John Swire & Sons Limited

Hon. President

Sir John Swire CBE

Chairman

Sir Adrian Swire

Directors

D R Y Bluck CBE

M S Ferguson FCA

C J M Hardie CBE FCA

H M P Miles OBE

E J R Scott

Sir James Spooner FCA

G D W Swire

Sir John Swire CBE

Advisers to the Board

Lord Marlesford

C G N Ryder OBE

J S Swire

Secretary

G C Pope FCIS

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Chairman's review of the year

In my last statement I said that "prospects for 1994 are good", and I am happy to record that 1994 did indeed prove to be a successful year. Group profits after tax (before outside shareholders' interests) showed an increase of some 20%.

The following review illustrates clearly how the various segments of the Group have fared.

Shipowning and operating

The China Navigation Company recorded a reasonable operating result in 1994; strong performance from the liner trades, in particular the P&O Swire Containers and Tasman Asia New Zealand interests, compensated for another very tough year on the tanker spot market. Cash flow from operations was strong, usefully so in a year of rather heavy capital expenditure. In December the smaller of the company's two tankers, "Eriskay", was sold as it was felt that the market for this now unfashionable smaller size of VLCC was unlikely to revive. "Erradale", the Harland and Wolff Capesize bulk-carrier, was delivered in January and has operated satisfactorily, with the exception of an on-going speed and consumption dispute with the shipyard; "Erradale" is now fixed to Mitsui O.S.K. for two years at a satisfactory charter rate. Three of the company's series order of small containerships, "Soochow", "Shansi" and "Shantung" have been delivered from the Miho shipyard and have been chartered out at rates in line with expectations; the last ship, "Szechuen", of this order delivers in June. Dong Young Shipping continues to trade profitably in the Korea to China and Japan trades and has ordered, as replacement tonnage, a small containership for delivery in 1996.

Hong Kong, China and Taiwan

During 1994 the P&O Containers shipping agency business in Hong Kong was acquired by them, but Swire Shipping Agencies continues to serve other principals, albeit on a smaller scale. Swire Travel continues to grow profitably. Through Taikoo Maritime Services, our coastal and midstream shipping activities expanded in both Hong Kong and other adjacent parts of Southern China. Taiwan shipping, travel and trucking operations produced profits at a satisfactory level of a little below last year. Our Beijing and Shanghai offices continued successfully to service Group companies.

Swire Pacific Limited

A major part of the Group's profits arose through the listed subsidiary undertaking in Hong Kong, Swire Pacific Limited, and the main points from its Annual Report (dated 17th March), as stated by its Chairman, are as follows:

> The profit attributable to shareholders for 1994 was HK$5,561 million representing growth of 19.4% over that of 1993. I see this as a good result, particularly in the light of difficult market conditions faced by many of the Group's aviation interests, volatility in the local property market and continued high inflation in Hong Kong.
>
> Operating profits for the Aviation division showed reasonable growth on 1993 reflecting the relative strength of the Asia Pacific region in what remained a subdued industry. The effects of keen competition in key markets and high inflation in Hong Kong continued to constrain results in Cathay Pacific during 1994. Despite these problems, the airline achieved growth in attributable profits of 4.1%. Perhaps more importantly, and as part of a long-term strategy, the airline has taken a number of important steps in 1994 to help ensure that it can meet the competitive challenges it will face in the future. These include a more streamlined management structure, more efficient work practices and the commencement of a long-planned, comprehensive, fleet replacement programme. These measures are designed to improve operating efficiency and to enhance the quality of service offered to the customer.
>
> Hong Kong Aircraft Engineering Company (HAECO) reported lower attributable profits in 1994. The key reasons for this fall were: a reduction in work for its principal customer, Cathay Pacific, extremely low hourly rates for third party work as a result of fierce competition worldwide and significantly lower returns from the portfolio of managed funds. The company continues to prepare for the opening, later this year, of a new facility in Xiamen, China, which will provide a lower cost base to complement its facilities in Hong Kong. In addition, HAECO has recently concluded an agreement with The Hong Kong Industrial Estates Corporation for the construction of a large fan engine test cell at Tseung Kwan O. These initiatives are designed to contribute towards HAECO's ongoing cost effectiveness, and its reputation for outstanding service, well into the next century.
>
> Dragonair enjoyed strong growth in both revenue and profitability, reflecting the continued high demand for business and tourist travel into China.
>
> Hong Kong catering operations showed good profit growth, whilst those overseas, some of which have only recently been established, had mixed results. Other companies in the division had a satisfactory year with growth in throughput at Hong Kong Air Cargo Terminals being particularly strong.
>
> The various companies in the division which are involved in the provision of related aviation services in Hong Kong, including aircraft maintenance, cargo handling, catering services and ramp services, have applied for licences at the new airport at Chek Lap Kok. We remain optimistic about the future of Hong Kong's aviation and related industries despite the higher operating costs that the new airport will bring.

The Property division enjoyed strong growth in net rental income reflecting a full year's contribution in 1994 from the Devon House office tower and higher rentals achieved in those properties which were subject to new leases or rent reviews during the year. These results were augmented by profits achieved on the pre-sale of units in the Robinson Place residential development. With the award of an occupation permit for Dorset House, in December 1994, Swire Properties has added an additional 610,000 square feet to its portfolio of investment properties. This represents an important step in a longer-term strategy which will see the portfolio of investment properties increase by over 3.0 million square feet to 12.0 million square feet by the end of 1998. The company has also made a cautious entry into the China market, by taking a 10% stake in a Shanghai development which is being led by China International Trust & Investment Corporation Hong Kong (Holdings). The company will also continue to develop properties for sale in Hong Kong, mainly residential, as and when opportunities arise. Existing sites which the company expects to develop and sell through to the end of 1999 should produce over 2.3 million square feet of area for sale attributable to its interest in the relevant sites.

The Industries division enjoyed excellent growth in profits in 1994. This result was broadly based with good growth being achieved from beverage operations, particularly in Hong Kong and the United States and from associates, with Crown Can Hong Kong having a particularly good year. Results of the non-beverage subsidiaries were somewhat mixed with Swire Technologies reporting lower profits than in 1993 as a result of more difficult market conditions for its products.

During the year the division continued to diversify its range of consumer products under manufacture in China. Adding to the established businesses of Coca-Cola bottling and paint manufacture with ICI, the division signed joint ventures in 1994 with Carlsberg to brew beer and Tate & Lyle to refine sugar. The industrial businesses of Swire BFI, Swire Technologies and Crown Can continue to grow. In particular, Crown Can completed a facility in Shanghai in 1994, its second in China, and signed an agreement to build a third, in Beijing. Crown Vinalimex Packaging signed an agreement to build a plant in Vietnam.

Although the Trading division as a whole enjoyed good profit growth, the results were somewhat mixed with very strong performances from motor vehicle trading in Taiwan being partially offset by poor results in the division's retail distribution businesses in Hong Kong and the United States.

Attributable profits for the Marine Services division showed strong growth in 1994 with particularly good results being achieved by Swire Pacific Offshore Holdings and Modern Terminals. Profits from the two associates, The Hongkong Salvage & Towage Company and Hongkong United Dockyards, fell slightly due to weaker demand for their services.

Overall profits for the Insurance division showed modest growth in comparison with a poor year in 1993. The underwriting and agency operations based in Hong Kong performed very well in the face of a marked increase in competition for most classes of business. During the year, Swire Fraser's insurance broking operations have undergone a significant restructuring involving the purchase of minority interests and the formation of an important reinsurance broking joint venture with E W Blanch of the United States. Although the operating environment remained difficult in 1994, the initiatives taken during the year will greatly help the company to compete in the future.

