Dairy Farm International Holdings Limited

Annual Report 2011

Dairy Farm

CONTENTS

1 Corporate Information

2 Corporate Overview

3 Highlights

4 Chairman's Statement

6 Group Chief Executive's Review

10 Financial Review

12 Directors' Profiles

13 Financial Statements

53 Independent Auditors' Report

54 Five Year Summary

55 Responsibility Statement

56 Corporate Governance

61 Principal Risks and Uncertainties

62 Shareholder Information

63 Retail Outlets Summary

64 Management and Offices

Internet website:
www.dairyfarmgroup.com

Jardines
A member of the Jardine Matheson Group

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CORPORATE INFORMATION

DIRECTORS

Simon Keswick
Chairman

Ben Keswick
Managing Director

Michael Kok
Group Chief Executive

Ronald J. Floto

Mark Greenberg

George J. Ho

Adam Keswick

Sir Henry Keswick

Dr George C.G. Koo

Lord Leach of Fairford

A.J.L. Nightingale

James Riley

Alec Tong

Percy Weatherall

Giles White

COMPANY SECRETARY AND REGISTERED OFFICE

John C. Lang

Jardine House
33-35 Reid Street
Hamilton
Bermuda

DAIRY FARM MANAGEMENT SERVICES LIMITED

DIRECTORS

Ben Keswick
Chairman

Michael Kok
Group Chief Executive

Alec Tong
Group Finance Director

Dato' John Coyle
Regional Director, East Asia

Caroline Mak
Regional Director, North Asia

Poh Seng Pol
Group Business Development Director

Alex Tay
Regional Director, South Asia

Michael Wu
Chairman and Managing Director, Maxim's

Mark Greenberg

Adam Keswick

James Riley

Giles White

CORPORATE SECRETARY

N.M. McNamara

Dairy Farm International Holdings Limited

Dairy Farm is a leading pan-Asian retailer. At 31st December 2011, the Group and its associates operated over 5,400 outlets; employed over 85,000 people and had total annual sales exceeding US$10 billion.

The Group operates supermarkets, hypermarkets, health and beauty stores, convenience stores and home furnishings stores under well-known local brands, including:

- Supermarkets – Wellcome in Hong Kong, Taiwan and Vietnam, ThreeSixty and Oliver's The Delicatessen in Hong Kong, Jasons MarketPlace in Singapore, Hong Kong and Taiwan, Cold Storage in Singapore and Malaysia, Giant in Malaysia, Indonesia and Brunei, Shop N Save in Singapore, Hero in Indonesia, and Foodworld in India;

- Hypermarkets – Giant in Malaysia, Indonesia, Singapore, Brunei and Vietnam;

- Health and beauty stores – Mannings in Hong Kong, mainland China and Macau, Guardian in Malaysia, Singapore, Indonesia, Brunei and Vietnam, and Health and Glow in India;

- Convenience stores – 7-Eleven in Hong Kong, Singapore, Southern China and Macau, and Starmart in Indonesia; and

- Home furnishings stores – IKEA in Hong Kong and Taiwan.

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

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

Corporate Overview

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

HIGH-QUALITY, LOW-COST RETAILING

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

ASIA FOCUS

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

MULTIPLE FORMATS, SHARED SERVICES

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

LONG-TERM SHAREHOLDER VALUE CREATION

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

Highlights

- Underlying earnings up 16%
- Profit growth in all regions
- Maxim's performing well
- Continued investment in business expansion

Results

	2011 US$m	2010 US$m	Change %
Sales			
– subsidiaries	**9,134**	7,971	15
– including associates	**10,449**	9,113	15
Underlying profit attributable to shareholders	**474**	410	16
Non-trading items	**10**	1	n/a
Profit attributable to shareholders	**484**	411	18

	US¢	US¢	%
Underlying earnings per share	**35.09**	30.38	16
Basic earnings per share	**35.87**	30.50	18
Dividends per share	**21.00**	18.00	17

Chairman's Statement

OVERVIEW

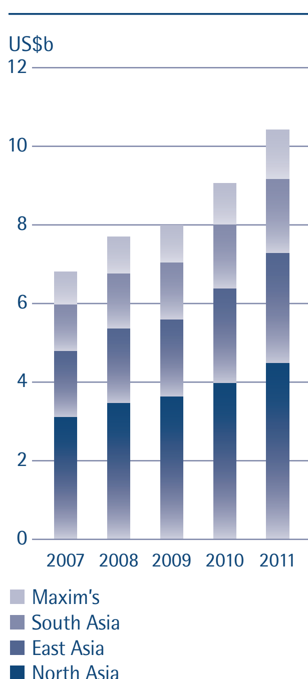
Stable trading environments in Dairy Farm's major markets across Asia led to strong sales and profit growth in 2011.

PERFORMANCE

Sales, including 100% of associates, increased by 15% to US$10.4 billion in 2011, while underlying profit at US$474 million was up 16%. Foreign currency movements enhanced both sales and profit by 4% during the year. Underlying earnings per share were US¢35.09, an increase of 16%. The profit attributable to shareholders of US$484 million included a non-trading gain of US$10 million, being the Group's share of profit arising from the disposal by Maxim's of its remaining interest in Starbucks in mainland China.

There was an excellent performance from the Group's operations in North Asia with profit growth exceeding that of sales. Mannings health and beauty stores produced another strong result in Hong Kong, while IKEA traded well in both Hong Kong and Taiwan. In East Asia, most businesses performed well with fine results from the Guardian health and beauty chain in Malaysia and from hypermarkets and supermarkets in Indonesia. A steady trading performance was seen in South Asia. Our restaurant associate, Maxim's, also made an increased contribution despite facing higher food and wage costs.

Total Sales



The Group's financial position remains healthy with good cash generation. Net cash at the end of 2011 was US$466 million, representing an increase of US$243 million during the year. Capital expenditure incurred in growing the store network and in refurbishing existing outlets amounted to US$232 million.

The Board is recommending a final dividend of US¢15.00 per share, bringing the total ordinary dividend for 2011 to US¢21.00 per share, up 17%.

BUSINESS DEVELOPMENTS

Dairy Farm continued to generate profitable growth during 2011 as good increases in comparable store sales were complemented by further organic expansion from new store openings. There was some impact from food inflation and higher staff costs, particularly in Hong Kong following the introduction of a minimum wage.

In the more mature markets of Hong Kong, Singapore and Taiwan, the Group is concentrating on improving operational efficiencies and enhancing store attractiveness, while in Indonesia and Malaysia significant funds are being invested in enlarging the store network of existing formats.

New areas of activity include the first Giant hypermarket and the first five Guardian health and beauty stores in Vietnam, which were opened towards

the end of the year. Expansion of the Mannings health and beauty store network in mainland China also continues. In February 2012, the Group agreed to acquire a 70% equity interest in a supermarket chain in Cambodia, with the local joint venture partner retaining 30%. This venture creates a good platform for growth in this developing economy, and increases to 11 the number of territories in Asia in which the Group is active.

Maxim's introduced further new restaurant concepts in Hong Kong in 2011, while maintaining the growth of its Starbucks and Japanese restaurant chains. It has also increased its activities in mainland China. In May, Maxim's restructured its Starbucks business interests in conjunction with the franchisor, selling its 30% interest in the Starbucks operations in mainland China and acquiring full ownership of the Hong Kong and Macau operations.

Dairy Farm is continuing to invest in the modernization and standardization of its retail business processes and systems across its operations. During the year the Group successfully implemented SAP merchandising systems in Indonesia, following a similar introduction in Malaysia in 2010. Improvements are also being made in supply chain management, while the expansion is ongoing of its private label products offering value-for-money alternatives to customers.

PEOPLE

The achievement of another year of good results is a reflection of the hard work and dedication of all our employees. On behalf of the Board, I would like to thank them for their efforts and wish them well in the year ahead.

R.C. Kwok retired from the Board on 12th May 2011. Anthony Nightingale will step down as Managing Director at the end of March 2012, and will remain as a non-executive Director. On behalf of the Board, I would like to thank them for their significant contributions to the Group. Joining the Board on 1st April 2012 will be Ben Keswick as Managing Director and Adam Keswick as a Director.

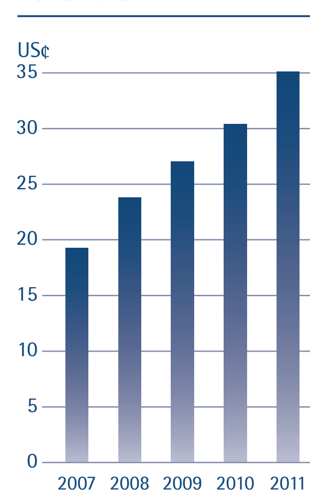
PROSPECTS

While the global economic outlook remains uncertain, Dairy Farm's market leading businesses are generally trading well. With its strong financial position, the Group is well placed to secure further development opportunities.

Simon Keswick
Chairman

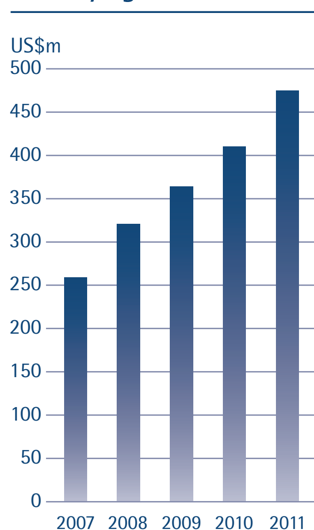
1st March 2012

Underlying Earnings Per Share



Group Chief Executive's Review

Underlying Net Profit



BUSINESS MODEL

Dairy Farm is a leading retailer in Asia operating supermarkets, hypermarkets, health and beauty stores, convenience stores and home furnishings stores under well-known local brands. We operate multi-formats in most markets to cater for different market segments and customer needs. The Group also has a 50% interest in Maxim's, a leading restaurant group in Hong Kong.

In addition to developing our existing operations, the Group's strategy is to expand by seeking investment opportunities in current and new markets in Asia. The Group has holdings in mature cash generating operations in developed markets which it complements with investments in new ventures and markets, thereby spreading the risk that might otherwise be associated with its geographical concentration. This strategy combined with a strong balance sheet is designed to achieve long-term earnings growth.

2011 PERFORMANCE

Dairy Farm delivered another year of strong results in 2011 with increased sales and earnings in each of our operating regions. We continue to introduce new concepts and implement initiatives to enhance our operating efficiencies and make our stores more attractive.

A number of important developments occurred during the year:

- In continuing operations, we added a net 141 stores to reach a total of 5,406.
- In Taiwan, we secured a site in Tai Chung for a fifth IKEA store, and the project is progressing well for completion in 2013.
- In mainland China, we continued to expand our Mannings health and beauty business, which now has 195 outlets.
- In Malaysia, we opened seven new Giant hypermarkets, bringing the total to 71 stores.
- In Indonesia, we have passed the 500-store milestone in the country.
- In Vietnam, our first hypermarket and the first five Guardian health and beauty stores were opened.
- Our restaurant associate, Maxim's, restructured its Starbucks business in conjunction with the franchisor by selling its 30% interests in mainland China and acquiring the outstanding interests in the Hong Kong and Macau franchise.
- SAP merchandising systems have been successfully implemented in Indonesia, following their implementation in Malaysia in 2010.

- We increased further the investment in private label development and supply chain management and are delivering additional value from these important areas.

REGIONAL REVIEW

NORTH ASIA

Hong Kong

The businesses in Hong Kong performed well with profit growth in all banners. **Wellcome** supermarkets achieved a good result, especially in the second half of the year, and the **7-Eleven** convenience stores recorded higher sales and profit in a challenging market segment.

Mannings health and beauty stores had another excellent year. The first pharmacist App available on the iPhone was launched, providing video calling real-time professional advice to customers. We now have six 'Mannings Plus' stores offering free health consultation services.

IKEA had another fine year as the MegaBox store at Kowloon Bay continued the good trading results achieved since its opening in June 2010.

Maxim's performed well in 2011 as the negative effects of increases in food costs and the introduction of a statutory minimum wage in Hong Kong were mitigated by strong sales growth. Its Chinese restaurants delivered a good performance, while Starbucks and the Japanese restaurant chains produced excellent results. Maxim's also achieved another year of record sales of mooncakes, assisted by increased demand in the Mainland market.

Macau

Despite their relatively small size, both **7-Eleven** and **Mannings** in Macau achieved good improvements in sales and earnings.

Mainland China

7-Eleven Southern China's focus on growing its ready-to-eat food business has led to improved sales and margins. **Mannings** achieved a further increase in sales as it continues to pursue its development plan.

Maxim's opened its first Chinese restaurants in Shanghai and Guangzhou, and added three Genki Sushi outlets in Shenzhen and Guangzhou. It increased its market penetration in Southern China with the number of its cake shops now standing at 100 stores.

Taiwan

Wellcome supermarkets made steady progress in a competitive market. It operated 280 outlets at the end of 2011, and further investment is being made in store refurbishment to enhance their attractiveness. **IKEA** achieved another year of good sales and profit growth, and secured a site in Tai Chung for a fifth store which is expected to open in late 2013.

SOUTH ASIA

Singapore

Cold Storage supermarkets performed well in 2011 and achieved higher sales and profit. **Shop N Save** faced challenges with keen competition, although sales improved in the latter part of the year following the remodelling of its stores. The **Giant** hypermarkets made further progress with increased sales and profit.

7-Eleven performed satisfactorily and ended the year with 561 stores, while **Guardian** achieved good growth in both sales and profit in a competitive segment.

