

Summary Financial Statements

46	Summary Directors' Report
57	Auditors' Statement
59	Consolidated Income Statement
60	Balance Sheets
61	Consolidated Statement of Changes in Equity
65	Consolidated Cash Flow Statement
67	Notes to the Summary Financial Statements

Important Note

The summary financial statements as set out on pages 46 to 69 contain only a summary of the information in the Directors' Report, a summary of the financial statements of the Company's Full Financial Report and information required under the Companies (Summary Financial Statement) Regulations 1995. They do not contain sufficient information to allow for a full understanding of the results of the Group and the state of affairs of the Company and the Group.

For further information, the full financial statements, the auditors' report on those statements and the directors' report in the Full Financial Report should be consulted. Shareholders may request a copy of the Full Financial Report at no cost. Please use the Request Slip available with this Summary Report.

Summary Directors' Report

For the Financial Year Ended 29 December 2006

Directors

The Directors of the Company in office at the date of this report are:

Cheng Wai Keung	<i>(Chairman)</i>
Friedbert Malt	<i>(Vice Chairman)</i>
Ang Kong Hua	<i>(Vice Chairman)</i>
Thomas Held	<i>(Group President & Chief Executive Officer)</i> <i>(Appointed on 1 November 2006)</i>

Yasumasa Mizushima
James Connal Scotland Rankin
Robert Holland, Jr
Christopher Lau Loke Sam
Timothy Charles Harris
Peter Wagner
Bobby Chin Yoke Choong
Simon Claude Israel
Tan Pheng Hock

(Appointed on 26 December 2006)
(Appointed on 26 December 2006)
(Appointed on 26 December 2006)

Principal Activities

The principal activities of the Company are those of investment holding and the ownership and charter of shipping vessels, including participation in ventures related to these activities.

The principal activities of the subsidiaries are:

- i) investment holding and the ownership and charter of shipping vessels and other related assets;
- ii) the provision of transportation services for containerised cargo in the global markets;
- iii) the provision of supply chain management, warehousing, distribution and customer logistics solutions (by way of a global network of services spanning ocean, air and overland operations) to customers;
- iv) participation in ventures related to the activities listed under (i), (ii) and (iii) above; and
- v) the provision of other related and complementary services including ship management, engineering and repairs to customers.

The Group also engages in other incidental activities such as the sales and disposals of shipping vessels, containers and related assets as well as non-core properties and assets from time to time.

There have been no significant changes in the nature of these activities during the financial year.

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options and Performance Shares" on pages 47 to 51.

Share Options and Performance Shares

Share options under the NOL Share Option Plan (“NOL SOP”) are granted to Directors and employees of the Group. These options are granted at the average closing market price of the shares for the three trading days immediately preceding the grant date. Individual awards to employees take into consideration the job level, performance and leadership potential of the employee. Pursuant to the terms of the NOL SOP, share options will vest after a specified number of years from the grant date.

Performance shares under the Performance Share Plan (“PSP”) are awarded to key executives conditional upon the Group meeting or exceeding a prescribed financial target condition during the performance period, and also conditional on the participants meeting their performance conditions. Pursuant to the terms of the PSP, performance shares will vest after a specified number of years from the end of the performance period.

The Executive Resource and Compensation Committee (“ERCC”) is responsible for administering the NOL SOP and PSP. The ERCC currently comprises six Non-Executive Directors: James Connal Scotland Rankin (Chairman), Cheng Wai Keung, Friedbert Malt, Yasumasa Mizushima, Timothy Charles Harris and Tan Pheng Hock (appointed on 26 December 2006).

Details of options granted, adjusted, exercised and cancelled (due to staff resignation or expiry of options) under the NOL SOP during the financial year ended 29 December 2006 were as follows:

Share Options	(a)	(b)	(c)	(d)	Total
Date option granted	31/12/04	31/12/04	13/3/06	13/3/06	
Exercise period					
From	31/12/05	31/12/05	13/3/07	13/3/07	
To	30/12/09	30/12/14	12/3/11	12/3/16	
Exercise price per option	S\$2.06 ¹	S\$2.06 ¹	S\$2.20	S\$2.20	
Number of options outstanding as at 31 December 2005	641,000	15,597,000	–	–	16,238,000
During the financial year					
– Options granted	–	–	581,000 ²	22,350,000 ²	22,931,000
– Options reinstated	–	25,000	–	–	25,000
– Options exercised	–	(2,534,000)	–	–	(2,534,000)
– Options cancelled	–	(748,000)	–	(1,568,000)	(2,316,000)
Balance as at 29 December 2006	641,000	12,340,000	581,000	20,782,000	34,344,000

Directors' Interests:

29 December 2006

– Cheng Wai Keung	129,000	–	126,000	–	255,000
– Friedbert Malt	64,000	–	63,000	–	127,000
– Ang Kong Hua	64,000	–	63,000	–	127,000
– Yasumasa Mizushima	48,000	–	47,000	–	95,000
– James Connal Scotland Rankin	48,000	–	47,000	–	95,000
– Robert Holland, Jr	48,000	–	47,000	–	95,000
– Christopher Lau Loke Sam	48,000	–	47,000	–	95,000
– Timothy Charles Harris	–	–	47,000	–	47,000
– Peter Wagner	–	–	47,000	–	47,000

Details of previously unvested options granted prior to 15 September 2004 were not disclosed above. Refer to footnote 3 on page 49 for more details.