In July 1994 Swire Pacific was assigned long-term credit ratings of 'A3' and 'A' by Moody's and Standard & Poor's respectively. These ratings represent the Hong Kong sovereign ceiling for foreign currency debt and will help diversify the sources of funding, lengthen the maturity profile of debt and ensure competitive financing costs in the future. Shortly after the assignment of ratings, Swire Pacific raised US$300 million through the issue of ten-year fixed rate notes in the United States bond market. At 31st December 1994 consolidated net borrowings were HK$18,192 million which, when related to shareholders' funds and minority interests totalling HK$81,376 million, resulted in a gearing ratio of 0.22/1.

Part of the Swire Pacific Group's long-term development activity is focused on the expansion of existing core businesses into China. Whilst recognising the problems and risks associated with investing in what is a relatively volatile economy, where there is also a measure of political uncertainty, we do so with a degree of confidence born out of the strength of our long-term relationships with China at all levels and experience gained from operating similar businesses in other markets.

The Group's operations are concentrated on Hong Kong, China and Taiwan and our confidence in Hong Kong as a base for business remains unshaken.

The Swire Pacific Group remains firmly committed to Hong Kong and its people and this is reflected not only in the financial commitment associated with its business but also in its continued support of various organisations which cater to the needs of the community. In 1994 major donations were made to the Community Chest, The Swire Institute of Marine Science of The Hong Kong University, Befrienders International, Orbis and various other charitable organisations. The Group also provided support outside Hong Kong, including flood relief to Guangdong Province in China and relief aid to Rwanda.

Environmental causes continue to feature prominently in Hong Kong with all companies adhering strictly to the Group's environmental guidelines, and in addition an environmental awareness day, attended by a total of 28,000 Swire Group employees and their families, was held in December 1994 in the Hong Kong Government Stadium.

Chairman's review of the year

The Swire Pacific Group is one of the largest employers in Hong Kong with over 35,000 staff based locally. The difficult operating environment in which a number of the Group's core businesses compete has necessitated considerable change to work practices. That the Group achieved the results it did in a year of such change is a testament to the hard work and commitment of our staff and, on behalf of shareholders, I should like to offer them my sincere thanks.

1994 saw difficult operating conditions for a number of the Group's businesses, particularly those in the Aviation division and, whilst I do not expect any dramatic improvement in the aviation industry overall in the short-term, steps have been taken to minimise the effect of the current difficult operating environment and to take full advantage of subsequent recovery.

The Property division continues to benefit from the move made some years ago to place a greater emphasis on a high quality stream of earnings from its property investment portfolio. With additional investment property having been completed and let recently, and with the second phase of the Robinson Place development for sale due for completion shortly, notwithstanding some continued uncertainty in the market, the outlook for the Property division is excellent.

The Industries and Trading divisions have undertaken some rationalisation of their businesses and I expect to see the benefits of this in improved results. Additionally, the Industries division has been laying the foundations for longer-term growth, particularly in China. Reasonable results are expected from companies in the remaining divisions.

Overall, the Swire Pacific Group is in a strong position and I expect that the 1995 results will reflect this, despite the continued adverse effect of comparatively high levels of inflation in Hong Kong.

Japan

P&O Swire Shipping Agency showed increased volumes over 1993 and achieved a high level of service for our principals. Our residential and office property interests showed results only a little below last year, which is creditable against the background of a very poor market. Swire Transtech made a modest profit, and generated cash despite the downturn in the Japanese economy. Cathay Pacific's operations are dealt with under Swire Pacific.

Australasia

The wholly-owned Australian group established a record profit for the second year in succession. The majority of the operating companies exceeded the previous year's profits with Clyde Agriculture showing the most marked improvement, Transwest only just failing to match the previous year's quite exceptional results despite the loss of the BHP Newcastle scrap contract (Metserv performing extremely well) and Frigmobile experiencing a mixed year. Woodmason's opened their new high technology highrise store in Melbourne and Frigmobile and South Australia Cold Stores are planning additional capacity for 1995. During the year the group purchased Kalari, a specialist warehousing and long distance trucking company based in Victoria, which will greatly strengthen the transport arm of the Australian group's operations.

The ships operating the New Guinea-Australia trade had a good year. Nedlloyd Swire was closed at the end of the year, though the group will continue its own shipping agency activities through Swire Shipping Agencies in Brisbane and Melbourne in addition to its ongoing activities in Sydney.

Steamships Trading, our associate in Papua New Guinea, produced a small increase in post tax profits, despite a difficult year marred in particular by the eruption of the volcano in Rabaul and the substantial devaluation of the Kina in September. Prospects for 1995 are not exciting.

The addition of Kalari aside, the Australian group is aiming for a similar result for 1995, with Frigmobile the only company forecasting a marked increase compared to 1994. Initial indications are that it will be difficult to achieve these figures and one of the main imponderables at this stage is the cotton crop which was saved in the nick of time from a serious shortfall by the rain that fell in January after the extended drought that had prevailed until then.

North America

The first half of 1994 produced difficult operating conditions for United States Cold Storage with the Californian stores responsible for the greater part of the downturn — mainly, but not entirely, due to weather conditions. Although the last five months of the year were much better, the company was unable quite to make good the shortfall against budget, though the final result for the year showed an improvement on 1993.

1995 has started much better. A new store is being built in the Dallas/Fort Worth area to meet ever increasing demand. One of the Orlando stores is being upgraded to enable the taking on of new business in Florida from an existing and very major customer which the company already serves in Texas.

Further expansion in the Chicago area, in North Carolina and in Nashville is under consideration.

The Group's other interests in the U.S.A. are covered under Swire Pacific.

United Kingdom

As predicted in the last review, profits from the Oilfield Services division, although satisfactory, were lower than those of the previous year. During the second half of 1994 prices came under extreme pressure, the full impact of which, notwithstanding significant cost reductions achieved by the Division, will be felt in the current year.

Sustained pressure on margins within the industry will almost certainly compel significant rationalisation in the division's key markets in the coming 12/18 months.
Swire Materials Handling (previously known as Broadway Handling) produced an improved, if relatively small, profit in 1994. The change of name coincided with the commitment of significant additional resources, both in terms of people and finance, to enable Swire Materials Handling to take advantage of opportunities to expand, both by acquisition and by internal development.
Clyde Shippping had another bad year. A major reorganisation is taking place with a number of businesses being rationalised, sold or closed down and heavy losses being incurred as a result. Initial forecasts for 1995 for the continuing businesses present a far brighter picture. It is too early yet to be confident that these forecast profits will be met although early indications look hopeful.

Other areas

James Finlay's results for the year were disappointing and well down on last year's. The Kenya tea-growing operations were hit by low tea prices, major currency fluctuations and poor weather. In addition to this serious losses were registered by the Kenya tea trading operation and a bad debt hit the UK tea trading side. James Finlay Bank continued to lose money as did the various non-tea-related activities in the USA. Remedial action has been taken on all fronts and in particular James Finlay Bank has ceased lending, the US oil and gas operations have been sold, as has the US investment management company, albeit on an extended payment basis. The confectionery operation of George Payne has been restructured and a contract to manufacture a large number of own-brand tractors in the Power King facility entered into with a large American client. Despite the remedial action that has already been taken and is planned for the near future, this year's Finlay group's profits will still be dependent upon the 1995 tea price and the stability of the Kenya shilling.

Our Mauritian associate, Ireland Blyth, produced profits marginally ahead of last year and in line with those forecast at the time of the successful flotation of 22% of the company on the Mauritian Stock Exchange in June. There are a number of major projects in hand including a new Head Office in Port Louis, a series of supermarkets and the associated hotel company Sun Resorts, which is also quoted on the Mauritian Stock Exchange, is planning two new hotels over the coming 18 months, which will virtually double their bed capacity. This year is expected to be a challenging one.