India

Foodworld supermarkets continued to make progress as higher turnover and reduced operating costs led to lower losses. New stores were opened in 2011 with encouraging results.

Health and Glow achieved increases in both sales and profit from its health and beauty stores, and its growth momentum bodes well for the future.

EAST ASIA

Malaysia

In Malaysia, the **Giant** and **Cold Storage** hypermarket and supermarket operations produced satisfactory results despite increasing levels of competition and customers remaining cautious with their discretionary spending. Seven Giant hypermarkets were opened during the year with another six sites secured for 2012.

Guardian, the country's leading health and beauty chain, had another excellent year with new stores enhancing the good comparable store sales growth.

Brunei

Giant hypermarket and supermarket operations in Brunei suffered a decline in sales in a difficult market, while the **Guardian** chain performed satisfactorily.

Indonesia

The **Giant** and **Hero** hypermarket and supermarket operations in Indonesia showed further improvements in performance. Sales growth and tight cost controls at the store level led to good increases in earnings. **Guardian** and **Starmart** also recorded satisfactory sales and profit growth. The expansion programme will continue in 2012 with seven sites already secured for the opening of new hypermarkets.

Vietnam

The first **Giant** hypermarket was opened in December 2011, and the first five **Guardian** health and beauty stores were opened during the year. We continue to pursue suitable sites for the expansion of our multi-format operations.

THE YEAR AHEAD

With the European debt issues and a sluggish US economy, the global economic environment remains uncertain. This will inevitably have some effect on the Asian region. We are also seeing food inflation as well as rising rental, wage and utilities costs in many

countries in which we operate. Despite these increasingly challenging conditions, our established market leading positions should allow us to perform well in the year ahead.

In early 2012, we entered a new Asian market with the acquisition of a 70% interest in a supermarket chain in Cambodia. This joint venture with the local partner offers good opportunities for growth.

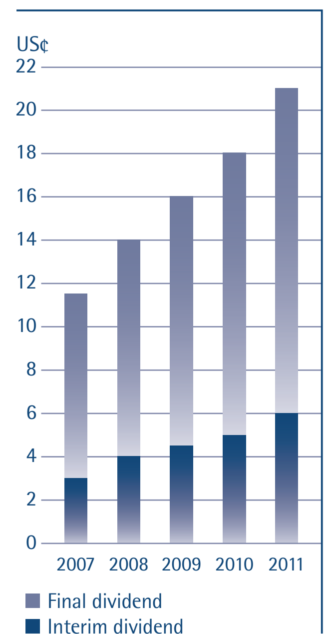
Dairy Farm will continue to grow its retailing formats in existing markets and seek acquisition opportunities. These developments will be supported by enhanced supply chain and IT systems that will deliver added value. Substantial capital has also been earmarked for the expansion of our hypermarkets and supermarkets in Indonesia and Malaysia, as well as for the refurbishment of existing stores. Overall, our net growth in the number of stores for this year is expected to be higher than in 2011.

Our achievements in 2011 were the result of the hard work and commitment of our people. I wish to thank them sincerely for their great efforts that are fundamental to the Group's success.

Michael Kok
Group Chief Executive

1st March 2012

Ordinary Dividends Per Share



Financial Review

ACCOUNTING POLICIES

The Directors continue to review the appropriateness of the accounting policies adopted by the Group having regard to developments in International Financial Reporting Standards. In 2011, a number of amendments to these standards became effective and the Group adopted those which are relevant to the Group's operations. As mentioned in note 1 to the financial statements, their adoption does not have a material impact on the Group's accounting policies.

RESULTS

Sales, excluding those of associates, were US$9,134 million, a 15% increase over 2010. Operating profit before interest and tax ('PBIT') was US$535 million, an increase of US$66 million over the previous year, maintaining the PBIT to sales ratio at 5.9%. After including the Group's share of results of associates, underlying net profit was US$474 million. This represents a 16% increase over 2010. In addition, there was a non-trading gain of US$10 million in 2011, being the Group's share of profit arising from the disposal by Maxim's of its remaining interest in Starbucks in mainland China.

The tax charge for 2011 was US$99 million, compared to US$84 million in 2010, reflecting the Group's improved profitability in its major markets. Underlying earnings per share were US¢35.09, an increase of 16% over the previous year.

CASH FLOW

Operating cash flow remained strong with a net inflow of US$730 million, compared to the previous year's US$677 million. The increase was mainly due to higher profit from operations and good working capital management. As a result, the Group ended the year with net cash of US$466 million, an increase of US$243 million from 2010 year end.

Capital expenditure was US$243 million, compared to US$276 million in 2010. In continuing operations, the Group, including associates, added 141 outlets in 2011.

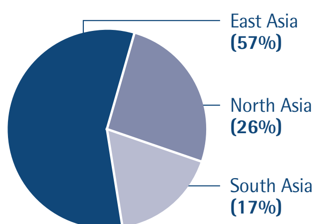
BALANCE SHEET

Total assets, excluding cash and bank balances, of US$2,809 million were US$233 million higher than 2010, mainly reflecting the investment in new and refurbished stores and the associated increase in the level of stock. Net operating assets were US$930 million at the end of 2011, a 27% increase over the previous year.

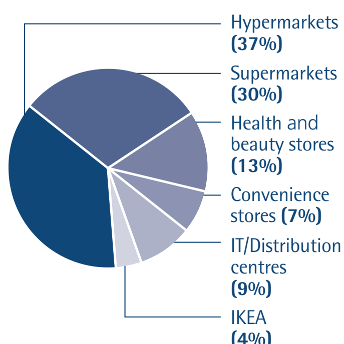
2011 Capital Expenditure

Total: US$243m

By region



By format



DIVIDEND

The Board is recommending a final dividend of US¢15.00 per share. This will bring the total dividend in respect of 2011 to US¢21.00 per share, an increase of 17% over 2010 and a payout of approximately 60% of the year's underlying profit.

FINANCING

Borrowings are normally taken out in local currencies by the Group's operating subsidiaries to fund and partially hedge their local asset investments. The Group, excluding associates, had gross debt of US$264 million at the year end, a decrease of US$195 million. Committed banking facilities at the year end totalled US$548 million, and had an average life to maturity of 1.5 years. Financing income increased slightly to US$4 million, while financing charges decreased from US$26 million in 2010 to US$21 million in 2011.

FINANCIAL RISK MANAGEMENT

A comprehensive discussion of the Group's financial risk management policies is included in note 2 to the financial statements. The Group manages its exposure to financial risk using a variety of techniques and instruments. The main objectives are to limit exchange and interest rate risks and to provide a degree of certainty about costs. As a matter of policy, the Group does not enter into speculative transactions in derivatives. The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, both short and long term, to give flexibility for the development of the business. At the year end, US$138 million of gross debt was subject to fixed interest rates, with a remaining average tenor of nine months.

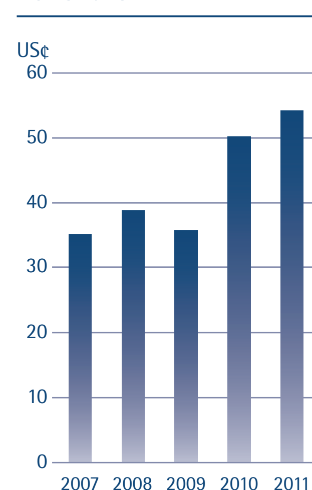
PRINCIPAL RISKS AND UNCERTAINTIES

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

Alec Tong
Group Finance Director

1st March 2012

Operating Cash Flow Per Share



Directors' Profiles

Simon Keswick

Chairman

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

Ben Keswick*

Managing Director

Mr Ben Keswick joined the Board as Managing Director in April 2012. He has held a number of executive positions since joining the Jardine Matheson group in 1998, including finance director and then chief executive officer of Jardine Pacific between 2003 and 2007 and, thereafter, group managing director of Jardine Cycle & Carriage until March 2012. He has an MBA from INSEAD. Mr Keswick is chairman of Jardine Matheson Limited and Jardine Cycle & Carriage, and a commissioner of Astra and United Tractors. He is also managing director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental, and a director of Jardine Pacific and Jardine Motors.

Michael Kok*

Group Chief Executive

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

Alec Tong*

Group Finance Director

Mr Tong joined the Board as Group Finance Director in 2010. He has been with the Jardine Matheson group since 1993 during which time he has held a number of senior finance positions, including finance director of Jardine Pacific and Jardine Motors. Mr Tong is a Chartered Accountant.

Ronald J. Floto

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

Mark Greenberg

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

George J. Ho

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

Adam Keswick

Mr Adam Keswick joined the Board in April 2012. He is deputy managing director of Jardine Matheson, chairman of Jardine Pacific, and chairman and chief executive of Jardine Motors. He has held a number of executive positions since joining the Jardine Matheson group from N M Rothschild & Sons in 2001, including group strategy director and, thereafter, group managing director of Jardine Cycle & Carriage between 2003 and 2007. Mr Keswick is also deputy chairman of Jardine Matheson Limited, and a director of Hongkong Land, Jardine Strategic, Mandarin Oriental and Rothschilds Continuation.

Sir Henry Keswick

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

Dr George C.G. Koo

Dr Koo, a Fellow of the Royal College of Surgeons, was appointed as a Director in 1990. He is the founder and managing director of the Hong Kong Lithotripter Centre. He is also a director of Jardine Strategic.

Lord Leach of Fairford

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

A.J.L. Nightingale

Mr Nightingale joined the Board in 2006 and was Managing Director of the Company from 2006 to March 2012. He held a number of senior positions since first joining the Jardine Matheson group in 1969 until his retirement from executive office in March 2012. He is also a director of Hongkong Land, Jardine Cycle & Carriage, Jardine Matheson, Jardine Strategic and Mandarin Oriental, and a commissioner of Astra. Mr Nightingale is also a member of the Commission on Strategic Development, a member of the Committee on Strategic Enhancement of Hong Kong as an International Financial Centre, a vice president of The Real Estate Developers Association of Hong Kong, a council member of the Employers' Federation of Hong Kong, a Hong Kong representative to the APEC Business Advisory Council, a member of Chongqing Mayor's International Economic Advisory Council and a member of the UK ASEAN Business Council Advisory Panel. He is also chairman of The Sailors Home and Missions to Seamen in Hong Kong.

James Riley

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

Percy Weatherall

Mr Weatherall joined the Board in 2000 and was Managing Director from 2000 to 2006. He first joined the Jardine Matheson group in 1976 and retired from executive office in 2006. He is also a director of Hongkong Land, Jardine Matheson, Jardine Strategic and Mandarin Oriental. He is chairman of Corney and Barrow.

Giles White

Mr White joined the Board in 2009. He is the Jardine Matheson group general counsel. He was previously Asia managing partner of Linklaters based in Hong Kong, prior to which he was the firm's head of global finance and projects in London. Mr White is also a director of Jardine Matheson Limited, Jardine Matheson and Mandarin Oriental.

*Executive Director

1st April 2012

Consolidated Profit and Loss Account

for the year ended 31st December 2011

	Note	2011 Underlying business performance US$m	2011 Non-trading items US$m	2011 Total US$m	2010 Underlying business performance US$m	2010 Non-trading items US$m	2010 Total US$m
Sales	4	**9,134.4**	**–**	**9,134.4**	7,970.5	–	7,970.5
Cost of sales		**(6,451.9)**	**–**	**(6,451.9)**	(5,595.5)	–	(5,595.5)
Gross margin		**2,682.5**	**–**	**2,682.5**	2,375.0	–	2,375.0
Other operating income		**132.9**	**–**	**132.9**	120.4	0.3	120.7
Selling and distribution costs		**(1,971.4)**	**–**	**(1,971.4)**	(1,755.2)	–	(1,755.2)
Administration and other operating expenses		**(308.7)**	**–**	**(308.7)**	(270.5)	(0.7)	(271.2)
Operating profit	5	**535.3**	**–**	**535.3**	469.7	(0.4)	469.3
Financing charges		**(21.1)**	**–**	**(21.1)**	(25.5)	–	(25.5)
Financing income		**3.6**	**–**	**3.6**	2.9	–	2.9
Net financing charges	6	**(17.5)**	**–**	**(17.5)**	(22.6)	–	(22.6)
Share of results of associates and joint ventures	7	**55.6**	**10.5**	**66.1**	47.1	–	47.1
Profit before tax		**573.4**	**10.5**	**583.9**	494.2	(0.4)	493.8
Tax	8	**(99.3)**	**–**	**(99.3)**	(85.5)	2.0	(83.5)
Profit after tax		**474.1**	**10.5**	**484.6**	408.7	1.6	410.3
Attributable to:							
Shareholders of the Company	9	**473.8**	**10.5**	**484.3**	409.8	1.6	411.4
Non-controlling interests		**0.3**	**–**	**0.3**	(1.1)	–	(1.1)
		474.1	**10.5**	**484.6**	408.7	1.6	410.3

	Note	2011 US¢		2011 Total US¢	2010 US¢		2010 Total US¢
Earnings per share	9						
– basic		**35.09**		**35.87**	30.38		30.50
– diluted		**35.05**		**35.83**	30.34		30.46

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2011

	Note	2011 US$m	2010 US$m
Profit for the year		**484.6**	410.3
Revaluation of other investments			
– gains arising during the year	*14*	**0.7**	0.2
Net actuarial loss on employee benefit plans		**(33.4)**	(5.2)
Net exchange translation differences			
– (losses)/gains arising during the year		**(17.0)**	13.6
Cash flow hedges			
– net gain arising during the year		**5.6**	2.6
Share of other comprehensive expense of associates and joint ventures	*13*	**(1.1)**	(2.7)
Tax relating to components of other comprehensive income or expense	*8*	**5.0**	0.2
Other comprehensive (expense)/income for the year		**(40.2)**	8.7
Total comprehensive income for the year		**444.4**	419.0
Attributable to:			
Shareholders of the Company		**444.6**	420.1
Non-controlling interests		**(0.2)**	(1.1)
		444.4	419.0