Details of options granted to the Directors of the Company under the NOL SOP up to 29 December 2006 were as follows:

Name of Directors	Granted in financial year ended 29 December 2006	Aggregate granted since commencement of the NOL SOP to 29 December 2006	Aggregate exercised since commencement of the NOL SOP to 29 December 2006	Aggregate outstanding as at 29 December 2006
Cheng Wai Keung	126,000	455,000	(200,000)	255,000
Friedbert Malt	63,000	227,000	(100,000)	127,000
Ang Kong Hua	63,000	167,000	(40,000)	127,000
Yasumasa Mizushima	47,000	155,000	(60,000)	95,000
James Connal Scotland Rankin	47,000	155,000	(60,000)	95,000
Robert Holland, Jr	47,000	95,000	–	95,000
Christopher Lau Loke Sam	47,000	95,000	–	95,000
Timothy Charles Harris	47,000	47,000	–	47,000
Peter Wagner	47,000	47,000	–	47,000

¹ In accordance with the modified rules of the NOL SOP approved by shareholders at the Extraordinary General Meeting ("EGM") held on 3 January 2006, and the advice of the independent financial advisor, the exercise price of the outstanding share options under the NOL SOP was reduced by S\$0.92 to S\$2.06 as a result of the capital reduction and cash distribution exercise.

² From the date of grant, one third of the share options granted will each vest on 13 March 2007, 13 March 2008 and 13 March 2009.

Share Options and Performance Shares (continued)

Details of options granted, adjusted, exercised and cancelled (due to staff resignation or expiry of options) under the NOL SOP during the financial year ended 30 December 2005 were as follows:

Share Options	(a)	(b)	(c)	(d)	(e)	(f)
Date option granted	03/05/00	19/10/00	26/03/01	19/10/01	19/10/01	18/10/02
Exercise period ³						
From	03/05/01	19/10/01	26/03/02	19/10/02	19/10/02	18/10/03
To	14/03/05	14/03/05	14/03/05	14/03/05	14/03/05	14/03/05
Exercise price per option	S\$1.52	S\$1.37	S\$1.30	S\$1.00	S\$1.00	S\$1.00
Number of options outstanding as at						
1 January 2005	10,500	142,000	–	70,000	78,000	277,500
During the financial year						
– Options granted ⁵	–	–	–	–	–	–
– Options exercised	(500)	(112,000)	–	(70,000)	(78,000)	(257,500)
– Options cancelled	(10,000)	(30,000)	–	–	–	(20,000)
Balance as at						
30 December 2005	–	–	–	–	–	–

Directors' Interests:

30 December 2005

– Cheng Wai Keung	–	–	–	–	–	–
– Friedbert Malt	–	–	–	–	–	–
– Ang Kong Hua	–	–	–	–	–	–
– David Lim Tik En	–	–	–	–	–	–
– Yasumasa Mizushima	–	–	–	–	–	–
– James Connal Scotland Rankin	–	–	–	–	–	–
– Willie Cheng Jue Hiang	–	–	–	–	–	–
– Robert Holland, Jr	–	–	–	–	–	–
– Christopher Lau Loke Sam	–	–	–	–	–	–

Details of options granted to the Directors of the Company under the NOL SOP up to 30 December 2005 were as follows:

Name of Directors	Granted in financial year ended 30 December 2005	Aggregate granted since commencement of the NOL SOP to 30 December 2005	Aggregate exercised since commencement of the NOL SOP to 30 December 2005	Aggregate outstanding as at 30 December 2005
Cheng Wai Keung	–	329,000	(200,000)	129,000
Friedbert Malt	–	164,000	(100,000)	64,000
Ang Kong Hua	–	104,000	(40,000)	64,000
David Lim Tik En	–	1,160,000	(600,000)	560,000
Yasumasa Mizushima	–	108,000	(60,000)	48,000
James Connal Scotland Rankin	–	108,000	(60,000)	48,000
Willie Cheng Jue Hiang	–	78,000	(30,000)	48,000
Robert Holland, Jr	–	48,000	–	48,000
Christopher Lau Loke Sam	–	48,000	–	48,000

³ Following the acquisition of more than 50% of the Company's shares on 15 September 2004 by Temasek Holdings (Private) Limited and its subsidiaries, all previously unvested options granted prior to 15 September 2004 became vested on the same day, in accordance with the rules of the NOL SOP. In addition, such vested options unexercised within six months from 15 September 2004 subsequently lapsed on 15 March 2005. As a result, options granted on the same date with different option terms would have the same exercise periods.

⁴ In accordance with the modified rules of the NOL SOP approved by shareholders at the EGM held on 3 January 2006, and the advice of the independent financial advisor, the exercise price of the outstanding share options under the NOL SOP was reduced by S\$0.92 to S\$2.06 as a result of the capital reduction and cash distribution exercise.

⁵ No share options were granted in the financial year 2005.

(g)	(h)	(i)	(j)	(k)	(l)	Total
07/11/02	19/12/02	17/11/03	17/11/03	31/12/04	31/12/04	
07/11/03	19/12/03	15/09/04	15/09/04	31/12/05	31/12/05	
14/03/05	14/03/05	14/03/05	14/03/05	30/12/09	30/12/14	
S\$1.00	S\$1.00	S\$2.14	S\$2.14	S\$2.98 ⁴	S\$2.98 ⁴	
-	140,000	250,000	1,018,000	641,000	17,104,000	19,731,000
-	-	-	-	-	-	-
-	(140,000)	(250,000)	(964,000)	-	-	(1,872,000)
-	-	-	(54,000)	-	(1,507,000)	(1,621,000)
-	-	-	-	641,000	15,597,000	16,238,000
-	-	-	-	129,000	-	129,000
-	-	-	-	64,000	-	64,000
-	-	-	-	64,000	-	64,000
-	-	-	-	-	560,000	560,000
-	-	-	-	48,000	-	48,000
-	-	-	-	48,000	-	48,000
-	-	-	-	48,000	-	48,000
-	-	-	-	48,000	-	48,000
-	-	-	-	48,000	-	48,000

Share Options and Performance Shares (continued)

The Directors' interests in the share options of the Company as at 19 January 2007 were the same as at 29 December 2006.

