Consolidated Profit and Loss Account

For the year ended 31st December 2011

US$'000	Note	2011	2010
Revenue	5	**6,011,836**	6,033,402
Operating costs	6	**(5,484,258)**	(4,671,087)
Gross profit		**527,578**	1,362,315
Fair value gain from an investment property	18	**5,000**	5,000
Other operating income	7	**59,443**	39,911
Other operating expenses	8	**(417,423)**	(488,419)
Operating profit	11	**174,598**	918,807
Finance costs	12	**(26,179)**	(29,091)
Share of profits of jointly controlled entities	21	**1,930**	1,659
Share of profits of associated companies	22	**12,108**	7,401
Profit before taxation		**162,457**	898,776
Taxation	13	**(23,103)**	(28,959)
Profit for the year from continuing operations		**139,354**	869,817
Discontinued operations:			
Profit for the year from discontinued operation	16	**–**	1,004,554
Write back of provision		**43,000**	–
Profit for the year		**182,354**	1,874,371
Profit attributable to:			
Equity holders of the Company		**181,645**	1,866,780
Non-controlling interests		**709**	7,591
		182,354	1,874,371
Earnings per ordinary share (US cents)	14		
– from continuing operations		**22.1**	137.8
– from discontinued operations		**6.9**	160.5
Basic and diluted		**29.0**	298.3
Dividends	15	**43,805**	1,776,210

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

US$'000	2011	2010
Profit for the year	**182,354**	1,874,371
Other comprehensive income:		
Vessels		
– Assets revaluation reserve realised	**–**	(1,915)
Available-for-sale financial assets		
– Change in fair value	**13,828**	71,934
– Assets revaluation reserve realised	**(668)**	(1,314)
Share of other comprehensive income of associated companies	**3,419**	1,881
Share of other comprehensive income of jointly controlled entities	**373**	230
Currency translation adjustments	**2,907**	4,847
Other comprehensive income for the year	**19,859**	75,663
Total comprehensive income for the year	**202,213**	1,950,034
Total comprehensive income attributable to:		
Equity holders of the Company	**201,336**	1,942,336
Non-controlling interests	**877**	7,698
	202,213	1,950,034

Consolidated Balance Sheet

As at 31st December 2011

US$'000	Note	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	17	**4,205,194**	3,860,367
Investment property	18	**160,000**	155,000
Prepayments of lease premiums	19	**10,249**	10,122
Jointly controlled entities	21	**2,688**	3,256
Associated companies	22	**75,670**	66,222
Intangible assets	23	**40,014**	46,648
Deferred taxation assets	24	**1,803**	1,778
Pension and retirement assets	25	**38,452**	29,692
Derivative financial instruments	31	**7,983**	5,672
Restricted bank balances	26	**11,728**	4,648
Other non-current assets	27	**335,937**	333,001
		4,889,718	4,516,406
Current assets			
Inventories	28	**150,127**	96,265
Debtors and prepayments	29	**470,594**	454,997
Portfolio investments	30	**119,180**	151,448
Derivative financial instruments	31	**–**	155
Restricted bank balances	26	**543**	1,206
Cash and bank balances	32	**2,098,884**	3,851,902
		2,839,328	4,555,973
Total assets		**7,729,046**	9,072,379
EQUITY			
Equity holders			
Share capital	33	**62,579**	62,579
Reserves	34	**4,212,569**	5,510,153
		4,275,148	5,572,732
Non-controlling interests		**6,686**	6,799
Total equity		**4,281,834**	5,579,531
LIABILITIES			
Non-current liabilities			
Borrowings	35	**2,233,095**	2,416,367
Deferred taxation liabilities	24	**41,531**	39,914
Pension and retirement liabilities	25	**2,427**	2,493
Derivative financial instruments	31	**10,358**	10,157
		2,287,411	2,468,931
Current liabilities			
Creditors and accruals	36	**709,449**	758,212
Borrowings	35	**439,111**	247,755
Current taxation		**11,241**	17,950
		1,159,801	1,023,917
Total liabilities		**3,447,212**	3,492,848
Total equity and liabilities		**7,729,046**	9,072,379
Net current assets		**1,679,527**	3,532,056
Total assets less current liabilities		**6,569,245**	8,048,462

C C Tung
Kenneth G Cambie
Directors

Balance Sheet

As at 31st December 2011

US$'000	Note	2011	2010
ASSETS			
Non-current assets			
Subsidiaries	20	**169,487**	169,487
Current assets			
Prepayments		**31**	77
Amounts due from subsidiaries	20	**1,900,708**	3,732,353
Restricted bank balances	26	**365**	197
Cash and bank balances	32	**41,986**	96,255
		1,943,090	3,828,882
Total assets		**2,112,577**	3,998,369
EQUITY			
Equity holders			
Share capital	33	**62,579**	62,579
Reserves	34	**511,876**	1,969,279
Total equity		**574,455**	2,031,858
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	31	**4,328**	3,353
Amount due to a subsidiary	20	**719,724**	719,730
		724,052	723,083
Current liabilities			
Accruals		**2,016**	45,501
Amounts due to subsidiaries	20	**812,054**	1,197,927
		814,070	1,243,428
Total liabilities		**1,538,122**	1,966,511
Total equity and liabilities		**2,112,577**	3,998,369
Net current assets		**1,129,020**	2,585,454
Total assets less current liabilities		**1,298,507**	2,754,941

C C Tung
Kenneth G Cambie
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2011

US$'000	Note	2011	2010
Cash flows from operating activities			
Cash generated from operations	39(a)	308,322	1,212,722
Interest paid		(13,394)	(14,362)
Interest element of finance lease rental payments		(16,322)	(15,152)
Hong Kong profits tax (paid)/refunded		(1,878)	2,009
Overseas tax paid		(30,974)	(10,483)
Net cash from operating activities		245,754	1,174,734
Cash flows from investing activities			
Sale of property, plant and equipment		141,177	30,304
Sale of available-for-sale financial assets		1,560	2,399
Sale/redemption on maturity of held-to-maturity investments		14,309	32,261
Purchase of property, plant and equipment		(737,696)	(214,313)
Purchase of available-for-sale financial assets		–	(343)
Purchase of held-to-maturity investments		(85,170)	(72,776)
Repayment of loan advanced to an investee company		71,100	–
Acquisition of additional interests in subsidiaries		–	(14,123)
Decrease/(increase) in portfolio investments		43,361	(106,856)
Disposal of subsidiaries	39(b)	–	2,130,402
Increase in amounts due to jointly controlled entities		1,249	1,865
Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months from the date of placement		2,442,630	(2,505,485)
Purchase of intangible assets		(6,494)	(4,043)
Increase in other non-current assets		(1,390)	(563)
Interest received		36,444	18,976
Dividends received from portfolio investments		794	622
Dividends received from available-for-sale financial assets		12,137	7
Dividends received from jointly controlled entities		1,622	1,233
Dividends received from associated companies		6,079	2,797
Net cash from/(used in) investing activities		1,941,712	(697,636)
Cash flows from financing activities			
New loans		281,620	583,976
Repayment of loans		(175,692)	(561,883)
Capital element of finance lease rental payments		(98,046)	(50,431)
Dividends paid to equity holders of the Company		(1,498,920)	(322,493)
Dividends paid to non-controlling interests		(990)	(2,294)
Net cash used in financing activities		(1,492,028)	(353,125)
Net increase in cash and cash equivalents		695,438	123,973
Cash and cash equivalents at beginning of year		1,213,283	1,088,254
Currency translation adjustments		433	1,056
Cash and cash equivalents at end of year	39(d)	1,909,154	1,213,283

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

US$'000	Equity holders Share capital	Reserves	Sub-total	Non-controlling interests	Total
At 31st December 2009	62,579	3,882,105	3,944,684	23,723	3,968,407
Total comprehensive income for the year	–	1,942,336	1,942,336	7,698	1,950,034
Transaction with owners					
2010 interim dividend	–	(72,013)	(72,013)	–	(72,013)
2010 special dividend	–	(250,480)	(250,480)	–	(250,480)
Acquisition of additional interest in a subsidiary	–	8,205	8,205	(22,328)	(14,123)
Dividends paid to non-controlling interests	–	–	–	(2,294)	(2,294)
At 31st December 2010	62,579	5,510,153	5,572,732	6,799	5,579,531
Total comprehensive income for the year	–	201,336	201,336	877	202,213
Transaction with owners					
2010 final dividend	–	(144,071)	(144,071)	–	(144,071)
2010 special dividend	–	(1,311,044)	(1,311,044)	–	(1,311,044)
2011 interim dividend	–	(43,805)	(43,805)	–	(43,805)
Dividends paid to non-controlling interests	–	–	–	(990)	(990)
At 31st December 2011	**62,579**	**4,212,569**	**4,275,148**	**6,686**	**4,281,834**

Notes to the Consolidated Accounts

1. General information

Orient Overseas (International) Limited ("the Company") is a limited liability company incorporated in Bermuda. The address of its registered office is 33rd floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated companies and jointly controlled entities are set out on pages 124 to 131 of the accounts.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in note 4.

