

singapore airlines  
annual report  
2009/2010



Singapore Airlines achieved a net profit attributable to equity holders of S\$216 million for the financial year ended 31 March 2010.

During the first half of the year, demand for air travel declined due to the global economic slowdown as well as the outbreak of Influenza A (H1N1). The Group recorded a net loss attributable to equity holders of S\$466 million for the first half of the financial year.

Despite the difficult times, the Airline did not lose sight of its commitment to delivering product and service innovation. Singapore Airlines continued to invest in its long-term future by flying its flagship aircraft, the Airbus A380, to more destinations, rolling out a cabin renewal programme for selected Boeing 777 aircraft, and opening a new service centre in the heart of Singapore's premier shopping belt.

Market conditions gradually improved in the second half of the financial year. Reflecting this, the Airline recorded higher passenger and cargo traffic. Together with the S\$404 million net profit in the third quarter, the fourth quarter net profit of S\$278 million reversed the S\$466 million loss recorded in the first half of the financial year.

The business outlook for the Group in FY 2010-2011 is encouraging, although the sustainability of the recovery depends on developments in the world economy and on business and consumer confidence. The Airline plans to increase capacity in a measured manner in the new financial year. This will include a new service to Tokyo's Haneda Airport in October 2010, and increased frequencies to destinations such as Hong Kong, Seoul and New Delhi.

## contents

002	statistical highlights
004	board of directors
006	chairman's letter to shareholders
008	corporate data
010	significant events
012	the year in review
014	network
015	fleet management
017	products and services
019	people development
021	environment
022	supporting our communities
023	subsidiaries
027	list of awards
029	statement on risk management
031	corporate governance report
050	financials
205	notice of annual general meeting

# statistical highlights

## Financial Statistics <sup>R1</sup>

	2009-10	2008-09	% Change	
<b>The Group</b>				
<u>Financial Results (\$ million)</u>				
Total revenue	12,707.3	15,996.3	- 20.6	
Total expenditure	12,644.1	15,092.7	- 16.2	
Operating profit	63.2	903.6	- 93.0	
Profit before taxation	285.5	1,198.6	- 76.2	
Profit attributable to equity holders of the Company	215.8	1,061.5	- 79.7	
<u>Financial Position (\$ million)</u>				
Share capital	1,750.6	1,684.8	+ 3.9	
Treasury shares	(0.9)	(44.4)	- 98.0	
Capital reserve	74.8	86.3	- 13.3	
Foreign currency translation reserve	(137.0)	(137.9)	- 0.7	
Share-based compensation reserve	185.3	187.3	- 1.1	
Fair value reserve	(140.9)	(660.8)	- 78.7	
General reserve	11,737.0	12,815.3	- 8.4	
Equity attributable to equity holders of the Company	13,468.9	13,930.6	- 3.3	
Return on equity holders' funds (%) <sup>R2</sup>	1.6	7.3	- 5.7	points
Total assets	22,484.3	24,818.5	- 9.4	
Total debt	1,338.9	1,692.5	- 20.9	
Total debt equity ratio (times) <sup>R3</sup>	0.10	0.12	- 0.02	times
Value added	4,276.4	5,570.8	- 23.2	
<u>Per Share Data</u>				
Earnings before tax (cents)	24.1	101.2	- 76.2	
Earnings after tax (cents) - basic <sup>R4</sup>	18.2	89.6	- 79.7	
Earnings after tax (cents) - diluted <sup>R5</sup>	18.0	89.1	- 79.8	
Net asset value (\$) <sup>R6</sup>	11.30	11.78	- 4.1	
<u>Dividends</u>				
Interim dividend (cents per share)	-	20.0	- 20.0	cents
Proposed final dividend (cents per share)	12.0	20.0	- 8.0	cents
Dividend cover (times) <sup>R7</sup>	1.5	2.2	- 0.7	times
<b>The Company</b>				
<u>Financial Results (\$ million)</u>				
Total revenue	10,145.0	13,049.5	- 22.3	
Total expenditure	10,183.6	12,226.6	- 16.7	
Operating (loss)/profit	(38.6)	822.9	n.m.	
Profit before taxation	233.3	1,252.4	- 81.4	
Profit after taxation	279.8	1,218.7	- 77.0	
Value added	3,061.0	4,226.4	- 27.6	

<sup>R1</sup> Singapore Airlines' financial year is from 1 April to 31 March. Throughout this report, all figures are in Singapore Dollars, unless stated otherwise.

<sup>R2</sup> Return on equity holders' funds is profit attributable to equity holders of the Company expressed as a percentage of the average equity holders' funds.

<sup>R3</sup> Total debt equity ratio is total debt divided by equity attributable to equity holders of the Company as at 31 March.

<sup>R4</sup> Earnings after tax per share (basic) is computed by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue excluding treasury shares.

<sup>R5</sup> Earnings after tax per share (diluted) is computed by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue excluding treasury shares, adjusted for the dilutive effect on the exercise of all outstanding share options.

<sup>R6</sup> Net asset value per share is computed by dividing equity attributable to equity holders of the Company by the number of ordinary shares in issue excluding treasury shares at 31 March.

<sup>R7</sup> Dividend cover is profit attributable to equity holders of the Company divided by total dividend.

## Operating Statistics

	2009-10	2008-09	% Change
<b>Singapore Airlines</b>			
Passengers carried (thousand)	16,480	18,293	- 9.9
Revenue passenger-km (million)	82,882.5	90,128.1	- 8.0
Available seat-km (million)	105,673.7	117,788.7	- 10.3
Passenger load factor (%)	78.4	76.5	+ 1.9 points
Passenger yield (cents/pkm)	10.4	12.5	- 16.8
Passenger unit cost (cents/ask)	8.6	9.2	- 6.5
Passenger breakeven load factor (%)	82.7	73.6	+ 9.1 points
<b>SIA Cargo</b>			
Cargo and mail carried (million kg)	1,122.4	1,219.5	- 8.0
Cargo load (million tonne-km)	6,659.1	7,299.3	- 8.8
Gross capacity (million tonne-km)	10,510.1	12,292.5	- 14.5
Cargo load factor (%)	63.4	59.4	+ 4.0 points
Cargo yield (cents/ltk)	32.0	38.2	- 16.2
Cargo unit cost (cents/ctk)	21.9	24.9	- 12.0
Cargo breakeven load factor (%)	68.4	65.2	+ 3.2 points
<b>Singapore Airlines and SIA Cargo</b>			
Overall load (million tonne-km)	14,508.4	15,876.9	- 8.6
Overall capacity (million tonne-km)	20,962.1	23,946.0	- 12.5
Overall load factor (%)	69.2	66.3	+ 2.9 points
Overall yield (cents/ltk)	74.7	88.6	- 15.7
Overall unit cost (cents/ctk)	53.8	57.7	- 6.8
Overall breakeven load factor (%)	72.0	65.1	+ 6.9 points
<b>Employee Productivity (Average) - The Company</b>			
Average number of employees	13,934	14,343	- 2.9
Seat capacity per employee (seat-km)	7,583,874	8,212,278	- 7.7
Passenger load per employee (tonne-km) <sup>R1</sup>	563,318	598,047	- 5.8
Revenue per employee (\$)	728,075	909,817	- 20.0
Value added per employee (\$)	219,678	294,666	- 25.4
<b>Employee Productivity (Average) - The Group</b>			
Average number of employees	33,222	31,834	+ 4.4
Revenue per employee (\$)	472,918	502,491	- 5.9
Value added per employee (\$)	159,151	174,995	- 9.1

<sup>R1</sup> Passenger load includes excess baggage carried.

### GLOSSARY

#### Singapore Airlines

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Passenger unit cost	=	Operating expenditure (less bellyhold revenue from SIA Cargo) divided by available seat-km
Passenger breakeven load factor	=	Passenger unit cost expressed as a percentage of passenger yield. This is the theoretical load factor at which passenger revenue equates to the operating expenditure (less bellyhold revenue from SIA Cargo)

#### SIA Cargo

Cargo load	=	Cargo and mail load carried (in tonnes) x distance flown (in km)
Gross capacity	=	Cargo capacity production (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo and mail load (in tonne-km) expressed as a percentage of gross capacity (in tonne-km)
Cargo yield	=	Cargo and mail revenue from scheduled services divided by cargo load (in tonne-km)
Cargo unit cost	=	Operating expenditure (including bellyhold expenditure to Singapore Airlines) divided by gross capacity (in tonne-km)
Cargo breakeven load factor	=	Cargo unit cost expressed as a percentage of cargo yield. This is the theoretical load factor at which cargo revenue equates to the operating expenditure (including bellyhold expenditure to Singapore Airlines)

#### Singapore Airlines and SIA Cargo

Overall load	=	Total load carried (in tonnes) x distance flown (in km)
Overall capacity	=	Total capacity production (in tonnes) x distance flown (in km)
Overall load factor	=	Overall load (in tonne-km) expressed as a percentage of overall capacity (in tonne-km)

## board of directors

### Stephen Lee Ching Yen Chairman

Appointed Director on 26 April 2004 and Chairman on 1 January 2006. Mr Lee is the Managing Director of Shanghai Commercial and Savings Bank Ltd. (Taiwan) and Great Malaysia Textile Investments Pte Ltd. He is also the President of the Singapore National Employers Federation. Amongst several other appointments, Mr Lee is a member of the Advisory Panel of Temasek Holdings (Private) Limited and an alternate member of the Council of Presidential Advisers. He was Chairman of the Singapore Business Federation from 2002 to 2008 and International Enterprise Singapore from 1995 to 2002. Mr Lee was a Nominated Member of Parliament from 1994 to 1997. In 2006, Mr Lee was awarded the Distinguished Service Order for his contributions to both the public and private sectors. Age 63.

*From left*

Stephen Lee Ching Yen  
Chew Choon Seng  
William Fung Kwok Lun  
Euleen Goh Yiu Kiang

*Next page from left*

David Michael Gonski  
James Koh Cher Siang  
Christina Ong  
Helmut Gunter Wilhelm Panke  
Lucien Wong Yuen Kuai

### Chew Choon Seng Director and Chief Executive Officer

Appointed Director on 5 March 2003, Mr Chew became the Chief Executive Officer on 9 June 2003. He joined the Company in 1972 and has held senior assignments in Finance, Planning and Marketing, at head office and overseas. Mr Chew has been a member of the Board of Governors of the International Air Transport Association (IATA) since June 2003. He was named Outstanding CEO for 2007 by the judges of the 23rd Singapore Business Awards in March 2008. Age 63.

### William Fung Kwok Lun Director

Appointed Director on 1 December 2009. Dr Fung is Group Managing Director of Li & Fung Limited, a multinational group of companies headquartered in Hong Kong. Dr Fung held key positions in major trade and business associations. He was Chairman of the Hong Kong General Chamber of Commerce, Hong Kong Exporters' Association and Hong Kong Committee for the Pacific Economic Cooperation Council. Dr Fung has received numerous awards and accolades for his business contributions including the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008. He was also conferred the Honorary Degrees of Doctor of Business Administration by Hong Kong University of Science & Technology and by Hong Kong Polytechnic University. Age 61.

### Euleen Goh Yiu Kiang Director

Appointed Director on 1 September 2006. Ms Goh has been the Chairperson of the Board of Governors of Singapore International Foundation since 1 April 2008 and Accounting Standards Council since 11 December 2007. She is also Advisor to the Singapore Institute of International Affairs. She was the Chairperson of International Enterprise Singapore from April 2005 to April 2008. Ms Goh held various senior management positions in Standard Chartered Bank before retiring as Chief Executive Officer, Singapore in March 2006, after more than 20 years service. She was awarded a Public Service Medal for her contributions to the Financial Services sector in 2006. Age 55.



**David Michael Gonski****Director**

Appointed Director on 9 May 2006. Mr Gonski is Chairman of several companies including the Australian Securities Exchange Ltd, Investec Bank (Australia) Limited and Coca Cola Amatil Ltd. Mr Gonski is also Chancellor of the University of New South Wales and a director of the Westfield Group. Mr Gonski was awarded Australia's highest honour when he was made Companion of the Order of Australia (AC) in the Queen's Birthday 2007 awards. He also received the Centenary Medal in 2003. Mr Gonski is a lawyer by training. Age 56.

**James Koh Cher Siang****Director**

Appointed Director on 1 August 2005. Mr Koh is Chairman of Housing & Development Board, Singapore Deposit Insurance Corporation Limited and CapitaMall Trust Management Limited. From 1997 to 2005, he was Chief Executive Officer of the Inland Revenue Authority of Singapore. In that capacity, he was both Commissioner of Inland Revenue and Commissioner of Charities. Mr Koh had substantial experience in public administration having served in the Ministries of Finance, National Development, Community Development, Education and the Prime Minister's Office. He was awarded the Public Administration Medal (Gold) in 1983 and the Meritorious Service Medal in 2002 for his outstanding contributions to the public sector. Age 64.

**Christina Ong****Director**

Appointed Director on 1 September 2007. Mrs Christina Ong is a well-known hotelier and fashion retailer who owns the Como Hotels & Resorts Group of hotels and spas. She is also the owner of various high-end international fashion stores under the Club 21 umbrella. Mrs Ong was a recipient of The Italian Fashion Hall of Fame Award in 1995 and The Italian Award of Cavaliere De Lavo. Age 62.

**Helmut Gunter Wilhelm Panke****Director**

Appointed Director on 1 September 2009. Dr Panke, a trained nuclear engineer, was with BMW AG from 1982 to 2006. During this time, he served in a number of senior positions, including Executive Chairman of the Board of Management from May 2002 through August 2006. Among other positions held, from 1993 through 1996, he served as Chairman and CEO of BMW (US) Holding Corp, responsible for the carmaker's North American activities. Dr Panke played a key role in the building of the first BMW plant in the USA in Spartanburg, South Carolina. Age 63.

**Lucien Wong Yuen Kuai****Director**

Appointed Director on 1 September 2007. He is the Managing Partner of Allen & Gledhill LLP and has over 30 years of experience in the practice of law, specialising in banking, corporate and financial services work. His other directorships include Director of Cerebos Pacific Limited, Director of Hap Seng Plantations Holdings Berhad and Director of Singapore Press Holdings Limited. He is also Chairman of the Maritime and Port Authority of Singapore, a Board member of the Monetary Authority of Singapore as well as a Member of the Board of Trustees of National University of Singapore. Age 56.



## chairman's letter to shareholders

It is often said that a person's true colours show in times of adversity. The same can be said of corporations, and I am pleased to report that our true colours shone brightly through the year in review, during one of the most difficult periods the aviation industry has faced. Our employees and management showed their dedication to the SIA Group through the downturn, which, coupled with the loyalty of our customers, helped us come through the testing period stronger than ever.

My Letter to Shareholders last year focused on how demand was healthy through the first half of the 2008-2009 financial year but how it fell in the second half. For the year just behind us, the opposite proved the case. The Group posted its first losses since the SARS outbreak of 2003-2004 in the first half as operating conditions remained weak. We cautioned that should adverse business conditions persist, it was likely we could post our first-ever full-year loss as a public company.

Our shareholders know that SIA is not accustomed to losing money. The downturn tested us in new ways, but the difficulties we faced helped reinforce the strength of our business model. We can therefore be proud that our unbroken profit record was maintained, with a full-year group net profit attributable to equity holders of S\$216 million.

How did we manage this, when many other airline groups recorded losses? We have taken many actions to counter the severe downturn, and I will focus on three areas: the dedication of our staff, marketing strategies and our disciplined focus.

First, the support of our staff and the sacrifices each employee made were crucial. Measures to cope with the surplus of personnel arising from capacity cuts included unpaid leave and shorter work-month schemes, in addition to salary cuts in accordance with the terms of our union agreements. Everyone pulled together, highlighting the tight working relationship between management and staff. We were nimble and flexible as a result, enabling timely decisions and the quick implementation of measures to address the situation at hand.

We were nimble and flexible, enabling timely decisions and the quick implementation of measures to address the situation at hand.





Second, marketing strategies were important in helping us deal with reduced demand. We acted promptly at the start of the financial year, cutting capacity by more than 10% while also encouraging travel through fare specials and frequent-flyer programme promotions.

Third, our disciplined, long-term focus has put us in a strong position to benefit as demand returns to pre-downturn levels. We continued to invest in our products and services as well as in staff training, even as we faced criticism from some that our focus on premium travel was off the mark. We were confident demand for premium travel would return and this proved true in the second half as business class travel in particular picked up. Even at the worst of times we kept an eye on the recovery.

Remaining profitable has not left us complacent, however. Forward bookings continue to improve but yield remains under pressure. As a result we are being cautious in restoring capacity. But we are not forsaking our long-term focus, one example being the recent addition of Munich to our passenger network. In October we look forward to launching services to Tokyo's Haneda Airport.

We continue to take delivery of new Airbus A330 and A380 aircraft, in line with our longstanding policy of maintaining a young and modern fleet. At the same time we are refitting the cabins of some of our Boeing 777s with our latest product offerings.

Our focus on the core airline business is also being strictly adhered to and in line with this we divested our holding in Singapore Airport Terminal Services during the year in review. We meanwhile continue to adapt to the changing market environment on short-haul routes, such as through the transfer to SilkAir of Penang operations as well as additional Kuala Lumpur services.

The period ahead will bring challenges, as already demonstrated by rising jet fuel prices and the fact that the new financial year began with the closure

of European airspace due to volcanic activity in Iceland. But we remain confident that our business model is sound and through the difficulty of the past 18 months we proved that we can react to challenges adeptly and rapidly.

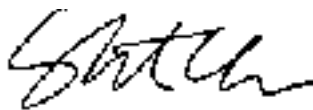
I wish to close with words of thanks to several important groups.

To our staff for their many sacrifices, I extend my sincere appreciation on behalf of the Board of Directors.

I wish to thank my fellow Directors and to welcome Dr Helmut Panke and Dr William Fung to the Board. I would also like to acknowledge the contributions of two Directors who retired after our AGM on 31 July 2009, Mr Chia Pei-Yuan and Sir Brian Pitman. It was with great sadness that Sir Brian later passed away. Our heartfelt condolences go out to his loved ones.

Finally, it would be remiss of me not to record a special thanks to our customers. All employees of the SIA Group are committed to providing the highest-quality products and services, and your loyalty motivates us to strive for excellence in everything we do.

There will always be something unexpected to challenge us and the sustainability of the recovery is subject to the economic conditions of the major markets that we serve. But we can be proud to have come through the economic downturn in a position of strength, well positioned for the upturn.



Stephen Lee  
Chairman

## corporate data

### Board of Directors

#### *Chairman*

Stephen Lee Ching Yen

#### *Members*

Chew Choon Seng

Euleen Goh Yiu Kiang

David Michael Gonski

James Koh Cher Siang

Christina Ong

Lucien Wong Yuen Kuai

Chia Pei-Yuan

(until 31 July 2009)

Sir Brian Pitman

(until 31 July 2009)

Helmut Gunter Wilhelm Panke

(from 1 September 2009)

William Fung Kwok Lun

(from 1 December 2009)

### Board Committees

#### Board Executive Committee

#### *Chairman*

Stephen Lee Ching Yen

#### *Members*

Chew Choon Seng

Euleen Goh Yiu Kiang

James Koh Cher Siang

#### Board Audit Committee

#### *Chairperson*

Euleen Goh Yiu Kiang

#### *Members*

David Michael Gonski

Lucien Wong Yuen Kuai

Chia Pei-Yuan

(until 31 July 2009)

William Fung Kwok Lun

(from 1 December 2009)

#### Board Compensation and Industrial Relations Committee

#### *Chairman*

Stephen Lee Ching Yen

#### *Members*

David Michael Gonski

James Koh Cher Siang

Sir Brian Pitman

(until 31 July 2009)

Helmut Gunter Wilhelm Panke

(from 1 September 2009)

#### Board Nominating Committee

#### *Chairman*

Lucien Wong Yuen Kuai

#### *Members*

Christina Ong

Chia Pei-Yuan

(until 31 July 2009)

Stephen Lee Ching Yen

(from 1 September 2009)

#### Board Safety and Risk Committee

#### *Chairman*

James Koh Cher Siang

#### *Members*

Sir Brian Pitman

(until 31 July 2009)

Helmut Gunter Wilhelm Panke

(from 1 September 2009)

Stephen Lee Ching Yen

(until 30 November 2009)

Christina Ong

(from 1 December 2009)

### Company Secretary

Ethel Tan

### Share Registrar

M & C Services Private Limited

138 Robinson Road #17-00

The Corporate Office

Singapore 068906

### Auditors

Ernst & Young LLP

Public Accountants and

Certified Public Accountants

One Raffles Quay

North Tower #18-01

Singapore 048583

### Audit Partner

Kevin Kwok

(appointed since FY 2005-06)

### Registered Office

Airline House

25 Airline Road

Singapore 819829

## Executive Management

### Head Office

Chew Choon Seng  
*Chief Executive Officer*

Bey Soo Khiang  
*Senior Executive Vice President  
Operations and Planning*  
(until 28 February 2010)

Bey Soo Khiang  
*Senior Executive Vice President  
Marketing and Corporate Services*  
(from 1 March 2010)

Ng Chin Hwee  
*Executive Vice President  
Human Resources and Planning*

Huang Cheng Eng  
*Executive Vice President  
Marketing and the Regions*  
(until 7 June 2010)

Goh Choon Phong  
*Executive Vice President  
Marketing and the Regions*  
(from 8 June 2010)

Mak Swee Wah  
*Executive Vice President  
Operations and Services*

Tan Pee Teck  
*Senior Vice President  
Cabin Crew*

Tan Chik Quee  
*Senior Vice President  
Commercial Technology*

Teoh Tee Hooi  
*Senior Vice President  
Corporate Services*  
(until 3 April 2010)

Mervyn Sirisena  
*Senior Vice President  
Engineering*

Chan Hon Chew  
*Senior Vice President Finance*

Gerard Yeap Beng Hock  
*Senior Vice President  
Flight Operations*

Christopher Cheng Kian Hai  
*Senior Vice President  
Human Resources*

Yap Kim Wah  
*Senior Vice President  
Product and Services*

Thoeng Tjhoen Onn  
*Senior Vice President  
Sales Regions*  
(until 9 April 2010)

Ng Kian Wah  
*Senior Vice President  
Sales Regions*  
(from 29 March 2010)

### Overseas Regions

Ng Kian Wah  
*Senior Vice President  
North Asia*  
(until 28 March 2010)

Lee Lik Hsin  
*Regional Vice President  
North Asia*  
(from 20 March 2010)

Lim Wee Kok  
*Regional Vice President Americas*

Paul Tan Wah Liang  
*Regional Vice President Europe*

Subhas Menon  
*Regional Vice President  
South West Pacific*

Lee Lik Hsin  
*Regional Vice President  
West Asia and Africa*  
(until 19 March 2010)

Philip Goh Ser Miang  
*Regional Vice President  
West Asia and Africa*  
(from 13 March 2010)

## Senior Management, Major Subsidiaries

William Tan Seng Koon  
*President and  
Chief Executive Officer  
SIA Engineering  
Company Limited*

Chin Yau Seng  
*Chief Executive  
SilkAir (Singapore) Private Limited*

Goh Choon Phong  
*President  
Singapore Airlines Cargo Pte Ltd*  
(until 28 February 2010)

Tan Kai Ping  
*President  
Singapore Airlines Cargo Pte Ltd*  
(from 1 March 2010)

## financial calendar

**31 March 2010**  
Financial Year-End

**21 May 2010**  
Announcement of 2009-10  
Annual Results

**2 July 2010**  
Despatch of Annual  
Report and Circular to  
Shareholders

**26 July 2010**  
Announcement of 2010-11  
First Quarter Results

**27 July 2010**  
Annual General Meeting  
and Extraordinary  
General Meeting

**17 August 2010**  
Payment of 2009-10  
Final Dividend (subject to  
shareholders' approval  
at AGM)

**09 November 2010**  
Announcement of 2010-11  
Second Quarter and  
Half-Year Results

## significant events

### 2009

#### April

- New SIA Mobile facility introduced, allowing customers to check in for their flights using their Singapore-registered mobile phones.
- Leading Chinese chef Zhu Jun becomes the latest addition to the International Culinary Panel.
- SilkAir joins Singapore Airlines in operating flights to Penang.

#### May

- The Airline implements the 'Shorter Work Month' scheme for all staff, after consultation with the respective staff unions.
- Measures against Influenza A (H1N1) are introduced to ensure the well-being of customers as well as staff across the Group.
- The Airline proposes a dividend *in specie* of its shareholding in Singapore Airport Terminal Services (SATS) to its shareholders, to focus on its core activities of airline and aircraft MRO (maintenance, repair and overhaul) businesses.

#### June

- The Airline starts daily Airbus A380 services to Paris, the fourth destination served by the world's largest commercial passenger aircraft.
- Daily Airbus A330-300 services commence between Singapore and Nagoya, Japan.
- The Airline expands its codeshare agreement with EgyptAir, allowing Singapore Airlines to offer daily flights to Cairo.
- SilkAir takes over flights between Singapore and Hyderabad from Singapore Airlines.

#### July

- The Airline commences A380 services to Hong Kong, making it the fifth destination and second Asian city to receive the superjumbo.
- A fourth daily service between Singapore and Manila, Philippines is introduced.
- The new Singapore Airlines Service Centre at ION Orchard opens.
- The Airline launches an aircraft cabin renewal programme involving selected Boeing 777 aircraft.
- PPS Connect, a Short Message Service (SMS) contact service for Solitaire PPS Club members, is introduced.
- The Airline and the Air Line Pilots Association – Singapore (ALPA-S) ink an agreement under which all pilots take one day of leave without pay and a cut of 65% of one day's pay per month as part of the series of measures to mitigate the cost of excess manpower arising from the downturn.
- The Group records a S\$307 million loss for the first quarter of FY 2009-2010.

#### September

- Melbourne becomes the sixth destination (and second Australian city) to which the Airline operates scheduled A380 services.
- Singapore Airlines appoints Dr Helmut Panke as an independent, non-executive director.
- The Airline and Airbus come to an agreement on a revised delivery schedule for eight A380 aircraft on firm order, whereby deliveries will take place between six and 12 months later than originally planned.

- The Airline expands its frequent flyer partnership with Air India, allowing frequent flyer members of both airlines to earn and redeem miles on either carrier.

### November

- The Group records a net loss attributable to equity holders of S\$466 million for the first half of FY 2009-2010.
- The Airline announces plans to operate twice-daily flights between Singapore and Tokyo Haneda from October 2010.
- The Airline and Tourism New South Wales ink a joint marketing agreement aimed at boosting visitor numbers to Sydney.

### December

- The Airline becomes the Official Airline for the inaugural Youth Olympic Games to be held in Singapore in August 2010.
- SilkAir takes over the operation of all services between Singapore and Penang.
- Dr William Fung Kwok Lun is appointed to the Board as an independent non-executive director.
- Capacity adjustments are announced, including frequency increases on some routes, as well as suspensions of operations to Pakistan and Nanjing, China.
- SIA Mobile is enhanced to include booking facility and selected KrisFlyer services, for customers using selected mobile phones, BlackBerry and iPhone devices.

## 2010

### January

- A three-year memorandum of understanding between the Airline and Tourism New Zealand comes into effect, with both parties agreeing to jointly develop and promote travel to New Zealand on Singapore Airlines' services.

### February

- The Airline partners the Civil Aviation Authority of Singapore in the world's first multi-sector demonstration green flight under the Asia and Pacific Initiative to Reduce Emissions (ASPIRE) programme.
- The Group returns to profitability in the third quarter of FY 2009-2010, with a net profit attributable to equity holders of S\$404 million.

### March

- The Group announces a number of senior management appointments.
- The Airline signs a memorandum of understanding with Marina Bay Sands to promote the Integrated Resort as a destination for customers travelling to Singapore.
- Munich is added as the latest destination in the Singapore Airlines network; five times weekly Singapore-Munich-Manchester services commence.
- Zurich becomes the latest destination to which the Airline operates the Airbus A380; a total of seven cities are now served by the Airline's superjumbo aircraft.

## operating review

### The Year in Review

The Singapore Airlines Group achieved a net profit attributable to equity holders of S\$216 million in the financial year ended 31 March 2010.

In the first half of the financial year, the Airline was hit by the twin challenges of the global economic downturn coupled with the outbreak of Influenza A (H1N1).

Positive signs of a recovery could be seen in the second half of the financial year, but operating conditions remained challenging.

The Airline implemented company-wide measures to reduce operational and staff costs including the introduction of a shorter work month scheme for employees, and deferment of non-essential projects.

Adjustments were also made to network capacity to better match demand.

Munich was added to the Singapore Airlines network, but operations to Vancouver via Seoul, Tokyo via Bangkok, Moscow via Dubai, Pakistan as well as Nanjing were suspended.

Travel demand saw an upswing in the second half of the financial year, but operating conditions remained challenging.

These measures, taken together, enabled the Group to mitigate the fallout from the global recession.

The year in review also saw the addition of four new Airbus A380 destinations – Paris, Hong Kong, Melbourne and Zurich.

To enable it to focus on its core business, the Airline divested its shares in Singapore Airport Terminal Services (SATS) via a dividend *in specie* distribution to shareholders.

The move allowed the Company to concentrate on its airline and aircraft maintenance, repair and overhaul businesses, while at the same time unlock shareholder value by giving shareholders direct ownership of SATS at no cost.

Despite the difficult business conditions, the Airline maintained its commitment to product innovation and service excellence, pushing through a number of initiatives, including a cabin renewal programme for selected Boeing 777 aircraft, opening a new service centre at ION Orchard, and introducing customer-friendly services such as SIA Mobile and PPS Connect. The Airline also welcomed one of China's leading chefs, Zhu Jun, to its International Culinary Panel.



Munich

now flying five times weekly

## operating review



### Network

During the year in review, Singapore Airlines maintained a disciplined approach in continually matching its network capacity to prevailing market demand for travel.

A carefully planned reduction in capacity was carried out, to manage the precipitous decline in travel demand experienced in the first half of the financial year. The more than 10% reduction in capacity over the course of the financial year enabled the Airline to manage its operational costs in difficult conditions.

The second half of the year in review saw signs of a recovery in market conditions, and capacity adjustments were made in response to indications that demand in certain sectors was on a sustained upward trend.

On the flip side, a number of points continued to see weak demand. Frequency subsequently was reduced for a number of services, and the difficult decision was taken to suspend Singapore-Karachi-Lahore and Singapore-Nanjing services, both twice-weekly routes.

The Airline will continue its policy of carefully matching capacity to demand across its network, and will maintain flexibility to make changes to its network if and when necessary.

Despite the overall downturn in travel demand during the year in review, the Airline continued to target new growth areas for its network. Munich became the newest addition to the Singapore Airlines network, when five-times-weekly Singapore-Munich-Manchester services were introduced on 28 March 2010. The Airline will also begin twice-daily operations to Tokyo Haneda Airport in October 2010, complementing the existing twice-daily services to Tokyo Narita Airport.

The Airline's flagship Airbus A380 also continued to prove popular with customers eager to experience the product offerings on the world's largest commercial passenger aircraft. Four new destinations served by the superjumbo were introduced during the financial year - Paris, Hong Kong, Melbourne and Zurich. There are now seven destinations to which Singapore Airlines operates the A380, including Sydney, London and Tokyo.

There are positive signs of a recovery in travel demand. However, operating conditions remain challenging, and yields in particular are still under pressure. The Airline will continue its policy of carefully matching capacity to demand across its network, and will maintain flexibility to make changes to its network if and when necessary.



## Fleet Management

Despite the challenging economic environment, the Airline continued to invest in product enhancements, launching a cabin renewal programme on selected Boeing 777-200 and Boeing 777-300 aircraft.

The retrofitted B777-300 aircraft feature the Airline's new First Class seats, currently found on the B777-300ER aircraft. Both the retrofitted B777-300 and B777-200 aircraft also boast incline lie-flat leather Business Class seats, the same as those found on the Airline's new Airbus A330-300 aircraft. At the same time, Economy Class cabins are being refurbished with a new contemporary look. Enhancements are also being made to the KrisWorld inflight entertainment system, with improved Audio-Video on Demand features and a more user-friendly graphical interface.