Consolidated Balance Sheet

at 31st December 2011

	Note	2011 US$m	2010 US$m
Net operating assets			
Intangible assets	*11*	**352.4**	343.9
Tangible assets	*12*	**896.0**	920.8
Associates and joint ventures	*13*	**193.5**	160.6
Other investments	*14*	**4.0**	3.3
Non-current debtors	*15*	**126.9**	123.5
Deferred tax assets	*16*	**20.6**	19.2
Pension assets	*17*	**0.7**	27.1
Non-current assets		**1,594.1**	1,598.4
Stocks		**949.1**	816.3
Current debtors	*15*	**217.8**	160.4
Current tax assets		**0.9**	0.9
Bank balances and other liquid funds	*18*	**729.7**	681.8
		1,897.5	1,659.4
Non-current assets classified as held for sale	*19*	**47.4**	–
Current assets		**1,944.9**	1,659.4
Current creditors	*20*	**(2,140.2)**	(1,869.9)
Current borrowings	*21*	**(130.2)**	(120.5)
Current tax liabilities		**(80.6)**	(69.0)
Current provisions	*22*	**(6.2)**	(5.8)
Current liabilities		**(2,357.2)**	(2,065.2)
Net current liabilities		**(412.3)**	(405.8)
Long-term borrowings	*21*	**(133.4)**	(337.9)
Deferred tax liabilities	*16*	**(43.5)**	(48.8)
Pension liabilities	*17*	**(36.1)**	(33.9)
Non-current creditors	*20*	**(16.8)**	(16.4)
Non-current provisions	*22*	**(21.7)**	(21.4)
Non-current liabilities		**(251.5)**	(458.4)
		930.3	734.2
Total equity			
Share capital	*23*	**75.0**	75.0
Share premium and capital reserves	*25*	**50.2**	46.4
Revenue and other reserves		**797.5**	611.7
Shareholders' funds		**922.7**	733.1
Non-controlling interests	*27*	**7.6**	1.1
		930.3	734.2

Approved by the Board of Directors

A.J.L. Nightingale
Michael Kok
Directors

1st March 2012

Consolidated Statement of Changes in Equity

for the year ended 31st December 2011

	Attributable to shareholders of the Company								
	Share capital US$m	Share premium US$m	Capital reserves US$m	Revenue reserves US$m	Hedging reserves US$m	Exchange reserves US$m	Total US$m	Attributable to non-controlling interests US$m	Total equity US$m
2011									
At 1st January	75.0	18.0	28.4	617.7	(3.6)	(2.4)	733.1	1.1	**734.2**
Total comprehensive income	–	–	–	456.1	4.7	(16.2)	444.6	(0.2)	**444.4**
Dividends paid by the Company	–	–	–	(256.5)	–	–	(256.5)	–	**(256.5)**
Unclaimed dividends forfeited	–	–	–	0.5	–	–	0.5	–	**0.5**
Issue of shares	–	1.6	–	–	–	–	1.6	–	**1.6**
Employee share option schemes	–	–	2.2	–	–	–	2.2	–	**2.2**
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	6.7	**6.7**
Change in interests in associates	–	–	–	(2.8)	–	–	(2.8)	–	**(2.8)**
At 31st December	**75.0**	**19.6**	**30.6**	**815.0**	**1.1**	**(18.6)**	**922.7**	**7.6**	**930.3**
2010									
At 1st January	74.9	9.9	26.7	436.1	(5.5)	(16.5)	525.6	2.2	527.8
Total comprehensive income	–	–	–	404.1	1.9	14.1	420.1	(1.1)	419.0
Dividends paid by the Company	–	–	–	(222.5)	–	–	(222.5)	–	(222.5)
Issue of shares	0.1	8.1	–	–	–	–	8.2	–	8.2
Employee share option schemes	–	–	1.7	–	–	–	1.7	–	1.7
At 31st December	75.0	18.0	28.4	617.7	(3.6)	(2.4)	733.1	1.1	734.2

Total comprehensive income included in revenue reserves comprises profit attributable to shareholders of the Company of US$484.3 million *(2010: US$411.4 million)*, net fair value gain on other investments of US$0.6 million *(2010: US$0.2 million)* and net actuarial loss on employee benefit plans of US$28.8 million *(2010: US$7.5 million)*. Cumulative net fair value gain on other investments and net actuarial loss on employee benefit plans amounted to US$3.1 million *(2010: US$2.5 million)* and US$21.5 million *(2010: net gain US$6.8 million)*, respectively.

Consolidated Cash Flow Statement

for the year ended 31st December 2011

	Note	2011 US$m	2010 US$m
Operating activities			
Operating profit	*5*	**535.3**	469.3
Depreciation and amortization	*29(a)*	**181.4**	167.3
Other non-cash items	*29(b)*	**8.3**	6.0
Decrease in working capital	*29(c)*	**72.6**	100.5
Interest received		**3.5**	2.9
Interest and other financing charges paid		**(21.7)**	(25.5)
Tax paid		**(88.3)**	(73.6)
		691.1	646.9
Dividends from associates and joint ventures		**39.2**	29.6
Cash flows from operating activities		**730.3**	676.5
Investing activities			
Purchase of tangible assets		**(213.5)**	(210.8)
Purchase of subsidiaries	*29(d)*	**(0.4)**	(52.2)
Purchase of associates and joint ventures		**(9.9)**	–
Purchase of intangible assets		**(18.7)**	(13.0)
Sale of properties	*29(e)*	**–**	37.3
Sale of other tangible assets		**1.0**	0.8
Cash flows from investing activities		**(241.5)**	(237.9)
Financing activities			
Issue of shares		**1.6**	8.2
Capital contributions from non-controlling interests		**6.7**	–
Drawdown of borrowings		**1,293.4**	1,480.4
Repayment of borrowings		**(1,492.5)**	(1,555.5)
Dividends paid by the Company	*26*	**(256.5)**	(222.5)
Cash flows from financing activities		**(447.3)**	(289.4)
Net increase in cash and cash equivalents		**41.5**	149.2
Cash and cash equivalents at 1st January		**679.9**	520.8
Effect of exchange rate changes		**(2.7)**	9.9
Cash and cash equivalents at 31st December	*29(f)*	**718.7**	679.9

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

Standards, amendments and interpretations effective in 2011 which are relevant to the Group's operations

Revised IAS 24	Related Party Disclosures
Amendment to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs (2010)	

The adoption of these standards, amendments and interpretations does not have a material impact on the Group's accounting policies.

Revised IAS 24 'Related Party Disclosures' supersedes IAS 24 (as revised in 2003). It simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

Amendment to IAS 32 'Classification of Rights Issues' clarifies that rights issues are equity instruments when they are denominated in a currency other than the issuer's functional currency and are issued pro-rata to an entity's existing shareholders for a fixed amount of currency.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement' require an entity to recognize an asset for a prepayment that will reduce future minimum funding contributions required by the entity.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' provides guidance on the application of IAS 39 and IAS 32 when an entity issues its own equity instruments to extinguish all or part of a financial liability.

The Improvements to IFRSs (2010) comprise a number of non-urgent but necessary amendments to IFRSs. The amendments which are relevant to the Group's operations include IFRS 3 (amendments) 'Business Combinations', IFRS 7 (amendments) 'Financial Instruments: Disclosures', IAS 1 (amendments) 'Presentation of Financial Statements', IAS 34 (amendments) 'Interim Financial Reporting' and IFRIC 13 (amendment) 'Customer Loyalty Programmes'.

IFRS 3 (amendments) 'Business Combinations' clarify the transition requirements for contingent consideration from business combination that occurred before the effective date of the revised IFRS, the measurement of non-controlling interests and un-replaced and voluntarily replaced share-based payment awards.

IFRS 7 (amendments) 'Financial Instruments: Disclosures' emphasize the interaction between qualitative and quantitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 (amendments) 'Presentation of Financial Statements' clarify that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

IAS 34 (amendments) 'Interim Financial Reporting' provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.

IFRIC 13 (amendment) 'Customer Loyalty Programmes' clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

Standards and amendments effective after 2011 which are relevant to the Group's operations and yet to be adopted

Amendments to IFRS 7	Financial Instruments: Disclosures on Derecognition
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (amended 2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures

Amendments to IFRS 7 'Financial Instruments: Disclosures on Derecognition' (effective for annual period beginning 1st July 2011) promotes transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position particularly those involving securitization of financial assets.

IFRS 9 'Financial Instruments' (effective 1st January 2015) is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities, to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 'Remeasurement of Embedded Derivatives'. The Group has yet to assess the full impact of IFRS 9 and will apply the standard from 1st January 2015.

IFRS 10 'Consolidated Financial Statements' (effective 1st January 2013) replaces SIC Interpretation 12 'Consolidation – Special Purpose Entities' and most of IAS 27 'Consolidated and Separate Financial Statements'. It contains a new single consolidation model that identifies control as the basis for consolidation for all types of entities. It provides a definition of control that comprises the elements of power over an investee; exposure of rights to variable returns from an investee; and ability to use power to affect the reporting entity's returns. The Group has yet to assess the full impact of IFRS 10 and will apply the standard from 1st January 2013.

IFRS 11 'Joint Arrangements' (effective 1st January 2013) replaces IAS 31 'Interests in Joint Ventures' and classifies joint arrangements as either joint operations (whereby the parties that have joint control have rights to the assets and obligations for the liabilities of the joint arrangements) or joint ventures (whereby the parties that have joint control have rights to the net assets of the joint arrangements). It prescribes the accounting for interests in joint operations as its interest in the assets, liabilities, revenues and expenses. The current option permitted by IAS 28 (amended) to proportionately consolidate for joint ventures is no longer permitted. The Group has yet to assess the full impact of IFRS 11 and will apply the standard from 1st January 2013.

IFRS 12 'Disclosure of Interests in Other Entities' (effective 1st January 2013) requires entities to disclose information that helps financial statements readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Disclosure required includes significant judgements and assumptions made in determining whether an entity controls, jointly controls, significantly influences or has some other interests in other entities. The Group will apply the standard from 1st January 2013.

IFRS 13 'Fair Value Measurement' (effective 1st January 2013) requires entities to disclose information about the valuation techniques and inputs used to measure fair value, as well as information about the uncertainty inherent in fair value measurements. The standard applies to both financial and non-financial items measured at fair value. Fair value is now defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e. an exit price). The Group will apply the standard from 1st January 2013.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (effective 1st July 2012) improves the consistency and clarity of the presentation of items of other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled – such as actuarial gains or losses on defined benefit pension plans – will be presented separately from items that may be recycled in the future – such as deferred gains and losses on cash flow hedges. The amounts of tax related to the two groups are required to be allocated on the same basis. The Group will apply the standard from 1st January 2013.

IAS 19 (amended 2011) 'Employee Benefits' (effective 1st January 2013) requires the assumed return on plan assets recognized in the profit and loss to be the same as the rate used to discount the defined benefit obligation. It also requires actuarial gains and losses to be recognized immediately in other comprehensive income and past service costs immediately in profit or loss. Additional disclosures are required to present the characteristics of benefit plans, the amount recognized in the financial statements, and the risks arising from defined benefit plans and multi-employer plans. The Group will apply the standard from 1st January 2013.

IAS 27 (2011) 'Separate Financial Statements' (effective 1st January 2013) supersedes IAS 27 (2008) and prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. There will be no impact on the consolidated financial statements as the changes only affect the separate financial statements of the investing entity.

IAS 28 (2011) 'Investments in Associates and Joint Ventures' (effective 1st January 2013) supersedes IAS 28 (2008) and prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The adoption of this standard is not expected to have any significant impact on the results of the Group as the Group is already following the standard.

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

The Group's reportable segments are set out in notes 4, 5 and 7 and are described on page 31.

Basis of consolidation

(i) The consolidated financial statements include the financial statements of the Company, its subsidiaries, and its associates and joint ventures.

(ii) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition includes the fair value at the acquisition date of any contingent consideration. In a business combination achieved in stages, the Group remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss in profit and loss. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gain or loss is recognized in profit and loss.

All material intercompany transactions, balances and unrealized surpluses and deficits on transactions between Group companies have been eliminated.

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the consolidated financial statements only to the extent of unrelated investor's interests in the associates.

(iv) Non-controlling interests represent the proportion of the results and net assets of subsidiaries and their associates and joint ventures not attributable to the Group.

(v) The results of subsidiaries, associates and joint ventures are included or excluded from their effective dates of acquisition or disposal, respectively. The results of entities other than subsidiaries, associates and joint ventures are included to the extent of dividends received when the right to receive such dividend is established.

Foreign currencies

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

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

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries, associates and joint ventures, and of financial instruments which are designated as hedges of such investments, are recognized in other comprehensive income and accumulated in equity under exchange reserves. On the disposal of these investments, such exchange differences are recognized in profit and loss. Exchange differences on available-for-sale investments are recognized in other comprehensive income as part of the gains and losses arising from changes in their fair value. All other exchange differences are recognized in profit and loss.

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

Impairment

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

Intangible assets

(i) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the effective date of acquisition. Non-controlling interests are measured at their proportionate share of the net identifiable assets at the acquisition dates. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in profit and loss. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investment in associates and joint ventures. Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing and is carried at cost less accumulated impairment loss.

