



FINANCIAL REVIEW

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DIRECTORS' REPORT

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2007.

DIRECTORS

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

Mr Fock Siew Wah (Group Chairman)
Mr Eddie Teh Ewe Guan (Deputy Group Chairman and Group Chief Executive Officer)
Mr Davinder Singh s/o Amar Singh (Appointed on 1 July 2007)
Mr Jan Peter Seeberg Erlund
Mr Koh Poh Tiong
Ms Koh Kum Loon
Mr Kua Hong Pak
Mr Michael Lim Choo San
Mr Ng Chee Keong
Lt-Gen (Ret) Ng Jui Ping

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in related corporations are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Fock Siew Wah		
Singapore Telecommunications Limited		
- Ordinary shares	3,240	3,240
Davinder Singh s/o Amar Singh		
Singapore Telecommunications Limited		
- Ordinary shares	3,170	3,170
Vertex Technology Fund (II)		
- Ordinary shares	550	550
- Redeemable preference shares	500	500
Vertex Investment (II) Ltd		
- Ordinary shares	50	50
Koh Kum Loon		
Singapore Telecommunications Limited		
- Ordinary shares	16,140	16,140
SP AusNet		
- Stapled securities	50,000	50,000
Koh Poh Tiong		
Singapore Telecommunications Limited		
- Ordinary shares	1,490	1,490
Kua Hong Pak		
Singapore Telecommunications Limited		
- Ordinary shares	3,027	3,027
Ng Chee Keong		
Singapore Telecommunications Limited		
- Ordinary shares	49,850	37,650

DIRECTORS' REPORT

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Ng Jui Ping Singapore Telecommunications Limited		
- Ordinary shares	1,560	1,560
SP AusNet		
- Stapled securities	100,000	100,000

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees that are disclosed in note 35 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

The Company has not granted any share option.

The PSA Employee Share Option Plan (the Plan) granted by a subsidiary was approved and adopted by its then members at an Extraordinary General Meeting held on 22 March 2001.

In the event of an initial public offering of the shares of the subsidiary, its employees may be allotted a number of share options based on the monetary value of the underlying shares at the initial public offering price. The options shall vest one year after any initial public offering of the shares. No options have been granted since the commencement of the Plan.

Since the end of the last financial year, none of the Company's subsidiaries have granted any options.

AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Fock Siew Wah
Director



Eddie Teh Ewe Guan
Director

29 February 2008

STATEMENT BY DIRECTORS

In our opinion:

- (a) the financial statements set out on pages 42 to 98 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



Fock Siew Wah
Director



Eddie Teh Ewe Guan
Director

29 February 2008

INDEPENDENT AUDITORS' REPORT

MEMBER OF THE COMPANY
PSA INTERNATIONAL PTE LTD

We have audited the accompanying financial statements of PSA International Pte Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 98.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

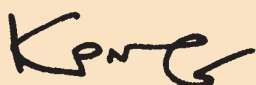
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Opinion

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



KPMG
Certified Public Accountants

Singapore
29 February 2008

BALANCE SHEETS

AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current assets					
Property, plant and equipment	4	5,741,777	5,067,988	530	514
Intangible assets	5	1,654,953	741,694	318	-
Subsidiaries	6	-	-	7,076,275	5,188,006
Associates	7	8,157,913	8,981,572	-	-
Financial assets	9	688,525	472,789	-	3
Other non-current assets	10	4,088	11,287	14,020	24,805
		16,247,256	15,275,330	7,091,143	5,213,328
Current assets					
Inventories		56,570	46,180	-	-
Trade and other receivables	11	730,974	721,816	255,889	111,076
Cash and bank balances	14	1,163,266	1,163,053	302,391	483,787
		1,950,810	1,931,049	558,280	594,863
Total assets		18,198,066	17,206,379	7,649,423	5,808,191
Equity attributable to equity holders of the Company					
Share capital	15	1,135,372	1,135,372	1,135,372	1,135,372
Reserves	16	442,225	418,574	-	-
Accumulated profits		5,377,672	3,802,779	4,025,544	2,549,878
		6,955,269	5,356,725	5,160,916	3,685,250
Minority interests		213,500	214,217	-	-
Total equity		7,168,769	5,570,942	5,160,916	3,685,250
Non-current liabilities					
Interest-bearing liabilities	17	7,896,686	9,398,403	1,431,875	1,522,561
Provisions	18	67,841	62,535	-	-
Other non-current obligations	19	48,159	31,004	-	-
Deferred tax liabilities	21	233,116	219,600	54	-
		8,245,802	9,711,542	1,431,929	1,522,561
Current liabilities					
Trade and other payables	22	1,739,801	1,259,710	1,035,038	575,433
Interest-bearing liabilities	17	645,217	231,329	-	-
Current tax payable		392,024	431,848	21,540	24,947
Bank overdrafts	14	6,453	1,008	-	-
		2,783,495	1,923,895	1,056,578	600,380
Total liabilities		11,029,297	11,635,437	2,488,507	2,122,941
Total equity and liabilities		18,198,066	17,206,379	7,649,423	5,808,191

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2007

	Note	2007 \$'000	2006 \$'000
Revenue	24	4,150,901	3,736,388
Other income	25	875,935	381,160
Staff and related costs	26	(679,834)	(629,319)
Running, repair and maintenance costs		(412,120)	(406,829)
Depreciation of property, plant and equipment	4	(411,446)	(366,591)
Contract services		(703,323)	(636,347)
Property taxes		(36,483)	(36,309)
Other operating expenses		(330,841)	(357,980)
Profit from operations	27	2,452,789	1,684,173
Finance costs	28	(503,862)	(404,859)
Share of profit of associates (net of tax)		239,304	201,544
Profit before income tax		2,188,231	1,480,858
Income tax expense	29	(248,433)	(255,828)
Profit for the year		1,939,798	1,225,030
Attributable to:			
Equity holders of the Company		1,924,828	1,208,969
Minority interests		14,970	16,061
Profit for the year		1,939,798	1,225,030
Earnings per share			
Basic earnings per share (dollars)	30	3.17	1.99
Diluted earnings per share (dollars)	30	3.17	1.99

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2007

Group	Share capital \$'000	Capital reserve \$'000	Insurance reserve \$'000
At 1 January 2006	607,372	172,838	97,357
Translation differences from financial statements of foreign entities	-	-	-
Exchange differences on monetary items forming part of net investment in a foreign operation	-	-	-
Exchange difference on hedge of net investment in a foreign operation	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-
Net change in fair value of cash flow hedges transferred to income statement	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	-
Net change in available-for-sale financial assets transferred to income statement	-	-	-
Share of reserves in associates	-	(1,539)	-
Net (losses)/gains recognised directly in equity	-	(1,539)	-
Profit for the year	-	-	-
Total recognised income and expenses for the year	-	(1,539)	-
Transfer to share capital upon implementation of the Companies (Amendment) Act 2005	528,000	-	-
Disposal of entities	-	-	-
Capital contribution by minority shareholder of a subsidiary	-	-	-
Acquisition of additional shares from minority interests	-	-	-
Capital reduction in subsidiaries	-	-	-
Dividend paid to minority shareholders of a subsidiary	-	-	-
Final tax exempt dividend paid of \$0.49 per share as proposed for the previous year	-	-	-
Interim tax exempt dividend declared and payable of \$0.33 per share	-	-	-
At 31 December 2006	1,135,372	171,299	97,357

Foreign currency translation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total attributable to equity holders of the Company \$'000	Minority interests \$'000	Total equity \$'000
97,730	(1,297)	150,972	3,621,810	4,746,782	189,211	4,935,993
(200,279)	-	-	-	(200,279)	(3,302)	(203,581)
(2,264)	-	-	-	(2,264)	-	(2,264)
92,064	-	-	-	92,064	-	92,064
-	(2,483)	-	-	(2,483)	-	(2,483)
-	198	-	-	198	-	198
-	-	138,437	-	138,437	-	138,437
-	-	(153,467)	-	(153,467)	-	(153,467)
14,765	-	15,542	-	28,768	-	28,768
(95,714)	(2,285)	512	-	(99,026)	(3,302)	(102,328)
-	-	-	1,208,969	1,208,969	16,061	1,225,030
(95,714)	(2,285)	512	1,208,969	1,109,943	12,759	1,122,702
-	-	-	(528,000)	-	-	-
-	-	-	-	-	(5,176)	(5,176)
-	-	-	-	-	50,543	50,543
-	-	-	-	-	(14,928)	(14,928)
-	-	-	-	-	(7,530)	(7,530)
-	-	-	-	-	(10,662)	(10,662)
-	-	-	(300,000)	(300,000)	-	(300,000)
-	-	-	(200,000)	(200,000)	-	(200,000)
2,016	(3,582)	151,484	3,802,779	5,356,725	214,217	5,570,942

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2007

Group	Share capital \$'000	Capital reserve \$'000	Insurance reserve \$'000
At 1 January 2007	1,135,372	171,299	97,357
Translation differences from financial statements of foreign entities	-	-	-
Exchange differences on monetary items forming part of net investment in a foreign operation	-	-	-
Exchange difference on hedge of net investment in a foreign operation	-	-	-
Effective portion of changes in fair value of cash flow hedges	-	-	-
Net change in fair value of cash flow hedges transferred to income statement	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	-
Net change in available-for-sale financial assets transferred to income statement	-	-	-
Share of reserves in associates	-	16,922	-
Net gains/(losses) recognised directly in equity	-	16,922	-
Profit for the year	-	-	-
Total recognised income and expenses for the year	-	16,922	-
Transfer to accumulated profits (note 16)	-	(150,065)	-
Disposal of entities	-	-	-
Capital contribution by minority shareholder of a subsidiary	-	-	-
Dividend paid to minority shareholders of a subsidiary	-	-	-
Interim tax exempt dividend declared and payable of \$0.82 per share	-	-	-
At 31 December 2007	1,135,372	38,156	97,357