The adoption of revised HKFRS

In 2011, the Group adopted the revised standards, amendments and interpretations of HKFRS below, which are relevant to its operations.

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Annual improvements to HKFRS published in May 2010

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 3 Amendment	Business Combinations
HKFRS 7 Amendment	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the accounts.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards and amendments to existing standards that are relevant but not yet effective to the Group

New or revised standards and Amendments		Effective for accounting periods beginning on or after
HKFRS 7 Amendment	Financial Instruments: Disclosures – Transfer of Financial Assets	1st July 2011
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 1 Amendment	Presentation of Financial Statements	1st July 2012
HKAS 19 Amendment	Employee Benefits	1st January 2013
HKFRS 7 Amendments	Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Associates and Joint Ventures	1st January 2013
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurements	1st January 2013
HKFRS 32 Amendments	Financial Instruments: Presentation: Offsetting financial assets and financial liabilities	1st January 2014
HKFRS 7 Amendments	Financial Instruments: Disclosures – Mandatory Effective date of HKFRS 9 and Transition Disclosures	1st January 2015*
HKFRS 9	Financial Instruments	1st January 2015

* Effective for annual periods beginning 1st January 2015 for those in connection with HKFRS 9.

The Group has not early adopted the above standards and amendments and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of accounts will result.

2.2 Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

The consolidated accounts also include the Group's attributable share of post-acquisition results and reserves of its jointly controlled entities and associated companies.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated profit and loss account.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are recognised by the Company on the basis of dividend received and receivable.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Jointly controlled entities are accounted for under the equity method whereby the Group's share of profits less losses is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

(d) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

No depreciation is provided for vessels and buildings under construction and freehold land.

Vehicles, computer and other equipment includes terminal equipment and improvements.

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Container vessels	25 years
Containers	5 to 12 years
Chassis	10 to 12 years
Terminal equipment and improvements	10 to 15 years
Freehold buildings	Not exceeding 75 years
Leasehold buildings	Over period of the lease
Leasehold improvement	Over period of the lease
Furnitures, vehicles, computer and other equipment	3 to 15 years

The residual values of the assets and their useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the consolidated profit and loss account.

For the assets under the revaluation model, if an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to asset revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to asset revaluation reserve to the extent of any credit balance existing in the asset revaluation reserve in respect of that asset.

2.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is initially measured at cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out annually by an independent external valuer. Changes in fair values are recognised in the consolidated profit and loss account.

2.5 Vessel repairs and surveys

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date, usually ranging from three to five years. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associated company or jointly controlled entity at the effective date of acquisition.

Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition of subsidiaries is retained at the carrying amount as an intangible asset. Goodwill arising on acquisition of associated companies and jointly controlled entities is included within investments in associated companies and jointly controlled entities respectively and is tested for impairment as part of overall balance. Separately recognised goodwill is subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised in the consolidated profit and loss account.

The profit or loss on disposal of subsidiaries, associated companies or jointly controlled entities is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(b) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over their estimated useful life of five years.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and are at least tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate accounts exceeds the carrying amount in the consolidated accounts of the investee's net assets including goodwill.

2.8 Investments

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

(a) Portfolio investments

Portfolio investments include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months from the balance sheet date.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date; which are classified as non-current assets.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be reclassified as available-for-sale financial assets. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(e) Recognition and measurement

Regular way purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and portfolio investments are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any.

Realised and unrealised gains and losses arising from changes in the fair value of the portfolio investments are included in the consolidated profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated profit and loss account as gains and losses from available-for-sale financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the held-for-trading or available-for-sale financial assets categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

(e) Recognition and measurement (Continued)

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

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at asset's original effective interest rate, where the effect of discounting is material.

2.9 Inventories

Inventories mainly comprise bunkers and consumable stores. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated profit and loss account.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less and net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

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

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.15 Current and deferred taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, jointly controlled entities and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) Pension obligations

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries in which the Group operates. These schemes are generally funded by payments from employees and by relevant group companies, taking into account of the recommendations of independent qualified actuaries where required.

For defined benefit pension plans, annual contributions are made in accordance with the advice of qualified actuaries for the funding of retirement benefits in order to build up reserves for each scheme member during the employee's service life and are used to pay to the employee or his or her dependent(s) a pension after retirement. Such pension costs are assessed using the projected unit credit method, under which, the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries with full valuation of the plans every two to three years. The pension obligations are measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. Plan assets are measured at fair values. Actuarial gains and losses are recognised in the consolidated profit and loss account over the expected average remaining service lives of employees to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets.

Contributions under the defined contribution schemes are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.18 Insurance contracts

The Group regards its financial guarantees provided to its subsidiaries as insurance contracts. The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated profit and loss account.

2.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

2.20 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in US dollars, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the assets revaluation reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. Revenue is recognised as follows:

(a) Freight revenues from the operation of the container transport are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.

(b) Revenues from logistics business are recognised when services are rendered or on an accrual basis.

(c) Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis.

(d) Rental income under operating leases is recognised over the periods of the respective leases on a straight-line basis.

(e) Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Dividend income is recognised when the right to receive payment is established.

2.22 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

The up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period.

2.23 Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.24 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the consolidated profit and loss account.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's accounts in the period in which the dividends are approved by the Company's Directors/shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group has regularly monitored current and expected liquidity requirements against the cash on hand, expected net operating cash flow, committed facilities and its compliance with loan covenants, to ensure the Group's liquidity requirements can be met in the short and longer term.

The Group has paid ongoing attention on credit quality of counterparties, in particular major customers and financial institutions with relationship in terms of debt securities, derivatives and cash transactions. Credit qualities of respective counterparties are disclosed in respective notes to the consolidated accounts.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuation in the exchange rates of foreign currencies to the US dollar. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

Income and expenses from container transport and logistics activities are mainly denominated in US dollar and in various currencies, mainly including Euro, Canadian dollar, Japanese yen and Renminbi.

To limit currency exposure, the US dollar based activities are financed primarily by loans in US dollar. With all other variables held constant, an average change in the US dollar exchange rate of 1%, compared with all other non-US dollar related currencies, has a positive/negative effect on the results for 2011 of approximately US$15.8 million (2010: US$21.3 million).

(b) Price risk

The container transport and logistics activities are sensitive to economic fluctuations. The Group is exposed to freight rate risk. The Group's revenue will increase/decrease by US$52.4 million (2010: US$53.1 million) for 1% increase/reduction of the average container freight rates with all other variables held constant.

The Group is exposed to bunker price risk for its container transport and logistics activities. Bunker cost is one of the major cost components of container transport and logistics activities. An increase in bunker price can only be partially compensated through freight surcharge bunker price adjustment. With all other variables held constant, the operating cost will be increased by approximately US$1.9 million (2010: US$1.9 million) for one US dollar increase in bunker price per ton.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

The extent of the Group's credit exposure is represented by the aggregate balance of cash and bank balances, portfolio investments, held-to-maturity investments, derivative financial instruments, restricted bank balances, other deposits, debtors and prepayments and loan to an investee company. The credit quality of these exposures is disclosed in relevant notes to the consolidated accounts.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents and readily realisable liquid assets.

Notes to the Consolidated Accounts

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the Group held liquid assets of US$2,218.8 million (2010: US$4,005.3 million) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's and the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

US$'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31st December 2011				
Borrowings	469,736	291,707	468,629	1,703,998
Creditors and accruals	709,449	–	–	–
Derivative financial instruments	5,200	917	4,608	–
At 31st December 2010				
Borrowings	274,900	430,605	446,640	1,761,170
Creditors and accruals	758,212	–	–	–
Derivative financial instruments	10,157	–	–	–
Company				
At 31st December 2011				
Accruals	2,016	–	–	–
Amounts due to subsidiaries	812,054	719,724	–	–
Derivative financial instruments	4,328	–	–	–
At 31st December 2010				
Accruals	45,501	–	–	–
Amounts due to subsidiaries	1,197,927	719,730	–	–
Derivative financial instruments	3,353	–	–	–

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(e) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has a policy to place surplus funds with creditable financial institutions which offer the best return for the Group on a short-term basis.

There are no material fixed rate receivables or borrowings in the Group.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing bank balances and borrowings. These exposures are partially managed through the use of derivative financial instruments such as interest rate swaps.

At 31st December 2011, if interest rates had been 0.1% higher/lower with all other variables held constant, post-tax profit (2010: profit) for the year would have been US$0.6 million lower/higher (2010: US$1.1 million higher/lower), mainly as a result of higher/lower net interest expense (2010: income) on the net floating rate borrowings (2010: bank balances).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less restricted bank balances, cash and bank balances and portfolio investments.

The gearing ratios at 31st December 2011 and 2010 were as follows:

US$'000	2011	2010
Total borrowings (note 35)	**(2,672,206)**	(2,664,122)
Less: Restricted bank balances (note 26)	**12,271**	5,854
Cash and bank balances (note 32)	**2,098,884**	3,851,902
Portfolio investments (note 30)	**119,180**	151,448
Net (debt)/cash	**(441,871)**	1,345,082
Total equity	**4,281,834**	5,579,531
Gearing ratio	**0.1**	N/A

The change to net debt position results primarily from the payment of dividends to the equity holders of the Company and the purchase of property, plant and equipment during the year.