As to prospects, I hesitate to predict, with confidence, the likely outcome for 1995 but, overall, I am broadly confident for another successful year.

I have pleasure in recording our appreciation of all that the staff do on our behalf, with great dedication, often in "difficult" businesses and areas.

Adrian Swire

26th May 1995

Report of the directors

The directors present their report and the Group audited financial statements for the year ended 31st December 1994. A statement of the directors' responsibilities is made on page 8.

Results and dividends

The profit for the year attributable to members was £165 million (1993—£120 million). Dividends paid and proposed for the year amount to £15 million (1993—£12 million) leaving £150 million (1993—£108 million) to be added to reserves.

An interim dividend on the ordinary shares of 4.3 pence per share was paid on 12th December 1994. The directors recommend a final dividend of 9.2 pence per share, payable on 4th July 1995, making a total for the year of 13.5 pence per share (1993—11.25 pence per share).

Principal activities

The principal activities of the Group are summarised in the tables in note 1 showing the turnover, profit and net assets related to each main activity and geographical area. A review of the development of the business is given in the chairman's review on page 2.

Tangible fixed assets

Changes in the tangible fixed assets of the Group are detailed in note 10.

Investment properties are revalued in the financial statements each year. The directors are of the opinion that the present market value of other properties is in excess of book value and they do not consider it appropriate to incur the expense of a full professional valuation.

Directors

The present constitution of the Board is shown on page 1, all of whom were directors throughout 1994. The director retiring by rotation is Sir John Swire who, being eligible, offers himself for re-election.

Directors' share interests

including family interests

	31st December 1994		1st January 1994	
	Beneficial	Other	Beneficial	Other
Ordinary shares of £1				
Sir Adrian Swire	23,139,304	23,271,378	23,139,304	23,271,378
D R Y Bluck	26,106	—	26,106	—
M S Ferguson	8,353	—	8,353	—
C J M Hardie	8,000	—	8,000	—
H M P Miles	8,000	—	8,000	—
E J R Scott	2,965,900	2,898,680	2,965,900	2,898,680
Sir James Spooner	104,880	1,896,000	104,880	—
G D W Swire	399,900	3,099,406	399,900	3,099,406
Sir John Swire	5,814,710	31,608,578	5,814,710	31,608,578
	32,475,153	62,774,042	32,475,153	60,878,042
Less duplications	—	27,577,870	—	27,577,870
	32,475,153	35,196,172	32,475,153	33,300,172
Preference shares of £1				
Sir Adrian Swire	10,000	—	1,767,716	2,608,960
E J R Scott	—	—	—	258,000
G D W Swire	—	—	—	67,930
Sir John Swire	10,000	—	1,493,350	2,915,316
	20,000	—	3,261,066	5,850,206
Less duplications	—	—	—	2,565,426
	20,000	—	3,261,066	3,284,780

Directors' and Officers' liability insurance

The company maintains directors' and officers' liability insurance which provides cover for directors and other officers of all Group companies (subject to local legislation) against personal liabilities which they may incur by reason of their duties as directors and officers.

Share capital

In December 1994 the company purchased for cancellation at £1 each 19,877,482 of its 6.3% cumulative preference shares of £1 each, being 99.4 per cent of the called up capital of that class of share, to save administrative costs of compliance with certain regulatory requirements.

Donations

The Swire Group and certain Swire charitable trusts made contributions for world-wide charitable and educational purposes of £2,294,000.

The company and its subsidiary undertakings made contributions for United Kingdom charitable purposes of £268,000 and for political purposes of £25,500 to the Conservative Party.

Close company

The close company provisions of the Taxes Act 1988 apply to the company.

Auditors

On 6th February 1995 the auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with section 385 of the Companies Act 1985, a resolution to re-appoint the auditors, KPMG, and to authorise the directors to determine their remuneration will be proposed at the annual general meeting.

By order of the Board

G. C. Pope **G C Pope**

Secretary
26th May 1995

Responsibility statements

Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' responsibility statement set out below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit for the year to that date of the undertakings included in the consolidation as a whole so far as concerns the members of the Company. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards, subject to any material departures disclosed and explained therein.

The directors consider that, in preparing the financial statements on pages 10 to 31, they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors are also responsible for maintaining adequate accounting records so as to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They also have general responsibility for taking reasonable steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

Auditors' responsibility statement

The auditors are responsible for forming an independent opinion on the financial statements presented by the directors, based on their audit, and for reporting their opinion to members. They also have the responsibility under the Companies Act 1985 to report to members if particular requirements are not met. These requirements are:

(a) that the company has maintained proper accounting records and obtained proper returns from branches not visited by the auditors;

(b) that the financial statements are in agreement with the accounting records;

(c) that directors' emoluments and other transactions with directors are properly disclosed in the financial statements; and

(d) that they have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the directors' report on pages 6 to 7. However, the Companies Act 1985 requires the auditors to report to members if the matters contained in the directors' report are inconsistent with the financial statements.

Report of the auditors

To the members of John Swire & Sons Limited

We have audited the financial statements on pages 10 to 31.

Respective responsibilities of directors and auditors

As described on page 8 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion in respect of departure from an accounting standard

As explained in the accounting policies, the long-standing policy of deferring certain unrealised foreign exchange differences in Cathay Pacific Airways Limited until settlement of the related monetary assets and liabilities is not in accordance with the requirements of Statement of Standard Accounting Practice No. 20 — foreign currency translation. The effect of this departure is set out in note 20. In our opinion, however, such a departure is not necessary because standard accounting practice prescribes an appropriate treatment for the assets and liabilities concerned.

Except for the matter referred to above, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the subject matter of the foregoing qualification is not material for determining whether the proposed final dividend by the Company is permitted under Section 270 of the Companies Act 1985.

KPMG **KPMG**

Chartered Accountants
Registered Auditors
London
26th May 1995

Accounting policies

The following accounting polices have been applied consistently in dealing with the items which are considered material in relation to the Group's accounts.

Basis of accounting

The Group accounts incorporate the results of the Company and its subsidiary undertakings made up to 31st December. They have been prepared according to the historical cost convention, modified to include the revaluation of certain properties and investments, and applicable accounting standards, with the exception of foreign currency adjustments on certain borrowings, leasing obligations and foreign currency assets of Cathay Pacific Airways Limited as described in the Foreign Currencies policy below.

In accordance with Section 230 of the Companies Act 1985 no profit and loss account is shown for the parent company.

Subsidiary undertakings

Subsidiary undertakings are those undertakings in which the parent company holds in excess of 20% of the equity voting rights and over which the Group exercises dominant influence in the management.

The parent company balance sheet includes investments in subsidiary undertakings at valuation which reflects their net tangible assets.

Associated undertakings

Associated undertakings are those undertakings in which the Group is a partner in a consortium or has an interest in excess of 20% but less than 50% of the equity voting rights and over which the Group exercises significant but not dominant influence in the management.

The profit and loss account includes the Group's share of the results of its associated undertakings as shown by their historic cost accounts made up to dates not more than six months before 31st December.

The balance sheets include the investments in associated undertakings at amounts which reflect the Group's share of their net tangible assets.

Acquisition and disposal of subsidiary undertakings

The accounts of subsidiary undertakings acquired or sold during the year are included in Group results from or until the effective dates of acquisition or disposal respectively. Any excess of the consideration paid over the book value of net tangible assets acquired is charged to reserves. The difference between sale proceeds and the net assets, including any amounts charged to reserves on acquisition, at the effective date of disposal is reflected through the profit and loss account.