Foreign currency translation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Accumulated profits \$'000	Total attributable to equity holders of the Company \$'000	Minority interests \$'000	Total equity \$'000
2,016	(3,582)	151,484	3,802,779	5,356,725	214,217	5,570,942
(397,476)	-	-	-	(397,476)	849	(396,627)
38,823	-	-	-	38,823	-	38,823
240,118	-	-	-	240,118	-	240,118
-	(19,041)	-	-	(19,041)	-	(19,041)
-	453	-	-	453	-	453
-	-	291,502	-	291,502	-	291,502
-	-	(56,173)	-	(56,173)	-	(56,173)
16,235	(413)	42,766	-	75,510	-	75,510
(102,300)	(19,001)	278,095	-	173,716	849	174,565
-	-	-	1,924,828	1,924,828	14,970	1,939,798
(102,300)	(19,001)	278,095	1,924,828	2,098,544	15,819	2,114,363
-	-	-	150,065	-	-	-
-	-	-	-	-	(5,962)	(5,962)
-	-	-	-	-	17,640	17,640
-	-	-	-	-	(28,214)	(28,214)
-	-	-	(500,000)	(500,000)	-	(500,000)
(100,284)	(22,583)	429,579	5,377,672	6,955,269	213,500	7,168,769

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2007

	Note	2007 \$'000	2006 \$'000
Operating activities			
Profit for the year		1,939,798	1,225,030
Adjustments for:			
Depreciation of property, plant and equipment	4	411,446	366,591
Amortisation of intangible assets	5	29,350	14,118
(Reversal of impairment losses)/impairment made for:			
Property, plant and equipment	27	(2,988)	-
Associates	27	-	31,853
Dividend income from financial assets		(5,654)	(10,036)
(Gain)/loss on disposal of:			
Property, plant and equipment	25	(8,090)	(14,352)
Subsidiaries	25	(621,321)	(15,598)
Associates	25	-	(1,976)
Jointly-controlled entity	27	-	516
Financial assets	25	(56,173)	(153,467)
Share of profit of associates (net of tax)		(239,304)	(201,544)
Finance costs	28	503,862	404,859
Interest income		(167,482)	(144,148)
Income tax expense		248,433	255,828
Fair value (gain)/loss on fair value hedge		(909)	959
Changes in working capital:		2,030,968	1,758,633
Inventories		(15,669)	(7,344)
Trade and other receivables		(131,690)	(87,833)
Trade and other payables		259,924	68,589
Cash generated from operations		2,143,533	1,732,045
Income taxes paid		(269,448)	(280,119)
Cash flows from operating activities		1,874,085	1,451,926
Investing activities			
Purchase of:			
Property, plant and equipment		(1,086,147)	(835,615)
Intangible assets		(595,256)	(11,603)
Financial assets		(15,775)	(136,572)
Additional equity interests in subsidiaries		-	(31,527)
Equity interests in associates		-	(6,904,975)
Proceeds from disposal of:			
Property, plant and equipment		85,493	45,195
Intangible assets		247	218
Financial assets		90,471	685,158
Equity interests in associates		-	2,891
Cash inflow from disposal of subsidiaries, jointly-controlled entity and a subsidiary's non-core cash-generating unit	32	909,327	19,267
Repayment of loans by associates		-	23,828
Proceeds from capital reduction in investee companies		-	2,488
Dividends received from associates and financial assets		130,793	54,428
Interest received		168,158	127,315
Cash flows used in investing activities		(312,689)	(6,959,504)

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2007

	Note	2007 \$'000	2006 \$'000
Financing activities			
Proceeds from interest-bearing liabilities		1,008,235	9,246,126
Repayment of interest-bearing liabilities		(1,896,121)	(3,033,791)
Payment of finance lease liabilities		(3,011)	(4,915)
Dividends paid to shareholders		(200,000)	(300,000)
Interest paid		(563,355)	(313,850)
Advance capital received from minority shareholder of a subsidiary		41,650	-
Capital contribution by minority shareholder of a subsidiary		17,640	50,543
Proceeds from loan from minority shareholders of subsidiaries		27,598	-
Cash flows (used in)/from financing activities		(1,567,364)	5,644,113
Net (decrease)/increase in cash and cash equivalents		(5,968)	136,535
Cash and cash equivalents at beginning of the year		1,162,045	1,026,701
Effect of exchange rate fluctuations on cash held		736	(1,191)
Cash and cash equivalents at end of the year	14	1,156,813	1,162,045
Cash and cash equivalents at end of the year comprise:			
Cash and bank balances		1,163,266	1,163,053
Bank overdraft		(6,453)	(1,008)
	14	1,156,813	1,162,045

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 February 2008.

1 DOMICILE AND ACTIVITIES

PSA International Pte Ltd (the Company) is incorporated in the Republic of Singapore and has its registered office at 460 Alexandra Road, PSA Building, #38-00, Singapore 119963.

The principal activities of the Company are investment holding and the provision of consultancy services on port management, port operations and information technology. The principal activities of the subsidiaries are mainly those of a provider of port, marine and logistics services.

The immediate and ultimate holding company during the financial year is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates and jointly-controlled entities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities that are carried at fair value and/or amortised cost as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise presented.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is set out in note 3 below.

The accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

2.2 Consolidation

Business combinations

In 2003, the Group effected a Scheme of Arrangement (Scheme) under Section 210 of the Companies Act, Chapter 50, as sanctioned by the High Court of Singapore. The Scheme resulted in an amalgamation of subsidiaries held by the Company with those held by PSA Corporation Limited. Such interests acquired from parties under common control are consolidated on the historical cost method in a manner similar to the pooling of interest method.

All other business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess or deficit of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets acquired and, liabilities and contingent liabilities assumed represents goodwill and negative goodwill respectively; and they are accounted for as described in note 2.5.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been adjusted where necessary to align them with the policies adopted by the Group.

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Associates are accounted for in the consolidated financial statements under the equity method.

The consolidated financial statements include the Group's share of the post-acquisition results and reserves of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The latest audited financial statements of the associates are used and where these are not available, unaudited financial statements are used. Any differences between the unaudited financial statements and the audited financial statements obtained subsequently are adjusted for in the subsequent financial year.

The Group's investments in associates include goodwill on acquisition and other intangible assets acquired from business combinations. Where the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has incurred an obligation or has made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

Jointly-controlled entities

Jointly-controlled entities are those entities over whose activities the Group has contractual agreements to jointly share the control over the strategic financial and operating decisions of the jointly-controlled entities.

The Group's interests in jointly-controlled entities are recognised in the consolidated financial statements by including its proportionate share of the individual assets and liabilities with items of a similar nature on a line-by-line basis, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

The difference between the cost of acquisition of a jointly-controlled entity and the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed represents goodwill (see policy for goodwill in note 2.5).

Transactions eliminated on consolidation

Intra-group balances and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries, associates and jointly-controlled entities

Investments in subsidiaries, associates and jointly-controlled entities are stated in the Company's balance sheet at cost less accumulated impairment losses.

2.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currencies at the exchange rates at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currencies at the exchange rates at the date on which the fair value was determined.

Foreign currency differences on available-for-sale equity instruments are taken directly to equity. All other foreign currency differences arising on retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at the average exchange rates for the year. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2006, the exchange rates at the date of acquisition were used.

NOTES TO THE FINANCIAL STATEMENTS

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Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Group's net investment in a foreign operation are recognised to equity in the consolidated financial statements. When the net investment is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if the replacement is able to extend the useful life of the plant and equipment and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful life (or lease term, if shorter) of each part of an item of property, plant and equipment.

Estimated useful lives are as follows:

Leasehold land	Over the period of the lease of between 20 and 80 years
Buildings	5 to 50 years
Wharves, hardstanding and roads	Over the period of the lease of between 2.5 and 50 years
Plant, equipment and machinery	3 to 28.75 years
Floating crafts	10 to 20 years
Motor vehicles	5 to 10 years
Computers	3 to 5 years

Capital work-in-progress is stated at cost. Expenditure (including interest expenses) relating to the construction of projects is capitalised when incurred. No depreciation is provided until the capital work-in-progress is completed and the related property, plant and equipment are ready for use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

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YEAR ENDED 31 DECEMBER 2007

2.5 Intangible assets

Intangible assets are non-financial assets and are recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets with finite useful lives are stated at cost less accumulated amortisation and impairment losses. Intangible assets with infinite useful lives or not ready for use are stated at cost less accumulated impairment losses.

Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries, associates and jointly-controlled entities.

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities is presented in intangible assets. Goodwill arising on the acquisition of associates is presented together with investments in associates.

Prior to 1 January 2005, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of these acquired entities. Goodwill on acquisition on or after 1 January 2005 is determined after deducting the Group's interest in net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed from the cost of acquisition.

(i) Acquisitions prior to 1 January 2001

Goodwill and negative goodwill on acquisitions were written off against reserves in the year of acquisition. Goodwill and negative goodwill that have previously been taken to reserves are not taken to the income statement when the business is disposed of.

(ii) Acquisitions occurring between 1 January 2001 and 1 January 2005

Goodwill was stated at cost from the date of initial recognition and amortised over the estimated useful lives as follows:

Port business	Lower of remaining port concession period or 20 years
Non-port business	10 years

To the extent that negative goodwill related to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which has not yet been recognised, it was recognised in the income statement when the future losses and expenses were recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised immediately in the income statement.

On 1 January 2005, the Group discontinued amortisation of this goodwill. This remaining goodwill balance is subject to testing for impairment, as described in note 2.6. Negative goodwill was derecognised by crediting accumulated profit on 1 January 2005.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

(iii) Acquisitions on or after 1 January 2005

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis or where there are indicators of impairment as described in note 2.6. Negative goodwill is recognised immediately in the income statement.

(iv) Acquisition of minority interest

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Software development costs

Development expenditure attributable to projects where the technical feasibility and commercial viability of which are reasonably assured, is capitalised and amortised over the time period for which the tangible benefits of the projects are expected to be realised. Software development costs are not amortised until the completion date and when the software is ready for use. Amortisation is charged to the income statement on a straight-line basis over its estimated useful life of 3 years.

Computer software

Computer software, which is acquired by the Group, where it is not an integral part of the related hardware, is treated as an intangible asset. Computer software is amortised in the income statement on a straight-line basis over its estimated useful life of 3 years, from the date on which it is ready for use.

Port use right

The expenditure incurred in relation to the right to operate a port are capitalised as port use rights. Port use rights are amortised in the income statement on a straight-line basis over the period of the operating rights being available.

2.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets with finite useful lives, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. Non-financial assets with infinite useful lives (other than the amount of goodwill recognised within investment in associates) or not available for use are tested for impairment on an annual basis.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

NOTES TO THE FINANCIAL STATEMENTS

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The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Financial assets

Financial assets comprise investments in equity and debt securities, trade and other receivables, and cash and cash equivalents.

