Dairy Farm

Dairy Farm International Holdings Limited

Annual Report 2008

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Internet website:
www.dairyfarmgroup.com

Jardines
A member of the Jardine Matheson Group

CORPORATE INFORMATION

DIRECTORS

Simon Keswick
Chairman

A J L Nightingale
Managing Director

Michael Kok
Group Chief Executive

Ronald J Floto

Jonathan Gould

Mark Greenberg

George J Ho

Henry Keswick

Dr George C G Koo

R C Kwok

Lord Leach of Fairford

Howard Mowlem

James Riley

Percy Weatherall

COMPANY SECRETARY AND REGISTERED OFFICE

C H Wilken

Jardine House
33-35 Reid Street
Hamilton
Bermuda

DAIRY FARM MANAGEMENT SERVICES LIMITED

DIRECTORS

A J L Nightingale
Chairman

Michael Kok
Group Chief Executive

Howard Mowlem
Group Finance Director

Chan Wai-Chan
Regional Director, North Asia/
Chief Executive Officer, China

John Coyle
Regional Director, East Asia

Caroline Mak
Group Specialty Retail Director

Jeff Shaw
Regional Director, South Asia

Michael Wu
Chairman and Managing Director, Maxim's

Jonathan Gould

Mark Greenberg

James Riley

CORPORATE SECRETARY

N M McNamara

Dairy Farm International Holdings Limited

Dairy Farm is a leading pan-Asian retailer. At 31st December 2008, the Group and its associates operated 4,649 outlets – including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants; employed over 75,000 people in the region; and had total annual sales of US$7.7 billion.

The Group operates under well-known local brands, including:

- Supermarkets – Wellcome in Hong Kong, Taiwan and Vietnam, ThreeSixty and Oliver's The Delicatessen in Hong Kong, Jasons MarketPlace in Singapore, Taiwan and Hong Kong, Cold Storage in Singapore and Malaysia, Giant in Malaysia and Indonesia, Shop N Save in Singapore, Hero in Indonesia, and Foodworld in India;
- Hypermarkets – Giant in Malaysia, Singapore, Indonesia and Brunei;
- Health and beauty stores – Mannings in Hong Kong, Macau and China, Guardian in Singapore, Malaysia, Indonesia and Brunei, and Health and Glow in India;
- Convenience stores – 7-Eleven in Hong Kong, Macau, Southern China and Singapore, and Starmart in Indonesia; and
- Home furnishings stores – IKEA in Hong Kong and Taiwan.

The Group has a 50% interest in Maxim's, Hong Kong's leading catering chain.

Dairy Farm International Holdings Limited is incorporated in Bermuda and has its primary share listing on the London Stock Exchange, and secondary listings on the Bermuda and Singapore stock exchanges. The Group's businesses are managed from Hong Kong by Dairy Farm Management Services Limited through its regional offices. Dairy Farm is a member of the Jardine Matheson Group.

Corporate Overview

"Our goal is to satisfy the appetites of Asian shoppers for wholesome food and quality consumer and durable goods at competitive prices."

HIGH-QUALITY, LOW-COST RETAILING

Dairy Farm aims to be a leader in all its market sectors. Our focus is retailing and we strive to offer consumers value-for-money through efficient, low-cost distribution of high-quality fresh foods, and consumer and durable goods in our supermarkets, hypermarkets, health and beauty stores, convenience stores and home furnishings stores.

ASIA FOCUS

We are geographically committed to Asia. In addition to developing our existing operations, we aim to achieve growth by exploring new investment opportunities within the region.

MULTIPLE FORMATS, SHARED SERVICES

We operate multiple formats in most markets and achieve economies of scale by supporting these with shared infrastructure for logistics, human resources, finance, procurement, and information technology systems.

LONG-TERM SHAREHOLDER VALUE CREATION

We aim to maintain financial strength through prudent balance sheet management. We take a long-term view of business development and believe in striking a balance between investment in mature cash-flow activities and investment in new businesses. Shareholder value creation is the performance yardstick for the long-term incentive programme of the Company's management.

Highlights

- Underlying earnings per share up 24%
- Good results in major markets
- Low net debt and strong cash flow

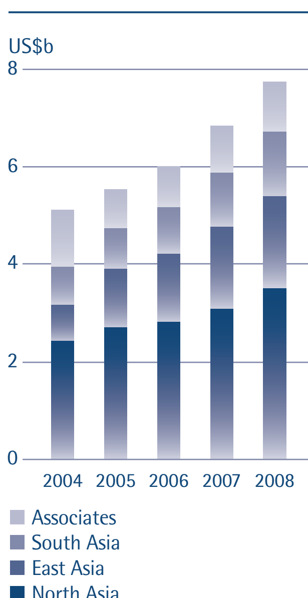
Results

	2008 US$m	2007 US$m	Change %
Sales			
– subsidiaries	**6,733**	5,887	14
– including associates	**7,742**	6,845	13
Underlying profit attributable to shareholders	**320**	258	24
Non-trading items	**13**	–	n/a
Profit attributable to shareholders	**333**	258	29
Underlying PBIT to sales	**5.5%**	4.7%	

	US¢	US¢	%
Underlying earnings per share	**23.77**	19.19	24
Basic earnings per share	**24.73**	19.19	29
Dividends per share	**14.00**	11.50	22

Chairman's Statement

Total Sales



OVERVIEW

Dairy Farm achieved further good results in 2008, with growth in both sales and profit. Trading conditions were generally favourable in our major markets in the first half of the year, although there were signs of some slowing in the second half as consumer sentiment was adversely affected by deteriorating global economic conditions.

PERFORMANCE

Sales, including 100% of associates, increased by 13% to US$7.7 billion in 2008. Underlying net profit for the year increased at a higher rate of 24% to US$320 million, while underlying earnings per share also rose by 24% to US¢23.77. Profit attributable to shareholders of US$333 million included non-trading gains of US$13 million arising from asset disposals.

Overall, the Group's financial position remains sound, with strong cash generation leading to the effective elimination of net gearing at the year end and ensuring that adequate funds are available for expansion. Capital expenditure during the year within the Group's businesses amounted to US$257 million.

The Board is recommending a final dividend of US¢10.00 per share, bringing the total ordinary dividends for 2008 to US¢14.00 per share, a 22% increase over the prior year.

CORPORATE DEVELOPMENTS

In March 2008, the Group exercised an option to acquire a further 25% interest in PT Hero in Indonesia for US$42 million. The Group opened the first Giant hypermarket in Brunei in March, and also acquired the small Guardian health and beauty chain to support its expansion in that territory. Early in the year, the Group disposed of its 50% interest in the Korean joint venture, CJ Olive Young, producing a profit of US$12 million.

Maxim's, the Group's 50%-owned catering associate, acquired the 53-store Arome cake and bakery chain in the first half, giving it a clear leadership position in this sector of the Hong Kong market.

OPERATIONS

The Group continued its strategy of building leading retail businesses that meet the needs of Asia's growing consumer markets. The consistent implementation of this strategy has seen operations expand to seven countries in up to six major formats. In 2008, these operations continued to make good progress, with 500 net new store openings across all formats. In larger format stores, Dairy Farm operated a total of 78 Giant hypermarkets at the year end, with 44 in Malaysia, 26 in Indonesia, seven in Singapore and one in Brunei.

The Group's operations in North Asia performed well as sales increased by 14% and profit by 26%. The Hong Kong businesses – Wellcome, Mannings, 7-Eleven and IKEA – each reported improved results, while there were increased contributions from 7-Eleven and Mannings in Macau. In Taiwan, Wellcome produced better profit in a highly competitive market as it continued to develop smaller-format fresh stores.

IKEA Taiwan's underlying performance improved considerably over the prior year, although further progress is still required to reach an acceptable level of return.

In Southern China, 7-Eleven passed the 500 store milestone, and ended the year with 506 stores of which 53 were franchised. Following the refinement of Mannings' format and product range, its 58 stores in Guangdong Province showed improved results, and a further 12 stores were opened in Beijing, Shanghai, Chongqing and Nanjing.

Maxim's faced the challenges of significant increases in food costs and deteriorating consumer sentiment in response to the poor economic environment. While higher sales were achieved, profit could only be maintained at last year's level.

In South Asia, the businesses increased sales by 19% and profit by 40%. Singapore's growth was led by the Cold Storage and Shop N Save supermarkets and by 7-Eleven, while Giant hypermarkets also performed better following a difficult year in 2007. Guardian, however, was hampered by a shortage of pharmacists.

In our Indian joint ventures, Health and Glow pursued its measured pace of expansion, while Foodworld supermarkets maintained its scale of operations in a highly competitive trading environment.

In East Asia, sales grew by 12% and profit by 37%. All formats in Malaysia achieved another year of good results as expansion continued in both peninsular and East Malaysia. The development of two purpose-built distribution centres is under way to support this growth, with a dry goods centre in Sepang due for completion in mid-2009 and land acquired for a fresh produce centre.

The performance in Indonesia has improved significantly in all formats. Nine new Giant hypermarkets were opened during 2008, bringing the total to 26, and further expansion is planned in 2009. In Vietnam, the Group continued to operate three supermarkets as a base for a planned expansion when opportunities arise.

PEOPLE

The achievement of another year of solid progress is a reflection of the hard work and dedication of all Dairy Farm employees. On behalf of the Board, I thank them for their efforts during 2008 and wish them well as they address the challenges ahead.

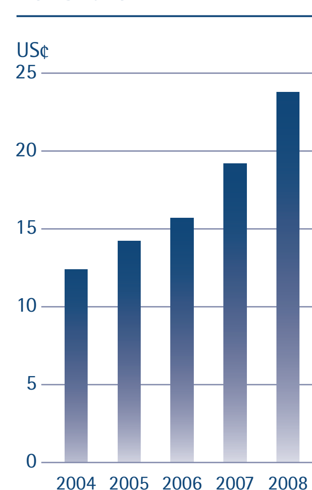
PROSPECTS

While the immediate economic outlook remains uncertain, Dairy Farm's retail businesses have established leading positions in their market sectors and are generally trading well. With a secure financial base, we will continue to invest in the long-term growth of the Group.

Simon Keswick
Chairman

5th March 2009

Underlying Earnings Per Share



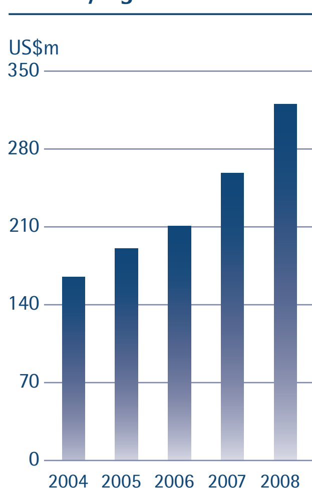
Group Chief Executive's Review

Dairy Farm achieved another year of good progress in 2008. Our three operating regions – North Asia, South Asia and East Asia – each reported increases in sales and earnings. We have not departed from our prime strategy of focusing exclusively on retailing in Asia, but we have continued to experiment with new formats and with other initiatives to make our stores more attractive and efficient.

A number of important steps were taken in 2008 in pursuit of our strategy:

- We added a net 500 stores to reach a total of 4,649 by the year end.
- In Malaysia, we added three Giant hypermarkets, bringing our total number of these stores to 44. Also in Malaysia, our Guardian business was able to expand significantly, adding 35 stores to bring its total to 323 at the year end.
- In Indonesia, we increased our direct shareholding in PT Hero and completed the programme of converting half of the Hero stores to Giant supermarkets, allowing these stores to focus better on their customer segment.
- The development of Mannings in China also proceeded well. We added 40 stores including the first outlets in Beijing, Shanghai, Nanjing and Chongqing, to complement our established store base in Guangdong Province.
- We began operations in Brunei with the opening of our first Giant hypermarket, and also acquired and expanded the Guardian health and beauty chain.
- Our 50%-owned associate, Maxim's, acquired industrial sites in Hong Kong and Shenzhen, Southern China, to expand the production of bakery and other items.
- We increased significantly the resources dedicated to private label development, as well as to IT and supply chain management, to drive further benefits in these important areas.
- Early in the year, we completed the disposal of our interest in the Olive Young joint venture in Korea.

Underlying PATAM



REGIONAL REVIEW

NORTH ASIA

Hong Kong

Wellcome continued its programme to establish a larger base of MarketPlace stores, featuring an expanded range of international goods. There were seven MarketPlace stores operating by the year end. The Wellcome store portfolio was upgraded with 11 new stores and the closure of three older stores. In addition, 20 major refurbishments were completed.

7-Eleven introduced a new format featuring an extended ready-to-eat section. This format will be used in future expansion and renovations whenever the store size permits.

Mannings' reputation for selling quality products was again demonstrated by the strong sales recorded when consumers reacted to heightened concerns over counterfeit or tainted products. Its consistent commitment to product quality and service has resulted in a loyal customer base that supports Mannings' continuing success.

IKEA suffered some disruption at the Shatin store in the second half as a result of partial re-location. Despite this, sales improved at all stores, although there was some weakening of demand later in the year.

Maxim's enjoyed a generally good start to 2008, despite facing increased ingredient costs, but a reduction in demand in the second half meant that their full-year earnings remained in line with the prior year.

Mainland China

7-Eleven continued its expansion of convenience stores in Guangdong Province, Southern China. The rate of growth slowed as greater emphasis was placed on improving operational and logistics standards, including the move to a new distribution centre. A total of 506 stores were in operation by the year end, representing a net increase of 66 stores for the year.

Mannings also expanded during the year with the addition of 40 stores, including the first 12 stores outside Guangdong Province.

Maxim's continued to invest in its bakery and cake shop business through the acquisition of a site in Shenzhen for a new production facility. Maxim's remains a minority shareholder in the Starbucks chain in Southern and Western China, which also increased its store numbers.