Foreign currencies

The accounts of overseas companies and assets and liabilities in foreign currencies are translated into Sterling using the rates of exchange ruling at the balance sheet date. The principal rates used were:

	1994	1993
Australian Dollar	2.02	2.18
Hong Kong Dollar	12.10	11.43
Japanese Yen	156.00	165.00
United States Dollar	1.56	1.48

Adjustments arising from the translation of foreign currencies into Sterling are dealt with as follows:

(a) differences arising on net investments in overseas undertakings are included in reserves;

(b) borrowings and leasing obligations which have been used in the financing of aircraft and related equipment by Cathay Pacific Airways Limited are arranged so that repayments are covered by the anticipated future operating cash flows in the related currencies in order to reduce exposure to exchange rate fluctuations. Any unrealised exchange differences on such borrowings and obligations are deferred and carried forward in the balance sheet in an exchange fluctuation account (note 13). These differences are recognised in the profit and loss account when realised as repayments of the loan or leasing obligation fall due, and are effectively set off against the matching change in value of the future foreign currency earnings which are received and used to make those repayments;

(c) differences arising on the settlement of day-to-day transactions are reflected through operating profit.

Accounting policies

The accounting policy in (b) above does not comply with Statement of Standard Accounting Practice No. 20 (SSAP20) which requires such items to be taken directly to the profit and loss account. However, the policy adopted and consistently applied fairly reflects the effects of long-term financing arrangements in foreign currencies concluded in reasonable anticipation of the availability when required of surplus operating cash flows in the appropriate foreign currencies. The matching of foreign exchange cash flows in this manner is a key foreign exchange risk management tool for these operations, which involve multi-currency cash inflows and outflows. The appropriateness of continuing to defer these exchange differences is assessed on an on-going basis, taking into consideration the latest operating cash flow projections of each currency in which the long-term liabilities are committed. The directors are of the opinion that this policy gives a true and fair view of these transactions in the accounts and that the immediate recognition of all such exchange differences in the profit and loss account, in accordance with SSAP20, could materially distort a particular year's results and would not give a true and fair view. The effect of this departure is set out in note 20.

Investment properties

Investment properties, whether complete or in the course of development, are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market basis, related to individual properties, and separate values are not attributed to the land and the buildings. The aggregate surplus or deficit on these valuations is reflected in a revaluation reserve.

No depreciation or amortisation is provided in respect of freehold and long leasehold investment properties. This treatment, which is in accordance with Statement of Standard Accounting Practice No. 19, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. The directors consider that the systematic annual depreciation of these properties would be inappropriate as they are held for long-term investment. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the valuations and the amount which might otherwise have been shown cannot be separately identified or quantified.

Development properties

Property developments for sale are included under current assets and comprise land at cost, construction costs, interest charges where applicable, and profit taken to date, less sales instalments and provisions for possible losses.

When development property is sold in advance of completion, profit is recognised over the course of the development and is computed as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred to estimated total construction costs and the proportion of the sales proceeds received to total sales proceeds.

Depreciation

Depreciation of tangible fixed assets, other than investment properties and land, is normally calculated on a straight line basis to write down their original cost over their anticipated useful lives to estimated residual values which are reviewed periodically. The rates used, although dependent on local conditions and the type of operation, are typically:

Freehold buildings	1½%–4%
Leasehold property	the period of the lease
Ships and related equipment	6%–13%
Aircraft and related equipment	actual operational usage of the relevant aircraft as a proportion of its total estimated operational life
Plant and equipment	5%–35%

Leased assets

Tangible fixed assets held under leasing agreements, that give rights approximating to ownership, are treated as if they had been purchased outright and the corresponding liability to the lessor, net of interest charges, is included as an obligation under finance leases. Profits arising on sale and leaseback of aircraft and equipment are deducted from the assets.

Operating lease payments are charged to the profit and loss account on a straight line basis over the life of the lease.

Investments

Other fixed asset investments include the following items:

(a) zero coupon bonds purchased to hedge leasing obligations are stated at their maturity value. The premium or discount on acquisition is included in other creditors and is amortised over the remaining life of the bond;

(b) cash deposits and notes placed as security in respect of certain leasing and financing arrangements are stated at cost;

(c) debt securities with investment managers, which are intended to be held until maturity, are stated at cost adjusted for the amortisation of the premium or discount arising on acquisition.

Current asset investments include other debt securities which are stated at market value.

Defeasance

Where long-term liabilities have been legally defeased by the placement of security deposits, such liabilities and deposits (and income and charges arising therefrom) are not included in the accounts.

Interest payable

Interest incurred in financing property developments and ships under construction is capitalised up to the date of completion and is accounted for as part of the cost of the asset.

Stocks and work in progress (excluding development properties)

Stocks, including consumable aircraft spares, are stated at the lower of cost and net realisable value. Work in progress comprises direct material and labour costs and an appropriate proportion of overhead expenses less provisions for foreseeable losses.

Cash and cash equivalents

For the purposes of the cash flow statement cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions and short term liquid investments, which were within three months of maturity when acquired, less advances from banks and financial institutions repayable within three months from the date of the advance.

Deferred taxation

The Group provides in full for deferred taxation to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes.

No provision is made for taxation which might become payable:

(a) if earnings retained in overseas subsidiary undertakings were declared as dividends, because they are considered to be permanently re-invested in those undertakings and are not intended to be remitted;

(b) on any unrealised revaluation surpluses.

Retirement benefits

The Group provides a number of retirement schemes for their employees, the majority of which are of a defined benefit nature and are held in separate trustee administered funds which are registered in the relevant country. The costs are charged to the profit and loss account so as to spread the cost over the service lives of the participating employees and assessed in accordance with the advice of independent actuaries where appropriate. Actuarial surpluses and deficits on independently funded schemes are reflected in adjustments to the future contribution rates.

Group profit and loss account

for the year ended 31st December 1994

	Note	1994 £m	1993 £m
Turnover	1	4,375	3,942
Cost of sales		2,789	2,518
Gross profit		1,586	1,424
Other operating expenses	2	807	849
Operating profit	3	779	575
Surplus on disposal of tangible assets		5	(9)
Surplus on disposal of shares in subsidiary undertakings (after charging £ nil (1993 — £8m) of goodwill previously written off to reserves)		3	20
Share of profits of associated undertakings		71	69
Investment income and interest receivable	6	196	237
Interest payable	7	(250)	(260)
Profit on ordinary activities before taxation	1	804	632
Taxation	8	160	98
Profit on ordinary activities after taxation		644	534
Outside equity shareholders' interests		479	414
Profit for the year attributable to members		165	120
Dividends	9	15	12
Profit retained	19	150	108

	1994	1993
Parent company	48	37
Subsidiary undertakings — Swire Pacific Limited	70	55
— Other	24	6
Associated undertakings	8	10
	150	108

Balance sheets

at 31st December 1994

	Note	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Fixed assets					
Tangible assets	10	8,287	7,755	33	33
Investments	11	2,512	2,490	2,142	2,000
		10,799	10,245	2,175	2,033
Current assets					
Stocks	12	471	427	—	—
Debtors: due within one year	13	978	653	186	91
due after more than one year	13	429	353	—	—
Investments	14	48	59	—	—
Cash at bank and on deposit		491	507	40	62
		2,417	1,999	226	153
Current liabilities					
Creditors: due within one year					
Borrowings	15	(777)	(482)	(1)	(1)
Other creditors	16	(1,421)	(1,174)	(100)	(49)
Net current assets		219	343	125	103
Total assets less current liabilities		11,018	10,588	2,300	2,136
Creditors: due after more than one year					
Borrowings	15	(3,288)	(3,454)	(37)	(39)
Other creditors	16	(68)	(74)	(44)	(46)
Provision for liabilities and charges	17	(317)	(232)	(17)	(17)
Net assets	1	7,345	6,828	2,202	2,034
Capital and reserves					
Equity share capital	18	100	100	100	100
Non-equity share capital	18	—	20	—	20
Called up share capital	18	100	120	100	120
Reserves attributable to equity shareholders	19	2,102	1,914	2,102	1,914
Shareholders' funds		2,202	2,034	2,202	2,034
Outside equity shareholders' interests		5,143	4,794	—	—
		7,345	6,828	2,202	2,034