The first refitted B777-200 was introduced on the Singapore-Shanghai route on 23 February 2010. Ten more B777-200s are due to be retrofitted this year, serving routes such as Beijing, Mumbai, Delhi, Bangalore, Hong Kong and Chennai.

The first aircraft under the B777-300 retrofit programme was operated on 22 July 2009 on the Singapore-Sydney route. Six more B777-300 aircraft will also undergo the cabin renewal programme.

In keeping with its commitment to product and service excellence, the Airline rolled out a cabin renewal programme for selected aircraft.

During the year in review, seven A330-300 aircraft were delivered, taking over from the Airline's B777 operations on routes such as Nagoya, Abu Dhabi, Jeddah, Kuwait and Male.

Later in the year, the A330s will progressively be deployed on other regional and medium-haul routes as part of the Airline's ongoing product enhancement efforts.

Four more Airbus A380 aircraft were also delivered, enabling the Airline to start operating the world's largest commercial aircraft to more destinations.

Five Boeing 747-400s left the operating fleet during the year in review. Three were returned to lessors as planned while two were parked.

The passenger fleet operated by the Airline, as at 31 March 2010, comprised 108 aircraft, with an average age of six years and three months.

The freighter fleet of Singapore Airlines Cargo, as at 31 March 2010, comprised 11 B747-400 freighters, with an average age of eight years and two months.

SilkAir's fleet, as at 31 March 2010, comprised 11 Airbus A320s and six Airbus A319s, with an average age of five years and nine months.



# operating review

## Products and Services

### Ground Services

#### Check in on the go with SIA Mobile

With the introduction of SIA Mobile, Singapore Airlines' customers can now book flights and access KrisFlyer services using selected mobile phones, BlackBerry and iPhone devices.

They can also choose their seats immediately after making their SIA Mobile booking, or during their SIA Mobile check-in, which is anytime between two and 48 hours prior to flight departure.

#### New Singapore Airlines Service Centre opens in ION Orchard

The Singapore Airlines Service Centre has moved to ION Orchard, the latest premier address on Singapore's busy shopping belt.

Located at Orchard Turn, just above Orchard MRT station, the new location offers greater accessibility for customers. Also, with the Singapore Airlines Service Centre and PPS Club Service Centre integrated under one roof, customers can look forward to a more seamless service experience.

The design of the Centre was conceptualised following surveys with customers and service staff. The result is 8,500 square feet of understated East-meets-West luxury, with cream and earth tones conveying the warmth of Asian hospitality.

#### PPS Connect

Solitaire Priority Passenger Service (PPS) Club members need no longer worry about which number to call to get in touch with Singapore Airlines.

Solitaire PPS Club members with Singapore mobile numbers need only send a Short Message Service (SMS) text message through their roaming-enabled mobile phones, from just about anywhere in the world, to a designated number. The system will then automatically assign a customer service representative to get in touch with them within 30 minutes.

With the Singapore Airlines Service Centre and PPS Club Service Centre under one roof, customers can look forward to an integrated experience.

## operating review



### Inflight Services

One of China's leading lights in the culinary world – Chef Zhu Jun – is Singapore Airlines' latest appointment to its International Culinary Panel.

Winner of the 'Excellent Chef' accolade at the 15th China Chef Festival, Chef Zhu's dishes carry his signature Shanghainese influence, with a dash of Sichuan, Huaiyang, Fujian and Guangdong touches. Chef Zhu's innovative approach to Chinese cuisine draws inspiration from his well-rounded experience, deftly combining elements of Western cuisine with the art of traditional Chinese cooking.

Early in his career, Chef Zhu had exposure to classical French and Italian cooking, and this had an influence on his present, unique style.

### KrisFlyer

KrisFlyer launched several programme initiatives in FY 2009-2010, including an increase in miles accrual for Singapore Airlines Suites to 300% of actual miles flown, introduction of a new benefit (Reserve Value) exclusively for Solitaire PPS Club members and expansion of SIA Mobile services to include more KrisFlyer services such as pin change, extending of KrisFlyer miles validity and viewing of KrisFlyer e-statements.

The KrisFlyer programme celebrated its 10th Anniversary in 2009 with special deals for members that stretched throughout the year, including 50% discount redemption promotions and exclusive offers from partners.

The list of partner airlines continues to increase with the addition of Air India, Brussels Airlines and Continental Airlines. Members can now enjoy greater flexibility in redemption of their miles on partner airlines with changes such as the introduction of one-way redemption and reduction in the number of zones.

In addition, members have even more ways to earn miles with the launch of the American Express Singapore Airlines Solitaire PPS Credit Card in Singapore and the Singapore Airlines Westpac Platinum and Gold Credit Cards in Australia, as well as the addition of new partners, such as CruiseEscapes, Rendezvous Hospitality Group, Ctrip, Travelling Connect, BCA and The Leading Hotels of the World.

## People Development

At the start of the financial year, the Airline implemented various measures to address excess staffing levels resulting from cuts in flight capacity brought about by the economic downturn. Such measures included a Voluntary No-Pay Leave Scheme for all staff, Voluntary Early Departure Schemes for technical and cabin crew on contract, and a Special Retirement Scheme for Singapore-based staff.

To further address excess staffing, the Airline introduced the Shorter Work Month (SWM) scheme, with senior management staff (Vice-Presidents and above) taking the lead on 1 April 2009. The scheme was implemented for all other employees on 1 May 2009, and ended on 31 March 2010.

Following the Airline's operating loss of S\$271 million in the first quarter of the financial year, the Monthly Variable Component (MVC) built into staff salaries was also cut to adjust wages in line with business performance.

Despite the challenging times, the Airline remained committed to the training and development of staff. It worked closely with relevant agencies to leverage the Skills Programme for Upgrading and Resilience (SPUR) scheme offered by the government for ground staff. More than 500 cabin crew also underwent customer service and tourism-related courses.

Building on the National Trades Union Congress' Labour Movement 2011 vision of a more inclusive workplace that takes care of all workers, the Airline, in collaboration with the Singapore Airlines Staff Union, which represents cabin crew and general staff, launched two staff-centric programmes.

For the second consecutive year, Singapore Airlines was voted top private employer of choice by JobsFactory.

The first programme is aimed at equipping cabin crew with the skills to effectively transition into a second career beyond their flying careers with the Airline. Part of the programme consists of a suite of Workforce Skills Qualification courses that enable cabin crew to obtain nationally recognised Statements of Attainment.

The other programme aims to equip general staff with the skills and knowledge to prepare them for alternative employment opportunities after their retirement from the Airline, through their participation in certificate-based programmes in a variety of industry sectors such as retail, tourism, training and health services.

During the year in review, the Airline developed a new learning framework for ground staff, which seeks to align key competency focus areas at various stages of the individual's career. Apart from new instructor-led courses, staff will also be exposed to more effective blended learning approaches and relevant e-learning courseware. These new and revamped programmes will be launched in FY 2010-2011.

The Airline's efforts in promoting career opportunities received recognition from JobsFactory, a campus recruitment specialist in Singapore. For the second consecutive year, it was voted top private employer of choice (2009) in a survey of fresh local university graduates.

As at 31 March 2010, the staff strength of SIA Group was 20,962, a decrease of 31.6% over the previous year. 13,392 (63.9%) were employed by the Airline, with 6,787 cabin crew and 2,311 pilots.



## operating review

### Environment

The aviation industry is facing the imminent implementation of the EU Emission Trading System (EU ETS), which will be effective from 2012. Some countries are also actively engaging in legislative processes to set up domestic ETSs. Other emerging economic measures such as environmental taxes and levies are also being considered.

To avoid this patchwork of conflicting economic measures that will have an adverse impact on airlines, the International Air Transport Association (IATA) is advocating a global sectoral approach to ensure a level playing field.

Singapore Airlines supports IATA's approach and its commitment for the industry to improve fuel efficiency collectively by 1.5% annually until 2020, to achieve carbon neutral growth from 2020 and to achieve a 50% net reduction in carbon emissions by 2050 compared to 2005 levels.

During the year in review, the Airline actively participated in several green projects. In February 2010, Singapore Airlines carried out the first multi-sector demonstration green flight under the Asia and Pacific Initiative to Reduce Emissions (ASPIRE) programme. The Airline employed a series of efficiency measures for all phases of the flight, and collaborated with aviation authorities in Singapore, Japan and the US to ensure optimum air traffic conditions. As a result, SQ 11, which operated from Los Angeles to Singapore via Tokyo, used approximately 6% less fuel than normally required for a similar flight. The 10,686 kg of fuel saved resulted in carbon emission savings of 33,769 kg.

Singapore Airlines also collaborated with Airbus, BAA and National Air Traffic Services to launch an improved departure procedure for Airbus A380 operations at London Heathrow Airport. A380s now use less power when taking off, saving fuel and reducing emissions, while remaining within the airport's strict noise limits. This new procedure saves an additional 300kg of fuel per flight (equating to almost 1 metric tonne of carbon dioxide emissions on a flight from Heathrow to Singapore) as well as reduces NOx emissions. The successful implementation of this new procedure is an example of how airlines, airports and regulatory authorities can work together to achieve tangible environmental benefits.

Going forward, Singapore Airlines will continue its efforts to reduce emissions and keep an active watch on new technologies and alternative fuels, which have great potential to further reduce aviation's carbon footprint. Further details of the Airline's environmental efforts are available online at [singaporeair.com](http://singaporeair.com).

**Singapore Airlines supports IATA's goal for the industry to achieve carbon neutral growth from 2020.**

## operating review

### Supporting Our Communities

During the year in review, Singapore Airlines contributed cash as well as free and rebated tickets to various charitable organisations and educational, arts, heritage and sports institutions.

Aside from contributions to the Community Chest and other local charities to assist Singapore's less privileged, the Airline also supported various overseas community projects, such as providing air travel for Australian social workers to Dhaka in Bangladesh for a project to prevent hearing loss in textile workers.



Helping to fly the nation's flag high in the sporting arena, Singapore Airlines is proud to be the Official Airline for the inaugural Youth Olympic Games held in Singapore.

The Airline maintained its long-running support for the Arts this year with contributions to Singapore Symphony Orchestra (SSO), Singapore Chinese Orchestra, Singapore Dance Theatre (SDT) and the National Arts Council, among others. This enabled the SDT to stage a beloved ballet classic – Swan Lake – and the SSO to mount an exciting 30th anniversary concert season, working with world-renowned musicians such as violinist Sarah Chang and cellist Yo-Yo Ma, to name a few.

A major project the Airline supported was the exhibition *Quest for Immortality – The World of Ancient Egypt*. Held at the National Museum of Singapore, the exhibition showcased 230 artefacts spanning from 4000 BC to 950 AD.

Helping to fly the nation's flag high in the sporting arena, Singapore Airlines is proud to be the Official Airline for the inaugural Youth Olympic Games, to be held in Singapore in August 2010. The Airline will provide air tickets and carriage of airfreight, as well as promote the Games via its proprietary media channels.



## Subsidiaries

### SIA Cargo

SIA Cargo reported an operating loss of S\$145.1 million in the year in review.

It was an exceptionally difficult year for the airfreight industry, with the economic downturn having a severe impact on global trade volume. The downturn was most sharply felt in the first half of the financial year, as manufacturing slowed in the Asia Pacific region and demand tapered off in the major consumer markets in the US and Europe.

Market conditions were better in the second half of the financial year with renewal of inventory restocking and some improvement in global economies.

SIA Cargo rationalised its freighter network to align capacity more closely to demand in response to the global economic downturn. Services were reduced during lull periods and additional services were deployed on selected routes during periods of stronger demand, particularly towards the end of 2009. The company channelled resources to grow the charter segment of the business in order to supplement scheduled services.

It also focused on closer cooperation with its key customers to weather the downturn. Eight business partners renewed their participation in the company's Global Partnership Programme.

Despite the difficulties faced during the financial year, SIA Cargo continued to place great importance on maintaining its high service standards through the Cargo 2000 programme, which serves as the benchmark of service quality and reliability for the airfreight industry.



During the year, it embarked on an intensified service audit programme to strengthen the operational efficiency and compliance of its service providers in meeting stringent service level standards. Results have been extremely satisfying as the overall percentage of freight "Flown as Booked" and the percentage of "On-time Notification for Delivery" of shipments carried on its flights have exceeded expectations and surpassed the Cargo 2000 average performance index.

On the information technology front, SIA Cargo is in the process of replacing its legacy reservations system with a new user-friendly system. The new system called Reservations express, or Rx for short, will enable the company to adapt functionalities or new requirements more quickly to customer needs in the rapidly changing cargo business.

In the face of the uncertain business environment, SIA Cargo will be flexible in the deployment of its resources and will continue to be vigilant in maintaining cost discipline. The company will also continue to seek out growth opportunities in emerging markets and actively pursue more projects and charter opportunities.

## operating review

### SIA Engineering Company (SIAEC)

During the year in review, SIA Engineering Company's (SIAEC) revenue again exceeded the billion-dollar mark to reach S\$1.006 billion. Profit attributable to equity holders was S\$236.1 million.

Despite headwinds in the aviation industry, SIAEC extended its maintenance, repair and overhaul (MRO) footprint globally, cemented ties with strategic partners, and augmented its capacity and capabilities.

Early in the year, SIAEC inked a three-year fleet management contract with Gulf Air valued at US\$135 million. This extended the company's fleet management business network to one that now covers Asia, Australia, the US and the Middle East. In June 2009, SIAEC set up a base in Bahrain to support Gulf Air's fleet.

SIAEC also established another overseas base, with the completion of a new hangar at Clark International Airport in the Philippines. Besides catering to Cebu Pacific Air's fleet, the new facility can also carry out work for other airlines.

SIAEC continued to extend its capabilities and capacity through strategic joint ventures. The company signed an agreement with leading French avionics manufacturer Safran to establish an avionics MRO joint venture in Singapore. A Memorandum of Understanding (MOU) was sealed with Gulf Technics, a subsidiary of Mumtalakat Holding Company, the investment arm of the Kingdom of Bahrain, to set up and operate an MRO facility in Bahrain.

The company entered into a 10-year Service Agreement with Panasonic Avionics Corporation, a leading supplier of aircraft in-flight entertainment (IFE) systems. An MOU was also signed with Panasonic Avionics to form a joint venture.

SIAEC moved up the MRO value chain when it entered into an agreement with Pratt & Whitney to participate in the PW1000G Risk-Revenue Sharing Programme (RRSP). P&W is developing the PW1000G engine to power Next Generation Single-Aisle aircraft.

Amidst the buzz of Singapore Airshow 2010, SIAEC opened its new A380 Hangar, the world's first A380 purpose-built hangar. The technologically advanced hangar - the sixth that SIAEC operates at Changi Airport - is equipped with computer controlled docking that can accommodate the A380 and B777, a world's first hangar feature.

SIAEC ended the financial year with the renewal of its MRO Services Agreement with SIA. Under the three-year agreement, with an option for a two-year extension, the company will continue to provide a comprehensive spectrum of MRO and fleet management services.

SIA ENGINEERING COMPANY



## operating review

### SilkAir

SilkAir closed the year in review with a profit attributable to equity holders of S\$41 million, up 32.7% from the previous financial year.

Passenger carriage rose 21% to 2.4 million passengers during the year, while passenger load factor rose 4.6 percentage points to 77.1%. However, the increase in load came at the expense of yield, which declined as a result of lower airfares introduced as part of the efforts to stimulate travel demand during the economic downturn.



SilkAir added two new points – Penang and Hyderabad – to its network in 2009. Flights to Penang were launched on 1 June 2009, with SilkAir initially taking over two of the three daily flights operated by Singapore Airlines.

On 1 December 2009, SilkAir took over all operations to Penang for the Singapore Airlines Group. It also took over operations to Hyderabad from Singapore Airlines on 15 June 2009, starting with five times weekly services. The flight frequency was increased to daily from 20 October 2009. In addition to its scheduled services, the airline also operated charters to Dili (in Timor Leste), Christmas Island, Darwin and Guiyang, among other points.

To boost demand for leisure travel to Singapore, SilkAir entered into a partnership with Changi Airport Group (CAG) and Singapore Tourism Board (STB) in September 2009 to launch a series of regional marketing campaigns. As part of STB's "2009 Reasons to Enjoy Singapore" global marketing campaign, special promotions were launched across 18 of the 31 cities that SilkAir flies to.

SilkAir received two new aircraft during the year in review – an Airbus A320 in December 2009 and an Airbus A319 in March 2010. These latest aircraft feature SilkAir's new cabin design with a warm colour scheme, complete with leather-upholstered Business Class seats and ergonomic Economy Class seats.

SilkAir continued to receive recognition for its dedication to product and service development, winning three awards in 2009. It was named 'Best Regional Airline (Southeast Asia)' in the Skytrax World Airline Awards. SilkAir also featured in the Top 10 List of Best Airlines Worldwide for Cabin Service by Hong Kong-based online travel magazine, Smart Travel Asia, and was recognised as Asia-Pacific's 'Best Regional Airline' for the 10th time in the 20th Annual TTG Asia Travel Awards 2009, making it eligible to enter the TTG Travel Hall of Fame in 2010.

## List of Awards

### 2009

#### April

##### 2009 Global Reputation Pulse Survey (New York)

- Ranked 10th in The World's Most Reputable Companies

##### Reader's Digest Trusted Brands (Singapore)

- Platinum Award – Airline Category in Singapore
- Gold Award – Airline Category in Asia

##### Skytrax World Airline Awards 2009 (UK)

- Best First Class
- Best First Class Onboard Catering

#### May

##### Telegraph 'Ultras' Travel Awards (UK)

- Best Airline in the World

##### Business Traveller Middle East Award

- Best Asian Airline Serving the Middle East (8th consecutive year)

#### June

##### Lifestyle + Travel magazine (Thailand)

##### Readers' Choice Travel Awards 2008

- Best Airline – First Class

##### BILANZ survey (Switzerland)

- Best Worldwide Business Airline (5th consecutive year)

Rated top for First Class, Business Class, Food, Service and Inflight Entertainment

##### TravelAge West 2009 Wave Awards (US)

- Best Airline, International (3rd consecutive year)

##### Changi Airline Awards 2009 (Singapore)

- Top 10 Airlines by Passenger Carriage

#### July

##### Aviation Week (US)

##### Top Performing Companies Survey 2008

- Ranked First in the Mainline Carriers Category

##### AB Road (Japan)

##### Airline Ranking

- Overall Best Airline (2nd consecutive year)
- Best Cabin Service, Aircraft/Products, In-flight Meals and Ground Service

##### AFTA National Travel Industry Award (Australia)

- Best Airline International – On-line (2nd consecutive year)

##### Travel & Leisure Magazine (US)

- World's Best International Airline (14th consecutive year)

##### Executive Travel Magazine (US)

##### Executive Travel Leading Edge Awards

- Best International Airline
- Best International Airline for First Class Service
- Best Airline for Flights to Eastern and South-Eastern Asia
- Best Airline Customer Service – Asia
- Best Frequent Flyer Program – Asia

#### September

##### SmartTravelAsia.Com (Hong Kong)

##### Favourite Airline Poll Results, 2009

- Best Airline Worldwide
- Best Business Class
- Best Cabin Service

##### Business Traveller (Asia Pacific)

- Best Airline (18th consecutive year)
- Best Asia-Pacific Airline
- Best First Class
- Best Business Class
- Best Economy Class

##### Business Traveller (UK)

- Best Asian Airline
- Best Long-Haul Airline
- Best Business Class
- Best Economy Class
- Best Cabin Staff

##### E-Travel Blackboard Readers' Choice Awards (Australia)

- Best Airline International
- Best Airline First Class
- Best Airline Economy Class

##### Asian Wall Street Journal Award

- Singapore's Most Admired Company since 1993
- Awarded also for Reputation, Quality of Service and Products, Innovation in Responding to Customer Needs, and Long-term Management Vision

#### October

##### Guardian/Observer Travel Awards (UK)

- Best Long-Haul Airline (6th consecutive year)
- Best Business Class

##### Condé Nast Traveler (US)

##### 2009 Readers' Choice Awards

- Best Global Airline (21 out of 22 years)

##### The Nordic Business Travel Supplier Award (pan-Scandinavian)

- Best Nordic Travel Supplier 2009 (2nd consecutive year)

##### TTG Annual Travel Awards (Asia Pacific)

- Travel Hall of Fame (7th consecutive year)

## operating review

### Securities Investors Association (Singapore)

SIAS 10th Investors' Choice Awards 2009

Transport/Storage/Communications Category

- Most Transparent Company Award 2009 (5th consecutive year)
- Golden Circle Award

### Condé Nast Traveler (US)

2009 Business Travel Awards

- Best Transpacific Airline for Business Class

### Asian MAKE Award (Korea)

- Top 16 Companies recognised as Most Admired Knowledge Enterprises (5th year)

### November

#### Agent @Home, Vacation Agent and

Travel Pulse Daily (US)

Annual Readers Choice Award

- Best Foreign Airline

#### Zagat Survey (US)

- Best International Carrier
- Top Marks for Service

#### OAG Airline Industry Awards (UK)

- OAG Airline of the Year (7th time)
- Best Airline based in Asia
- Best Europe to Asia/Australasia Airline
- Best Transpacific Airline

#### Danish Travel Awards (Denmark)

- Best Intercontinental Airline

#### Business Traveller (China)

- Best Airline in the World
- Best Asian Airline serving China (5th consecutive year)

### December

#### Town & Country's Luxury Survey (Philippines)

- Ranked No. 1 Favourite Airline

## 2010

### January

#### People Asia Magazine (Philippines)

- Aircraft of the Year  
Singapore Airlines A380

#### Global Traveler (US)

- Best Airline in the World 2009 (6th consecutive year)
- Best All-Business Class Airline

#### Singapore 1000 Award (23rd Annual)

- Net Profit Excellence (Transport/Storage)
- Sales/Turnover Excellence (Transport/Storage)

#### Singapore International 100 Award

- Overseas Sales/Turnover Excellence

#### CEI (Conferences Exhibitions Incentives) Asia Pacific Industry Survey Awards

- Best Airline (5th consecutive year)

### Business Traveller Germany

Travel Awards 2009

- Overall Best Airline on Routes to the Far East and Australia (9th time)

- Safety, Technical Standard of the Fleet
- Service on Board, Cabin Crew
- Cabin Comfort, Seat Pitch
- Catering

- Overall Best Business Class to Far East and Australia

### 'Reisrevue' (Netherlands)

- Best Scheduled Airline 2009 (7th consecutive year)

### Business Traveler US

- Best Overall Airline in the World (20th time)
- Airline with Best First & Economy Class Service

### February

#### DestinAsian

Readers' Choice Awards (5th year)

- Best Airline – Overall
- Best Airline for Premium Class Travel
- Best Airline for Economy Class
- Best In-flight Entertainment
- Favourite Airline Frequent Flyer Programme

#### Wanderlust Travel Award 2010 (UK)

- Top Worldwide Airline (3rd consecutive year)

### March

#### Choice Magazine

Australian Consumer Association Survey for 2009

- Best International Airline

#### Luxury Travel and Style Magazine (Australia)

Gold List 2010

- Best First Class Airline

#### AsiaOne People's Choice Awards 2009 (Singapore)

- Best Full Service Airline

#### The BrandLaureate Awards 2009/10 (Malaysia)

- Corporate Branding–Best Brands in Aviation

#### Brand Finance 2009 (Singapore)

Top 100 Singapore Brands

- Singapore's "Most Valuable Brand"

#### Fortune Magazine (US)

- Top 50 World's Most Admired Companies (Ranked 27th)

#### Asiamoney ( Hong Kong)

2010 Travel Poll

- Asia's Best Airline (14th consecutive year)
  - Best Airline for First Class
  - Best Airline for Business Class
  - Best Airline for Economy Class
  - Best Online Booking Tool
  - Best Online Check-in Facilities
  - Best Frequent Flyer Programme - KrisFlyer

#### www.travel.ru (Russia)

- Star Award for Best Scheduled Airline to Southeast Asia, Australia and Oceania (3rd year)

# statement on risk management

## 1 RISK MANAGEMENT EMBEDDED IN ORGANISATIONAL PROCESSES

1.1 Since 2002, a formalised Risk Management Framework has been implemented across the SIA Group under which risks are identified, evaluated and controlled on a coordinated and integrated basis. All business units are involved in identifying and evaluating risks from the bottom up, and these risks are then reviewed by Risk Management Committees at Company and Group level to provide a top-down perspective as well. Under the Framework, the risks are then prioritised and business units use both preventive and mitigation controls to manage risk exposures within prescribed tolerance limits. These risk management activities are now carried out regularly as embedded organisational processes within the Companies.

## 2 IMPROVING THE RISK MANAGEMENT FRAMEWORK

### 2.1 Benchmarking against International Standard

In November 2009, the International Standards Organisation published ISO 31000 International Standard: Risk management – Principles and guidelines. Although ISO 31000 is not intended as a certification document, SIA's Risk Management Framework was reviewed against ISO 31000 and found to be compliant with this international benchmark.

### 2.2 Assessment of Framework/Audit of Risk Processes

At the request of the Audit Committee, the Framework was reviewed to assess its adequacy to meet the Board's oversight obligations. This review was presented to and discussed by the Board of Directors. Separately, as part of the Framework's governance policy, the risk management processes and activities were independently audited to ensure its effectiveness. The Internal Audit report was reviewed by the Audit Committee to provide assurance at the highest levels.

### 2.3 Enhancing the Strategic Risks Framework

The Framework was also enhanced by introducing the mapping of strategic risks to highlight the risk trends, so as to allow defensive initiatives to be implemented and opportunities to be exploited.

## statement on risk management

### 3 ON-GOING ACTIVITIES TO IMPROVE MANAGEMENT OF RISK

#### 3.1 Annual Risk Review

During the year, the Annual Risk Review was carried out Group-wide, with key risks surfaced and reviewed by the Company Risk Management Committees, the Group Risk Management Committee and the Board Safety & Risk Committee.

#### 3.2 Testing of Alternate Sites of Control Centers

In ensuring that controls/responses are effective, regular testing is conducted and independently verified. The alternate sites for the Group's various operational control centers at the airport were activated during the yearly tests, and validated as operationally ready and effective.

#### 3.3 Improving the Crisis Management Simulation Exercise

The Crisis Management Simulation Exercise was reviewed and improvements implemented. The Crisis Management Plan was practised at Functional Group level to ensure staff and suppliers were familiar with their responsibilities.

#### 3.4 Risk Management Training

A Risk Management training course was made compulsory for all staff (executives up to Vice Presidents), implemented via an online web-based training system. Refresher training is also compulsory on a regular basis.

### 4 BOARD OF DIRECTORS' COMMENTS ON THE PRACTICE OF RISK MANAGEMENT IN SINGAPORE AIRLINES

4.1 Having reviewed the risk management practices and activities of Singapore Airlines, the Board of Directors has not found anything to suggest that risks are not being satisfactorily managed.



## corporate governance report

For the period 1 April 2009 to 31 March 2010

The Board and Management are committed to continually enhancing shareholder value by maintaining high standards of corporate governance, professionalism, integrity and commitment at all levels, underpinned by strong internal controls and risk management systems.

This Report sets out the Company's corporate governance processes, with specific reference to the guidelines of the enhanced Code of Corporate Governance issued by the Ministry of Finance in Singapore in July 2005 ("the Code").

### The Board's Conduct Of Affairs, Board Composition And Guidance, Chairman And Chief Executive Officer (Principles 1 To 3)

The Board's principal functions include charting the Group's strategic direction, reviewing and approving annual budgets, financial plans and monitoring the Group's performance; approving major acquisitions and fund-raising exercises; and ensuring the Group's compliance with all laws and regulations as may be relevant to the business.

As at 31 March 2010, the Board comprises the following members:

Name of Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as Director	Nature of Appointment
Stephen Lee Ching Yen	Chairman	26 April 2004	31 July 2009	Non-executive/ Non-Independent
Chew Choon Seng	Director	5 March 2003	31 July 2009	Executive/ Non-Independent
William Fung Kwok Lun	Director	1 December 2009	N.A.	Non-executive/ Independent
Euleen Goh Yiu Kiang	Director	1 September 2006	31 July 2009	Non-executive/ Independent
David Michael Gonski	Director	9 May 2006	29 July 2008	Non-executive/ Independent
James Koh Cher Siang	Director	1 August 2005	31 July 2007	Non-executive/ Independent
Christina Ong	Director	1 September 2007	29 July 2008	Non-executive/ Independent
Helmut Gunter Wilhelm Panke	Director	1 September 2009	N.A.	Non-executive/ Independent
Lucien Wong Yuen Kuai	Director	1 September 2007	29 July 2008	Non-executive/ Independent

*Note: Mr Chia Pei-Yuan and Sir Brian Pitman retired on 1 August 2009*

The Board currently comprises 9 Directors. The size and composition of the Board are reviewed from time to time, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is adequate to provide for a diversity of views, facilitate effective decision-making, and that the Board has an appropriate balance of executive, independent and non independent Directors. The Directors come from diverse backgrounds with varied expertise in finance, legal, industry, business, labour and management fields. Their profiles are found on pages 44 to 49.

## corporate governance report

For the period 1 April 2009 to 31 March 2010

There is a strong independent element in the Board, with the Board Nominating Committee considering 7 out of 9 directors to be independent from Management and the Company's substantial shareholder, Temasek Holdings (Private) Limited ("Temasek"). Mr Stephen Lee is a member of Temasek's Advisory Panel while Mr Chew Choon Seng is the Chief Executive Officer ("CEO") of the Company. All Directors have demonstrated objectivity in their deliberations in the interests of the Company.

Management briefs new Directors on the Company's business and strategic directions, as well as governance practices. The Company conducts orientation and training programmes for new Directors, and updates Directors on new laws and regulations, as well as changing commercial risks, as deemed appropriate. Formal letters are issued to newly-appointed Directors upon their appointment, including details of their duties and obligations as Directors.

The Chairman, Mr Stephen Lee, and the CEO, Mr Chew Choon Seng, are not related to each other. There is appropriate division of responsibilities between the Chairman and the CEO, which ensures a balance of power and authority within the Company. The Chairman leads the Board and is responsible for its workings and proceedings. He plays a crucial role in fostering constructive dialogue with shareholders at the Company's Annual and Extraordinary General meetings. The CEO heads the Management Committee and oversees the execution of the Company's corporate and business strategies and policies, and the conduct of its business.

### **Board Membership And Performance (Principles 4 And 5)**

Five Board Committees have been formed to assist the Board in the execution of its responsibilities, namely:

- the Board Executive Committee;
- the Board Audit Committee;
- the Board Compensation and Industrial Relations Committee;
- the Board Nominating Committee; and
- the Board Safety and Risk Committee

These Committees have written mandates and operating procedures, which are reviewed periodically.

The Board held 4 meetings in the financial year. The Board holds separate Strategy Sessions to assist Management in developing its plans and strategies for the future. The non-executive Directors also set aside time to meet without the presence of Management to review the latter's performance in meeting goals and objectives. A table setting out the Board Members, their memberships on the various Board Committees and attendance at Board and Committee meetings can be found on pages 42 to 43.

### **Board Executive Committee (ExCo)**

The members of the ExCo were Mr Stephen Lee (Chairman), Mr Chew Choon Seng, Ms Euleen Goh and Mr James Koh. The ExCo oversees the execution by Management of the overall strategy, policies, directions and guidelines set by the Board for the SIA Group. The ExCo also reviews and makes recommendations to the Board on the annual operating and capital budgets and matters relating to the Group's wholly-owned subsidiaries. The ExCo is authorised to approve transactions beyond a designated materiality threshold and to make decisions on routine financial and operational matters. The ExCo also functions as the Share Buy Back Committee of the Company.

### **Board Audit Committee (AC)**

The Board Audit Committee (AC) comprised Ms Euleen Goh (Chairperson), Mr Chia Pei-Yuan (until 31 July 2009), Dr William Fung (from 1 December 2009), Mr David Gonski and Mr Lucien Wong. All the AC members are independent Directors. The role and responsibilities of the AC are described in the section on "Board Audit Committee Activities (Principle 11)" below.