3.3 Fair value estimation

The financial instruments that are measured in the balance sheet at fair value, require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Accounts

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise portfolio investments and listed equity securities classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. None of the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Instruments included in level 3 comprise derivative financial instruments, unlisted equity securities classified as available-for-sale financial assets and unlisted debt security classified as held-to-maturity investment.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) 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 tax losses can be utilised. The outcome of their actual utilisation may be different.

4. Critical accounting estimates and judgements (Continued)

(b) Investment property

The fair value of investment property is determined by an independent valuer on an open market for existing use basis. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. Management has critically assessed these estimates and has regularly compared to actual market data and actual transactions entered into by the Group.

(c) Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different from previously estimated.

Management determines the estimated useful lives and related depreciation expenses for the vessels and containers. Management estimates useful lives of its vessels and containers by reference to expected usage of the vessels and containers, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the market. It could change significantly as a result of the changes of these factors.

Were the useful lives of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$19.9 million or US$16.3 million respectively (2010: US$21.3 million or US$17.4 million respectively).

The Group's management determines the residual values for its vessels and containers. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated vessels and containers as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Were the residual values of containers and vessels to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$8.7 million or US$8.4 million respectively (2010: US$7.6 million or US$7.5 million respectively).

(d) Provision of operating cost

Operating costs, which mainly comprise cargo, vessel and voyage costs, equipment repositioning cost and terminal operating cost. Invoices in relation to these expenses are received approximately up to four months after the expenses have been incurred. Consequently, recognition of operating costs is based on the rendering of services as well as the latest tariff agreed with vendors.

If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on operating cost in future periods. Historically, the Group has not experienced significant deviation from the actual expenses.

(e) Held-to-maturity investments

The Group follows HKAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity investments. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances defined in HKAS 39, it will be required to reclassify the whole class as available-for-sale financial assets. The investments would therefore be measured at fair value, not amortised cost. If the class of held-to-maturity investments was tainted, the fair value would increase by US$3.6 million (2010: US$1.7 million), and be recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Accounts

5. Revenue and segment information

(a) Revenue

US$'000	2011	2010
Container transport and logistics	**5,986,719**	6,008,842
Others	**25,117**	24,560
	6,011,836	6,033,402

The principal activities of the Group are container transport and logistics.

Revenue comprises turnover which includes gross freight, charterhire, service and other income from the operation of the container transport and logistics and rental income from the investment property.

(b) Segment information

The principal activities of the Group are container transport and logistics. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Trans-Atlantic, Asia/Europe, Asia/Australia and Intra-Asia trades, and integrated services over the management and control of effective storage and flow of goods. In accordance with the Group's internal financial reporting provided to the chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are container transport and logistics and others.

Operating segments

The segment results for the year ended 31st December 2011 are as follows:

	Continuing operations				Discontinued operations	
US$'000	Container transport and logistics	Others	Elimination	Sub-total	Others	Group
Revenue	5,986,719	26,041	(924)	6,011,836	–	6,011,836
Operating profit	117,794	56,804	–	174,598	–	174,598
Finance costs (note 12)	(26,179)	–	–	(26,179)	–	(26,179)
Share of profits of jointly controlled entities (note 21)	1,930	–	–	1,930	–	1,930
Share of profits of associated companies (note 22)	12,108	–	–	12,108	–	12,108
Profit before taxation	105,653	56,804	–	162,457	–	162,457
Taxation	(19,642)	(3,461)	–	(23,103)	–	(23,103)
Profit after taxation	86,011	53,343	–	139,354	–	139,354
Write back of provision	–	–	–	–	43,000	43,000
Profit for the year	86,011	53,343	–	139,354	43,000	182,354
Capital expenditure	744,603	–	–	744,603	–	744,603
Depreciation	242,534	–	–	242,534	–	242,534
Amortisation	13,415	–	–	13,415	–	13,415

Notes to the Consolidated Accounts

5. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

The segment results for the year ended 31st December 2010 are as follows:

	Continuing operations				Discontinued operations	
US$'000	Container transport and logistics	Others	Elimination	Sub-total	Property development	Group
Revenue	6,008,842	25,539	(979)	6,033,402	–	6,033,402
Operating profit	876,073	42,734	–	918,807	–	918,807
Finance costs (note 12)	(28,555)	(536)	–	(29,091)	–	(29,091)
Share of profits of jointly controlled entities (note 21)	1,659	–	–	1,659	–	1,659
Share of profits of associated companies (note 22)	7,401	–	–	7,401	–	7,401
Profit before taxation	856,578	42,198	–	898,776	–	898,776
Taxation	(22,223)	(6,736)	–	(28,959)	–	(28,959)
Profit after taxation	834,355	35,462	–	869,817	–	869,817
Profit on disposal of subsidiaries	–	–	–	–	1,004,554	1,004,554
Profit for the year	834,355	35,462	–	869,817	1,004,554	1,874,371
Capital expenditure	345,255	–	–	345,255	–	345,255
Depreciation	255,010	–	–	255,010	–	255,010
Amortisation	10,972	–	–	10,972	–	10,972

Note: In previous years, others mainly represented corporate level activities including central treasury management, property investment and administrative function. Net expenses of US$11,567,000 and taxation of US$3,260,000 in relation to administrative function are reclassified from others to container transport and logistics segment so as to conform with the current year's presentation.

The segment assets and liabilities at 31st December 2011 are as follows:

US$'000	**Container transport and logistics**	**Others**	**Group**
Segment assets	**5,170,026**	**2,480,662**	**7,650,688**
Jointly controlled entities	**2,688**	**–**	**2,688**
Associated companies	**75,670**	**–**	**75,670**
Total assets	**5,248,384**	**2,480,662**	**7,729,046**
Segment liabilities	**(3,416,045)**	**(31,167)**	**(3,447,212)**

The segment assets and liabilities at 31st December 2010 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	4,685,887	4,317,014	9,002,901
Jointly controlled entities	3,256	–	3,256
Associated companies	66,222	–	66,222
Total assets	4,755,365	4,317,014	9,072,379
Segment liabilities	(3,420,598)	(72,250)	(3,492,848)

Notes to the Consolidated Accounts

5. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

Others primarily include assets and liabilities of property and corporate level activities. Other assets consist primarily of investment property, available-for-sale financial assets, held-to-maturity investments, loan to an investee company and portfolio investments together with cash and bank balances that are managed at corporate level. Other liabilities primarily include creditors and accruals, deferred taxation liabilities and derivative financial instruments related to corporate level activities.

* In previous years, others segment included certain segment liabilities of US$3,353,000 in relation to administrative function which are reclassified to container transport and logistics so as to conform with the current year's presentation.

Geographical information

The Group's two reportable operating segments operate in four main geographical areas, even though they are managed on a worldwide basis. Freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory.

The Group's total assets mainly include container vessels and containers which are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, non-current assets by geographical areas are not presented.

US$'000	Revenue	Capital expenditure
Year ended 31st December 2011		
Continuing operations:		
Asia	**3,942,912**	**23,636**
North America	**1,071,035**	**2,906**
Europe	**839,130**	**458**
Australia	**158,759**	**27**
Unallocated *	**–**	**717,576**
	6,011,836	**744,603**
Year ended 31st December 2010		
Continuing operations:		
Asia	4,086,343	9,913
North America	1,039,666	853
Europe	771,023	258
Australia	136,370	80
Unallocated *	–	334,151
	6,033,402	345,255

* Unallocated capital expenditure comprises additions to vessels, dry-docking, containers and intangible assets.

6. Operating costs

US$'000	2011	2010
Cargo	**2,583,723**	2,398,654
Vessel and voyage	**2,156,814**	1,591,068
Equipment and repositioning	**731,142**	668,558
	5,471,679	4,658,280
Investment property	**12,579**	12,807
	5,484,258	4,671,087

Notes to the Consolidated Accounts

7. Other operating income

US$'000	2011	2010
Income from available-for-sale financial assets		
– Profit on disposal	696	1,314
– Dividend income	12,137	7
Interest income from banks	21,170	18,526
Interest income from held-to-maturity investments	8,372	5,217
Gain on disposal of held-to-maturity investments	572	2,044
Portfolio investment income		
– Fair value gain (realised and unrealised)	–	449
– Interest income	4,570	2,934
– Dividend income	794	622
Gain on interest rate swap contracts	933	–
Gain on foreign exchange forward contracts	774	–
Net profit on disposal of property, plant and equipment		
– Containers	–	8,462
– Others	–	(1,538)
Exchange gain	8,208	–
Others	1,217	1,874
	59,443	39,911

The investment income from listed investments for the year amounts to US$10.8 million (2010: US$12.6 million).

8. Other operating expenses

US$'000	2011	2010
Business and administrative	401,964	485,322
Portfolio investment loss		
– Fair value loss (realised and unrealised)	4,248	–
Loss on interest rate swap contracts	–	159
Loss on foreign exchange forward contracts	–	694
Net loss on disposal of property, plant and equipment		
– Container vessels	13,399	–
– Containers	(1,983)	–
– Others	(205)	–
Exchange loss	–	2,244
	417,423	488,419

9. Employee benefit expense

US$'000	2011	2010
Wages and salaries	420,876	488,813
Pension and retirement benefits		
– Defined contribution plans (note 25)	21,666	25,298
– Defined benefit plans (note 25)	811	1,861
	443,353	515,972

Employee benefit expenses of US$158.1 million (2010: US$150.4 million) are included in operating costs in the consolidated profit and loss account.