On behalf of the Board

A Swire

M Ferguson

Sir Adrian Swire

M S Ferguson

Directors
26th May 1995

Group cash flow statement

for the year ended 31st December 1994

	Note	1994 £m	1994 £m	1993 £m	1993 £m
Net cash inflow from operating activities	21		807		841
Returns on investments and servicing of finance					
Interest received		188		234	
Interest paid		(152)		(170)	
Interest element of finance lease payments		(99)		(106)	
Dividends received from associated undertakings and other investments		47		36	
Dividends paid to outside shareholders		(193)		(178)	
Dividends paid to members		(13)		(12)	
Net cash outflow from returns on investments and servicing of finance			(222)		(196)
Taxation					
UK corporation tax paid		(11)		(21)	
Overseas taxes paid		(84)		(68)	
Tax paid			(95)		(89)
Investing activities					
Purchase of tangible fixed assets	22	(558)		(561)	
Purchase of subsidiary undertakings (net of cash and cash equivalents acquired)	25	(118)		(36)	
Purchase of fixed asset investments		(112)		(52)	
Proceeds of disposal of tangible fixed assets		60		76	
Proceeds of disposal of subsidiary undertakings (net of cash and cash equivalents sold)	26	5		35	
Proceeds of disposal of fixed asset investments		20		6	
Net increase in other investments		(17)		(75)	
Received from outside shareholders		6		111	
Net cash outflow from investing activities			(714)		(496)
Net cash inflow before financing			(224)		60
Financing					
Preference shares repaid		(20)		—	
Amounts borrowed		789		189	
Repayments of amounts borrowed		(520)		(275)	
Capital element of finance lease payments		(143)		(133)	
Net decrease in bank deposits maturing after three months from acquisition		10		11	
Cash benefit from lease arrangements		81		63	
Net cash outflow from financing			197		(145)
Decrease in cash and cash equivalents	23		(27)		(85)

Statement of total recognised gains and losses

for the year ended 31st December 1994

	1994	1993
	£m	£m
Group profit for the year attributable to members	**165**	120
Surplus on revaluation of investment properties (net)	**149**	302
Deficit on revaluation of associated undertakings	**(18)**	(7)
Currency adjustment on net investments	**(84)**	43
	212	458

Note of historical cost profits and losses

for the year ended 31st December 1994

	1994	1993
	£m	£m
Group profit on ordinary activities before taxation	**804**	632
Realisation of investment property revaluation gains of prior years	**—**	33
Historical cost profit on ordinary activities before taxation	**804**	665
Historical cost profit retained	**150**	117

Reconciliation of movements in shareholders' funds

for the year ended 31st December 1994

	1994	1993
	£m	£m
Group profit for the year attributable to members	**165**	120
Dividends	**(15)**	(12)
Other recognised gains and losses relating to the year (net)	**47**	338
Preference shares purchased	**(20)**	—
Goodwill (net of outside shareholders' interests)		
Arising on acquisitions during the year	**(9)**	(9)
Written back on disposal of shares in subsidiary undertakings	**—**	5
Net increase in shareholders' funds	**168**	442
Shareholders' funds at start of year	**2,034**	1,592
Shareholders' funds at end of year	**2,202**	2,034

1 Segmental analysis

	1994			1993		
	Turnover £m	Profit £m	Net assets £m	Turnover £m	Profit £m	Net assets £m
By activity						
Aviation	2,486	381	1,894	2,309	321	1,884
Marine	126	37	257	144	39	223
Property	493	329	5,750	299	183	5,203
Industrial	536	56	380	428	36	326
Trading	550	23	91	588	20	80
Cold storage and road transport	120	21	131	110	13	114
Other activities (net of central costs)	64	11	121	64	43	96
Net interest and funds	—	(54)	(1,279)	—	(23)	(1,098)
	4,375	**804**	**7,345**	3,942	632	6,828
By geographical area of origin						
Airlines*	2,418	322	1,821	2,249	260	1,826
Shipowning and operating*	90	8	170	103	14	166
Hong Kong	1,010	452	5,907	961	332	5,379
Rest of Asia	472	36	266	269	21	124
North America	295	26	220	278	13	224
Australasia	63	9	133	52	9	106
United Kingdom and other areas (net of central costs)	27	5	107	30	6	101
Net interest and funds	—	(54)	(1,279)	—	(23)	(1,098)
	4,375	**804**	**7,345**	3,942	632	6,828

Turnover by geographical area of destination	**1994 £m**	1993 £m
Airlines*	2,418	2,249
Shipowning and operating*	90	103
Hong Kong	837	656
Rest of Asia	496	278
North America	395	514
Australasia	66	56
United Kingdom and other areas	73	86
	4,375	3,942

The tables combine certain businesses of the Group where the profit and net assets represent less than 5% of the totals, before interest and funds, for the Group in the respective years.
All turnover arises from continuing businesses.
Turnover between the above classes of business is not considered to be material.
Net funds include other investments, loans and liquid funds.

* These activities are carried out internationally and it is considered inappropriate to attribute them to specific geographical areas.

2 Other operating expenses

	1994 £m	1993 £m
Distribution costs	247	213
Administration expenses	523	585
Other operating expenses	37	51
	807	849

3 Operating profit

	1994 £m	1993 £m
Operating profit is stated after charging:		
Depreciation of owned assets	121	112
Depreciation of finance leased assets	107	105
	228	217
Additional depreciation to write down the book values of certain tangible assets to the estimated recoverable amounts	6	—
	234	217
Operating lease rentals		
Land and buildings	86	83
Aircraft and related equipment	52	30
Ships and related equipment	—	1
Other equipment	11	8
	149	122

Auditors' remuneration amounted to £2.2 million (1993 – £2.0 million)

4 Directors' remuneration

	1994 £	1993 £
The total emoluments of the directors were as follows:		
Fees to non-executive directors	40,000	40,000
As executives and consultants (including pension contributions)	1,707,938	1,908,454
Pensions, pension augmentations and other ex gratia retirement payments for former executive directors or dependants	76,774	149,645
	1,824,712	2,098,099

The emoluments of the Chairman (who was also the highest paid director of those who discharged their duties wholly or mainly in the United Kingdom) were £219,148 (1993 – £212,510).