### **Board Safety and Risk Committee (SRC)**

The members of the SRC were Mr James Koh (Chairman), Mr Stephen Lee (until 30 November 2009), Mrs Christina Ong (from 1 December 2009), Dr Helmut Panke (from 1 September 2009) and Sir Brian Pitman (until 31 July 2009). The functions of the SRC include ensuring that systems and programmes in the Group comply with regulatory requirements and accord with the best practices of the aviation industry; reviewing regular reports on safety performances; reviewing accident investigation findings and recommendations; and advising Management and reporting to the Board on safety issues.

The SRC also reviews with Management the effectiveness of the Group's operational controls and oversees the risk management reviews and reports surfaced by the Group and Company Risk Management Committees.

### **Board Nominating Committee (NC)**

The NC comprised independent Directors, namely, Mr Lucien Wong (Chairman), Mr Chia Pei-Yuan (until 31 July 2009), Mrs Christina Ong and a non-independent member, Mr Stephen Lee (from 1 September 2009). Mr Wong is not associated with a substantial shareholder.

The NC's functions include considering and making recommendations to the Board concerning the appointment and re-election of Directors, and determining the independence of the Directors. The NC's recommendations are based on a review of the range of expertise, skills and attributes of current Board members and the needs of the Board, taking into account the Company's future business direction, the tenure of service, contribution and commitment of each Board member. Board rejuvenation is a guiding principle in determining the need for new appointees to the Board. Reviews of Board performance are undertaken on an informal basis.

With regard to the selection of new Directors, the NC evaluates the balance of skills, knowledge and experience on the Board and, arising from such evaluation determines the role and the desirable competencies for a particular appointment to enhance the existing Board composition. The NC meets with the short-listed Board candidates to assess their suitability and availability. The NC then makes recommendations to the Board for approval.

Newly appointed Directors serve an initial term of three years, after which they are considered for re-nomination for another term(s). Their re-nominations are subject to the recommendations of the Chairman of the Board and the NC.

The Company's Articles of Association provide that one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third are required to retire from office. Retiring Directors are selected on the basis of those who have been longest in office since their last re-election, failing which they shall be selected by agreement or by lot. The CEO is also subject to re-election in accordance with the Articles of Association of the Company.

## corporate governance report

For the period 1 April 2009 to 31 March 2010

New Directors appointed in the year are subject to retirement and re-election by shareholders at the next Annual General Meeting after their appointment. All new appointments and re-elections require the approval of the Special Member, the Minister for Finance (Incorporated).

### **Board Compensation and Industrial Relations Committee (BCIRC)**

The BCIRC comprised Mr Stephen Lee (Chairman), Mr David Gonski, Mr James Koh, Dr Helmut Panke (from 1 September 2009) and Sir Brian Pitman (until 31 July 2009). All members of the Committee are non-executive directors. Although Mr Stephen Lee is not considered independent under the Code of Corporate Governance, by virtue of his position as a member of the Temasek Advisory Panel, the Board Nominating Committee is of the view that Mr Lee, being a non-executive Chairman, is able to discern independently and detach himself from the Management in deciding on remuneration issues.

The BCIRC has been delegated the authority by the Board to review and approve recommendations on remuneration policies and packages for key executives, and administer the Company's EVA-based Incentive Plan, Performance Share Plan and Restricted Share Plan for key senior executives and the Company's Employee Share Option Plan. The award of shares to senior executives is based on organizational and individual performance. In developing, administering and maintaining the reward programmes, the BCIRC has access to professional advice from external advisors as and when it deems necessary.

The BCIRC also pays attention to leadership development and succession planning in the Company. Notwithstanding the business downturn, it ensures that the Company and Management continue to pay attention to nurturing talented staff, which will form the bench-strength for leadership succession.

The BCIRC also has oversight of industrial relations in the Company. In the recent business downturn, the Committee helped provide guidance for the adoption of proactive staff measures, calibrated in accordance to the reduced business demand. The Company's three unions supported the various staff measures, such as voluntary and compulsory leave, and wage cuts. Retrenchments were avoided, as the Company was able to respond swiftly to the business downturn by reducing staff costs. Looking ahead, the Committee seeks to ensure that Management, staff and unions continue to adopt this flexible and proactive approach towards potentially volatile business cycles.

### **Access to Information (Principle 6)**

The Directors are provided with Board Papers in advance before each Board Meeting, to enable them to be properly informed of matters to be discussed and/or approved. Board Papers contain both regular items such as reports on its subsidiaries and associated companies, updates on business development, monthly management accounts, and productivity and performance indicators, as well as matters for the decision or information of the Board.

Directors have separate and independent access to Senior Management and the Company Secretary at all times. Directors can seek independent professional advice if required. Such costs will be borne by the Company.

## Remuneration Matters (Principles 7, 8 and 9)

### Remuneration Mix

In addition to base salary and benefits, SIA has in place short-term and long-term incentive plans to motivate and reward employees in striving to meet the targets set under these plans.

### Short-term incentives

Short-term incentives generally take the form of an annual profit-sharing bonus. Payment of the variable bonus is based on employees achieving the target levels in the following:

- (i) SIA Group's Return on Shareholders' Fund
- (ii) SIA Company's Operating Profit Margin
- (iii) SIA Company's Passenger Load Factor

### Long-term incentives

The Company has put in place share-based remuneration programmes allowing employees to share in its growth and success. These plans comprise the Performance Share Plan (PSP), Restricted Share Plan (RSP) and Employee Share Option Plan (ESOP).

The ESOP was introduced in 2000 with the objective of promoting unity and team spirit through a sense of share ownership. The last grant under the ESOP was made in July 2008. The Company will continue to review options for compensation plans, which will incentivise employees in the longer term.

The PSP and RSP, which were approved by shareholders at the Extraordinary General Meeting of the Company held on 28 July 2005, were introduced in 2006 with a view to further strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives. The PSP and RSP aim to more directly align the interests of key senior management and senior executives with the interests of Shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior management and senior executives.

These PSP and RSP contemplate the award of fully paid Shares, when and after pre-determined performance and/or service conditions are met.

The selection of a participant and the number of shares which he would be awarded under the PSP or RSP will be determined at the absolute discretion of the BCIRC which will take into account criteria such as his rank, job performance, potential for future development and his contribution to the success and development of the Company. The BCIRC has the discretion to review and amend performance conditions and target(s) where it feels appropriate and as relevant to the business conditions. Non-executive Directors of the Group are not eligible to participate in the PSP and RSP.

## corporate governance report

For the period 1 April 2009 to 31 March 2010

### The SIA Performance Share Plan (PSP)

The PSP is targeted at a select group of key senior management who shoulder the responsibility for the Company's performance and who are able to drive the growth of the Company through innovation, creativity and superior performance. Awards under the PSP are performance-based, with stretched performance targets based on criteria such as absolute and relative total shareholders' return to be achieved over a three-year performance period.

### The SIA Restricted Share Plan (RSP)

The RSP is targeted at a broader base of senior executives and enhances the Company's ability to recruit and retain talented senior executives as well as to reward for Company and individual performance. Consistent with the Company's philosophy on adopting a pay-for-performance principle, awards under the RSP are contingent on the achievement of performance targets like EBITDAR margin and staff productivity over a two-year performance period. To encourage participants to continue serving the Company beyond the performance period, an extended vesting period is imposed beyond the performance target completion date.

The total number of ordinary shares which may be issued pursuant to awards granted under the RSP and PSP, when added to the number of new shares issued and issuable in respect of all awards granted under the RSP and PSP, and all options under the ESOP, shall not exceed 13% of the issued ordinary share capital of the Company. In addition the maximum number of new Shares that can be issued pursuant to awards granted under the RSP and PSP in the period between the current Annual General Meeting (AGM) to the next AGM shall not exceed 1.5% of the total number of issued ordinary shares in the capital of the Company.

Details of the Company's PSP, RSP and ESOP can be found on pages 72 to 75 of the Report by the Board of Directors.

### Directors' Fees

The Directors' fees paid in financial year 2009-10 amounted to S\$1,207,000 [financial year 2008-09: S\$1,500,000] and were based on the following rates:

		Rates (S\$)
Board Retainers	Board Member	80,000
	Chairman	160,000
Committee Retainers	Chairman of Executive Committee and Audit Committee	50,000
	Chairman of other Board Committees,	35,000
	Member of Executive Committee and Audit Committee	
	Member of other Board Committees	20,000
Attendance Fees	Home – City	5,000
	In – Region	10,000
	Out – Region	20,000
	Teleconference – normal hours	1,000
	Teleconference – odd hours	2,000

In response to the potential effects of the global financial crisis, Directors had accepted a 20% reduction in Directors' fees for financial year 2009-10 in tandem with the CEO's pay cut of 20%, with effect from July 2009. The table above sets out the rates prior to the 20% reduction.

### Disclosure on Remuneration

The following table shows the composition (in percentage terms) of the remuneration of Directors.

Directors	Fee %	Salary %	Bonus		Benefits %	Total %	Performance and Restricted Shares granted during the year <sup>2</sup>
			Fixed %	Variable <sup>1</sup> %			Number
<b>Below \$250,000</b>							
Stephen Lee Ching Yen	92	-	-	-	8	100	-
Chia Pei-Yuan	100	-	-	-	-	100	-
William Fung Kwok Lun	100	-	-	-	-	100	-
Euleen Goh Yiu Kiang	100	-	-	-	-	100	-
David Michael Gonski	100	-	-	-	-	100	-
James Koh Cher Siang	99	-	-	-	1	100	-
Christina Ong	100	-	-	-	-	100	-
Helmut Gunter Wilhelm Panke	100	-	-	-	-	100	-
Sir Brian Pitman	100	-	-	-	-	100	-
Lucien Wong Yuen Kuai	99	-	-	-	1	100	-
<b>Between \$2,500,000 to \$2,750,000</b>							
Chew Choon Seng <sup>3</sup>	-	41	4	50	5	100	53,760 PSP 40,320 RSP

<sup>1</sup> Includes Economic Value Added (EVA)-based incentive plan (EBIP) payment and profit-sharing bonus. The amount paid in the reporting year under EBIP is for the executive's performance in respect of the financial year ended 31 March 2009 because the performance rating was finalized and payment was made during the financial year ended 31 March 2010. See below for additional information on the EBIP.

<sup>2</sup> Shares awarded under the PSP and RSP are subject to performance targets and other terms and conditions being met under the respective share plans.

<sup>3</sup> Mr Chew Choon Seng, being the Chief Executive Officer, does not receive any Director's fees.

## corporate governance report

For the period 1 April 2009 to 31 March 2010

No employee of the Group who is an immediate family member of a Director was paid a remuneration that exceeded S\$150,000 during the financial year ended 31 March 2010.

Senior Management	Fee %	Salary %	Bonus		Benefits %	Total %	Performance and Restricted Shares granted during the year <sup>2</sup>
			Fixed %	Variable <sup>1</sup> %			Number
<b>Between \$1,000,000 to \$1,250,000</b>							
Bey Soo Khiang	-	40	5	48	7	100	24,640 PSP 22,400 RSP
<b>Between \$750,000 to \$1,000,000</b>							
Huang Cheng Eng	-	43	4	45	8	100	16,800 PSP 19,040 RSP
Mak Swee Wah	-	43	4	41	12	100	16,800 PSP 19,040 RSP
<b>Between \$250,000 to \$500,000</b>							
Ng Chin Hwee	-	69	7	8	16	100	16,800 PSP 19,040 RSP
<b>Less than \$250,000</b>							
Goh Choon Phong <sup>3</sup>	-	78	-	8	14	100	8,960 PSP 14,560 RSP

<sup>1</sup> Includes Economic Value Added (EVA)-based incentive plan (EBIP) payment and profit-sharing bonus. The amount paid in the reporting year under EBIP is for the executive's performance in respect of the financial year ended 31 March 2009 because the performance rating was finalized and payment was made during the financial year ended 31 March 2010. See below for additional information on the EBIP.

<sup>2</sup> Shares awarded under the PSP and RSP are subject to performance targets and other terms and conditions being met under the respective share plans.

<sup>3</sup> Mr Goh Choon Phong was appointed as an Executive Vice-President on 1 March 2010 and, other than the PSP/RSP awards, the data here on his remuneration is for only the month of March 2010.

### Additional information on Economic Value Added (EVA)-based incentive plan (EBIP):

A portion of the annual performance-related bonus of senior management is tied to the EVA produced by the Group in the year. Under the plan, one-third of the accumulated EBIP bonus, comprising the EBIP bonus declared in the financial year and the balance of such bonus brought forward from preceding years, is paid out in cash each year. The remaining two-thirds are carried forward in the individual executive's EBIP account. Amounts in the EBIP account are at risk because negative EVA will result in a retraction of EBIP bonus earned in preceding years. This mechanism encourages Management to work for sustainable profitability and to adopt strategies that are aligned with the long-term interests of the Company.

The rules of the EBIP are subject to review by the Board Compensation and Industrial Relations Committee, which has the discretion, under authority of the Board, to amend the rules where appropriate and relevant to the business conditions.



### Accountability (Principle 10)

The Board, through its announcements of quarterly and full-year results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects. Management provides the Board with monthly management accounts for the Board's review.

The Company has clear policies and guidelines for dealings in securities by Directors and employees, as recommended by the SGX-ST's Best Practices Guide. The Company imposes a trading embargo on its Directors and employees from trading in its securities for the period of two weeks prior to the announcement of quarterly results; and a period of one month prior to the announcement of year-end results. In addition, Directors and employees are cautioned to observe the insider trading laws at all times.

### Board Audit Committee Activities (Principle 11)

The AC's activities for financial year 2009/10, in accordance with its responsibilities and duties under its Charter, included the following:

**(a) Financial Reporting**

The AC reviewed the interim and annual financial statements and financial announcements required by SGX-ST for recommendation to the Board for approval. The review focused on changes in accounting policies and practices, major judgmental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with SGX-ST and other legal requirements.

**(b) External Audit**

The AC discussed with the external auditor the audit plan, and the report on the audit of the year-end financial statements; reviewed the external auditor's management letter and Management's responses thereto; and reviewed the external auditor's objectivity and independence from Management and the Company. The appointment of the external auditor and the audit fee were considered, and recommendations made to the Board on the selection of the Company's external auditors.

**(c) Internal Audit**

The AC reviewed the scope of internal audit work and its audit programmes; reviewed the major findings during the year and Management's responses thereto; and ensured the adequacy of the independence and resource sufficiency of the internal audit function.

**(d) Risk Management**

The AC reviewed the effectiveness of the Company's material controls, including financial, compliance and risk management controls, to safeguard shareholders' investments and the Company's assets.

**(e) Interested Person Transactions**

The AC reviewed interested person transactions to ensure compliance with the SGX-ST Listing Manual and the Shareholders' Mandate obtained at the last General Meeting.

**(f) Whistle-Blowing**

The AC is apprised of all cases of whistle-blowing. Cases that are significant are reviewed by the AC for adequacy and independence of investigative actions and resolution.

## corporate governance report

For the period 1 April 2009 to 31 March 2010

The AC has full access to and co-operation of Management. The AC also has full discretion to invite any Director or executive officer to attend its meetings, and has been given adequate resources to discharge its functions. During the year, the AC met with the internal and external auditors without the presence of Management.

The AC has undertaken a review of the fees and expenses paid to the external auditors, including fees paid for non-audit services during the year, and is of the opinion that the auditor's independence has not been compromised.

### **Internal Controls and Internal Audit (Principles 12 and 13)**

The Internal Audit Department (IAD) is an independent department that reports directly to the Audit Committee. The IAD assists the Committee and the Board by performing regular evaluations on the Company's internal controls, financial and accounting matters, compliance, business and financial risk management policies and procedures, and ensuring that internal controls are adequate to meet the Company's requirements. The IAD conforms to all the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Additionally, the various Divisions within the Company have developed a Control Self Assessment programme, where operating departments' management review and report on the adequacy of their respective units' control environment to the AC annually.

It is the opinion of the Board that, in the absence of evidence to the contrary, the system of internal controls maintained by Management and in place throughout the financial year 2009-10, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, business and compliance risks. The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

A dedicated Risk Management Department looks into and manages the Company's risk management policies. The Risk Management Report can be found on pages 29 to 30.

### **Communication with Shareholders (Principles 14 and 15)**

The Company believes in prompt disclosure of pertinent information. It values dialogue with shareholders, and holds analyst and media briefings when announcing half-yearly and year-end results. Full transcript of the proceedings are made available on SGXNET and our Company website at [www.singaporeair.com/investor](http://www.singaporeair.com/investor).

Additionally, all financial results as well as price sensitive information are released in a timely manner through various media which include press releases posted on the Company website, and disclosure via SGXNET.

The Investor Relations Department meets with analysts and investors on a regular basis, through investor conferences and roadshows, as well as ad-hoc meetings and teleconferences in office.

The Company was recognized as the “Most Transparent Company – Transport Storage Communication Category” by the Securities Investors Association of Singapore (“SIAS”) in 2009 for the eighth time since the inception of SIAS Investors’ Choice Award in 2000. In addition, the Company was the winner of the Golden Circle Award, an open category award for overall recognition of transparency excellence across all sectors.

The Board members always endeavour to attend shareholder meetings where shareholders are given the opportunity to raise questions and clarify issues they may have relating to the resolutions to be passed, with the Board. The Chairmen of the various Board Committees or members of the Board Committees standing in for them, as well as the external auditors, would be present and available to address questions at these meetings. Minutes of shareholders’ meetings are available on request by registered shareholders.

#### **Banking Transaction Procedures**

Lenders to SIA are to note that all bank transactions undertaken by any Group Company must be properly authorised, including the opening of new bank accounts and any proposed credit facilities. Each Group Company has its own approval limits and procedures for every banking transaction, having regard to the nature of the transaction concerned. These approval limits and procedures are updated from time to time and are available on request. The bankers of each Group Company should always verify, in accordance with the verification process set out in the applicable procedures, that the transaction is properly authorised.

# membership and attendance of singapore airlines limited board of directors and board committee members

For the period 1 April 2009 to 31 March 2010

Name of Directors	Board		Board Executive Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Stephen Lee Ching Yen (Note 1)	4	4	8	8
Chew Choon Seng	4	4	8	8
Chia Pei-Yuan (Note 2)	2*	2	-	-
William Fung Kwok Lun (Note 3)	1*	1	-	-
Euleen Goh Yiu Kiang	4	4	8	8
David Michael Gonski	4	4	-	-
James Koh Cher Siang	4	4	8	8
Christina Ong (Note 4)	4	4	-	-
Helmut Gunter Wilhelm Panke (Note 5)	2*	2	-	-
Sir Brian Pitman (Note 2)	2*	2	-	-
Lucien Wong Yuen Kuai	4	4	-	-

\* Number of meetings held during Director's tenure on Board / Committee

## Notes:

- (1) Appointed Member of Nominating Committee on 1 September 2009 and retired from Safety and Risk Committee on 1 December 2009
- (2) Retired from the Board on 1 August 2009
- (3) Appointed Director and Member of Audit Committee on 1 December 2009
- (4) Appointed Member of Safety and Risk Committee on 1 December 2009
- (5) Appointed Director and Member of Compensation and Industrial Relations Committee and Member of Safety and Risk Committee on 1 September 2009

	Board Audit Committee		Board Compensation and Industrial Relations Committee		Board Safety and Risk Committee		Board Nominating Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
	-	-	4	4	3*	3	1*	1
	-	-	-	-	-	-	-	-
	2*	2	-	-	-	-	2*	2
	1*	0	-	-	-	-	-	-
	4	4	-	-	-	-	-	-
	4	4	4	4	-	-	-	-
	-	-	4	4	4	4	-	-
	-	-	-	-	1*	0	3	3
	-	-	2*	2	2*	2	-	-
	-	-	2*	2	2*	2	-	-
	4	4	-	-	-	-	3	3

## further information on board of directors

### STEPHEN LEE CHING YEN

#### Academic and Professional Qualifications:

- Master of Business Administration, Northwestern University, Illinois

#### Current Directorships in Other Listed Companies

	<i>Company</i>	<i>Title</i>
1.	SIA Engineering Company Limited	Chairman

#### Other Major Appointments

	<i>Organisation/Company</i>	<i>Title</i>
1.	Shanghai Commercial & Savings Bank Ltd, TWN	Managing Director
2.	Great Malaysia Textile Investments Pte Ltd	Managing Director
3.	Singapore National Employers Federation	President

#### Others

	<i>Organisation/Company</i>	<i>Title</i>
1.	Baosteel Group Corporation, China	Director
2.	Singapore Labour Foundation	Director
3.	Shanghai Commercial Bank Ltd, Hong Kong	Director
4.	Chinese Development Assistance Council	Board Member
5.	National Wages Council	Member

#### Directorships/Appointments in the past 3 years

	<i>Organisation/Company</i>	<i>Title</i>
1.	Singapore Business Federation	Chairman
2.	Fraser & Neave Ltd	Director

### CHEW CHOON SENG

#### Academic and Professional Qualifications:

- Bachelor of Engineering (1st Class Hons), University of Singapore
- Master of Science in Operations Research and Management Studies, Imperial College of Science and Technology, University of London

#### Current Directorships in Other Listed Companies

	<i>Company</i>	<i>Title</i>
1.	SIA Engineering Company Limited	Deputy Chairman
2.	Singapore Exchange Ltd	Director

#### Other Major Appointments

	<i>Organisation/Company</i>	<i>Title</i>
1.	Government of Singapore Investment Corporation Ltd	Director

**Others**

	<i>Organisation/Company</i>	<i>Title</i>
1.	International Air Transport Association	Member, Board of Governors

**Directorships/Appointments in the past 3 years**

	<i>Organisation/Company</i>	<i>Title</i>
1.	Singapore Airport Terminal Services Limited	Deputy Chairman

**WILLIAM FUNG KWOK LUN****Academic and Professional Qualifications:**

- Master of Business Administration, Harvard Graduate School of Business, Boston
- Bachelor of Science in Engineering, Princeton University, New Jersey

**Current Directorships in Other Listed Companies**

	<i>Company</i>	<i>Title</i>
1.	Li & Fung Limited	Group Managing Director
2.	Trinity Limited	Deputy Chairman
3.	Convenience Retail Asia Limited	Director
4.	Integrated Distribution Services Group Limited	Director
5.	Shui On Land Limited	Director
6.	Sun Hung Kai Properties Limited	Director
7.	VTech Holdings Limited	Director

**Other Major Appointments**

	<i>Organisation/Company</i>	<i>Title</i>
1.	The Hongkong and Shanghai Banking Corporation Limited	Deputy Chairman

**Directorships/Appointments in the past 3 years**

	<i>Organisation/Company</i>	<i>Title</i>
1.	CLP Holdings Limited	Director
2.	HSBC Holdings plc	Director

**EULEEN GOH YIU KIANG****Academic and Professional Qualifications:**

Member of :-

- Institute of Chartered Accountants in England and Wales, United Kingdom
- Institute of Taxation, United Kingdom
- Institute of Certified Public Accountants of Singapore
- Institute of Bankers, United Kingdom

## further information on board of directors

### Current Directorships in Other Listed Companies

	<i>Company</i>	<i>Title</i>
1.	Aviva plc	Director
2.	DBS Group Holdings Ltd	Director
3.	Singapore Exchange Limited	Director

### Other Major Appointments

	<i>Organisation/Company</i>	<i>Title</i>
1.	Accounting Standards Council	Chairperson
2.	Singapore International Foundation	Chairperson, Board of Governors
3.	DBS Bank Ltd	Director

### Others

	<i>Organisation/Company</i>	<i>Title</i>
1.	Northlight School	Chairperson, Board of Governors
2.	Singapore Chinese Girls' School	Director
3.	Management Advisory Board of NUS Business School	Member

### Directorships/Appointments in the past 3 years

	<i>Organisation/Company</i>	<i>Title</i>
1.	Financial Industry Competency Standards Committee	Chairperson
2.	International Enterprise Singapore	Chairperson
3.	CapitaLand Financial Limited	Deputy Chairperson
4.	MediaCorp Pte Ltd	Director
5.	MOH Holdings Pte Ltd	Director
6.	Standard Chartered Bank (Thai) plc	Director
7.	Standard Chartered Bank Malaysia Berhad	Director
8.	The Institute of Banking and Finance	Council Member

### DAVID MICHAEL GONSKI

#### Academic and Professional Qualifications:

- Bachelor of Commerce, University of New South Wales
- Bachelor of Laws, University of New South Wales
- Fellow of the Australian Society of Certified Practising Accountants
- Fellow of the Australian Institute of Company Directors

### Current Directorships in Other Listed Companies

	<i>Company</i>	<i>Title</i>
1.	Australian Securities Exchange Ltd	Chairman
2.	Coca-Cola Amatil Limited	Chairman
3.	Westfield Group – Westfield Holdings Limited	Director



**Other Major Appointments**

	<i>Organisation/Company</i>	<i>Title</i>
1.	Investec Bank (Australia) Limited	Chairman
2.	The University of New South Wales (UNSW)	Chancellor
3.	National E-Health Transition Authority	Chairman

**Others**

	<i>Organisation/Company</i>	<i>Title</i>
1.	Ingeus Limited	Chairman
2.	Sydney Theatre Company	Chairman
3.	UNSW Foundation Limited	Chairman
4.	Sydney Grammar School	President/Chairman Board of Trustees
5.	Review Committee for the Funding of Schools in Australia	Chairman

**Directorships/Appointments in the past 3 years**

	<i>Organisation/Company</i>	<i>Title</i>
1.	ANZ Banking Group	Director

**JAMES KOH CHER SIANG****Academic and Professional Qualifications:**

- Bachelor of Arts (Hons) in Philosophy, Political Science, Economics, University of Oxford, United Kingdom
- Master of Arts, University of Oxford, United Kingdom
- Master in Public Administration, Harvard University, United States of America

**Current Directorships in Other Listed Companies**

	<i>Company</i>	<i>Title</i>
1.	CapitaLand Limited	Director
2.	Pan Pacific Hotels Group Limited	Director
3.	UOL Group Limited	Director

**Other Major Appointments**

	<i>Organisation/Company</i>	<i>Title</i>
1.	Housing & Development Board	Chairman

**Others**

	<i>Organisation/Company</i>	<i>Title</i>
1.	CapitaMall Trust Management Limited	Chairman
2.	Governing Board for the Mechanobiology Research Centre of Excellence	Chairman
3.	Singapore Deposit Insurance Corporation Limited	Chairman

## further information on board of directors

### Others

	<i>Organisation/Company</i>	<i>Title</i>
4.	Singapore Island Country Club	Chairman
5.	CapitaLand Hope Foundation	Director
6.	Singapore Cooperation Enterprise	Director
7.	Presidential Council for Religious Harmony	Member
8.	UniSim School of Business Advisory Panel	Member

### Directorships/Appointments in the past 3 years

	<i>Organisation/Company</i>	<i>Title</i>
1.	National Kidney Foundation	Deputy Chairman

### CHRISTINA ONG

#### Academic and Professional Qualifications:

- Bachelor of Arts in Economics, University of Westminster, London

### Major Appointments

	<i>Organisation/Company</i>	<i>Title</i>
1.	AX 21 Holdings Pte Ltd	Managing Director
2.	Club 21 Pte Ltd	Managing Director

### Others

	<i>Organisation/Company</i>	<i>Title</i>
1.	National Parks Board	Chairperson
2.	Club 21 Distribution (Singapore) Pte Ltd	Director
3.	Club 21 Malaysia Sdn Bhd	Director
4.	Coan Pte Ltd	Director
5.	Como Foundation Inc	Director
6.	Heritage Holdings Pte Ltd	Director
7.	Heritage Investments Pte Ltd	Director
8.	Joco Private Limited	Director
9.	Jomo Private Limited	Director
10.	Kids 21 Pte Ltd	Director
11.	Moco Private Limited	Director
12.	Mogems Services Pte Ltd	Director
13.	Shambhala Yoga Centre Pte Ltd	Director
14.	Singapore Health Services Pte Ltd	Director
15.	Viva Foundation for Children with Cancer	Director
16.	Y.S. Fu Holdings (2002) Pte Ltd	Director

**HELMUT GUNTER WILHELM PANKE****Academic and Professional Qualifications:**

- Doctor in Physics, University of Munich

**Current Directorships in Other Listed Companies**

	<i>Company</i>	<i>Title</i>
1.	Bayer AG	Director
2.	Microsoft Corporation	Director
3.	UBS AG	Director

**Directorships/Appointments in the past 3 years**

	<i>Organisation/Company</i>	<i>Title</i>
1.	Global Strategic Equities Fund (Dubai International Capital LLC)	Member, Advisory Board

**LUCIEN WONG YUEN KUAI****Academic and Professional Qualifications:**

- Bachelor of Laws (Honours), University of Singapore

**Current Directorships in Other Listed Companies**

	<i>Company</i>	<i>Title</i>
1.	Cerebos Pacific Limited	Director
2.	Hap Seng Plantations Holdings Berhad	Director
3.	Singapore Press Holdings Limited	Director

**Other Major Appointments**

	<i>Organisation/Company</i>	<i>Title</i>
1.	Allen & Gledhill LLP	Managing Director
2.	Maritime and Port Authority of Singapore	Chairman

**Others**

	<i>Organisation/Company</i>	<i>Title</i>
1.	DLF Trust Management Pte Ltd	Director
2.	Eastern Development Private Limited	Director
3.	Linklaters Allen & Gledhill Pte Ltd	Director
4.	Mapletree Commercial Trust Management Ltd	Director
5.	Monetary Authority of Singapore	Board Member
6.	National University of Singapore	Member, Board of Trustees
7.	SingHealth Foundation	Trustee

**Directorships/Appointments in the past 3 years**

	<i>Organisation/Company</i>	<i>Title</i>
1.	Altitude Trust Management Pte Ltd	Director
2.	Mabanaft Singapore Pte Ltd	Director

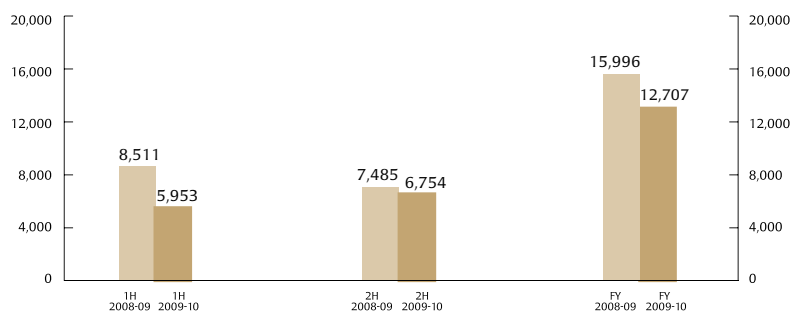


## financial review

### HIGHLIGHTS OF THE GROUP'S PERFORMANCE

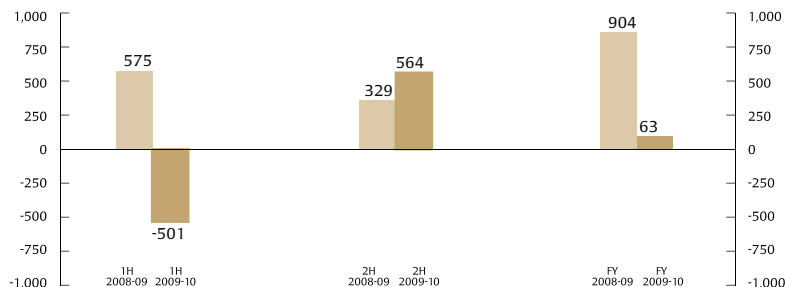
- Total revenue \$12,707 million (-20.6 per cent)

Group Revenue (\$ million)



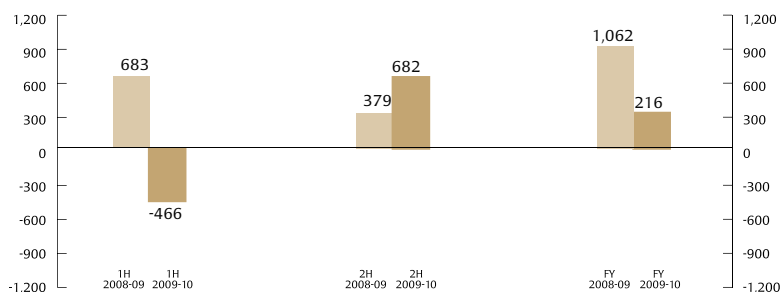
- Operating profit \$63 million (-93.0 per cent)

Group Operating Profit (\$ million)



- Profit attributable to equity holders of the Company \$216 million (-79.7 per cent)

Profit Attributable to Equity Holders of the Company (\$ million)



## financial review

### Performance of the Group

#### Key Financial Highlights

	2009-10	2008-09 <sup>R1</sup>	% Change
<u>Earnings For The Year (\$ million)</u>			
Revenue	12,707.3	15,996.3	- 20.6
Expenditure	12,644.1	15,092.7	- 16.2
Operating profit	63.2	903.6	- 93.0
Profit attributable to equity holders of the Company	215.8	1,061.5 <sup>R2</sup>	- 79.7
<u>Per Share Data (cents)</u>			
Earnings per share – basic	18.2	89.6	- 79.7
Dividends per share	12.0	40.0	- 70.0
<u>Ratios (%)</u>			
Return on equity holders' funds	1.6	7.3	- 5.7 pts
Return on total assets	1.2	4.5	- 3.3 pts

#### Group Earnings

The Group was impacted by the downturn in travel demand brought about by the global economic crisis, which began in late 2008. In the first half of the financial year, challenging business conditions resulted in sharp decline for both loads and yields, causing the Group to incur a net loss attributable to equity holders of \$466 million. As the recession began to ease in the second half of the financial year, demand for both air travel and freight saw an upturn. With a strong second half recovery, the Group returned to profitability (with a net profit attributable to equity holders of \$682 million in the second half) and posted a full year net profit attributable to equity holders of \$216 million. This was \$846 million lower (-79.7 per cent) than the preceding year.