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

(ii) Leasehold land represents payments to third parties to acquire short-term interests in property. These payments are stated at cost and are amortized over the useful life of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

(iii) Other intangible assets are stated at cost less accumulated amortization. Amortization is calculated on the straight line basis to allocate the cost of intangible assets over their estimated useful lives.

Tangible fixed assets and depreciation

Freehold land and buildings, and the building component of owner-occupied leasehold properties are stated at cost less any accumulated depreciation and impairment. Long-term interests in leasehold land are classified as finance leases and grouped under tangible assets if substantially all risks and rewards relating to the land have been transferred to the Group, and are amortized over the useful life of the lease. Grants related to tangible assets are deducted in arriving at the carrying amount of the assets. Other tangible fixed assets are stated at cost less amounts provided for depreciation.

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

Buildings	30 – 50 years
Leasehold improvements	period of the lease
Leasehold land	period of the lease
Plant and machinery	3 – 20 years
Furniture, equipment and motor vehicles	2 – 15 years

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

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

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

Investments
(i) Investments are classified by management as available for sale on initial recognition. Available-for-sale investments are shown at fair value. Gains or losses arising from changes in the fair value are recognized in other comprehensive income. On the disposal of an investment or when an investment is determined to be impaired, the cumulative gain or loss previously deferred in equity is recognized in profit and loss. Investments are classified under non-current assets unless they are expected to be realized within twelve months after the balance sheet date.

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

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

Leases
Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

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

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

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

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

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

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

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

Borrowings are classified under non-current liabilities unless these are due to be settled within twelve months after the balance sheet date.

Deferred tax
Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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

Employee benefits
(i) Pension obligations
The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

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

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

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

Non-current assets held for sale
Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use.

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

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

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

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

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

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

Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognized when it is probable that the Group has obligations under such guarantees and an outflow of resources embodying economic benefits will be required to settle the obligations.

Non-trading items

Non-trading items are separately identified to provide greater understanding of the Group's underlying business performance. Items classified as non-trading items include gains and losses arising from the sale of businesses, investments and properties; impairment of non-depreciable intangible assets and other investments; provisions for the closure of businesses; acquisition-related costs in business combinations; and other credits and charges of a non-recurring nature that require inclusion in order to provide additional insight into underlying business performance.

Earnings per share

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

Dividends

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

Sales

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

Pre-operating costs
Pre-operating costs are expensed as they are incurred.

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

2. FINANCIAL RISK MANAGEMENT

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

The Group's treasury function co-ordinates financial risk management policies and their implementation on a group-wide basis. The Group's treasury policies are designed to manage the financial impact of fluctuations in interest rates and foreign exchange rates and to minimize the Group's financial risks. The Group uses derivative financial instruments, principally interest rate swaps, caps, forward foreign exchange contracts and foreign currency options as appropriate for hedging transactions and managing the Group's assets and liabilities in accordance with the Group's financial risk management policies. Financial derivative contracts are executed between third party banks and the Group entity that is directly exposed to the risk being hedged. Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in profit and loss. It is the Group's policy not to enter into derivative transactions for speculative purposes. The notional amounts and fair values of derivative financial instruments at 31st December 2011 are disclosed in note 30.

(i) Market risk

Foreign exchange risk

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

Entities in the Group use forward foreign exchange contracts and foreign currency options in a consistent manner to hedge firm and anticipated foreign exchange commitments and manage their foreign exchange risk arising from future commercial transactions. Group companies are required to manage their foreign exchange risk against their functional currency. The purpose of these hedges is to mitigate the impact of movements in foreign exchange rates on assets and liabilities and the profit and loss account of the Group.

Currency risks as defined by IFRS 7 arise on account of monetary assets and liabilities being denominated in a currency that is not the functional currency. There are no significant monetary balances held by Group companies at 31st December 2011 that are denominated in a non-functional currency.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, and partly through the use of derivative financial instruments such as interest rate swaps and caps. The Group monitors interest rate exposure on a monthly basis by currency and business unit, taking into consideration proposed financing and hedging arrangements. The Group's guideline is to maintain 40% to 60% of its gross borrowings in fixed rate instruments. At 31st December 2011 the Group's interest rate hedge was 52% *(2010: 51%)*, with an average tenor of 0.8 year *(2010: 1.3 years)*. The interest rate profile of the Group's borrowings after taking into account hedging transactions is set out in note 21.

Cash flow interest rate risk is the risk that changes in market interest rates will impact cash flows arising from variable rate financial instruments. Borrowings at floating rates therefore expose the Group to cash flow interest rate risk. The Group manages this risk by entering into interest rate swaps and caps for a maturity of up to five years. Interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate, whilst caps provide protection against a rise in floating rates above a pre-determined rate.

At 31st December 2011, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax would have been US$4.9 million *(2010: US$3.9 million)* higher/lower, and hedging reserves would have been US$1.2 million *(2010: US$3.2 million)* higher/lower, as a result of fair value changes to cash flow hedges. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group, specifically the United States and Malaysia rates over the period until the next annual balance sheet date. Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments, the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of profit after tax sensitivities. Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements affect the hedging reserves and are therefore taken into consideration in the equity-related sensitivity calculations.

(ii) Credit risk
The Group's credit risk is primarily attributable to deposits with banks and credit exposures to derivative financial instruments with a positive fair value. The Group has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and transactions involving derivative financial instruments by monitoring credit ratings, capital adequacy ratios, and limiting the aggregate risk to any individual counterparty. The utilization of credit limits is regularly monitored. At 31st December 2011, over 99% *(2010: 99%)* of deposits and balances with banks were made to institutions with credit ratings of no less than A- (Fitch). Similarly, transactions involving derivative financial instruments are with banks with sound credit ratings and capital adequacy ratios. In developing countries it may be necessary to deposit money with banks that have a lower credit rating, however, the Group only enters into derivative transactions with counterparties which have credit ratings of at least investment grade. Management does not expect any counterparty to fail to meet its obligations.

Sales to customers are made in cash or by major credit cards. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

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

At 31st December 2011, total available borrowing facilities amounted to US$925.6 million *(2010: US$1,179.6 million)*, of which US$263.6 million *(2010: US$458.4 million)* was drawn down. Undrawn committed facilities, in the form of revolving credit facilities, totalled US$306.1 million *(2010: US$404.7 million)*.

The table below analyzes the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year US$m	Between one and two years US$m	Between two and three years US$m	Between three and four years US$m	Between four and five years US$m	Beyond five years US$m	Total undiscounted cash flows US$m
At 31st December 2011							
Creditors	2,134.4	11.6	1.5	0.2	0.2	2.9	**2,150.8**
Borrowings	140.2	104.5	1.5	16.7	0.9	16.4	**280.2**
Net settled derivative financial instruments	0.7	0.2	–	–	–	–	**0.9**
Gross settled derivative financial instruments	27.1	–	–	–	–	–	**27.1**
At 31st December 2010							
Creditors	1,863.3	10.4	1.2	–	–	3.4	1,878.3
Borrowings	136.6	136.9	156.5	7.3	42.3	17.9	497.5
Net settled derivative financial instruments	4.1	0.5	0.1	–	–	–	4.7
Gross settled derivative financial instruments	26.8	–	–	–	–	–	26.8

Capital management

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

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

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

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

	2011	2010
Interest cover (times)	**34**	23

The Group had a net cash position at 31st December 2011 and 2010, as a result of improved working capital and increased operating profits. The increase in interest cover is also as a result of increased operating profits.

Fair value estimation
(i) Financial instruments that are measured at fair value - inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly ('observable current market transactions').

The fair values of all interest rate swaps, caps and forward foreign exchange contracts have been determined using rates quoted by the Group's bankers at the balance sheet date which are calculated by reference to the market interest rates and foreign exchange rates.

(ii) Financial instruments that are not measured at fair value
The fair values of current debtors, bank balances and other liquid funds, current creditors and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

Provision of deferred tax follows the way management expects to recover or settle the carrying amount of the related assets or liabilities, which the management may expect to recover through use, sale or combination of both. Accordingly, deferred tax will be calculated at income tax rate, capital gains tax rate or combination of both.

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

Pension obligations

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

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

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

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

Non-trading items

The Group uses underlying business performance in its internal financial reporting to distinguish between the underlying profits and non-trading items. The identification of non-trading items requires judgement by management, but follows the consistent methodology as set out in the Group's accounting policies.

4. SALES

	Including associates and joint ventures		Subsidiaries	
	2011 US$m	2010 US$m	**2011** US$m	2010 US$m
Analysis by operating segment:				
North Asia	**4,537.3**	4,009.8	**4,537.3**	4,009.8
East Asia	**2,788.2**	2,395.8	**2,787.8**	2,395.8
South Asia	**1,880.9**	1,629.9	**1,809.3**	1,564.9
	9,206.4	8,035.5	**9,134.4**	7,970.5
Maxim's	**1,242.6**	1,077.6	**–**	–
	10,449.0	9,113.1	**9,134.4**	7,970.5
Analysis by format:				
Supermarkets/hypermarkets	**5,516.5**	4,848.6	**5,474.1**	4,807.6
Health and beauty stores	**1,750.3**	1,454.6	**1,720.7**	1,430.6
Convenience stores	**1,584.8**	1,426.2	**1,584.8**	1,426.2
Home furnishings stores	**354.8**	306.1	**354.8**	306.1
	9,206.4	8,035.5	**9,134.4**	7,970.5
Restaurants	**1,242.6**	1,077.6	**–**	–
	10,449.0	9,113.1	**9,134.4**	7,970.5

Sales including associates and joint ventures comprise 100% of sales from associates and joint ventures.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board for the purpose of resource allocation and performance assessment. Dairy Farm operates in four operating segments: North Asia, East Asia, South Asia and Maxim's. North Asia comprises Hong Kong, mainland China, Macau and Taiwan. East Asia comprises Malaysia, Indonesia, Vietnam and Brunei. South Asia comprises Singapore and India. Maxim's is the Group's major associate, a leading Hong Kong restaurant chain. No operating segments have been aggregated to form the reportable segments.

5. OPERATING PROFIT

	2011 US$m	2010 US$m
Analysis by operating segment:		
North Asia	**258.1**	215.9
East Asia	**199.3**	178.0
South Asia	**113.8**	107.0
	571.2	500.9
Support office	**(35.9)**	(31.2)
	535.3	469.7
Non-trading items in East Asia:		
– acquisition-related costs in business combinations	**–**	(0.7)
– profit on sale of a property	**–**	0.3
	535.3	469.3
Analysis by format:		
Supermarkets/hypermarkets	**282.3**	266.9
Health and beauty stores	**164.6**	131.2
Convenience stores	**67.1**	55.3
Home furnishings stores	**35.9**	32.2
Other	**21.3**	15.3
	571.2	500.9

5. OPERATING PROFIT *(continued)*

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

	2011 US$m	2010 US$m
Cost of stocks recognized as expense	**6,435.5**	5,580.2
Amortization of intangible assets *(note 11)*	**7.0**	5.9
Depreciation of tangible assets *(note 12)*	**174.4**	161.4
Write down of stocks	**1.6**	4.6
Reversal of write down of stocks	**(0.5)**	(0.8)
Employee benefit expense		
– salaries and benefits in kind	**752.5**	657.7
– share options granted *(note 25)*	**2.2**	1.7
– defined benefit pension plans *(note 17)*	**9.8**	10.3
– defined contribution pension plans	**35.8**	30.6
	800.3	700.3
Operating leases		
– minimum lease payments	**675.5**	617.9
– contingent rents	**12.7**	6.0
– subleases	**(47.5)**	(41.6)
	640.7	582.3
Auditors' remuneration		
– audit	**1.5**	1.4
– non-audit services	**0.4**	0.8
	1.9	2.2
Concession and service income	**(103.8)**	(94.2)
Rental income	**(21.3)**	(15.3)
Net foreign exchange gains	**(1.1)**	(1.1)
Loss on sale of tangible assets	**6.1**	4.7

6. NET FINANCING CHARGES

	2011 US$m	2010 US$m
Interest expense – bank loans and advances	**19.2**	23.8
Commitment and other fees	**1.9**	1.7
Financing charges	**21.1**	25.5
Interest income on bank deposits	**(3.6)**	(2.9)
	17.5	22.6

7. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	2011 US$m	2010 US$m
Analysis by operating segment:		
Maxim's	**67.6**	49.1
East Asia	**(0.6)**	–
South Asia	**(0.9)**	(2.0)
	66.1	47.1
Analysis by format:		
Restaurants	**67.6**	49.1
Supermarkets/hypermarkets	**(2.0)**	(2.4)
Health and beauty stores	**0.5**	0.4
	66.1	47.1

Share of results of associates and joint ventures included our share of a net gain in Maxim's of US$10.5 million classified as non-trading item *(note 10)*.

Results are shown after tax and non-controlling interests in the associates and joint ventures.