Notes to the Consolidated Accounts

10. Directors' and management's emoluments

(a) Directors' emoluments

The remuneration of every Director is set out below:

Name of Director US$'000	Fees	Salary	Discretionary bonuses	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2011					
Mr. C C Tung	**107**	**578**	**1,299**	**187**	**2,171**
Mr. Tsann Rong Chang	**26**	**–**	**–**	**–**	**26**
Prof. Roger King	**60**	**–**	**–**	**–**	**60**
Mr. Philip Chow	**–**	**525**	**2,735**	**326**	**3,586**
Mr. Kenneth G Cambie	**–**	**415**	**754**	**58**	**1,227**
Mr. Andrew Tung (note)	**–**	**65**	**–**	**6**	**71**
Mr. Alan Tung	**–**	**274**	**82**	**36**	**392**
Mr. Simon Murray	**19**	**–**	**–**	**–**	**19**
Prof. Richard Wong	**32**	**–**	**–**	**–**	**32**
Mr. Edward Cheng	**19**	**–**	**–**	**–**	**19**

The discretionary bonuses paid in 2011 relate to performance for year 2010.

Note: Appointed on 2nd November 2011.

Name of Director US$'000	Fees	Salary	Discretionary bonuses	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2010					
Mr. C C Tung	107	566	–	57	730
Mr. Tsann Rong Chang	26	–	–	–	26
Prof. Roger King	60	–	–	–	60
Mr. Philip Chow	–	513	–	51	564
Mr. Kenneth G Cambie	–	404	385	20	809
Mr. Alan Tung	–	267	1,538	27	1,832
Mr. Simon Murray	19	–	–	–	19
Prof. Richard Wong	32	–	–	–	32
Mr. Edward Cheng	19	–	–	–	19

The discretionary bonuses paid in 2010 relate to the disposal of Orient Overseas Developments Limited group.

None of the Directors has waived the right to receive their emoluments.

Notes to the Consolidated Accounts

10. Directors' and management's emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2010: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: two) individuals are as follows:

US$'000	2011	2010
Basic salaries, housing allowances, other allowances and benefits in kind	**1,051**	550
Discretionary bonuses	**5,301**	1,410
Pension costs – defined contribution plans	**635**	49
	6,987	2,009

The emoluments of the five individuals fell within the following bands:

Emolument bands (US$)		Number of individuals 2011	2010
705,101 ~ 769,200	(HK$5,500,001 ~ HK$6,000,000)	**–**	2
769,201 ~ 833,300	(HK$6,000,001 ~ HK$6,500,000)	**–**	1
1,282,001 ~ 1,346,100	(HK$10,000,001 ~ HK$10,500,000)	**–**	1
1,794,801 ~ 1,858,900	(HK$14,000,001 ~ HK$14,500,000)	**–**	1
2,051,201 ~ 2,115,300	(HK$16,000,001 ~ HK$16,500,000)	**1**	–
2,115,301 ~ 2,179,400	(HK$16,500,001 ~ HK$17,000,000)	**1**	–
2,371,701 ~ 2,435,800	(HK$18,500,001 ~ HK$19,000,000)	**1**	–
2,500,001 ~ 2,564,100	(HK$19,500,001 ~ HK$20,000,000)	**1**	–
3,525,601 ~ 3,589,700	(HK$27,500,001 ~ HK$28,000,000)	**1**	–
		5	5

(c) Key management compensation

US$'000	2011	2010
Salaries and other short-term employee benefits	**21,299**	6,259
Pension costs – defined contribution plans	**1,959**	388
	23,258	6,647

The Group usually determines and pays discretionary bonuses to employees (including Directors) around April/May each year based on the actual financial results of the Group for the preceding year. Save for the discretionary bonuses paid in relation to the disposal of Orient Overseas Developments Limited group, the discretionary bonuses shown above represent actual payments to the Directors and individuals during the current financial year in relation to performance for the preceding year.

11. Operating profit

US$'000	2011	2010
Operating profit is arrived at after crediting:		
Operating lease rental income Land and buildings	**25,117**	24,560
and after charging:		
Depreciation		
Owned assets	**162,049**	169,029
Leased assets	**80,485**	85,981
Operating lease rental expense		
Vessels and equipment	**463,325**	353,575
Land and buildings	**27,337**	27,778
Rental outgoings in respect of an investment property	**12,579**	12,807
Amortisation of intangible assets	**13,130**	10,501
Amortisation of prepayments of lease premiums	**285**	471
Auditors' remuneration		
Audit	**2,648**	2,450
Non-audit	**1,449**	1,809

Operating lease rental expenses of US$461.8 million and US$28.9 million (2010: US$352.4 million and US$29.0 million) respectively are included in operating costs and other operating expenses in the consolidated profit and loss account.

Notes to the Consolidated Accounts

12. Finance costs

US$'000	2011	2010
Interest expense		
Bank loans and bank overdrafts		
Wholly repayable within five years	**3,948**	6,281
Not wholly repayable within five years	**9,151**	8,131
Loans from non-controlling interests		
Wholly repayable within five years	**–**	276
Finance lease obligations		
Wholly repayable within five years	**4,432**	4,014
Not wholly repayable within five years	**9,061**	11,238
	26,592	29,940
Amount capitalised under assets	**(413)**	(849)
Net interest expense	**26,179**	29,091

The borrowing cost of the loans to finance the vessels under construction (note 17) represents an average capitalisation rate of approximately 0.4% (2010: 1.2%).

13. Taxation

US$'000	2011	2010
Current taxation		
Hong Kong profits tax	**1,563**	1,313
Overseas taxation	**20,013**	19,137
	21,576	20,450
Deferred taxation		
Overseas taxation	**1,527**	8,509
	23,103	28,959

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the year. These rates range from 10% to 47% (2010: 12% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2010: 16.5%).

The associated companies in the People's Republic of China enjoy preferential tax treatment.

The tax of the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

US$'000	2011	2010
Profit before taxation	**162,457**	898,776
Share of profits of jointly controlled entities	**(1,930)**	(1,659)
Share of profits of associated companies	**(12,108)**	(7,401)
	148,419	889,716
Tax calculated at applicable tax rates	**60,741**	171,814
Income not subject to tax	**(145,948)**	(202,051)
Expenses not deductible for tax purposes	**106,146**	61,972
Tax losses not recognised	**6,532**	771
Temporary differences not recognised	**1,120**	(124)
Utilisation of previously unrecognised tax losses	**(429)**	(4,705)
Utilisation of previously unrecognised temporary differences	**(4,767)**	593
Change in tax rates	**119**	(116)
Withholding tax	**–**	130
Other items	**(411)**	675
	23,103	28,959

Notes to the Consolidated Accounts

14. Earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share is based on the Group's profit attributable to equity holders of the Company divided by the number of ordinary shares in issue during the year.

The basic and diluted earnings per ordinary share are the same since there are no potential dilutive shares.

US$'000	2011	2010
Number of ordinary shares in issue (thousands)	**625,793**	625,793
Group's profit from continuing operations attributable to:		
Equity holders of the Company	**138,645**	862,226
Non-controlling interests	**709**	7,591
	139,354	869,817
Earnings per share from continuing operations attributable to equity holders of the Company (US cents)	**22.1**	137.8
Group's profit from discontinued operations attributable to:		
Equity holders of the Company	**43,000**	1,004,554
Earnings per share from discontinued operations attributable to equity holders of the Company (US cents)	**6.9**	160.5

15. Dividends

US$'000	2011	2010
Interim paid of US7.0 cents (2010: US11.5 cents) per ordinary share	**43,805**	72,013
Special paid of US nil cents (2010: US40.0 cents) per ordinary share	**–**	250,480
Proposed final of US nil cents (2010: US23.0 cents) per ordinary share	**–**	143,932
Proposed special of US nil cents (2010: US209.3 cents) per ordinary share	**–**	1,309,785
	43,805	1,776,210

The Board of Directors recommended no final dividend in respect of 2011 (2010: US23.0 cents per ordinary share).

