to 25% and in addition, certain listed companies in the Astra group qualified for a preferential 20% rate.

The Group's profit after tax for the year rose by 85% to US$2.2 billion of which US$944 million was attributable to shareholders, which was also 85% up on the previous year.

Bank Permata
Indonesia

Excluding non-trading items, underlying profit attributable to shareholders was US$812 million, 55% above the previous year.

Dividends
The Board is recommending a final one-tier tax exempt dividend of US¢82 per share (2009: US¢47 per share), which together with the interim dividend paid will give a total dividend of US¢98.00 per share (2009: US¢58 per share), an increase of 69% over the previous year. This represents a dividend payout equivalent to 43% of underlying earnings per share, compared to 39% in the previous year. Shareholders will have the option to receive the dividend in Singapore dollar and in the absence of any election, the dividend will be paid in US dollar.

Cash Flow
Net cash inflow from operating activities at US$338 million was lower than the previous year as the cash flow from higher profit was offset by higher working capital. The cash outflow from investing activities at US$627 million consisted mainly of the subscription to Bank Permata's rights issue, capital expenditure and the purchase of investments; offset by dividends received from associates and joint ventures. The cash inflow from financing activities at US$143 million, compared to an outflow in the previous year, was due to a net drawdown of loans partially offset by payment of higher dividends.

At the year end, the Group had undrawn committed facilities of around US$852 million. In addition, the Group had available liquid funds of US$838 million. The Group's net debt excluding borrowings within Astra's financial services operations was US$353 million, compared to the net cash of US$64 million at the end of the previous year, due to acquisitions of subsidiaries and associates, capital expenditure and working capital requirements. The net debt within the Group's financial services operations of US$2.4 billion was higher than at the previous year end, due to an increase in lending activities. The Company ended the year with net cash of US$7 million.

Balance Sheet
Shareholders' funds increased by US$832 million to US$3.7 billion due to retained profit for the year and the translation gain arising from the strengthening of the Indonesian rupiah against the US dollar. Property, plant and equipment rose by US$495 million due mainly to the purchase of mining equipment and rental vehicles, while plantations rose by US$528 million due to the increase in their fair values. Interests in associates and joint ventures grew by US$519 million, attributable to the higher share of profits, participation in Bank Permata's rights issue and the purchase of additional interests in various associates. Financing debtors (current and non-current) rose by US$1.1 billion due to the increase in volumes financed while stocks, trade debtors and trade creditors increased due to higher operating activities.

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

Risk Management Review
A review of the major risks facing the Group is set out on page 30.

S C Chiew
Group Finance Director
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