Group revenue fell \$3,289 million (-20.6 per cent) to \$12,707 million. The decrease was mainly on account of significantly lower airline and cargo operations as a result of the economic crisis. In addition, contribution from airport terminal and food operations was lower, as SATS Group was deconsolidated from 1 September 2009, after completion of the dividend *in specie* distribution. The Group's revenue by business segment is shown below:

	2009-10 \$ million	2008-09 \$ million
Airline operations	9,635.4	12,160.4
Cargo operations	2,288.2	2,965.7
Airport terminal and food operations	370.4	451.2
Engineering services	370.0	358.5
Others	43.3	60.5
Total revenue	12,707.3	15,996.3

<sup>R1</sup> Singapore Airport Terminal Services Group ("SATS Group") was deconsolidated from the Group with effect from 1 September 2009, after completion of the dividend in specie distribution. For comparison purposes, a set of proforma financials for the previous financial year (which have excluded SATS Group from 1 September 2008) is presented on page 58.

<sup>R2</sup> Last year's earnings included a one-off write-back of \$138 million in prior years' deferred tax provision following a reduction in the Singapore corporate tax rate from 18 per cent to 17 per cent.

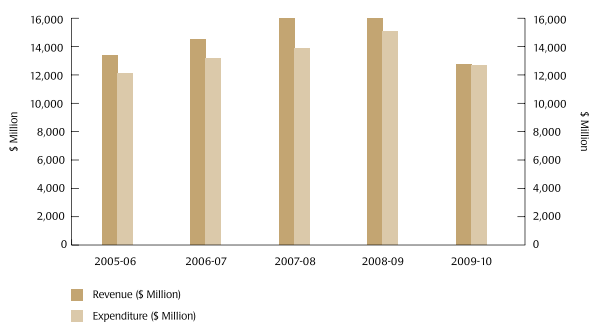
## Performance of the Group (continued)

### Group Earnings (continued)

Group expenditure decreased \$2,449 million (-16.2 per cent) to \$12,644 million. The year-on-year drop was largely on account of lower jet fuel prices, staff cost and other variable cost savings from capacity reductions.

Consequently, the Group posted an operating profit of \$63 million in 2009-10, a decrease of \$840 million (-93.0 per cent) over last year. SIA Engineering Group and SilkAir were profitable at the operating level, with SilkAir registering higher year-on-year profits. In contrast, Singapore Airlines and Singapore Airlines Cargo reported full year operating losses, as the passenger and cargo businesses were severely affected by the economic downturn, especially in the first half. Please refer to the review of the Company and subsidiary companies for further details.

Group Revenue and Expenditure



Group Operating Profit and Profit Attributable to Equity Holders of the Company



## financial review

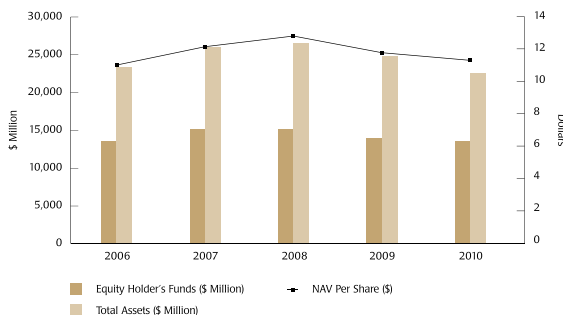
### Performance of the Group (continued)

#### Financial Position

The Group's total assets stood at \$22,484 million as at 31 March 2010, down 9.4 per cent from a year ago, mainly as a result of the divestment of SATS Group. Net asset value per share decreased 4.1 per cent to \$11.30.

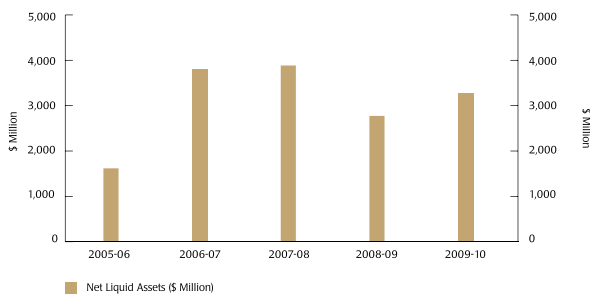
As at 31 March 2010, the Group's equity attributable to equity holders of the Company decreased 3.3 per cent to \$13,469 million. The decrease mainly arose from deconsolidation of SATS Group upon distribution of the dividend *in specie* and payment of dividends during the year. This was partially offset by profit for the year and an increase in fair value reserve. During the year, dividends paid pertained to final dividend of 20 cents per share in respect of financial year 2008-09.

Group Equity Holders' Funds, Total Assets and Net Asset Value (NAV) per Share



The Group's net liquid assets<sup>R3</sup> position increased from \$2,802 million a year ago to \$3,274 million (+\$472 million) as at 31 March 2010, a result of cash generated from operations and deconsolidation of SATS Group (Included in last year's debt was an amount of \$200.0 million which pertained to notes payable issued by SATS Group). Total debt to equity ratio at 0.10 times was lower by 0.02 times.

Group Net Liquid Assets



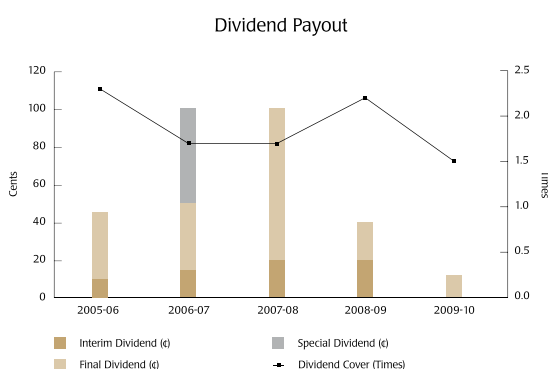
<sup>R3</sup> Net liquid assets is defined as the sum of cash and bank balances (net of bank overdrafts), investments, loans to third parties, and net of finance lease commitments, loans and fixed rate notes issued.



## Performance of the Group (continued)

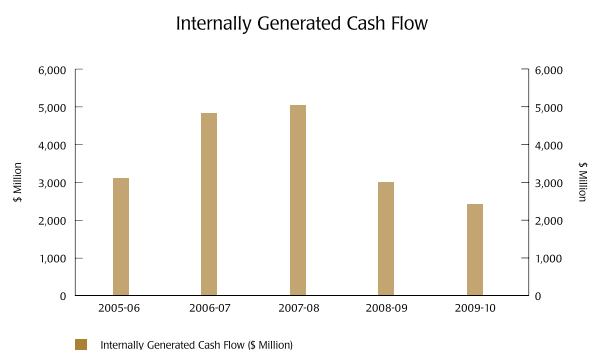
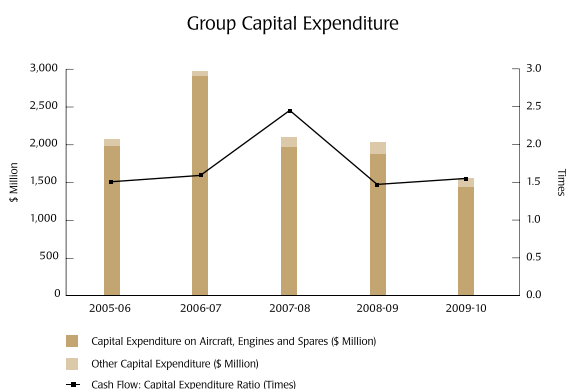
### Dividends

For the financial year ended 31 March 2010, the Board recommends a final dividend of 12 cents per share. This amounts to a payout of approximately \$143 million based on the number of issued shares as at 31 March 2010. The dividend cover is 1.5 times.



### Capital Expenditure and Cash Flow of the Group

Capital expenditure was \$1,560 million, 23.2 per cent lower than the year before. Internally generated cash flow of \$2,423 million (-19.1 per cent) was 1.55 times capital expenditure. The decrease in internally generated cash flow was driven primarily by lower proceeds from disposal of aircraft and other assets. About 93 per cent of the capital spending was on aircraft and spare engines.



## financial review

### Performance of the Group (continued)

#### Statements of Value Added and its Distribution

	2009-10 \$ million	2008-09 \$ million
Total revenue	12,707.3	15,996.3
Less: Purchase of goods and services	(8,722.1)	(10,810.2)
	3,985.2	5,186.1
Add:		
Interest income	49.5	96.0
Surplus on disposal of aircraft, spares and spare engines	25.4	60.6
Dividends from long-term investments, gross	33.0	23.7
Other non-operating items	34.2	29.4
Share of profits of joint venture companies	56.1	63.9
Share of profits of associated companies	93.0	111.1
Total value added for distribution	4,276.4	5,570.8
Applied as follows:		
To employees		
- Salaries and other staff cost	2,159.4	2,545.9
To government:		
- Corporation taxes	6.0	190.0
To suppliers of capital:		
- Interim and proposed dividends	143.0	473.6
- Finance charges	68.9	89.7
- Minority interest	63.7	85.3
Retained for future capital requirements:		
- Depreciation and amortisation	1,762.6	1,736.6
- Retained profit <sup>R4</sup>	72.8	449.7
Total value added	4,276.4	5,570.8
Value added per \$ revenue (\$)	0.34	0.35
Value added per \$ employment cost (\$)	1.98	2.19
Value added per \$ investment in property, plant and equipment (\$)	0.17	0.22

Value added is a measure of wealth created. The statement above shows the Group's valued added and its distribution by way of payments to employees, government, and to those who have provided capital. It also indicates the portion retained in the business for future capital requirements.

<sup>R4</sup> Retained profit excludes tax write-back as a result of the reduction in corporate tax rate of \$138.2 million for 2008-09. If tax write-back was included, retained profit for 2008-09 would be \$587.9 million.

## Performance of the Group (continued)

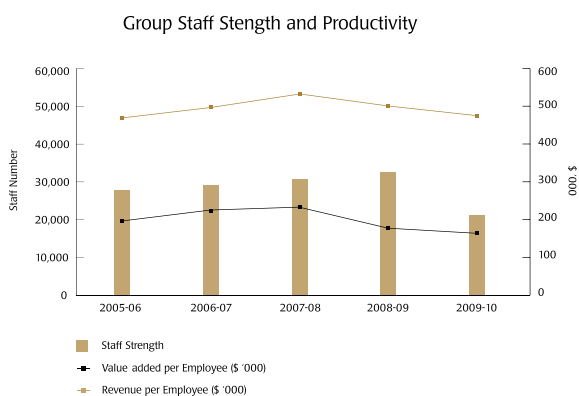
### Group Staff Strength and Productivity

The Group's staff strength as at 31 March 2010 is as follows:

	2009-10	2008-09	% Change	
Singapore Airlines	13,382	14,486	-	7.6
Singapore Airport Terminal Services Group	-	9,998		n.m
SIA Engineering Group	6,171	6,176	-	0.1
Singapore Airlines Cargo	937	1,073	-	12.7
SilkAir	944	917	+	2.9
Others	278	299	-	7.0
	21,712	32,949	-	34.1

Average staff productivity are as follows:

	2009-10	2008-09	% Change	
Revenue per employee (\$) <sup>R5</sup>	472,918	502,491	-	5.9
Value added per employee (\$) <sup>R5</sup>	159,151	174,995	-	9.1



<sup>R5</sup> Computed based on Group's average staff strength, which includes SATS Group's contribution for 5 months in 2009-10.

## financial review

### Performance of the Group (continued)

#### Proforma Consolidated Profit and Loss Account

	2009-10 \$ million	Proforma <sup>R6</sup> 2008-09 \$ million
<b>REVENUE</b>	12,707.3	15,726.4
<b>EXPENDITURE</b>		
Staff costs	2,159.4	2,320.9
Fuel costs	4,194.5	6,408.4
Depreciation	1,713.8	1,616.1
Impairment of property, plant and equipment	6.1	41.4
Amortisation of intangible assets	42.7	37.5
Aircraft maintenance and overhaul costs	342.4	381.6
Commissions and incentives	316.5	394.5
Landing, parking and overflying charges	588.6	656.9
Handling charges	784.9	770.4
Rentals on leased aircraft	552.9	487.8
Material costs	375.4	268.7
Inflight meals	347.7	379.2
Advertising and sales costs	210.3	234.0
Insurance expenses	57.6	60.4
Company accommodation and utilities	142.0	140.0
Other passenger costs	130.4	146.7
Crew expenses	153.4	184.7
Other operating expenses	525.5	401.2
	12,644.1	14,930.4
<b>OPERATING PROFIT</b>	63.2	796.0
Finance charges	(68.9)	(85.5)
Interest income	49.5	93.4
Surplus on disposal of aircraft, spares and spare engines	25.4	60.6
Dividends from long-term investments, gross	33.0	22.5
Other non-operating items	34.2	41.3
Share of profits of joint venture companies	56.1	63.9
Share of profits of associated companies	93.0	96.9
<b>PROFIT BEFORE TAXATION</b>	285.5	1,089.1
<b>TAXATION</b>		
Taxation expense	(6.0)	(170.0)
Adjustment for reduction in Singapore statutory tax rate	-	135.3
	(6.0)	(34.7)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	279.5	1,054.4
<b>PROFIT ATTRIBUTABLE TO:</b>		
<b>EQUITY HOLDERS OF THE COMPANY</b>	215.8	986.7
<b>MINORITY INTERESTS</b>	63.7	67.7
	279.5	1,054.4

<sup>R6</sup> SATS Group was deconsolidated from the Group with effect from 1 September 2009, after completion of the distribution. For comparison purposes, a proforma consolidated profit and loss account for 2008-09 was prepared to exclude the operations of SATS Group from 1 September 2008.

## Performance of the Company

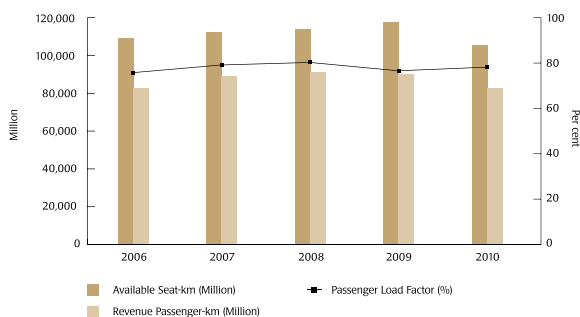
### Operating Performance

	2009-10	2008-09	% Change	
Passengers carried (thousand)	16,480	18,293	-	9.9
Available seat-km (million)	105,673.7	117,788.7	-	10.3
Revenue passenger-km (million)	82,882.5	90,128.1	-	8.0
Passenger load factor (%)	78.4	76.5	+	1.9 points
Passenger yield (€/pkm)	10.4	12.5	-	16.8
Passenger unit cost (€/ask)	8.6	9.2	-	6.5
Passenger breakeven load factor (%)	82.7	73.6	+	9.1 points

In 2009-10, the number of passengers carried by the Company fell 9.9 per cent. Passenger carriage (in revenue passenger-km) was 8.0 per cent lower year-on-year, at a slower pace than the reduction in capacity (in available seat-km) of 10.3 per cent. As a result, passenger load factor increased 1.9 percentage points to 78.4 per cent.

Passenger yield fell 16.8 per cent, mainly attributable to intense competition and aggressive promotional fare activities, especially in the first half of the financial year.

Available Seat Capacity,  
Passenger Traffic and Load Factor



## financial review

### Performance of the Company (continued)

#### Operating Performance (continued)

A review of the Company's operating performance by route region is as follows:

	By Route Region <sup>R7</sup> (2009-10 against 2008-09)		
	Passengers Carried Change (thousand)	Revenue Passenger KM % Change	Available Seat KM % Change
East Asia	- 1,022	- 8.1	- 12.1
Americas	- 197	- 13.1	- 16.1
Europe	- 182	- 6.9	- 7.4
South West Pacific	- 262	- 7.7	- 7.3
West Asia and Africa	- 150	- 3.5	- 9.0
Systemwide	- 1,813	- 8.0	- 10.3

Passenger load factor by route region is as follows:

	Passenger Load Factor (%)		
	2009-10	2008-09	% Change points
East Asia	75.4	72.0	+ 3.4
Americas	78.9	76.2	+ 2.7
Europe	80.6	80.2	+ 0.4
South West Pacific	82.2	82.6	- 0.4
West Asia and Africa	73.3	69.1	+ 4.2
Systemwide	78.4	76.5	+ 1.9

<sup>R7</sup> Each route region comprises routes originating from Singapore to final destinations in countries within the region concerned and vice versa. For example, Singapore-Hong Kong-San Francisco-Hong Kong-Singapore route is classified under Americas region. East Asia covers Brunei, Hong Kong SAR, Indonesia, Japan, South Korea, Malaysia, People's Republic of China, Philippines, Thailand, Taiwan and Vietnam. Americas comprises Canada and USA. Europe consists of Denmark, England, France, Germany, Greece, Italy, Russia, Spain, Switzerland, and The Netherlands. South West Pacific covers Australia and New Zealand. West Asia and Africa are made up of Bangladesh, Egypt, Kuwait, Maldives, Pakistan, Saudi Arabia, South Africa, Sri Lanka, Turkey and United Arab Emirates.

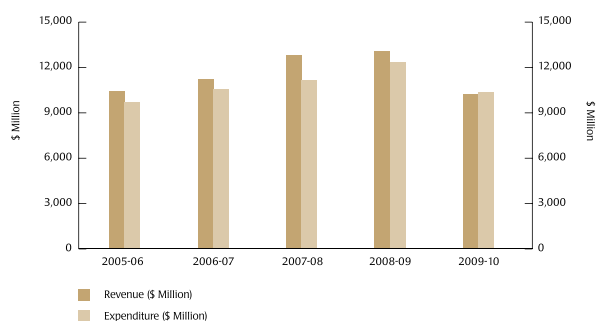
## Performance of the Company (continued)

### Earnings

	2009-10 \$ million	2008-09 \$ million	Change %
Revenue	10,145.0	13,049.5	- 22.3
Expenditure	(10,183.6)	(12,226.6)	- 16.7
Operating (loss)/profit	(38.6)	822.9	n.m.
Finance charges	(51.3)	(72.4)	- 29.1
Interest income	49.7	98.2	- 49.4
Surplus on disposal of aircraft, spares and spare engines	25.3	12.6	+ 100.8
Dividends from subsidiary and associated companies	198.1	340.3	- 41.8
Dividends from long-term investments, gross	15.7	10.6	+ 48.1
Other non-operating items	34.4	40.2	- 14.4
Profit before taxation	233.3	1,252.4	- 81.4
Taxation expense	46.5	(147.7)	n.m.
Adjustment for reduction in Singapore corporate tax rate	-	114.0	n.m.
	46.5	(33.7)	n.m.
Profit after taxation	279.8	1,218.7	- 77.0

*n.m. not meaningful*

Company Revenue and Expenditure



## financial review

### Performance of the Company (continued)

#### Revenue

The Company's revenue decreased 22.3 per cent to \$10,145 million as follows:

	2009-10 \$ million	2008-09 \$ million	Change %
Passenger revenue	7,318.1	9,492.8	- 22.9
Excess baggage revenue	26.0	30.5	- 14.8
Non-scheduled services	12.4	8.9	+ 39.3
Bellyhold revenue from Singapore Airlines Cargo	999.5	1,347.2	- 25.8
Direct operating revenue	8,356.0	10,879.4	- 23.2
Indirect operating revenue	1,789.0	2,170.1	- 17.6
Total operating revenue	10,145.0	13,049.5	- 22.3

The Company's passenger revenue decreased \$2,175 million (-22.9 per cent) in 2009-10, as a result of:

	\$ million	\$ million
<u>8.0% decrease in passenger traffic:</u>		
10.3% decrease in seat capacity	- 982.0	
1.9% points increase in passenger load factor	+ 219.3	- 762.7
<u>16.2% decrease in passenger yield (excluding fuel surcharge):</u>		
Lower local currency yields	- 1,399.6	
Change in passenger mix	- 32.4	
Foreign exchange	+ 20.0	- 1,412.0
Decrease in passenger revenue		- 2,174.7

The sensitivity of passenger revenue to one percentage point change in passenger load factor and a one percentage change in passenger yield is as follows:

	\$ million
1.0% point change in passenger load factor, if yield and seat capacity remain constant	93.3
1.0% change in passenger yield, if passenger traffic remains constant	73.2



## Performance of the Company (continued)

### Revenue (continued)

A breakdown of passenger revenue <sup>R8</sup> by route region and area of original sale is shown below:

	By Route Region (\$ million)			By Area of Original Sale <sup>R9</sup> (\$ million)		
	2009-10	2008-09	% Change	2009-10	2008-09	% Change
East Asia	2,014.4	2,546.4	- 20.9	3,525.4	4,362.4	- 19.2
Americas	1,319.1	1,697.6	- 22.3	608.6	740.1	- 17.8
Europe	1,793.1	2,364.3	- 24.2	1,491.8	2,023.3	- 26.3
South West Pacific	1,346.8	1,806.9	- 25.5	1,252.5	1,749.9	- 28.4
West Asia and Africa	870.7	1,108.1	- 21.4	465.8	647.6	- 28.1
Systemwide	7,344.1	9,523.3	- 22.9	7,344.1	9,523.3	- 22.9

### Expenditure

The Company's expenditure decreased 16.7 per cent to \$10,184 million in 2009-10.

	2009-10 \$ million	%	2008-09 \$ million	%	% Change
Fuel costs	3,536.7	34.7	5,349.4	43.8	- 33.9
Depreciation <sup>R10</sup>	1,402.2	13.8	1,376.7	11.2	+ 1.9
Staff costs	1,374.2	13.5	1,524.9	12.5	- 9.9
Handling charges	787.5	7.7	827.2	6.8	- 4.8
Inflight meals and other passenger costs	542.3	5.3	579.8	4.7	- 6.5
Airport and overflying charges	495.1	4.9	542.1	4.4	- 8.7
Sales costs <sup>R11</sup>	485.3	4.8	610.7	5.0	- 20.5
Rentals on leased aircraft	481.3	4.7	412.5	3.4	+ 16.7
Aircraft maintenance and overhaul costs	477.3	4.7	486.7	4.0	- 1.9
Communication and information technology costs <sup>R12</sup>	95.5	0.9	101.8	0.8	- 6.2
Other costs <sup>R13</sup>	506.2	5.0	414.8	3.4	+ 22.0
Total	10,183.6	100.0	12,226.6	100.0	- 16.7

<sup>R8</sup> Includes excess baggage revenue.

<sup>R9</sup> Each area of original sale comprises countries within a region from which the sale is made.

<sup>R10</sup> Depreciation included impairment of property, plant and equipment and amortisation of computer software.

<sup>R11</sup> Sales costs included commissions and incentives payable, frequent flyer programme cost, computer reservation system booking fees, advertising expenses and other sales costs.

<sup>R12</sup> Communication and information technology costs were for data transmission and contract service fees, hire of computer equipment, maintenance/rental of software, and information technology contract and professional fees.

<sup>R13</sup> Other costs mainly comprised crew expenses, company accommodation cost, foreign exchange hedging and revaluation loss, comprehensive aviation insurance cost, airport lounge expenses, non-information technology contract and professional fees, expenses incurred to mount non-scheduled services, aircraft licence fees and recoveries.

## financial review

### Performance of the Company (continued)

#### Expenditure (continued)

A breakdown of fuel cost is shown below:

	2009-10 \$ million	2008-09 \$ million	Change \$ million
Fuel cost (before hedging)	3,077	5,043	- 1,966
Fuel hedging loss	460	306	+ 154
	3,537	5,349	- 1,812

Expenditure of fuel before hedging was \$1,966 lower because of:

	\$ million
33.0% decrease in weighted average fuel price from 118.6 USD/BBL to 79.5 USD/BBL	- 1,507
9.4% decrease in volume uplifted from 30.0 M BBL to 27.2 M BBL	- 478
0.6% strengthening of USD against SGD from US\$1=S\$1.416 to US\$1=S\$1.425	+ 19
	- 1,966

Depreciation charges increased \$26 million mainly due to progressive delivery of new aircraft. During the year, four A380 aircraft were commissioned.

Staff costs were \$151 million lower, mainly attributable to wage cuts and voluntary no-pay leave, lower crew allowances and provision for profit-sharing bonus.

Handling charges was \$40 million lower, attributable to decrease in number of handlings, partially offset by increase in rates from new aircraft type joining the fleet.

Inflight meals and other passenger costs fell \$38 million due mainly to decrease in number of passengers uplifted.

Airport and overflying charges was \$47 million lower, largely due to decrease in number of trips.

Sales cost decreased \$125 million, as commissions and incentives reduced.

Rentals on leased aircraft increased \$69 million, primarily attributable to lease of additional 7 A330-300 aircraft, partially offset by the return of 3 B747-400 aircraft on expiry of lease.

Other costs were \$91 million higher, due mainly to foreign exchange revaluation and hedging loss this year (against gain last year).

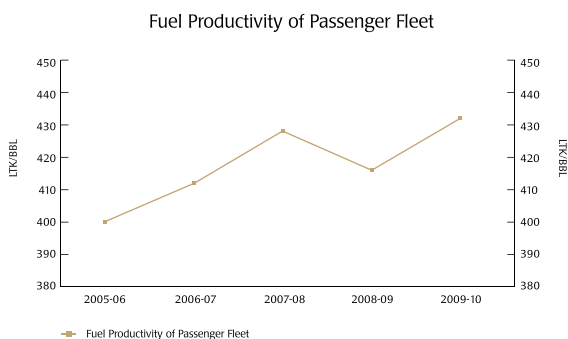
## Performance of the Company (continued)

### Fuel Productivity and Sensitivity Analysis

Fuel productivity as measured by load tonne-km per barrel (ltk/BBL) rose 3.9 per cent over the previous year to 432 ltk/BBL. This was attributed to an improvement in overall load factor (+2.9 percentage points).

A change in fuel productivity (passenger aircraft) of 1.0 per cent would impact the Company's annual fuel cost by about \$30 million, before accounting for changes in fuel price, USD exchange rate and flying operations.

A change in the price of fuel of one USD per barrel affects the Company's annual fuel cost by about \$38 million, before accounting for USD exchange movements, and changes in volume of fuel consumed.



### Finance Charges

Finance charges decreased 29.1 per cent, mainly attributable to lower weighted average interest rate for interest bearing financial liabilities.

### Interest Income

Interest income fell 49.4 per cent, mainly due to lower average interest rates on short-term deposits.

### Dividends from Subsidiary and Associated Companies

Dividends from subsidiary and associated companies decreased by \$142 million, primarily due to lower dividends received from Singapore Airport Terminal Services Group (-\$70 million) and SIA Engineering Company (-\$44 million).

### Taxation

There was a net tax write-back of \$47 million, comprising current tax credit of \$88 million and deferred tax charge of \$41 million.

As at 31 March 2010, the Company's deferred taxation account stood at \$1,946 million.

## financial review

### Performance of the Company (continued)

#### Staff Strength and Productivity

The Company's staff strength as at 31 March 2010 was 13,382, a decrease of 1,104 over last year. The distribution of employee strength by category and location is as follows:

	2009-10	2008-09	% Change
<b>Category</b>			
Senior staff (administrative and higher ranking officers)	1,222	1,334	- 8.4
Technical crew	2,306	2,347	- 1.7
Cabin crew	6,787	7,433	- 8.7
Other ground staff	3,067	3,372	- 9.0
	13,382	14,486	- 7.6
<b>Location</b>			
Singapore	11,446	12,376	- 7.5
East Asia	780	860	- 9.3
Europe	398	415	- 4.1
South West Pacific	319	325	- 1.8
West Asia and Africa	270	311	- 13.2
Americas	169	199	- 15.1
	13,382	14,486	- 7.6

The Company's average staff productivity ratios <sup>R14</sup> are shown below:

	2009-10	2008-09	% Change
Seat capacity per employee (seat-km)	7,583,874	8,212,278	- 7.7
Passenger load carried per employee (tonne-km)	563,318	598,047	- 5.8
Revenue per employee (\$)	728,075	909,817	- 20.0
Value added per employee (\$)	219,678	294,666	- 25.4

<sup>R14</sup> The Company's staff productivity ratios were computed based on average staff strength of 13,934 in 2009-10 (2008-09:14,343).

## Performance of the Subsidiary Companies

The major subsidiary companies are SIA Engineering Company Limited (“SIAEC”), Singapore Airlines Cargo Pte Ltd (“SIA Cargo”) and SilkAir (Singapore) Private Limited (“SilkAir”). The following performance review includes intra-group transactions.

### SIA Engineering Group

	2009-10 \$ million	2008-09 \$ million	Change %
Total revenue	1,006.4	1,045.3	- 3.7
Total expenditure	896.0	932.7	- 3.9
Operating profit	110.4	112.6	- 2.0
Profit attributable to equity holders of the Company	236.1	260.6	- 9.4

Revenue declined \$39 million or 3.7 per cent to \$1,006 million, mainly due to lower airframe and component overhaul work and revenue from the turnkey project. This drop was partially mitigated by higher Fleet Management Programme revenue.

Expenditure saw a reduction of \$37 million or 3.9 per cent to \$896 million. Staff and subcontract costs were lower as a result of cost management initiatives.

As a result, SIAEC Group’s operating profit declined \$2 million (-2.0 per cent) to \$110 million.

Share of profits from associated and joint venture companies declined \$43 million or 25.0 percent to \$130 million. This amounted to 49.4 per cent of the Group’s pre-tax profits. Surplus on disposal of fixed assets increased \$6 million while provision for tax fell \$13 million or 34.5 per cent to \$25 million.

The resting profit attributable to equity holders at the Company of \$236 million for the financial year ended 31 March 2010 was \$25 million lower (-9.4 per cent) than last year.

As at 31 March 2010, equity attributable to equity holders of the Company amounted to \$1,265 million, \$36 million higher (+2.9 per cent) than at 31 March 2009. Net asset value per share of \$1.17 was \$0.03 higher (+2.6 per cent) than at 31 March 2009.