Taiwan

Wellcome supermarkets completed trials of a new smaller format supermarket model, resulting in a total of 61 of these stores in operation by the end of 2008.

IKEA achieved higher sales as the business continued to mature, although it still recorded a small loss for the year.

SOUTH ASIA

Singapore

Both **Cold Storage** and **Shop N Save** supermarkets benefited from store refurbishment programmes, which will continue in 2009. A total of 91 stores were operating at the year end.

Giant recovered from a disappointing performance in 2007 to record improved levels of turnover, although further progress is required to reach acceptable profitability.

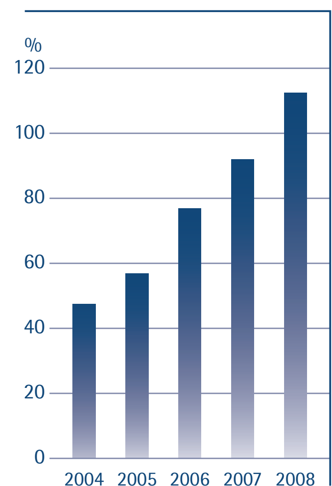
7-Eleven added 20 stores and benefited from improved performances at the stores in Shell petrol stations. **Guardian** had a less satisfactory year, with the performance held back by relatively lacklustre sales and the continuing shortage of pharmacists.

India

The rapid expansion of new entrants in the Indian market continued to have an adverse effect on operating costs for **Foodworld**, where results deteriorated during the year. There are, however, signs that the cost and competitive pressures are now abating and that a more normal trading environment might prevail in 2009.

Health and Glow also had a difficult year, affected by rising costs. Despite this, encouraging sales increases were achieved in a competitive environment that was generally less aggressive than in the supermarket sector.

Return on Average Shareholders' Funds



EAST ASIA

Malaysia

Giant expanded its hypermarket and supermarket businesses in both the major population centres and in secondary locations. In East Malaysia, three new stores were opened, while five stores were added in peninsular Malaysia. **Guardian** maintained its market leadership, growing to more than 320 stores by the year end.

Indonesia

The performances of all businesses under PT Hero improved in 2008. **Giant** added nine new hypermarkets, while its supermarkets benefited from the programme of selectively re-branding former Hero stores. **Hero** supermarkets also benefited from re-focusing as a premium chain. Both **Guardian** and **Starmart** made significant progress, adding 25 and 18 stores, respectively.

Brunei

In Brunei, our **Giant** hypermarket has not yet reached planned sales level, but the newly acquired **Guardian** health and beauty business is expanding and achieving encouraging customer acceptance.

Vietnam

In Vietnam, we are continuing our efforts to identify sites and gain regulatory approvals for expansion into larger format stores.

THE YEAR AHEAD

In 2009, we are once again concentrating efforts on the expansion of our retailing formats in existing markets. Major items of capital expenditure will include the purchase of land in Indonesia for the development of new hypermarkets, expansion in Vietnam, and investment in a new merchandising system for our supermarket and hypermarket businesses. In addition, we will continue to allocate substantial amounts to developing the Giant hypermarket business in Malaysia, and to refurbishing our supermarkets in Singapore and Hong Kong.

While the markets in which we operate are inevitably being affected by the turbulence in the world economy, we are fortunate to be in the business of providing everyday needs to the mass market. We will work hard in the year ahead to build on the leading positions we have established in each sector. Our successful record in recent years reflects in large part the commitment of our workforce, which numbers over 75,000 people. I thank them sincerely for their commitment and for the success they have achieved for the Company.

Michael Kok
Group Chief Executive

5th March 2009

Directors' Profiles

Simon Keswick

Chairman

Mr Simon Keswick joined the Board and became Chairman in 1986. He joined the Jardine Matheson group in 1962 and is also chairman of Hongkong Land, Mandarin Oriental, and a director of Jardine Lloyd Thompson, Jardine Matheson and Jardine Strategic.

A J L Nightingale*

Managing Director

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

Michael Kok*

Group Chief Executive

Mr Kok joined the Board and was appointed Group Chief Executive in 2007. He joined Dairy Farm in 1987 and has extensive experience in the retail industry in Asia. As a director of Dairy Farm Management Services since 1997, he had prime responsibility for the Group's retail businesses in South and East Asia.

Howard Mowlem*

Group Finance Director

Mr Mowlem was appointed as Group Finance Director in 2001. He joined the Group in 2000 as finance director, North Asia. He previously held a number of senior financial positions in the Australian retail sector. Mr Mowlem is a Fellow of the Australia Society of CPAs.

Ronald J Floto

Mr Floto joined the Board in 1997 and was Group Chief Executive until he retired from executive office in 2007. His extensive experience in the retail industry included senior positions in Kmart Corporation and Super Kmart in the United States.

Jonathan Gould

Mr Gould joined the Board in 2004. He is the Jardine Matheson group general counsel. Previously he was a senior corporate partner of Allen & Overy based in London and Hong Kong, having qualified as an English solicitor in 1976 and a Hong Kong solicitor in 1988. Mr Gould is also a director of Jardine Matheson Limited and Mandarin Oriental.

Mark Greenberg

Mr Greenberg joined the Board in 2006. He is group strategy director of Jardine Matheson. He had previously spent 16 years in investment banking with Dresdner Kleinwort Wasserstein in London. He is also a director of Jardine Matheson Limited, Hongkong Land, Jardine Cycle & Carriage and Mandarin Oriental and a commissioner of Astra and Bank Permata.

George J Ho

Mr Ho joined the Board in 1998. He was previously engaged in private law practice in San Francisco and is currently engaged in the broadcasting and multi-media industries. Mr Ho is also chairman of Hong Kong Commercial Broadcasting Company and a non-executive director of Enoteca Company in Japan.

Henry Keswick

Mr Henry Keswick joined the Board in 1988. He is chairman of Jardine Matheson, having first joined the Jardine Matheson group in 1961, and is also chairman of Jardine Strategic. He is a director of Hongkong Land, Mandarin Oriental and Rothschilds Continuation Holdings. He is also vice chairman of the Hong Kong Association.

Dr George C G Koo

Dr Koo, a Fellow of the Royal College of Surgeons, was appointed as a Director in 1990. He is the founder and managing director of the Hong Kong Lithotripter Centre and a member of the Political Consultative Committee of Chekiang Province of the People's Republic of China. He is also a director of Jardine Strategic.

R C Kwok

Mr Kwok is a Chartered Accountant and has been a Director since 1986. He joined the Jardine Matheson group in 1964 and is a director of Jardine Matheson Limited, Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental.

Lord Leach of Fairford

Lord Leach joined the Board in 1987. He is deputy chairman of Jardine Lloyd Thompson, and a director of Hongkong Land, Jardine Matheson, Jardine Strategic, Mandarin Oriental and Rothschilds Continuation Holdings. He joined the Jardine Matheson group in 1983 after a career in banking and merchant banking.

James Riley

Mr Riley joined the Board in 2005. He is group finance director of Jardine Matheson. A chartered accountant, he joined the Jardine Matheson group from Kleinwort Benson in 1993. He was appointed chief financial officer of Jardine Cycle & Carriage in 1994, and from 1999 to 2005 he was responsible for the businesses grouped under Jardine Pacific. He is also a director of Jardine Matheson Limited.

Percy Weatherall

Mr Weatherall joined the Board in 2000 and was Managing Director from 2000 to 2006. He held a number of senior positions since first joining the Jardine Matheson group in 1976 until his retirement from executive office in 2006. He is also a director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental.

* Executive Director

Financial Review

Dairy Farm enjoyed another year of solid growth in sales and profit in 2008, combined with strong cash flows. The good performance has enabled the Group to support an increase in capital expenditure and pay a higher dividend, while maintaining a sound balance sheet position.

PERFORMANCE

Sales, excluding those of associates, were US$6,733 million, a 14% increase over 2007. Underlying operating profit before interest and tax ('PBIT') was US$373 million, an increase of US$97 million on 2007. This represents a ratio of PBIT to sales of 5.5% in 2008, compared to 4.7% in the previous year. After including the Group's share of results of associates, the underlying profit attributable to shareholders was US$320 million, a 24% increase over 2007. In addition, there was a non-trading gain of US$13 million mainly arising from disposal of our interest in Olive Young.

The tax charge for 2008 was US$71 million, compared to US$46 million in 2007, reflecting the Group's improved profitability in all major markets. Underlying earnings per share were US¢23.77, an increase of 24% over the previous year's US¢19.19. Basic earnings per share were US¢24.73.

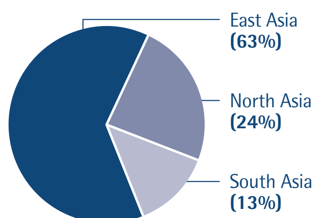
CASH FLOW AND FUNDING

Operating cash flow was strong with a net inflow of US$523 million, compared to the previous year's US$474 million. Working capital movements were again favourable and provided a net inflow of US$37 million in 2008. Normal capital expenditure was US$257 million, compared to US$209 million in 2007, an increase of 23%. A further US$51 million was paid for investments in subsidiaries and joint venture companies. The Group, including associates, added 500 outlets in 2008. The Group ended the year with net debt of US$4 million, compared to net debt of US$83 million at 2007 year end.

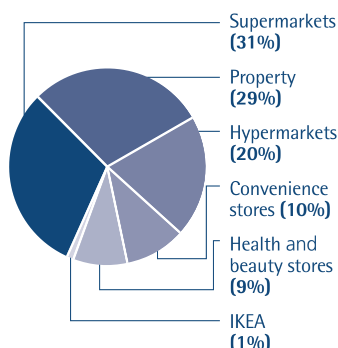
Borrowings are normally taken out in local currencies by the Group's operating subsidiaries to fund and partially hedge their local asset investments. The Group, excluding associates, had gross debt of US$467 million at year end, a decrease of US$12 million. Committed banking facilities at year end totalled US$739 million, and had an average life to maturity of 3.2 years. Financing income decreased from US$23 million in 2007 to US$10 million in 2008, while financing charges decreased by US$2 million to US$24 million.

2008 Capital Expenditure

Total by region: US$308m



Store capex by format



BALANCE SHEET

Total assets, excluding cash and bank balances, of US$2,044 million were US$137 million higher than 2007, mainly reflecting the investment in new and refurbished stores accompanied by an increased level of stock, partly offset by a decrease in the value of pension assets. Net operating assets excluding net debt were US$338 million at the end of 2008, a 4% increase over the previous year.

DIVIDEND

The Board is recommending a final dividend of US¢10.00 per share. This will bring the total dividend in respect of 2008 to US¢14.00 per share, an increase of 22% over 2007 and a payout of approximately 60% of the year's underlying profit.

PRINCIPAL RISKS AND UNCERTAINTIES

A review of the principal risks and uncertainties facing the Company is set out on page 61.

FINANCIAL RISK MANAGEMENT

A comprehensive discussion of the Group's financial risk management policies is included in note 2 to the financial statements. The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty about costs. The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, both short and long term, to give flexibility to develop the business. At year end, US$263 million of gross debt was subject to fixed interest rates, with a remaining average tenor of 2.0 years.

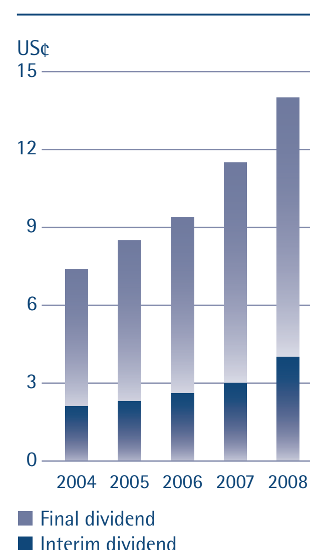
ACCOUNTING POLICIES

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards. There were no changes in accounting policies in 2008.