16. Discontinued operations

An analysis of the results and cash flows of the Disposal Group is as follows:

US$'000	2011	2010
Group		
(i) Results		
Profit on disposal of subsidiaries	–	1,004,554
Profit from discontinued operation	–	1,004,554
(ii) Cash flows		
Investing cash flows	–	1,004,554
Total cash flows	–	1,004,554

Notes to the Consolidated Accounts

17. Property, plant and equipment

US$'000	Container vessels and capitalised dry-docking costs	Vessels under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furnitures	Vehicles, computer and other equipment	Total
Group									
Cost									
At 31st December 2010	3,398,779	220,185	1,178,466	152,854	7,353	43,799	51,385	263,514	5,316,335
Currency translation adjustments	–	–	3	(149)	(110)	2,221	(128)	554	2,391
Additions	33,731	444,881	232,470	99	–	9,726	3,547	13,655	738,109
Reclassification	247,977	(247,977)	–	–	–	–	–	–	–
Disposals	(209,700)	–	(10,498)	(26,395)	–	–	(4,737)	(13,298)	(264,628)
At 31st December 2011	**3,470,787**	**417,089**	**1,400,441**	**126,409**	**7,243**	**55,746**	**50,067**	**264,425**	**5,792,207**
Accumulated depreciation									
At 31st December 2010	695,993	–	399,893	115,057	2,433	13,490	42,366	186,736	1,455,968
Currency translation adjustments	–	–	–	(108)	(55)	715	(244)	443	751
Charge for the year	128,525	–	84,244	4,520	128	1,567	4,558	18,992	242,534
Other adjustments	–	–	99	23	–	(2,927)	630	249	(1,926)
Disposals	(61,559)	–	(6,000)	(25,310)	–	–	(4,634)	(12,811)	(110,314)
At 31st December 2011	**762,959**	**–**	**478,236**	**94,182**	**2,506**	**12,845**	**42,676**	**193,609**	**1,587,013**
Net book amount									
At 31st December 2011	**2,707,828**	**417,089**	**922,205**	**32,227**	**4,737**	**42,901**	**7,391**	**70,816**	**4,205,194**
At 31st December 2010	2,702,786	220,185	778,573	37,797	4,920	30,309	9,019	76,778	3,860,367
Net book amount of leased assets									
At 31st December 2011	**1,245,004**	**–**	**219,350**	**–**	**–**	**–**	**–**	**1,145**	**1,465,499**
At 31st December 2010	1,297,779	–	285,903	–	–	–	–	563	1,584,245

Notes to the Consolidated Accounts

17. Property, plant and equipment (Continued)

US$'000	Container vessels and capitalised dry-docking costs	Vessels under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furnitures	Vehicles, computer and other equipment	Total
Group									
Cost									
At 31st December 2009	2,645,672	822,486	1,082,035	159,614	7,143	40,047	50,124	264,619	5,071,740
Currency translation adjustments	–	–	–	16	210	1,105	1,027	1,196	3,554
Additions	11,353	201,814	116,941	75	–	2,647	778	7,604	341,212
Reclassification	804,115	(804,115)	–	–	–	–	–	–	–
Disposals	(62,361)	–	(20,510)	(6,851)	–	–	(544)	(9,905)	(100,171)
At 31st December 2010	3,398,779	220,185	1,178,466	152,854	7,353	43,799	51,385	263,514	5,316,335
Accumulated depreciation									
At 31st December 2009	622,451	–	314,542	114,172	2,216	11,573	35,977	172,761	1,273,692
Currency translation adjustments	–	–	–	7	94	339	761	941	2,142
Charge for the year	126,190	–	93,286	5,523	123	1,578	5,999	22,311	255,010
Disposals	(52,648)	–	(7,935)	(4,645)	–	–	(371)	(9,277)	(74,876)
At 31st December 2010	695,993	–	399,893	115,057	2,433	13,490	42,366	186,736	1,455,968
Net book amount									
At 31st December 2010	2,702,786	220,185	778,573	37,797	4,920	30,309	9,019	76,778	3,860,367
At 31st December 2009	2,023,221	822,486	767,493	45,442	4,927	28,474	14,147	91,858	3,798,048
Net book amount of leased assets									
At 31st December 2010	1,297,779	–	285,903	–	–	–	–	563	1,584,245
At 31st December 2009	1,220,801	–	320,802	2,652	–	–	–	9,276	1,553,531

(a) The aggregate net book amount of assets pledged as securities for borrowings amounts to US$1,612.2 million (2010: US$1,463.5 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charterhire income relating to these vessels.

(b) Interest costs of US$0.4 million (2010: US$0.8 million) during the year were capitalised as part of vessels under construction.

(c) Depreciation charge of US$225.6 million (2010: US$233.7 million) for the year has been expensed in operating costs and US$16.9 million (2010: US$21.3 million) in other operating expenses.

(d) As at 31st December 2011 and 2010, the buildings outside Hong Kong are held under medium-term leasehold land.

Notes to the Consolidated Accounts

18. Investment property

US$'000	2011	2010
Group		
Balance at beginning of year	**155,000**	150,000
Fair value gain	**5,000**	5,000
Balance at end of year	**160,000**	155,000

The investment property, "Wall Street Plaza", is a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, two of which are wholly owned by the Group. The freehold interest in the third parcel, representing approximately 10% of the site, is owned 50% by the Group and under a long-term lease to the Group expiring in the year 2066. The property is stated at Directors' valuation of US$160.0 million (2010: US$155.0 million), by reference to a professional valuation made by an independent valuer in December 2011 on an open market basis.

19. Prepayments of lease premiums

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments for leases of between 10 and 50 years and their net book values are analysed as follows:

US$'000	2011	2010
Group		
Leasehold land outside Hong Kong	**10,249**	10,122
Balance at beginning of year	**10,122**	10,175
Currency translation adjustments	**412**	418
Amortisation	**(285)**	(471)
Balance at end of year	**10,249**	10,122

Amortisation of US$0.3 million (2010: US$0.5 million) is included in "other operating expenses" in the consolidated profit and loss account.

20. Subsidiaries

US$'000	2011	2010
Company		
Unlisted shares, at cost less provision	**169,487**	169,487
Non-current		
Amount due to a subsidiary	**719,724**	719,730
Current		
Amounts due from subsidiaries	**1,900,708**	3,732,353
Amounts due to subsidiaries	**812,054**	1,197,927

The amounts due from and to subsidiaries are interest free, unsecured and have no specific terms of repayment, except for amount payable of US$719.7 million (2010: US$719.7 million) which is not repayable within one year.

Particulars of the principal subsidiaries at 31st December 2011 are shown on pages 124 to 130.

Notes to the Consolidated Accounts

21. Jointly controlled entities

US$'000	2011	2010
Group		
Balance at beginning of year	**6,060**	5,404
Share of results		
Profit before taxation	**2,225**	1,868
Taxation	**(295)**	(209)
	7,990	7,063
Currency translation adjustments	**373**	230
Dividends received	**(1,622)**	(1,233)
Balance at end of year	**6,741**	6,060
Share of net assets	**6,741**	6,060
Amounts payable	**(4,053)**	(2,804)
	2,688	3,256

The amounts payable are unsecured, interest free and have no specific repayment terms.

The Group's share of assets, liabilities and results of the jointly controlled entities are summarised below:

US$'000	2011	2010
Non-current assets	**303**	262
Current assets	**6,979**	6,341
Non-current liabilities	**–**	(34)
Current liabilities	**(541)**	(509)
	6,741	6,060
Income	**7,295**	5,218
Expenses	**(5,365)**	(3,559)

Particulars of the principal jointly controlled entities at 31st December 2011 are shown on page 131.

22. Associated companies

US$'000	2011	2010
Group		
Share of net assets		
Balance at beginning of year	**66,222**	59,737
Share of results		
– Profit for the year	**12,108**	7,401
	78,330	67,138
Currency translation adjustments	**3,419**	1,881
Dividend received	**(6,079)**	(2,797)
Balance at end of year	**75,670**	66,222

Notes to the Consolidated Accounts

22. Associated companies (Continued)

The Group's share of assets, liabilities and results of the associated companies are summarised as follows:

US$'000	2011	2010
Non-current assets	**122,105**	116,429
Current assets	**12,505**	5,827
Non-current liabilities	**(36,689)**	(35,968)
Current liabilities	**(22,251)**	(20,066)
	75,670	66,222
Income	**35,261**	24,904
Expenses	**(23,153)**	(17,503)

Particulars of the associated companies at 31st December 2011 are shown on page 131.

23. Intangible assets

US$'000	Computer software development costs
Group	
At 1st January 2010	
Cost	110,788
Accumulated amortisation	(57,684)
Net book amount	53,104
Year ended 31st December 2010	
Opening net book amount	53,104
Currency translation adjustments	2
Additions	4,043
Amortisation	(10,501)
Closing net book amount	46,648
At 31st December 2010	
Cost	114,480
Accumulated amortisation	(67,832)
Net book amount	46,648
Year ended 31st December 2011	
Opening net book amount	**46,648**
Currency translation adjustments	**2**
Additions	**6,494**
Amortisation	**(13,130)**
Closing net book amount	**40,014**
At 31st December 2011	
Cost	**120,978**
Accumulated amortisation	**(80,964)**
Net book amount	**40,014**

Computer software development costs mainly comprise internally generated capitalised software development costs.

Amortisation of US$13.1 million (2010: US$10.5 million) is included in "other operating expenses" in the consolidated profit and loss account.