Basic earnings per share was 21.9 cents for the financial year ended 31 March 2010, a decrease of 2.3 cents per share over last year.

### Singapore Airlines Cargo

	2009-10 \$ million	2008-09 \$ million	Change %
Total revenue	2,296.4	2,974.0	- 22.8
Total expenditure	2,441.5	3,219.0	- 24.2
Operating loss	(145.1)	(245.0)	+ 40.8
Loss after taxation	(148.8)	(153.9)	+ 3.3

Revenue decreased by \$678 million (-22.8 per cent) due mainly to significant drop in yields. Expenditure fell \$778 million (-24.2 per cent), mainly as a result of lower fuel cost and variable costs from capacity reductions.

## financial review

### Performance of the Subsidiary Companies (continued)

#### Singapore Airlines Cargo (continued)

In 2009-10, overall cargo traffic (in load tonne kilometers) fell 8.8 per cent. Against capacity (in capacity tonne kilometers) cut of 14.5 per cent, cargo load factor improved 4.0 percentage points to 63.4 per cent. Although unit cost decreased 12.0 per cent, the drop in yields was higher (-16.2 per cent), and this resulted in cargo breakeven load factor increasing 3.2 percentage points to 68.4 per cent.

As a result, Singapore Airlines Cargo recorded an operating loss of \$145 million in 2009-10. This was \$100 million better when compared to last year's operating loss of \$245 million.

Included in last year's non-operating items were surplus on sale of one B747-400 freighter aircraft of \$52 million and a one-off write-back of \$17 million in prior years deferred tax provision following a reduction in the Singapore corporate tax rate from 18 per cent to 17 per cent.

During the year, Singapore Airlines Cargo terminated two operating leases. As at 31 March 2010, Singapore Airlines Cargo's operating fleet stood at 11 B747-400 freighters.

As at 31 March 2010, Singapore Airlines Cargo's equity attributable to equity holders of the Company was \$1,682 million (-4.1 per cent).

#### SilkAir

	2009-10 \$ million	2008-09 \$ million	Change %
Total revenue	538.5	546.3	- 1.4
Total expenditure	489.3	512.7	- 4.6
Operating profit	49.2	33.6	+ 46.4
Profit after taxation	41.0	30.9	+ 32.7

SilkAir's revenue declined by \$8 million (-1.4 per cent) to \$539 million from an 11.7 per cent drop in yield, partially offset by improvements in load (+7.9 per cent). Expenditure decreased \$23 million (-4.6 per cent), primarily due to lower fuel costs. As a result, operating profit increased by \$16 million (+46.4 per cent) to \$49 million.

Overall load factor improved 3.5 percentage points to 64.7 per cent, as carriage rose at a faster pace (+7.9 per cent) than capacity increase (+2.2 per cent). However, yields dropped by 11.7 per cent to 137.9 cents/ltk, compared to an 8.2 per cent decrease in unit cost to 87.4 cents/ltk. Consequently, breakeven load factor deteriorated by 2.4 percentage points to 63.3 per cent.

SilkAir's route network spanned 31 cities in 11 Asian countries. In June 2009, SilkAir launched new services to Penang (Malaysia) and Hyderabad (India).

As at 31 March 2010, equity attributable to equity holders of the Company was \$501 million (+14.4 per cent).

## report by the board of directors

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2010.

### 1 Directors of the Company

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

Stephen Lee Ching Yen – Chairman  
 Chew Choon Seng – Chief Executive Officer  
 Euleen Goh Yiu Kiang (Independent)  
 David Michael Gonski (Independent)  
 James Koh Cher Siang (Independent)  
 Christina Ong (Independent)  
 Lucien Wong Yuen Kuai (Independent)  
 Dr William Fung Kwok Lun (Independent) (appointed on 1 December 2009)  
 Dr Helmut Gunter Wilhelm Panke (Independent) (appointed on 1 September 2009)

### 2 Arrangements to Enable Directors to Acquire Shares And Debentures

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares and share options in, or debentures of, the Company or any other body corporate, other than pursuant to the Singapore Airlines Limited Employee Share Option Plan, the Singapore Airlines Limited Restricted Share Plan and the Singapore Airlines Limited Performance Share Plan.

### 3 Directors' Interests In Ordinary Shares, Share Options And Debentures

The following directors who held office at the end of the financial year have, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, interests in the following ordinary shares, share options and debentures of the Company, and of related companies:

Name of Director	Direct interest		Deemed interest	
	1.4.2009 / date of appointment	31.3.2010	1.4.2009 / date of appointment	31.3.2010
<b>Interest in Singapore Airlines Limited</b>				
<u>Ordinary shares</u>				
Stephen Lee Ching Yen	9,400	9,400	-	-
Chew Choon Seng	218,500	277,852	-	-
William Fung Kwok Lun	-	-	-	200,000
Euleen Goh Yiu Kiang	3,800	3,800	-	-
James Koh Cher Siang	3,800	3,800	-	-
Lucien Wong Yuen Kuai	-	-	58,000	58,000
<u>Options to subscribe for ordinary shares</u>				
Chew Choon Seng	1,194,000	1,074,000	-	-

## report by the board of directors

**3 Directors' Interests In Ordinary Shares, Share Options And Debentures (continued)**

Name of Director	Direct interest		Deemed interest	
	1.4.2009 / date of appointment	31.3.2010	1.4.2009 / date of appointment	31.3.2010
<u>Conditional award of restricted shares (Note 1)</u>				
Chew Choon Seng - Base Awards	100,215	100,800	-	-
- Final Awards (Pending Release)	18,472	38,854	-	-
<u>Conditional award of performance shares (Note 2)</u>				
Chew Choon Seng - Base Awards	134,625	173,483	-	-
<b>Interest in SIA Engineering Company Limited</b>				
<u>Ordinary shares</u>				
Chew Choon Seng	20,000	20,000	-	-
Lucien Wong Yuen Kuai	-	-	-	112,000
<b>Interest in Singapore Airport Terminal Services Limited</b>				
<u>Ordinary shares</u>				
Chew Choon Seng	10,000	N.A.*	-	N.A.*
Lucien Wong Yuen Kuai	-	N.A.*	117,000	N.A.*
<b>Interest in Singapore Telecommunications Limited</b>				
<u>Ordinary shares</u>				
Stephen Lee Ching Yen	190	190	190	190
Chew Choon Seng	10,500	10,500	-	-
Euleen Goh Yiu Kiang	1,537	1,537	-	-
James Koh Cher Siang	10,679	10,679	990	990
Lucien Wong Yuen Kuai	1,680	1,680	1,540	1,540
<b>Interest in SMRT Corporation Limited</b>				
<u>Ordinary shares</u>				
Chew Choon Seng	50,000	50,000	-	-
James Koh Cher Siang	5,000	5,000	-	-
Lucien Wong Yuen Kuai	-	-	210,000	226,000
<b>Interest in Neptune Orient Lines Limited</b>				
<u>Ordinary shares</u>				
Stephen Lee Ching Yen	30,000	30,000	-	-
Euleen Goh Yiu Kiang	2,000	2,000	-	-
James Koh Cher Siang	6,632	13,000	6,000	11,000
Lucien Wong Yuen Kuai	-	-	-	60,000



### 3 Directors' Interests In Ordinary Shares, Share Options And Debentures (continued)

Name of Director	Direct interest		Deemed interest	
	1.4.2009 / date of appointment	31.3.2010	1.4.2009 / date of appointment	31.3.2010
<b>Interest in Mapletree Logistics Trust</b>				
<u>Units</u>				
James Koh Cher Siang	177,250	177,250	-	-
<b>Interest in SP AusNet</b>				
<u>Ordinary shares</u>				
James Koh Cher Siang	4,000	5,000	-	-
<b>Interest in StarHub Ltd</b>				
<u>Ordinary shares</u>				
Lucien Wong Yuen Kuai	-	-	-	20,000
<b>Interest in Singapore Technologies Engineering Limited</b>				
<u>Ordinary shares</u>				
Lucien Wong Yuen Kuai	216,000	255,000	20,000	20,000
<u>Options to subscribe for ordinary shares</u>				
Lucien Wong Yuen Kuai	103,500	64,500	-	-

**Notes:**

1. The actual number of RSP Final Awards of fully paid ordinary shares will range from 0% to 150% of the Base Awards and is contingent on the Achievements against Targets over the two-year performance periods relating to the relevant awards.
2. The actual number of PSP Final Awards of fully paid ordinary shares will range from 0% to 200% of the Base Awards and is contingent on the Achievements against Targets over the three-year performance periods relating to the relevant awards.

\* Singapore Airport Terminal Services Limited ("SATS") ceased to be a related corporation of the Company on 1 September 2009.

## report by the board of directors

### **3 Directors' Interests In Ordinary Shares, Share Options And Debentures (continued)**

Except as disclosed in this report, no other director who held office at the end of the financial year had interests in ordinary shares, share options or debentures of the Company, or of related companies, either at the beginning of the financial year or at the end of the financial year.

Between the end of the financial year and 21 April 2010, Mr Lucien Wong Yuen Kuai's deemed interest in SIA Engineering Company Limited and SMRT Corporation Ltd increased to 142,000 shares and 394,000 shares respectively.

Except as disclosed above, there were no changes in any of the above-mentioned interests between the end of the financial year and 21 April 2010.

### **4 Directors' Contractual Benefits**

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related company with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

### **5 Equity Compensation Plans of the Company**

The Company has in place, the Singapore Airlines Limited Employee Share Option Plan ("ESOP"), Restricted Share Plan ("RSP") and Performance Share Plan ("PSP").

At the date of this report, the Board Compensation & Industrial Relations Committee which administers the ESOP, RSP and PSP comprises the following directors:

Stephen Lee Ching Yen – Chairman

David Michael Gonski

James Koh Cher Siang

Dr Helmut Gunter Wilhelm Panke (appointed on 1 September 2009)

## 5 Equity Compensation Plans of the Company (continued)

### (i) Employee Share Option Plan ("ESOP")

Details of the ESOP are disclosed in Note 5 to the financial statements.

At the end of the financial year, options to take up 52,411,320 unissued shares in the Company were outstanding:

Date of grant	Number of options to subscribe for unissued ordinary shares			Balance at 31.3.2010	Exercise price*	Exercisable period
	Balance at 1.4.2009	Cancelled	Exercised			
28.3.2000	4,337,331	(836,929)	(3,500,402)	-	\$13.13	28.3.2001 - 27.3.2010
3.7.2000	4,605,445	(349,940)	(595,980)	3,659,525	\$14.44	3.7.2001 - 2.7.2010
2.7.2001	2,316,418	(144,785)	(307,570)	1,864,063	\$ 9.75	2.7.2002 - 1.7.2011
1.7.2002	3,406,111	(124,000)	(358,222)	2,923,889	\$10.61	1.7.2003 - 30.6.2012
1.7.2003	2,524,376	(118,271)	(419,157)	1,986,948	\$ 8.13	1.7.2004 - 30.6.2013
1.7.2004	4,219,687	(130,323)	(678,793)	3,410,571	\$ 8.49	1.7.2005 - 30.6.2014
1.7.2005	7,441,664	(63,850)	(1,014,651)	6,363,163	\$ 9.07	1.7.2006 - 30.6.2015
3.7.2006	10,136,708	(113,273)	(1,429,299)	8,594,136	\$10.39	3.7.2007 - 2.7.2016
2.7.2007	11,752,920	(307,420)	(950)	11,444,550	\$16.51	2.7.2008 - 1.7.2017
1.7.2008	12,642,832	(354,304)	(124,053)	12,164,475	\$13.12	1.7.2009 - 30.6.2018
	63,383,492	(2,543,095)	(8,429,077)	52,411,320		

\* Following approval by the Company's shareholders of the declaration of a special dividend of \$0.50 on 31 July 2007, the Board Compensation & Industrial Relations Committee approved a reduction of \$0.50 in the exercise prices of the share options outstanding on 2 August 2007. The said Committee approved another \$1.71 reduction in the exercise prices of the share options outstanding on 28 August 2009 following approval by the Company's shareholders of the dividend in specie of SATS shares on 31 July 2009. The exercise prices reflected here are the exercise prices after such adjustment.

The details of options granted to and exercised by directors of the Company:

Name of participant	Options granted during financial year under review	Exercise price for options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding at end of financial year under review
Chew Choon Seng	-	-	1,194,000	120,000	-	1,074,000

## report by the board of directors

### 5 Equity Compensation Plans of the Company (continued)

#### (i) Employee Share Option Plan (“ESOP”) (continued)

No options have been granted to controlling shareholders or their associates, or parent group employees.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

The last grant of the share options under the ESOP was made in July 2008.

#### (ii) Restricted Share Plan (“RSP”) and Performance Share Plan (“PSP”)

Details of the RSP and PSP are disclosed in Note 5 to the financial statements.

The RSP and PSP were approved by the shareholders of the Company on 28 July 2005.

Under the RSP and PSP, a base number of conditional share awards (“Base Award”) is granted to eligible participants annually. Depending on the achievement of pre-determined targets over a two-year performance period for the RSP and a three-year performance period for the PSP, the Board Compensation & Industrial Relations Committee will determine an achievement factor which will then be applied to the Base Award to determine the final number of RSP shares and PSP shares to be awarded at the end of the respective performance periods (“Final Award”). The achievement factor could range from 0% to 150% for the RSP and from 0% to 200% for the PSP.

Half of the RSP Final Awards of fully paid ordinary shares will be released to the participants upon vesting. The balance will be released equally over the subsequent two years with fulfilment of service requirements. All the PSP Final Awards of fully paid ordinary shares will be released to the participants at the end of the three-year performance period.

No awards have been granted to controlling shareholders or their associates, or parent group employees under the RSP and PSP.

Pursuant to the dividend *in specie* of shares in SATS, RSP Base Awards and Final Awards granted from 2006 to 2009 as well as PSP Base Awards granted from 2007 to 2009, have been increased by 12% to adjust for the drop in value of the share awards. The adjustments have been verified by Ernst & Young LLP, the auditors of the Company, and approved by the Board Compensation & Industrial Relations Committee.

No employee has received 5% or more of the total number of options/awards granted under the ESOP, RSP and PSP.

## 5 Equity Compensation Plans of the Company (continued)

### (ii) Restricted Share Plan (“RSP”) and Performance Share Plan (“PSP”) (continued)

The details of the shares awarded under RSP and PSP to directors of the Company are as follows:

#### 1. RSP Base Awards

Name of participant	Balance as at 1 April 2009	Base Awards granted during the financial year	Base Awards vested during the financial year	Adjustment arising from dividend <i>in specie</i> *	Balance as at 31 March 2010	Aggregate Base Awards granted since commencement of RSP to end of financial year under review
Chew Choon Seng	100,215	36,000	46,215	10,800	100,800	177,825

#### 2. RSP Final Awards (Pending Release) <sup>R1</sup>

Name of participant	Balance as at 1 April 2009	Final Awards granted during the financial year <sup>#</sup>	Final Awards released during the financial year	Adjustment arising from dividend <i>in specie</i> *	Balance as at 31 March 2010	Aggregate ordinary shares released to participant since commencement of RSP to end of financial year under review
Chew Choon Seng	18,472	50,840	34,620	4,162	38,854	53,120

#### 3. PSP Base Awards <sup>R2</sup>

Name of participant	Balance as at 1 April 2009	Base Awards granted during the financial year	Base Awards vested during the financial year <sup>^</sup>	Adjustment arising from dividend <i>in specie</i> *	Balance as at 31 March 2010	Aggregate Base Awards granted since commencement of PSP to end of financial year under review	Aggregate ordinary shares released to participant since commencement of PSP to end of financial year under review
Chew Choon Seng	134,625	48,000	27,729	18,587	173,483	201,212	20,796

<sup>R1</sup> The actual number of RSP Final Awards of fully paid ordinary shares will range from 0% to 150% of the Base Awards and is contingent on the Achievements against Targets over the two-year performance periods relating to the relevant awards.

<sup>R2</sup> The actual number of PSP Final Awards of fully paid ordinary shares will range from 0% to 200% of the Base Awards and is contingent on the Achievements against Targets over the three-year performance periods relating to the relevant awards.

\* Arising from the dividend *in specie* of shares in SATS on 1 September 2009.

<sup>#</sup> Final Awards granted during the financial year is determined by applying the achievement factor to the Base Awards that have vested during the financial year.

<sup>^</sup> 20,796 PSP Final Awards of SIA ordinary shares were released to Mr Chew pursuant to the vesting of 27,729 PSP Base Awards during the financial year.

## report by the board of directors

### 6 Equity Compensation Plans of Subsidiary Company

#### (i) SIA Engineering Company Limited (“SIAEC”) Employee Share Option Plan

At the end of the financial year, options to take up 56,666,363 unissued shares in SIAEC were outstanding. Details and terms of the options have been disclosed in the Directors’ Report of SIA Engineering Company Limited.

#### (ii) SIAEC RSP and SIAEC PSP

Details and terms of the SIAEC RSP and SIAEC PSP have been disclosed in the Directors’ Report of SIA Engineering Company Limited.

### 7 Audit Committee

The Audit Committee performed the functions specified in the Singapore Companies Act. The functions performed are detailed in the Report on Corporate Governance.

### 8 Auditors

The auditors, Ernst & Young LLP, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

**STEPHEN LEE CHING YEN**

Chairman

**CHEW CHOON SENG**

Chief Executive Officer

Dated this 21st day of May 2010

## statement by the directors pursuant to section 201(15)

We, Stephen Lee Ching Yen and Chew Choon Seng, being two of the directors of Singapore Airlines Limited, do hereby state that in the opinion of the directors:

- (i) the accompanying statements of financial position, consolidated profit and loss account, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

**STEPHEN LEE CHING YEN**

Chairman

**CHEW CHOON SENG**

Chief Executive Officer

Dated this 21st day of May 2010

## auditors' report

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINGAPORE AIRLINES LIMITED

We have audited the accompanying financial statements of Singapore Airlines Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 80 to 194, which comprise the statements of financial position of the Group and the Company as at 31 March 2010, the statements of changes in equity of the Group and the Company and the consolidated profit and loss account, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

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

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

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **ERNST & YOUNG LLP**

Public Accountants and  
Certified Public Accountants

Dated this 21st day of May 2010  
Singapore

## consolidated profit and loss account

for the financial year ended 31 march 2010 (in \$ million)

	Notes	The Group	
		2009-10	2008-09
<b>REVENUE</b>		12,707.3	15,996.3
<b>EXPENDITURE</b>			
Staff costs	5	2,159.4	2,545.9
Fuel costs		4,194.5	6,408.4
Depreciation	19, 21	1,713.8	1,649.7
Impairment of property, plant and equipment	19	6.1	41.4
Amortisation of intangible assets	20	42.7	45.5
Aircraft maintenance and overhaul costs		342.4	381.6
Commission and incentives		316.5	394.5
Landing, parking and overflying charges		588.6	656.9
Handling charges		784.9	580.7
Rentals on leased aircraft		552.9	487.8
Material costs		375.4	385.3
Inflight meals		347.7	231.0
Advertising and sales costs		210.3	240.3
Insurance expenses		57.6	60.4
Company accommodation and utilities		142.0	187.2
Other passenger costs		130.4	146.7
Crew expenses		153.4	184.7
Other operating expenses		525.5	464.7
		12,644.1	15,092.7
<b>OPERATING PROFIT</b>	6	63.2	903.6
Finance charges	7	(68.9)	(89.7)
Interest income	8	49.5	96.0
Surplus on disposal of aircraft, spares and spare engines		25.4	60.6
Dividends from long-term investments, gross		33.0	23.7
Other non-operating items	9	34.2	29.4
Share of profits of joint venture companies	24	56.1	63.9
Share of profits of associated companies		93.0	111.1
<b>PROFIT BEFORE TAXATION</b>		285.5	1,198.6
<b>TAXATION</b>	10		
Taxation expense		(6.0)	(190.0)
Adjustment for reduction in Singapore statutory tax rate		-	138.2
		(6.0)	(51.8)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		279.5	1,146.8
<b>PROFIT ATTRIBUTABLE TO:</b>			
<b>EQUITY HOLDERS OF THE COMPANY</b>		215.8	1,061.5
<b>MINORITY INTERESTS</b>		63.7	85.3
		279.5	1,146.8
<b>BASIC EARNINGS PER SHARE (CENTS)</b>	11	18.2	89.6
<b>DILUTED EARNINGS PER SHARE (CENTS)</b>	11	18.0	89.1

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## consolidated statement of comprehensive income

for the financial year ended 31 march 2010 (in \$ million)

	The Group	
	2009-10	2008-09
<b>PROFIT FOR THE FINANCIAL YEAR</b>	279.5	1,146.8
<b>OTHER COMPREHENSIVE INCOME:</b>		
Currency translation differences	(31.1)	8.6
Available-for-sale financial assets	10.0	(5.9)
Cash flow hedges	509.5	(855.6)
Surplus on dilution of interest in subsidiary companies due to share options exercised	7.3	8.8
Surplus on dilution of interest in an associated company due to its public listing and share options exercised	80.5	-
Share of comprehensive expense of associated and joint venture companies	(16.9)	(248.3)
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR</b>	559.3	(1,092.4)
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>	838.8	54.4
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO:</b>		
<b>EQUITY HOLDERS OF THE COMPANY</b>	779.6	(55.1)
<b>MINORITY INTERESTS</b>	59.2	109.5
	838.8	54.4

## statements of financial position

at 31 march 2010 (in \$ million)

	Notes	The Group		The Company	
		2010	2009	2010	2009
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>					
<b>OF THE COMPANY</b>					
Share capital	13	1,750.6	1,684.8	1,750.6	1,684.8
Treasury shares	14	(0.9)	(44.4)	(0.9)	(44.4)
Capital reserve	15 (a)	74.8	86.3	2.5	(3.7)
Foreign currency translation reserve	15 (b)	(137.0)	(137.9)	-	-
Share-based compensation reserve	15 (c)	185.3	187.3	147.9	135.0
Fair value reserve	15 (d)	(140.9)	(660.8)	(85.3)	(496.0)
General reserve		11,737.0	12,815.3	11,668.5	11,623.3
		13,468.9	13,930.6	13,483.3	12,899.0
<b>MINORITY INTERESTS</b>		280.4	559.8	-	-
<b>TOTAL EQUITY</b>		13,749.3	14,490.4	13,483.3	12,899.0
<b>DEFERRED ACCOUNT</b>	16	480.7	673.9	443.9	582.3
<b>DEFERRED TAXATION</b>	17	2,296.6	2,222.0	1,945.6	1,815.9
<b>LONG-TERM LIABILITIES AND PROVISIONS</b>	18	1,438.1	1,513.5	1,033.1	988.1
		17,964.7	18,899.8	16,905.9	16,285.3
Represented by:					
<b>PROPERTY, PLANT AND EQUIPMENT</b>	19				
Aircraft, spares and spare engines		13,007.4	13,042.5	10,739.5	10,670.1
Land and buildings		253.6	732.6	105.8	119.0
Others		1,802.9	2,217.3	1,520.1	1,780.1
		15,063.9	15,992.4	12,365.4	12,569.2
<b>INTANGIBLE ASSETS</b>	20	80.8	553.0	55.0	64.9
<b>INVESTMENT PROPERTIES</b>	21	-	7.0	-	-
<b>SUBSIDIARY COMPANIES</b>	22	-	-	1,805.8	1,780.8
<b>ASSOCIATED COMPANIES</b>	23	532.6	855.3	1,715.7	1,719.8
<b>JOINT VENTURE COMPANIES</b>	24	108.6	127.5	-	-
<b>LONG-TERM INVESTMENTS</b>	25	35.3	43.2	18.8	18.8
<b>OTHER NON-CURRENT ASSETS</b>	26	114.4	403.6	114.4	391.6
<b>CURRENT ASSETS</b>					
Inventories	27	429.5	503.2	309.8	338.7
Trade debtors	28	1,347.8	1,485.5	958.0	994.9
Deposits and other debtors	29	66.3	241.9	41.9	207.6
Prepayments		92.6	101.9	82.0	77.8
Amounts owing by subsidiary companies	22	-	-	141.0	284.6
Amounts owing by associated companies	23	-	0.4	-	-
Investments	30	140.6	655.6	80.0	587.6
Cash and bank balances	31	4,471.9	3,848.0	4,260.7	3,458.0
		6,548.7	6,836.5	5,873.4	5,949.2

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Notes	The Group		The Company	
		2010	2009	2010	2009
<b>Less: CURRENT LIABILITIES</b>					
Sales in advance of carriage		1,338.0	1,143.6	1,301.9	1,111.6
Deferred revenue		460.1	500.8	460.1	500.8
Current tax payable		120.8	348.0	96.5	272.6
Trade and other creditors	32	2,498.7	3,581.5	1,876.6	2,692.0
Amounts owing to subsidiary companies	22	-	-	1,298.0	1,597.8
Amounts owing to associated companies	23	2.0	0.6	-	-
Finance lease commitments	18	64.5	66.9	-	-
Loans	18	-	32.7	-	-
Notes payable	18	-	200.0	-	-
Provisions	18	35.5	35.3	9.5	26.7
Bank overdrafts	33	-	9.3	-	7.5
		4,519.6	5,918.7	5,042.6	6,209.0
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		2,029.1	917.8	830.8	(259.8)
		17,964.7	18,899.8	16,905.9	16,285.3

## statements of changes in equity

for the financial year ended 31 march 2010 (in \$ million)

### The Group

	Notes	Share capital	Treasury shares	Capital reserve
Balance at 1 April 2009		1,684.8	(44.4)	86.3
Total comprehensive (expense)/income for the financial year		-	-	(17.7)
Issuance of share capital by a subsidiary company		-	-	-
Share-based compensation expense	5	-	-	-
Share options exercised	13	65.8	-	-
Share options lapsed		-	-	-
Treasury shares reissued pursuant to equity compensation plans	14	-	43.5	6.2
Dividend <i>in specie</i>	12	-	-	-
Disposal of a subsidiary company	22	-	-	-
Dividends	12	-	-	-
Balance at 31 March 2010		1,750.6	(0.9)	74.8

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**Attributable to Equity Holders of the Company**


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<b>Foreign currency translation reserve</b>	<b>Share-based compensation reserve</b>	<b>Fair value reserve</b>	<b>General reserve</b>	<b>Total</b>	<b>Minority interests</b>	<b>Total equity</b>
(137.9)	187.3	(660.8)	12,815.3	13,930.6	559.8	14,490.4
(22.7)	(3.2)	519.9	303.3	779.6	59.2	838.8
-	-	-	-	-	1.0	1.0
-	43.5	-	-	43.5	-	43.5
-	(3.4)	-	-	62.4	-	62.4
-	(3.0)	-	3.0	-	-	-
-	(13.7)	-	-	36.0	-	36.0
23.6	(22.2)	-	(1,147.7)	(1,146.3)	-	(1,146.3)
-	-	-	-	-	(290.2)	(290.2)
-	-	-	(236.9)	(236.9)	(49.4)	(286.3)
(137.0)	185.3	(140.9)	11,737.0	13,468.9	280.4	13,749.3

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## statements of changes in equity

for the financial year ended 31 march 2010 (in \$ million)

### The Group

	Notes	Share capital	Treasury shares	Capital reserve
Balance at 1 April 2008		1,682.0	(33.2)	95.6
Total comprehensive (expense)/income for the financial year		-	-	(5.6)
Issuance of share capital by subsidiary companies		-	-	-
Acquisition of shares in a subsidiary company		-	-	-
Acquisition of minority interests		-	-	-
Disposal of shares in a subsidiary company		-	-	-
Share-based compensation expense	5	-	-	-
Share options exercised	13	2.8	-	-
Share options lapsed		-	-	-
Purchase of treasury shares	14	-	(64.1)	-
Treasury shares reissued pursuant to equity compensation plans	14	-	52.9	(3.7)
Dividends	12	-	-	-
Balance at 31 March 2009		1,684.8	(44.4)	86.3

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



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**Attributable to Equity Holders of the Company**


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Foreign currency translation reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total	Minority interests	Total equity
(130.7)	136.4	443.4	12,931.7	15,125.2	503.7	15,628.9
(7.2)	(6.4)	(1,104.2)	1,068.3	(55.1)	109.5	54.4
-	-	-	-	-	8.8	8.8
-	-	-	-	-	15.2	15.2
-	-	-	-	-	(3.3)	(3.3)
-	-	-	-	-	0.3	0.3
-	68.6	-	-	68.6	-	68.6
-	(0.2)	-	-	2.6	-	2.6
-	(1.1)	-	1.1	-	-	-
-	-	-	-	(64.1)	-	(64.1)
-	(10.0)	-	-	39.2	-	39.2
-	-	-	(1,185.8)	(1,185.8)	(74.4)	(1,260.2)
(137.9)	187.3	(660.8)	12,815.3	13,930.6	559.8	14,490.4

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# statements of changes in equity

for the financial year ended 31 march 2010 (in \$ million)

## The Company

	Notes
<b>2010</b>	
Balance at 1 April 2009	
Total comprehensive income for the financial year	
Share-based compensation expense	
Share options exercised	13
Share options lapsed	
Treasury shares reissued pursuant to equity compensation plans	14
Dividend <i>in specie</i>	12
Dividends	12
Balance at 31 March 2010	
<b>2009</b>	
Balance at 1 April 2008	
Total comprehensive (expense)/income for the financial year	
Share-based compensation expense	
Share options exercised	13
Share options lapsed	
Purchase of treasury shares	14
Treasury shares reissued pursuant to equity compensation plans	14
Dividends	12
Balance at 31 March 2009	

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total
1,684.8	(44.4)	(3.7)	135.0	(496.0)	11,623.3	12,899.0
-	-	-	-	410.7	1,426.1	1,836.8
-	-	-	32.3	-	-	32.3
65.8	-	-	(3.4)	-	-	62.4
-	-	-	(2.3)	-	2.3	-
-	43.5	6.2	(13.7)	-	-	36.0
-	-	-	-	-	(1,146.3)	(1,146.3)
-	-	-	-	-	(236.9)	(236.9)
1,750.6	(0.9)	2.5	147.9	(85.3)	11,668.5	13,483.3
1,682.0	(33.2)	-	98.6	198.6	11,589.7	13,535.7
-	-	-	-	(694.6)	1,218.7	524.1
-	-	-	47.3	-	-	47.3
2.8	-	-	(0.2)	-	-	2.6
-	-	-	(0.7)	-	0.7	-
-	(64.1)	-	-	-	-	(64.1)
-	52.9	(3.7)	(10.0)	-	-	39.2
-	-	-	-	-	(1,185.8)	(1,185.8)
1,684.8	(44.4)	(3.7)	135.0	(496.0)	11,623.3	12,899.0

## consolidated statement of cash flows

For the financial year ended 31 March 2010 (in \$ million)

	Notes	The Group	
		2009-10	2008-09
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		285.5	1,198.6
Adjustments for:			
Depreciation	19, 21	1,713.8	1,649.7
Impairment of property, plant and equipment	19	6.1	41.4
Amortisation of intangible assets	20	42.7	45.5
Impairment of trade debtors		-	12.3
Income from short-term investments	6	(1.6)	(1.7)
Share-based compensation expense	5	43.5	68.6
Exchange differences		(2.0)	(3.4)
Amortisation of deferred gain on sale and operating leaseback transactions		(64.7)	(86.1)
Finance charges	7	68.9	89.7
Interest income	8	(49.5)	(96.0)
Surplus on disposal of aircraft, spares and spare engines		(25.4)	(60.6)
Surplus on disposal of non-current assets		-	(2.1)
Dividends from long-term investments, gross		(33.0)	(23.7)
Other non-operating items	9	(34.2)	(29.4)
Share of profits of joint venture companies	24	(56.1)	(63.9)
Share of profits of associated companies		(93.0)	(111.1)
Operating profit before working capital changes		1,801.0	2,627.8
Decrease in trade and other creditors		(40.9)	(516.5)
Increase/(Decrease) in sales in advance of carriage		194.4	(536.7)
(Increase)/Decrease in trade debtors		(6.6)	428.6
Decrease/(Increase) in deposits and other debtors		157.8	(160.3)
Decrease in prepayments		0.6	3.0
Decrease in inventories		24.2	56.5
(Decrease)/Increase in deferred revenue		(40.7)	65.1
Decrease in amounts owing by associated companies		-	0.1
Increase/(Decrease) in amounts owing to associated companies		1.4	(0.6)
Cash generated from operations		2,091.2	1,967.0
Income taxes paid		(125.0)	(300.0)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>1,966.2</b>	<b>1,667.0</b>

		The Group	
	Notes	2009-10	2008-09
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure	34	(1,560.3)	(2,031.1)
Purchase of intangible assets		(33.8)	(21.6)
Proceeds from disposal of aircraft and other property, plant and equipment		168.5	893.3
Disposal/(Purchase) of short-term investments		533.4	(221.6)
Proceeds from sale of non-equity investments		-	13.6
Investments in associated companies		(1.0)	-
Investments in companies pending incorporation		-	(3.9)
Acquisition of minority interests		-	(0.6)
Acquisition of subsidiary companies, net of cash acquired		-	(457.8)
Disposal of a subsidiary company	22	(301.9)	-
Repayment of loans by associated companies		4.5	2.8
Proceeds from disposal of shares in a subsidiary company		-	0.3
Proceeds from disposal of non-current assets		-	5.2
Dividends received from associated and joint venture companies		163.6	134.3
Dividends received from investments		33.7	24.5
Interest received from investments and deposits		30.7	84.6
Interest received on loans to associated companies		-	9.8
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(962.6)	(1,568.2)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		(236.9)	(1,185.8)
Dividends paid by subsidiary companies to minority interests		(49.4)	(74.4)
Interest paid		(66.2)	(69.8)
Proceeds from borrowings		2.1	1.9
Repayment of borrowings		(25.0)	(15.2)
Repayment of long-term finance lease commitments		(66.9)	(54.8)
Proceeds from issuance of share capital by subsidiary companies to minority interests		1.0	8.8
Proceeds from exercise of share options		105.7	50.6
Purchase of treasury shares		-	(64.1)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		(335.6)	(1,402.8)
<b>NET CASH INFLOW/ (OUTFLOW)</b>		668.0	(1,304.0)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		3,838.7	5,119.0
Effect of exchange rate changes		(34.8)	23.7
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>		4,471.9	3,838.7
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Fixed deposits	31	4,069.8	3,540.8
Cash and bank	31	402.1	307.2
Bank overdrafts	33	-	(9.3)
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>		4,471.9	3,838.7

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# notes to the financial statements

31 March 2010

## 1 General

Singapore Airlines Limited (“the Company”) is a limited liability company incorporated in the Republic of Singapore which is also the place of domicile. The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) and is a subsidiary company of Temasek Holdings (Private) Limited, incorporated in the Republic of Singapore.