Howard Mowlem
Group Finance Director

5th March 2009

Ordinary Dividends Per Share



Consolidated Profit and Loss Account

for the year ended 31st December 2008

	Note	2008 US$m	2007 US$m
Sales	4	**6,732.5**	5,887.2
Cost of sales		**(4,674.2)**	(4,095.7)
Gross margin		**2,058.3**	1,791.5
Other operating income		**34.1**	13.5
Selling and distribution costs		**(1,475.4)**	(1,315.7)
Administration and other operating expenses		**(229.2)**	(213.2)
Operating profit	5	**387.8**	276.1
Financing charges		**(23.9)**	(25.6)
Financing income		**9.8**	22.8
Net financing charges	6	**(14.1)**	(2.8)
Share of results of associates and joint ventures	7	**30.2**	29.4
Profit before tax		**403.9**	302.7
Tax	8	**(70.7)**	(45.6)
Profit after tax		**333.2**	257.1
Attributable to:			
Shareholders of the Company		**333.0**	258.2
Minority interests		**0.2**	(1.1)
		333.2	257.1

	Note	US¢	US¢
Earnings per share	9		
- basic		**24.73**	19.19
- diluted		**24.71**	19.17

Consolidated Balance Sheet

at 31st December 2008

	Note	2008 US$m	2007 US$m
Net operating assets			
Intangible assets	11	**304.2**	292.5
Tangible assets	12	**636.9**	603.8
Associates and joint ventures	13	**128.7**	120.3
Other investments	14	**2.3**	0.4
Non-current debtors	15	**105.3**	101.3
Deferred tax assets	16	**18.0**	14.4
Pension assets	17	**8.8**	72.5
Non-current assets		**1,204.2**	1,205.2
Stocks		**649.0**	545.6
Current debtors	15	**120.6**	106.2
Current tax assets		**4.9**	10.0
Bank balances and other liquid funds	18	**462.9**	395.9
		1,237.4	1,057.7
Non-current assets classified as held for sale	19	**65.2**	39.8
Current assets		**1,302.6**	1,097.5
Current creditors	20	**(1,537.9)**	(1,436.0)
Current borrowings	21	**(62.6)**	(40.0)
Current tax liabilities		**(65.0)**	(48.7)
Current provisions	22	**(2.0)**	(3.0)
Current liabilities		**(1,667.5)**	(1,527.7)
Net current liabilities		**(364.9)**	(430.2)
Long-term borrowings	21	**(404.5)**	(439.1)
Deferred tax liabilities	16	**(36.6)**	(43.7)
Pension liabilities	17	**(27.0)**	(24.1)
Non-current creditors	20	**(20.7)**	(10.9)
Non-current provisions	22	**(17.0)**	(16.1)
Non-current liabilities		**(505.8)**	(533.9)
		333.5	241.1
Total equity			
Share capital	24	**74.8**	74.8
Share premium and capital reserves	26	**32.6**	30.3
Revenue and other reserves	27	**223.5**	133.0
Shareholders' funds		**330.9**	238.1
Minority interests	29	**2.6**	3.0
		333.5	241.1

Approved by the Board of Directors

A J L Nightingale

Michael Kok

Directors

5th March 2009

Consolidated Statement of Recognized Income and Expense

for the year ended 31st December 2008

	2008 US$m	2007 US$m
Net actuarial (losses)/gains on defined benefit pension plans	**(69.5)**	12.1
Net exchange translation differences	**(14.3)**	(13.8)
Gains on revaluation of other investments	**2.2**	–
(Losses)/gains on cash flow hedges	**(3.0)**	0.3
Tax on items taken directly to equity	**11.9**	(0.8)
Net expense recognized directly in equity	**(72.7)**	(2.2)
Transfer to profit and loss on disposal of other investments	**(0.2)**	–
Transfer to profit and loss on realization of exchange reserves	**(2.0)**	2.4
Profit after tax	**333.2**	257.1
Total recognized income and expense for the year	**258.3**	257.3
Attributable to:		
Shareholders of the Company	**258.8**	258.6
Minority interests	**(0.5)**	(1.3)
	258.3	257.3

Consolidated Cash Flow Statement

for the year ended 31st December 2008

	Note	2008 US$m	2007 US$m
Operating activities			
Operating profit	5	**387.8**	276.1
Depreciation and amortization	30(a)	**136.4**	123.3
Other non-cash items	30(b)	**(2.5)**	10.2
Decrease in working capital	30(c)	**36.9**	84.0
Interest received		**10.8**	20.5
Interest and other financing charges paid		**(23.8)**	(25.4)
Tax paid		**(47.5)**	(40.8)
		498.1	447.9
Dividends from associates and joint ventures		**25.1**	25.6
Cash flows from operating activities		**523.2**	473.5
Investing activities			
Purchase of tangible assets		**(215.6)**	(186.0)
Purchase of subsidiaries	30(d)	**(42.0)**	(3.6)
Store acquisitions	30(e)	**(2.6)**	(0.9)
Purchase of associates and joint ventures		**(6.6)**	(9.2)
Purchase of land use rights	30(f)	**(33.7)**	(21.6)
Purchase of other intangible assets		**(7.9)**	(1.5)
Sale of associates and joint ventures	30(g)	**20.5**	–
Sale of other investments	30(h)	**1.0**	–
Sale of other tangible assets		**1.0**	1.1
Sale of properties	30(i)	**–**	4.4
Cash flows from investing activities		**(285.9)**	(217.3)
Financing activities			
Issue of shares		**0.4**	1.0
Drawdown of borrowings		**991.0**	934.6
Repayment of borrowings		**(990.3)**	(903.1)
Dividends paid by the Company	28	**(168.3)**	(347.1)
Cash flows from financing activities		**(167.2)**	(314.6)
Effect of exchange rate changes		**(1.7)**	1.2
Net increase/(decrease) in cash and cash equivalents		**68.4**	(57.2)
Cash and cash equivalents at 1st January		**384.8**	442.0
Cash and cash equivalents at 31st December	30(j)	**453.2**	384.8

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICES

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

(i) Interpretations effective in 2008 which are relevant to the Group's operations:

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

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

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

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

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

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

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

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

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

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

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

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

(a) Basis of preparation (continued)

(iii) Standards, amendments and interpretations effective after 2008 which are relevant to the Group's operations and yet to be adopted:

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

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

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

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

IFRS 5 (Amendment) 'Non-current Assets Held for Sale and Discontinued Operations' (effective from 1st July 2009) is part of the 2008 improvement project. It specifies that if a sale plan involving loss of control of a subsidiary meets the held-for-sale criteria, the assets and liabilities of the subsidiary should be reclassified and accounted for as a disposal group in accordance with IFRS 5. The Group will apply the amendment from 1st January 2010 and only the disclosure and presentation of financial information will be affected.

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

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

The Group's reportable segments are set out in note 4 and are described on pages 27 and 29.

(b) Basis of consolidation

(i) The consolidated financial statements include the financial statements of the Company, its subsidiaries and, on the basis set out in (ii) below, its associates and joint ventures. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The results of subsidiaries, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.

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

(b) Basis of consolidation (continued)

(ii) Associates are entities, not being subsidiaries or joint ventures, over which the Group exercises significant influence. Joint ventures are entities which the Group jointly controls with one or more other venturers. Associates and joint ventures are included on the equity basis of accounting.

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

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

(c) Foreign currencies

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

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

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

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

(d) Impairment

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

(e) Intangible assets

(i) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition over the carrying amount of the proportion of the minority interests acquired. If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognized directly in the consolidated profit and loss account. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

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

(e) Intangible assets (continued)

(ii) Land use rights are payments to third parties to acquire long-term interests in owner-occupied property. These payments are stated at cost and are amortized over the useful life of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

(iii) Intangible assets other than goodwill, franchise rights and land use rights are stated at cost less accumulated amortization. Amortization is calculated on the straight line basis to allocate the cost of intangible assets over their estimated useful lives.

(f) Tangible fixed assets and depreciation

Freehold land and buildings, and the building component of owner-occupied leasehold properties are stated at valuation. Independent valuations are performed every three years on an open market basis and, in the case of the building component of leasehold properties, on the basis of depreciated replacement cost. Depreciated replacement cost is used as the most reliable basis of allocating open market value to the building component. In the intervening years the Directors review the carrying values and adjustment is made where there has been a material change. Revaluation surpluses and deficits are dealt with in asset revaluation reserves except for movements on individual properties below depreciated cost which are dealt with in the consolidated profit and loss account. Grants related to tangible fixed assets are deducted in arriving at the carrying amount of the assets. Other tangible fixed assets are stated at cost less amounts provided for depreciation.

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

Buildings	30 - 50 years
Leasehold improvements	over period of the lease
Plant and machinery	3 - 20 years
Furniture, equipment and motor vehicles	3 - 15 years

No depreciation is provided on freehold land as it is deemed to have an indefinite life.

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

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

(g) Investments

Investments are classified by management as available for sale on initial recognition. Available-for-sale investments are shown at fair value. Gains or losses arising from changes in the fair value are dealt with in reserves. On the disposal of an investment or when an investment is determined to be impaired, the cumulative gain or loss previously recognized in reserves is included in the consolidated profit and loss account. Investments are classified under non-current assets unless their maturities are within twelve months after the balance sheet date.

At each balance sheet date, the Group assesses whether there is objective evidence that an investment is impaired.

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

(h) Stocks

Stocks, which principally comprise goods held for resale, are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

(i) Debtors

Trade debtors are measured at amortized cost except where the effect of discounting would be immaterial. Provision for impairment is established when there is objective evidence that the outstanding amounts will not be collected. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the debtor is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in arriving at operating profit. When a debtor is uncollectible, it is written off against the allowance account. Subsequent recoveries of amount previously written off are credited in the consolidated profit and loss account.

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

(j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise deposits with banks, bank and cash balances, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current borrowings.

(k) Provisions

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

(l) Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values.

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

(m) Employee benefits

(i) Pension obligations

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

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

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

(ii) Share-based compensation

The Company operates a number of employee share option schemes. The fair value of the employee services received in exchange for the grant of the options in respect of options granted after 7th November 2002 is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognized in the consolidated profit and loss account.

(n) Dividends

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

(o) Sales

Sales consist of the gross value of goods sold to customers, excluding sales taxes. This does not include sales generated by associates and joint ventures. Sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to customers. Sales are recognized at the point of sale and are recorded at the net amount received from customers.

(p) Operating leases

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

(q) Pre-operating costs

Pre-operating costs are expensed as they are incurred.

(r) Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method.

Borrowing costs relating to major development projects are capitalized during the construction period until the asset is substantially completed. Capitalized borrowing costs are included as part of the cost of the asset. All other borrowing costs are expensed as incurred.

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

(s) 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.

(t) Derivative financial instruments

The Group only enters into derivative financial instruments in order to hedge underlying exposures. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (fair value hedge), or a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment (cash flow hedge), or a hedge of a net investment in a foreign entity.

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

(t) Derivative financial instruments (continued)

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

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

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

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

(u) 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 recognized when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

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

(w) Earnings per share

Basic earnings per share are calculated on profit attributable to shareholders and on the weighted average number of shares in issue during the year. The weighted average number excludes the Company's share of the shares held by the Trustee under the Senior Executive Share Incentive Schemes. For the purpose of calculating diluted earnings per share, profit attributable to shareholders is adjusted for the effects of the conversion of dilutive potential ordinary shares, and the weighted average number of shares is adjusted for the number of shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the year.

(x) Comparative figures

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

2. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The Group's treasury function co-ordinates, under the directions of the Board of Dairy Farm International Holdings Limited, financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimize the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, caps, forward foreign exchange contracts and foreign currency options as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the consolidated profit and loss account. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2008 are disclosed in note 31.

(i) Market risk

Foreign exchange risk

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

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

There are no significant monetary balances held by Group companies at 31st December 2008 that are denominated in a non-functional currency. Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through the use of derivative financial instruments such as interest rate swaps and caps. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings in fixed rate instruments with an average tenor of one to three years. At 31st December 2008 the Group's interest rate hedge was 58% (2007: 54%), with an average tenor of 2.0 years (2007: 1.5 years). The interest rate profile of the Group's borrowings after taking into account hedging transactions is set out in note 21.

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 entering into interest rate swaps and caps for a maturity of up to five years. Interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, whilst caps provide protection against a rise in floating rates above a pre-determined rate.

(a) Financial risk factors (continued)

At 31st December 2008, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US$1.4 million (2007: US$1.9 million) higher/lower and hedging reserves would have been US$5.3 million (2007: US$3.8 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. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States and Hong Kong rates over the period until the next annual balance sheet date. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

(ii) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and credit exposures to 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 transactions involving derivative financial instruments by monitoring credit ratings, capital adequacy ratios, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2008, over 99% (2007: 98%) of deposits and balances with banks were made to banks with credit ratings of no less than A- (Fitch). Similarly, transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however, the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

Sales to customers are made in cash or by major credit cards. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group's exposure to credit risk arising from debtors is set out in note 15 and totals US$225.9 million (2007: US$207.5 million). The Group's exposure to credit risk arising from exposure to derivative financial instruments with a positive fair value is disclosed in note 15 as a component of other debtors and totals US$3.7 million (2007: US$0.3 million). The Group's exposure to credit risk arising from deposits and balances with banks is set out in note 18 and totals US$400.6 million (2007: US$329.5 million).

(iii) Liquidity risk

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

At 31st December 2008, total available borrowing facilities amounted to US$997.0 million (2007: US$925.3 million), of which US$467.1 million (2007: US$479.1 million) was drawn down. Undrawn committed facilities, in the form of revolving credit and term loan facilities, totalled US$319.3 million (2007: US$247.8 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 20, 21 and 31.

(b) Capital management

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

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

The Group monitors capital on the basis of the Group's consolidated gearing ratio and consolidated interest cover. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less bank balances and other liquid funds. Interest cover is calculated as underlying business performance divided by net financing charges. The Group does not have a defined gearing or interest cover benchmark or range.

The ratios at 31st December 2008 and 2007 are as follows:

	2008	2007
Gearing ratio (%)	**1**	35
Interest cover (times)	**29**	109

The decrease in gearing ratio at 31st December 2008 for the year then ended as compared to 2007 is primarily due to better operating results and working capital position. The decrease in interest cover is mainly due to lower interest income during the year.

(c) Fair value estimation

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Acquisition of subsidiaries, associates and joint ventures

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

(b) Tangible fixed assets and depreciation

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

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

(c) Impairment of assets

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

(d) Income taxes

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

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

(e) Pension obligations

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

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

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

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

(f) Non-trading items

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

4. SALES

	Including associates and joint ventures		Subsidiaries only	
	2008 US$m	2007 US$m	**2008 US$m**	2007 US$m
Analysis by geographical area of operation:				
North Asia	**4,453.7**	3,975.7	**3,502.8**	3,081.9
East Asia	**1,892.9**	1,684.9	**1,892.9**	1,684.9
South Asia	**1,395.0**	1,184.7	**1,336.8**	1,120.4
	7,741.6	6,845.3	**6,732.5**	5,887.2
Analysis by business:				
Supermarkets/hypermarkets	**4,190.8**	3,696.3	**4,151.7**	3,651.1
Health and beauty stores	**1,077.1**	965.0	**1,058.0**	891.0
Convenience stores	**1,261.8**	1,111.1	**1,261.8**	1,111.1
Home furnishings stores	**261.0**	234.0	**261.0**	234.0
Restaurants	**950.9**	838.9	**–**	–
	7,741.6	6,845.3	**6,732.5**	5,887.2

Sales including associates and joint ventures includes 100% of sales of associates and joint ventures.