24. Deferred taxation assets/(liabilities)

US$'000	2011	2010
Group		
Deferred taxation assets	**1,803**	1,778
Deferred taxation liabilities	**(41,531)**	(39,914)
	(39,728)	(38,136)

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same taxation authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts and include the following:

US$'000	2011	2010
Deferred taxation assets to be recovered after more than twelve months	**247**	923
Deferred taxation liabilities to be settled after more than twelve months	**(27,001)**	(39,914)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. Movements on the deferred taxation account are as follows:

US$'000	Accelerated accounting depreciation	Revenue expenditure	Tax losses	Total
Deferred taxation assets				
At 31st December 2009	–	9,776	2,935	12,711
Currency translation adjustments	–	26	(25)	1
Credited/(charged) to consolidated profit and loss account	–	405	(911)	(506)
At 31st December 2010	–	10,207	1,999	12,206
Currency translation adjustments	–	7	(4)	3
Credited to consolidated profit and loss account	1,278	278	1,300	2,856
At 31st December 2011	**1,278**	**10,492**	**3,295**	**15,065**

US$'000	Accelerated tax depreciation	Revaluation	Pensions	Revenue expenditure	Total
Deferred taxation liabilities					
At 31st December 2009	18,360	17,648	4,766	1,787	42,561
Currency translation adjustments	(35)	–	(173)	(14)	(222)
Charged/(credited) to consolidated profit and loss account	1,123	5,822	1,913	(855)	8,003
At 31st December 2010	19,448	23,470	6,506	918	50,342
Currency translation adjustments	(13)	–	(85)	166	68
(Credited)/charged to consolidated profit and loss account	(499)	2,275	(437)	3,044	4,383
At 31st December 2011	**18,936**	**25,745**	**5,984**	**4,128**	**54,793**

Deferred taxation assets of US$25.6 million (2010: US$16.7 million) arising from unused tax losses of US$102.8 million (2010: US$73.2 million) have not been recognised in the consolidated accounts. Unused tax losses of US$98.2 million (2010: US$57.5 million) have no expiry date and the remaining balance will expire at various dates up to and including 2016.

Deferred taxation liabilities of US$27.2 million (2010: US$28.3 million) on temporary differences associated with investments in subsidiaries of US$183.8 million (2010: US$189.2 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies in the foreseeable future.

Notes to the Consolidated Accounts

25. Pension and retirement benefits

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated profit and loss account for the year were US$22.5 million (2010: US$27.2 million).

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong and the USA. These schemes cover approximately 88% of the Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of an employee's salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions. The charges for the defined contribution schemes to the consolidated profit and loss account during the year are as follows:

US$'000	2011	2010
Group		
Contributions to the schemes	**21,926**	25,394
Forfeitures utilised	**(260)**	(96)
	21,666	25,298

Contributions totalling US$11.7 million (2010: US$12.8 million) were payable to the schemes at the balance sheet date.

Defined benefit schemes

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

US$'000	Note	2011	2010
Group			
Schemes assets		**38,452**	29,692
Schemes liabilities		**(2,427)**	(2,493)
Net Schemes assets	(a)	**36,025**	27,199
Representing:			
Pension and retirement assets		**38,452**	29,692
Pension and retirement liabilities		**(2,427)**	(2,493)
		36,025	27,199

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

US$'000	Note	2011	2010
Schemes	(a)	**811**	1,861

In 2008, the Group terminated the defined benefit scheme and post-retirement medical plans in the USA at the request of the labour unions. All the pension assets and obligations were transferred to a defined benefit multi-employer pension plan and a defined benefit multi-employer post-retirement medical plan (the "Plans") together with other industry players. Since the Group is not able to identify its share of the underlying financial position and performance of the Plans with sufficient reliability for accounting purposes, accordingly the Plans are accounted for by the Group as defined contribution plans.

Notes to the Consolidated Accounts

25. Pension and retirement benefits (Continued)

(a) Net schemes assets

The principal defined benefit schemes are operated in the United Kingdom which was valued by Barnett Waddingham LLP. The defined benefit schemes (the "Schemes") cover approximately 1% of the Group's employees and are funded. The assets of the funded schemes are held in trust funds separate from the Group. Contributions to these schemes are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they are situated.

The net schemes assets recognised in the consolidated balance sheet are determined as follows:

US$'000	2011	2010
Fair value of plan assets	231,135	233,697
Present value of funded obligations	(216,731)	(229,496)
	14,404	4,201
Unrecognised actuarial losses	21,621	22,998
Net schemes assets	36,025	27,199

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

US$'000	2011	2010
Balance at beginning of year	233,697	225,993
Currency translation adjustments	236	(6,814)
Expected return on plan assets	13,375	12,732
Actuarial gains	3,457	10,327
Contributions from the Group	11,106	5,869
Contributions from plan members	123	151
Benefits paid	(13,386)	(14,561)
Transfer out (note)	(17,473)	–
Balance at end of year	231,135	233,697

Movements in the present value of obligations of the schemes during the year are as follows:

US$'000	2011	2010
Balance at beginning of year	229,496	237,837
Currency translation adjustments	(272)	(7,190)
Current service cost	2,832	2,744
Interest cost	11,354	11,849
Actuarial losses/(gains)	3,619	(1,334)
Contributions from the plan members	123	151
Benefits paid	(12,850)	(14,561)
Transfer out (note)	(17,571)	–
Balance at end of year	216,731	229,496

Note: During the year, defined benefit scheme of certain employees have been changed to defined contribution schemes.

Notes to the Consolidated Accounts

25. Pension and retirement benefits (Continued)

(a) Net schemes assets (Continued)

The charges of the schemes recognised in the consolidated profit and loss account are as follows:

US$'000	2011	2010
Current service cost	2,832	2,744
Interest cost	11,354	11,849
Expected return on plan assets	(13,375)	(12,732)
Net expense recognised for the year	811	1,861

Charges of US$0.8 million (2010: US$1.9 million) were included in other operating expenses in the consolidated profit and loss account.

The main actuarial assumptions made for the schemes were as follows:

	2011	2010
Discount rate	5%	2 to 5%
Expected return on plan assets	5%	1 to 6%
Expected future salary increases	4%	4 to 5%
Expected future pension increases	3%	3%
Actual return on plan assets (US$'000)	17,725	23,068

Plan assets of the schemes comprise the following:

US$'000	2011		2010	
Equity	77,719	33%	84,341	36%
Debt	152,321	66%	134,267	58%
Others	1,095	1%	15,089	6%
	231,135	100%	233,697	100%

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity reflect long-term real rates of return experienced in the respective markets.

(b) The experience adjustments of 2009 to 2011 are as follows:

US$'000	2011	2010	2009
Fair value of plan assets	231,135	233,697	225,993
Present value of defined benefit obligations	(216,731)	(229,496)	(237,837)
Plan surplus/(deficit)	14,404	4,201	(11,844)
Experience adjustment on plan assets	(3,457)	(10,516)	(8,798)
Percentage of plan assets (%)	(1.5%)	(4.5%)	(3.9%)
Experience adjustment on plan obligations	(3,619)	(1,869)	(625)
Percentage of plan obligations (%)	(1.7%)	(0.8%)	(0.3%)

Notes to the Consolidated Accounts

26. Restricted bank balances

US$'000	2011	2010
Group		
Non-current	**11,728**	4,648
Current	**543**	1,206
Restricted bank balances	**12,271**	5,854

As at 31st December 2011, the restricted bank balances of US$12.3 million (2010: US$5.9 million) are funds pledged as securities for banking facilities or required to be utilised for specific purposes.

The carrying amounts of the Group's restricted bank balances are mainly denominated in US dollar (2010: US dollar).

The credit quality of restricted bank balances by reference to Standard & Poor's, Moody's and/or Fitch's credit ratings is as follows:

US$'000	2011	2010
Group		
AA	**416**	222
A	**11,855**	5,632
	12,271	5,854

US$'000	2011	2010
Company		
Restricted bank balances – current	**365**	197

27. Other non-current assets

US$'000	Note	2011	2010
Group			
Available-for-sale financial assets	(a)	**130,566**	118,275
Held-to-maturity investments	(b)	**182,092**	121,737
Loan to an investee company	(c)	**–**	71,100
Other deposit		**11,825**	11,825
Others		**11,454**	10,064
		335,937	333,001

(a) Available-for-sale financial assets

US$'000	2011	2010
Group		
Balance at beginning of year	**118,275**	48,206
Currency translation adjustments	**(5)**	191
Additions	**–**	343
Disposals	**(1,532)**	(2,399)
Change in fair value transferred to equity	**13,828**	71,934
Balance at end of year	**130,566**	118,275

Notes to the Consolidated Accounts

27. Other non-current assets (Continued)

(a) Available-for-sale financial assets (Continued)

Available-for-sale financial assets include the following:

US$'000	2011	2010
Listed equity securities		
Hong Kong	**697**	1,948
Overseas	**8**	8
Market value of listed equity securities	**705**	1,956
Unlisted equity securities	**128,300**	114,340
Others	**1,561**	1,979
	130,566	118,275

The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies:

US$'000	2011	2010
Renminbi	**128,300**	114,300
Hong Kong dollar	**1,879**	3,100
Other currencies	**387**	875
	130,566	118,275

(b) Held-to-maturity investments

US$'000	2011	2010
Group		
Listed debt securities		
Hong Kong	**119,196**	80,321
Overseas	**61,800**	41,416
	180,996	121,737
Unlisted debt securities		
Hong Kong	**1,096**	–
	182,092	121,737
Market value	**185,694**	123,463

Movements in held-to-maturity investments are as follows:

US$'000	2011	2010
Balance at beginning of year	**121,737**	79,038
Additions	**85,170**	72,776
Disposals/redemption on maturity	**(13,737)**	(30,217)
Reclassification	**(11,093)**	–
Amortisation	**15**	140
Balance at end of year	**182,092**	121,737

The carrying amounts of held-to-maturity investments are mainly denominated in US dollar.