The emoluments (excluding pension contributions) of directors who discharged their duties wholly or mainly in the United Kingdom, are set out in the following table:

£	1994	1993	£	1994	1993
20,001– 25,000	1	1	155,001–160,000	1	–
45,001– 50,000	–	1	175,001–180,000	–	3
60,001– 65,000	1	–	185,001–190,000	2	–
125,001–130,000	–	1	210,001–215,000	–	1
135,001–140,000	2	–	215,001–220,000	1	–
145,001–150,000	–	2			

5 Employees and emoluments

	1994 £m	1993 £m
Emoluments of employees (excluding directors) comprised:		
Wages and salaries	730	671
Social security costs	13	7
Retirement costs	74	74
	817	752

Note 5 continued

The average weekly number of persons employed by the Group world-wide (excluding associates) during the year was:

	1994	1993
Management	999	623
Administration	8,508	8,417
Sales	7,696	5,366
Production	22,958	22,143
	40,161	36,549

	£m	£m
6 Investment income and interest receivable		
Income from fixed asset investments		
Listed	3	3
Unlisted	37	45
	40	48
Less receivable from associated undertakings	38	38
	2	10
Interest receivable	194	227
	196	237
7 Interest payable		
Bank overdrafts and short term loans	28	7
Bank loans	48	67
Other loans		
wholly repayable within five years	19	5
not wholly repayable within five years	47	57
Finance leases	148	150
	290	286
Less interest capitalised	40	26
	250	260
8 Taxation		
Group		
United Kingdom		
Corporation tax at 33%	29	23
Double taxation relief	(9)	(9)
Prior year adjustments	1	5
	21	19
Overseas taxes		
Current year	131	88
Prior year adjustments	(4)	(23)
Share of world-wide taxation of associated undertakings	12	14
	160	98

9 Dividends

	1994 £m	1993 £m
6.3% preference shares	1	1
Ordinary shares		
Interim	5	4
Proposed final	9	7
	15	12

10 Tangible fixed assets

Group

	Properties £m	Aircraft and equipment £m	Ships and containers £m	Assets under construction £m	Plant and equipment £m
Cost or valuation					
At start of year	5,514	2,665	311	34	632
Prior year restatement (note 31)	—	(439)	—	223	—
Currency adjustment	(284)	(123)	(16)	(14)	(26)
Changes in Group	59	—	—	—	71
Expenditure	194	120	5	175	88
Transfers between categories	4	67	51	(125)	3
Disposals	(40)	(25)	(20)	—	(42)
Revaluation surplus	561	—	—	—	—
	6,008	2,265	331	293	726
Depreciation					
At start of year	112	729	152		372
Prior year restatement (note 31)	—	(180)	—		—
Currency adjustment	(4)	(30)	(8)		(15)
Changes in Group	3	—	—		35
Charge for year	17	117	28		72
Eliminated on disposals	(5)	(14)	(12)		(33)
	123	622	160	—	431
Net book amount 31st December 1994 Total **£8,287m**	5,885	1,643	171	293	295
Leased assets included above	—	1,248	—	—	18

Company

	Properties £m	Plant and equipment £m
Cost or valuation		
At start of year	19	28
Expenditure	—	4
Disposals	—	(1)
Revaluation deficit	(2)	—
	17	31
Depreciation		
At start of year	3	11
Charge for year	—	2
Eliminated on disposals	—	(1)
	3	12
Net book amount 31st December 1994 Total **£33m**	14	19

Note 10 continued	Group £m	Company £m
Properties		
Investment properties — completed	4,699	2
— under development	715	—
	5,414	2
Other properties	471	12
	5,885	14
Freeholds	322	13
Long leaseholds	5,516	1
Short leaseholds	47	—
	5,885	14
Analysis of book value		
At cost	493	12
At valuation	5,392	2
	5,885	14

Investment properties, whether completed or in the course of development, were valued on the basis of open market value at 31st December 1994 by Jones Lang Wootton in Hong Kong and K. K. Halifax Associates in Japan. These values have been included in the accounts.

If the revalued investment properties were stated on a historical cost basis, the book value would be £1,344 million for the Group and Nil for the Company.

11 Fixed asset investments			Associated undertakings £m	Other investments £m	Loans £m
Group					
Cost or valuation					
At start of year			106	36	18
Prior year restatement (Note 31)			—	2,219	—
Currency adjustment			(4)	(53)	(1)
Expenditure			80	23	25
Transfer to subsidiary undertakings			(1)	—	—
Disposals			—	(12)	(7)
			181	2,213	35
Share of post acquisition reserves					
At start of year			133		
Currency adjustment			(6)		
Profit and reserve movements			17		
			144	—	—
Amounts written off					
At start of year			20	2	
Currency adjustment			(1)	—	
Written off in year			48	—	
Written back in year			(5)	(1)	
Transfer to subsidiary undertakings			(2)	—	
			60	1	—
Net book amount 31st December 1994	Total	**£2,512m**	265	2,212	35

	Associated undertakings **1994** £m	Associated undertakings 1993 £m	Other investments **1994** £m	Other investments 1993 £m
Listed investments included above				
United Kingdom	35	34	76	54
Overseas	28	20	1,031	1,042
Net book amount	63	54	1,107	1,096
Market value	*61*	*42*	*1,001*	*1,154*

Note 11 continued

			Subsidiary undertakings £m	Associated undertakings £m	Loans £m
Company					
Cost or valuation					
At start of year			1,951	41	8
Revaluation			141	1	—
Expenditure			—	—	2
Disposals			—	—	(2)
Net book amount 31st December 1994	Total	**£2,142m**	2,092	42	8

Investments in subsidiary and associated undertakings are stated at the share of their net tangible assets. The parent company has adopted this basis because it is considered that it more fairly represents the investments; if they had not been so stated they would have been included at the following amounts:

	Subsidiary undertakings		Associated undertakings	
	1994 £m	1993 £m	**1994 £m**	1993 £m
Cost	113	112	33	33

Included in loans are staff housing scheme loans to a director (advanced prior to appointment) amounting to £26,000 and a loan to the Secretary of £32,000 (1993 – a director amounting to £31,000 and £34,000 to the Secretary).

Particulars of principal investments are set out on pages 30 and 31.

12 Stocks	Group		Company	
	1994 £m	1993 £m	**1994 £m**	1993 £m
Property under development for sale	265	225		
Completed property for sale	5	11		
	270	236		
Raw materials and consumable stores	109	105		
Work in progress	16	23		
Finished goods and goods for resale	76	63		
	471	427	—	—

13 Debtors				
Due within one year				
Trade debtors	827	539	1	3
Owed by subsidiary undertakings	—	—	108	27
Owed by associated undertakings	17	13	1	—
Taxation recoverable	10	3	10	3
Other debtors	49	35	—	1
Prepayments and accrued income	75	63	66	57
	978	653	**186**	91
Due after more than one year				
Owed by associated undertakings	61	34		
Exchange fluctuation account	240	194		
Other debtors	128	125		
	429	353	—	—

14 Current asset investments	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Net book amount				
Listed overseas	48	59	—	—
Market value	*48*	*59*	—	—

15 Borrowings	1994 Due within one year £m	1994 Due after one year £m	1993 Due within one year £m	1993 Due after one year £m
Group				
Secured on tangible fixed assets				
Bank loans repayable by instalments at rates of interest up to 14%	27	434	50	373
Other loans repayable by instalments at rates of interest varying up to 14%	219	217	38	384
Obligations under finance leases (see note 27)	316	1,664	157	1,989
Bank overdrafts and short-term loans	5	—	9	—
Unsecured				
Bank loans repayable by instalments at rates of interest between 4.5% and 6.5%	100	531	149	249
Other loans repayable by instalments at rates of interest up to 9.6%	10	442	12	459
Other loan with interest at 10% repayable before 31st March 1998	1	—	1	—
Bank overdrafts and short-term loans	99	—	66	—
	777	3,288	482	3,454
Company				
Unsecured				
HK$450 million interest free debentures held by a subsidiary, repayable on or after 31st December 2021	—	37	—	39
Other loan with interest at 10% repayable before 31st March 1998	1	—	1	—
	1	37	1	39

Group	1994 Bank £m	1994 Other £m	1993 Bank £m	1993 Other £m
Loans are repayable:				
Within one year	231	230	274	51
Between one and two years	71	76	125	32
Between two and five years	632	84	258	135
Over five years – by instalments	262	171	239	474
– whole loan	—	328	—	202
	1,196	889	896	894

Subsidiary undertakings have long-term liabilities which are secured by funds amounting to £1,290 million (1993 — £951) placed with financial institutions under defeasance arrangements. Accordingly, these liabilities and the related funds, as well as the related expenditure and income, are not included in these accounts.