8. TAX

	2011 US$m	2010 US$m
Tax charged to profit and loss is analyzed as follows:		
Current tax	**(100.7)**	(76.2)
Deferred tax	**1.4**	(7.3)
	(99.3)	(83.5)
Geographical analysis:		
North Asia	**(42.9)**	(31.9)
East Asia	**(38.5)**	(35.4)
South Asia	**(17.9)**	(16.2)
	(99.3)	(83.5)
Reconciliation between tax expense and tax at the applicable tax rate:*		
Tax at applicable tax rate	**(84.5)**	(72.8)
Income not subject to tax	**0.7**	0.4
Expenses not deductible for tax purposes	**(7.9)**	(7.0)
Tax losses not recognized	**(5.1)**	(5.0)
Utilization of previously unrecognized tax losses	**1.3**	1.4
Recognition of previously unrecognized tax losses and temporary differences	**0.6**	0.5
Over provision in prior years	**0.4**	3.2
Withholding tax	**(2.7)**	(2.4)
Change in tax rates	**–**	(0.2)
Other	**(2.1)**	(1.6)
	(99.3)	(83.5)
Tax relating to components of other comprehensive income or expense is analyzed as follows:		
Actuarial valuation of employee benefit plans	**6.0**	0.9
Cash flow hedges	**(0.9)**	(0.7)
Revaluation of other investments	**(0.1)**	–
	5.0	0.2

Share of tax charge of associates and joint ventures of US$14.3 million *(2010: US$11.6 million)* is included in share of results of associates and joint ventures.

The Group has no tax payable in the United Kingdom *(2010: nil)*.

*The applicable tax rate for the year was 16.3% *(2010: 16.3%)* and represents the weighted average of the rates of taxation prevailing in the territories in which the Group operates.

9. EARNINGS PER SHARE

Basic earnings per share are calculated on profit attributable to shareholders of US$484.3 million *(2010: US$411.4 million)*, and on the weighted average number of 1,350.0 million *(2010: 1,349.0 million)* shares in issue during the year.

Diluted earnings per share are calculated on profit attributable to shareholders of US$484.3 million *(2010: US$411.4 million)*, and on the weighted average number of shares in issue after adjusting for the number of shares which are deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes based on the average share price during the year.

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

	Ordinary shares in millions	
	2011	2010
Weighted average number of shares for basic earnings per share calculation	**1,350.0**	1,349.0
Adjustment for shares deemed to be issued for no consideration under the Senior Executive Share Incentive Schemes	**1.8**	1.8
Weighted average number of shares for diluted earnings per share calculation	**1,351.8**	1,350.8

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

	2011			2010		
	US$m	Basic earnings per share US¢	Diluted earnings per share US¢	US$m	Basic earnings per share US¢	Diluted earnings per share US¢
Profit attributable to shareholders	**484.3**	**35.87**	**35.83**	411.4	30.50	30.46
Non-trading items *(note 10)*	**(10.5)**			(1.6)		
Underlying profit attributable to shareholders	**473.8**	**35.09**	**35.05**	409.8	30.38	30.34

10. NON-TRADING ITEMS

An analysis of non-trading items after interest, tax and non-controlling interests is set out below:

	2011 US$m	2010 US$m
Share of net gain from sale of 30% interests in the Starbucks operations in China by Maxim's	**10.5**	–
Release of over provision for a business disposal in prior years	**–**	2.0
Profit on sale of a property	**–**	0.3
Acquisition-related costs	**–**	(0.7)
	10.5	1.6

11. INTANGIBLE ASSETS

	Goodwill US$m	Leasehold land US$m	Other US$m	Total US$m
2011				
Cost	290.2	32.9	41.4	**364.5**
Amortization and impairment	(0.4)	(1.9)	(18.3)	**(20.6)**
Net book value at 1st January	289.8	31.0	23.1	**343.9**
Exchange differences	(3.2)	(0.5)	(0.7)	**(4.4)**
Additions	–	7.9	12.3	**20.2**
Disposals	–	–	(0.3)	**(0.3)**
Amortization	–	(0.9)	(6.1)	**(7.0)**
Net book value at 31st December	**286.6**	**37.5**	**28.3**	**352.4**
Cost	287.0	40.3	52.2	**379.5**
Amortization and impairment	(0.4)	(2.8)	(23.9)	**(27.1)**
	286.6	**37.5**	**28.3**	**352.4**
2010				
Cost	234.1	28.9	28.9	291.9
Amortization and impairment	(0.4)	(1.1)	(12.3)	(13.8)
Net book value at 1st January	233.7	27.8	16.6	278.1
Exchange differences	12.4	1.3	1.6	15.3
New subsidiaries acquired	–	–	0.2	0.2
Additions	43.7	2.7	9.8	56.2
Amortization	–	(0.8)	(5.1)	(5.9)
Net book value at 31st December	289.8	31.0	23.1	343.9
Cost	290.2	32.9	41.4	364.5
Amortization and impairment	(0.4)	(1.9)	(18.3)	(20.6)
	289.8	31.0	23.1	343.9

	2011 US$m	2010 US$m
Analysis of goodwill by operating segment:		
North Asia	**42.1**	42.2
East Asia	**160.3**	162.7
South Asia	**84.2**	84.9
	286.6	289.8

Other intangible assets comprise mainly trademarks and computer software.

Additions of goodwill in 2010 mainly related to the acquisition of Bintang stores in Malaysia and MCP stores in Singapore *(note 29(d))*.

Goodwill is allocated to cash-generating units identified as banners or group of stores acquired. Cash flow projections for impairment reviews are based on budgets prepared on the basis of assumptions reflective of the prevailing market conditions, and are discounted appropriately. Key assumptions used for value-in-use calculations include budgeted gross margins of between 24% and 49% and growth rates of up to 5% to extrapolate cash flows, which vary across the Group's business segments and geographical locations, over a five-year period, and are based on management expectations for the market development; and pre-tax discount rates of between 7% and 17% applied to the cash flow projections. The discount rates used reflect business specific risks relating to the relevant industry, business life-cycle and geographical location. On the basis of these reviews, management concluded that no impairment is required.

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

The remaining amortization periods for intangible assets are as follows:

Leasehold land	32 to 57 years
Other	0 to 13 years

12. TANGIBLE ASSETS

	Freehold properties US$m	Leasehold properties US$m	Leasehold improvements US$m	Plant & machinery US$m	Furniture, equipment & motor vehicles US$m	Total US$m
2011						
Cost	87.4	331.3	505.3	482.8	664.5	**2,071.3**
Depreciation and impairment	(2.1)	(56.4)	(344.9)	(314.8)	(432.3)	**(1,150.5)**
Net book value at 1st January	85.3	274.9	160.4	168.0	232.2	**920.8**
Exchange differences	(3.4)	(4.3)	(1.4)	(2.2)	(2.8)	**(14.1)**
Additions	32.1	7.7	46.7	44.7	89.1	**220.3**
Disposals	–	–	(3.1)	(1.8)	(2.5)	**(7.4)**
Depreciation charge	(0.3)	(8.5)	(45.8)	(48.9)	(70.9)	**(174.4)**
Classified as non-current assets held for sale	(18.9)	(30.3)	–	–	–	**(49.2)**
Net book value at 31st December	**94.8**	**239.5**	**156.8**	**159.8**	**245.1**	**896.0**
Cost	97.1	298.4	506.0	483.8	706.1	**2,091.4**
Depreciation and impairment	(2.3)	(58.9)	(349.2)	(324.0)	(461.0)	**(1,195.4)**
	94.8	**239.5**	**156.8**	**159.8**	**245.1**	**896.0**
2010						
Cost	48.2	194.8	465.2	425.5	579.7	1,713.4
Depreciation and impairment	(1.7)	(45.0)	(301.5)	(265.2)	(367.3)	(980.7)
Net book value at 1st January	46.5	149.8	163.7	160.3	212.4	732.7
Exchange differences	6.5	13.9	6.4	9.2	14.1	50.1
New subsidiaries acquired	–	15.3	1.9	2.0	1.1	20.3
Additions	32.4	30.0	33.1	43.7	71.3	210.5
Disposals	–	–	(3.3)	(1.0)	(1.5)	(5.8)
Depreciation charge	(0.1)	(8.1)	(41.8)	(46.2)	(65.2)	(161.4)
Reversal of impairment charge	–	–	0.4	–	–	0.4
Reclassified from non-current assets held for sale	–	74.0	–	–	–	74.0
Net book value at 31st December	85.3	274.9	160.4	168.0	232.2	920.8
Cost	87.4	331.3	505.3	482.8	664.5	2,071.3
Depreciation and impairment	(2.1)	(56.4)	(344.9)	(314.8)	(432.3)	(1,150.5)
	85.3	274.9	160.4	168.0	232.2	920.8

Net book value of leasehold properties acquired under finance leases amounted to US$68.1 million *(2010: US$84.7 million).*

13. ASSOCIATES AND JOINT VENTURES

	2011 US$m	2010 US$m
Unlisted associates	**185.8**	157.4
Joint ventures	**7.7**	3.2
Share of attributable net assets	**193.5**	160.6

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

	2011 US$m	2010 US$m
Non-current assets	**211.1**	163.7
Current assets	**156.0**	140.0
Non-current liabilities	**(26.5)**	(29.8)
Current liabilities	**(143.5)**	(109.5)
Total equity	**197.1**	164.4
Attributable to non-controlling interests	**(3.6)**	(3.8)
Attributable net assets	**193.5**	160.6
Sales	**657.0**	570.9
Profit after tax	**66.8**	47.8
Capital commitments	**36.8**	34.4
Contingent liabilities	**–**	–
Movements of share of attributable net assets for the year:		
At 1st January	**160.6**	145.8
Share of results after tax and non-controlling interests	**66.1**	47.1
Share of other comprehensive expense after tax and non-controlling interests	**(1.1)**	(2.7)
Dividends received	**(39.2)**	(29.6)
Capital injections	**9.9**	–
Change in interests in associates	**(2.8)**	–
At 31st December	**193.5**	160.6
Analysis by operating segment:		
Maxim's	**186.8**	161.8
East Asia	**4.4**	–
South Asia	**2.3**	(1.2)
At 31st December	**193.5**	160.6

14. OTHER INVESTMENTS

	2011 US$m	2010 US$m
Movements for the year:		
At 1st January	**3.3**	3.1
Revaluation surplus	**0.7**	0.2
At 31st December	**4.0**	3.3

Other investments are unlisted non-current available-for-sale financial assets in North Asia. The fair value is determined on observable current market transactions.

15. DEBTORS

	2011 US$m	2010 US$m
Trade debtors		
– third parties	**76.2**	50.7
– provision for impairment	**(0.6)**	(0.6)
	75.6	50.1
Other debtors		
– third parties	**269.6**	234.2
– provision for impairment	**(0.5)**	(0.4)
	269.1	233.8
	344.7	283.9
Non-current	**126.9**	123.5
Current	**217.8**	160.4
	344.7	283.9
Geographical analysis:		
North Asia	**145.8**	114.8
East Asia	**125.2**	106.0
South Asia	**73.7**	63.1
	344.7	283.9

Trade and other debtors

Sales to customers are made in cash or by major credit cards. The average credit period on sale of goods and services varies among Group businesses and is normally not more than 30 days. The maximum exposure to credit risk is represented by the carrying amount of trade debtors after deducting the impairment allowance.

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

15. DEBTORS *(continued)*

At 31st December 2011, trade debtors of US$0.6 million *(2010: US$0.6 million)* and other debtors of US$0.5 million *(2010: US$0.4 million)* were impaired, which have been fully provided for in both years. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2011 US$m	2010 US$m	**2011** US$m	2010 US$m
Over 90 days	**0.6**	0.6	**0.5**	0.4

At 31st December 2011, trade debtors of US$6.4 million *(2010: US$3.3 million)* and other debtors of US$1.9 million *(2010: US$2.9 million)*, respectively, were past due but not impaired. The ageing analysis of these debtors is as follows:

	Trade debtors		Other debtors	
	2011 US$m	2010 US$m	**2011** US$m	2010 US$m
Below 30 days	**5.3**	2.9	**1.0**	1.2
Between 31 and 60 days	**0.7**	0.2	**0.5**	0.5
Between 61 and 90 days	**0.2**	0.1	**0.2**	0.3
Over 90 days	**0.2**	0.1	**0.2**	0.9
	6.4	3.3	**1.9**	2.9

The risk of trade and other debtors that are neither past due nor impaired at 31st December 2011 becoming impaired is low as most of the balances have been settled subsequent to the year end.

Other debtors

Other debtors are further analyzed as follows:

	2011 US$m	2010 US$m
Prepayments	**58.2**	56.9
Rental and other deposits	**129.0**	121.5
Derivative financial instruments	**2.4**	0.2
Other	**79.5**	55.2
	269.1	233.8

Movements in the provision for impairment are as follows:

	Trade debtors		Other debtors	
	2011 US$m	2010 US$m	**2011** US$m	2010 US$m
At 1st January	**(0.6)**	(0.6)	**(0.4)**	(0.2)
Additional provisions	**(0.4)**	(0.3)	**(0.1)**	(0.2)
Unused amounts reversed	**0.2**	0.2	**–**	–
Amounts written off	**0.2**	0.1	**–**	–
At 31st December	**(0.6)**	(0.6)	**(0.5)**	(0.4)

There were no debtors pledged as security for borrowings as at 31st December 2011 and 2010.