The registered office of the Company is at Airline House, 25 Airline Road, Singapore 819829.

The principal activities of the Group consist of passenger and cargo air transportation, airport terminal and food operations, engineering services, training of pilots, air charters and tour wholesaling and related activities. The principal activity of the Company consists of passenger air transportation.

Following the completion of the dividend *in specie* distribution of SATS shares on 1 September 2009, the Group’s principal activities in airport terminal and food operations ceased accordingly.

The financial statements for the financial year ended 31 March 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 21 May 2010.

## 2 Summary of Significant Accounting Policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

### (a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest million as indicated.

### (b) New and revised standards

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 April 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

## 2 Summary of Significant Accounting Policies (continued)

### (b) New and revised standards (continued)

- Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008
- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
- INT FRS 118 Transfers of Assets from Customers

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

The principal effects of these changes are as follows:

#### FRS 1: Presentation of Financial Statements

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the revised standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

#### Amendments to FRS 107: Improving Disclosures about Financial Instruments

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 37(b) and Note 38(e) to the financial statements respectively.

#### FRS 108: Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. As a result of the adoption of FRS 108, the identification of the Group's reportable segments has changed. On top of the existing business segments previously identified under FRS 14: Segment Reporting, an additional segment has been identified. Additional disclosures about each of the segments are shown in Note 4, including revised comparative information.

# notes to the financial statements

31 March 2010

## 2 Summary of Significant Accounting Policies (continued)

### (b) New and revised standards (continued)

#### INT FRS 113: Customer Loyalty Programmes

The interpretation addresses accounting for loyalty award credits granted to customers who buy other goods or services, and the accounting for the Company's obligations to provide free or discounted goods or services to customers when the award credits are redeemed.

Loyalty awards should be viewed as separately identifiable goods or services for which customers are implicitly paying and measured based on the allocated proceeds which represent the value of the award credits. The proceeds allocated to the award credits are deferred until the Company fulfils its obligations by supplying the free or discounted goods or services upon the redemption of the award credits.

The adoption of this interpretation did not result in a change in accounting policy of the Company as the current accounting treatment of the Company's award credits granted under the frequent flyer programme ("KrisFlyer") is closely aligned with the treatment as set out in the interpretation.

At the date of authorisation of these financial statements, the following FRS, INT FRS and amendments to FRS were issued but not effective.

Reference	Description	Effective date (Annual periods beginning on or after)
	Improvements to FRSs	1 July 2009 (unless otherwise stated)
FRS 24	Revised Related Party Disclosures	1 January 2011
FRS 27	Amendments Consolidated and Separate Financial Statements	1 July 2009
FRS 32	Amendments Financial Instruments Presentation – Classification of Rights Issues	1 February 2010
FRS 39	Amendments Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
FRS 102	Amendments Share-based Payment – Group Cash-settled Share-based Payment Transactions	1 January 2010
FRS 103	Revised Business Combinations	1 July 2009
INT FRS 114	Amendments FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction Prepayments of a Minimum Funding Requirement	1 January 2011
INT FRS 117	New Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 119	New Extinguishing Financial Liabilities with Equity Instruments	1 July 2010



## 2 Summary of Significant Accounting Policies (continued)

### (b) New and revised standards (continued)

The management expects that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application except for the following:

#### Revised FRS 24: Related Party Disclosures

The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party entity has control or joint control over the entity, or has significant influence over the entity. The Group is currently determining the impact of the expanded definition has on the disclosure of related party transactions. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

#### Revised FRS 103: Business Combinations and Amendments to FRS 27: Consolidated and Separate Financial Statements

The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary company (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary company as well as the loss of control of a subsidiary company. Other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

### (c) Basis of consolidation

The consolidated financial statements comprise the separate financial statements of the Company and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. A list of the Group's subsidiary companies is shown in Note 22 to the financial statements.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiary companies are accounted for using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of the business combination over the Group's share in the net fair value of the acquired subsidiary company's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2(e)(i). Any excess of the Group's share in the net fair value of the acquired subsidiary company's identifiable assets, liabilities and contingent liabilities over the cost of the business combination is recognised in the profit and loss account on the date of acquisition.

## notes to the financial statements

31 March 2010

### 2 Summary of Significant Accounting Policies (continued)

#### (c) Basis of consolidation (continued)

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in the consolidated profit and loss account and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Company. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

#### (d) Subsidiary, associated and joint venture companies

In the Company's separate financial statements, investment in subsidiary and associated companies are accounted for at cost less accumulated impairment losses.

A subsidiary company is defined as an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to the majority of the voting rights.

An associated company is defined as an entity, not being a subsidiary company or joint venture company, in which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to not less than 20% of the voting rights. A list of the Group's associated companies is shown in Note 23 to the financial statements.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associated company. Goodwill relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associated company in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associated companies. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount in the profit or loss.

## 2 Summary of Significant Accounting Policies (continued)

### (d) Subsidiary, associated and joint venture companies (continued)

A joint venture company is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. A list of the Group's joint venture companies is shown in Note 24 to the financial statements.

The Group's share of the results of the joint venture companies is recognised in the consolidated financial statements under the equity method on the same basis as associated companies.

The most recently available audited financial statements of the associated and joint venture companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

### (e) Intangible assets

#### (i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognised in the profit and loss account. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

# notes to the financial statements

31 march 2010

## 2 Summary of Significant Accounting Policies (continued)

### (e) Intangible assets (continued)

#### (ii) Computer software

Computer software acquired separately is measured initially at cost. Following initial acquisition, computer software is stated at cost less accumulated amortisation and accumulated impairment losses, if any. These costs are amortised using the straight-line method over their estimated useful lives of 1 to 5 years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortisation period and method are reviewed at least annually.

#### (iii) Brands, customer relationships and licences

Brands, customer relationships and licences are acquired in a business combination. The useful lives of some of the brands acquired are estimated to be indefinite because based on the current market share of the brands, the management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the Group. Similarly, for some of the licences, the useful lives are estimated to be indefinite. For those brands and licences with finite lives, they are measured at cost less accumulated amortisation and accumulated impairment losses. These intangible assets are amortised in the profit and loss account on a straight-line basis over their estimated useful lives as follows:

Brands	-	17 years
Customer relationships	-	5 years
Licences	-	14 years

#### (iv) Deferred engine development cost

This relates to the Group's share of engine development payments made in connection with its participation in aircraft engine development projects with other companies. Amortisation of such intangibles begins only when the aircraft engines are available for sale. These deferred engine development costs are amortised on a straight line basis over the period of expected sales of the aircraft engines, which is estimated to be over a period of 20 years. The amortisation period and amortisation method would be reviewed annually in light of experience and changing circumstances, and adjusted prospectively, as appropriate at the end of each reporting period.

### (f) Foreign currencies

The management has determined the currency of the primary economic environment in which the Company operates i.e., functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

Foreign currency transactions are converted into SGD at exchange rates which approximate bank rates prevailing at dates of transactions.

## 2 Summary of Significant Accounting Policies (continued)

### (f) Foreign currencies (continued)

All foreign currency monetary assets and liabilities are translated into SGD using year-end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Gains and losses arising from conversion of monetary assets and liabilities are taken to the profit and loss account.

For the purpose of the consolidated financial statements, the net assets of the foreign subsidiary, associated and joint venture companies are translated into SGD at the exchange rates ruling at the end of the reporting period. The financial results of foreign subsidiary, associated and joint venture companies are translated monthly into SGD at the prevailing exchange rates. The resulting gains or losses on exchange are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve.

Goodwill and fair value adjustments arising from the acquisition of foreign operations on or after 1 April 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, and translated into SGD at the closing rate at the end of the reporting period.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 April 2005 are deemed to be assets and liabilities of the Group and are recorded in SGD at the rates prevailing at the dates of acquisition.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

### (g) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of all aircraft is stated net of manufacturers' credit. Aircraft and related equipment acquired on an exchange basis are stated at amounts paid plus the fair value of the fixed asset traded-in. Expenditure for heavy maintenance visits on aircraft and engine overhauls, is capitalised at cost. Expenditure for engine overhaul costs covered by power-by-hour (fixed rate charged per hour) maintenance agreements is capitalised by hours flown. Expenditure for other maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs, accumulated depreciation and accumulated impairment losses, if any, are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

# notes to the financial statements

31 march 2010

## 2 Summary of Significant Accounting Policies (continued)

### (h) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis at rates which are calculated to write-down their cost to their estimated residual values at the end of their operational lives. Operational lives, residual values and depreciation method are reviewed annually in the light of experience and changing circumstances, and adjusted as appropriate at the end of each reporting period.

Freehold land, advance and progress payments are not depreciated.

Fully depreciated assets are retained in the financial statements until they are no longer in use. No depreciation is charged after assets are depreciated to their residual values.

#### (i) Aircraft, spares and spare engines

The Group depreciates its new passenger aircraft, spares and spare engines over 15 years to 10% residual values. For used passenger aircraft, the Group depreciates them over the remaining life (15 years less age of aircraft) to 10% residual values.

The Group depreciates its new freighter aircraft over 15 years to 20% residual values. For used freighter aircraft, the Group depreciates them over the remaining life (15 years less age of aircraft) to 20% residual value.

Major inspection costs relating to landing gear overhauls, heavy maintenance visits and engine overhauls (including inspection costs provided under power-by-hour maintenance agreements) are capitalised and depreciated over the average expected life between major overhauls, estimated to be 4 to 10 years.

Flight simulators and training aircraft are depreciated over 10 years to nil residual values, and 5 years to 20% residual values respectively.

#### (ii) Land and buildings

Freehold buildings, leasehold land and buildings are depreciated to nil residual values as follows:

Company owned office premises	–	according to lease period or 30 years, whichever is the shorter.
Company owned household premises	–	according to lease period or 10 years, whichever is the shorter.
Other premises	–	according to lease period or 5 years, whichever is the shorter.

#### (iii) Others

Plant and equipment, office and computer equipment are depreciated over 1 to 12 years to nil residual values.

#### (i) Investment properties

Investment properties are initially recorded at cost. Subsequent to recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided on a straight-line basis so as to write off the cost of the leasehold investment properties over its estimated useful lives according to the lease period or 30 years whichever is shorter.

## 2 Summary of Significant Accounting Policies (continued)

### (i) Investment properties (continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of retirement or disposal.

For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2(g) up to the date of change in use.

### (j) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

#### (i) Finance lease – as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the profit and loss account.

For sale and finance leaseback, differences between sales proceeds and net book values are taken to the statement of financial position as deferred gain on sale and leaseback transactions, included under deferred account and amortised over the minimum lease terms.

Major improvements and modifications to leased aircraft due to operational requirements are capitalised and depreciated over the average expected life between major overhauls (estimated to be 4 to 6 years).

#### (ii) Operating lease – as lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Gains or losses arising from sale and operating leaseback of aircraft are determined based on fair values. Differences between sales proceeds and fair values are taken to the statement of financial position as deferred gain on sale and leaseback transactions, included under deferred account and amortised over the minimum lease terms.

## notes to the financial statements

31 march 2010

### 2 Summary of Significant Accounting Policies (continued)

#### (j) Leases (continued)

##### (ii) Operating lease – as lessee (continued)

Major improvements and modifications to leased aircraft due to operational requirements are capitalised and depreciated over the remaining lease term period or the average expected life between major overhauls (estimated to be 4 to 10 years).

##### (iii) Operating lease – as lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Aircraft leased out under operating leases are included under property, plant and equipment and are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Rental income is recognised on a straight-line basis over the lease term.

#### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Work-in-progress is stated at cost plus a proportion of estimated profit earned to-date, based on the percentage of completion of the projects. Cost comprises direct materials, direct labour and other direct overheads. Anticipated losses, if any, are provided for in full as and when they are determined.

#### (l) Financial assets

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.



## 2 Summary of Significant Accounting Policies (continued)

### (l) Financial assets (continued)

#### (i) Financial assets at fair value through profit and loss

There are two sub-categories: financial assets held for trading, and those designated as fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified under this category unless they are designated as hedging derivatives. Gains or losses on financial assets held at fair value through profit and loss are recognised in the profit and loss account.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

#### (ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### (iii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated in this category, or not classified in any other categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired whereby the cumulative gain or loss previously reported in equity is included in the profit and loss account.

### (m) Long-term investments

Long-term investments held by the Group are classified as available-for-sale. As there is no active market for the trading of these investments and fair value cannot be reliably measured, these investments are stated at cost. The accounting policy for this category of financial assets is stated in Note 2(l).

### (n) Trade debtors and other receivables

Trade debtors, including amounts owing by subsidiary and associated companies, deposits and other debtors are classified and accounted for as loans and receivables. Other non-current receivables are also classified and accounted for in the same way. The accounting policy for this category of financial assets is stated in Note 2(l).

Further details on the accounting policy for impairment of financial assets are stated in Note 2(r) below.

## notes to the financial statements

31 march 2010

### 2 Summary of Significant Accounting Policies (continued)

#### (o) Investments

Short-term investments held by the Group are classified as available-for-sale and are stated at fair values. Fair value is determined in the manner described in Note 37(b). For unquoted short-term investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost less accumulated impairment losses. The accounting policy for this category of financial assets is stated in Note 2(l).

#### (p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits in banks and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts. The accounting policy for this category of financial assets is stated in Note 2(l), under loans and receivables.

#### (q) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

For non-financial assets excluding goodwill and those with indefinite lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss account unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

#### (r) Impairment of financial assets

The Group also assesses at the end of each reporting period whether a financial asset or a group of financial assets is impaired.

## 2 Summary of Significant Accounting Policies (continued)

### (r) Impairment of financial assets (continued)

#### (i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss is recognised in the profit and loss account.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit and loss account.

#### (ii) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals of impairment losses in respect of equity instruments are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are recognised through the profit and loss account if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

## notes to the financial statements

31 march 2010

### 2 Summary of Significant Accounting Policies (continued)

#### (s) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, derivatives are measured at fair value. Other financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

#### (t) Loans, notes payable and borrowings

Loans, notes payable and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

#### (u) Trade and other creditors

Trade and other creditors and amounts owing to subsidiary and associated companies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

#### (v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 2 Summary of Significant Accounting Policies (continued)

### (v) Provisions (continued)

Provision for warranty claims is made for engine overhaul, repairs and maintenance of aircraft (excluding line maintenance) based on past experience of the level of repairs.

Provision for return costs to meet contractual return aircraft minimum conditions, at the end of the lease terms for the aircraft under operating leases, are recorded equally over the lease terms.

### (w) Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### (x) Treasury shares

When shares are reacquired by the Company, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are subsequently sold or reissued pursuant to equity compensation plans, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised in the capital reserve.

### (y) Frequent flyer programme

The Company operates a frequent flyer programme called "KrisFlyer" that provides travel awards to programme members based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits, estimated based on expected utilisation of these benefits, is deferred until they are utilised. These are included under deferred revenue on the statement of financial position. Any remaining unutilised benefits are recognised as revenue upon expiry.

### (z) Taxation

#### (i) Current tax

Tax recoverable and tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### (ii) Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## notes to the financial statements

31 march 2010

### 2 Summary of Significant Accounting Policies (continued)

#### (z) Taxation (continued)

##### (ii) Deferred tax (continued)

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiary, associated and joint venture companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiary, associated and joint venture companies, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## 2 Summary of Significant Accounting Policies (continued)

### (aa) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue is principally earned from the carriage of passengers, cargo and mail, the rendering of airport terminal and food operations, engineering services, training of pilots, air charters and tour wholesaling and related activities. Revenue for the Group excludes dividends from subsidiary companies and intra-group transactions.

Passenger and cargo sales are recognised as operating revenue when the transportation is provided. The value of unused tickets and air waybills is included in current liabilities as sales in advance of carriage. The value of tickets and air waybills are recognised as revenue if unused after two years and one year respectively.

Revenue from the provision of airport terminal services is recognised upon rendering of services. Revenue from manufacturing and exporting chilled and frozen processed foods is recognised upon delivery and acceptance of goods sold.

Revenue from repair and maintenance of aircraft, engine and component overhaul is recognised based on the percentage of completion of the projects. The percentage of completion of the projects is determined based on the number of man-hours incurred to date against the estimated man-hours needed to complete the projects.

Rental income from lease of aircraft is recognised on a straight-line basis over the lease term.

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms.

### (ab) Income from investments

Dividend income from investments is recognised when the Group's right to receive the payment is established.

Interest income from investments and fixed deposits is recognised using the effective interest method.

### (ac) Employee benefits

#### (i) Equity compensation plans

Employees of the Group receive remuneration in the form of share options and share awards as consideration for services rendered.

The Group has in place, the Singapore Airlines Limited Employee Share Option Plan and the SIA Engineering Company Limited Employee Share Option Plan for granting of share options to senior executives and all other employees. The exercise price approximates the market value of the shares at the date of grant.

# notes to the financial statements

31 march 2010

## 2 Summary of Significant Accounting Policies (continued)

### (ac) Employee benefits (continued)

#### (i) Equity compensation plans (continued)

The Group has also implemented the Singapore Airlines Limited Restricted Share Plan and Performance Share Plan and the SIA Engineering Company Limited Restricted Share Plan and Performance Share Plan for awarding of fully paid ordinary shares to senior executives and key senior management, when and after pre-determined performance or service conditions are accomplished.

Details of the plans are disclosed in Note 5 to the financial statements.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options or awards at the date on which the share options or awards are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company.

This cost is recognised in the profit and loss account as share-based compensation expense, with a corresponding increase in the share-based compensation reserve, over the vesting period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the profit and loss account, with a corresponding adjustment to the share-based compensation reserve over the remaining vesting period.

No expense is recognised for options or awards that do not ultimately vest, except for options or awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The share-based compensation reserve is transferred to general reserve upon cancellation or expiry of the vested options or awards. When the options are exercised or awards are released, the share-based compensation reserve is transferred to share capital if new shares are issued.

#### (ii) Defined contribution plans

As required by law, the companies in Singapore make contributions to the Central Provident Fund scheme in Singapore, a defined contribution scheme. Certain of the Group's subsidiary companies and overseas stations outside Singapore make contributions to their respective countries' pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed.

#### (iii) Defined benefit plans

The Group contributes to several defined benefit pension and other post-employment benefit plans for employees stationed in certain overseas countries. The cost of providing benefits includes the Group's contribution for the year plus any unfunded liabilities under the plans, which is determined separately for each plan. Contributions to the plans over the expected average remaining working lives of the employees participating in the plans are expensed on accrual basis.



## 2 Summary of Significant Accounting Policies (continued)

### (ad) Aircraft maintenance and overhaul costs

The Group recognises aircraft maintenance and overhaul expenses (except heavy maintenance visits and engine overhaul expenses) on an incurred basis. For engine overhaul costs covered by power-by-hour third-party maintenance agreements, a portion of the cost is expensed at a fixed rate per hour during the terms of the agreements.

### (ae) Training and development costs

Training and development costs, including start-up programme costs, are charged to the profit and loss account in the financial year in which they are incurred.

### (af) Borrowing costs

Borrowing costs incurred to finance advance and progress payments for aircraft are capitalised as part of advance and progress payments until the aircraft are commissioned for operation or the projects are completed. All other borrowing costs are recognised as finance charges in the period in which they are incurred.

### (ag) Claims and liquidated damages

Claims for liquidated damages, in relation to a loss of income, are recognised in the profit and loss account when a contractual entitlement exists, the amount can be reliably measured and receipt is virtually certain. When the claims do not relate to a compensation for loss of income, the amounts are taken to the statement of financial position as deferred credit, included under deferred account, as a reduction to the cost of the assets when the assets are capitalised and also for future reduction of operating lease expenses.

### (ah) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, foreign currency option contracts, cross currency swap contracts, interest rate swap contracts, interest rate cap contracts, jet fuel option contracts, jet fuel swap contracts, gasoil swap contracts and regrade swap contracts to hedge its risks associated with foreign currency, interest rate and jet fuel price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the profit and loss account.

The Group also set aside USD deposits to match forecast capital expenditure requirements. To create a USD denominated asset in the statement of financial position to match against the expected USD liability for capital expenditure, the Group accumulates USD over a period of 10 months in advance of forecast aircraft payments. The exchange gains and losses of the USD held would be recognised in the carrying value of the aircraft.

## notes to the financial statements

31 march 2010

### 2 Summary of Significant Accounting Policies (continued)

#### (ah) Derivative financial instruments and hedging (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedged item or transaction, the hedging instrument, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's (or transaction's) cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows, and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they are designated.

Derivatives are classified as fair value through profit and loss unless they qualify for hedge accounting. Hedges which meet the criteria for hedge accounting are accounted for as cash flow hedges.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the fair value reserve [Note 15(d)], while the ineffective portion is recognised in the profit and loss account.

Amounts taken to the fair value reserve are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. If the hedged item is a non-financial asset or liability, the amounts taken to the fair value reserve are transferred to the initial carrying amount of the non-financial asset or liability.

#### (ai) Segment reporting

##### (i) Business segment

For management purposes, the Group is organised into operating segments based on the nature of the services provided which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 4, including the factors used to identify the reportable segments and the measurement basis of segment information. The significant business segments of the Group are airline operations, airport terminal and food operations, engineering services and cargo operations.

##### (ii) Geographical segment

The analysis of revenue by area of original sale from airline operations is derived by allocating revenue to the area in which the sale was made. Revenue from other operations, which consists principally of airport terminal and food operations, engineering services and cargo operations is derived in East Asia and therefore, is not shown.

Assets, which consist principally of flight and ground equipment, support the entire worldwide transportation system, are mainly located in Singapore. An analysis of assets and capital expenditure of the Group by geographical distribution has therefore not been included.

### 3 Significant Accounting Estimates

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Impairment of property, plant and equipment – aircraft fleet

Impairment is recognised when events and circumstances indicate that the aircraft may be impaired and the carrying amounts of the aircraft exceed the recoverable amounts. Recoverable amount is defined as the higher of an aircraft's fair value less costs to sell and its value-in-use. In determining the recoverable amounts of the aircraft, certain estimates regarding the current fair market value of the aircraft are made. The current fair market value is determined based on desktop valuations from an independent appraisal for fleet with similar operational lives. When value-in-use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by the management covering a specified period.

#### (ii) Depreciation of property, plant and equipment – aircraft fleet

Aircraft are depreciated on a straight-line basis at rates which are calculated to write-down their cost to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the fleet are made by the Group based on past experience and these are in line with the industry. The operational lives and residual values are reviewed on an annual basis. The carrying amount of the Group's and the Company's aircraft fleet at 31 March 2010 was \$12,474.9 million (2009: \$12,448.2 million) and \$10,347.5 million (2009: \$10,212.6 million) respectively.

#### (iii) Passenger revenue recognition

Passenger sales are recognised as operating revenue when the transportation is provided. The value of unused tickets is included as sales in advance of carriage on the statement of financial position and recognised as revenue at the end of two years. This is estimated based on historical trends and experiences of the Group whereby ticket uplift occurs mainly within the first two years. The carrying amount of the Group's and the Company's sales in advance of carriage at 31 March 2010 was \$1,338.0 million (2009: \$1,143.6 million) and \$1,301.9 million (2009: \$1,111.6 million) respectively.

## notes to the financial statements

31 march 2010

### 3 Significant Accounting Estimates (continued)

#### (iv) Frequent flyer programme

The Company operates a frequent flyer programme called “KrisFlyer” that provides travel awards to programme members based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferment of the revenue is estimated based on historical trends of breakage and redemption, which is then used to project the expected utilisation of these benefits. Any remaining unutilised benefits are recognised as revenue upon expiry. The carrying amount of the Group’s and the Company’s deferred revenue at 31 March 2010 was \$460.1 million (2009: \$500.8 million).

During the financial year, the Company revised the estimated breakage rate. The impact of the revision in estimate is an increase of \$75.4 million in revenue.

#### (v) Aircraft maintenance and overhaul expenditure under power-by-hour agreements

The Group has entered into several power-by-hour (“PBH”) engine maintenance agreements with engine original equipment manufacturers. The monthly payments are based on the number of flying hours flown. A portion of the cost is expensed at a fixed rate per hour during the term of the PBH agreement. The remaining payments made are recorded as an advance payment, to the extent that it is to be utilised through future maintenance activities, if any, or capitalised upon completion of an overhaul.

The proportion of the amount to be expensed off and capitalised is determined based on the best estimate as if the engine maintenance and overhaul costs are accounted for under the time and material basis. The carrying amount of the advance payment relating to PBH agreements for the Group and the Company at 31 March 2010 was \$325.8 million (2009: \$139.5 million) and \$278.0 million (2009: \$89.9 million) respectively. The maintenance and repair costs covered by PBH agreements which are expensed off during the year amounted to \$37.8 million (2008-09: \$77.8 million) for the Group and \$35.8 million (2008-09: \$75.7 million) for the Company.

### 4 Segment Information (in \$ million)

For management purposes, the Group is organised into business units based on the nature of the services provided, and has five reportable operating segments as follows:

- (i) The airline operations segment provides passenger air transportation.
- (ii) The airport terminal and food operations segment is formed by aggregating the airport services segment and the food solutions segment. The airport services segment provides mainly airport terminal services, such as air freight handling services, passenger services, aviation security services, baggage handling services and apron services to the Group’s airline customers. The food solutions segment provides mainly inflight catering, food processing and distribution services.
- (iii) The engineering services segment is in the business of providing airframe maintenance and overhaul services and line maintenance and technical ground handling services. It also manufactures aircraft cabin equipment, refurbishes aircraft galleys, provides technical and non-technical handling services and repair and overhaul of hydro-mechanical aircraft equipment.

#### 4 Segment Information (in \$ million) (continued)

- (iv) The cargo operations segment is involved in air cargo transportation and related activities.
- (v) Other services provided by the Group, such as training of pilots, air charters and tour wholesaling, has been aggregated under the segment "Others".

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

# notes to the financial statements

31 march 2010

## 4 Segment Information (in \$ million) (continued)

### Business segments

The Group's businesses are organised and managed separately according to the nature of the services provided. The following tables present revenue and profit information regarding business segments for the financial years ended 31 March 2010 and 2009 and certain assets and liabilities information of the business segments as at those dates.

	<b>Airline operations 2009-10</b>
<b>TOTAL REVENUE</b>	
External revenue	9,635.4
Inter-segment revenue	1,044.6
	10,680.0
<b>RESULTS</b>	
Segment result	10.6
Finance charges	(51.2)
Interest income	48.8
Surplus on disposal of aircraft, spares and spare engines	25.3
Dividends from subsidiary and associated companies, gross	199.2
Dividends from long-term investments, gross	17.5
Other non-operating items	34.4
Share of profits of joint venture companies	-
Share of profits/(losses) of associated companies	5.7
Taxation	31.4
Profit/(Loss) for the financial year	321.7
Attributable to:	
Equity Holders of the Company	
Minority interests	

\* Relates to inter-segment transactions eliminated on consolidation. The Group generally accounts for such inter-segment transactions as if these transactions were to third parties at current market prices.

Airport terminal and food operations 2009-10	Engineering services 2009-10	Cargo operations 2009-10	Others 2009-10	Total of segments 2009-10	Elimination* 2009-10	Consolidated 2009-10
370.4	370.0	2,288.2	43.3	12,707.3	-	12,707.3
226.5	636.4	8.2	109.9	2,025.6	(2,025.6)	-
596.9	1,006.4	2,296.4	153.2	14,732.9	(2,025.6)	12,707.3
70.5	110.4	(145.1)	18.1	64.5	(1.3)	63.2
(3.3)	-	(18.3)	-	(72.8)	3.9	(68.9)
0.4	1.0	2.7	0.5	53.4	(3.9)	49.5
-	-	0.2	-	25.5	(0.1)	25.4
-	-	1.5	-	200.7	(200.7)	-
-	15.5	-	-	33.0	-	33.0
0.8	6.0	-	0.2	41.4	(7.2)	34.2
-	56.1	-	-	56.1	-	56.1
16.7	73.6	(3.0)	-	93.0	-	93.0
(18.2)	(24.5)	10.2	(2.9)	(4.0)	(2.0)	(6.0)
66.9	238.1	(151.8)	15.9	490.8	(211.3)	279.5
						215.8
						63.7
						279.5

# notes to the financial statements

31 march 2010

## 4 Segment Information (in \$ million) (continued)

### Business segments (continued)

	<b>Airline operations 2008-09</b>
<b>TOTAL REVENUE</b>	
External revenue	12,160.4
Inter-segment revenue	1,431.8
	13,592.2
<b>RESULTS</b>	
Segment result	856.4
Finance charges	(71.4)
Interest income	97.6
Surplus on disposal of aircraft, spares and spare engines	12.8
Dividends from subsidiary companies, gross	341.4
Dividends from long-term investments, gross	11.5
Other non-operating items	40.1
Share of profits of joint venture companies	-
Share of (losses)/profits of associated companies	(20.3)
Taxation	(38.7)
Profit/(Loss) for the financial year	1,229.4
Attributable to:	
Equity Holders of the Company	
Minority interests	

\* Relates to inter-segment transactions eliminated on consolidation. The Group generally accounts for such inter-segment transactions as if these transactions were to third parties at current market prices.