A financial asset is recognised if the Group becomes a party to the contractual provisions of the asset. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

Financial assets are recognised initially at fair value plus, for financial assets not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial assets are measured according to the categories of financial assets.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include cash and cash equivalents which comprise cash balances, bank deposits and bank overdrafts. For the purpose of the consolidated cash flow statement, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

(iii) *Available-for-sale financial assets*

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses (see note 2.8) and foreign exchange gains and losses on available-for-sale debt instruments, are recognised directly in equity. When the financial asset is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

2.8 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of loans and receivables and held-to-maturity investments is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For loans and receivables, held-to-maturity investments and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

2.9 Intra-group financial guarantees

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

2.10 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

NOTES TO THE FINANCIAL STATEMENTS

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When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2.11 Inventories

Inventories mainly comprise stores and consumables which are valued at cost of purchase (including cost incurred in bringing the inventories to their present location and condition) on a weighted average cost method less any applicable allowance for obsolescence. When inventories are consumed, the carrying amount of these inventories is recognised as an expense in the year in which the consumption occurs.

2.12 Financial liabilities

Financial liabilities comprise trade and other payables and interest-bearing liabilities.

A financial liability is recognised if the Group becomes a party to the contractual provisions of the liability. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial liabilities are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method. Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

2.13 Derivative financial instruments and hedging activities

The Group is exposed primarily to the financial risk of foreign exchange rates, fuel price and interest rates. The Group uses hedging instruments to manage these risks. The use of hedging instruments is governed by the Group's policies which provide written principles on the use of financial instruments consistent with the Group's risk management strategy.

Embedded derivatives are separated from the host contract and accounted for separately if (a) the economic characteristics and risks of the host contract and the embedded derivative are not closely related; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects the income statement.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in the income statement and the carrying amount of the hedged item is adjusted.

Hedge of net investment in a foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the Company's income statement. On consolidation, such differences are recognised directly in the foreign currency translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity is transferred to the income statement as an adjustment to the profit and loss on disposal when the investment in the foreign operation is disposed of.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the income statement as part of foreign currency gains and losses.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in the income statement.

2.14 Employee benefits

Defined contribution plans

Obligations for contributions to post-employment benefits and employees' retirement gratuity under defined contribution plans are recognised as an expense in the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

Defined benefit obligations

The Group's net obligations in respect of defined benefit pension and healthcare plans and unfunded defined benefit employees' leaving entitlements are calculated separately for each defined benefit plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary every year using the projected unit credit method.

When the benefits of a plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, any actuarial gain or loss is recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any, unrecognised past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the income statement in the accounting period in which the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Equity compensation benefits

The Employee Share Option Plan (the Plan) allows the employees of a subsidiary participating in the Plan to acquire shares of the said subsidiary. The fair value of options, when granted, will be recognised as an employee expense with a corresponding increase in equity. The fair value will be measured at grant date and spread over the period during which the employees of the subsidiary become unconditionally entitled to the options. At each balance sheet date, the subsidiary will revise its estimates of the number of options that are expected to be exercisable. It will recognise the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

2.16 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.17 Revenue recognition

Income from services

Income from services rendered is recognised as and when such services are rendered, provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be reliably measured.

Dividend income

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

Interest income

Interest income is recognised as it accrues, using the effective interest method, except where the collection is contingent upon certain conditions being met, then such income is recognised when received.

2.18 Finance costs

Finance costs comprise interest expense on borrowings and the unwinding of the discount on provisions. All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

2.19 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and jointly-controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.20 Interest-free inter-company loans

In the Company's financial statements, interest-free inter-company loans to subsidiaries are stated at fair value at inception. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in the income statement over the expected repayment period.

Such balances are eliminated in full in the Group's consolidated financial statements.

2.21 Assets held for sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal groups) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured under different rules in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting policies that are deemed critical to the amounts recognised in the financial statements, in terms of materiality, or which involve a significant degree of judgement and estimation, are discussed below.

Impairment of property, plant and equipment and intangible assets

The Group has made substantial investments in tangible and intangible non-current assets in its port business. Changes in technology or changes in the intended use of these assets may cause the estimated period of use or value of these assets to change.

Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss, if any such indication exists, the recoverable amount of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement.

Management judgement is required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

Depreciation and amortisation

Depreciation and amortisation of non-financial assets constitute substantial operating costs for the Group. The costs of these non-financial assets are charged as depreciation/amortisation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

Residual values of the port assets are estimated after considering the price that could be recovered from the sale of the port assets and the expected age and condition at the end of their useful lives, after deducting the estimated costs of disposal.

Provision for site restoration - decommissioning costs

A provision for site restoration - decommissioning costs is recognised if, based on management's assessment, as a result of a past event, the Group has a present legal or constructive obligation to decommission the port assets and restore the site at the end of the lease period. The amount to be provided is based on management's best estimate of the obligation, and is recognised when it is probable that an outflow of economic benefits will be required to settle the obligation.

NOTES TO THE FINANCIAL STATEMENTS

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4 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Leasehold land \$'000	Buildings \$'000
Cost			
At 1 January 2006		1,288,884	810,932
Reclassifications		15,714	13,762
Additions		258	24,466
Disposal of jointly-controlled entity and subsidiaries		-	(271)
Disposals		-	(7,975)
Transferred to intangible assets	5	-	-
Translation difference		(4,254)	9,951
At 31 December 2006		1,300,602	850,865
Proportionate consolidation of jointly-controlled entities		32,614	110,429
Reclassifications		27,512	5,022
Additions		24,092	14,753
Disposal of subsidiaries		-	(52,732)
Disposals		(24,123)	(71,399)
Transferred to intangible assets	5	-	-
Translation difference		(694)	16,510
At 31 December 2007		1,360,003	873,448
Accumulated depreciation and impairment losses			
At 1 January 2006		354,418	372,805
Reclassifications		734	(273)
Depreciation charge for the year		43,069	31,008
Disposal of jointly-controlled entity and subsidiaries		-	(248)
Disposals		-	(7,373)
Transferred to intangible assets	5	-	-
Translation difference		(558)	6,498
At 31 December 2006		397,663	402,417
Proportionate consolidation of jointly-controlled entities		2,327	5,538
Reclassifications		-	1,581
Depreciation charge for the year		44,933	30,688
Disposal of subsidiaries		-	(31,356)
Disposals		(17,275)	(52,500)
Reversal of impairment losses		(2,988)	-
Translation difference		(184)	12,089
At 31 December 2007		424,476	368,457
Carrying amount			
At 1 January 2006		934,466	438,127
At 31 December 2006		902,939	448,448
At 31 December 2007		935,527	504,991

Wharves, hard- standing and roads \$'000	Plant, equipment and machinery \$'000	Floating crafts \$'000	Motor vehicles \$'000	Computers \$'000	Capital work-in- progress \$'000	Total \$'000
1,762,784	2,923,046	497,668	20,592	127,902	295,128	7,726,936
49,950	466,999	7,570	2,005	10,162	(566,162)	-
45,153	48,649	16,100	576	2,407	678,101	815,710
-	(15,971)	-	(185)	(83)	-	(16,510)
(511)	(53,997)	(35,035)	(1,054)	(8,180)	(10,978)	(117,730)
-	-	-	-	(1,645)	(25)	(1,670)
(1,679)	16,717	(20,591)	(180)	845	(1,091)	(282)
1,855,697	3,385,443	465,712	21,754	131,408	394,973	8,406,454
43,370	96,078	-	416	5,648	7,908	296,463
102,260	75,523	131,693	1,424	8,557	(351,991)	-
26,779	88,388	10,590	1,021	4,778	954,764	1,125,165
(38,664)	(45,644)	(243,370)	(182)	(1,763)	(40,637)	(422,992)
(55,750)	(49,911)	(2,190)	(7,740)	(10,641)	(8,179)	(229,933)
-	-	-	-	-	(36,831)	(36,831)
17,051	53,479	(1,912)	120	1,540	(1,573)	84,521
1,950,743	3,603,356	360,523	16,813	139,527	918,434	9,222,847
461,052	1,562,021	187,807	8,226	114,777	-	3,061,106
(922)	598	-	(14)	(123)	-	-
75,772	173,056	30,426	1,756	11,504	-	366,591
-	(13,662)	-	(162)	(79)	-	(14,151)
(482)	(42,609)	(27,812)	(572)	(8,039)	-	(86,887)
-	-	-	-	(320)	-	(320)
1,185	12,325	(7,221)	(121)	19	-	12,127
536,605	1,691,729	183,200	9,113	117,739	-	3,338,466
-	6,573	-	184	2,502	-	17,124
1,421	(2,011)	-	225	(1,216)	-	-
81,057	208,560	29,553	1,819	14,836	-	411,446
(6,238)	(39,653)	(83,129)	(125)	(1,390)	-	(161,891)
(31,371)	(49,475)	(1,874)	(6,636)	(10,523)	-	(169,654)
-	-	-	-	-	-	(2,988)
4,413	31,770	(955)	44	1,390	-	48,567
585,887	1,847,493	126,795	4,624	123,338	-	3,481,070
1,301,732	1,361,025	309,861	12,366	13,125	295,128	4,665,830
1,319,092	1,693,714	282,512	12,641	13,669	394,973	5,067,988
1,364,856	1,755,863	233,728	12,189	16,189	918,434	5,741,777

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Plant, equipment and machinery \$'000	Motor vehicles \$'000	Computers \$'000	Capital work-in- progress \$'000	Total \$'000
Cost					
At 1 January 2006	32	-	926	-	958
Additions	8	303	46	-	357
Disposals	-	-	(198)	-	(198)
At 31 December 2006	40	303	774	-	1,117
Additions	2	-	242	51	295
Disposals	-	-	(17)	-	(17)
At 31 December 2007	42	303	999	51	1,395
Accumulated depreciation					
At 1 January 2006	10	-	454	-	464
Depreciation charge for the year	11	61	260	-	332
Disposals	-	-	(193)	-	(193)
At 31 December 2006	21	61	521	-	603
Depreciation charge for the year	9	61	208	-	278
Disposals	-	-	(16)	-	(16)
At 31 December 2007	30	122	713	-	865
Carrying amount					
At 1 January 2006	22	-	472	-	494
At 31 December 2006	19	242	253	-	514
At 31 December 2007	12	181	286	51	530

At 31 December 2007, certain property, plant and equipment of the Group with carrying value amounting to approximately \$317.7 million (2006: \$154.7 million) were pledged to banks to secure bank loans for the Group (note 17).