16. DEFERRED TAX ASSETS/ (LIABILITIES)

	Accelerated tax depreciation US$m	Fair value gains/ losses US$m	Employee benefits US$m	Provisions and other temporary differences US$m	Total US$m
2011					
At 1st January	(35.8)	(4.7)	3.1	7.8	**(29.6)**
Exchange differences	0.4	–	0.1	(0.2)	**0.3**
Credited/(charged) to profit and loss	0.8	–	(2.3)	2.9	**1.4**
Credited/(charged) to other comprehensive income	–	(1.0)	6.0	–	**5.0**
At 31st December	**(34.6)**	**(5.7)**	**6.9**	**10.5**	**(22.9)**
Deferred tax assets	1.7	0.1	7.0	11.8	**20.6**
Deferred tax liabilities	(36.3)	(5.8)	(0.1)	(1.3)	**(43.5)**
	(34.6)	**(5.7)**	**6.9**	**10.5**	**(22.9)**
2010					
At 1st January	(27.9)	(3.8)	3.4	6.8	(21.5)
Exchange differences	(1.6)	(0.1)	0.4	0.4	(0.9)
New subsidiary acquired	(0.1)	–	–	–	(0.1)
(Charged)/credited to profit and loss	(6.2)	–	(1.7)	0.6	(7.3)
Credited/(charged) to other comprehensive income	–	(0.8)	1.0	–	0.2
At 31st December	(35.8)	(4.7)	3.1	7.8	(29.6)
Deferred tax assets	1.2	0.6	7.6	9.8	19.2
Deferred tax liabilities	(37.0)	(5.3)	(4.5)	(2.0)	(48.8)
	(35.8)	(4.7)	3.1	7.8	(29.6)

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

Deferred tax assets of US$15.8 million *(2010: US$14.6 million)* arising from unused tax losses of US$63.3 million *(2010: US$60.6 million)* have not been recognized in the financial statements. Included in the unused tax losses, US$8.3 million have no expiry date and the balance will expire at various dates up to and including 2016.

17. PENSION PLANS

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

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

	2011 Weighted average %	2010 Weighted average %
Discount rate applied to pension obligations	**4.8**	5.2
Expected return on plan assets	**7.4**	7.7
Future salary increases	**5.3**	5.2

The expected return on plan assets is determined on the basis of long-term average returns on global equities of 3.8% to 11.4% per annum and global bonds of 2.8% to 4.4% per annum, and the long-term benchmark allocation of assets between equities and bonds in each plan.

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

	2011 US$m	2010 US$m
Fair value of plan assets	**169.7**	173.9
Present value of funded obligations	**(169.0)**	(146.8)
	0.7	27.1
Present value of unfunded obligations	**(35.7)**	(33.5)
Unrecognized past service cost	**(0.4)**	(0.4)
Net pension liabilities	**(35.4)**	(6.8)
Analysis of net pension liabilities:		
Pension assets	**0.7**	27.1
Pension liabilities	**(36.1)**	(33.9)
	(35.4)	(6.8)
Movements in the fair value of plan assets:		
At 1st January	**173.9**	154.6
Exchange differences	**(0.2)**	(0.2)
Expected return on plan assets	**13.1**	11.5
Actuarial (losses)/gains	**(20.6)**	2.9
Contributions from sponsoring companies	**13.7**	16.7
Benefits paid	**(10.3)**	(8.9)
Transfer from/(to) other plans	**0.1**	(2.7)
At 31st December	**169.7**	173.9
Movements in the present value of obligations:		
At 1st January	**(180.3)**	(160.6)
Exchange differences	**0.9**	(2.0)
Current service cost	**(13.7)**	(12.9)
Interest cost	**(9.2)**	(8.5)
Past service cost	**–**	(0.4)
Actuarial losses	**(12.8)**	(8.1)
Benefits paid	**10.5**	9.5
Transfer (from)/to other plans	**(0.1)**	2.7
At 31st December	**(204.7)**	(180.3)

17. PENSION PLANS *(continued)*

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

	2011 US$m	2010 US$m
Equity instruments	**89.0**	93.6
Debt instruments	**63.1**	54.6
Other assets	**17.6**	25.7
	169.7	173.9

The five year history of experience adjustments is as follows:

	2011 US$m	2010 US$m	2009 US$m	2008 US$m	2007 US$m
Fair value of plan assets	**169.7**	173.9	154.6	122.7	184.2
Present value of obligations	**(204.7)**	(180.3)	(160.6)	(140.5)	(136.7)
(Deficit)/surplus	**(35.0)**	(6.4)	(6.0)	(17.8)	47.5
Experience adjustments on plan assets	**(20.6)**	2.9	20.7	(69.9)	12.4
Percentage of plan assets (%)	**(12)**	2	13	(57)	7
Experience adjustments on plan obligations	**(2.5)**	(1.5)	3.5	(3.9)	(2.3)
Percentage of plan obligations (%)	**(1)**	(1)	2	(3)	(2)

The estimated amount of contributions expected to be paid to the plans in 2012 is US$13.9 million.

The amounts recognized in profit and loss are as follows:

	2011 US$m	2010 US$m
Current service cost	**13.7**	12.9
Interest cost	**9.2**	8.5
Expected return on plan assets	**(13.1)**	(11.5)
Past service cost	**–**	0.4
	9.8	10.3
Actual (loss)/return on plan assets in the year	**(7.5)**	14.4

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

18. BANK BALANCES AND OTHER LIQUID FUNDS

	2011 US$m	2010 US$m
Deposits with banks	**609.4**	569.6
Bank balances	**30.9**	29.2
Cash balances	**89.4**	83.0
	729.7	681.8
Geographical analysis:		
North Asia	**599.1**	589.1
East Asia	**100.1**	45.2
South Asia	**30.5**	47.5
	729.7	681.8

The weighted average interest rate on deposits with banks is 0.9% *(2010: 0.5%)* per annum.

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At 31st December 2011, the non-current assets classified as held for sale represented two retail properties in Malaysia and one retail property in Singapore. The sale of these properties is expected to be completed in 2012 at amounts not materially different from their carrying values.

20. CREDITORS

	2011 US$m	2010 US$m
Trade creditors	**1,472.2**	1,296.8
Accruals	**648.6**	554.6
Rental and other refundable deposits	**20.6**	18.9
Derivative financial instruments	**0.9**	4.4
Other creditors	**9.4**	8.0
Financial liabilities	**2,151.7**	1,882.7
Rental and other income received in advance	**5.3**	3.6
	2,157.0	1,886.3
Non-current	**16.8**	16.4
Current	**2,140.2**	1,869.9
	2,157.0	1,886.3
Geographical analysis:		
North Asia	**1,147.7**	954.4
East Asia	**620.1**	555.2
South Asia	**389.2**	376.7
	2,157.0	1,886.3

Derivative financial instruments are stated at fair values. Other creditors are stated at amortized cost. The fair values of these creditors approximate their carrying amounts.

21. BORROWINGS

	2011 US$m	2010 US$m
Current		
– bank overdrafts	**11.0**	1.9
– other bank advances	**10.6**	67.6
	21.6	69.5
Current portion of long-term bank borrowings	**108.6**	51.0
Long-term bank borrowings	**133.4**	337.9
	263.6	458.4

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

The Group's borrowings are further summarized as follows:

		Fixed rate borrowings			
By currency	Weighted average interest rates %	Weighted average period outstanding Years	US$m	Floating rate borrowings US$m	Total US$m
2011					
Brunei Dollar	1.8	–	–	5.2	**5.2**
Chinese Renminbi	7.8	–	–	18.7	**18.7**
Indonesian Rupiah	7.7	–	–	42.2	**42.2**
Malaysian Ringgit	4.7	0.8	110.3	52.7	**163.0**
New Taiwan Dollar	2.4	0.4	16.5	6.5	**23.0**
Singapore Dollar	3.6	0.8	11.5	–	**11.5**
			138.3	**125.3**	**263.6**
2010					
Brunei Dollar	1.8	–	–	6.0	6.0
Chinese Renminbi	5.0	–	–	36.9	36.9
Hong Kong Dollar	4.3	0.5	32.1	–	32.1
Indonesian Rupiah	9.0	-	–	41.7	41.7
Malaysian Ringgit	4.4	1.5	154.7	132.8	287.5
New Taiwan Dollar	2.4	0.9	33.9	8.6	42.5
Singapore Dollar	3.6	1.8	11.7	–	11.7
			232.4	226.0	458.4

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

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at 31st December are as follows:

	2011 US$m	2010 US$m
Within one year	**130.2**	120.5
Between one and two years	**101.9**	124.1
Between two and three years	**–**	151.8
Between three and four years	**15.8**	4.5
Between four and five years	**–**	41.2
Beyond five years	**15.7**	16.3
	263.6	458.4

22. PROVISIONS

	Closure cost provisions US$m	Obligations under onerous leases US$m	Reinstatement and restoration costs US$m	Total US$m
2011				
At 1st January	3.6	–	23.6	**27.2**
Exchange differences	–	–	(0.5)	**(0.5)**
Additional provisions	4.0	–	1.5	**5.5**
Unused amounts reversed	(0.7)	–	(0.7)	**(1.4)**
Utilized	(2.6)	–	(0.3)	**(2.9)**
At 31st December	**4.3**	**–**	**23.6**	**27.9**
Non-current	–	–	21.7	**21.7**
Current	4.3	–	1.9	**6.2**
	4.3	**–**	**23.6**	**27.9**
2010				
At 1st January	1.1	0.1	20.6	21.8
Exchange differences	0.1	–	1.7	1.8
New subsidiaries acquired	–	–	0.9	0.9
Additional provisions	3.5	–	1.7	5.2
Unused amounts reversed	(0.2)	–	(0.8)	(1.0)
Utilized	(0.9)	(0.1)	(0.5)	(1.5)
At 31st December	3.6	–	23.6	27.2
Non-current	–	–	21.4	21.4
Current	3.6	–	2.2	5.8
	3.6	–	23.6	27.2

	2011 US$m	2010 US$m
Geographical analysis:		
North Asia	**7.7**	7.1
East Asia	**15.0**	14.9
South Asia	**5.2**	5.2
	27.9	27.2

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

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

23. SHARE CAPITAL

	2011 US$m	2010 US$m
Authorized:		
2,250,000,000 shares of US¢5 5/9 each	**125.0**	125.0
500,000 shares of US$800 each	**400.0**	400.0
	525.0	525.0

	Ordinary shares in millions			
	2011	2010	**2011** US$m	2010 US$m
Issued and fully paid:				
Ordinary shares of US¢5 5/9 each				
At 1st January	**1,349.8**	1,347.7	**75.0**	74.9
Issued under employee share option schemes	**0.4**	2.1	**–**	0.1
At 31st December	**1,350.2**	1,349.8	**75.0**	75.0

24. SENIOR EXECUTIVE SHARE INCENTIVE SCHEMES

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

The exercise price of the granted options is based on the average market price for the five trading days immediately preceding the date of grant of the options. Options are vested in tranches over a period of up to five years and exercisable for up to ten years following the date of grant. Under the exisiting plan, ordinary shares may be issued upon exercise of the options.

Movements for the year:

	2011		2010	
	Weighted average exercise price US$	Options in millions	Weighted average exercise price US$	Options in millions
At 1st January	**4.8623**	**4.2**	3.7552	5.3
Granted	**8.1940**	**1.5**	6.2500	1.4
Exercised	**4.5140**	**(0.4)**	3.3020	(2.5)
At 31st December	**5.8272**	**5.3**	4.8624	4.2

The average share price during the year was US$8.58 *(2010: US$7.18)* per share.

24. SENIOR EXECUTIVE SHARE INCENTIVE SCHEMES *(continued)*

Outstanding at 31st December:

	Exercise price	Options in millions	
Expiry date	US$	**2011**	2010
2016	3.2497	**0.1**	0.1
2017	3.5569	**0.9**	0.9
2018	4.6280	**0.5**	0.9
2019	4.4640	**0.9**	0.9
2020	6.2500	**1.4**	1.4
2021	8.1940	**1.5**	–
Total outstanding		**5.3**	4.2
of which exercisable		**1.5**	1.0

The fair value of options granted during the year, determined using the trinomial valuation model, was US$3.3 million *(2010: US$2.5 million)*. The significant inputs into the model, based on the weighted average number of options issued, were share price of US$8.14 *(2010: US$6.19)* at the grant dates, exercise price shown above, expected volatility based on the last seven years of 28.9% *(2010: 29.0%)*, dividend yield of 2.5% *(2010: 2.3%)*, option life disclosed above, and annual risk-free interest rate of 2.8% *(2010: 3.1%)*. Options are assumed to be exercised at the end of the seventh year following the date of grant.

25. SHARE PREMIUM AND CAPITAL RESERVES

	Share premium US$m	Capital reserves US$m	Total US$m
2011			
At 1st January	18.0	28.4	**46.4**
Employee share option schemes			
– exercise of share options	1.6	–	**1.6**
– value of employee services	–	2.2	**2.2**
At 31st December	**19.6**	**30.6**	**50.2**
2010			
At 1st January	9.9	26.7	36.6
Employee share option schemes			
– exercise of share options	8.1	–	8.1
– value of employee services	–	1.7	1.7
At 31st December	18.0	28.4	46.4

Capital reserves comprise contributed surplus of US$20.1 million *(2010: US$20.1 million)* and capital reserves of US$10.5 million *(2010: US$8.3 million)*, which represent the value of employee services under the Company's Senior Executive Share Incentive Schemes. The contributed surplus principally arose from the conversion of convertible preference shares in 1989 and, under the Bye-laws of the Company, is distributable.

26. DIVIDENDS

	2011 US$m	2010 US$m
Final dividend in respect of 2010 of US¢13.00 *(2009: US¢11.50)* per share	**175.5**	155.0
Interim dividend in respect of 2011 of US¢6.00 *(2010: US¢5.00)* per share	**81.0**	67.5
	256.5	222.5

A final dividend in respect of 2011 of US¢15.00 *(2010: US¢13.00)* per share amounting to a total of US$202.5 million *(2010: US$175.5 million)* is proposed by the Board. The dividend proposed will not be accounted for until it has been approved at the Annual General Meeting. This amount will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2012.