Dairy Farm operates in three regions: North Asia, East Asia and South Asia, and accordingly, its primary segment reporting is by geographical areas with secondary segment information reported by business. North Asia comprises Hong Kong, Mainland China, Macau, Taiwan and South Korea. East Asia comprises Malaysia, Indonesia, Vietnam and Brunei. South Asia comprises Singapore, India and Thailand.

5. OPERATING PROFIT

	2008 US$m	2007 US$m
Analysis by geographical area of operation:		
North Asia	**205.3**	162.4
East Asia	**111.8**	81.8
South Asia	**79.0**	56.6
	396.1	300.8
Support office	**(23.4)**	(24.7)
	372.7	276.1
Non-trading items in North Asia:		
– Gain on sale of associates and joint ventures	**14.2**	–
– Gain on sale of other investments	**0.9**	–
	387.8	276.1
Analysis by business:		
Supermarkets/hypermarkets	**209.2**	155.7
Health and beauty stores	**94.1**	73.5
Convenience stores	**70.2**	59.5
Home furnishings stores/property	**22.6**	12.1
	396.1	300.8

5. OPERATING PROFIT (continued)

The following items have been charged/(credited) in arriving at operating profit:

	2008 US$m	2007 US$m
Cost of stocks recognized as expense	**4,665.4**	4,088.8
Impairment of goodwill and other intangible assets (note 11)	**2.5**	0.4
Amortization of land use rights and other intangible assets (note 11)	**4.5**	2.1
Impairment of tangible assets (note 12)	**2.8**	1.5
Depreciation of tangible assets (note 12)	**131.9**	121.2
Employee benefit expense		
– salaries and benefits in kind	**564.2**	502.0
– share options granted (note 26)	**1.9**	1.6
– defined benefit pension plans (note 17)	**6.2**	7.2
– defined contribution pension plans	**29.2**	24.6
	601.5	535.4
Operating leases		
– minimum lease payments	**511.7**	462.9
– contingent rents	**5.0**	4.4
– subleases	**(31.9)**	(27.7)
	484.8	439.6
Gain on sale of associates and joint ventures*	**(14.2)**	–
Rental income	**(12.5)**	(8.7)
Realization of exchange (gain)/loss**	**(1.0)**	2.4
Gain on sale of other investments	**(0.9)**	–
Net foreign exchange gains	**(0.8)**	(0.3)
Loss on sale of tangible assets	**5.5**	4.6
Profit on sale of properties (note 30(i))	**–**	(0.3)

* *Included US$1.0 million realization of exchange gain upon disposal.*

** *Arising on repatriation of capital from foreign subsidiaries.*

6. NET FINANCING CHARGES

	2008 US$m	2007 US$m
Interest expense – bank loans and advances	**22.5**	23.5
Commitment and other fees	**0.7**	2.1
Fair value loss on remeasurement of put option	**0.7**	–
Financing charges	**23.9**	25.6
Fair value gain on remeasurement of put option	**–**	(2.3)
Interest income on bank deposits	**(9.8)**	(20.5)
Financing income	**(9.8)**	(22.8)
	14.1	2.8

7. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	2008 US$m	2007 US$m
Analysis by geographical area of operation:		
North Asia	**34.7**	33.4
South Asia	**(4.5)**	(4.0)
	30.2	29.4
Analysis by business:		
Restaurants	**34.7**	34.4
Supermarkets	**(3.9)**	(3.5)
Health and beauty stores	**(0.6)**	(1.5)
	30.2	29.4

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

8. TAX

	2008 US$m	2007 US$m
Current tax	**70.1**	49.6
Deferred tax	**0.6**	(4.0)
	70.7	45.6
Analysis by geographical area of operation:		
North Asia	**35.8**	21.4
East Asia	**21.2**	14.8
South Asia	**13.7**	9.4
	70.7	45.6
Reconciliation between tax expense and tax at the applicable tax rate:		
Tax at applicable tax rate	**58.4**	38.7
Income not subject to tax	**(0.9)**	(0.4)
Expenses not deductible for tax purposes	**7.1**	7.0
Tax losses not recognized	**2.2**	5.5
Recognition of previously unrecognized temporary differences	**–**	(1.6)
Over-provision in prior years	**(0.6)**	(1.5)
Change in tax rates	**0.4**	(1.2)
Withholding tax	**2.0**	1.9
Deferred tax liabilities written back	**(0.2)**	–
Other	**2.3**	(2.8)
	70.7	45.6

The applicable tax rate for the year was 15.6% (2007: 14.1%) and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates. The increase is caused by changes in the profitability of the Group's subsidiaries in the respective countries.

Share of tax of associates and joint ventures of US$7.7 million (2007: US$8.2 million) is included in share of results of associates and joint ventures.

The Group has no tax payable in the United Kingdom (2007: nil).

9. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US$333.0 million (2007: US$258.2 million), and on the weighted average number of 1,346.4 million (2007: 1,345.3 million) shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$333.0 million (2007: US$258.2 million), and on the weighted average number of 1,347.7 million (2007: 1,347.0 million) shares in issue during the year.

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

	Ordinary shares in millions	
	2008	2007
Weighted average number of shares for basic earnings per share calculation	**1,346.4**	1,345.3
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**1.3**	1.7
Weighted average number of shares for diluted earnings per share calculation	**1,347.7**	1,347.0

Additional basic and diluted earnings per share are also calculated based on underlying profit attributable to shareholders. A reconciliation of earnings is set out below:

	2008		
	US$m	Basic earnings per share US¢	Diluted earnings per share US¢
Profit attributable to shareholders	**333.0**	**24.73**	**24.71**
Non-trading items (note 10)	**(12.9)**		
Underlying profit attributable to shareholders	**320.1**	**23.77**	**23.75**

There were no non-trading items for the year ended 31st December 2007.

10. NON-TRADING ITEMS

An analysis of non-trading items after interest, tax and minority interests (2007: nil) is set out below:

	2008 US$m
Sale of 50% shareholding in CJ Olive Young	**12.2**
Sale of other investments	**0.7**
	12.9

11. INTANGIBLE ASSETS

	Goodwill US$m	Land use rights US$m	Other US$m	Total US$m
2008				
Cost	230.4	56.6	12.2	299.2
Amortization and impairment	(0.4)	(3.6)	(2.7)	(6.7)
Net book value at 1st January	230.0	53.0	9.5	292.5
Exchange differences	(7.5)	(2.6)	(1.4)	(11.5)
Additions	1.6	33.7	10.7	46.0
Impairment	–	–	(2.5)	(2.5)
Amortization	–	(1.0)	(3.5)	(4.5)
Classified as non-current assets held for sale	–	(15.8)	–	(15.8)
Net book value at 31st December	**224.1**	**67.3**	**12.8**	**304.2**
Cost	224.5	71.5	21.0	317.0
Amortization and impairment	(0.4)	(4.2)	(8.2)	(12.8)
	224.1	**67.3**	**12.8**	**304.2**
2007				
Cost	222.9	36.9	10.8	270.6
Amortization and impairment	–	(3.3)	(1.2)	(4.5)
Net book value at 1st January	222.9	33.6	9.6	266.1
Exchange differences	2.9	1.1	(0.2)	3.8
Additions	4.6	21.6	1.7	27.9
Impairment	(0.4)	–	–	(0.4)
Amortization	–	(0.5)	(1.6)	(2.1)
Classified as non-current assets held for sale	–	(2.8)	–	(2.8)
Net book value at 31st December	230.0	53.0	9.5	292.5
Cost	230.4	56.6	12.2	299.2
Amortization and impairment	(0.4)	(3.6)	(2.7)	(6.7)
	230.0	53.0	9.5	292.5

	2008 US$m	2007 US$m
Analysis of goodwill by geographical area of operation:		
North Asia	**40.9**	40.5
East Asia	**111.6**	118.2
South Asia	**71.6**	71.3
	224.1	230.0

The Group's other intangible assets comprise of trademarks and computer software.

Additions of goodwill in 2008 mainly related to the acquisition of seven Guardian stores in Brunei for a total cash consideration of US$2.6 million (note 30(e)).

Additions of goodwill in 2007 mainly related to the acquisition of Guangzhou Lianhua Quik Convenience Co for a total cash consideration of US$3.6 million (note 30(d)); and US$0.9 million relating to the acquisition of two supermarkets in Vietnam (note 30(e)).

Impairment charge of other in 2008 was related to trademarks in PT Hero, Indonesia.

Goodwill is allocated to groups of cash-generating units identified by business or geographical segments. Cash flow projections for impairment reviews are based on budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include budgeted gross margins of between 22% and 49% and growth rates of up to 6% to extrapolate cash flows, which vary across the Group's business segments and geographical locations, over a five year period, and are based on management expectations for the market development; and pre-tax discount rates of between 8% and 23% applied to the cash flow projections. The discount rates used reflect business specific risks relating to the relevant industry, business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment is required.

The amortization charges are all recognized in arriving at operating profit and are included in selling and distribution costs and administration expenses.

12. TANGIBLE ASSETS

	Freehold properties US$m	Leasehold properties US$m	Leasehold improvements US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2008						
Cost and valuation	25.5	131.5	419.3	371.1	452.2	1,399.6
Depreciation and impairment	(0.2)	(11.7)	(264.2)	(231.8)	(287.9)	(795.8)
Net book value at 1st January	25.3	119.8	155.1	139.3	164.3	603.8
Exchange differences	(0.9)	(3.1)	(1.0)	(1.5)	(10.1)	(16.6)
Stores acquired	–	–	–	0.2	–	0.2
Additions	16.6	14.5	51.0	48.9	79.6	210.6
Disposals	–	–	(2.0)	(1.8)	(2.5)	(6.3)
Depreciation	(0.2)	(4.3)	(46.7)	(37.7)	(43.0)	(131.9)
Impairment	–	–	(2.3)	–	(0.5)	(2.8)
Classified as non-current assets held for sale	–	(20.1)	–	–	–	(20.1)
Net book value at 31st December	**40.8**	**106.8**	**154.1**	**147.4**	**187.8**	**636.9**
Cost or valuation	41.3	119.2	442.3	390.4	504.8	1,498.0
Depreciation and impairment	(0.5)	(12.4)	(288.2)	(243.0)	(317.0)	(861.1)
	40.8	**106.8**	**154.1**	**147.4**	**187.8**	**636.9**
2007						
Cost and valuation	41.2	107.9	386.9	332.3	403.7	1,272.0
Depreciation and impairment	–	(8.4)	(238.8)	(215.9)	(268.9)	(732.0)
Net book value at 1st January	41.2	99.5	148.1	116.4	134.8	540.0
Exchange differences	0.6	3.3	2.7	3.7	3.3	13.6
New subsidiary and stores acquired	–	–	–	0.7	(2.2)	(1.5)
Additions	15.0	21.7	46.7	53.2	75.4	212.0
Disposals	–	(0.4)	(2.8)	(1.2)	(1.3)	(5.7)
Depreciation	(0.2)	(3.7)	(39.6)	(33.5)	(44.2)	(121.2)
Impairment	–	–	–	–	(1.5)	(1.5)
Classified as non-current assets held for sale	(31.3)	(0.6)	–	–	–	(31.9)
Net book value at 31st December	25.3	119.8	155.1	139.3	164.3	603.8
Cost or valuation	25.5	131.5	419.3	371.1	452.2	1,399.6
Depreciation and impairment	(0.2)	(11.7)	(264.2)	(231.8)	(287.9)	(795.8)
	25.3	119.8	155.1	139.3	164.3	603.8

The Group's freehold properties and the building component of leasehold properties were revalued at 31st December 2008 by independent professionally qualified valuers. There were no material changes to the carrying values at 31st December 2008 (2007: nil).

If the freehold properties and the building component of leasehold properties had been included in the financial statements at cost less depreciation, the carrying value would have been US$129.4 million (2007: US$126.9 million).

13. ASSOCIATES AND JOINT VENTURES

	2008 US$m	2007 US$m
Unlisted associates	**126.5**	118.6
Joint ventures	**2.2**	1.7
Share of attributable net assets	**128.7**	120.3

The Group's share of assets and liabilities, results, capital commitments and contingent liabilities of associates and joint ventures are summarized below:

	2008 US$m	2007 US$m
Non-current assets	**156.3**	139.4
Current assets	**82.6**	86.4
Non-current liabilities	**(7.5)**	(5.5)
Current liabilities	**(96.9)**	(95.0)
Total equity	**134.5**	125.3
Attributable to minority interests	**(5.8)**	(5.0)
Attributable net assets	**128.7**	120.3
Sales	**504.2**	478.6
Profit after tax and minority interests	**30.2**	29.4
Capital commitments	**20.3**	27.8
Contingent liabilities	**–**	0.1

Movements of share of attributable net assets for the year:

	2008 US$m	2007 US$m
At 1st January	**120.3**	113.9
Exchange differences	**1.6**	0.9
Share of results after tax and minority interests	**30.2**	29.4
Dividends received	**(25.1)**	(25.6)
Capital injections	**6.6**	9.2
Share of actuarial loss on pension plans	**(4.9)**	(0.2)
Classified as non-current asset held for sale (note 19)	**–**	(7.3)
At 31st December	**128.7**	120.3

Analysis by geographical area of operation:

	2008 US$m	2007 US$m
North Asia	**127.4**	120.4
South Asia	**1.3**	(0.1)
At 31st December	**128.7**	120.3

14. OTHER INVESTMENTS

	2008 US$m	2007 US$m
Movements for the year:		
At 1st January	**0.4**	0.4
Disposals	**(0.3)**	–
Revaluation surplus	**2.2**	–
At 31st December	**2.3**	0.4

Other investments are unlisted non-current available-for-sale financial assets in North Asia.