Notes to the Consolidated Accounts

27. Other non-current assets (Continued)

(b) Held-to-maturity investments (Continued)

The credit quality of held-to-maturity investments by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2011	2010
AAA	**8,053**	9,470
AA	**22,781**	5,949
A	**71,321**	39,006
BBB	**53,511**	46,150
Non-ranking	**26,426**	21,162
	182,092	121,737

The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity investments.

(c) Loan to an investee company

The loan represented equity funding to the investee company and was interest free, unsecured and had no specific terms of repayment. The loan was fully repaid during the year.

28. Inventories

US$'000	2011	2010
Group		
Bunker	**136,736**	85,142
Consumable stores	**13,391**	11,123
	150,127	96,265

The cost of inventories recognised as expense and included in operating costs amounts to US$1,211.6 million (2010: US$856.5 million).

29. Debtors and prepayments

US$'000	2011	2010
Group		
Trade receivables		
– Fully performing	**195,947**	207,356
– Past due but not impaired	**95,263**	90,206
– Impaired and provided for	**5,373**	4,597
	296,583	302,159
Less: provision for impairment	**(5,373)**	(4,597)
Trade receivables – net	**291,210**	297,562
Other debtors	**64,417**	60,146
Other prepayments	**90,147**	77,467
Utility and other deposits	**7,570**	7,139
Tax recoverable	**17,250**	12,683
	470,594	454,997

Notes to the Consolidated Accounts

29. Debtors and prepayments (Continued)

The credit quality of trade receivables by reference to Standard & Poor's and/or Moody's credit ratings (if available) or to historical information about counterparty default rates is as follows:

US$'000	2011	2010
Group		
Counterparties with external credit rating		
A	**25,833**	13,429
BB	**3,337**	9,159
BBB	**7,739**	4,265
	36,909	26,853
Counterparties without external credit rating		
Group 1	**13,207**	13,990
Group 2	**240,556**	255,486
Group 3	**538**	1,233
	254,301	270,709
	291,210	297,562

Note:

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past.

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 30 days. Trade receivables with overdue balances are requested to settle all outstanding balances before any further credit is granted.

The majority of past due but not impaired trade receivables are less than three months. The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due date of invoices, is as follows:

US$'000	2011	2010
Below one month	**270,539**	283,418
Two to three months	**18,108**	13,539
Four to six months	**2,563**	605
	291,210	297,562

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Other debtors are fully performing.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

US$'000	2011	2010
US dollar	**91,987**	89,143
Canadian dollar	**16,541**	19,678
Euro	**50,625**	51,804
Japanese yen	**12,922**	17,494
Hong Kong dollar	**5,313**	5,831
Renminbi	**34,595**	37,217
Other currencies	**79,227**	76,395
	291,210	297,562

Notes to the Consolidated Accounts

29. Debtors and prepayments (Continued)

Movements on the provision for impairment of trade receivables are as follows:

US$'000	2011	2010
Group		
Balance at beginning of year	4,597	5,664
Provision	2,010	1,164
Write off	(797)	(821)
Unused amounts reversed	(437)	(1,410)
Balance at end of year	5,373	4,597

The provision for impairment has been included in 'other operating expenses' in the consolidated profit and loss account.

30. Portfolio investments

US$'000	2011	2010
Group		
Listed equity securities		
Hong Kong	20,729	26,981
Overseas	535	531
Market value of listed equity securities	21,264	27,512
Unit trust	4,153	4,907
Listed debt securities		
Hong Kong	25,329	33,389
Overseas	67,662	85,544
Unlisted debt securities		
Hong Kong	644	–
Others	128	96
	119,180	151,448

The carrying amounts of the Group's portfolio investments are mainly denominated in US dollar.

The credit quality of listed debt securities by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2011	2010
Group		
AAA	–	7,326
AA	–	5,849
A	49,059	63,054
BBB	27,118	29,720
BB	10,839	1,818
Non-ranking	5,975	11,166
	92,991	118,933

The fair value of all equity securities and debt securities are based on their current bid prices in an active market.

Notes to the Consolidated Accounts

31. Derivative financial instruments

US$'000	2011	2010
Assets		
Non-current assets		
Interest rate swap contracts	**7,983**	5,672
Current assets		
Interest rate swap contracts	**–**	155
Liabilities		
Non-current liabilities		
Interest rate swap contract	**(4,328)**	(3,353)
Foreign exchange forward contract	**(6,030)**	(6,804)
	(10,358)	(10,157)

The credit quality of derivative financial assets by reference to the Standard & Poor's and/or Moody's credit rating is as follows:

US$'000	2011	2010
AA	**7,983**	5,827

(a) Foreign exchange forward contract

The notional principal amount of the outstanding foreign exchange forward contract at 31st December 2011 was US$33.9 million (2010: US$38.8 million).

(b) Interest rate swap contracts

The notional amounts of the outstanding interest rate swap contracts at 31st December 2011 were US$135.2 million (2010: US$260.2 million).

US$'000	2011	2010
Company		
Non-current liability		
Interest rate swap contract	**(4,328)**	(3,353)

32. Cash and bank balances

US$'000	2011	2010
Group		
Short-term bank deposits		
– Maturing within three months from the date of placement	**1,539,404**	856,032
Cash at bank and in hand	**369,986**	357,329
	1,909,390	1,213,361
Short-term bank deposits		
– Maturing more than three months from the date of placement	**189,494**	2,638,541
	2,098,884	3,851,902

The carrying amounts of the Group's cash and bank balances are mainly denominated in US dollar.

Notes to the Consolidated Accounts

32. Cash and bank balances (Continued)

The credit quality of cash at bank and in hand and short-term bank deposits by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2011	2010
Group		
AAA	**3,286**	5,660
AA	**1,239,660**	1,833,716
A	**813,456**	2,001,061
BBB	**35,509**	6,123
BB	**4,436**	1,187
Others	**2,537**	4,155
	2,098,884	3,851,902

US$'000	2011	2010
Company		
Short-term bank deposits		
– Maturing within three months from the date of placement	**41,088**	71,090
Cash at bank and in hand	**898**	25,165
Total cash and bank balances	**41,986**	96,255

33. Share capital

US$'000	2011	2010
Authorised:		
900,000,000 ordinary shares of US$0.10 each	**90,000**	90,000
65,000,000 convertible redeemable preferred shares of US$1 each	**65,000**	65,000
50,000,000 redeemable preferred shares of US$1 each	**50,000**	50,000
	205,000	205,000

	Number of shares (thousands)	Ordinary shares US$'000
Issued and fully paid:		
At 31st December 2010 and 2011	**625,793**	62,579

Notes to the Consolidated Accounts

34. Reserves

Group

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Assets revaluation reserve: Vessels	Assets revaluation reserve: Available-for-sale financial assets	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2009	172,457	88,547	4,696	1,915	44,398	44,563	3,525,529	3,882,105
Total comprehensive income/(loss) for the year	–	–	–	(1,915)	70,620	6,851	1,866,780	1,942,336
Acquisition of non-controlling interests	–	–	–	–	–	–	8,205	8,205
2010 interim dividend	–	–	–	–	–	–	(72,013)	(72,013)
2010 special dividend	–	–	–	–	–	–	(250,480)	(250,480)
Balance at 31st December 2010	172,457	88,547	4,696	–	115,018	51,414	5,078,021	5,510,153
Total comprehensive income for the year	–	–	–	–	13,160	6,531	181,645	201,336
2010 final dividend	–	–	–	–	–	–	(144,071)	(144,071)
2010 special dividend	–	–	–	–	–	–	(1,311,044)	(1,311,044)
2011 interim dividend	–	–	–	–	–	–	(43,805)	(43,805)
Balance at 31st December 2011	**172,457**	**88,547**	**4,696**	**–**	**128,178**	**57,945**	**3,760,746**	**4,212,569**

Company

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Retained profit	Total
Balance at 31st December 2009	172,457	88,547	4,696	950,933	1,216,633
Total comprehensive income for the year	–	–	–	1,075,139	1,075,139
2010 interim dividend	–	–	–	(72,013)	(72,013)
2010 special dividend	–	–	–	(250,480)	(250,480)
Balance at 31st December 2010	172,457	88,547	4,696	1,703,579	1,969,279
Total comprehensive income for the year	–	–	–	41,517	41,517
2010 final dividend	–	–	–	(144,071)	(144,071)
2010 special dividend	–	–	–	(1,311,044)	(1,311,044)
2011 interim dividend	–	–	–	(43,805)	(43,805)
Balance at 31st December 2011	**172,457**	**88,547**	**4,696**	**246,176**	**511,876**

The profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of US$41.5 million (2010: profit of US$1,075.1 million).

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US$334.7 million as at 31st December 2011 (2010: US$1,792.1 million).