27. NON-CONTROLLING INTERESTS

	2011 US$m	2010 US$m
Geographical analysis:		
North Asia	**(1.1)**	(6.2)
East Asia	**8.7**	7.3
	7.6	1.1

28. GEOGRAPHICAL ANALYSIS OF NON-CURRENT ASSETS

Set out below is an analysis of the Group's non-current assets, excluding financial instruments, deferred tax assets and pension assets, by geographical area:

	2011 US$m	2010 US$m
North Asia	**525.0**	513.0
East Asia	**685.3**	685.3
South Asia	**231.6**	227.0
At 31st December	**1,441.9**	1,425.3

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	2011 US$m	2010 US$m
(a) Depreciation and amortization		
Geographical analysis:		
North Asia	**75.4**	74.7
East Asia	**74.3**	64.5
South Asia	**31.7**	28.1
	181.4	167.3
(b) Other non-cash items		
By nature:		
Loss on sale of tangible assets	**6.1**	4.7
Reversal of impairment of tangible assets	**–**	(0.4)
Options granted under employee share option schemes	**2.2**	1.7
	8.3	6.0
Geographical analysis:		
North Asia	**5.9**	5.7
East Asia	**1.5**	(0.3)
South Asia	**0.9**	0.6
	8.3	6.0
(c) Decrease in working capital		
Increase in stocks	**(148.9)**	(48.9)
Increase in debtors and prepayments	**(61.4)**	(13.6)
Increase in creditors and accruals	**282.9**	163.0
	72.6	100.5

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

	2010 Fair value US$m
(d) Purchase of subsidiaries	
Intangible assets	0.2
Tangible assets	20.3
Current assets	20.1
Non-current liabilities	(0.5)
Current liabilities	(30.9)
Net assets acquired	9.2
Goodwill	43.7
Total consideration	52.9
Adjustment for deferred consideration	(0.4)
Cash and cash equivalents acquired	(0.3)
Net cash outflow	52.2

In 2010, the Group acquired a 100% interest in MCP Supermarket with eight supermarkets in Singapore and a 100% interest in Bintang Retail Industries with ten hypermarkets and six supermarkets in Malaysia, from third parties for total cash consideration of US$52.2 million.

(e) Sale of properties

In 2010, the Group disposed of a retail property in Malaysia classified as non-current assets held for sale for a cash consideration of US$37.3 million.

	2011 US$m	2010 US$m
(f) Analysis of balances of cash and cash equivalents		
Bank balances and other liquid funds *(note 18)*	**729.7**	681.8
Bank overdrafts *(note 21)*	**(11.0)**	(1.9)
	718.7	679.9

30. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2011		2010	
	Positive fair value US$m	Negative fair value US$m	Positive fair value US$m	Negative fair value US$m
Designated as cash flow hedges				
– forward foreign exchange contracts	**2.3**	**0.1**	0.1	1.9
– interest rate swaps	**–**	**0.8**	0.1	2.5
	2.3	**0.9**	0.2	4.4

Forward foreign exchange contracts

The contract amounts of the outstanding forward foreign exchange contracts at 31st December 2011 were US$71.6 million *(2010: US$67.5 million)*.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2011 were US$138.3 million *(2010: US$232.4 million)*. At 31st December 2011, the fixed interest rates relating to interest rate swaps vary from 1.4% to 4.6% *(2010: 1.1% to 4.8%)* per annum.

The fair values of interest rate swaps are based on the estimated cash flows discounted at market rates ranging from 0.3% to 3.3% *(2010: 0.2% to 3.5%)* per annum.

31. COMMITMENTS

	2011 US$m	2010 US$m
Capital commitments		
Authorized not contracted	**227.3**	243.6
Contracted not provided	**39.4**	18.2
	266.7	261.8
Operating lease commitments		
Total commitments under operating leases		
Due within one year	**623.8**	552.4
Due between one and two years	**451.5**	394.5
Due between two and three years	**265.3**	247.5
Due between three and four years	**156.6**	155.4
Due between four and five years	**122.9**	117.8
Due beyond five years	**618.0**	675.5
	2,238.1	2,143.1

Total future sublease payments receivable relating to the above operating leases amounted to US$45.3 million *(2010: US$42.5 million)*.

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

32. CONTINGENT LIABILITIES

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

33. RELATED PARTY TRANSACTIONS

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

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

Under the terms of a Management Services Agreement, the Group paid a management fee of US$2.4 million *(2010: US$2.0 million)* to Jardine Matheson Limited ('JML'), a wholly-owned subsidiary of JMH, based on 0.5% of the Group's profit attributable to shareholders in consideration for certain management consultancy services provided by JML. The Group also paid directors' fees of US$0.4 million in 2011 *(2010: US$0.3 million)* to JML.

The Group rents properties from Hongkong Land Holdings Limited ('HKL'), a subsidiary of JMH. The gross annual rentals paid by the Group to HKL in 2011 were US$5.5 million *(2010: US$5.4 million)*. The Group's 50%-owned associate, Maxim's Caterers Limited ('Maxim's'), also paid gross annual rentals of US$7.9 million *(2010: US$7.1 million)* to HKL in 2011.

The Group uses Jardine Lloyd Thompson Limited ('JLT'), an associate of JMH, to place certain of its insurance. Brokerage fees and commissions, net of rebates, paid by the Group to JLT in 2011 were US$1.5 million *(2010: US$1.5 million)*.

In addition, Maxim's supplies ready-to-eat products at arm's length to certain subsidiaries of the Group. In 2011, these amounted to US$22.3 million *(2010: US$18.9 million)*.

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

Balances with group companies of JMH as at 31st December 2011 and 2010 are immaterial, unsecured, and have no fixed terms of repayment.

34. SUMMARIZED BALANCE SHEET OF THE COMPANY

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

	2011 US$m	2010 US$m
Subsidiaries, at cost less provision	**1,465.5**	1,376.7
Current liabilities	**(0.9)**	(0.8)
Net operating assets	**1,464.6**	1,375.9
Share capital *(note 23)*	**75.0**	75.0
Share premium and capital reserves *(note 25)*	**50.2**	46.4
Revenue and other reserves	**1,339.4**	1,254.5
Shareholders' funds	**1,464.6**	1,375.9

35. PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The principal subsidiaries, associates and joint ventures of the Group at 31st December 2011 are set out below.

Company name	Country of incorporation	Particulars of issued capital			Attributable interests 2011 %	Attributable interests 2010 %	Nature of business
Dairy Farm Management Limited**	Bermuda	HKD USD	100,000 100	Ordinary Ordinary	**100**	100	Holding company
Dairy Farm Management Services Limited**	Bermuda	USD	12,000	Ordinary	**100**	100	Group management
DFI Treasury Limited**	British Virgin Islands	USD	1	Ordinary	**100**	100	Treasury company
NORTH ASIA							
Guangdong Sai Yi Convenience Stores Limited	mainland China	HKD	125,000,000	Ordinary	**65**	65	Convenience stores
Mannings Guangdong Retail Company Limited	mainland China	HKD	42,500,000	Ordinary	**100**	100	Health and beauty stores
Maxim's Caterers Limited*	Hong Kong	HKD	60,000,000	Ordinary	**50**	50	Restaurants
The Dairy Farm Company, Limited	Hong Kong	HKD	60,000,000	Ordinary	**100**	100	Investment holding, supermarkets, health and beauty, convenience and home furnishings stores
Wellcome Company Limited	Hong Kong	HKD	255,000	Ordinary	**100**	100	Property and food processing
Wellcome Taiwan Company Limited	Taiwan	TWD	850,000,000	Ordinary	**100**	100	Supermarkets
DFI Home Furnishings Taiwan Limited	Taiwan	TWD	171,000,000	Ordinary	**100**	100	Home furnishings stores
EAST ASIA							
GCH Retail (Malaysia) Sdn Bhd	Malaysia	MYR MYR	491,300,000 1,640	Ordinary Redeemable Preference	**100**	100	Supermarkets, hypermarkets and health and beauty stores
PT Hero Supermarket Tbk	Indonesia	IDR	164,710,000,000	Ordinary	**94**	94	Supermarkets, hypermarkets, health and beauty and convenience stores
Giant South Asia (Vietnam) Limited	Vietnam	VND	24,013,500,000	Ordinary	**100**	100	Supermarkets
Giant TMC (B) Sdn Bhd	Brunei	BND BND	500,002 45,000	Ordinary Redeemable Preference	**100**	100	Hypermarkets, supermarkets and health and beauty stores
SOUTH ASIA							
Cold Storage Singapore (1983) Pte Limited	Singapore	SGD	25,685,000	Ordinary	**100**	100	Supermarkets, hypermarkets, health and beauty and convenience stores
Shop N Save Pte Limited	Singapore	SGD	25,773,000	Ordinary	**100**	100	Supermarkets
Foodworld Supermarkets Private Limited*	India	INR	2,110,613,240	Ordinary	**49**	49	Supermarkets
Health and Glow Retailing Private Limited*	India	INR	510,000,000	Ordinary	**50**	50	Health and beauty stores

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

**Owned directly.

Independent Auditors' Report

To the members of Dairy Farm International Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Dairy Farm International Holdings Limited and its subsidiaries (the 'Group') which comprise the Consolidated Balance Sheet as at 31st December 2011 and the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31st December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Bermuda Companies Act.

REPORT ON LEGAL AND REGULATORY REQUIREMENTS

We have nothing to report in respect of the following matters that under the UK Listing Rules we are required to review:

- Directors' statement in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the UK Corporate Governance Code specified for our review.

OTHER MATTERS

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
United Kingdom

1st March 2012

Five Year Summary

	2011 US$m	2010 US$m	2009 US$m	2008 US$m	2007 US$m
Profit and Loss					
Sales	**9,134.4**	7,970.5	7,028.5	6,732.5	5,887.2
Sales including associates	**10,449.0**	9,113.1	8,052.6	7,741.6	6,845.3
Profit attributable to shareholders	**484.3**	411.4	364.0	333.4	258.6
Underlying profit attributable to shareholders	**473.8**	409.8	364.0	320.5	258.6
Underlying earnings per share (US¢)	**35.09**	30.38	27.02	23.80	19.22
Basic earnings per share (US¢)	**35.87**	30.50	27.02	24.76	19.22
Dividends per share (US¢)	**21.00**	18.00	16.00	14.00	11.50
Special dividend per share (US¢)	**–**	–	–	–	16.00
Balance Sheet					
Total assets	**3,539.0**	3,257.8	2,805.9	2,488.7	2,284.6
Total liabilities	**(2,608.7)**	(2,523.6)	(2,278.1)	(2,170.1)	(2,058.4)
Net operating assets	**930.3**	734.2	527.8	318.6	226.2
Shareholders' funds	**922.7**	733.1	525.6	316.0	223.2
Non-controlling interests	**7.6**	1.1	2.2	2.6	3.0
Total equity	**930.3**	734.2	527.8	318.6	226.2
Net cash/(debt)	**466.1**	223.4	33.6	(4.2)	(83.2)
Net asset value per share (US¢)	**68.34**	54.31	39.01	23.47	16.58
Cash Flow					
Cash flows from operating activities	**730.3**	676.5	481.3	523.2	473.5
Cash flows from investing activities	**(241.5)**	(237.9)	(244.2)	(285.9)	(217.3)
Cash flows before financing activities	**488.8**	438.6	237.1	237.3	256.2
Cash flow per share from operating activities (US¢)	**54.09**	50.15	35.73	38.86	35.20

Responsibility Statement

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

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

(b) the sections of this Report, including the Chairman's Statement, Group Chief Executive's Review and Principal Risks and Uncertainties, which constitute the management report include a fair review of all information required to be disclosed by the Disclosure and Transparency Rules 4.1.8 to 4.1.11 issued by the Financial Services Authority of the United Kingdom.

For and on behalf of the Board

Michael Kok
Alec Tong
Directors

1st March 2012

Corporate Governance

Dairy Farm International Holdings Limited is incorporated in Bermuda. The Group's retailing interests are entirely in Asia. The Company's equity shares have a premium listing on the London Stock Exchange, and secondary listings in Bermuda and Singapore. The Company attaches importance to the corporate stability that is fundamental to the Group's ability to pursue a long-term strategy in Asian markets. It is committed to high standards of governance. Its approach, however, developed over many years, differs from that envisaged by the UK Corporate Governance Code (the 'UK Code'), which was originally introduced as a guide for United Kingdom incorporated companies listed on the London Stock Exchange. As provided in the Listing Rules issued by the Financial Services Authority in the United Kingdom, the Company's premium listed status requires that this Report address how the main principles of the UK Code have been applied by the Company, and explain the reasons for the different approach adopted by the Company as compared to the UK Code's provisions. The Company's governance differs from that contemplated by provisions of the UK Code on board balance and refreshment, director independence, board evaluation procedures, nomination and remuneration committees and the appointment of a senior independent director.

THE MANAGEMENT OF THE GROUP

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

THE BOARD

The Company currently has a Board of 15 Directors: the Group Chief Executive and Group Finance Director; eight executives of Jardine Matheson; and five non-executive Directors. Their names and brief biographies appear on page 12 of this Report. The Chairman has been appointed in accordance with the provisions of the Bye-laws of the Company, which provide that the chairman of Jardine Matheson, or any Director nominated by him, shall be the Chairman of the Company. The composition and operation of the Board reflect the Company's commitment to its long-term strategy, shareholding structure and tiered approach to oversight and management as described in this Report. These factors explain the balance on the Board between executive and non-executive Directors, the stability of the Board, the absence of nomination and remuneration committees and the conduct of Board evaluation procedures. The Board regards Asian business experience and relationships as more valuable attributes of its non-executive Directors than formal independence criteria. Accordingly the Board has not designated a 'senior independent director' as set out in the UK Code. Recommendations and decisions on remuneration result from consultations between the Chairman and the Managing Director and other Directors as they consider appropriate.