Pursuant to provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Companies Act, in addition to information disclosed elsewhere in the report, it is reported that:

- (i) Except as disclosed on page 48, no options were granted by the Company or any subsidiary during the financial year and there were no other unissued shares under option at the end of the financial year.
- (ii) No options were granted to controlling shareholders or their associates, or directors and employees of the parent group.
- (iii) No employee has received 5% or more of the total number of options available under the NOL SOP.
- (iv) No options have been granted at a discount during the financial year.

Subject to the terms and conditions of the PSP, the following table sets forth the number of performance shares awarded, vested and cancelled during the financial year ended 29 December 2006:

Performance Shares	(a)	(b)	(c)	Total
Performance period				
From	27/12/03	01/01/05	31/12/05	
To	31/12/04	30/12/05	29/12/06 ⁶	
Number of shares outstanding as at 31 December 2005	1,412,000	–	–	1,412,000
During the financial year				
– Shares awarded	351,758 ⁷	4,234,000	–	4,585,758
– Shares vested	(470,664) ⁸	–	–	(470,664)
– Shares cancelled	(195,979)	(330,000)	–	(525,979)
Outstanding balance as at 29 December 2006	1,097,115 ⁸	3,904,000 ⁹	–	5,001,115
Director's Interests:				
30 December 2005				
– David Lim Tik En	307,000	–	–	307,000

Details of performance shares awarded to a Director of the Company under the PSP up to 30 December 2005 were as follows:

Name of Director	Awarded in financial year ended 30 December 2005	Aggregate awarded since commencement of the PSP to 30 December 2005	Aggregate vested since commencement of the PSP to 30 December 2005	Aggregate outstanding as at 30 December 2005
David Lim Tik En	–	307,000	–	307,000

⁶ Performance shares for the performance period 31 December 2005 to 29 December 2006 will be awarded in 2007 after the announcement of the financial year 2006 annual results, upon review and approval by the ERCC.

⁷ In accordance with the modified rules of the PSP approved by shareholders at the EGM held on 3 January 2006, and the advice of the independent financial advisor, additional 351,758 shares were awarded under the PSP to holders of the outstanding awards as a result of the capital reduction and cash distribution exercise.

⁸ From the end of the performance period, one-third of the performance shares awarded have vested on 2 January 2006. The remaining two-thirds will each vest on 2 January 2007 and 2 January 2008.

⁹ From the end of the performance period, one-third of the performance shares awarded will each vest on 2 January 2007, 2 January 2008 and 2 January 2009.

Directors' Interests in Shares or Debentures

According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company except as follows:

	Ordinary shares			
	Holdings registered in name of Director or nominee		Holdings in which a Director is deemed to have an interest	
	At 31/12/05 or date of appointment, if later		At 31/12/05 or date of appointment, if later	
	At 29/12/06	At 29/12/06	At 29/12/06	At 29/12/06
Cheng Wai Keung	1,250,000	250,000	–	–
Friedbert Malt	40,000	40,000	–	–
Ang Kong Hua	40,000	40,000	–	–
James Connal Scotland Rankin	60,000	60,000	–	–
Robert Holland, Jr	27,000	27,000	–	–
Peter Wagner	30,000	–	–	–
Bobby Chin Yoke Choong	–	–	16,851	16,851

Details of the Directors' interests in the share options granted under the NOL SOP and performance shares awarded under the PSP have been separately disclosed under "Share Options and Performance Shares" on pages 47 to 51.

The Directors' interests in the share capital of the Company as at 19 January 2007 were the same as at 29 December 2006, except for Robert Holland, Jr, whose holdings registered in his own name was 77,000 shares.

According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the share capital or debentures of related corporations except as follows:

	Holdings registered in name of Director or nominee		Holdings in which a Director is deemed to have an interest	
	At 31/12/05 or date of appointment, if later		At 31/12/05 or date of appointment, if later	
	At 29/12/06	At 29/12/06	At 29/12/06	At 29/12/06
	Chartered Semiconductor Manufacturing Ltd			
<i>Ordinary shares</i>				
Tan Pheng Hock	7,000	7,000	–	–
Singapore Airlines Limited				
<i>Ordinary shares</i>				
Cheng Wai Keung	–	–	20,000	20,000
Simon Claude Israel	9,500	9,500	–	–

Directors' Interests in Shares or Debentures (continued)

	Holdings registered in name of Director or nominee		Holdings in which a Director is deemed to have an interest	
	At 31/12/05 or date of appointment, if later		At 31/12/05 or date of appointment, if later	
	At 29/12/06		At 29/12/06	
Singapore Technologies Engineering Ltd				
<i>Ordinary shares</i>				
Tan Pheng Hock	173,364	173,364	-	-
<i>Options to subscribe for ordinary shares</i>				
Tan Pheng Hock				
- Exercisable at S\$1.29 per share between 8/8/00 to 7/8/08	5,000	5,000	-	-
- Exercisable at S\$1.418 per share between 10/2/01 to 9/2/09	400,000	400,000	-	-
- Exercisable at S\$2.00 per share between 11/8/01 to 10/8/09	5,000	5,000	-	-
- Exercisable at S\$2.26 per share between 10/2/02 to 9/2/10	400,000	400,000	-	-
- Exercisable at S\$2.72 per share between 20/2/02 to 19/2/11	225,000	225,000	-	-
- Exercisable at S\$2.68 per share between 11/8/02 to 10/8/11	227,500	227,500	-	-
- Exercisable at S\$2.29 per share between 8/2/03 to 7/2/12	175,000	175,000	-	-
- Exercisable at S\$1.92 per share between 13/8/03 to 12/8/12	175,000	175,000	-	-
- Exercisable at S\$1.79 per share between 7/2/04 to 6/2/13	200,000	200,000	-	-
- Exercisable at S\$1.86 per share between 12/8/04 to 11/8/13	200,000	200,000	-	-
- Exercisable at S\$2.09 per share between 10/2/05 to 9/2/14	200,000	200,000	-	-
- Exercisable at S\$2.12 per share between 11/8/05 to 10/8/14	200,000	200,000	-	-
- Exercisable at S\$2.37 per share between 8/2/06 to 7/2/15	200,000	200,000	-	-
- Exercisable at S\$2.57 per share between 11/8/06 to 10/8/15	200,000	200,000	-	-
- Exercisable at S\$3.01 per share between 10/2/07 to 9/2/16	200,000	200,000	-	-
- Exercisable at S\$2.84 per share between 11/8/07 to 10/8/16	200,000	200,000	-	-
<i>Conditional award of 250,000 performance shares to be delivered after 2006</i>				
Tan Pheng Hock	0 to 500,000	0 to 500,000	-	-
<i>Conditional award of 250,000 performance shares to be delivered after 2007</i>				
Tan Pheng Hock	0 to 375,000	0 to 375,000	-	-
<i>Conditional award of 250,000 performance shares to be delivered after 2008</i>				
Tan Pheng Hock	0 to 375,000	0 to 375,000	-	-