The carrying amount of property, plant and equipment of the Group includes an amount of approximately \$19.0 million (2006: \$21.0 million) held under finance leases (note 17).

Subsequent reversal of impairment loss

In August 2005, a local subsidiary was informed by the land authority on the planned acquisition of certain property, plant and equipment by the land authority, currently owned by the subsidiary. An impairment loss was recognised in 2005 to write down the carrying amount of the said property, plant and equipment by \$9.1 million to its estimated compensation sum offered by the land authority. Following the finalisation of the compensation sum offered by the land authority in the current year, the Group reversed \$3.0 million (2006: \$Nil) of the initially recognised impairment loss and the subsequent reversal is recognised in other operating expenses in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

5 INTANGIBLE ASSETS

	Note	Goodwill on consolidation \$'000	Computer software \$'000	Software development costs \$'000	Capital work-in- progress \$'000	Port use rights \$'000	Total \$'000
Group							
Cost							
At 1 January 2006		616,630	15,564	64,821	11,562	141,088	849,665
Reclassifications		-	2,639	6,081	(8,720)	-	-
Additions		-	3,049	369	8,185	-	11,603
Acquisitions through business combinations		11,293	-	-	-	-	11,293
Transferred from property, plant and equipment	4	-	833	812	25	-	1,670
Disposal of subsidiary		-	-	(22)	-	-	(22)
Disposals		-	(119)	-	(114)	-	(233)
Translation difference		827	93	197	(21)	1,844	2,940
At 31 December 2006		628,750	22,059	72,258	10,917	142,932	876,916
Proportionate consolidation of jointly-controlled entities		136,322	696	-	-	202,829	339,847
Reclassifications		-	1,774	5,330	(7,104)	-	-
Additions		-	1,188	1,642	45,236	547,190	595,256
Transferred from property, plant and equipment	4	-	2,139	-	34,692	-	36,831
Disposal of subsidiaries		-	(1,017)	-	-	-	(1,017)
Disposal of a cash-generating unit		(17,924)	-	-	-	-	(17,924)
Disposals		-	(683)	(323)	-	-	(1,006)
Translation difference		3,140	939	838	7	(6,780)	(1,856)
At 31 December 2007		750,288	27,095	79,745	83,748	886,171	1,827,047

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

5 INTANGIBLE ASSETS (CONT'D)

Group	Note	Goodwill on consolidation \$'000	Computer software \$'000	Software development costs \$'000	Capital work-in- progress \$'000	Port use rights \$'000	Total \$'000
Accumulated amortisation and impairment losses							
At 1 January 2006		48,026	9,706	58,352	-	4,257	120,341
Amortisation charge for the year		-	5,208	5,914	-	2,996	14,118
Transferred from property, plant and equipment	4	-	48	272	-	-	320
Disposal of subsidiary		-	-	(22)	-	-	(22)
Disposals		-	(15)	-	-	-	(15)
Translation difference		-	56	269	-	155	480
At 31 December 2006		48,026	15,003	64,785	-	7,408	135,222
Proportionate consolidation of jointly-controlled entities		-	89	-	-	10,319	10,408
Reclassifications		-	381	(381)	-	-	-
Amortisation charge for the year		-	5,418	4,978	-	18,954	29,350
Disposal of subsidiaries		-	(722)	-	-	-	(722)
Disposals		-	(436)	(323)	-	-	(759)
Translation difference		119	873	828	-	(3,225)	(1,405)
At 31 December 2007		48,145	20,606	69,887	-	33,456	172,094
Carrying amount							
At 1 January 2006		568,604	5,858	6,469	11,562	136,831	729,324
At 31 December 2006		580,724	7,056	7,473	10,917	135,524	741,694
At 31 December 2007		702,143	6,489	9,858	83,748	852,715	1,654,953

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

5 INTANGIBLE ASSETS (CONT'D)

Company	Software development costs \$'000	Capital work-in- progress \$'000	Total \$'000
Cost			
At 1 January 2006	2,615	-	2,615
Disposals	(2,204)	-	(2,204)
At 31 December 2006	411	-	411
Additions	-	318	318
At 31 December 2007	411	318	729
Accumulated amortisation			
At 1 January 2006	1,557	-	1,557
Amortisation charge for the year	1,058	-	1,058
Disposals	(2,204)	-	(2,204)
At 31 December 2006 and 31 December 2007	411	-	411
Carrying amount			
At 1 January 2006	1,058	-	1,058
At 31 December 2006	-	-	-
At 31 December 2007	-	318	318

The amortisation and impairment losses are recognised in other operating expenses in the income statement.

In 2007, the Group disposed of a non-core cash-generating unit (CGU) of its Belgian subsidiary. Arising from the divestment, goodwill of \$17.9 million was recognised as part of the gain on disposal of subsidiaries recorded in other income in the income statement.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's port business in the country of operation, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The carrying value of goodwill arose primarily from the Group's acquisition of its Belgium and Italy port business CGUs in Europe region of \$529.8 million (2006: \$544.5 million), and its Hong Kong and Korea port business CGUs in North East Asia region of \$145.7 million (2006: \$9.4 million). The remaining goodwill of \$26.6 million (2006: \$26.8 million) represents goodwill allocated to the Group's port businesses in the other regions.

The recoverable amounts of these port business CGUs were based on the "value-in-use" approach. They were determined by discounting the future cash flows generated from the continuing use of these units. Cash flows were projected based on historical trends adjusted for forecasted GDP growth in the respective regions and other industry market trends. The projections were done as part of the financial budgets approved by management using the following key assumptions:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

5 INTANGIBLE ASSETS (CONT'D)

- Forecasted GDP growth (average per annum) of 2.0% for the CGUs in Europe region and 5% for the CGUs in North East Asia region;
- Discount rate of 7.5% for the CGUs in Europe region and 8.5% - 10.5% for the CGUs in North East Asia; and
- Terminal growth rate of 2.5% for CGUs in all regions.

The values assigned to the key assumptions represent management's assessment of future trends in the port business and are based on both external sources and internal sources (historical data).

At 31 December 2007, the carrying amounts of these CGUs in Europe and North East Asia regions were determined to be lower than their recoverable amounts.

The Group believes that any reasonable possible changes in the above key assumptions applied are not likely to materially cause the recoverable amounts to be lower than their carrying amounts as at 31 December 2007.

6 SUBSIDIARIES

	Company	
	2007 \$'000	2006 \$'000
Equity investments, at cost	1,009,957	1,010,797
Loans to subsidiaries	6,211,830	4,323,561
	7,221,787	5,334,358
Impairment losses	(145,512)	(146,352)
	7,076,275	5,188,006

The loans to subsidiaries form part of the Company's net investments in these subsidiaries. The loans are unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future. Accordingly, these loans are stated at cost less impairment losses.

Details of significant subsidiaries are as follow:

Name of subsidiary	Country of incorporation	Effective percentage held by the Group	
		2007	2006
		%	%
PSA Corporation Limited	Singapore	100	100
PSA Marine (Pte) Ltd	Singapore	100	100
Hesse-Noord Natie N.V.	Belgium	100	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

7 ASSOCIATES

	Group	
	2007 \$'000	2006 \$'000
Investments in associates	6,025,782	6,672,488
Loans to associates	2,163,984	2,340,937
	8,189,766	9,013,425
Impairment losses	(31,853)	(31,853)
	8,157,913	8,981,572

The loans to associates form part of the Group's net investments in the associates. The loans are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. Accordingly, these loans are stated at cost less impairment losses.

The loans are principally denominated in US dollars and Hong Kong dollars, and comprise:

- (i) \$1.7 billion (2006: \$1.9 billion) loans bearing floating interest rates of 4.79% to 8.25% per annum (2006: 5.09% to 8.00% per annum); and
- (ii) \$412.8 million (2006: \$439.8 million) loan bearing fixed interest rate of 1% per annum.

The Group's net investments in associates include port concession rights of \$1.3 billion (2006: \$1.6 billion). The amortisation of port concession rights totalling \$34.4 million (2006: \$17.8 million) is included in the Group's share of results of associates in the income statement.

In 2006, an impairment loss of \$31.9 million was recognised to fully write down the carrying value of certain loss-making foreign associates which have no recoverable amount. The impairment loss was recognised in other operating expenses in the income statement.

The summarised aggregated financial information relating to associates set out below is not adjusted for the percentage of ownership held by the Group.

	Group	
	2007 \$'000	2006 \$'000
Assets and liabilities		
Total assets	52,319,554	55,430,797
Total liabilities	11,537,662	12,013,839
Results		
Revenue	7,741,167	6,180,302
Profit after taxation	1,068,890	915,030

The Group's share of contingent liabilities of the associates is \$103.5 million (2006: \$209.0 million).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

7 ASSOCIATES (CONT'D)

Details of significant associates are as follows:

Name of associate	Place of incorporation and business	Effective percentage held by the Group	
		2007	2006
		%	%
Vopak Terminals Singapore Pte Ltd	Singapore	30.5	30.5
Hutchison Port Holdings Limited	British Virgin Islands	20	20
Hutchison Ports Investments S.à r.l.	Luxembourg	20	20
HIT Investments Limited	British Virgin Islands	33.3	33.3

8 JOINTLY-CONTROLLED ENTITIES

The following amounts represent the Group's share of the revenue and expenses and assets and liabilities of jointly-controlled entities which have been included in the consolidated balance sheet and income statement:

	Group	
	2007 \$'000	2006 \$'000
Balance sheet		
Non-current assets	2,225,379	647,737
Current assets	237,126	132,715
Current liabilities	(365,573)	(108,873)
Non-current liabilities	(973,766)	(201,577)
Net assets	1,123,166	470,002
Results		
Revenue	612,062	417,662
Expenses	(477,308)	(306,291)
Profit before taxation	134,754	111,371
Taxation	(27,681)	(18,461)
Profit after taxation	107,073	92,910

The Group's share of commitments of jointly-controlled entities is as follows:

	Group	
	2007 \$'000	2006 \$'000
Operating lease commitments payable		
Within 1 year	13,707	7,980
After 1 year but within 5 years	45,742	28,106
After 5 years	179,649	152,475
Capital commitments	40,350	53,101