15. DEBTORS

	2008 US$m	2007 US$m
Trade debtors		
– third parties	**32.1**	36.0
– provision for impairment	**(0.6)**	(1.0)
	31.5	35.0
Other debtors		
– third parties	**194.4**	172.1
– associates and joint ventures	**0.2**	0.5
	194.6	172.6
– provision for impairment	**(0.2)**	(0.1)
	194.4	172.5
	225.9	207.5
Non-current	**105.3**	101.3
Current	**120.6**	106.2
	225.9	207.5
Analysis by geographical area of operation:		
North Asia	**112.0**	95.8
East Asia	**77.5**	78.3
South Asia	**36.4**	33.4
	225.9	207.5

The average credit period on sale of goods and services varies among Group businesses and is not more than 60 days. Sales to customers are made in cash or via major credit cards. The maximum exposure to credit risk is represented by the carrying amount of trade debtors after deducting the impairment allowance.

An allowance for impairment of trade debtors is made based on the estimated irrecoverable amount. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payment are considered indicators that the debtor is impaired.

15. DEBTORS (continued)

At 31st December 2008, trade debtors of US$0.6 million (2007: US$1.0 million) were impaired. The amount of the provision was US$0.6 million (2007: US$1.0 million). The ageing analysis of these trade debtors is as follows:

	2008 US$m	2007 US$m
Below 90 days	**–**	–
Over 90 days	**0.6**	1.0
	0.6	1.0

At 31st December 2008, trade debtors of US$2.8 million (2007: US$9.4 million) were past due but not impaired. The ageing analysis of these trade debtors is as follows:

	2008 US$m	2007 US$m
Below 30 days	**1.9**	6.8
Between 31 and 60 days	**0.4**	1.1
Between 61 and 90 days	**0.2**	0.5
Over 90 days	**0.3**	1.0
	2.8	9.4

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

Other debtors are further analyzed as follows:

	2008 US$m	2007 US$m
Prepayments	**55.6**	52.5
Rental and other deposits	**105.1**	97.1
Derivative financial instruments	**3.7**	0.3
Loans to employees	**0.2**	0.3
Other amounts due from associates and joint ventures	**0.2**	0.5
Other	**29.6**	21.8
	194.4	172.5

Movements on the provision for impairment are as follows:

	Trade debtors		Other debtors	
	2008 US$m	2007 US$m	**2008 US$m**	2007 US$m
At 1st January	**(1.0)**	(0.7)	**(0.1)**	(0.2)
Additional provisions	**(0.1)**	(0.3)	**(0.1)**	–
Unused amounts reversed	**0.2**	–	**–**	0.1
Amounts written off	**0.3**	–	**–**	–
At 31st December	**(0.6)**	(1.0)	**(0.2)**	(0.1)

There were no debtors pledged as security for borrowings as at 31st December 2008 and 2007.

16. DEFERRED TAX ASSETS/ (LIABILITIES)

	Accelerated tax depreciation US$m	Asset revaluation US$m	Pension plans US$m	Provisions and other temporary differences US$m	Total US$m
2008					
At 1st January	(19.5)	(7.9)	(6.3)	4.4	(29.3)
Exchange differences	0.7	0.6	(1.0)	(0.9)	(0.6)
(Charged)/credited to consolidated profit and loss account	(4.3)	–	1.3	2.4	(0.6)
Credited to equity	–	0.4	11.5	–	11.9
At 31st December	**(23.1)**	**(6.9)**	**5.5**	**5.9**	**(18.6)**
Deferred tax assets	0.9	1.5	6.9	8.7	18.0
Deferred tax liabilities	(24.0)	(8.4)	(1.4)	(2.8)	(36.6)
	(23.1)	**(6.9)**	**5.5**	**5.9**	**(18.6)**
2007					
At 1st January	(19.3)	(9.3)	(6.7)	3.4	(31.9)
Exchange differences	(0.3)	–	–	(0.1)	(0.4)
Credited to consolidated profit and loss account	0.1	–	1.7	1.1	2.9
(Charged)/credited to equity	–	0.5	(1.3)	–	(0.8)
Classified as non-current assets held for sale	–	0.9	–	–	0.9
At 31st December	(19.5)	(7.9)	(6.3)	4.4	(29.3)
Deferred tax assets	0.9	–	6.4	7.1	14.4
Deferred tax liabilities	(20.4)	(7.9)	(12.7)	(2.7)	(43.7)
	(19.5)	(7.9)	(6.3)	4.4	(29.3)

Deferred tax balances predominantly comprise non-current items. Deferred tax assets and liabilities are netted when the taxes relate to the same taxation authority and where offsetting is allowed.

Deferred tax assets of US$12.7 million (2007: US$13.8 million) arising from unused tax losses of US$48.8 million (2007: US$47.4 million) and temporary differences of US$0.1 million (2007: US$0.1 million) have not been recognized in the financial statements. Included in the unused tax losses are amounts totalling US$0.3 million (2007: US$1.0 million) which have no expiry date. The balance will expire at various dates up to and including 2018.

17. PENSION PLANS

The Group has defined benefit pension plans relating to employees in Hong Kong, Indonesia and Taiwan. These plans are final salary defined benefit plans and are either funded or unfunded. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by independent actuaries annually using the projected unit credit method.

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

	2008 Weighted average %	2007 Weighted average %
Discount rate applied to pension obligations	**6.4**	5.3
Expected return on plan assets	**7.4**	7.4
Future salary increases	**5.3**	5.1

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 6.5% to 10.0% per annum and global bonds of 3.5% to 6.0% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

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

	2008 US$m	2007 US$m
Fair value of plan assets	**122.7**	184.2
Present value of funded obligations	**(114.0)**	(128.0)
	8.7	56.2
Present value of unfunded obligations	**(26.5)**	(8.7)
Unrecognized past service cost	**(0.4)**	0.9
Net pension (liabilities)/assets	**(18.2)**	48.4
Analysis of net pension assets:		
Pension assets	**8.8**	72.5
Pension liabilities	**(27.0)**	(24.1)
	(18.2)	48.4
Movements in the fair value of plan assets:		
At 1st January	**184.2**	166.5
Exchange differences	**1.1**	(0.6)
Expected return on plan assets	**13.3**	11.9
Actuarial (losses)/gains	**(69.9)**	12.4
Contributions from sponsoring companies	**0.5**	1.1
Benefits paid	**(6.6)**	(7.1)
Transfer from other plans	**0.1**	–
At 31st December	**122.7**	184.2
Movements in the present value of obligations:		
At 1st January	**136.7**	126.3
Exchange differences	**(1.9)**	(0.9)
Current service cost	**11.4**	11.5
Interest cost	**7.2**	6.2
Past service cost	**(0.3)**	1.2
Actuarial (gains)/losses	**(5.3)**	0.1
Benefits paid	**(7.4)**	(7.7)
Transfer from other plans	**0.1**	–
At 31st December	**140.5**	136.7

17. PENSION PLANS (continued)

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

	2008 US$m	2007 US$m
Equity instruments	**69.2**	129.0
Debt instruments	**32.7**	53.2
Other assets	**20.8**	2.0
	122.7	184.2

The five year history of experience adjustments is as follows:

	2008 US$m	2007 US$m	2006 US$m	2005 US$m	2004 US$m
Fair value of plan assets	**122.7**	184.2	166.5	144.9	131.4
Present value of obligations	**(140.5)**	(136.7)	(126.3)	(110.5)	(90.2)
(Deficit)/surplus	**(17.8)**	47.5	40.2	34.4	41.2
Experience adjustments on plan assets	**(69.9)**	12.4	16.4	4.9	8.7
Percentage of plan assets (%)	**(57)**	7	10	3	7
Experience adjustments on plan obligations	**(3.9)**	(2.3)	(3.4)	–	4.5
Percentage of plan obligations (%)	**3**	2	3	–	5

The estimated amount of contributions expected to be paid to the plans in 2009 is US$9.7 million.

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

	2008 US$m	2007 US$m
Current service cost	**11.4**	11.5
Interest cost	**7.2**	6.2
Expected return on plan assets	**(13.3)**	(11.9)
Past service cost	**0.9**	1.4
	6.2	7.2
Actual return on plan assets in the year	**(56.6)**	24.3

The above amounts are all recognized in arriving at operating profit and are included in selling and distribution costs and administration expenses.

18. BANK BALANCES AND OTHER LIQUID FUNDS

	2008 US$m	2007 US$m
Deposits with banks	**380.5**	315.1
Bank balances	**20.1**	14.4
Cash balances	**62.3**	66.4
	462.9	395.9
Analysis by geographical area of operation:		
North Asia	**414.5**	340.7
East Asia	**26.2**	26.6
South Asia	**22.2**	28.6
	462.9	395.9

The weighted average interest rate on deposits with banks is 1.8% (2007: 4.6%) per annum.

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

	2008 US$m	2007 US$m
Intangible assets – land use rights	**15.1**	–
Tangible assets	**50.1**	32.5
Associates and joint ventures	**–**	7.3
Total assets	**65.2**	39.8

At 31st December 2008, the non-current assets classified as held for sale represented two retail properties in Malaysia.

At 31st December 2007, the balance represented a retail property in Malaysia with a carrying value of US$32.5 million and a 50% interest in CJ Olive Young with a carrying value of US$7.3 million. The sale of CJ Olive Young was completed in February 2008.

20. CREDITORS

	2008 US$m	2007 US$m
Trade creditors	**1,083.2**	964.2
Other creditors and accruals	**451.0**	426.1
Deposits accepted	**16.4**	12.7
Financial liability on puttable instrument	**–**	42.1
Derivative financial instruments	**8.0**	1.8
	1,558.6	1,446.9
Non-current	**20.7**	10.9
Current	**1,537.9**	1,436.0
	1,558.6	1,446.9

In 2007, the financial liability on puttable instrument represents the present value of the expected payment under a put option to acquire an additional 25.5% interest in PT Hero Supermarket. Such interests were treated as being taken up by the Group in 2006 when the put option was granted. This option has been exercised and settled in April 2008 (note 30(d)).

The fair value of creditors approximate their carrying amounts.

Analysis by geographical area of operation:

	2008 US$m	2007 US$m
North Asia	**821.4**	683.6
East Asia	**433.4**	486.9
South Asia	**303.8**	276.4
	1,558.6	1,446.9

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

	2008 US$m	2007 US$m
Within one year	**1,537.8**	1,435.3
Between one and two years	**8.1**	6.8
Between two and three years	**0.4**	0.4
Beyond five years	**4.3**	2.6
	1,550.6	1,445.1

21. BORROWINGS

	2008 US$m	2007 US$m
Current		
– Bank overdrafts	**9.7**	11.1
– Other bank advances	**52.9**	28.9
	62.6	40.0
Long-term bank borrowings	**404.5**	439.1
	467.1	479.1

The Group's borrowings are further summarized as follows:

		Fixed rate borrowings			
Currency	Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2008					
Brunei Dollar	*3.0*	–	–	1.8	1.8
Chinese Renminbi	*7.1*	–	–	15.1	15.1
Hong Kong Dollar	*3.3*	*1.8*	77.4	28.9	106.3
Malaysian Ringgit	*4.7*	*2.2*	129.5	131.4	260.9
New Taiwan Dollar	*2.9*	*1.2*	39.1	24.6	63.7
Singapore Dollar	*3.4*	*2.6*	17.4	1.9	19.3
			263.4	**203.7**	**467.1**
2007					
Chinese Renminbi	*5.6*	–	–	10.7	10.7
Hong Kong Dollar	*4.9*	*1.6*	96.2	35.2	131.4
Malaysian Ringgit	*4.6*	*1.3*	105.8	132.5	238.3
New Taiwan Dollar	*2.9*	*1.8*	30.2	44.4	74.6
Singapore Dollar	*2.7*	*1.2*	17.3	4.5	21.8
Thailand Baht	*4.3*	–	–	2.3	2.3
			249.5	229.6	479.1

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

	2008	2007
Within one year	**65.7**	57.7
Between one and two years	**156.4**	63.8
Between two and three years	**49.0**	273.9
Between three and four years	**18.5**	38.7
Between four and five years	**159.0**	13.1
Beyond five years	**65.9**	83.3
	514.5	530.5

All borrowings are unsecured.

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

The fair value of borrowings is not materially different from their carrying values.

22. PROVISIONS

	Closure cost provisions US$m	Obligations under onerous leases US$m	Reinstatement costs US$m	Total US$m
2008				
At 1st January	1.5	1.0	16.6	19.1
Exchange differences	(0.1)	–	(0.5)	(0.6)
Additional provisions	0.7	–	2.3	3.0
Unused amounts reversed	(0.6)	–	(0.2)	(0.8)
Utilized	(1.0)	(0.7)	–	(1.7)
At 31st December	**0.5**	**0.3**	**18.2**	**19.0**
Non-current	–	0.2	16.8	17.0
Current	0.5	0.1	1.4	2.0
	0.5	**0.3**	**18.2**	**19.0**
2007				
At 1st January	3.2	1.1	11.2	15.5
Exchange differences	–	0.1	0.7	0.8
Additional provisions	2.0	1.0	6.5	9.5
Unused amounts reversed	(0.1)	–	–	(0.1)
Utilized	(3.6)	(1.2)	(1.8)	(6.6)
At 31st December	1.5	1.0	16.6	19.1
Non-current	–	0.3	15.8	16.1
Current	1.5	0.7	0.8	3.0
	1.5	1.0	16.6	19.1

	2008 US$m	2007 US$m
Analysis by geographical area of operation:		
North Asia	**4.9**	5.0
East Asia	**9.5**	9.1
South Asia	**4.6**	5.0
	19.0	19.1

Closure cost provisions are established when legal or constructive obligations arise on closure or disposal of businesses.