	Holdings registered in name of Director or nominee		Holdings in which a Director is deemed to have an interest	
	At 31/12/05 or date of appointment, if later		At 31/12/05 or date of appointment, if later	
	At 29/12/06		At 29/12/06	
Singapore Telecommunications Limited				
<i>Ordinary shares</i>				
Cheng Wai Keung	1,550	1,620	1,360	1,430
Ang Kong Hua	1,430	1,430	–	–
Christopher Lau Loke Sam	1,560	1,560	–	–
Simon Claude Israel	179,820	179,820	–	–
Tan Pheng Hock	1,800	1,800	1,550	1,550
SP AusNet securities*				
<i>Ordinary shares</i>				
Cheng Wai Keung	–	–	400,000	400,000
Bobby Chin Yoke Choong	–	–	20,000	20,000
Starhub Ltd				
<i>Ordinary shares</i>				
Tan Pheng Hock	27,430	27,430	–	–
TeleChoice International Limited				
<i>Ordinary shares</i>				
Tan Pheng Hock	30,000	30,000	–	–
Vertex Technology Fund (II) Ltd				
<i>Ordinary shares</i>				
Tan Pheng Hock*	–	–	5	5

The Directors' interests in the share capital of the related corporations as at 19 January 2007 were the same as at 29 December 2006.

The related corporations are related to the Company by virtue of a common ultimate holding company, Temasek Holdings (Private) Limited.

* Stapled Group securities, each comprising of one SP Australia Networks (Transmission) Ltd share, one SP Australia Networks (Distribution) share and one SP Australia Networks (Finance) Trust unit.

* Held in trust by a trustee company on behalf of a director.

Directors' Contractual Benefits

Replacement rights, which are cash settled, are awarded to key executives conditional upon the participants meeting their performance conditions. From the end of the performance period, 50% of the replacement rights awarded will vest after two years, and the remaining 50% after three years. Details of replacement rights awarded to Executive Directors and employees are as follows:

Replacement Rights

Performance period ¹⁰	
From	29/12/01
To	26/12/03
Number of rights outstanding as at 31 December 2005	1,929,500
During financial year 2006	
– Rights awarded ¹²	378,351
– Rights vested	(917,000) ¹¹
– Rights cancelled	(186,134)
Outstanding balance as at 29 December 2006	<u>1,204,717¹¹</u>
Director's Interests:	
30 December 2005	
– David Lim Tik En	300,000

Details of replacement rights awarded to a Director of the Company under the Replacement Rights Plan up to 30 December 2005 were as follows:

Name of Director	Awarded in financial year ended 30 December 2005	Aggregate awarded since commencement of the Replacement Rights Plan to 30 December 2005	Aggregate vested since commencement of the Replacement Rights Plan to 30 December 2005	Aggregate outstanding as at 30 December 2005
David Lim Tik En	–	300,000	–	300,000

¹⁰ For key executives who were not eligible during the period 29 December 2001 to 27 December 2002, their performance period starts from 28 December 2002 instead.

¹¹ From the end of the performance period, 50% of the replacement rights awarded were vested on 31 December 2005 and the remaining 50% will vest on 31 December 2006.

¹² Subsequent to the financial year ended 30 December 2005, 378,351 replacement rights were awarded to holders of the outstanding awards as a result of the capital reduction and cash distribution exercise.

Simon Claude Israel has an employment relationship with the ultimate holding company and has received remuneration in that capacity.

Since the end of the previous 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, except as disclosed in the summary financial statements and in this report.

Unusual Items after the Financial Year

In the opinion of the directors, no item, transaction or event of a material and unusual nature, has arisen during or in the interval between the end of the financial year to the date of this report which will affect substantially the results of the operations, render any item misleading, or affect the ability of the Company and of the Group in meeting its obligations for the financial year in which this report is made.


Audit Committee

At the date of this report, the Audit Committee (“AC”) consists of four Non-Executive Directors, all of whom are independent. Chaired by Mr Christopher Lau Loke Sam (elected Chairman on 19 April 2006), the other three members of the Committee are Mr Robert Holland, Jr, Mr Peter Wagner and Mr Bobby Chin Yoke Choong (appointed on 26 December 2006).

The summary financial statements set out on pages 46 to 69 were approved by the Board of Directors on 27 February 2007 and were signed on its behalf by:



Cheng Wai Keung
Director



Thomas Held
Director

Singapore, 27 February 2007

Auditors' Statement

To the Members of Neptune Orient Lines Limited

We have audited the financial statements of Neptune Orient Lines Limited and its subsidiaries for the financial year ended 29 December 2006, from which the summarised financial statements were derived, in accordance with Singapore Standards of Auditing. The financial statements comprise the balance sheets of the Group and the Company as at 29 December 2006, the statement of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying summary financial statements set out on pages 46 to 69 are consistent in all material respects, with the full financial statements and Directors' report from which they were derived, and comply with the requirements of Section 203A of the Singapore Companies (Amendment) Act 1995, and regulations made thereunder, applicable to summary financial statements.