16 Other creditors

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Due within one year				
Trade creditors	620	483	1	2
Owed to subsidiary undertakings	—	—	58	22
Owed to associated undertakings	16	11	—	—
Taxation	173	132	27	15
Other creditors	99	130	2	2
Accrued expenses	320	259	3	1
Dividends payable – John Swire & Sons Limited	9	7	9	7
– Outside shareholders	184	152	—	—
	1,421	1,174	**100**	49
Due after more than one year				
Owed to subsidiary undertakings	—	—	44	46
Other creditors	68	74	—	—
	68	74	**44**	46

17 Provision for liabilities and charges

	Group Deferred taxation £m	Group Unfunded retirement benefits £m	Company Deferred taxation £m	Company Unfunded retirement benefits £m
At start of year	69	11	15	3
Prior year restatement (note 31)	153	—	—	—
Currency adjustment	(11)	(1)	—	—
Changes in Group	—	2	—	—
Payments	—	(2)		(1)
Profit and loss account	14	3	2	—
Cash benefit from lease arrangements	81	—	—	—
	306	13	17	2
Less advance corporation tax recoverable	2	—	2	—
	304	13	15	2
	317		**17**	

	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Analysis of deferred taxation liability				
Accelerated capital allowances – United Kingdom	33	37	3	3
– Overseas	268	176	—	—
Other timing differences – United Kingdom	14	11	14	12
– Overseas	(9)	(2)	—	—
	306	222	17	15

18 Called up share capital

On 16th December 1994 the company purchased for cancellation 19,877,482 6.3% cumulative preference shares under the authority given at an Extraordinary General Meeting on 17th November 1994. The shares purchased were formally cancelled in 1995.

The share capital at 31st December 1994 was as follows:

	Group		Company	
	1994	1993	**1994**	1993
	£m	£m	**£m**	£m
Authorised				
100,000,000 ordinary shares of £1 each	100	100	100	100
20,000,000 6.3% cumulative preference shares of £1 each	20	20	20	20
	120	120	120	120
Allotted, called up and fully paid				
Equity share capital				
100,000,000 ordinary shares of £1 each	100	100	100	100
Non-equity share capital				
20,000,000 6.3% cumulative preference shares of £1 each	20	20	20	20
19,877,482 6.3% cumulative preference shares purchased for cancellation	(20)	—	(20)	—
122,518 (1993 – 20,000,000) 6.3% cumulative preference shares	—	20	—	20
Total called up share capital	**100**	120	**100**	120

19 Reserves

		Revaluation reserves	Other reserves	Profit and loss account
		£m	£m	£m
Group				
At start of year		1,011	88	815
Currency adjustment		(55)	4	(33)
Profit retained		—	—	150
Transfer between reserves		13	20	(33)
Changes in Group		(16)	—	(11)
Revaluation of investment properties		149	—	—
	Total **£2,102m**	1,102	112	888

The revaluation reserves include £1,118 million (1993 – £1,022 million) in respect of investment properties.

The cumulative amount of goodwill written off to reserves since 1st January 1977 in respect of continuing businesses was £66 million (1993 – £56 million).

		Revaluation reserves	Other reserves	Profit and loss account
		£m	£m	£m
Company				
At start of year		1,734	24	156
Profit retained		—	—	48
Transfer between reserves		—	20	(20)
Revaluation of investment properties		(2)	—	—
Revaluation of shares in subsidiary and associated undertakings		142	—	—
	Total **£2,102m**	1,874	44	184

The reserves of the parent company that may be distributed by way of dividend amount to £192 million.

Other reserves of the Group and the Company include £20 million of Capital Redemption Reserve.

20 Effect of foreign exchange accounting

The adoption of Statement of Standard Accounting Practice No. 20 (SSAP20), in relation to the aircraft financing arrangements of Cathay Pacific Airways Limited (described in paragraph (b) of foreign currencies accounting policy on page 10), would have the following effect on the profit and loss account and the reserves (note 19).

Group profit and loss account	1994 As reported £m	1994 SSAP20 basis £m	1993 As reported £m	1993 SSAP20 basis £m
Gross profit	1,586	1,586	1,424	1,424
Other operating expenses (net)	807	863	849	859
Operating profit	779	723	575	565
Exceptional items, associated undertakings and net finance charge	25	25	57	57
Profit before taxation	804	748	632	622
Taxation	160	168	98	102
Profit after taxation	644	580	534	520
Outside shareholders' interest	479	425	414	402
Profit attributable to members	165	155	120	118
Dividends	15	15	12	12
Profit retained	150	140	108	106

Group profit and loss account reserve	1994 As reported £m	1994 SSAP20 basis £m
At start of year	815	788
Currency adjustment	(33)	(32)
Profit retained	150	140
Other movements	(44)	(44)
	888	852
Company revaluation reserve		
At start of year	1,734	1,707
Revaluation of investment properties	(1)	(1)
Revaluation of shares in subsidiary and associated undertakings	141	133
	1,874	1,839

21 Reconciliation of operating profit to net cash inflow from operating activities

	1994 £m	1993 £m
Operating profit	779	575
Depreciation	234	217
Increase in stocks	(26)	(40)
Increase in debtors	(363)	(42)
Increase in other creditors	74	99
Currency adjustment on working capital and other items	109	32
	807	841

22 Analysis of tangible fixed assets purchased

	1994 £m	1993 £m
Properties	198	411
Less interest capitalised	24	16
	174	395
Aircraft and equipment	187	370
Ships, plant and equipment	147	88
Assets under construction	50	16
	558	869
Less leased assets acquired	—	308
	558	561

23 Analysis of cash and cash equivalents

	1994 £m	1993 £m
Cash at bank and on deposit	491	507
Less deposits maturing after three months from acquisition	48	62
	443	445
Current asset investments	48	59
Bank overdrafts and short term loans	(104)	(75)
	387	429
Analysis of changes in cash and cash equivalents		
At start of year	429	505
Currency adjustment	(15)	9
Increase in cash and cash equivalents	(27)	(85)
	387	429
Held by:		
Parent company	40	62
Subsidiary undertakings — Swire Pacific Limited	210	237
Other	137	130
	387	429
Increase in cash and cash equivalents attributed to:		
Parent company	(22)	6
Subsidiary undertakings — Swire Pacific Limited	(20)	(35)
Other	15	(56)
	(27)	(85)

24 Analysis of changes in financing

	1994 £m	1993 £m
At start of year	2,677	2,430
Currency adjustment	(25)	124
Borrowings and finance lease obligations of subsidiary undertakings acquired and sold	—	1
Net cash inflow from financing	164	(186)
Inception of finance leases	—	308
	2,816	2,677
Total financing comprises:		
Borrowings	4,065	3,936
Security deposits, notes and zero coupon bonds	(1,104)	(1,123)
Bank overdrafts and short term loans	(104)	(75)
Deposits maturing after three months from acquisition	(48)	(62)
Amounts due to associated undertakings	7	1
	2,816	2,677

Notes to the accounts

25 Purchase of subsidiary undertakings

	1994 £m	1993 £m
Tangible fixed assets	92	8
Stocks	15	—
Debtors	31	16
Cash at bank and on deposit	6	2
Borrowings	(51)	(1)
Other creditors	(55)	(26)
Outside shareholders	(3)	16
	35	15
Goodwill	38	33
Transfer from associated undertakings	—	(10)
Cash consideration	73	38
Analysis of the net inflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings		
Cash consideration	(73)	(38)
Cash at bank and on deposit less overdrafts and short-term loans acquired	(45)	2
	(118)	(36)