Among the matters which the Board of the Company decides are the Group's business strategy, its annual budget, dividends and major corporate activities. Responsibility for implementing the Group's strategy is delegated to the Company's executive management, with decision-making authority within designated financial parameters delegated to the DFMS finance committee. In addition, as part of the Company's tiered approach to oversight and management, certain Directors of the Company who do not serve on the board of DFMS and who are based outside Asia make regular visits to Asia and Bermuda where they participate in four annual strategic reviews. All of these reviews precede the Board meetings. These Directors are not directly involved in the operational management of the Group's business activities, but their knowledge and close oversight of the Group's affairs reinforces the process by which business is reviewed before consideration by the Board.

The Board is scheduled to hold four meetings in 2012 and ad hoc procedures are adopted to deal with urgent matters. In 2011 one meeting was held in Bermuda and three were held in Asia. All current Directors who held office in 2011 attended all four Board meetings, save that Ronald J. Floto, George J. Ho and Michael Kok attended three meetings. The Board receives high quality, up to date information for each of its meetings, which has previously been considered and approved at meetings of the board of DFMS. This information is also the subject of a strategy review in a cycle of meetings (in Bermuda or Asia, as appropriate) prior to consideration by the Board itself.

The division of responsibilities between the Chairman, the Managing Director and the Group Chief Executive is well established. The Chairman's role is to lead the Board as it oversees the Group's strategic and financial direction. The Managing Director's principal role is to act as chairman of DFMS and of its finance committee, while the responsibility for running the Group's business and all the executive matters affecting the Group rests with the Group Chief Executive.

DIRECTORS' APPOINTMENT, RETIREMENT, REMUNERATION AND SERVICE CONTRACTS

Candidates for appointment as executive Directors of the Company, as executive directors of DFMS or as senior executives elsewhere in the Group may be sourced internally, from the Jardine Matheson group or externally using the services of specialist executive search firms. The aim is to appoint individuals who combine international best practice with adaptability to Asian markets.

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

R.C. Kwok retired from the Board of the Company on 12th May 2011. On 1st April 2012, Ben Keswick succeeded A.J.L. Nightingale as Managing Director and Adam Keswick was appointed as a Director of the Company. A.J.L. Nightingale remains as a non-executive Director of the Company. In accordance with Bye-law 85, Mark Greenberg, Sir Henry Keswick, A.J.L. Nightingale and Percy Weatherall retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Bye-law 92, Adam Keswick and Ben Keswick will also retire, and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election has a service contract with the Company or its subsidiaries.

The Company's policy is to offer competitive remuneration packages to its senior executives. It is recognized that, due to the nature of the Group and its diverse geographic base, a number of its senior executives are required to be offered international terms and the nature of the remuneration packages is designed to reflect this.

Directors' fees, which are payable to all Directors other than the Group Chief Executive and the Group Finance Director, are decided upon by shareholders in general meeting as provided for by the Company's Bye-laws. For the year ended 31st December 2011, the Directors received from the Group US$6.0 million *(2010: US$6.5 million)* in Directors' fees and employee benefits, being US$0.5 million *(2010: US$0.5 million)* in Directors' fees, US$4.8 million *(2010: US$5.4 million)* in short-term employee benefits including salary, bonuses, accommodation and deemed benefits in kind, US$0.2 million *(2010: US$0.2 million)* in post-employment benefits and US$0.5 million *(2010: US$0.4 million)* in share-based payments. The information set out in this paragraph forms part of the audited financial statements.

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

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

GOING CONCERN

The Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are going concerns. The Group prepares comprehensive financial forecasts and, based on these forecasts, cash resources and existing credit facilities, the Directors consider that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

CODE OF CONDUCT

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Board has delegated to the audit committee of DFMS responsibility for reviewing areas of risk and uncertainty, the operation and effectiveness of the Group's system of internal control and the procedures by which these are monitored. The audit committee considers the system and procedures on a regular basis, and reports to the Board semi-annually. The members of the audit committee of DFMS are Ben Keswick, Mark Greenberg, Adam Keswick, James Riley and Giles White; they have extensive knowledge of the Group while at the same time not being directly involved in operational management. Ben Keswick and Adam Keswick became members of the DFMS audit committee upon their appointment to the Board on 1st April 2012 and Ben Keswick succeeded A.J.L. Nightingale as chairman of the audit committee on that date. The Board considers that the members of the audit committee of DFMS have, collectively, the requisite skills, knowledge and experience to enable it to discharge its responsibilities in a proper manner. All the then current members of the audit committee attended both its meetings during the year. The group chief executive and group finance director of DFMS, together with representatives of the internal and external auditors, also attend the audit committee meetings by invitation.

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

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

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

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

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

The audit committee of DFMS keeps under review the nature, scope and results of the external audit and the audits conducted by the internal audit function. The audit committee of DFMS also keeps under review the independence and objectivity of the external auditors, and as part of that process considers and approves the level and nature of non-audit work performed. The terms of reference of the audit committee of DFMS can be found on the Company's website at www.dairyfarmgroup.com.

The Group's 50% associate, Maxim's Caterers Limited ('MCL'), has a separate board, audit committee, risk management and internal audit structure. The Group is represented on the board of MCL, at which reviews of strategy, operations, budgets and major investments are undertaken. The MCL board has delegated to the MCL group's audit and risk management committees and its audit department responsibility for reviewing areas of major risk and the effectiveness of the internal control procedures.

DIRECTORS' SHARE INTERESTS

The Directors of the Company in office on 1st April 2012 had interests (within the meaning of the Disclosure and Transparency Rules ('DTRs') of the Financial Services Authority (the 'FSA') of the United Kingdom) in the ordinary share capital of the Company at 22nd March 2012 as set out below. These interests included those notified to the Company in respect of the Directors' connected persons (as that term is used in the DTRs in relation to companies incorporated outside the United Kingdom).

Simon Keswick	66,087
Michael Kok	1,257,043
Ronald J. Floto	1,244,000
George J. Ho	489,405
Dr George C.G. Koo	100,329
A.J.L. Nightingale	34,183
Percy Weatherall	400,000

In addition, Michael Kok and Alec Tong held options in respect of 610,890 and 500,000 ordinary shares, respectively, issued pursuant to the Company's Senior Executive Share Incentive Schemes.

SUBSTANTIAL SHAREHOLDERS

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

The Company has been informed of the following holdings of voting rights of 5% or more attaching to the Company's issued ordinary share capital: (i) Jardine Strategic Holdings Limited ('Jardine Strategic') and its subsidiary undertakings are directly and indirectly interested in 1,049,589,171 ordinary shares carrying 77.74% of the voting rights and, by virtue of its interest in Jardine Strategic, Jardine Matheson is also interested in the same ordinary shares; and (ii) Franklins Resources, Inc and its subsidiary undertakings are directly and indirectly interested in 98,941,394 ordinary shares carrying 7.33% of the voting rights. Apart from these shareholdings, the Company is not aware of any holders of voting rights of 5% or more attaching to the issued ordinary share capital of the Company as at 22nd March 2012.

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

RELATIONS WITH SHAREHOLDERS

The 2012 Annual General Meeting will be held at The Fairmont Southampton, Bermuda on 9th May 2012. The full text of the resolutions and explanatory notes in respect of the meeting are contained in the Notice of Meeting which accompanies this Report. All shareholders are invited to attend the Annual General Meeting and participate in communicating with the Company. The Company holds regular meetings with institutional shareholders. A corporate website is maintained containing a wide range of information of interest to investors at www.dairyfarmgroup.com.

SECURITIES PURCHASE ARRANGEMENTS

At the Annual General Meeting held on 11th May 2011, shareholders renewed the approval of a general mandate authorizing the Directors to effect purchases by the Company or its subsidiaries of the Company's own ordinary shares of less than 15% in aggregate of its issued share capital.

RELATED PARTY TRANSACTIONS

Details of transactions with related parties entered into by the Company during the course of the year are included in note 33 to the financial statements on page 51. There were no transactions entered into by the Company during the course of the year to which the related party transaction rules of the FSA in the United Kingdom apply.

Principal Risks and Uncertainties

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

ECONOMIC RISK

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

COMMERCIAL AND FINANCIAL RISK

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

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

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

The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Review on page 11 and note 2 to the financial statements on pages 26 to 29.

CONCESSIONS, FRANCHISES AND KEY CONTRACTS

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

REGULATORY AND POLITICAL RISK

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

TERRORISM, PANDEMIC AND NATURAL DISASTERS

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

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

Shareholder Information

FINANCIAL CALENDAR

2011 full-year results announced	1st March 2012
Share registers closed	19th to 23rd March 2012
Annual General Meeting to be held	9th May 2012
2011 final dividend payable	16th May 2012
2012 half-year results to be announced	26th July 2012*
Share registers to be closed	20th to 24th August 2012*
2012 interim dividend payable	10th October 2012*

*Subject to change

DIVIDENDS

Shareholders will receive their dividends in United States dollars, unless they are registered on the Jersey branch register where they will have the option to elect for sterling. These shareholders may make new currency elections for the 2011 final dividend by notifying the United Kingdom transfer agent in writing by 20th April 2012. The sterling equivalent of dividends declared in United States dollars will be calculated by reference to a rate prevailing on 2nd May 2012. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States dollars unless they elect, through CDP, to receive Singapore dollars.

REGISTRARS AND TRANSFER AGENT

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

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

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

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

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

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

Retail Outlets Summary

	As at 31st December				
	2011	2010	2009	2008	2007
Hong Kong					
• Wellcome/MarketPlace/ThreeSixty/Oliver's supermarkets	**287**	282	276	264	256
• 7-Eleven convenience stores	**924**	964	963	899	828
• Mannings/GNC health and beauty stores	**346**	338	309	282	250
• IKEA home furnishings stores	**3**	3	3	3	3
• Maxim's					
Chinese restaurants	**57**	61	60	60	57
Fast food/catering services	**123**	104	99	98	101
Cake shops/bakeries	**221**	213	210	213	153
Japanese restaurants	**54**	42	39	36	32
European restaurants/other	**25**	29	29	28	29
Starbucks†	**117**	108	108	110	98
Brunei					
• Giant supermarkets	**2**	2	–	–	–
• Giant hypermarket	**1**	1	1	1	–
• Guardian health and beauty stores	**21**	21	18	10	–
India					
• Foodworld supermarkets	**61**	58	64	67	74
• Health and Glow health and beauty stores	**79**	73	64	60	57
Indonesia					
• Hero/Giant supermarkets	**131**	120	113	108	105
• Giant hypermarkets	**39**	38	35	26	17
• Guardian health and beauty stores	**231**	206	195	180	155
• Starmart convenience stores	**132**	125	124	116	98
Macau					
• 7-Eleven convenience stores	**40**	42	42	35	30
• Mannings health and beauty stores	**15**	13	10	7	5
• Starbucks†	**5**	4	4	4	4
Mainland China					
• 7-Eleven convenience stores	**546**	551	560	506	440
• Mannings health and beauty stores	**195**	163	120	70	30
• Maxim's					
Cake shops	**100**	89	44	30	15
Other	**12**	7	5	5	4
Malaysia					
• Giant/Cold Storage supermarkets	**73**	75	69	65	60
• Giant hypermarkets	**71**	67	51	44	41
• Guardian health and beauty stores	**377**	369	339	323	288
Singapore					
• Cold Storage/MarketPlace/Shop N Save supermarkets	**111**	105	95	91	85
• Giant hypermarkets	**7**	7	7	7	6
• 7-Eleven convenience stores	**561**	549	484	435	415
• Guardian health and beauty stores	**147**	135	128	120	118
Taiwan					
• Wellcome/MarketPlace supermarkets	**280**	294	299	243	207
• IKEA home furnishings stores	**4**	4	4	4	4
Vietnam					
• Wellcome supermarkets	**2**	3	3	3	3
• Giant hypermarket	**1**	–	–	–	–
• Guardian health and beauty stores	**5**	–	–	–	–
Total	**5,406**	5,265	4,974	4,553	4,068

Note: Includes associates and joint ventures and excludes discontinued operations.

†Starbucks stores in Hong Kong and Macau are operated by Coffee Concepts (Hong Kong) Limited, a wholly-owned subsidiary of Maxim's Caterers Limited and an authorized licensee of Starbucks Coffee International, Inc.

Management and Offices

MANAGEMENT

Michael Kok	*Group Chief Executive*
Alec Tong	*Group Finance Director*
Dato' John Coyle	*Regional Director, East Asia*
Caroline Mak	*Regional Director, North Asia*
Poh Seng Pol	*Group Business Development Director*
Alex Tay	*Regional Director, South Asia*

CORPORATE OFFICE

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Dato' John Coyle

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Philippe Broianigo

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Glyn Hughes

Brunei
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Giant Hypermarket Taik Rimba
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Negara Brunei Darussalam
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Dolf Posthumus

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Alex Tay

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Health and Glow Retailing Private Ltd*
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Venkatesh Parthasarthy

NORTH ASIA

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Caroline Mak

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Michael Wu

Mainland China
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Paul Sheldrake

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Vanny Hsiao

Taiwan
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Simon Chuen

DFI Home Furnishings Taiwan Ltd
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*Associates or joint ventures

DESIGN: FORMAT LIMITED

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www.dairyfarmgroup.com