For a better understanding of the financial position and the results of the operations of the Company and the Group for the year and of the scope of our audit, the summary financial statements information on pages 46 to 69 should be read in conjunction with the full financial statements and our audit report thereon.

In our Auditors' report dated 27 February 2007, which is reproduced below, we expressed an unqualified opinion on the financial statements of Neptune Orient Lines Limited and its subsidiaries:

"Auditors' Report to the Members of Neptune Orient Lines Limited

We have audited the accompanying financial statements of Neptune Orient Lines Limited (the Company) and its subsidiaries (collectively, the Group) set out on pages 18 to 112 for the financial year ended 29 December 2006, which comprise the balance sheets of the Group and the Company as at 29 December 2006, the statement of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements for the year ended 30 December 2005 were audited by another auditor whose report dated 28 February 2006 expressed an unqualified opinion on those statements.

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, Cap 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 our audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 29 December 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company 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."



Ernst & Young
Certified Public Accountants

Singapore, 27 February 2007

Consolidated Income Statement

For the Financial Year Ended 29 December 2006

	Group	
	2006 US\$'000	2005 US\$'000
Revenue	7,263,500	7,271,060
Cost of sales	(6,135,304)	(5,678,185)
Gross profit	1,128,196	1,592,875
Other gains (net)		
– Miscellaneous	30,522	62,806
– Finance and investment income	29,129	31,723
Expenses		
– Administrative	(720,725)	(691,645)
– Finance	(45,994)	(53,304)
– Other operating	(52,561)	(84,493)
– Impairment in value of goodwill arising on consolidation	(99,999)	–
Share of results of associated companies	1,640	12,928
Share of results of joint ventures	2,637	3,231
Profit before income tax	272,845	874,121
Income tax credit/(expense)	100,390	(62,595)
Net profit for the financial year	373,235	811,526
Attributable to:		
Equity holders of the Company	363,743	803,872
Minority interest	9,492	7,654
	373,235	811,526

	Group	
	2006 US cts	2005 US cts
Earnings per share		
Basic	25.00	55.35
Diluted	24.92	55.22

	2006 US\$'000	2005 US\$'000
Dividends		
<i>Ordinary dividends paid or proposed</i>		
Final tax exempt (one-tier) dividend of 14.69 Singapore cents per share and special tax exempt (one-tier) dividend of 21.69 Singapore cents per share paid in respect of the financial year 2004	–	320,956
Interim tax exempt (one-tier) dividend paid in respect of the current financial year of 4.00 Singapore cents per share (2005: 8.00 Singapore cents per share)	36,752	70,516
	36,752	391,472

The Directors recommended a final tax exempt (one-tier) dividend of 4.00 Singapore cents per share in respect of the financial year ended 29 December 2006 for approval by shareholders in the next Annual General Meeting to be convened on 18 April 2007.

The recommended final dividend has not been provided for in these financial statements and will be accounted for in the shareholders' equity as an appropriation of 2006 profits after tax in the financial statements for the financial year ending 28 December 2007.

Balance Sheets

As at 29 December 2006

	Group		Company	
	2006	2005	2006	2005
	US\$'000	US\$'000	US\$'000	US\$'000
Assets				
Current Assets				
Cash and cash equivalents	694,313	1,160,946	26,111	9,099
Trade and other receivables	907,085	859,722	735,454	1,701,077
Inventories at cost	101,567	97,898	–	–
Derivative financial instruments	45,225	–	41,526	–
Other current assets	36,491	40,978	551	653
Total current assets	1,784,681	2,159,544	803,642	1,710,829
Non-current Assets				
Investments in subsidiaries	–	–	1,007,739	1,010,244
Investments in associated companies	8,736	5,898	24	23
Investments in joint ventures	17,112	16,585	–	–
Available-for-sale financial assets	323	14,862	11	13,589
Property, plant and equipment	2,191,479	2,259,778	47,153	51,519
Deferred charges	3,311	1,887	–	–
Intangible assets	26,115	27,492	26	35
Goodwill arising on consolidation	121,454	221,453	–	–
Deferred income tax assets	43,786	34,366	–	–
Derivative financial instruments	–	28,851	–	28,851
Other non-current assets	73,889	44,186	3,098	3,509
Total non-current assets	2,486,205	2,655,358	1,058,051	1,107,770
Total Assets	4,270,886	4,814,902	1,861,693	2,818,599
Liabilities				
Current Liabilities				
Trade and other payables	915,633	871,247	86,703	50,449
Current income tax liabilities	36,364	65,638	18,166	11,182
Borrowings	141,683	197,077	8,539	6,763
Provisions	47,029	35,520	926	860
Deferred income	4,637	4,637	–	–
Derivative financial instruments	67,132	14,058	41,526	476
Other current liabilities	178,472	184,211	–	–
Total current liabilities	1,390,950	1,372,388	155,860	69,730
Non-current Liabilities				
Borrowings	530,412	510,261	–	324,474
Provisions	115,987	91,191	–	–
Deferred income	5,478	10,543	–	–
Deferred income tax liabilities	17,148	137,509	10,329	10,313
Other non-current liabilities	68,816	67,102	–	–
Total non-current liabilities	737,841	816,606	10,329	334,787
Total Liabilities	2,128,791	2,188,994	166,189	404,517
Net Assets	2,142,095	2,625,908	1,695,504	2,414,082
Equity				
Share capital	822,066	814,447	822,066	814,447
Share premium	–	556,586	–	556,586
Treasury shares ¹³	(2,482)	(1,399)	–	–
Foreign currency translation reserve	10,240	3,910	–	–
Retained earnings	1,280,755	1,222,706	852,015	1,020,722
Share-based compensation reserve	21,423	15,162	21,423	15,162
Hedging reserve	(23,449)	(14,577)	–	(852)
Fair value reserve	164	8,238	–	8,017
Capital and reserves attributable to equity holders of the Company	2,108,717	2,605,073	1,695,504	2,414,082
Minority interest	33,378	20,835	–	–
Total Equity	2,142,095	2,625,908	1,695,504	2,414,082
Net current assets	393,731	787,156	647,782	1,641,099