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

23. NET OPERATING ASSETS

	Capital expenditure US$m	Segment assets US$m	Segment liabilities US$m
2008			
Analysis by geographical area of operation:			
North Asia	**84.3**	**740.1**	**(831.5)**
East Asia	**178.6**	**796.7**	**(459.1)**
South Asia	**36.7**	**352.5**	**(308.1)**
	299.6	**1,889.3**	**(1,598.7)**
Support Office		**0.7**	**(5.9)**
Segment assets/(liabilities)		**1,890.0**	**(1,604.6)**
Associates and joint ventures		**128.7**	**–**
Unallocated assets/(liabilities)		**488.1**	**(568.7)**
Total assets/(liabilities)		**2,506.8**	**(2,173.3)**
2007			
Analysis by geographical area of operation:			
North Asia	69.5	719.7	(689.5)
East Asia	128.0	704.7	(469.3)
South Asia	42.3	321.6	(281.3)
	239.8	1,746.0	(1,440.1)
Support Office		8.4	(50.0)
Segment assets/(liabilities)		1,754.4	(1,490.1)
Associates and joint ventures		127.6	–
Unallocated assets/(liabilities)		420.7	(571.5)
Total assets/(liabilities)		2,302.7	(2,061.6)

Capital expenditure comprises additions of intangible and tangible assets, including those arising from acquisitions of subsidiaries.

Segment assets include intangible and tangible assets, pension assets, stocks and debtors.

Segment liabilities include creditors, provisions and pension liabilities.

Associates and joint ventures include share of attributable net assets and goodwill.

Unallocated assets and liabilities include other investments, tax assets and liabilities, cash and cash equivalents, and borrowings.

All segment capital expenditure, assets and liabilities relate to retailing.

24. SHARE CAPITAL

	2008 US$m	2007 US$m
Authorized:		
2,250,000,000 shares of US¢5 5/9 each	**125.0**	125.0
500,000 shares of US$800 each	**400.0**	400.0
	525.0	525.0

	Ordinary shares in millions 2008	Ordinary shares in millions 2007	2008 US$m	2007 US$m
Issued and fully paid:				
Ordinary shares of US¢5 5/9 each				
At 1st January	**1,347.0**	1,346.9	**74.8**	74.8
Issued under employee share option schemes	**–**	0.1	**–**	–
At 31st December	**1,347.0**	1,347.0	**74.8**	74.8
Outstanding under employee share option schemes	**(0.4)**	(0.9)	**–**	–
	1,346.6	1,346.1	**74.8**	74.8

Due to payment of the special dividend of US¢16.00 per share in 2007, an additional 12,779 share options were issued in order to preserve the value of the share options (note 25).

25. SENIOR EXECUTIVE SHARE INCENTIVE SCHEMES

The Senior Executive Share Incentive Schemes were set up in order to provide selected executives with options to purchase ordinary shares in the Company.

The exercise price of the granted options is based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested in tranches over a period of up to five years and exercisable for up to ten years following the date of grant. Prior to the adoption of the 2005 Plan on 4th May 2005, ordinary shares were issued on the date of grant of the options to the Trustee of the Schemes, The Verandah Company (PTC) Limited, a wholly-owned subsidiary, which holds the ordinary shares until the options are exercised. Under the 2005 Plan, ordinary shares may be issued upon exercise of the options.

The shares issued under the Schemes held on trust by the wholly-owned subsidiary are, for presentation purposes, netted off the Company's share capital in the consolidated balance sheet *(note 24)* and the premium attached to them is netted off the share premium account *(note 26)*.

Movements for the year

	2008		2007	
	Weighted average exercise price US$	**Options in millions**	Weighted average exercise price US$	Options in millions
At 1st January	**2.9706**	**4.4**	2.2239	4.0
Granted	**4.6280**	**1.3**	3.5311	1.7
Exercised	**0.8077**	**(0.5)**	0.7934	(1.3)
At 31st December	**3.6072**	**5.2**	2.9706	4.4

Due to payment of the special dividend of US¢16.00 per share in 2007, the exercise prices of outstanding share options were adjusted and an additional 12,779 share options were issued in order to preserve the value of the share options (note 24).

The average share price during the year was US$4.72 (2007: US$4.22) per share.

25. SENIOR EXECUTIVE SHARE INCENTIVE SCHEMES (continued)

Outstanding at 31st December

Expiry date	Exercise price US$	Options in millions 2008	Options in millions 2007
2009	0.3839	**–**	0.1
2011	0.0600	**0.1**	0.1
2012	0.0600	**–**	0.1
2013	0.2130	**–**	0.1
2014	1.5385	**–**	0.1
2015	2.4954	**0.3**	0.4
2016	3.2497	**1.8**	1.8
2017	3.5569	**1.7**	1.7
2018	4.6280	**1.3**	–
Total outstanding		**5.2**	4.4
of which exercisable		**0.1**	0.4

The fair value of options granted during the year, determined using the trinomial valuation model, was US$1.4 million (2007: US$2.0 million). The significant inputs into the model, based on the weighted average number of options issued, were share price of US$4.74 (2007: US$3.86) at the grant dates, exercise price shown above, expected volatility based on the last three years of 21.5% (2007: 28.2%), dividend yield of 2.4% (2007: 2.4%), option life disclosed above, and annual risk-free interest rate of 3.5% (2007: 4.5%). Options are assumed to be exercised at the end of the seventh year following the date of grant.

26. SHARE PREMIUM AND CAPITAL RESERVES

	Share premium US$m	Capital reserves US$m	Total US$m
2008			
At 1st January	8.1	23.3	31.4
Employee share option schemes			
– value of employee services	–	1.9	1.9
At 31st December	8.1	25.2	33.3
Outstanding under employee share option schemes	(0.7)	–	(0.7)
	7.4	**25.2**	**32.6**
2007			
At 1st January	8.0	21.7	29.7
Employee share option schemes			
– value of employee services	–	1.6	1.6
– shares issued	0.3	–	0.3
Adjustment due to payment of the special dividend	(0.2)	–	(0.2)
At 31st December	8.1	23.3	31.4
Outstanding under employee share option schemes	(1.1)	–	(1.1)
	7.0	23.3	30.3

Capital reserves comprise contributed surplus of US$20.1 million (2007: US$20.1 million) and capital reserves of US$5.1 million (2007: US$3.2 million), which represent the value of services under the Group's employee share option schemes that relate to the Company's Senior Executive Share Incentive Schemes. The contributed surplus principally arose from the conversion of convertible preference shares in 1989 and, under the Bye-laws of the Company, is distributable.

27. REVENUE AND OTHER RESERVES

	Revenue reserves US$m	Asset revaluation reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m
2008					
At 1st January	140.0	17.2	(1.3)	(22.9)	133.0
Revaluation of other investments					
– fair value gain	2.2	–	–	–	2.2
– deferred tax	(0.3)	–	–	–	(0.3)
– transfer to profit and loss on disposals	(0.2)	–	–	–	(0.2)
Transfer of additional depreciation upon revaluation	0.4	(0.4)	–	–	–
Defined benefit pension plans					
– actuarial losses	(69.5)	–	–	–	(69.5)
– deferred tax	11.5	–	–	–	11.5
Net exchange translation differences					
– amount arising in year	–	–	–	(13.6)	(13.6)
– transfer to profit and loss	–	–	–	(2.0)	(2.0)
Cash flow hedges					
– fair value loss	–	–	(3.0)	–	(3.0)
– deferred tax	–	–	0.7	–	0.7
Profit attributable to shareholders	333.0	–	–	–	333.0
Dividends (note 28)	(168.3)	–	–	–	(168.3)
At 31st December	**248.8**	**16.8**	**(3.6)**	**(38.5)**	**223.5**
of which:					
Company	1,043.7	–	–	–	1,043.7
Associates and joint ventures	118.3	–	–	1.6	119.9
2007					
At 1st January	216.5	18.3	(1.6)	(11.7)	221.5
Revaluation of properties					
– deferred tax due to change in tax rates	–	0.5	–	–	0.5
Transfer					
– additional depreciation transferred upon revaluation	0.4	(0.4)	–	–	–
– disposal of assets	1.2	(1.2)	–	–	–
Defined benefit pension plans					
– net actuarial gains	12.1	–	–	–	12.1
– deferred tax	(1.3)	–	–	–	(1.3)
Net exchange translation differences					
– amount arising in year	–	–	–	(13.6)	(13.6)
– transfer to profit and loss	–	–	–	2.4	2.4
Cash flow hedges					
– fair value gain	–	–	0.3	–	0.3
Profit attributable to shareholders	258.2	–	–	–	258.2
Dividends (note 28)	(347.1)	–	–	–	(347.1)
At 31st December	140.0	17.2	(1.3)	(22.9)	133.0
of which:					
Company	971.1	–	–	–	971.1
Associates and joint ventures	118.2	–	–	0.9	119.1

Revenue reserves include unrealized net surplus on revaluation of other investments of US$1.7 million (2007: nil) and actuarial losses on defined benefit pension plans of US$25.3 million (2007: actuarial gains of US$32.7 million).

Asset revaluation reserves are non-distributable.

28. DIVIDENDS

	2008 US$m	2007 US$m
Final dividend in respect of 2007 of US¢8.50 (2006: US¢6.80) per share	**114.4**	91.4
Interim dividend in respect of 2008 of US¢4.00 (2007: US¢3.00) per share	**53.9**	40.4
	168.3	131.8
Special dividend of US¢16.00 per share	**–**	215.3
	168.3	347.1

A final dividend in respect of 2008 of US¢10.00 (2007: US¢8.50) per share amounting to a total of US$134.7 million (2007: US$114.4 million) is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2009.

29. MINORITY INTERESTS

	2008 US$m	2007 US$m
Analysis by geographical area of operation:		
North Asia	**(1.4)**	(1.0)
East Asia	**4.0**	4.0
	2.6	3.0
Movement for the year:		
At 1st January	**3.0**	4.3
Exchange differences	**(0.7)**	(0.2)
Attributable profit/(loss)	**0.2**	(1.1)
Change in attributable interest	**0.1**	–
At 31st December	**2.6**	3.0

30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	2008 US$m	2007 US$m
(a) Depreciation and amortization		
Analysis by geographical area of operation:		
North Asia	**66.9**	63.2
East Asia	**47.1**	41.2
South Asia	**22.4**	18.9
	136.4	123.3

	2008 US$m	2007 US$m
(b) Other non-cash items		
By nature:		
Gain on sale of associates and joint ventures	**(14.2)**	–
Gain on sale of other investments	**(0.9)**	–
Realization of exchange loss on repatriation of capital from a subsidiary	**–**	2.4
Profit on sale of properties	**–**	(0.3)
Impairment of tangible assets	**2.8**	1.5
Loss on sale of tangible assets	**5.5**	4.6
Impairment of goodwill and other intangible assets	**2.5**	0.4
Other	**1.8**	1.6
	(2.5)	10.2
Analysis by geographical area of operation:		
North Asia	**(7.8)**	6.7
East Asia	**3.4**	1.4
South Asia	**1.9**	2.1
	(2.5)	10.2

	2008 US$m	2007 US$m
(c) Decrease in working capital		
Increase in stocks	**(120.4)**	(58.2)
Increase in debtors and prepayments	**(23.9)**	(2.0)
Increase in creditors and accruals	**181.2**	144.2
	36.9	84.0

(d) Purchase of subsidiaries

In April 2008, the Group paid US$42.0 million in cash under a put option agreement to settle an acquisition of 25.2% interests in PT Hero Supermarket from minority shareholders (note 20).

In March 2007, the Group's subsidiary, Guangdong Sai Yi Convenience Stores, acquired a 100% interest in Guangzhou Lianhua Quik Convenience Co from a third party for a total cash consideration of US$3.6 million. The fair value of net liabilities assumed was as follows:

	2007 US$m
Tangible assets	0.9
Current assets	1.7
Current liabilities	(3.1)
Net liabilities assumed	(0.5)
Goodwill	4.2
Total consideration	3.7
Cash and cash equivalents acquired	(0.1)
	3.6

30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

	2008			2007
	Book value US$m	**Fair value adjustments US$m**	**Fair value US$m**	Fair value US$m
(e) Store acquisitions				
Tangible assets	**0.2**	**–**	**0.2**	(0.9)
Current assets	**0.9**	**(0.1)**	**0.8**	1.4
Fair value of operating assets acquired	**1.1**	**(0.1)**	**1.0**	0.5
Goodwill			**1.6**	0.4
Total consideration			**2.6**	0.9

In 2008, Giant TMC (B), a wholly-owned subsidiary, acquired the store operating assets of seven Guardian stores in Brunei for a total cash consideration of US$2.6 million.

In 2007, Giant South Asia (Vietnam), a wholly-owned subsidiary, acquired the store operating assets of two supermarkets in Vietnam at fair value from a third party for a cash consideration of US$0.9 million. A reclassification between tangible assets and current assets of US$2.7 million has been taken into account in 2007.

Sales and operating loss since acquisition in respect of stores acquired during the year amounted to US$3.4 million and US$0.5 million respectively. If the acquisition had occurred on 1st January 2008, Group sales and operating profit would have been US$6,733.1 million and US$387.9 million respectively.

(f) Purchase of land use rights

Purchases of land use rights in 2008 and 2007 related to leasehold land for distribution centres and hypermarket developments in Malaysia.

(g) Sale of associates and joint ventures

In February 2008, the Group completed the sale of its 50% shareholding in CJ Olive Young to its partner, CJ Corp, for a cash consideration of US$20.5 million.

(h) Sale of other investments

In 2008, the Group disposed of several recreational club debentures to third parties for a net cash consideration of US$1.0 million.