# notes to the financial statements

31 march 2010

## 4 Segment Information (in \$ million) (continued)

### Business segments (continued)

	Airline operations 2010
<b>OTHER INFORMATION AT 31 MARCH</b>	
Segment assets	19,409.7
Investments in and loans to associated and joint venture companies	153.0
Long-term investments	20.7
Accrued interest receivable	2.6
Total assets	19,586.0
Segment liabilities	4,193.2
Long-term liabilities and provisions	1,048.3
Finance lease commitments	-
Provisions	22.9
Amounts owing to associated companies	-
Accrued interest payable	10.9
Tax liabilities	2,105.7
Total liabilities	7,381.0
Capital expenditure	1,450.4
Purchase of intangible assets	16.7
Depreciation	1,423.7
Impairment of property, plant and equipment	6.1
Amortisation of intangible assets	26.8
Non-cash items other than depreciation, impairment of property, plant and equipment and amortisation of intangible assets	(35.2)

\* Relates to inter-segment transactions eliminated on consolidation. The Group generally accounts for such inter-segment transactions as if these transactions were to third parties at current market prices.

Airport terminal and food operations 2010	Engineering services 2010	Cargo operations 2010	Others 2010	Total of segments 2010	Elimination* 2010	Consolidated 2010
-	1,075.6	2,637.8	211.4	23,334.5	(1,529.5)	21,805.0
-	470.8	16.8	0.6	641.2	-	641.2
-	14.6	-	-	35.3	-	35.3
-	-	-	0.2	2.8	-	2.8
-	1,561.0	2,654.6	212.2	24,013.8	(1,529.5)	22,484.3
-	217.2	280.5	46.4	4,737.3	27.1	4,764.4
-	-	389.8	-	1,438.1	-	1,438.1
-	-	64.5	-	64.5	-	64.5
-	-	12.6	-	35.5	-	35.5
-	-	2.0	-	2.0	-	2.0
-	-	2.2	-	13.1	-	13.1
-	52.1	254.8	4.5	2,417.1	0.3	2,417.4
-	269.3	1,006.4	50.9	8,707.6	27.4	8,735.0
14.9	39.6	25.8	29.6	1,560.3	-	1,560.3
-	14.3	2.5	0.3	33.8	-	33.8
28.3	34.4	221.1	8.9	1,716.4	(2.6)	1,713.8
-	-	-	-	6.1	-	6.1
10.0	4.2	1.1	0.6	42.7	-	42.7
(1.2)	6.0	(48.4)	(2.0)	(80.8)	-	(80.8)

# notes to the financial statements

31 march 2010

## 4 Segment Information (in \$ million) (continued)

### Business segments (continued)

	Airline operations 2009
<b>OTHER INFORMATION AT 31 MARCH</b>	
Segment assets	19,589.3
Investments in and loans to associated and joint venture companies	66.8
Goodwill on consolidation	-
Long-term investments	20.7
Amounts owing by associated companies	-
Accrued interest receivable	5.8
Total assets	19,682.6
Segment liabilities	5,037.8
Long-term liabilities and provisions	1,008.9
Note payable, loans and finance lease commitments	-
Provisions	26.7
Amounts owing to associated companies	-
Accrued interest payable	12.9
Tax liabilities	2,139.1
Total liabilities	8,225.4
Capital expenditure	1,863.4
Purchase of intangible assets	17.3
Depreciation	1,344.4
Impairment of property, plant and equipment	41.4
Impairment of investments	0.1
Amortisation of intangible assets	30.1
Non-cash items other than depreciation, impairment of property, plant and equipment and amortisation of intangible assets	(62.1)

\* Relates to inter-segment transactions eliminated on consolidation. The Group generally accounts for such inter-segment transactions as if these transactions were to third parties at current market prices.

Airport terminal and food operations 2009	Engineering services 2009	Cargo operations 2009	Others 2009	Total of segments 2009	Elimination* 2009	Consolidated 2009
1,459.6	957.2	2,890.7	200.3	25,097.1	(1,553.4)	23,543.7
335.2	530.4	49.7	0.7	982.8	-	982.8
242.3	-	-	-	242.3	-	242.3
7.9	14.6	-	-	43.2	-	43.2
0.2	-	-	-	0.2	0.2	0.4
-	-	-	0.3	6.1	-	6.1
2,045.2	1,502.2	2,940.4	201.3	26,371.7	(1,553.2)	24,818.5
226.6	202.1	389.5	49.5	5,905.5	(9.8)	5,895.7
20.9	-	487.7	-	1,517.5	(4.0)	1,513.5
232.7	0.9	66.0	-	299.6	-	299.6
-	-	8.6	-	35.3	-	35.3
-	-	0.6	-	0.6	-	0.6
0.5	-	-	-	13.4	-	13.4
148.2	43.8	235.2	3.5	2,569.8	0.2	2,570.0
628.9	246.8	1,187.6	53.0	10,341.7	(13.6)	10,328.1
25.3	73.1	64.3	5.0	2,031.1	-	2,031.1
2.8	0.9	0.3	0.3	21.6	-	21.6
58.5	36.6	204.7	9.0	1,653.2	(3.5)	1,649.7
-	-	-	-	41.4	-	41.4
9.7	-	-	-	9.8	-	9.8
6.1	5.9	2.9	0.5	45.5	-	45.5
(7.7)	(5.2)	11.3	(3.0)	(66.7)	-	(66.7)

## notes to the financial statements

31 march 2010

### 4 Segment Information (in \$ million) (continued)

#### Geographical segments

The following table presents revenue information on airline operations by geographical areas for the financial years ended 31 March 2010 and 2009.

	By area of original sale	
	2009-10	2008-09
East Asia	3,791.5	4,636.4
Europe	1,534.0	2,067.6
South West Pacific	1,291.6	1,793.9
Americas	620.4	751.0
West Asia and Africa	493.6	676.2
Systemwide	7,731.1	9,925.1
Non-scheduled services and incidental revenue	2,948.9	3,667.1
	10,680.0	13,592.2

### 5 Staff Costs (in \$ million)

	The Group	
	2009-10	2008-09
Salary, bonuses and other costs	2,023.1	2,356.7
CPF and other defined contributions	92.8	120.6
Share-based compensation expense	43.5	68.6
	2,159.4	2,545.9

As part of the Singapore Budget 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Group received a 12% cash grant on the first \$2,500 of each month's wages for each employee on their Central Provident Fund ("CPF") payroll in four receipts in March, June, September and December 2009. The Scheme was later extended with an additional payment in March 2010 at stepped down rates, where the Group received 6% cash grant on the first \$2,500 of each month's wages for each employee on their CPF payroll. The total grant received was \$35.2 million (2008-09: \$9.5 million) and this is accounted as a reduction in the CPF contribution.

The Group contributes to several post-employment defined benefit plans for employees at several overseas locations. Employees may contribute in some of these plans and these contributions are matched in varying amounts by the Group. Defined benefit expenses for the Group were \$18.8 million for 2009-10 and \$14.7 million for 2008-09. As these are not material to the total staff costs of the Group for 2009-10 and 2008-09, additional disclosures of these defined benefit plans are not shown.

## 5 Staff Costs (in \$ million) (continued)

### Share-based compensation expense

The Company has in place the Singapore Airlines Limited Employee Share Option Plan ("ESOP"), Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") and the amounts recognised in the profit and loss account for share-based compensation transactions with employees are as follows:

	The Group	
	2009-10	2008-09
Employee share option plan	31.5	58.0
Restricted share plan	9.3	8.6
Performance share plan	2.7	2.0
	43.5	68.6

Details of the plans are described in the following paragraphs.

### **Share option plans**

The ESOP which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, were approved by shareholders on 8 March 2000 and modified at the Extraordinary General Meetings of the Company held on 14 July 2001, 26 July 2003 and 31 July 2009.

Options are granted for a term no longer than 10 years from the date of grant. The exercise price of the options will be the average of the closing prices of the Company's ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant.

Under the Employee Share Option Scheme, options will vest two years after the date of grant.

Under the Senior Executive Share Option Scheme, options will vest:

- (a) one year after the date of grant for 25% of the ordinary shares subject to the options;
- (b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
- (c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
- (d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

There are no cash settlement alternatives.

## notes to the financial statements

31 march 2010

### 5 Staff Costs (in \$ million) (continued)

Share-based compensation expense (continued)

#### Share option plans (continued)

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices of, and movements in, the ESOP during the financial year:

	2009-10		2008-09	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at 1 April	63,383,492	\$13.88	56,670,796	\$13.53
Granted	-	-	12,836,062	\$14.83
Cancelled	(2,543,095)	\$13.21	(2,491,890)	\$14.28
Exercised	(8,429,077)	\$11.68	(3,631,476)	\$11.51
Balance at 31 March	52,411,320	\$ 9.22	63,383,492	\$13.88
Exercisable at 31 March	37,888,409	\$ 8.54	36,174,505	\$12.57

The range of exercise prices for options outstanding at the end of the year is \$8.13 to \$16.51 (2008-09: \$9.84 to \$18.22).

Following the expiry of the share option plans in March 2009, the Company ceased to grant options under ESOP. The weighted average fair value of options granted during the previous financial year was \$1.95. The weighted average share price for options exercised during the year was \$13.45 (2008-09: \$13.23). The weighted average remaining contractual life for these options is 5.75 years (2008-09: 6.21 years).



## 5 Staff Costs (in \$ million) (continued)

Share-based compensation expense (continued)

### **Share option plans (continued)**

Fair values of share options granted

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted each year under the ESOP. The estimate of the fair value of the services received is measured based on a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the July 2008 grant:

	<b>July 2008 Grant</b>
Expected dividend yield (%)	Management's forecast in line with dividend policy
Expected volatility (%)	22.58 – 28.24
Risk-free interest rate (%)	2.66 – 3.12
Expected life of options (years)	5.5 – 7.0
Exercise price (\$)	13.12*
Share price at date of grant (\$)	14.60

\* Following approval by the Company's shareholders of the dividend in specie of SATS shares on 31 July 2009, the Board Compensation & Industrial Relations Committee approved a reduction of \$1.71 reduction in the exercise prices of the share options outstanding on 28 August 2009. The exercise price reflected here is the exercise price after such adjustment.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value.

# notes to the financial statements

31 march 2010

## 5 Staff Costs (in \$ million) (continued)

Share-based compensation expense (continued)

### Share option plans (continued)

Terms of share options outstanding as at 31 March 2010:

Exercisable period	Excercise price	Number outstanding	Number exercisable
3.7.2001 - 2.7.2010	\$14.44	387,862	387,862
3.7.2002 - 2.7.2010	\$14.44	2,400,428	2,400,428
3.7.2003 - 2.7.2010	\$14.44	425,674	425,674
3.7.2004 - 2.7.2010	\$14.44	445,561	445,561
2.7.2002 - 1.7.2011	\$ 9.75	253,338	253,338
2.7.2003 - 1.7.2011	\$ 9.75	1,042,084	1,042,084
2.7.2004 - 1.7.2011	\$ 9.75	282,141	282,141
2.7.2005 - 1.7.2011	\$ 9.75	286,500	286,500
1.7.2003 - 30.6.2012	\$10.61	419,826	419,826
1.7.2004 - 30.6.2012	\$10.61	1,580,331	1,580,331
1.7.2005 - 30.6.2012	\$10.61	451,158	451,158
1.7.2006 - 30.6.2012	\$10.61	472,574	472,574
1.7.2004 - 30.6.2013	\$ 8.13	254,838	254,838
1.7.2005 - 30.6.2013	\$ 8.13	823,801	823,801
1.7.2006 - 30.6.2013	\$ 8.13	302,697	302,697
1.7.2007 - 30.6.2013	\$ 8.13	605,612	605,612
1.7.2005 - 30.6.2014	\$ 8.49	387,119	387,119
1.7.2006 - 30.6.2014	\$ 8.49	1,335,751	1,335,751
1.7.2007 - 30.6.2014	\$ 8.49	729,863	729,863
1.7.2008 - 30.6.2014	\$ 8.49	957,838	957,838
1.7.2006 - 30.6.2015	\$ 9.07	654,189	654,189
1.7.2007 - 30.6.2015	\$ 9.07	3,242,677	3,242,677
1.7.2008 - 30.6.2015	\$ 9.07	1,188,831	1,188,831
1.7.2009 - 30.6.2015	\$ 9.07	1,277,466	1,277,466
3.7.2007 - 2.7.2016	\$10.39	850,126	850,126
3.7.2008 - 2.7.2016	\$10.39	5,251,561	5,251,561
3.7.2009 - 2.7.2016	\$10.39	1,165,367	1,165,367
3.7.2010 - 2.7.2016	\$10.39	1,327,082	6,745
2.7.2008 - 1.7.2017	\$16.51	1,260,660	1,260,660

## 5 Staff Costs (in \$ million) (continued)

Share-based compensation expense (continued)

### Share option plans (continued)

Exercisable period	Exercise price	Number outstanding	Number exercisable
2.7.2009 - 1.7.2017	\$16.51	7,700,632	7,700,632
2.7.2010 - 1.7.2017	\$16.51	1,250,852	22,135
2.7.2011 - 1.7.2017	\$16.51	1,232,406	-
1.7.2009 - 30.6.2018	\$13.12	1,347,228	1,347,228
1.7.2010 - 30.6.2018	\$13.12	8,143,757	75,796
1.7.2011 - 30.6.2018	\$13.12	1,336,563	-
1.7.2012 - 30.6.2018	\$13.12	1,336,927	-
Total number of options outstanding		52,411,320 <sup>@</sup>	37,888,409

<sup>@</sup> The total number of options outstanding includes:

- (a) 4,230,192 (2009: 5,630,522) share options not exercised by employees who have retired or ceased to be employed by the Company or any of the subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Board Compensation & Industrial Relations Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of five years from the date of retirement or cessation of employment, whichever is earlier; and
- (b) 236,745 (2009: 377,259) share options not exercised by employees who have completed their fixed term contracts during the financial year. The said options, if unvested, shall immediately vest and be exercisable from the date of cessation of employment to the date falling one year from the date of cessation of employment.

Details and terms of the share options granted by SIAEC have been disclosed in Annual Report of SIA Engineering Company Limited.

## notes to the financial statements

31 march 2010

### 5 Staff Costs (in \$ million) (continued)

Share-based compensation expense (continued)

#### Share-based incentive plans

The RSP and PSP are share-based incentive plans for senior executives and key senior management, which were approved by the shareholders of the Company on 28 July 2005.

The details of the two plans are described below:

	RSP	PSP
<b>Plan Description</b>	Award of fully-paid ordinary shares of the Company, conditional on position and individual performance targets set at the start of a two-year performance period based on medium-term Group and Company objectives.	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year overlapping performance period based on stretched long-term corporate objectives.
<b>Performance Conditions</b>	At both Company and Group level <ul style="list-style-type: none"> <li>• EBITDAR* Margin</li> <li>• Value Added per \$ Employment Cost</li> </ul>	<ul style="list-style-type: none"> <li>• Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE)</li> <li>• Relative TSR against selected airline peer index companies</li> </ul>
<b>Vesting Condition</b>	Based on meeting stated performance conditions over a two-year performance period, 50% of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements.	Vesting based on meeting stated performance conditions over a three-year performance period.
<b>Payout</b>	0% - 150% depending on the achievement of pre-set performance targets over the performance period.	0% - 200% depending on the achievement of pre-set performance targets over the performance period.

\* EBITDAR denotes Earnings before Interest, Taxes, Depreciation, Amortisation and Rent

## 5 Staff Costs (in \$ million) (continued)

Share-based compensation expense (continued)

### Share-based incentive plans (continued)

Movement of share awards during the financial year

The details of the shares awarded under the share-based incentive plans are as follows:

Date of grant	Number of Restricted Shares					Balance at 31.3.2010
	Balance at 1.4.2009 / date of grant	Adjustment*	Vested	Cancelled	Modification*	
<b>RSP</b>						
27.7.2006	139,749	-	(74,432)	(734)	7,726	72,309
1.8.2007	496,842	46,710	(282,960)	(8,692)	30,199	282,099
1.7.2008	650,612	-	-	(5,400)	77,411	722,623
29.7.2009	586,811	-	-	-	70,398	657,209
	1,874,014	46,710	(357,392)	(14,826)	185,734	1,734,240

\* Adjustment at the end of two-year performance period upon meeting stated performance targets.

\* Following approval by the Company's shareholders of the dividend in specie of SATS shares on 31 July 2009, the Board Compensation & Industrial Relations Committee approved an increase in all restricted shares outstanding on 12 August 2009 under the RSP.

Date of grant	Number of Performance Shares					Balance at 31.3.2010
	Balance at 1.4.2009 / date of grant	Adjustment*	Vested	Cancelled	Modification*	
<b>PSP</b>						
27.7.2006	144,701	(35,000)	(104,966)	(4,735)	-	-
1.8.2007	157,952	-	-	-	18,947	176,899
1.7.2008	222,200	-	-	-	26,664	248,864
29.7.2009	195,000	-	-	-	23,400	218,400
	719,853	(35,000)	(104,966)	(4,735)	69,011	644,163

\* Adjustment at the end of three-year performance period upon meeting stated performance targets.

\* Following approval by the Company's shareholders of the dividend in specie of SATS shares on 31 July 2009, the Board Compensation & Industrial Relations Committee approved an increase in all performance shares outstanding on 12 August 2009 under the PSP.

## notes to the financial statements

31 march 2010

### 5 Staff Costs (in \$ million) (continued)

Share-based compensation expense (continued)

#### **Share-based incentive plans (continued)**

Fair values of share awards granted

The fair value of services received in return for shares awarded is measured by reference to the fair value of shares granted each year under the RSP and PSP. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model, which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns.

The following table lists the key inputs to the model used for the July 2009 and July 2008 awards:

	July 2009 Award		July 2008 Award	
	RSP	PSP	RSP	PSP
Expected dividend yield (%)	Management's forecast in line with dividend policy			
Expected volatility (%)	27.32 – 33.60	29.50	20.20 – 22.15	21.08
Risk-free interest rate (%)	0.50 – 1.00	0.61	1.30 – 2.35	1.76
Expected term (years)	1.9 – 3.9	2.9	2.0 – 4.0	3.0
Share price at date of grant (\$)	13.34	13.34	14.60	14.60

For non-market conditions, achievement factors are determined based on inputs from the Board Compensation & Industrial Relations Committee for the purpose of accrual for the RSP until the achievement of the targets can be accurately ascertained.

Based on the Monte Carlo simulation model, the estimated fair value at date of grant for each share granted under the RSP ranges from \$11.99 to \$12.62 (2008-09: \$11.21 to \$12.72) and the estimated fair value at date of grant for each share granted under the PSP is \$14.29 (2008-09: \$9.62).

When estimating the fair value of the compensation cost, market-based performance conditions shall be taken into account. Therefore, for performance share grants with market-based performance conditions, the compensation cost shall be charged to the profit and loss account on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the remaining service period from date of grant to which the performance period relates, irrespective of whether this performance condition is satisfied.

## 5 Staff Costs (in \$ million) (continued)

Share-based compensation expense (continued)

### Share-based incentive plans (continued)

Fair values of share awards granted (continued)

For performance share grants with non-market conditions, the Group revises its estimates of the number of share grants expected to vest and corresponding adjustments are made to the profit and loss account and share-based compensation reserve.

Under the PSP, eligible key senior management are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2010, were 1,734,240 (2009: 1,287,203) and 644,163 (2009: 524,853) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 2,424,156 (2009: 1,516,694) and 1,199,877 (2009: 787,280) fully-paid ordinary shares of the Company, for RSP and PSP respectively.

Details and terms of the SIAEC RSP and SIAEC PSP have been disclosed in the Annual Report of SIA Engineering Company Limited.

## 6 Operating Profit (in \$ million)

Operating profit for the financial year was arrived at after charging/(crediting):

	The Group	
	2009-10	2008-09
Interest income from short-term investments	(0.9)	(0.9)
Dividend income from short-term investments	(0.7)	(0.8)
(Surplus)/Loss on disposal of short-term investments	(3.6)	4.7
Income from operating lease of aircraft	(1.0)	(10.5)
Amortisation of deferred gain on sale and operating leaseback transactions	(64.7)	(86.1)
Bad debts written off	0.8	2.4
Impairment of trade debtors	-	12.3
Surplus on disposal of non-current assets	-	(2.1)
Professional fees paid to a firm of which a director is a member	0.5	0.1
Remuneration for auditors of the Company		
Audit fees	1.6	1.7
Non-audit fees	0.9	1.4
Exchange loss, net	54.3	73.3
Currency hedging loss/(gain)	17.7	(138.6)
Fuel hedging loss recognised in "Fuel costs"	558.0	348.3
Ineffectiveness of fuel hedging contracts recognised in "Fuel costs"	0.3	4.0

## notes to the financial statements

31 march 2010

### 7 Finance Charges (in \$ million)

	The Group	
	2009-10	2008-09
Notes payable	39.9	43.4
Loans	0.8	0.7
Finance lease commitments	10.9	19.4
Other receivables measured at amortised cost	7.6	20.0
Realised loss on interest rate swap contracts accounted as cash flow hedges	9.5	3.9
Fair value (gain)/loss on interest rate swap contracts accounted as fair value through profit and loss	(2.1)	2.2
Commitment fees	2.3	0.1
	<b>68.9</b>	<b>89.7</b>

### 8 Interest Income (in \$ million)

	The Group	
	2009-10	2008-09
Fixed deposits	19.3	70.8
Amortised interest income from other receivables	23.0	21.3
Others	7.2	3.9
	<b>49.5</b>	<b>96.0</b>

### 9 Other Non-operating Items (in \$ million)

	The Group	
	2009-10	2008-09
Recognition of liquidated damages	20.4	39.0
Surplus on disposal of other property, plant and equipment	6.9	1.8
Amortisation of deferred gain/(loss) on sale and finance leaseback transactions	0.5	(0.5)
Gain on disposal of SATS shares	6.4	-
Impairment of investments	-	(9.8)
Loss on disposal of non-equity investments	-	(1.1)
	<b>34.2</b>	<b>29.4</b>



## 10 Taxation (in \$ million)

### Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2010 and 2009 are:

	<b>The Group</b>	
	<b>2009-10</b>	<b>2008-09</b>
<u>Current taxation</u>		
Provision for the year	79.9	226.0
Overprovision in respect of prior years	(127.6)	(0.7)
Share of joint venture companies' taxation	0.6	0.6
Share of associated companies' taxation	13.2	11.9
	<u>(33.9)</u>	<u>237.8</u>
<u>Deferred taxation</u>		
Movement in temporary differences	(43.0)	(38.5)
Under/(over)provision in respect of prior years	82.9	(9.3)
	<u>39.9</u>	<u>(47.8)</u>
	6.0	190.0
Adjustment to deferred tax for reduction in Singapore statutory corporate tax rate	-	(138.2)
	<u>6.0</u>	<u>51.8</u>

Deferred taxation related to other comprehensive income:

	<b>The Group</b>	
	<b>2009-10</b>	<b>2008-09</b>
Available-for-sale financial assets	2.0	1.0
Cash flow hedges	110.6	153.4
Share of comprehensive expense of associated and joint venture companies	0.2	67.8
	<u>112.8</u>	<u>222.2</u>

The Group has tax losses (of which no deferred tax asset has been recognised) of approximately \$24.4 million (2009: \$21.9 million) that are available for offset against future taxable profits of the companies. This is due to the uncertainty of the recoverability of the deferred tax asset. The use of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

On 22 January 2009, the Government announced a 1% point reduction in statutory corporate tax rate from Year of Assessment 2010. The financial effect of the reduction in tax rate was reflected in the previous financial year. The aggregate adjustment of the prior year's deferred tax assets and liabilities was \$138.2 million for the Group.

## notes to the financial statements

31 march 2010

### 10 Taxation (in \$ million) (continued)

A reconciliation between taxation expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 March is as follows:

	The Group	
	2009-10	2008-09
Profit before taxation	285.5	1,198.6
Taxation at statutory corporate tax rate of 17.0%	48.5	203.8
<u>Adjustments</u>		
Income not subject to tax	(48.3)	(54.5)
Expenses not deductible for tax purposes	35.7	33.3
Higher effective tax rates of other countries	7.6	16.7
Overprovision in respect of prior years, net	(44.7)	(10.0)
Adjustment to deferred tax for reduction in Singapore statutory corporate tax rate	-	(138.2)
Tax benefit not recognised	6.3	0.4
Others	0.9	0.3
Taxation	6.0	51.8

### 11 Earnings Per Share

	The Group			
	2009-10		2008-09	
	Basic	Diluted	Basic	Diluted
Profit attributable to equity holders of the Company (in \$ million)	215.8	215.8	1,061.5	1,061.5
Adjustment for dilutive potential ordinary shares of subsidiary companies (in \$ million)	-	(1.0)	-	(1.1)
Adjusted net profit attributable to equity holders of the Company (in \$ million)	215.8	214.8	1,061.5	1,060.4
Weighted average number of ordinary shares in issue (in million)	1,184.8	1,184.8	1,184.7	1,184.7
Adjustment for dilutive potential ordinary shares (in million)	-	11.7	-	5.2
Weighted average number of ordinary shares in issue used for computing earnings per share (in million)	1,184.8	1,196.5	1,184.7	1,189.9
Earnings per share (cents)	18.2	18.0	89.6	89.1

## 11 Earnings Per Share (continued)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings per share, the profit attributable to equity holders of the Company is adjusted to take into account effects of dilutive potential ordinary shares of subsidiary companies and the weighted average number of ordinary shares of the Company in issue is adjusted to take into account effects of dilutive options of the Company.

28.4 million (2008-09: 34.0 million) of the share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous years presented.

## 12 Dividends Paid and Proposed (in \$ million)

	The Group and the Company	
	2009-10	2008-09
Dividends paid:		
Dividend <i>in specie</i>	1,146.3	-
Final dividend of 20.0 cents per share tax exempt (one-tier) in respect of 2008-09 (2008-09: 80.0 cents per share tax exempt [one-tier] in respect of 2007-08)	236.9	948.7
Interim dividend of 20.0 cents per share tax exempt (one-tier) in respect of 2008-09	-	237.1
	1,383.2	1,185.8

The directors propose that a final tax exempt (one-tier) dividend of 12.0 cents per share (2008-09: final tax exempt [one-tier] dividend of 20.0 cents per share) amounting to \$143.0 million (2008-09: \$236.9 million) be paid for the financial year ended 31 March 2010.

## notes to the financial statements

31 march 2010

### 13 Share Capital (in \$ million)

	The Group and the Company			
	2010	Number of shares		Amount
		2009	2010	2009
Issued and fully paid share capital				
Ordinary shares				
Balance at 1 April	1,186,547,790	1,186,334,147	1,684.8	1,682.0
Share options exercised during the year	5,060,721	213,643	65.8	2.8
Balance at 31 March	1,191,608,511	1,186,547,790	1,750.6	1,684.8
Special share				
Balance at 1 April and 31 March	1	1	#	#

# The value is \$0.50

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

The Company's ability to operate its existing route network and flight frequency is derived solely from and dependent entirely on the Air Service Agreements ("ASAs") concluded between the Government of Singapore and the governments of other countries. ASAs are therefore critical to the Company's operations. In almost all the ASAs, it is a condition that the Company must at all times be "effectively controlled" and "substantially owned" by Singapore nationals for the tenure of the respective ASAs.

In order to comply with the above requirement, one non-tradeable Special Share was issued to the Ministry of Finance. The Special Share enjoys all the rights attached to ordinary shares. In addition, pursuant to Article 3A of the Articles of Association, no resolution may be passed on certain matters without prior written approval of the Special Member.

The Company can also issue non-tradeable redeemable cumulative preference shares, which carry full voting rights ("ASA shares"). When issued, the ASA shares will be paid at \$0.01 each and will carry equal voting rights as those of ordinary shares. These shares will be issued only when the directors determine that the Company's operating rights under any of the ASAs are threatened by reason of the nationality of the majority shareholders.

During the financial year, the Company issued 5,060,721 shares (2008-09: 213,643) upon exercise of options granted under the Employee Share Option Plan.

**14 Treasury Shares (in \$ million)**

	<b>The Group and the Company</b>	
	<b>31 March</b>	
	<b>2010</b>	<b>2009</b>
Balance at 1 April	(44.4)	(33.2)
Purchase of treasury shares	-	(64.1)
Treasury shares reissued pursuant to equity compensation plans:		
- For cash on exercise of employee share options	36.0	39.2
- Transferred from share-based compensation reserve	13.7	10.0
- (Gain)/Loss on reissuance of treasury shares	(6.2)	3.7
	43.5	52.9
Balance at 31 March	(0.9)	(44.4)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year, no shares were purchased for the purposes of fulfilling the Company's obligations under the equity compensation plans.

In the previous financial year, the Company purchased 5,177,000 of its ordinary shares by way of on-market purchases at share prices ranging from \$9.48 to \$16.07. The total amount paid to purchase the shares was \$64.1 million and this is presented as a component within equity attributable to equity holders of the Company.

The Company reissued 3,368,356 (2009: 3,417,833) treasury shares pursuant to its employee share option plans at a weighted average exercise price of \$10.67 (2009: \$11.49) each. In addition, 104,966 (2009: nil) shares and 357,392 (2009: 152,969) shares were reissued pursuant to the PSP and RSP respectively. The number of treasury shares as at 31 March 2010 was 76,484 (2009: 3,907,198).

Where the consideration paid by the Company for the purchase or acquisition of treasury shares is made out of revenue reserves, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

## notes to the financial statements

31 march 2010

### 15 Other Reserves (in \$ million)

#### (a) Capital reserve

Capital reserve mainly arises from the revaluation of land and buildings owned by RCMS Properties Private Limited, an associated company and the gains or losses on the reissuance of treasury shares.

#### (b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

#### (c) Share-based compensation reserve

Share-based compensation reserve represents the equity-settled share options and awards granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options and awards.