26 Disposal of subsidiary undertakings

	1994 £m	1993 £m
Fixed asset investments	—	1
Debtors	3	4
Bank deposits and short term loans	—	2
Other creditors	(3)	(2)
Share of net assets allocated to outside shareholders	1	8
Gain on disposal	4	28
Total consideration	5	41
Analysis of consideration		
Cash received	5	37
Securities	—	4
	5	41
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiary undertakings		
Cash received	5	37
Bank deposits and short term loans on disposal	—	(2)
	5	35

27 Leasing obligations

	Finance leases	
Group	**1994 £m**	1993 £m
Within one year	316	325
Between one and five years	937	1,025
Over five years	1,927	2,219
	3,180	3,569
Finance charges related to future periods	(1,200)	(1,423)
	1,980	2,146

	Operating leases	
	1994 £m	1993 £m
Within one year	97	39
Between one and five years	192	117
Over five years	9	11
	298	167

28 Capital commitments	Group 1994 £m	Group 1993 £m	Company 1994 £m	Company 1993 £m
Amounts contracted	2,332	1,899	—	1
Amounts authorised but not contracted	281	467	1	—

Commitments include amounts in respect of firm orders for 27 aircraft to be delivered during the period 1995 to 1999.

29 Contingent liabilities
Contingent liabilities at 31st December 1994 amounted to £30 million for guarantees given to third parties.

Guarantees have been given by the parent company in respect of bank loans and overdrafts made available to wholly owned subsidiary undertakings amounting to £30 million.

30 Retirement benefits
The Group operates a number of retirement schemes around the world of both defined benefit and defined contribution arrangements with assets held in separate trustee administered funds.

Defined benefit costs are determined by independent actuaries on a regular basis in accordance with local practice. The market value of the assets in each scheme, at the date of their most recent actuarial valuation were, generally, in excess of the amounts required to secure the benefits of past and current employees.

The Group also has certain obligations from arrangements with past employees which are unfunded. In accordance with Statement of Standard Accounting Practice No. 24 provisions based on independent actuarial advice have been established (see note 17).

The Group has obligations to provide health care and life insurance benefits to certain employees and retired employees, mainly in the United States of America. Provisions have been established for the unfunded liability based upon independent actuarial advice (see note 17).

31 Comparative figures
The comparative figures have been restated to conform with the presentation of the current year. The principal changes are:

(a) Profits arising on sale and leaseback of aircraft and equipment, previously shown in creditors, are now deducted from the cost and accumulated depreciation of the asset in note 10.

(b) Advance payments on aircraft, previously shown in debtors, are now included in assets under construction in note 10.

(c) The taxation effects of certain lease financing arrangements, which were previously included in other creditors due after more than one year, are now classified as deferred taxation in note 17.

(d) Certain debt securities held by investment managers which are intended to be held until maturity, which were previously included in current assets, are now included in other investments in note 11.

(e) To reflect the implementation of Financial Reporting Standard No. 5 — reporting the substance of transactions — the security deposits, notes and zero coupon bonds placed in respect of certain leasing and financing arrangements, which had previously been deducted from the relevant liability, are now included in other investments in note 11.

Principal subsidiary undertakings

Country of operation and incorporation (unless stated)	Attributable interest Swire Group %	Swire Pacific Group %	Principal activity
Australia			
*John Swire & Sons Pty	100		Holding and management company
Clyde Agriculture	100		Agricultural holdings
Frigmobile Pty	100		Cold storage and road transport
Kalari Holdings Pty	100		Road transport
South Australian Cold Stores Pty	100		Cold storage
Transwest Haulage Holdings Pty	100		Road transport group
Woodmason's Pty	100		Cold storage
China			
B C Development Company	20	74	Soft drink manufacturing and marketing
Guangmei Foods Company	21	80	Food processing and distribution
Taikoo (Xiamen) Aircraft Engineering	6	22	Aircraft overhaul and maintenance
Hong Kong			
*John Swire & Sons (H.K.)	100		Holding and management company
Swire Pacific *(listed)* *(The holding carries 49% of the voting rights)*	27		Holding company
AHK Air Hong Kong	11	39	Air cargo carrier
Cathay Pacific Airways *(listed)*	14	52	Scheduled airline service operator
Cathay Pacific Catering Services (H.K.)	11	39	Airline catering
Hong Kong Aircraft Engineering Company *(listed)*	11	40	Aircraft overhaul and maintenance
Hong Kong Dragon Airlines	8	29	Scheduled airline service operator
Swire Bottlers	24	88	Soft drink manufacturing and marketing
Swire Insurance	27	100	Insurance
Swire & Maclaine	27	100	General trading
Swire Pacific Offshore Services	27	100	Offshore oil support
Swire Pacific Ship Management	27	100	Ship personnel management
Swire Properties	27	100	Property investment and trading
Tai-Koo Sugar	27	100	Food packaging and distribution
*The China Navigation Company *(incorporated in England)*	100		Shipowning and operating
Japan			
*John Swire & Sons (Japan) *(incorporated in England)*	100		Shipping agents and property investment
Swire Transtech	100		Industrial, marketing and distribution
Norway			
*Swire EPD	100		Oilfield services
Taiwan			
Cannon Taiwan	27	100	Automobile distribution
Taiwan Coca-Cola Bottling Company	21	78	Soft drink manufacturing and marketing
*Taikoo Transportation Co.	100		Road transport
Taiwan Swire	100		Shipping agents
United Kingdom			
England			
*Blyth, Greene, Jourdain & Company	100		Holding company
*Swire Materials Handling	100		Fork-lift truck rental
*Swire EPD	100		Oilfield services
Swire Fraser	22	80	Insurance broking
United States of America			
*John Swire & Sons Inc.	100		Holding company
Swire Pacific Holdings	27	100	Soft drink manufacturing and marketing
The Eagle's Eye International *(incorporated in Hong Kong)*	27	100	Design, manufacture and marketing of clothes
United States Cold Storage	100		Cold storage

*Denotes ordinary shares held directly by the parent company

Principal associated undertakings

Country of operation and incorporation	Attributable interest Swire Group %	Swire Pacific Group %	Principal activity
Australia			
Metserv Pty	45		Steel mill services
China			
ICI Swire Paints (China)	11	40	Paint manufacturing
Hong Kong			
Carlsberg Brewery Hong Kong	11	39	Brewery
Crown Can Hong Kong	11	40	Beverage can manufacturing
Hongkong Air Terminal Services	14	50	Airport terminal services
Hongkong United Dockyards	14	50	Ship repairing and general engineering
Hong Kong Air Cargo Terminals	5	20	Air cargo terminal operations
Modern Terminals	4	16	Container terminal operations
Securair	7	26	Airport security
Taikoo Royal Insurance Company	13	49	General insurance
Tate & Lyle Swire	9	33	Sugar refining
The Hongkong Salvage & Towage Company	14	50	Marine towage
Korea			
Dong Young Shipping Company	50		Shipowning and operating
Mauritius			
Ireland Blyth *(listed)*	32		Trading and shipping
Papua New Guinea			
Steamships Trading Company *(listed)*	33		General trading and industrial
United Kingdom			
England			
P&O Swire Containers	26		Shipowning and operating
Scotland			
*Clyde Shipping Company	24		Holding company
*James Finlay *(listed)*	30		Holding company and tea and general trading

*Denotes shares held directly by the parent company

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