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

8 JOINTLY-CONTROLLED ENTITIES (CONT'D)

Details of significant jointly-controlled entities are as follows:

Name of jointly-controlled entity	Place of incorporation and business	Effective percentage held by the Group	
		2007 %	2006 %
Dalian Container Terminal Co., Ltd.	People's Republic of China	34.6	34.6
Dalian Port Container Terminal Co., Ltd.	People's Republic of China	25	25
Eastern Sea Laem Chabang Terminal Co., Ltd.	Thailand	50	50
Fuzhou International Container Terminal Co., Ltd.	People's Republic of China	40	40
Fuzhou Qingzhou Container Terminal Co., Ltd.	People's Republic of China	41.7	41.7
Guangzhou Container Terminal Co., Ltd.	People's Republic of China	49	49
Mersin Uluslararası Liman İşletmeciliği A.S.	Turkey	50	-
SP-PSA International Port Co. Ltd.	Vietnam	49	49
Tianjin Port Alliance International Container Terminal Co., Ltd.	People's Republic of China	20	20
Tianjin Port Pacific International Container Terminal Co., Ltd.	People's Republic of China	49	49

9 FINANCIAL ASSETS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Quoted equity securities, available-for-sale	501,878	298,820	-	-
Unquoted equity securities, at cost	201,504	189,330	-	3
Provision for impairment losses	(19,433)	(20,027)	-	-
	182,071	169,303	-	3
Government securities, held-to-maturity	4,576	4,666	-	-
	688,525	472,789	-	3

Available-for-sale investments are stated at fair value. The fair value of investments in unquoted equity securities is not available as there are no quoted market prices in an active market and other methods of determining fair value do not result in a reasonable estimate.

Held-to-maturity securities have interest rates of 4.38% per annum (2006: 4.38% per annum) and mature in 2009. The effective interest rates range from 2.23% to 2.33% per annum (2006: 2.23% to 2.33% per annum).

Equity securities denominated in currencies other than the Group's functional currency comprise \$390.4 million (2006: \$159.3 million) denominated in Philippine Pesos and \$43.1 million (2006: \$11.6 million) denominated in Indian Rupees.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

10 OTHER NON-CURRENT ASSETS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loans to subsidiaries	-	-	14,020	24,805
Amount due from minority shareholder of a subsidiary	-	6,120	-	-
Other receivables	4,088	5,167	-	-
	4,088	11,287	14,020	24,805

The non-current loans to subsidiaries are non-trade in nature, unsecured and interest-free. The terms and conditions of the outstanding loans to subsidiaries are as follows:

	Effective interest rate per annum %	Year of maturity	Company 2007		Company 2006	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Loans to subsidiaries	4.54%	2010 - 2011	15,162	14,020	28,095	24,805

The effective interest rate is the prevailing market interest rate of similar loans used to discount the loans to subsidiaries to their fair values at inception.

The amount due from minority shareholder of a subsidiary arose from the sale of equity interest in an overseas subsidiary to the minority shareholder in 2006. During the year, the amount has been reclassified to trade and other receivables. The amount bears interest at 4.50% per annum (2006: 4.50% per annum).

11 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade and accrued receivables	12	513,055	548,836	66	111
Deposits, prepayments and other receivables	13	122,839	120,852	4,469	3,202
Financial derivative assets		3,149	1,314	-	-
Staff loans		322	396	257	-
Amounts due from:					
Subsidiaries		-	-	250,923	107,562
Associates		48,655	21,851	-	-
Minority shareholders of subsidiaries		22,889	6,120	-	-
Related corporations		18,473	17,931	-	-
Tax recoverable		1,592	4,516	174	201
		730,974	721,816	255,889	111,076

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

11 TRADE AND OTHER RECEIVABLES (CONT'D)

The amounts due from subsidiaries, associates and related corporations are unsecured, interest-free and repayable on demand. Transactions with these subsidiaries, associates and related corporations are priced on terms agreed between the parties.

The amounts due from minority shareholders of subsidiaries, which are repayable on demand, comprise:

- (i) \$6.1 million (2006: \$6.1 million) of non-trade receivable, which is unsecured and bears interest at 4.50% per annum (2006: 4.50% per annum); and
- (ii) \$16.8 million of non-trade receivable, which is unsecured and interest-free.

Trade and other receivables are mainly denominated in the Group entities' functional currencies.

12 TRADE AND ACCRUED RECEIVABLES

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade and accrued receivables	528,728	566,159	66	111
Allowance for doubtful receivables	(15,673)	(17,323)	-	-
	513,055	548,836	66	111

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's widely varied customers, which are internationally dispersed. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

13 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deposits	9,170	9,060	6	5
Prepayments	25,080	43,161	499	260
Other receivables	88,763	68,853	3,964	2,937
Allowance for doubtful receivables	(174)	(222)	-	-
	88,589	68,631	3,964	2,937
	122,839	120,852	4,469	3,202

The Group's other receivables include an amount recoverable from a third party of \$24.0 million (2006: \$26.3 million) arising from an existing customer's termination of contract in a foreign subsidiary. The remaining balance relates mainly to miscellaneous recoverables.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and in hand	374,586	214,324	34,121	58,234
Fixed deposits	788,680	948,729	268,270	425,553
	1,163,266	1,163,053	302,391	483,787
Bank overdrafts	(6,453)	(1,008)		
Cash and cash equivalents in the cash flow statement	1,156,813	1,162,045		

The range of effective interest rates per annum at the balance sheet date is as follows:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Cash and cash equivalents, excluding bank overdrafts	0.04 – 7.52	0.13 – 6.93	1.80 – 3.35	3.17 – 5.28
Bank overdrafts	4.65 – 5.99	3.61 – 5.02	-	-

Interest rates are repriceable at intervals of one to twelve months.

15 SHARE CAPITAL

	Group and Company	
	2007 No. of shares ('000)	2006 No. of shares ('000)
Issued and fully-paid:		
At 1 January and 31 December	607,372	607,372

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

16 RESERVES

	Note	Group	
		2007 \$'000	2006 \$'000
Capital reserve	(a)	38,156	171,299
Insurance reserve	(b)	97,357	97,357
Foreign currency translation reserve	(c)	(100,284)	2,016
Hedging reserve	(d)	(22,583)	(3,582)
Fair value reserve	(e)	429,579	151,484
		442,225	418,574

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

16 RESERVES (CONT'D)

(a) Capital reserve

The capital reserve of the Group includes:

- (i) \$150.1 million of distributable reserves accumulated before 1 October 1997 by subsidiaries and associates of PSA Corporation Limited, a subsidiary of the Company. The reserve was transferred to accumulated profits during the year;
- (ii) \$15.4 million representing the Group's share of capital reserve of associates; and
- (iii) \$22.8 million of statutory reserves of foreign jointly-controlled entities set aside as required under local laws.

(b) Insurance reserve

The insurance reserve relates to a sum transferred from the former Port of Singapore Authority to PSA Corporation Limited in 1997 as part of the vesting of property, rights and liabilities. This reserve is to cover potential past liabilities and for funding future potential liabilities for the port related activities of PSA Corporation Limited.

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises:

- (i) all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the company;
- (ii) the effective portion of the cumulative net change in fair value of foreign currency loans used to hedge the Group's net investment in foreign operations; and
- (iii) exchange differences on monetary items which form part of the Group's net investment in foreign operations.

(d) Hedging reserve

The hedging reserve comprises:

- (i) the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to the hedged transactions that have not yet occurred; and
- (ii) the Group's share of hedging reserve of associates.

(e) Fair value reserve

The fair value reserve includes:

- (i) the cumulative net changes in the fair values of available-for-sale financial assets until the investment is derecognised; and
- (ii) the Group's share of fair value reserve of associates.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

17 INTEREST-BEARING LIABILITIES

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current				
Unsecured fixed rate notes	2,334,098	2,425,693	1,431,875	1,522,561
Unsecured floating rate notes	-	200,000	-	-
Secured bank loans	1,089,302	608,095	-	-
Unsecured bank loans	4,458,087	6,146,085	-	-
Finance lease liabilities	15,199	18,530	-	-
	7,896,686	9,398,403	1,431,875	1,522,561
Current				
Unsecured floating rate notes	200,000	-	-	-
Secured bank loans	196,692	143,006	-	-
Unsecured bank loans	244,031	84,149	-	-
Finance lease liabilities	4,494	4,174	-	-
	645,217	231,329	-	-
Total borrowings	8,541,903	9,629,732	1,431,875	1,522,561

Note	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total borrowings comprise:				
Total unsecured fixed rate notes (a)	2,334,098	2,425,693	1,431,875	1,522,561
Total unsecured floating rate notes (a)	200,000	200,000	-	-
Total secured bank loans (b)	1,285,994	751,101	-	-
Total unsecured bank loans	4,702,118	6,230,234	-	-
Total finance lease liabilities (c)	19,693	22,704	-	-
	8,541,903	9,629,732	1,431,875	1,522,561

(a) Unsecured fixed and floating rate notes

The above includes:

- (i) \$1.4 billion (2006: \$1.5 billion) of Fixed Rate Notes issued by the Company on 29 June 2006 comprising five-year and ten-year Fixed Rate Notes of US\$500.0 million each.
- (ii) \$600.0 million (2006: \$600.0 million) of ten-year Fixed Rate Notes issued by a subsidiary on 15 August 2000.
- (iii) \$500.0 million (2006: \$500.0 million) of Notes issued by a subsidiary on 6 July 2005, comprising \$200.0 million (2006: \$200.0 million) Notes on a three-year floating rate and \$300.0 million (2006: \$300.0 million) Notes on a ten-year fixed rate.