(i) Sale of properties

In 2007, the Group disposed of four properties in Indonesia for US$4.4 million and generated an operating profit of US$0.3 million. The profit attributable to the Group, after tax and minority interests, is US$0.4 million.

	2008 US$m	2007 US$m
(j) Analysis of balances of cash and cash equivalents		
Bank balances and other liquid funds (note 18)	**462.9**	395.9
Bank overdrafts (note 21)	**(9.7)**	(11.1)
	453.2	384.8

31. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2008		2007	
	Positive fair value US$m	**Negative fair value US$m**	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– interest rate swaps	**–**	**8.0**	0.2	1.4
– forward foreign exchange contracts	**3.7**	**–**	0.1	0.2
Not qualifying as hedges				
– forward foreign exchange contracts	**–**	**–**	–	0.2
	3.7	**8.0**	0.3	1.8

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

	Within one year US$m	Between one and two years US$m	Between two and five years US$m	Over five years US$m
2008				
Net settled				
– Interest rate swaps	3.3	3.3	1.6	–
– forward foreign exchange contracts	3.7	–	–	–
Gross settled				
– forward foreign exchange contracts	24.0	–	–	–
	31.0	**3.3**	**1.6**	**–**
2007				
Net settled				
– Interest rate swaps	0.7	0.6	0.2	–
Gross settled				
– forward foreign exchange contracts	54.9	–	–	–
	55.6	0.6	0.2	–

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2008 were US$52.9 million (2007: US$54.9 million). Forward foreign exchange contracts relate to hedges of firm and anticipated commitments mature at various dates in the following year.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2008 were US$263.4 million (2007: US$249.4 million). At 31st December 2008, the fixed interest rates relating to interest rate swaps vary from 1.9% to 4.8% (2007: 1.9% to 5.1%) per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.2% to 3.3% (2007: 1.4% to 3.9%) per annum.

32. COMMITMENTS

	2008 US$m	2007 US$m
Capital commitments		
Authorized not contracted	**147.6**	97.9
Contracted not provided	**64.7**	36.6
	212.3	134.5
Operating lease commitments		
Total commitments under operating leases		
Due within one year	**444.8**	406.6
Due between one and two years	**322.2**	292.7
Due between two and three years	**185.9**	179.8
Due between three and four years	**107.4**	98.8
Due between four and five years	**78.2**	73.7
Due beyond five years	**523.3**	507.8
	1,661.8	1,559.4

Total future sublease payments receivable relating to the above operating leases amounted to US$31.4 million (2007: US$36.2 million).

In addition, the Group has operating lease commitments with rentals determined in relation to sales. It is not possible to quantify accurately future rental payable under such leases.

33. CONTINGENT LIABILITIES

Various Group companies are involved in litigation arising in the ordinary course of their respective businesses. Having reviewed outstanding claims and taking into account legal advice received, the Directors are of the opinion that adequate provisions have been made in the financial statements.

34. RELATED PARTY TRANSACTIONS

The parent company of the Group is Jardine Strategic Holdings Limited and the ultimate parent company is Jardine Matheson Holdings Limited ('JMH'). Both companies are incorporated in Bermuda.

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

Under the terms of a Management Services Agreement, the Group paid a management fee of US$1.7 million (2007: US$1.3 million) to Jardine Matheson Limited ('JML'), a wholly-owned subsidiary of JMH, based on 0.5% of the Group's profit attributable to shareholders in consideration for certain management consultancy services provided by JML. The Group also paid directors' fees of US$0.5 million in 2008 (2007: US$0.4 million) to JML.

The Group uses Jardine Lloyd Thompson Limited ('JLT'), an associate of JMH, to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid by the Group to JLT in 2008 were US$1.3 million (2007: US$1.2 million).

The Group rents properties from Hongkong Land Holdings Limited ('Hongkong Land'), an associate of JMH. The gross annual rentals paid by the Group to Hongkong Land in 2008 were US$5.0 million (2007: US$4.7 million).

Amounts of outstanding balances with group companies of JMH are included in debtors and creditors, as appropriate.

Details of Directors' remuneration (being the key management personnel compensation) are shown on page 58 under the heading of Directors' Appointment, Retirement, Remuneration and Service Contracts.

Balances with group companies of JMH as at 31st December 2008 and 2007 are immaterial, unsecured, and have no fixed terms of repayment.

35. SUMMARIZED BALANCE SHEET OF THE COMPANY

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

	2008 US$m	2007 US$m
Subsidiaries, at cost less provision	**1,152.6**	1,078.1
Current liabilities	**(0.8)**	(0.8)
Net operating assets	**1,151.8**	1,077.3
Share capital (note 24)	**74.8**	74.8
Share premium and capital reserves (note 26)	**33.3**	31.4
Revenue and other reserves (note 27)	**1,043.7**	971.1
Shareholders' funds	**1,151.8**	1,077.3

Independent Auditor's Report

To the members of Dairy Farm International Holdings Limited

We have audited the accompanying consolidated financial statements of Dairy Farm International Holdings Limited and its subsidiaries (the 'Group') which comprise the consolidated balance sheet as of 31st December 2008 and the consolidated profit and loss account, consolidated statement of recognized income and expense and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the requirements of Section 90 of the Bermuda Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31st December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

London

United Kingdom

5th March 2009

Five Year Summary

	2008 US$m	2007 US$m	2006 US$m	2005 US$m	2004 US$m
Profit and Loss					
Sales	**6,732.5**	5,887.2	5,175.0	4,749.4	3,956.5
Sales including associates	**7,741.6**	6,845.3	6,010.3	5,539.3	5,115.9
Profit attributable to shareholders	**333.0**	258.2	210.8	205.3	251.3
Underlying profit attributable to shareholders	**320.1**	258.2	210.8	190.4	164.8
Earnings per share (US¢)	**24.73**	19.19	15.70	15.34	18.87
Underlying earnings per share (US¢)	**23.77**	19.19	15.70	14.23	12.38
Dividends per share (US¢)	**14.00**	11.50	9.40	8.50	7.40
Special dividends per share (US¢)	**–**	16.00	–	–	25.00
Balance Sheet					
Total assets	**2,506.8**	2,302.7	2,126.6	1,832.6	1,770.3
Total liabilities	**(2,173.3)**	(2,061.6)	(1,798.3)	(1,589.5)	(1,325.6)
Net operating assets	**333.5**	241.1	328.3	243.1	444.7
Shareholders' funds	**330.9**	238.1	324.0	224.1	444.6
Minority interests	**2.6**	3.0	4.3	19.0	0.1
Total equity	**333.5**	241.1	328.3	243.1	444.7
Net (debt)/cash	**(4.2)**	(83.2)	20.0	1.1	108.2
Net asset value per share (US¢)	**24.77**	17.91	24.40	18.12	33.33
Cash Flow					
Cash flows from operating activities	**523.2**	473.5	312.2	352.3	304.9
Cash flows from investing activities	**(285.9)**	(217.3)	(167.8)	(18.0)	(1.8)
Cash flows before financing activities	**237.3**	256.2	144.4	334.3	303.1
Cash flow per share from operating activities (US¢)	**38.86**	35.20	23.25	26.33	22.90

Principal Subsidiaries, Associates and Joint Ventures

at 31st December 2008

Company name	Country of incorporation	Particulars of issued capital			Attributable interests (%) 2008	2007	Nature of business
Dairy Farm Management Limited**	Bermuda	HKD	100,000	Ordinary	**100**	100	Holding company
		USD	100	Ordinary			
Dairy Farm Management Services Limited**	Bermuda	USD	12,000	Ordinary	**100**	100	Group management
DFI Treasury Limited**	British Virgin Islands	USD	1	Ordinary	**100**	100	Treasury company
NORTH ASIA							
Guangdong Sai Yi Convenience Stores Limited	Mainland China	HKD	50,000,000	Ordinary	**65**	65	Convenience stores
Mannings Guangdong Retail Company Limited	Mainland China	HKD	37,500,000	Ordinary	**100**	100	Health and beauty stores
Hayselton Enterprises Limited	Hong Kong	HKD	2	Ordinary	**100**	100	Holding company
Maxim's Caterers Limited*	Hong Kong	HKD	60,000,000	Ordinary	**50**	50	Restaurants
The Dairy Farm Company, Limited	Hong Kong	HKD	60,000,000	Ordinary	**100**	100	Investment holding, supermarkets, health and beauty, convenience and home furnishings stores
Wellcome Company Limited	Hong Kong	HKD	255,000	Ordinary	**100**	100	Property and food processing
Wellcome Taiwan Company Limited	Taiwan	TWD	850,000,000	Ordinary	**100**	100	Supermarkets
DFI Home Furnishings Taiwan Limited	Taiwan	TWD	171,000,000	Ordinary	**100**	100	Home furnishings stores
EAST ASIA							
GCH Retail (Malaysia) Sdn Bhd	Malaysia	MYR	491,300,000	Ordinary	**100**	100	Supermarkets, hypermarkets and pharmacies
		MYR	1,640	Redeemable Preference			
PT Hero Supermarket Tbk	Indonesia	IDR	164,710,000,000	Ordinary	**94**	69	Supermarkets, hypermarkets, health and beauty and convenience stores
Giant South Asia (Vietnam) Limited	Vietnam	VND	24,013,500,000	Ordinary	**100**	100	Supermarkets
Giant TMC (B) Sdn Bhd	Brunei	BND	500,002	Ordinary	**100**	100	Hypermarkets and health and beauty stores
		BND	45,000	Redeemable Preference			
SOUTH ASIA							
Cold Storage Singapore (1983) Pte Limited	Singapore	SGD	25,685,000	Ordinary	**100**	100	Supermarkets, hypermarkets, health and beauty and convenience stores
Shop N Save Pte Limited	Singapore	SGD	19,400,000	Ordinary	**100**	100	Supermarkets
Foodworld Supermarkets Private Limited*	India	INR	1,460,613,240	Ordinary	**49**	49	Supermarkets
Health and Glow Retailing Private Limited*	India	INR	460,000,000	Ordinary	**50**	50	Health and beauty stores

* *Associates or joint ventures. All other companies are subsidiaries.*

** *Owned directly.*

Responsibility Statement

The Directors of the Company confirm to the best of their knowledge that:

(a) the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board; and

(b) the sections of this Report which constitute the management report include a fair review of all information required to be disclosed by the Disclosure and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Services Authority of the United Kingdom.

For and on behalf of the Board

Michael Kok
Howard Mowlem
Directors

5th March 2009

Corporate Governance

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

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

THE MANAGEMENT OF THE GROUP

The Company has its dedicated executive management under the Group Chief Executive. The Memorandum of Association of the Company, however, provides for the chairman of Jardine Matheson Holdings Limited ('Jardine Matheson') to be, or to appoint, the Managing Director of the Company. The managing director of Jardine Matheson has been so appointed. Reflecting this, and the 78% interest of the Jardine Matheson group in the Company's share capital, the Group Chief Executive and the Managing Director meet regularly. Similarly, the board of the Hong Kong-based Group management company, Dairy Farm Management Services Limited ('DFMS'), and its finance committee are chaired by the Managing Director and include Group executives and the group finance director, the group strategy director and the group general counsel of Jardine Matheson.

THE BOARD

The Company currently has a Board of 14 directors: the Group Chief Executive and Group Finance Director; seven executives of Jardine Matheson; and five non-executive Directors. Their names and brief biographies appear on page 9 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflect the approach to management described in this Report. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. The Company does not have nomination or remuneration committees or a formal Board evaluation process. Decisions on nomination and remuneration result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate. The four executives of Jardine Matheson on the board of DFMS, being A J L Nightingale, Jonathan Gould, Mark Greenberg and James Riley, also form the DFMS audit committee that has responsibility for the Group. The Board has not designated a 'senior independent director' as set out in the Code.

Among the matters which the Board of the Company decides are the Group's business strategy, its annual budget, dividends and major corporate activities. Responsibility for implementing the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the DFMS finance committee. In addition, certain Directors of the Company based outside Asia make regular visits to Asia and Bermuda, where they participate in five annual strategic reviews, four of which normally precede the full Board meetings. These Directors' knowledge of the region and the Group's affairs reinforces the process by which business is reviewed by the Board.

The Board is scheduled to hold four meetings in 2009, and ad hoc procedures are adopted to deal with urgent matters. Two meetings each year are held in Bermuda and two in Asia. The Board receives high quality, up to date information for each of its meetings, which has previously been considered and approved at meetings of the board of DFMS. This information is also the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself.

DIRECTORS' APPOINTMENT, RETIREMENT, REMUNERATION AND SERVICE CONTRACTS

Candidates for appointment as executive Directors of the Company, or as executive directors of DFMS or senior executives elsewhere in the Group may be sourced internally, from the Jardine Matheson group or externally using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their area of expertise, combining international best practice with experience of and an affinity with Asian markets.

Each new Director is appointed by the Board and in accordance with Bye-law 92 of the Company's Bye-laws, each new Director is subject to retirement at the first Annual General Meeting after appointment. Thereafter, the Director will be subject to retirement by rotation pursuant to Bye-law 85 whereby one-third of the directors retire at the Annual General Meeting each year. These provisions apply to both executive and non-executive Directors, but the requirement to retire by rotation pursuant to Bye-law 85 does not extend to the Chairman or Managing Director.

In accordance with Bye-law 85, Mark Greenberg, Henry Keswick, R C Kwok and Percy Weatherall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognized that, due to the nature of the Group and its diverse geographic base, a number of its senior executives, including the Group Chief Executive and Group Finance Director, are required to be offered international terms. The nature of the remuneration packages is designed to reflect this, for example by the provision of accommodation.