¹³ “Treasury shares” are accounted for in accordance with FRS 32 (revised 2004). For avoidance of doubt, these do not have the same meaning as “treasury shares” under the Companies (Amendment) Act 2005.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 29 December 2006

Group	Share capital US\$'000	Share premium US\$'000	Treasury shares ¹⁴ US\$'000	Foreign currency translation reserve US\$'000
Balance at 31 December 2005	814,447	556,586	(1,399)	3,910
Employee equity compensation schemes:				
– proceeds from shares issued	913	2,758	–	–
Capital distribution to equity holders	–	(555,814)	–	–
Balance before transfer of share premium reserve to share capital	815,360	3,530	(1,399)	3,910
Transfer of share premium reserve to share capital upon implementation of Companies (Amendment) Act 2005 ¹⁵	3,530	(3,530)	–	–
Balance after transfer of share premium reserve to share capital	818,890	–	(1,399)	3,910
Cash flow hedges	–	–	–	–
Net fair value losses on available-for-sale financial assets	–	–	–	–
Tax on fair value gains and losses	–	–	–	–
Currency translation differences	–	–	–	6,330
Net gains/(losses) recognised directly in equity	–	–	–	6,330
Net profit for the financial year	–	–	–	–
Total gains/(losses) recognised for the financial year	–	–	–	6,330
Dividends to equity holders	–	–	–	–
Dividends to minority interest	–	–	–	–
Capital contribution by minority interest	–	–	–	–
Disposal of subsidiaries	–	–	–	–
Employee equity compensation schemes:				
– value of employee services	–	–	–	–
– proceeds from shares issued	3,176	–	–	–
Purchase of shares by employee benefit trust	–	–	(1,083)	–
Balance at 29 December 2006	822,066	–	(2,482)	10,240

¹⁴ “Treasury shares” are accounted for in accordance with FRS 32 (revised 2004). For avoidance of doubt, these do not have the same meaning as “treasury shares” under the Companies (Amendment) Act 2005.

¹⁵ With the implementation of the Companies (Amendment) Act 2005 on 30 January 2006, the concept of authorised share capital is abolished and the shares of the Company have no par value. Consequently, the balance in share premium within equity as at 30 January 2006 had been reclassified to the Company’s share capital.

Capital and reserves attributable to equity holders of the Company

Retained earnings US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Fair value reserve US\$'000	Minority interest US\$'000	Total equity US\$'000
1,222,706	15,162	(14,577)	8,238	20,835	2,625,908
–	(1,794)	–	–	–	1,877
(268,942)	–	–	–	–	(824,756)
953,764	13,368	(14,577)	8,238	20,835	1,803,029
–	–	–	–	–	–
953,764	13,368	(14,577)	8,238	20,835	1,803,029
–	–	(9,719)	–	–	(9,719)
–	–	–	(7,980)	–	(7,980)
–	–	847	(94)	–	753
–	–	–	–	(274)	6,056
–	–	(8,872)	(8,074)	(274)	(10,890)
363,743	–	–	–	9,492	373,235
363,743	–	(8,872)	(8,074)	9,218	362,345
(36,752)	–	–	–	–	(36,752)
–	–	–	–	(2,166)	(2,166)
–	–	–	–	5,527	5,527
–	–	–	–	(36)	(36)
–	9,320	–	–	–	9,320
–	(1,265)	–	–	–	1,911
–	–	–	–	–	(1,083)
1,280,755	21,423	(23,449)	164	33,378	2,142,095

Consolidated Statement of Changes in Equity (continued)

For the Financial Year Ended 29 December 2006

Group	Share capital US\$'000	Share premium US\$'000	Treasury shares ¹⁶ US\$'000	Foreign currency translation reserve US\$'000
Balance at 1 January 2005	813,282	555,692	–	4,862
Cash flow hedges	–	–	–	–
Fair value gain on available-for-sale financial assets	–	–	–	–
Currency translation differences	–	–	–	(952)
Net (losses)/gains recognised directly in equity	–	–	–	(952)
Net profit for the financial year	–	–	–	–
Total (losses)/gains recognised for the financial year	–	–	–	(952)
Dividends to equity holders	–	–	–	–
Dividends to minority interest	–	–	–	–
Capital contribution by minority interest	–	–	–	–
Employee equity compensation schemes:				
– value of employee services	–	–	–	–
– proceeds from shares issued	1,165	894	–	–
Purchase of shares by employee benefit trust	–	–	(1,399)	–
Balance at 30 December 2005	814,447	556,586	(1,399)	3,910

¹⁶ “Treasury shares” are accounted for in accordance with FRS 32 (revised 2004). For avoidance of doubt, these do not have the same meaning as “treasury shares” under the Companies (Amendment) Act 2005.

Capital and reserves attributable to equity holders of the Company

Retained earnings US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Fair value reserve US\$'000	Minority interest US\$'000	Total equity US\$'000
810,306	–	8,150	8,190	14,681	2,215,163
–	–	(22,727)	–	–	(22,727)
–	–	–	48	–	48
–	–	–	–	57	(895)
–	–	(22,727)	48	57	(23,574)
803,872	–	–	–	7,654	811,526
803,872	–	(22,727)	48	7,711	787,952
(391,472)	–	–	–	–	(391,472)
–	–	–	–	(1,785)	(1,785)
–	–	–	–	228	228
–	15,162	–	–	–	15,162
–	–	–	–	–	2,059
–	–	–	–	–	(1,399)
1,222,706	15,162	(14,577)	8,238	20,835	2,625,908