(b) Secured bank loans

The loans bear interest ranging from 3.00% to 10.5% per annum (2006: 2.75% to 10.5% per annum) and are secured by mortgages on the borrowing subsidiaries' property, plant and equipment, and pledges of shares of subsidiaries which have net assets value as at balance sheet date amounting to \$149.2 million (2006: \$64.0 million).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

17 INTEREST-BEARING LIABILITIES (CONT'D)

(c) Finance lease liabilities

At the balance sheet dates, the Group has obligations under finance leases that are repayable as follows:

	Principal 2007 \$'000	Interest 2007 \$'000	Total 2007 \$'000	Principal 2006 \$'000	Interest 2006 \$'000	Total 2006 \$'000
Payable within 1 year	4,494	719	5,213	4,174	941	5,115
Payable after 1 year but within 5 years	14,036	1,229	15,265	15,147	1,728	16,875
Payable after 5 years	1,163	38	1,201	3,383	161	3,544
Total	19,693	1,986	21,679	22,704	2,830	25,534

(d) Terms and debt repayment schedule

The terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	2007		2006	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group						
Unsecured fixed rate notes	2.83 – 5.90	2010 – 2016	2,343,750	2,334,098	2,437,000	2,425,693
Unsecured floating rate notes	6 months SIBOR + 0.06	2008	200,000	200,000	200,000	200,000
Secured bank loans	3.00 – 10.50	2008 – 2020	1,285,994	1,285,994	751,101	751,101
Unsecured bank loans	2.92 – 9.87	2008 – 2016	4,702,118	4,702,118	6,230,234	6,230,234
			<u>8,531,862</u>	<u>8,522,210</u>	<u>9,618,335</u>	<u>9,607,028</u>
Company						
Unsecured fixed rate notes	5.75 – 5.90	2011 – 2016	1,443,750	1,431,875	1,537,000	1,522,561

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

17 INTEREST-BEARING LIABILITIES (CONT'D)

(e) Effective interest rates and repricing/ maturing analysis

Group	Effective interest rate % p.a.	Floating interest \$'000	Fixed interest rate maturing			Total \$'000
			within 1 year \$'000	in 1 to 5 years \$'000	after 5 years \$'000	
2007						
Unsecured fixed rate notes	2.83 – 5.90	-	-	1,320,115	1,013,983	2,334,098
Unsecured floating rate notes	2.61	200,000	-	-	-	200,000
Secured bank loans	3.00 – 10.50	1,263,976	8,375	12,498	1,145	1,285,994
Unsecured bank loans	2.92 – 9.87	4,631,867	46,601	23,650	-	4,702,118
		<u>6,095,843</u>	<u>54,976</u>	<u>1,356,263</u>	<u>1,015,128</u>	<u>8,522,210</u>
Effect of interest rate swap on fixed rate notes	(0.39) – (0.48)	152,223	-	(152,223)	-	-
Effect of interest rate swap on floating rate loans	(1.22) – 0.52	(1,068,361)	64,412	821,542	182,407	-
2006						
Unsecured fixed rate notes	2.83 – 5.90	-	-	1,366,331	1,059,362	2,425,693
Unsecured floating rate notes	3.66	200,000	-	-	-	200,000
Secured bank loans	2.75 – 10.50	708,454	19,251	17,943	5,453	751,101
Unsecured bank loans	3.17 – 8.06	6,160,734	52,373	16,077	1,050	6,230,234
		<u>7,069,188</u>	<u>71,624</u>	<u>1,400,351</u>	<u>1,065,865</u>	<u>9,067,028</u>
Effect of interest rate swap on fixed rate notes	0.40 – 0.31	153,132	-	(153,132)	-	-
Effect of interest rate swap on floating rate loans	(0.38) – (1.59)	(898,689)	35,777	725,125	137,787	-
Company						
2007						
Unsecured fixed rate notes	5.75 – 5.90	-	-	717,892	713,983	1,431,875
2006						
Unsecured fixed rate notes	5.75 – 5.90	-	-	763,199	759,362	1,522,561

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

18 PROVISIONS

Group	Site	Compensation	Total
	restoration	sum	
	costs	sum	Total
	\$'000	\$'000	\$'000
At 1 January 2007	11,530	51,005	62,535
Provisions made	3,251	-	3,251
Translation difference	-	2,055	2,055
At 31 December 2007	14,781	53,060	67,841

The site restoration costs are based on estimates of the removal cost of a pipeline at the end of wayleave period as contracted by a subsidiary with a local authority. The estimated amount provided is based on an independent quotation received from a consultant. These costs are included as part of the carrying value of the pipeline capitalised in property, plant and equipment.

The compensation sum relates to a provision made by a foreign subsidiary arising from an existing customer's termination of contract with a third party. The estimated amount provided is based on actual claim made against the foreign subsidiary.

A corresponding recoverable amount of \$24.0 million (2006: \$26.3 million) from another third party is included in other receivables (see note 13).

19 OTHER NON-CURRENT OBLIGATIONS

	Note	Group	
		2007	2006
		\$'000	\$'000
Defined benefit obligations	20	18,787	16,740
Loans from minority shareholders of subsidiaries		27,598	12,860
Employees' retirement gratuities		1,774	1,404
		48,159	31,004

The loans from minority shareholders of subsidiaries are unsecured and bear floating interest plus a margin. Interest rates reprice at intervals of three to six months. The effective interest rates per annum at balance sheet date range from 2.97% to 5.60% (2006: 4.36%). The loans are repayable from 2009 to 2016.

20 EMPLOYEE BENEFITS

Defined benefit obligations

Certain subsidiaries of the Group operate defined benefit plans that provide pension and healthcare benefits, as required under the labour laws of the respective countries. These pension plans are unfunded.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

20 EMPLOYEE BENEFITS (CONT'D)

Details of defined benefit obligations in respect of the subsidiaries are as follows:

	Group	
	2007 \$'000	2006 \$'000
Present value of unfunded obligations	20,562	17,395
Unrecognised net actuarial gains	390	989
Recognised liability for defined benefit obligations	20,952	18,384

Recognised liability comprises:

	Note	Group	
		2007 \$'000	2006 \$'000
Current	23	2,165	1,644
Non-current	19	18,787	16,740
		20,952	18,384

Movements in the liability for defined benefit obligations:

	Note	Group	
		2007 \$'000	2006 \$'000
At 1 January		18,384	15,650
Translation difference		1,370	399
Benefits paid by the plan		(1,505)	(1,081)
Current service costs recognised in the income statement	26	2,178	2,971
Interest costs recognised in the income statement	26	525	445
At 31 December		20,952	18,384

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	Group	
	2007 % p.a.	2006 % p.a.
Discount rate at 31 December	3.00 – 5.35	3.00 – 4.30
Future salary increases	0 – 2.00	2.00 – 3.00
Future pension increases	2.00	2.00
Inflation	2.00	2.00

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring between age 60 to 65 is 23 for males and 27 for females.

Past service cost and net actuarial results are amortised over the estimated service life of the employees under plan benefits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

20 EMPLOYEE BENEFITS (CONT'D)

Historical information

	Group			
	2007 \$'000	2006 \$'000	2005 \$'000	2004 \$'000
Present value of recognised defined benefit obligations	20,952	18,384	15,650	14,458
Experience adjustments arising on plan liabilities	365	(222)	(212)	(552)

The Group expects to pay \$2.2 million in contributions to defined benefits plans in 2008.

Equity compensation benefits

The PSA Employee Share Option Plan (the Plan) in relation to shares of a subsidiary was approved and adopted by its then members at an Extraordinary General Meeting in March 2001.

In the event of an initial public offering of the shares of the subsidiary, certain employees may be allotted a number of share options based on the monetary value of the underlying shares at the initial public offering price. The options shall vest one year after any such initial public offering of the shares of the subsidiary. No options have been granted since the commencement of the Plan.

21 DEFERRED TAX

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

Group	At	Recognised	Exchange	At	Recognised	Exchange	At
	1 January 2006 \$'000	in income statement (note 29) \$'000		31 December 2006 \$'000	in income statement (note 29) \$'000		31 December 2007 \$'000
Deferred tax liabilities							
Property, plant and equipment	199,470	24,017	(1,680)	221,807	3,885	4,932	230,624
Dividend and interest receivables	551	(58)	-	493	(148)	-	345
Other items	8,708	(2,102)	-	6,606	3,157	-	9,763
Total	208,729	21,857	(1,680)	228,906	6,894	4,932	240,732
Deferred tax assets							
Provisions	788	4,169	-	4,957	1,101	-	6,058
Tax value of loss carried forward	10	-	-	10	1,261	-	1,271
Other items	2,071	2,268	-	4,339	(4,052)	-	287
Total	2,869	6,437	-	9,306	(1,690)	-	7,616

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

21 DEFERRED TAX (CONT'D)

Deferred tax liabilities of the Company are attributable to the following:

	Company	
	2007 \$'000	2006 \$'000
Deferred tax liabilities		
Property, plant and equipment	54	-

Deferred tax liabilities and assets are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the balance sheets as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred tax liabilities, net	233,116	219,600	54	-

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007 \$'000	2006 \$'000
Tax losses	54,560	60,530
Deductible temporary differences	1,511	-
Others	191	196
	56,262	60,726

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because there is no indication that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

22 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade payables and accrued operating expenses		793,914	756,671	57,816	43,397
Other payables	23	804,018	484,614	500,295	202,606
Advances and deposits		65,738	17,773	1,092	935
Loans from minority shareholders of subsidiaries		15,655	-	-	-
Amounts due to:					
Subsidiaries		-	-	475,835	328,495
Minority shareholder of a subsidiary		55,456	-	-	-
Joint venture partner		4,583	-	-	-
Related corporations		437	652	-	-
		1,739,801	1,259,710	1,035,038	575,433

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

22 TRADE AND OTHER PAYABLES (CONT'D)

The amounts due to subsidiaries, minority shareholders of a subsidiary, joint venture partner and related corporations are unsecured, interest-free and repayable on demand.

The loans from minority shareholders of subsidiaries, which repayable on demand, principally comprise:

- (i) \$12.3 million loan which is unsecured and bears interest at 12-month Singapore dollar Swap Offer Rate plus a margin. The effective interest rate per annum at balance sheet date is 4.26%; and
- (ii) \$2.3 million loan which is unsecured and bears interest at 4% per annum.

Trade and other payables are mainly denominated in the Group entities' functional currencies.

23 OTHER PAYABLES

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Dividend payables		500,000	200,000	500,000	200,000
Other payables		166,211	227,797	295	2,606
Accrued capital expenditure		107,949	51,159	-	-
Financial derivative liabilities		27,669	3,987	-	-
Employees' retirement gratuities		24	27	-	-
Defined benefit obligations	20	2,165	1,644	-	-
		804,018	484,614	500,295	202,606

Other payables include interest payable of \$61.2 million (2006: \$120.7 million) and other sundry creditors.

24 REVENUE

This comprises revenue from container handling, marine services, operation of multi-purpose terminals, warehousing and logistics related services, consultancy fees but excludes intra-group transactions.