Non-executive Directors' fees are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. For the year ended 31st December 2008, the Directors received from the Group US$6.3 million (2007: US$7.0 million) in Directors' fees and employee benefits, being US$0.5 million (2007: US$0.4 million) in Directors' fees, US$4.9 million (2007: US$5.8 million) in short-term employee benefits including salary, bonus, accommodation and deemed benefits in kind, US$0.1 million (2007: US$0.1 million) in post-employment benefits and US$0.8 million (2007: US$0.7 million) in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

Senior executive share incentive schemes have also been established to provide longer-term incentives for executive Directors and senior managers. Share options are granted after consultation between the Chairman, the Managing Director and the Group Chief Executive and other Directors as they consider appropriate. Share options are granted at the then prevailing market prices and the scheme rules provide that they normally vest after the third anniversary of the date of grant. Grants may be made in a number of instalments. Share options are not granted to non-executive Directors.

The Company purchases insurance to cover its Directors against their costs in defending themselves in civil proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by law, the Company also indemnifies its Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required under the Bermuda Companies Act 1981 to prepare financial statements for each financial year and to present them annually to the Company's shareholders at the Annual General Meeting. The financial statements should present fairly in accordance with International Financial Reporting Standards ('IFRS') the financial position of the Group at the end of the year and the results of its operations and its cash flows for the year then ended. The Directors consider that applicable accounting policies under IFRS, applied on a consistent basis and supported by prudent and reasonable judgements and estimates, have been followed in preparing the financial statements.

CODE OF CONDUCT

The Group conducts business in a professional, ethical and even-handed manner. Its ethical standards are clearly set out in the Jardine Matheson group Code of Conduct, a set of guidelines to which every employee must adhere. The code requires that all Group companies comply with all laws of general application, all rules and regulations that are industry specific and proper standards of business conduct. The code prohibits the giving or receiving of illicit payments, and requires all employees to be treated fairly, impartially and with respect. It also requires that all managers must be fully aware of their obligations under the Code of Conduct and establish procedures to ensure compliance at all levels within their organizations. The Group has in place procedures by which employees can raise, in confidence, matters of serious concern in areas such as financial reporting or compliance.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control. The system of internal control is designed to manage, rather than eliminate, business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss.

The principal risks and uncertainties facing the Company are set out on page 61.

The Board has delegated to the audit committee of DFMS responsibility for reviewing the operation and effectiveness of the Group's system of internal control and the procedures by which this is monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The group chief executive and group finance director of DFMS, together with representatives of the internal and external auditors, attend the meetings of the audit committee by invitation.

Executive management is responsible for the implementation of the system of internal control throughout the Group, and a series of audit committees at an operational level and the internal audit function monitor the effectiveness of the system. The internal audit function is outside the operating businesses and reports its findings, and recommendations for any corrective action required, to the audit committee of DFMS.

The Group has in place an organizational structure with defined lines of responsibility and delegation of authority. There are established policies and procedures for financial planning and budgeting; for information and reporting systems; for assessment of risk; and for monitoring the Group's operations and performance. The information systems in place are designed to ensure that the financial information reported is reliable and up to date.

The Company's policy on commercial conduct is also an important part of the Group's internal control process, particularly in the area of compliance. The policy, as set out in the Code of Conduct, is reinforced and monitored by an annual compliance certification process.

The audit committee of DFMS has also been given the responsibility to oversee the effectiveness of the formal procedures for employees to raise any matters of serious concern, and is required to review any reports made under those procedures that are referred to it by the internal audit function.

Prior to completion and announcement of the half-year and year-end results, a review of the financial information and of any issues raised in connection with the preparation of the results is undertaken by the audit committee of DFMS with the executive management and a report is received from the external auditors. The external auditors also have access to the full Board, in addition to the Group Chief Executive, Group Finance Director and other senior executives.

The audit committee of DFMS keeps under review the nature, scope and results of the external audit and the audits conducted by the internal audit department. The audit committee of DFMS also keeps under review the independence and objectivity of the external auditors.

DIRECTORS' SHARE INTERESTS

The Directors of the Company in office on 18th March 2009 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) set out below in the ordinary share capital of the Company. These interests included those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

Simon Keswick	66,087
A J L Nightingale	34,183
Michael Kok	1,111,271
Ronald J Floto	1,444,000
George J Ho	489,405
Dr George C G Koo	70,329
R C Kwok	20,914
Howard Mowlem	505,338
Percy Weatherall	400,000

In addition, Michael Kok and Howard Mowlem held options in respect of 1,380,526 and 910,000 ordinary shares, respectively, issued pursuant to the Company's Senior Executive Share Incentive Schemes.

SUBSTANTIAL SHAREHOLDERS

As a non-UK issuer, the Company is subject to the DTRs pursuant to which a person must notify the Company of the percentage of voting rights attaching to the share capital of the Company that he holds in certain circumstances. The obligation to notify arises if that person acquires or disposes of shares in the Company which results in the percentage of voting rights which he holds reaching, exceeding or falling below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%.

The Company has been informed of the following holdings of voting rights of 5% or more attaching to the Company's issued ordinary share capital: (i) Jardine Strategic and its subsidiary undertakings are directly and indirectly interested in 1,049,985,396 ordinary shares carrying 77.93% of the voting rights and, by virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares; and (ii) Franklins Resources, Inc and its subsidiary undertakings are directly and indirectly interested in 99,653,369 ordinary shares carrying 7.40% of the voting rights. Apart from these shareholdings, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 18th March 2009.

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

RELATIONS WITH SHAREHOLDERS

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

The 2009 Annual General Meeting will be held on 6th May 2009. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report.

SECURITIES PURCHASE ARRANGEMENTS

At the Annual General Meeting held on 7th May 2008, shareholders renewed the approval of a general mandate authorizing the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

ARRANGEMENTS UNDER WHICH SHAREHOLDERS HAVE AGREED TO WAIVE DIVIDENDS

The Verandah Company (PTC) Limited has waived the interim dividend and has undertaken to waive the recommended final dividend for 2008 in respect of the ordinary shares in which it is interested as trustee of the Company's Senior Executive Share Incentive Schemes.

RELATED PARTY TRANSACTIONS

Details of transactions with related parties entered into by the Company during the course of the year are included in note 34 to the financial statements on page 51. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom apply.

Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control. The process by which the Group identifies and manages risk is set out in more detail on pages 58 and 59 of the Corporate Governance section of this Report. The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Disclosure and Transparency Rules issued by the Financial Services Authority of the United Kingdom and are in addition to the matters referred to in the Chairman's Statement and Group Chief Executive's Review.

ECONOMIC RISK

Most of the Group's businesses are exposed to the risk of negative developments in global and regional economies and financial markets, either directly or through the impact on the Group's joint venture partners, franchisors, bankers, suppliers or customers. These developments can result in recession, inflation, deflation, currency fluctuations, restrictions in the availability of credit, business failures, or increases in financing costs, oil prices and in the cost of raw materials and finished products. Such developments might increase operating costs, reduce revenues, lower asset values or result in the Group's businesses being unable to meet in full their strategic objectives.

COMMERCIAL AND FINANCIAL RISK

Risks are an integral part of normal commercial practices, and where practicable steps are taken to mitigate such risks. These risks are further pronounced when operating in volatile markets.

A number of the Group's businesses make significant investment decisions in respect of developments or projects that take time to come to fruition and achieve the desired returns and are, therefore, subject to market risks.

The Group's businesses operate in areas that are highly competitive, and failure to compete effectively in terms of price, product specification or levels of service can have an adverse effect on earnings. Significant pressure from such competition may lead to reduced margins. The quality and safety of the products and services provided by the Group's businesses are also important and there is an associated risk if they are below standard.

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 11 and note 2 to the Financial Statements on pages 23 to 25.

CONCESSIONS, FRANCHISES AND KEY CONTRACTS

A number of the Group's businesses and projects are reliant on concessions, franchises, management or other key contracts. Cancellation, expiry or termination, or the renegotiation of any such concession, franchise, management or other key contracts, could have an adverse effect on the financial condition and results of operations of certain subsidiaries, associates and joint ventures of the Group.

REGULATORY AND POLITICAL RISK

The Group's businesses are subject to a number of regulatory environments in the territories in which they operate. Changes in the regulatory approach to such matters as foreign ownership of assets and businesses, exchange controls, planning controls, emission regulations, tax rules and employment legislation have the potential to impact the operations and profitability of the Group's businesses. Changes in the political environment in such territories can also affect the Group's businesses.

TERRORISM, PANDEMIC AND NATURAL DISASTERS

A number of the Group's operations are vulnerable to the effects of terrorism, either directly through the impact of an act of terrorism or indirectly through the impact of generally reduced economic activity in response to the threat of or an actual act of terrorism.

All Group businesses would be impacted by a global or regional pandemic which could be expected to seriously affect economic activity and the ability of our businesses to operate smoothly. In addition, many of the territories in which the Group operates can experience from time to time natural disasters such as earthquakes and typhoons.

Shareholder Information

FINANCIAL CALENDAR

2008 full-year results announced	5th March 2009
Share registers closed	23rd to 27th March 2009
Annual General Meeting to be held	6th May 2009
2008 final dividend payable	13th May 2009
2009 half-year results to be announced	6th August 2009*
Share registers to be closed	31st August to 4th September 2009*
2009 interim dividend payable	21st October 2009*

** Subject to change*

DIVIDENDS

Shareholders will receive their dividends in United States Dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2008 final dividend by notifying the United Kingdom transfer agent in writing by 24th April 2009. The sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 29th April 2009. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States Dollars unless they elect, through CDP, to receive Singapore Dollars.

REGISTRARS AND TRANSFER AGENT

Shareholders should address all correspondence with regard to their shareholdings or dividends to the appropriate registrar or transfer agent.

Principal Registrar
Jardine Matheson International Services Limited
P O Box HM 1068
Hamilton HM EX
Bermuda

Jersey Branch Registrar
Capita Registrars (Jersey) Limited
12 Castle Street
St Helier, Jersey JE2 3RT
Channel Islands

Singapore Branch Registrar
M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

United Kingdom Transfer Agent
Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
England

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

Retail Outlets Summary

	As at 31st December				
	2008	2007	2006	2005	2004
Hong Kong					
• Wellcome/MarketPlace/ThreeSixty/Oliver's supermarkets	**264**	256	248	247	242
• 7-Eleven convenience stores	**899**	828	747	665	610
• Mannings/GNC health and beauty stores	**282**	250	243	230	219
• IKEA home furnishings stores	**3**	3	3	4	4
• Maxim's					
Chinese restaurants	**60**	57	55	60	58
Fast food/catering services	**98**	101	95	95	95
Cake shops/bakeries	**213**	153	147	145	141
European restaurants/other	**28**	29	27	19	18
Starbucks†	**110**	98	72	60	46
Genki Sushi	**36**	32	23	–	–
Brunei					
• Giant hypermarket	**1**	–	–	–	–
• Guardian health and beauty stores	**10**	–	–	–	–
India					
• Foodworld supermarkets	**67**	74	55	46	94
• Health and Glow health and beauty stores	**60**	57	42	34	30
Indonesia					
• Hero/Giant supermarkets	**108**	105	99	95	99
• Giant hypermarkets	**26**	17	17	12	10
• Guardian health and beauty stores	**180**	155	134	101	81
• Starmart convenience stores	**116**	98	70	54	43
Macau					
• 7-Eleven convenience stores	**35**	30	24	16	–
• Mannings health and beauty stores	**7**	5	4	2	–
• Starbucks†	**4**	4	2	1	1
Mainland China					
• 7-Eleven convenience stores	**506**	440	284	241	188
• Mannings health and beauty stores	**70**	30	12	11	4
• Maxim's					
Cake shops	**30**	15	7	6	–
Starbucks†	**87**	67	35	20	12
Fast Food/other	**5**	4	4	5	5
Malaysia					
• Giant/Cold Storage supermarkets	**65**	60	58	49	47
• Giant hypermarkets	**44**	41	28	22	13
• Guardian health and beauty stores	**323**	288	228	171	157
Singapore					
• Cold Storage/MarketPlace/Shop N Save supermarkets	**91**	85	80	80	77
• Giant hypermarkets	**7**	6	8	7	6
• 7-Eleven convenience stores	**435**	415	345	315	261
• Guardian health and beauty stores	**120**	118	123	127	112
• Photo Finish	**9**	14	17	19	32
Taiwan					
• Wellcome/Jasons supermarkets	**243**	207	182	167	167
• IKEA home furnishings stores	**4**	4	4	2	2
Vietnam					
• Wellcome supermarkets	**3**	3	2	–	–
Total	**4,649**	4,149	3,524	3,128	2,874

Note: Includes associates and joint ventures.

† *Starbucks stores in Hong Kong, Macau, South and South West China are owned by joint venture companies established by Maxim's Caterers Limited (in Hong Kong and Macau)/Mei-Xin (International) Limited (in South and South West China) and Starbucks Coffee International, Inc.*

Management and Offices

MANAGEMENT

Michael Kok	*Group Chief Executive*
Howard Mowlem	*Group Finance Director*
Chan Wai-Chan	*Regional Director, North Asia/ Chief Executive Officer, China*
John Coyle	*Regional Director, East Asia*
Caroline Mak	*Group Specialty Retail Director*
Jeff Shaw	*Regional Director, South Asia*

CORPORATE OFFICE

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John Coyle

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John Callaghan

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Benjamin Eng

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Latip Isnin

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Jeff Shaw

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Henry Neilson

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Chan Wai-Chan

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Michael Wu

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Jenny Lee

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Anne Tse

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Howard Tsai

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Caroline Mak/ Martin Lindstrom

* *Associates or joint ventures*

DESIGN: FORMAT LIMITED

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www.dairyfarmgroup.com