Consolidated Cash Flow Statement

For the Financial Year Ended 29 December 2006

	2006 US\$'000	2005 US\$'000
Cash Flows from Operating Activities		
Profit before income tax	272,845	874,121
Adjustments for:		
Amortisation of non-current assets and deferred income	2,466	4,261
Depreciation of property, plant and equipment	244,746	242,552
Fair value gains on interest rate collars: not qualifying as hedges	(15)	(3,005)
Fair value losses on cross currency interest rate swaps: fair value hedges	2,037	14,514
Fair value losses on cross currency interest rate swaps: cash flow hedges	1,588	–
Fair value gains on long term borrowings: fair value hedge adjustment on bond	(257)	(9,494)
Fair value gains on forward foreign exchange contracts: not qualifying as hedges	(50)	–
Interest expense	37,502	40,002
Interest income	(23,794)	(25,295)
Investment income	(60)	(6,360)
Share-based compensation costs	9,981	16,821
Fair value (gains)/losses on treasury shares held under Staff Share Ownership Scheme	(703)	443
Write-off of intangible assets	–	8,677
Net profit on disposal of property, plant and equipment	(7,437)	(16,138)
Net loss on disposal of intangible assets	102	–
Net profit on disposal of subsidiaries	(2,295)	(219)
Net loss/(profit) on disposal of associated companies	20	(8,659)
Net profit on disposal of available-for-sale financial assets	(2,579)	(399)
Net provision for impairment of loans and non-trade debts to associated companies	2,412	3,490
Net provision for/(write-back of) impairment of loans receivable	2,906	(1,256)
Net write-back of provision for impairment in value of property, plant and equipment	(555)	(3,971)
Net provision for impairment in value of a joint venture company	2,075	–
Net write-back of provision for impairment in value of other non-current investments	–	(606)
Provision for impairment in value of available-for-sale financial assets	4,833	–
Impairment in value of goodwill arising on consolidation	99,999	–
Net provision for restructuring and termination costs	13,171	16
Net provision for insurance, litigation and other claims, net of reimbursement of US\$11.2 million (2005: US\$6.0 million)	28,821	1,157
Net provision for drydocking costs	1,223	2,624
Net provision for onerous contract – leased premises	–	96
Net (write-back of)/provision for impairment of other non-current assets	(344)	8,256
Share of results of associated companies	(1,640)	(12,928)
Share of results of joint ventures	(2,637)	(3,231)
Unrealised translation losses/(gains)	201	(998)
Operating cash flow before working capital changes	684,562	1,124,471
Changes in operating assets and liabilities, net of effects from disposal of subsidiaries:		
Receivables	(64,809)	36,603
Inventories	(3,669)	(28,126)
Payables	14,598	85,845
Net amount due from associated companies	(2,664)	(3,514)
Cash generated from operations	628,018	1,215,279
Interest paid	(34,725)	(41,346)
Interest received	23,811	24,257
Net income tax paid	(57,239)	(51,204)
Net cash inflow from operating activities	559,865	1,146,986

	2006 US\$'000	2005 US\$'000
Cash Flows from Investing Activities		
Net (repayment of)/proceeds from loans receivable	(2,771)	2,987
Investment income received	60	6,360
Additions in other non-current investments	(1,178)	(386)
Dividends received from associated company and joint venture	2,127	–
Investment in a joint venture	(94)	–
Purchase of property, plant and equipment	(172,386)	(204,098)
Purchase of intangible assets	(5,533)	(10,947)
Proceeds from disposal of property, plant and equipment	12,725	39,200
Proceeds from disposal of associated companies	–	3,675
Proceeds from disposal of available-for-sale financial assets	4,306	569
Proceeds from disposal of non-current investments	9	–
Net cash inflow/(outflow) (net of transaction costs) from disposal of subsidiaries, net of cash disposed ¹⁷	2,238	(210)
Net cash outflow from investing activities	(160,497)	(162,850)
Cash Flows from Financing Activities		
Proceeds from borrowings	414,745	192,274
Net contribution from employees for purchase of treasury shares by the employee benefit trust	23	–
Capital distribution to equity holders	(824,756)	–
Dividends paid to equity holders	(36,752)	(391,472)
Dividends paid to minority interest	(2,166)	(1,785)
Capital contribution by minority interest	5,527	228
Proceeds from issue of new ordinary shares	3,788	2,059
Repayment of borrowings	(125,940)	(298,006)
Net payment for early redemption of bond and termination of cross currency interest rate swap	(298,204)	–
Payment of costs incurred in connection with long term financing	(2,266)	(1,015)
Net cash outflow from financing activities	(866,001)	(497,717)
Net (Decrease)/Increase in Cash and Cash Equivalents	(466,633)	486,419
Cash and Cash Equivalents at Beginning of Financial Year	1,160,946	674,527
Cash and Cash Equivalents at End of Financial Year	694,313	1,160,946

¹⁷ Summary of effect of disposal of subsidiaries on the Group's cash flows	2006 US\$'000	2005 US\$'000
Net assets disposed:		
Other non-current assets	540	8
Current assets	1,646	1,351
Current liabilities	(54)	(499)
Net attributable assets disposed	2,132	860
Less: Minority interest	(36)	–
Add: Foreign currency translation reserve	(733)	13
	1,363	873
Net profit on disposal of subsidiaries	2,295	219
Net proceeds from disposal of subsidiaries	3,658	1,092
Less: Cash of subsidiaries disposed	(1,420)	(1,302)
Net cash inflow/(outflow) (net of transaction costs) from disposal of subsidiaries, net of cash disposed	2,238	(210)

Notes to the Summary Financial Statements

For the Financial Year Ended 29 December 2006

1. General

The financial year of 2006 started on 31 December 2005 and ended on 29 December 2006 (2005: 1 January 2005 to 30 December 2005) as the Group and the Company adopted the last Friday of every calendar year to be their accounting year-end date.