25 OTHER INCOME

	Group	
	2007 \$'000	2006 \$'000
Interest income from:		
Associates	127,997	97,371
Financial institutions	38,952	45,949
Staff loans	32	44
Trade and other receivables	501	784
Gain on disposal of financial assets	56,173	153,467
Gain on disposal of property, plant and equipment, net	8,090	14,352
Gain on disposal of:		
Associates	-	1,976
Subsidiaries	621,321	15,598
Exchange gain, net	-	24,296
Dividend income from financial assets	5,654	10,036
Net fair value gain on fair value hedge	909	-
Others	16,306	17,287
	875,935	381,160

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

26 STAFF AND RELATED COSTS

	Note	Group	
		2007 \$'000	2006 \$'000
Wages and salaries		597,818	550,397
Contributions to defined contribution plans		79,313	75,506
Defined benefit obligations	20	2,703	3,416
		<u>679,834</u>	<u>629,319</u>

27 PROFIT FROM OPERATIONS

The following items have been included in arriving at profit from operations:

	Note	Group	
		2007 \$'000	2006 \$'000
(Reversal of impairment losses)/impairment made for:			
Property, plant and equipment		(2,988)	-
Associates		-	31,853
Amortisation of intangible assets	5	29,350	14,118
Operating lease expense		28,229	22,996
Loss on disposal of jointly-controlled entity		-	516
Net fair value loss on fair value hedge		-	959
Exchange loss, net		4,045	-

28 FINANCE COSTS

	Group	
	2007 \$'000	2006 \$'000
Interest paid and payable to:		
Banks and other financial institutions	369,039	312,468
Fixed and floating rate notes holders	133,843	91,727
Minority shareholders of subsidiaries	980	664
	<u>503,862</u>	<u>404,859</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

29 INCOME TAX EXPENSE

	Note	Group	
		2007 \$'000	2006 \$'000
Current tax expense			
Current year		262,660	290,202
Over provided in prior years		(22,811)	(49,794)
		<u>239,849</u>	<u>240,408</u>
Deferred tax expense			
Origination and reversal of temporary differences		6,648	15,603
Under/(over) provided in prior years		1,936	(183)
	21	<u>8,584</u>	<u>15,420</u>
Income tax expense		<u>248,433</u>	<u>255,828</u>

Reconciliation of effective tax

	Group	
	2007 \$'000	2006 \$'000
Profit before income tax	2,188,231	1,480,858
Share of profit of associates (net of tax)	(239,304)	(201,544)
Profit before income tax excluding share of profit of associates (net of tax)	<u>1,948,927</u>	<u>1,279,314</u>
Tax calculated using Singapore tax rate of 18% (2006: 20%)	350,807	255,863
Effect of reduction in tax rate	(14,821)	-
Effect of different tax rates in other countries	37,673	7,331
Tax rebates and incentives	(15,798)	(22,707)
Income not subject to tax	(157,664)	(26,523)
Effect of unrecognised tax benefits	(804)	(714)
Expenses not deductible for tax purposes	69,915	92,555
Over provided in prior years	(20,875)	(49,977)
Income tax expense	<u>248,433</u>	<u>255,828</u>

Provision for tax of years of assessment that are not finalised

A local subsidiary has yet to finalise all its prior years' tax assessments with the tax authority. Whilst the subsidiary believes that provision for the open years is adequate, the finalisation of the subsidiary's tax affairs may give rise to significant adjustment in the following years.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

30 EARNINGS PER SHARE

The basic and diluted earnings per share is based on:

	Group	
	2007 \$'000	2006 \$'000
(a) Profit attributable to equity holders of the Company	1,924,828	1,208,969
(b) Weighted average number of ordinary shares of 607,372,041 shares (2006: 607,372,041 shares).		

31 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Port business: The provision of container handling, operation of multi-purpose terminals and other port related services.

Marine business: The provision of marine services.

Logistics business: The provision of warehousing and other related logistics services.

Other business: The provision of engineering, information technology consultancy services and insurance services.

Geographical segments

The Group operates principally in Singapore, Europe and China (including Hong Kong). Contributions from the other individual overseas operations are not significant and are therefore presented in aggregate as "others".

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the operations. Segment assets are based on the geographical location of the assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

31 SEGMENT REPORTING (CONT'D)

Business segments

Group	Port business \$'000	Marine business \$'000	Logistics business \$'000	Other business \$'000	Eliminations \$'000	Consolidated \$'000
2007						
<i>Revenue and expenses</i>						
Total revenue from external customers	3,828,117	282,673	26,826	13,285	-	4,150,901
Inter-segment revenue	82,733	4,595	-	4,706	(92,034)	-
Total revenue	<u>3,910,850</u>	<u>287,268</u>	<u>26,826</u>	<u>17,991</u>	<u>(92,034)</u>	<u>4,150,901</u>
Segment results	1,463,067	125,555	(1,378)	121	-	1,587,365
Share of profit of associates	239,003	301	-	-	-	239,304
Other income	132,931	507,534	-	-	-	640,465
	<u>1,835,001</u>	<u>633,390</u>	<u>(1,378)</u>	<u>121</u>	<u>-</u>	<u>2,467,134</u>
Unallocated other income						1,304
Interest income						167,482
Gain on sale of financial assets						56,173
Finance costs						(503,862)
Income tax expense						(248,433)
Profit for the year						<u>1,939,798</u>
<i>Assets and liabilities</i>						
Segment assets	7,835,708	305,256	30,807	9,356	-	8,181,127
Associates	8,154,517	3,396	-	-	-	8,157,913
Unallocated assets						1,859,026
Total assets						<u>18,198,066</u>
Segment liabilities	1,773,992	53,301	21,217	19,616	-	1,868,126
Unallocated liabilities						9,161,171
Total liabilities						<u>11,029,297</u>
<i>Other segment information</i>						
Capital expenditure	1,595,631	124,542	248	-	-	1,720,421
Depreciation	379,853	31,006	510	77	-	411,446
Amortisation	28,766	554	30	-	-	29,350

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

31 SEGMENT REPORTING (CONT'D)

Group	Port business \$'000	Marine business \$'000	Logistics business \$'000	Other business \$'000	Eliminations \$'000	Consolidated \$'000
2006						
Revenue and expenses						
Total revenue from external customers	3,413,957	284,570	31,097	6,764	-	3,736,388
Inter-segment revenue	70,492	3,762	-	4,968	(79,222)	-
Total revenue	<u>3,484,449</u>	<u>288,332</u>	<u>31,097</u>	<u>11,732</u>	<u>(79,222)</u>	<u>3,736,388</u>
Segment results	1,237,287	125,963	1,450	(382)	-	1,364,318
Share of profit of associates	201,433	111	-	-	-	201,544
Other income	21,051	-	-	-	-	21,051
	<u>1,459,771</u>	<u>126,074</u>	<u>1,450</u>	<u>(382)</u>	<u>-</u>	<u>1,586,913</u>
Unallocated other income						1,189
Interest income						144,148
Gain on sale of financial assets						153,467
Finance costs						(404,859)
Income tax expense						(255,828)
Profit for the year						<u>1,225,030</u>
Assets and liabilities						
Segment assets	6,090,391	443,499	21,131	3,708	-	6,558,729
Associates	8,979,214	2,358	-	-	-	8,981,572
Unallocated assets						1,666,078
Total assets						<u>17,206,379</u>
Segment liabilities	1,205,388	38,056	21,021	12,627	-	1,277,092
Unallocated liabilities						10,358,345
Total liabilities						<u>11,635,437</u>
Other segment information						
Capital expenditure	741,670	85,388	255	-	-	827,313
Depreciation	333,848	31,787	947	9	-	366,591
Amortisation	13,791	305	22	-	-	14,118

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

31 SEGMENT REPORTING (CONT'D)

Geographical segments

	Singapore \$'000	Europe \$'000	China \$'000	Others \$'000	Consolidated \$'000
Group					
2007					
Total revenue from external customers	2,318,458	1,419,630	223,927	188,886	4,150,901
Capital expenditure	456,570	725,779	477,532	60,540	1,720,421
Segment assets	3,518,265	2,773,084	1,479,615	410,163	8,181,127
2006					
Total revenue from external customers	2,109,904	1,249,551	135,362	241,571	3,736,388
Capital expenditure	539,650	194,409	28,183	65,071	827,313
Segment assets	3,533,550	2,307,867	390,343	326,969	6,558,729

32 ACQUISITIONS AND DISPOSALS OF SIGNIFICANT INTERESTS IN SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

(a) Acquisitions of significant minority interests

On 26 July 2006, the Group acquired an additional 29.9% equity interest in Incheon Container Terminal Co., Ltd. for \$21.1 million in cash, increasing its ownership from 70.1% to 100%. The acquisition was accounted for using the purchase method. The additional contribution to the Group's net profit for the five months period to 31 December 2006 was \$0.6 million.

(b) Disposal of interest in subsidiaries

On 8 August 2007, the Group disposed of its entire shareholdings in subsidiaries - Maritime Pte. Ltd., Semco Pte. Ltd., Semco Salvage (I) Pte. Ltd., Semco Salvage (II) Pte. Ltd., Semco Salvage (III) Pte. Ltd., Semco Salvage (IV) Pte. Ltd., Semco Salvage (V) Pte. Ltd., Semco Salvage (VI) Pte. Ltd., Semco Salvage (VII) Pte. Ltd. and Singapore Oil Spill Response Centre Pte Ltd. The disposed interests in subsidiaries contributed a net profit of \$31.5 million to the consolidated net profit for the seven months period ended 31 July 2007.

On 7 December 2006, the Group disposed of 49% equity interest in PSA Sines Terminais de Contentores, S.A.. The disposed interest in subsidiary contributed a net loss of \$2.6 million to the consolidated net profit for the eleven months period ended 30 November 2006.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

32 ACQUISITIONS AND DISPOSALS OF SIGNIFICANT INTERESTS IN SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY (CONT'D)

(c) Disposal of jointly-controlled entity

On 14 July 2006, the Group disposed of its jointly-controlled entity, Singaport Cleanseas Pte Ltd. The disposed entity contributed a net profit of \$1.7 million to the consolidated net profit for the seven months period ended 14 July 2006.

(d) Disposal of a subsidiary's non-core cash generating unit

On 15 February 2007, the Group disposed of its interest in a subsidiary's non-core cash generating unit. The disposed non-core cash generating unit contributed a net profit of \$1.2 million to the consolidated net profit for the two months period ended 15 February 2007.