Notes to the Consolidated Accounts

35. Borrowings

US$'000	2011	2010
Group		
Non-current		
Bank loans		
– Secured	**954,208**	851,177
– Unsecured	**42,151**	74,459
Finance lease obligations	**1,236,736**	1,490,731
	2,233,095	2,416,367
Current		
Bank overdrafts, unsecured	**236**	78
Bank loans		
– Secured	**152,829**	117,621
– Unsecured	**32,307**	32,310
Finance lease obligations	**253,739**	97,746
	439,111	247,755
Total borrowings	**2,672,206**	2,664,122

The maturity of borrowings is as follows:

			Finance leases	
US$'000	Bank loans	Bank overdrafts	Present value	Minimum payments
As at 31st December 2011				
2012	**185,136**	**236**	**253,739**	**267,088**
2013	**121,141**	**–**	**143,156**	**155,418**
2014	**61,491**	**–**	**46,912**	**59,163**
2015	**43,402**	**–**	**47,693**	**59,807**
2016	**82,235**	**–**	**116,472**	**128,099**
2017 onwards	**688,090**	**–**	**882,503**	**986,110**
	1,181,495	**236**	**1,490,475**	**1,655,685**
Wholly repayable within five years	**313,788**	**236**	**437,826**	
Not wholly repayable within five years	**867,707**	**–**	**1,052,649**	
	1,181,495	**236**	**1,490,475**	
As at 31st December 2010				
2011	149,931	78	97,746	112,944
2012	153,474	–	253,304	267,528
2013	88,669	–	142,180	154,611
2014	53,352	–	46,570	59,171
2015	10,930	–	47,411	60,038
2016 onwards	619,211	–	1,001,266	1,120,615
	1,075,567	78	1,588,477	1,774,907
Wholly repayable within five years	297,873	78	358,037	
Not wholly repayable within five years	777,694	–	1,230,440	
	1,075,567	78	1,588,477	

Borrowings are secured by property, plant and equipment of the Group (note 17).

Notes to the Consolidated Accounts

35. Borrowings (Continued)

The effective interest rates at the balance sheet date were as follows:

	2011			2010		
	US$	£	Others	US$	£	Others
Bank loans	**1.4%**	–	–	1.1%	–	–
Finance lease obligations	**0.7%**	**1.3%**	**3.5%**	0.5%	1.1%	3.5%

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
US$'000	2011	2010	2011	2010
Bank loans	**996,359**	925,636	**997,157**	929,479
Finance lease obligations	**1,236,736**	1,490,731	**1,236,736**	1,490,731
	2,233,095	2,416,367	**2,233,893**	2,420,210

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3.4% (2010: 2.3%).

The carrying amounts of short-term borrowings approximate their fair values.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

US$'000	2011	2010
US dollar	**2,641,017**	2,628,835
Pound sterling	**31,082**	35,284
Other currencies	**107**	3
	2,672,206	2,664,122

The fixed interest rate borrowings of the Group as at 31st December 2011 amounted to US$51.2 million (2010: US$58.3 million). The remaining borrowings of US$2,621.0 million (2010: US$2,605.8 million) were subject to floating interest rates.

36. Creditors and accruals

US$'000	2011	2010
Group		
Trade payables	**247,575**	198,514
Other creditors	**82,209**	62,532
Accrued expenses	**342,915**	461,620
Deferred revenue	**36,750**	35,546
	709,449	758,212

The ageing analysis of the Group's trade payables, prepared in accordance with dates of invoices, is as follows:

US$'000	2011	2010
Below one month	**178,514**	131,765
Two to three months	**64,935**	61,882
Four to six months	**3,416**	4,697
Over six months	**710**	170
	247,575	198,514

36. Creditors and accruals (Continued)

The carrying amounts of the Group's trade payables are denominated in the following currencies:

US$'000	2011	2010
US dollar	**116,281**	79,885
Canadian dollar	**11,590**	11,115
Euro	**14,098**	13,398
Japanese yen	**28,000**	25,295
Hong Kong dollar	**18,909**	14,994
Renminbi	**31,498**	25,913
Other currencies	**27,199**	27,914
	247,575	198,514

37. Commitments

Group

(a) Capital commitments – Property, plant and equipment

US$'000	2011	2010
Contracted but not provided for	**1,595,176**	690,422
Authorised but not contracted for	**284,447**	229,735
	1,879,623	920,157

(b) Operating lease commitments

The future aggregate minimum lease rental expenses under non-cancellable operating leases are payable in the following years:

US$'000	Vessels and equipment	Land and buildings	Total
As at 31st December 2011			
2012	**196,097**	**27,725**	**223,822**
2013	**148,235**	**17,928**	**166,163**
2014	**137,718**	**11,158**	**148,876**
2015	**88,216**	**2,652**	**90,868**
2016	**74,449**	**2,421**	**76,870**
2017 onwards	**354,364**	**356**	**354,720**
	999,079	**62,240**	**1,061,319**
As at 31st December 2010			
2011	186,026	26,446	212,472
2012	108,044	15,692	123,736
2013	98,461	7,580	106,041
2014	96,415	4,098	100,513
2015	86,859	615	87,474
2016 onwards	426,136	158	426,294
	1,001,941	54,589	1,056,530

Notes to the Consolidated Accounts

37. Commitments (Continued)

Group (Continued)

(c) Operating lease rental receivable

The future aggregate minimum lease rental incomes on land and buildings and vessels under non-cancellable operating leases are receivable in the following years:

US$'000	2011	2010
2011	–	22,857
2012	**23,801**	22,366
2013	**78,091**	20,231
2014	**102,987**	19,138
2015	**98,971**	15,180
2016	**42,960**	13,943
2017 onwards	**45,975**	30,975
	392,785	144,690

38. Financial guarantees

Group

The Group has not given any corporate guarantee as at 31st December 2011 (2010: nil).

Company

(a) The Company has given corporate guarantees of approximately US$3,147.4 million (2010: US$2,790.6 million) for its subsidiaries. As at 31st December 2011, the amounts utilised by the subsidiaries were US$2,677.8 million (2010: US$2,669.9 million).

(b) The Company has given corporate guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US$407.8 million (2010: US$452.8 million).

(c) The Company has given corporate guarantees of approximately US$369.9 million (2010: US$394.1 million) to its subsidiaries in respect of the instalments of shipbuilding contracts.

The Directors consider that the subsidiaries are financially resourceful in settling the obligations.

39. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to cash generated from operations

US$'000	2011	2010
Operating profit from continuing operations	**174,598**	918,807
Write back of provision	**43,000**	–
Interest income from banks	**(21,170)**	(18,526)
Interest income from portfolio and held-to-maturity investments	**(12,942)**	(8,151)
Dividend income from portfolio investments	**(794)**	(622)
Depreciation	**242,534**	255,010
Fair value gain from an investment property	**(5,000)**	(5,000)
Loss/(profit) on disposal of property, plant and equipment	**11,211**	(6,924)
Dividend income from available-for-sale financial assets	**(12,137)**	(7)
Profit on disposal of available-for-sale financial assets	**(696)**	(1,314)
Gain on disposal of held-to-maturity investments	**(572)**	(2,044)
Amortisation of intangible assets	**13,130**	10,501
Amortisation of prepayments of lease premiums	**285**	471
Net (gain)/loss on derivative financial instruments	**(1,707)**	853
Change in net pension assets/liabilities	**(8,826)**	(3,116)
Operating profit before working capital changes	**420,914**	1,139,938
Increase in inventories	**(53,862)**	(12,704)
Increase in debtors and prepayments	**(12,843)**	(71,547)
(Decrease)/increase in creditors and accruals	**(45,639)**	156,703
Settlement of derivative financial instruments	**(248)**	332
Cash generated from operations	**308,322**	1,212,722

Notes to the Consolidated Accounts

39. Notes to consolidated cash flow statement (Continued)

(b) Disposal of subsidiaries

US$'000	2011	2010
Net assets disposed		
Property, plant and equipment	–	104,010
Prepayments of lease premiums	–	3,467
Goodwill	–	23,599
Jointly controlled entities	–	9,804
Deferred tax assets	–	592
Inventories	–	218
Properties under development and for sale	–	855,886
Debtors and prepayments	–	8,554
Cash and bank balances	–	262,124
Total assets	–	1,268,254
Borrowings, secured	–	(87,565)
Deferred taxation liabilities	–	(11,377)
Creditors and accruals	–	(39,639)
Amount due to a jointly controlled entity	–	(1,800)
Current taxation	–	(2,025)
Total liabilities	–	(142,406)
Net assets	–	1,125,848
Profit on disposal of subsidiaries	–	1,004,554
Cash consideration, net	–	2,130,402

(c) Major non-cash transactions

There are no major non-cash transactions during the year. During 2010, major non-cash transactions included the inception of finance leases of US$126.1 million.

(d) Analysis of cash and cash equivalents

US$'000	2011	2010
Bank balances and deposits maturing within three months from the date of placement	**1,909,390**	1,213,361
Bank overdrafts	**(236)**	(78)
	1,909,154	1,213,283

40. Approval of accounts

The accounts were approved by the Board of Directors on 9th March 2012.