2. Material Changes in Accounting Policies

Interpretations and amendments to published standards effective in 2006

In 2006, the Group and the Company elected to early adopt the amendments to new or revised Singapore Financial Reporting Standards (“FRS”) and Interpretations of FRS (“INT FRS”) that are mandatory for application for annual periods beginning on or after 1 January 2006. Changes to the Group’s accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The 2005 comparatives have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The following are the FRS and INT FRS that are relevant to the Group:

FRS 1 (revised 2004) Presentation of Financial Statements
FRS 16 (revised 2004) Property, Plant and Equipment
FRS 19 (revised 2005) Employee Benefits
FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised 2004) Related Party Disclosures
FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation
FRS 37 (revised 2003) Provisions, Contingent Liabilities and Contingent Assets
FRS 38 (revised 2004) Intangible Assets
FRS 39 (revised 2006) Financial Instruments: Recognition and Measurement
INT FRS 104 Determining Whether an Arrangement Contains a Lease

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group’s accounting policies and did not have any significant impact on the Group and the Company.

3. Functional and Presentation Currency

The financial statements of the Group and the Company are presented in United States Dollars, which is the functional currency of the Company.

4. Related Party Transactions

(a) Sale and Purchase of Goods and Services

The following significant transactions between the Group and related parties, consisting of fellow subsidiaries of the ultimate holding company or associated companies of the Group, took place during the financial year at terms agreed between the parties:

	2006 US\$'000	Group 2005 US\$'000
Purchases of services from fellow subsidiaries of the ultimate holding company	131,144	111,777
Services rendered to fellow subsidiaries of the ultimate holding company	(2,751)	(2,197)
Interest income received/receivable from associated companies	(2,412)	(1,995)
Guarantee fee income from associated companies	(33)	(199)

(b) Share Options Granted to Directors

The aggregate number of shares options granted to the Directors of the Company during the financial year was 1,288,000 (2005: Nil). The share options were given on the same terms and conditions as those offered to other employees of the Company except for share options granted to Non-Executive Directors, which have exercise periods of five years. For share options granted to Non-Executive Directors from 1 January 2004 and thereafter, a moratorium on the disposal of shares arising from the exercise of the share options is applicable during their term of service as a member of the Board of Directors of the Company, until six months after their term of office has been completed, and/or six months after resignation or retirement. The outstanding number of share options granted to the Directors of the Company at the end of the financial year was 983,000 (2005: 1,057,000).

(c) Key Management Personnel

(i) Loans to key management personnel

Loans given under the Group's approved housing, car and renovation loans scheme to key management personnel are as follows:

	2006 US\$'000	Group 2005 US\$'000
Housing, car and renovation loans receivable (non-current)	51	63

The housing, car and renovation loans receivable are included in non-current assets as loans receivable. The effective interest rate of the loans given to key management personnel is 4.25% (2005: 4.25%) per annum at balance sheet date.

4. Related Party Transactions (continued)

(c) Key Management Personnel (continued)

(ii) Key management personnel remuneration

The remuneration of the key management personnel includes base salary, performance bonus, share options, performance shares, replacement rights, benefits (including gratuities and allowances) and Directors' fees.

The total remuneration of key management personnel disclosed under this note is computed based on the cost incurred by the Group whereas the remuneration information disclosed under the 'Remuneration Bands for the Directors of the Company' and 'Remuneration Bands for the Top Five Key Management Staff who are not also Directors of the Company' is derived based on the assumptions specified in the Corporate Governance report.

Key management personnel remuneration is as follows:

	Group 2006 US\$'000	2005 US\$'000
Salaries, other short-term employee benefits and Directors' fees	10,092	9,342
Post-employment benefit plans	2,109	653
Termination benefits	292	–
Share-based compensation	3,514	5,882
	16,007	15,877

Included in the above is total compensation to Directors of the Company amounting to US\$3.2 million (2005: US\$4.8 million).

Notes:

- (a) Key management personnel for 2006 and 2005 include:
- Executive Director: David Lim Tik En (Group President and Chief Executive Officer - resigned as a Director and as an executive in October 2006).
 - Non-Executive Directors: Cheng Wai Keung, Friedbert Malt, Ang Kong Hua, Yasumasa Mizushima, James Connal Scotland Rankin, Robert Holland, Jr, Christopher Lau Loke Sam, Timothy Charles Harris, Peter Wagner and Willie Cheng Jue Hiang (retired in April 2006).
 - Corporate: Cedric Foo (Group Deputy President and Chief Financial Officer), Patricia Leung (Group Chief Financial Officer – resigned in December 2006) and Cindy Stoddard (Group Chief Information Officer – resigned in April 2006).
 - Business Units: Ronald Widdows (Chief Executive Officer, APL Liner) and Brian Lutt (President, APL Logistics).
 - Regional Heads: David Appleton (President, Europe), John Bowe (President, Americas), Kenneth Glenn (President, South Asia), Jim McAdam (President, Asia/Middle East) and Koay Peng Yen (President, Greater China – resigned in August 2006).
- (b) Included in 2006, but not in 2005, are the remuneration for:
- Executive Director: Thomas Held, (Group President and Chief Executive Officer – appointed in November 2006).
 - Non-Executive Directors: Bobby Chin Yoke Choong (appointed in December 2006), Simon Claude Israel (appointed in December 2006) and Tan Pheng Hock (appointed in December 2006).
 - Corporate: Wu Choy Peng (Group Chief Information Officer – appointed in July 2006) and Kuok Lay Hoon (Group Chief Human Resources Officer – resigned in December 2006).
 - Regional Head: Daniel Ryan (President, Greater China – appointed in August 2006).
- (c) Included in 2005, but not in 2006, are the remuneration for:
- Executive Director: Lim How Teck (Group Chief Financial Officer – retired as a Director in April 2005 and retired as an executive in June 2005).
 - Corporate: Gordon Simpson (Group Chief Human Resources Officer – resigned in October 2005).
 - Business Unit: Hans Hickler (Chief Executive Officer, APL Logistics – resigned in May 2005).
- (d) Tax equalisation costs are derived based on cost incurred by the Group during the financial year.