(e) Summary of net effect of disposals of interests in subsidiaries, jointly-controlled entity and a subsidiary's non-core cash generating unit

	Group	
	2007 \$'000	2006 \$'000
Net assets disposed		
Property, plant and equipment	261,439	2,359
Other non-current assets	18,266	-
Current assets	143,874	13,417
Current liabilities	(123,796)	(1,578)
Non-current liabilities	(4,650)	(334)
Minority interests	(5,962)	(5,176)
Net tangible assets disposed	289,171	8,688
Gain on disposals	621,321	15,082
Cash consideration received	910,492	23,770
Cash and cash equivalents disposed	(1,165)	(4,503)
Net cash inflow	909,327	19,267

33 FINANCIAL INSTRUMENTS

Risk management is integral to the whole business of the Group. Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group has written risk management policies and guidelines. In addition, the Group has established processes to monitor and manage major exposures.

Credit risk

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counter parties that are of certain credit standing.

At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

33 FINANCIAL INSTRUMENTS (CONT'D)

The principal risk to which the Company is exposed is credit risk in connection with the guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

The Company only issues guarantees on behalf of its subsidiaries, jointly-controlled entities or related entities.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Hedge of forecasted cash flows

The Group has entered into forward contracts to hedge risk of price volatility arising from certain forecasted fuel purchases. The net cumulative change in effective portion of fair value of these hedging instruments as at 31 December 2007 recorded in equity is \$1.0 million (2006: \$0.5 million).

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's interest-earning financial assets and interest-bearing financial liabilities. The Group's objective is to maintain a balance of fixed and floating rate exposures as well as a balanced maturity period.

The Group has raised funding with issuance of debt capital market instruments and bank loans to diversify funding sources. Interest rate swaps, which are denominated in Singapore dollars, US dollars and Euro, have been entered to achieve an appropriate mix of fixed and floating rate exposures within the Group's policy.

Hedge of fixed interest repayment

A portion of the fixed rate Singapore dollar notes with a notional amount of \$150.0 million (2006: \$150.0 million) has been hedged against the exposure to changes in the fair value of the notes. In connection with this, the Group entered into an interest rate swap contract to receive fixed rate interest and pay variable rate on the \$150.0 million notes. Under this fair value hedge, the \$150.0 million notes are stated at fair value of \$152.2 million (2006: \$153.1 million) (see note 17(e)). The Group is therefore exposed to market fluctuations in interest rates on the \$150.0 million notes and the corresponding interest rate swap contract.

Hedge of floating interest repayment

A portion of the floating rate bank loans amounting to \$1,068.4 million (2006: \$898.7 million) has been hedged against the exposure to market fluctuations in interest rate payments (see note 17 (e)). In connection with these loans, the Group entered into interest rate swap contracts to receive variable rate interest and pay fixed rate on the notional amounts. Both the floating rate bank loans and interest rate swaps have the same terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

33 FINANCIAL INSTRUMENTS (CONT'D)

The net fair value of interest rate swaps used to hedge the exposure to floating interest repayment at 31 December 2007 is presented in the Group's balance sheet as financial derivative assets of \$3.1 million (2006: \$1.3 million) and financial derivative liabilities of \$27.7 million (2006: \$4.0 million).

Sensitivity analysis

At 31 December 2007, it is estimated that a general increase of 1% in interest rates would decrease the Group's profit before tax by approximately \$90.6 million (2006: \$61.9 million). A general decrease of 1% in interest rates would have the equal but opposite effect on the Group's profit before tax. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, bank deposits, bank loans and fixed rate notes that are denominated in a currency other than the functional currencies of the Group entities. The functional currencies of the Group entities are primarily Singapore dollars, Euro and Renminbi.

In respect of other monetary assets and liabilities held in currencies other than the functional currencies of the Group entities, the Group monitors the net exposure.

In addition to transactional exposure, the Group is exposed to foreign exchange movements on its net investments in foreign subsidiaries, associates and jointly-controlled entities, which are accounted for directly in foreign currency translation reserve.

Hedge of net investment in foreign operation

The Group's US dollar denominated unsecured bank loans and fixed rate notes amounting to \$3.2 billion (2006: \$5.1 billion) are designated as a hedge for the Group's investment in its associated companies.

Estimation of fair values

Securities

(i) Quoted equity securities

Fair value is based on quoted bid prices at the balance sheet date, without any deduction for transaction costs.

(ii) Unquoted equity securities

Where fair value cannot be measured reliably because the range of possible fair value estimates is wide and the probabilities of the various estimates within the range cannot be reasonably assessed, the investment is stated at cost less impairment losses. It is not practicable for the Group to disclose the range of estimates within which a fair value is highly likely to lie.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

33 FINANCIAL INSTRUMENTS (CONT'D)

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual period to maturity of the contract using a risk-free rate (based on government bonds).

The fair value of interest rate swaps and fuel forward are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fixed interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows or quoted bid price.

Floating interest-bearing loans and borrowings

No fair value of the Group's bank loans is calculated, as the Group believes that the carrying amounts of floating interest-bearing loans, which are repriced at least semi-annually, reflect the corresponding fair values.

Finance lease liabilities

The fair value of finance lease liabilities is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including cash and cash equivalents, trade and other receivables, bank overdrafts, trade and other payables, short-term borrowings) are assumed to approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

33 FINANCIAL INSTRUMENTS (CONT'D)

The aggregate net fair values of recognised financial assets and liabilities which are not carried at fair values in the balance sheets at 31 December are represented in the following table:

Group	Carrying amount 2007 \$'000	Fair value 2007 \$'000	Carrying amount 2006 \$'000	Fair value 2006 \$'000
Financial assets				
Government securities, held-to-maturity	4,576	4,589	4,666	4,595
Financial liabilities				
Unsecured fixed rates notes	(2,181,875)	(2,355,787)	(2,272,561)	(2,343,466)
Unsecured fixed rate bank loans	(70,251)	(70,010)	(69,500)	(69,870)
Secured fixed rate bank loans	(22,018)	(20,497)	(42,647)	(45,310)
Finance lease liabilities	(19,693)	(19,147)	(22,704)	(22,205)
	<u>(2,293,837)</u>	<u>(2,465,441)</u>	<u>(2,407,412)</u>	<u>(2,480,851)</u>
Total	<u>(2,289,261)</u>	<u>(2,460,852)</u>	<u>(2,402,746)</u>	<u>(2,476,256)</u>
Unrecognised loss		<u>(171,591)</u>		<u>(73,510)</u>
Company				
Financial assets				
Loans to subsidiaries	14,020	13,140	24,805	24,091
Financial liabilities				
Unsecured fixed rates notes	(1,431,875)	(1,597,327)	(1,522,561)	(1,587,183)
Unrecognised loss		<u>(166,332)</u>		<u>(65,336)</u>

34 COMMITMENTS

As at the balance sheet date, the Group had the following commitments:

	Group	
	2007 \$'000	2006 \$'000
(i) Capital commitments which have been authorised and contracted but not provided for in the financial statements	719,050	516,850
(ii) Non-cancellable operating lease commitments payable:		
Within 1 year	25,661	20,337
After 1 year but within 5 years	82,190	66,692
After 5 years	236,246	209,201
(iii) Interest rate swap agreements	1,218,361	1,048,689

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

34 COMMITMENTS (CONT'D)

The Group leases a number of warehouse and office premises under operating leases. The leases typically run for an initial period of 3 to 5 years, with an option to renew the lease after that date.

Interest rate swap agreements are based on the notional principal values of certain fixed rate notes and bank loans issued by the Group (see note 17). The interest rate swaps mature between 2008 and 2013.

35 RELATED PARTIES

Key management personnel compensation

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Board of Directors of the Company and Senior Management Team of PSA International Pte Ltd are considered as key management personnel of the Group.

Key management personnel compensation comprises:

	Group	
	2007 \$'000	2006 \$'000
Directors' fees	1,382	1,219
Senior management team remuneration*	11,162	11,990
	<u>12,544</u>	<u>13,209</u>

*Comprises short-term employment benefits

Other related party transactions

Other than disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group	
	2007 \$'000	2006 \$'000
Provision of services to related corporations	220,414	190,707
Purchase of services from related corporations	(23,997)	(26,091)

36 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following standards (including its consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 23 *Borrowing Costs*
- FRS 107 *Financial Instruments: Disclosures* and the Amendments to FRS 1 *Presentation of Financial Statements: Capital Disclosures*
- FRS 108 *Operating Segments*
- INT FRS 111 *FRS 102 Group and Treasury Share Transactions*
- INT FRS 112 *Service Concession Arrangements*

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

36 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

FRS 23 will become effective for Group's financial statements for the year ending 31 December 2009. FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's current policy is consistent with the FRS 23 requirements to capitalise borrowing costs.

FRS 107 and amended FRS 1 will become effective for the Group's financial statements for the year ending 31 December 2008. FRS 107 and amended FRS 1 require extensive additional disclosures with respect to the Group's financial statements and share capital. These standards do not have any impact on the recognition and measurement of the Group's financial statements.

FRS 108 will become effective for the Group's financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's Senior Management Team in order to allocate resources to the segment and to assess its performance. Management is currently assessing the impact of FRS 108 on the Group's financial statements.

INT FRS 112 will become effective for the Group's financial statements for the year ending 31 December 2008. INT FRS 112 provides general principles on the recognition and measurement of the obligations and related rights in service concession arrangements. Infrastructure within the scope of INT FRS 112 shall not be recognised as property, plant and equipment. Instead, an intangible asset or a financial asset is recognised. The operator shall recognise and measure revenue in accordance with FRS 11 *Construction Contracts* and FRS 18 *Revenue*. This interpretation requires the Group to evaluate the financial impact of this new interpretation on all existing and new concession arrangements. The Group has to apply this standard retrospectively, unless impracticable to do so. Management is currently assessing the impact of INT FRS 112 on the Group's financial statements.

Other than FRS 107, amended FRS 1, FRS 108 and INT FRS 112, the initial application of FRS 23 and INT FRS 111 is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

37 SUBSEQUENT EVENT

Subsequent to year end, the Group entered into a sale and purchase agreement to acquire an equity interest in Argentina's second largest container terminal and its logistics and warehousing business. The final purchase consideration for the shares has yet to be finalised in accordance with the sale and purchase agreement.