#### (d) Fair value reserve

Fair value reserve records the cumulative fair value changes of available-for-sale financial assets and the portion of the fair value changes (net of tax) on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

Fair value changes of available-for-sale financial assets:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Balance at 1 April	(5.0)	0.9	(1.9)	(0.4)
Net gain/(loss) on fair value changes	10.0	(5.9)	1.9	(1.5)
Balance at 31 March	5.0	(5.0)	-	(1.9)
Gain/(Loss) on fair value changes Recognised in the profit and loss account	10.8	(4.7)	-	(1.9)
on disposal of available-for-sale investments	(0.8)	(1.2)	1.9	0.4
	10.0	(5.9)	1.9	(1.5)

**15 Other Reserves (in \$ million) (continued)****(d) Fair value reserve (continued)**

Fair value changes of derivative financial instruments designated as hedging instruments in cash flow hedges:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Balance at 1 April	(655.8)	442.5	(494.1)	199.0
Net gain/(loss) on fair value changes	509.9	(1,098.3)	408.8	(693.1)
Balance at 31 March	(145.9)	(655.8)	(85.3)	(494.1)
Gain/(Loss) on fair value changes	45.8	(1,099.1)	36.0	(904.3)
Share of associated companies' net gain/(loss) on fair value reserve	0.8	(242.7)	-	-
Recognised in the carrying value of non-financial assets on occurrence of capital expenditure commitments	6.3	20.6	6.3	20.6
Recognised in the profit and loss account on occurrence of:				
Fuel hedging contracts recognised in "Fuel costs"	463.1	289.1	381.8	251.5
Foreign currency contracts recognised in "Other operating expenses"	(14.0)	(69.4)	(15.3)	(60.9)
Interest rate swap contracts recognised in "Finance charges"	7.9	3.2	-	-
	509.9	(1,098.3)	408.8	(693.1)
Total fair value reserve	(140.9)	(660.8)	(85.3)	(496.0)

**16 Deferred Account (in \$ million)**

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Deferred gain on sale and leaseback transactions				
- operating leases	82.0	164.3	62.6	113.5
- finance leases	17.4	40.8	-	-
	99.4	205.1	62.6	113.5
Deferred credit	381.3	468.8	381.3	468.8
	480.7	673.9	443.9	582.3

## notes to the financial statements

31 march 2010

## 17 Deferred Taxation (in \$ million)

	The Group				The Company	
	Statement of financial position 31 March		Profit and loss		Statement of financial position 31 March	
	2010	2009	2009-10	2008-09	2010	2009
The deferred taxation arises as a result of:						
Deferred tax liabilities						
Differences in depreciation	2,315.7	2,412.5	(54.6)	(138.5)	1,941.7	1,996.4
Revaluation of fuel hedging contracts to fair value	1.2	0.6	-	-	1.2	0.4
Revaluation of currency hedging contracts to fair value	3.1	28.9	0.3	-	2.4	24.1
Revaluation of interest rate cap contracts to fair value	0.7	-	-	-	0.7	-
Revaluation of available-for-sale financial assets to fair value	1.0	-	-	-	-	-
Identified intangible assets	-	56.5	-	(0.7)	-	-
Other temporary differences	79.5	77.1	3.1	(5.5)	74.4	71.1
Gross deferred tax liabilities	2,401.2	2,575.6	(51.2)	(144.7)	2,020.4	2,092.0
Deferred tax assets						
Unabsorbed capital allowances and tax losses	(17.1)	(31.1)	(5.4)	(22.4)	-	-
Revaluation of fuel hedging contracts to fair value	(19.3)	(153.0)	-	-	(16.1)	(125.7)
Revaluation of currency hedging contracts to fair value	(2.9)	(2.8)	-	-	(2.5)	(2.0)
Revaluation of interest rate swap contracts to fair value	(2.2)	(2.4)	2.0	-	(2.2)	-
Revaluation of interest rate cap contracts to fair value	-	(1.3)	-	-	-	(1.3)
Revaluation of available-for-sale financial assets to fair value	-	(1.0)	-	-	-	(0.4)
Other deferred tax assets	(63.1)	(162.0)	94.5	(18.9)	(54.0)	(146.7)
Gross deferred tax assets	(104.6)	(353.6)	91.1	(41.3)	(74.8)	(276.1)
Net deferred tax liabilities	2,296.6	2,222.0			1,945.6	1,815.9
Deferred tax charged/(credited) to profit and loss			39.9	(186.0)		
Deferred tax charged/(credited) to equity	34.7	(134.1)			88.4	185.2



**18 Long-Term Liabilities and Provisions (in \$ million)**

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Notes payable	900.0	1,100.0	900.0	900.0
Current	-	(200.0)	-	-
Non-current	900.0	900.0	900.0	900.0
Loans	-	44.0	-	-
Current	-	(32.7)	-	-
Non-current	-	11.3	-	-
Finance lease commitments	438.9	548.5	-	-
Current	(64.5)	(66.9)	-	-
Non-current	374.4	481.6	-	-
Provisions	199.2	155.9	142.6	114.8
Current	(35.5)	(35.3)	(9.5)	(26.7)
Non-current	163.7	120.6	133.1	88.1
Total long-term liabilities and provisions	1,438.1	1,513.5	1,033.1	988.1

**Notes payable**

Notes payable at 31 March 2010 comprise unsecured long-term notes issued by the Company, which bear fixed interest at 4.15% (2008-09: 4.15%) per annum and are repayable on 19 December 2011. Notes payable at 31 March 2009 included unsecured medium-term notes issued by SATS, which bore fixed interest at 3.00% per annum. The fair value of notes payable amounted to \$936.4 million for the Group (2009: \$1,109.3 million) and the Company (2009: \$909.0 million).

**Loans**

During the financial year, the Group repaid an unsecured loan of \$0.8 million which was a revolving credit facility denominated in USD taken by a subsidiary company bearing interest of 1.20% per annum over the bank prevailing Singapore Interbank Offered Rate. The Group also repaid unsecured revolving bank loans where interest was charged based on monthly floating rates and the effective interest rates ranged from 1.95% to 3.85% per annum.

Apart from the above loans, the remaining loans as at 31 March 2009 were related to SATS Group that was disposed during the financial year (Note 22).

\$17.8 million of the remaining loans were secured over property, plant and equipment and other assets of certain subsidiary companies with a total carrying value of \$141.2 million at 31 March 2009. Interest on these loans ranged from 1.50% to 10.20% per annum.

## notes to the financial statements

31 march 2010

### 18 Long-Term Liabilities and Provisions (in \$ million) (continued)

#### Loans (continued)

There were also two unsecured term loans amounting to \$3.4 million, which commenced on 10 April 2003 and 26 February 2008, and were repayable in 240 and 60 instalments respectively. Interest on the unsecured term loans were charged at the bank's prevailing prime rate on monthly rest. The effective interest rates ranged from 4.20% to 4.50% per annum.

	The Group 31 March	
	2010	2009
Not later than one year	-	32.7
Later than one year but not later than five years	-	9.2
Later than five years	-	2.1
	-	44.0

#### Finance leases commitments

Singapore Airlines Cargo Pte Ltd ("SIA Cargo") holds four B747-400 freighters under finance leases, which will mature between 2014 and 2018, without any options for renewal. Three leases have options for SIA Cargo to purchase the aircraft at the end of the lease period of 12 years. The fourth lease has an option for SIA Cargo to purchase the aircraft at the end of the 12th or 15th year of the lease period. Sub-leasing is allowed under the lease agreements.

The financing obligations for the first five years of three leases are secured by an aircraft pledged as collateral, until 2011. Replacement of the aircraft pledged as collateral by another aircraft is permitted under the mortgage agreement.

Interest rates on three of SIA Cargo's finance lease commitments are charged at a margin above the London Interbank Offered Rate ("LIBOR"). These ranged from 0.29% to 2.46% (2008-09: 2.20% to 3.78%) per annum. The interest rate on the remaining SIA Cargo's finance lease commitment is fixed at 5.81% (2008-09: 5.81%) per annum.

SIA Cargo continues to remain the primary obligor under the lease agreements and as such, there are unpaid lease commitments of \$87.8 million (2009: \$95.4 million) as at 31 March 2010. Out of this, \$59.1 million (2009: \$60.8 million) are covered by funds placed with financial institutions under defeasance to provide for payments due at time of exercise of purchase option at the end of the 12th year or 15th year of the lease period. The funds placed with financial institutions are expected to generate interest in order to meet the obligation at time of maturity. These arrangements have not been included in the financial statements.

The SIAEC Group has finance leases for certain equipment and vehicles which will mature between 2010 and 2011.

## 18 Long-Term Liabilities and Provisions (in \$ million) (continued)

### Finance leases commitments (continued)

Included in the previous financial year were finance lease agreements entered into by SATS Group for the lease of tractors for a period of 10 years from March 2008. The principal is payable by instalments over a period of 120 months, at an interest rate of 5.10% per annum. In addition, the SATS Group had finance leases for certain items of plant, machinery and equipment. These lease agreements did not have renewal clauses but provide the SATS Group with options to purchase the leased assets at nominal values at the end of the lease term.

Future lease payments under these finance leases are as follows:

	The Group 31 March			
	2010		2009	
	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal
Not later than one year	78.2	64.5	85.2	66.9
Later than one year but not later than five years	310.5	275.3	359.4	308.2
Later than five years	106.3	99.1	188.5	173.4
Total future lease payments	495.0	438.9	633.1	548.5
Amounts representing interest	(56.1)	-	(84.6)	-
Principal value of finance lease commitments	438.9	438.9	548.5	548.5

### Provisions

Included are provisions made for upgrade costs and return costs for aircraft under sales and leaseback arrangement. It is expected that the return costs will be incurred by the end of the lease terms.

An analysis of the provisions is as follows:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Balance at 1 April	155.9	134.3	114.8	110.2
Provision during the year	80.0	73.9	61.2	56.9
Provision utilised during the year	(35.8)	(53.5)	(32.5)	(53.5)
Exchange (gain)/loss	(0.9)	1.2	(0.9)	1.2
Balance at 31 March	199.2	155.9	142.6	114.8
Current	35.5	35.3	9.5	26.7
Non-current	163.7	120.6	133.1	88.1
	199.2	155.9	142.6	114.8

## notes to the financial statements

31 march 2010

## 19 Property, Plant and Equipment (in \$ million)

## The Group

	Aircraft	Aircraft spares	Aircraft spare engines
<b>Cost</b>			
At 1 April 2008	18,180.1	845.6	469.5
Additions	147.9	56.8	15.3
Acquisition of subsidiary companies	-	-	-
Transfer to investment properties	-	-	-
Transfers	2,113.7	-	(4.6)
Disposals	(1,734.7)	(152.8)	(43.1)
Exchange differences	-	-	-
At 31 March 2009	18,707.0	749.6	437.1
Additions	73.7	20.8	0.7
Disposal of a subsidiary company	-	-	-
Transfers	1,639.4	(0.2)	12.0
Transfer to intangible assets	-	-	-
Disposals	(377.3)	(55.6)	(25.0)
Exchange differences	-	-	-
At 31 March 2010	20,042.8	714.6	424.8
<b>Accumulated depreciation and impairment loss</b>			
At 1 April 2008	5,634.2	508.4	170.4
Depreciation	1,427.1	30.3	43.7
Impairment loss	41.4	-	-
Acquisition of subsidiary companies	-	-	-
Transfer to investment properties	-	-	-
Transfers	5.5	-	(5.5)
Disposals	(849.4)	(122.8)	(32.1)
Exchange differences	-	-	-
At 31 March 2009	6,258.8	415.9	176.5
Depreciation	1,509.1	27.7	54.1
Impairment loss	3.3	2.8	-
Disposal of a subsidiary company	-	-	-
Transfers	7.1	(0.1)	(7.0)
Disposals	(210.4)	(41.6)	(21.4)
Exchange differences	-	-	-
At 31 March 2010	7,567.9	404.7	202.2
<b>Net book value</b>			
At 31 March 2009	12,448.2	333.7	260.6
At 31 March 2010	12,474.9	309.9	222.6

Freehold land	Freehold buildings	Leasehold land and buildings	Plant and equipment	Office and computer equipment	Advance and progress payments	Total
15.7	151.1	1,329.1	1,215.9	391.2	2,241.0	24,839.2
-	0.7	10.3	50.1	44.5	1,741.1	2,066.7
1.4	14.0	81.7	131.2	13.5	-	241.8
-	-	(16.3)	-	-	-	(16.3)
-	-	-	-	-	(2,109.1)	-
-	-	(11.3)	(17.1)	(44.3)	-	(2,003.3)
-	-	-	(0.2)	-	-	(0.2)
17.1	165.8	1,393.5	1,379.9	404.9	1,873.0	25,127.9
-	-	11.1	27.6	11.8	1,430.0	1,575.7
(1.4)	(14.7)	(807.1)	(625.5)	(45.7)	(5.3)	(1,499.7)
-	-	8.5	13.4	14.6	(1,687.7)	-
-	-	-	-	-	(1.8)	(1.8)
-	(0.4)	(31.9)	(48.0)	(55.5)	-	(593.7)
-	-	(0.3)	1.5	-	-	1.2
15.7	150.7	573.8	748.9	330.1	1,608.2	24,609.6
-	98.3	668.3	953.5	332.0	-	8,365.1
-	4.4	43.0	75.3	25.6	-	1,649.4
-	-	-	-	-	-	41.4
-	1.8	47.3	102.7	11.1	-	162.9
-	-	(9.0)	-	-	-	(9.0)
-	-	-	-	-	-	-
-	-	(11.5)	(16.3)	(44.0)	-	(1,076.1)
-	-	1.2	0.4	0.2	-	1.8
-	104.5	739.3	1,115.6	324.9	-	9,135.5
-	4.3	29.4	73.2	15.8	-	1,713.6
-	-	-	-	-	-	6.1
-	(1.9)	(357.2)	(520.5)	(22.7)	-	(902.3)
-	-	-	-	-	-	-
-	(0.4)	(31.1)	(45.5)	(55.2)	-	(405.6)
-	-	(0.3)	(1.3)	-	-	(1.6)
-	106.5	380.1	621.5	262.8	-	9,545.7
17.1	61.3	654.2	264.3	80.0	1,873.0	15,992.4
15.7	44.2	193.7	127.4	67.3	1,608.2	15,063.9

## notes to the financial statements

31 march 2010

## 19 Property, Plant and Equipment (in \$ million) (continued)

## The Company

	Aircraft	Aircraft spares	Aircraft spare engines
Cost			
At 1 April 2008	14,852.4	739.2	375.2
Additions	99.6	25.8	0.2
Transfers	1,974.5	-	(2.9)
Disposals	(1,505.0)	(146.1)	(32.8)
At 31 March 2009	15,421.5	618.9	339.7
Additions	47.7	12.2	-
Transfers	1,529.6	(0.2)	(19.3)
Disposals	(371.7)	(54.4)	(25.0)
At 31 March 2010	16,627.1	576.5	295.4
Accumulated depreciation and impairment loss			
At 1 April 2008	4,658.7	471.5	128.1
Depreciation	1,202.9	19.7	30.8
Impairment loss	41.4	-	-
Transfers	(2.1)	-	2.1
Disposals	(692.0)	(118.9)	(32.2)
At 31 March 2009	5,208.9	372.3	128.8
Depreciation	1,263.8	19.5	27.7
Impairment loss	3.3	2.8	-
Transfers	8.6	-	(8.6)
Disposals	(205.0)	(41.4)	(21.2)
At 31 March 2010	6,279.6	353.2	126.7
Net book value			
At 31 March 2009	10,212.6	246.6	210.9
At 31 March 2010	10,347.5	223.3	168.7

Freehold land	Freehold buildings	Leasehold land and buildings	Plant and equipment	Office and computer equipment	Advance and progress payments	Total
15.7	151.1	351.7	408.3	307.4	2,096.2	19,297.2
-	-	-	18.4	40.8	1,513.8	1,698.6
-	-	-	-	-	(1,971.6)	-
-	-	(10.0)	(3.1)	(40.2)	-	(1,737.2)
15.7	151.1	341.7	423.6	308.0	1,638.4	19,258.6
-	-	-	2.1	10.2	1,284.3	1,356.5
-	-	-	11.6	14.6	(1,536.3)	-
-	(0.4)	-	(9.8)	(51.1)	-	(512.4)
15.7	150.7	341.7	427.5	281.7	1,386.4	20,102.7
-	98.3	288.0	328.3	265.3	-	6,238.2
-	4.3	8.9	20.0	19.4	-	1,306.0
-	-	-	-	-	-	41.4
-	-	-	-	-	-	-
-	-	(10.0)	(3.1)	(40.0)	-	(896.2)
-	102.6	286.9	345.2	244.7	-	6,689.4
-	4.3	8.9	19.5	26.7	-	1,370.4
-	-	-	-	-	-	6.1
-	-	-	-	-	-	-
-	(0.4)	-	(9.7)	(50.9)	-	(328.6)
-	106.5	295.8	355.0	220.5	-	7,737.3
15.7	48.5	54.8	78.4	63.3	1,638.4	12,569.2
15.7	44.2	45.9	72.5	61.2	1,386.4	12,365.4

## notes to the financial statements

31 march 2010

### 19 Property, Plant and Equipment (in \$ million) (continued)

	The Group 31 March	
	2010	2009
Net book value of property, plant and equipment acquired under finance leases:		
- aircraft	739.1	797.9
- plant and equipment	0.1	56.4
	739.2	854.3

Advance and progress payments comprise mainly purchases of aircraft and related equipment.

#### Property, plant and equipment pledged as security

	The Group 31 March	
	2010	2009
Net book value of:		
- plant and equipment	-	21.6
- freehold land	-	1.4
- freehold buildings	-	12.8
- leasehold buildings	-	10.2
	-	46.0

The property, plant and equipment mortgaged under bank loans were related to a subsidiary company that was disposed during the financial year (Note 22).



## 20 Intangible Assets (in \$ million)

### The Group

	Goodwill arising on consolidation	Computer software	Brands	Customer relationships	Licences	Deferred engine development cost	Advance and progress payments	Total
<b>Cost</b>								
At 1 April 2008	1.5	403.0	-	-	1.3	-	-	405.8
Additions:								
- Internal development	-	21.6	-	-	-	-	-	21.6
- Acquisition of subsidiary companies	239.3	-	126.6	77.5	27.3	-	-	470.7
- Acquisition of minority interest	1.7	-	-	-	-	-	-	1.7
Disposals	-	(2.3)	-	-	-	-	-	(2.3)
Exchange differences	-	-	(1.6)	(0.4)	-	-	-	(2.0)
At 31 March 2009	242.5	422.3	125.0	77.1	28.6	-	-	895.5
Additions	-	20.0	-	-	-	12.1	3.0	35.1
Disposal of a subsidiary company	(242.5)	(44.1)	(142.7)	(82.3)	(27.3)	-	-	(538.9)
Disposals	-	(33.6)	-	-	-	-	-	(33.6)
Transfer	-	0.5	-	-	-	-	(0.5)	-
Transfer from property, plant and equipment	-	-	-	-	-	-	1.8	1.8
Exchange differences	-	0.9	17.7	5.2	-	-	-	23.8
At 31 March 2010	-	366.0	-	-	1.3	12.1	4.3	383.7
<b>Accumulated amortisation</b>								
At 1 April 2008	0.2	299.0	-	-	-	-	-	299.2
Amortisation	-	42.3	-	2.9	0.3	-	-	45.5
Disposals	-	(2.2)	-	-	-	-	-	(2.2)
At 31 March 2009	0.2	339.1	-	2.9	0.3	-	-	342.5
Amortisation	-	33.8	0.7	7.2	1.0	-	-	42.7
Disposal of a subsidiary company	(0.2)	(37.4)	(0.7)	(10.1)	(1.0)	-	-	(49.4)
Disposals	-	(33.5)	-	-	-	-	-	(33.5)
Exchange differences	-	0.6	-	-	-	-	-	0.6
At 31 March 2010	-	302.6	-	-	0.3	-	-	302.9
<b>Net book value</b>								
At 31 March 2009	242.3	83.2	125.0	74.2	28.3	-	-	553.0
At 31 March 2010	-	63.4	-	-	1.0	12.1	4.3	80.8

## notes to the financial statements

31 march 2010

### 20 Intangible Assets (in \$ million) (continued)

#### **The Group (continued)**

##### Goodwill arising on consolidation

In 2002-03, SATS acquired 66.7% equity interest in Country Foods Pte Ltd at a cost of \$6.0 million. Goodwill on acquisition of \$1.5 million was capitalised and amortised in financial years 2003-04 (\$0.1 million) and 2004-05 (\$0.1 million).

During the previous financial year, SATS acquired 100.0% equity interest in Singapore Food Industries Limited ("SFI"). Goodwill of \$239.3 million arose from the acquisition and was attributable to the fair value of improved resilience to sector specific volatilities and significant synergies expected to arise after the acquisition.

##### Brands, customer relationships and licences

In 2007-08, SIAEC acquired 100.0% equity interest in Aircraft Maintenance Service Australia Pty Ltd. Upon acquisition, licences to operate in Australia were capitalised.

Upon acquisition of SFI, intangible assets relating to brands, customer relationships and licences were capitalised.

Brands relate to the "New Covent Garden", "Johnsons" and "Farmhouse Fare" brand names for SATS Group's food preparation, manufacturing and processing operations. The useful life of the first two brands was estimated to be indefinite while "Farmhouse Fare" brand name had estimated useful life of 17 years.

The customer relationships relate to the economic benefits that were expected to derive from trading with the existing customers in the Singapore and United Kingdom ("UK") operations. The relationships included catering and supply contracts with customers as well as other non-contractual customer relationships which past transactions provided evidences that SATS Group was able to benefit from the future economic inflows from such relationships.

Licences refer to the abattoir and hog auction licence granted by the Agri-Food and Veterinary Authority of Singapore and transferable fishing licence in Australia.

**20 Intangible Assets (in \$ million) (continued)****The Company**

	<b>Computer software</b>	
	<b>31 March</b>	
	<b>2010</b>	<b>2009</b>
Cost		
At 1 April	308.2	293.0
Additions	15.9	15.2
Disposal	(31.1)	-
At 31 March	293.0	308.2
Accumulated amortisation		
At 1 April	243.3	214.0
Amortisation	25.7	29.3
Disposal	(31.0)	-
At 31 March	238.0	243.3
Net book value	55.0	64.9

**21 Investment Properties (in \$ million)**

	<b>The Group</b>	
	<b>31 March</b>	
	<b>2010</b>	<b>2009</b>
Balance at 1 April	7.0	-
Transfer from property, plant and equipment	-	7.3
Disposal of a subsidiary company	(6.8)	-
Depreciation	(0.2)	(0.3)
Balance at 31 March	-	7.0
Cost	-	16.3
Accumulated depreciation	-	(9.3)
Net book value	-	7.0

The property rental income earned by the Group for the year ended 31 March 2010 from its investment properties which are leased out under operating leases, amounted to \$2.5 million (2008-09: \$2.1 million).

Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties amounted to \$0.8 million (2008-09: \$0.7 million).

The investment properties were related to SATS Group that was disposed during the financial year (Note 22). The Group estimated the fair value of the investment properties as at 31 March 2009 to approximate the net book value.

# notes to the financial statements

31 march 2010

## 22 Subsidiary Companies (in \$ million)

	The Company	
	31 March	
	2010	2009
Investment in subsidiary companies (at cost)		
Quoted equity investments	#	**
Unquoted equity investments	1,772.4	1,772.4
	1,772.4	1,772.4
Accumulated impairment loss	(16.6)	(16.6)
	1,755.8	1,755.8
Loan to a subsidiary company	50.0	25.0
	1,805.8	1,780.8
Funds from subsidiary companies	(1,166.7)	(1,426.6)
Amounts owing to subsidiary companies	(131.3)	(171.2)
	(1,298.0)	(1,597.8)
Amounts owing by subsidiary companies	141.0	284.6
Market value of quoted equity investments	3,088.5	2,679.6

\* The value is \$1.

\*\* The value is \$2.

During the financial year:

1. SIAEC injected an additional \$1.9 million in SIA Engineering Philippines ("SIAE(PH)"). There was no change in SIAEC's 65.0% equity stake in SIAE(PH).
2. SIAEC incorporated two special-purpose, wholly-owned subsidiary companies, NexGen Network (1) Holding Pte Ltd ("NGN1") and NexGen Network (2) Holding Pte Ltd ("NGN2"), to hold investment in the C-series and MRJ aircraft engine programmes. SIAEC injected an initial investment of \$3.8 million and \$8.4 million in NGN1 and NGN2 respectively.

There are two unsecured loans to a subsidiary company, due for repayment in 2011 and 2014 respectively. Interests on these loans are computed using SGD Swap-Over Rates plus an agreed margin. The loans are denominated in SGD and interest rates ranged from 1.84% to 4.01% (2008-09: 2.75% to 2.95%) per annum. Net carrying amount of the loans approximate the fair value as interest rates implicit in the loans approximate market interest rate.

## 22 Subsidiary Companies (in \$ million) (continued)

Funds from subsidiary companies are unsecured and have varying repayment terms. Interest on funds from subsidiary companies are computed using prevailing market rates which range from 0.03% to 1.00% (2008-09: 0.03% to 1.75%) per annum for SGD funds, from 0.09% to 1.85% (2008-09: 0.03% to 6.30%) per annum for USD funds and from 2.80% to 4.03% (2008-09: 3.05% to 7.45%) per annum for AUD funds.

As at 31 March 2010, the composition of funds from subsidiary companies held in foreign currencies by the Company is as follows: USD – 21.0% (2009: 9.4%) and AUD – 0.7% (2009: 0.4%).

Amounts owing to/by subsidiary companies are unsecured, trade-related, non-interest bearing and are repayable on demand. The amounts owing by subsidiary companies are neither overdue nor impaired.

### Disposal of a subsidiary company

Pursuant to the dividend *in specie* distribution on 1 September 2009, the Company had disposed of its entire shareholdings in SATS.

The Group's share of net assets of SATS as at 1 September 2009 were:

Property, plant and equipment	597.4
Investment properties	6.8
Intangible assets	489.5
Associated companies	331.5
Joint venture companies	0.1
Other non-current assets	19.9
Trade and other debtors	297.3
Cash and cash equivalents	301.9
	<hr/>
	2,044.4
	<hr/>
Minority interests	290.2
Other non-current liabilities	131.3
Trade and other creditors	476.6
	<hr/>
	898.1
	<hr/>
Net identifiable assets	1,146.3

## notes to the financial statements

31 march 2010

### 22 Subsidiary Companies (in \$ million) (continued)

The subsidiary companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group	
			2010	2009
SIA Engineering Company Limited	Engineering services	Singapore	80.5	80.7
Aircraft Maintenance Services Australia Pty Ltd*	Providing aircraft maintenance services, including technical and non-technical handling at the airport	Australia	80.5	80.7
NexGen Network (1) Holding Pte Ltd@	Investment holding	Singapore	80.5	-
NexGen Network (2) Holding Pte Ltd@	Investment holding	- do -	80.5	-
SIA Engineering (USA), Inc.@@	Providing aircraft maintenance services, including technical and non-technical handling at the airport	United States of America	80.5	80.7
SIAEC Global Pte Ltd	Investment holding	Singapore	80.5	80.7
SIA Engineering (Philippines) Corporation*	Providing airframe maintenance and component overhaul services	Philippines	52.3	52.5
Singapore Jamco Pte Ltd	Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys	Singapore	52.3	52.5
Aerospace Component Engineering Services Pte Ltd	Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft	- do -	41.1	41.2
Aviation Partnership (Philippines) Corporation*	Providing aircraft maintenance services, including technical and non-technical handling at the airport	Philippines	41.1	41.2
Singapore Airlines Cargo Pte Ltd	Air cargo transportation	Singapore	100.0	100.0
Cargo Community Network Pte Ltd	Providing and marketing of Cargo Community Systems	- do -	51.0	51.0
Cargo Community (Shanghai) Co Ltd**	Marketing and support of portal services for the air cargo industry	People's Republic of China	51.0	51.0
SilkAir (Singapore) Private Limited	Air transportation	Singapore	100.0	100.0
Tradewinds Tours & Travel Private Limited	Tour wholesaling	- do -	100.0	100.0
Singapore Aviation and General Insurance Company (Pte) Limited	Aviation insurance	- do -	100.0	100.0
SIA Properties (Pte) Ltd	Inactive	- do -	100.0	100.0

## 22 Subsidiary Companies (in \$ million) (continued)

	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group	
			2010	2009
Singapore Flying College Pte Ltd	Training of pilots	Singapore	100.0	100.0
Sing-Bi Funds Private Limited	Inactive	- do -	100.0	100.0
Singapore Airport Duty-Free Emporium (Private) Limited	Inactive	- do -	76.0	95.3
Abacus Travel Systems Pte Ltd	Marketing of Abacus Computer reservations systems	- do -	61.0	61.0
SIA (Mauritius) Ltd@@	Pilot recruitment	Mauritius	100.0	100.0
The following companies are part of SATS Group which was disposed during the financial year:				
Singapore Airport Terminal Services Limited	Investment holding	Singapore	-	80.6
Aero Laundry & Linen Services Private Limited	Providing and selling laundry and linen services	- do -	-	80.6
Asia-Pacific Star Pte Ltd	Dormant	- do -	-	80.6
Country Foods Pte Ltd	Manufacturing of chilled, frozen and processed foods	- do -	-	80.6
Country Foods Macau Limited*	Processing and packaging of food and beverage products	Macau	-	41.1
SATS Airport Services Pte Ltd	Airport ground handling services	Singapore	-	80.6
SATS Catering Pte Ltd	Inflight catering services	- do -	-	80.6
SATS Hong Kong Limited*	Aircraft ramp handling and passenger services	Hong Kong	-	80.6
SATS Security Services Pte Ltd	Aviation security services	Singapore	-	80.6
Singapore Food Industries Limited#	Food distribution and processing of food	- do -	-	80.6
International Cuisine Limited and its subsidiary companies**	Production and marketing of chilled ready cooked food	United Kingdom	-	80.6
Cresset Limited**	Manufacture of food products and chilled ready cooked food	Republic of Ireland	-	80.6
Swissco Limited**	In liquidation	- do -	-	80.6
Swissco Manufacturing Limited**	Purchase of goods and services	- do -	-	80.6
Myanmar ST Food Industries Ltd**	Dormant	Myanmar	-	80.6
Primary Industries (Qld) Pty Ltd and its subsidiary companies**	Providing of land logistics support	Australia	-	80.6
Urangan Fisheries Pty Ltd**	Processing of seafood	- do -	-	41.1
S Daniels plc and its subsidiary companies**	Investment holding	United Kingdom	-	80.6
All Square Foods Limited**	Inactive	- do -	-	80.6
Bilash Foods Limited**	Inactive	- do -	-	80.6

## notes to the financial statements

31 march 2010

## 22 Subsidiary Companies (in \$ million) (continued)

	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group	
			2010	2009
Brash Brothers Limited**	Inactive	United Kingdom	-	80.6
Daniels Chilled Foods Limited**	Production and marketing of chilled soup, freshly squeezed juices, fresh salads and sandwich fillings	- do -	-	80.6
Daniels Foods Limited**	Inactive	- do -	-	80.6
Daniels Group Limited**	Inactive	- do -	-	80.6
Farmhouse Fare Limited**	Manufacture and sale of pudding	- do -	-	80.6
Get Fresh Limited**	Inactive	- do -	-	80.6
Johnsons Fresh Products Limited**	Inactive	- do -	-	80.6
Johnsons Freshly Squeezed Juice Limited**	Inactive	- do -	-	80.6
Juice Limited**	Inactive	- do -	-	80.6
New Covent Garden Food Company Limited**	Inactive	- do -	-	80.6
Sun-ripe Limited**	Inactive	- do -	-	80.6
The New Covent Garden Soup Company Limited**	Inactive	- do -	-	80.6
SFI Food Pte Ltd#	Providing technical and management services for agri-food business	Singapore	-	80.6
SFI Manufacturing Pte Ltd#	Supply of food product	- do -	-	80.6
Singapore Food Development Pte Ltd#	Investment holding	- do -	-	80.6
Singfood Pte Ltd#	Contract manufacturing of food products	- do -	-	80.6
Shanghai ST Food Industries Co., Ltd**	Manufacture and sale of frozen foodstuff	People's Republic of China	-	77.4
Primary Industries Pte Ltd and its subsidiary companies#	Providing abattoir services	Singapore	-	63.3
Farmers Abattoir Pte Ltd#	Abattoir related activities	- do -	-	63.3
Hog Auction Market Pte Ltd#	Auctioneers of pigs	- do -	-	63.3
Aerolog Express Pte Ltd	Airport cargo delivery management services	- do -	-	56.4

All the Singapore-incorporated subsidiary companies are audited by Ernst & Young LLP, Singapore

\* Audited by member firms of Ernst & Young

\*\* Audited by Grant Thornton

# Audited by KPMG LLP, Singapore

\*\* Audited by member firms of KPMG

@ Company newly incorporated and not audited during the financial year

@@ Not required to be audited in country of incorporation



**23 Associated Companies (in \$ million)**

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Share of net assets of associated companies at acquisition date	427.2	324.0	-	-
Goodwill on acquisition of associated companies	1,677.2	1,759.6	-	-
Unquoted investments at cost	2,104.4	2,083.6	1,725.1	1,592.1
Accumulated impairment loss	(15.2)	(18.5)	(9.4)	(9.4)
	2,089.2	2,065.1	1,715.7	1,582.7
Goodwill written-off to reserves	(1,612.3)	(1,613.0)	-	-
Accumulated amortisation of intangible assets	-	(43.2)	-	-
Foreign currency translation reserve	(136.3)	(122.7)	-	-
Share of post-acquisition reserves				
- general reserve	46.9	268.6	-	-
- fair value reserve	72.8	72.0	-	-
- capital reserve	72.3	90.0	-	-
	532.6	716.8	1,715.7	1,582.7
Loans to associated companies	4.5	143.0	-	137.1
Write-down of loans	(4.5)	(4.5)	-	-
	-	138.5	-	137.1
	532.6	855.3	1,715.7	1,719.8
Amounts owing by associated companies	-	0.4	-	-
Amounts owing to associated companies	(2.0)	(0.6)	-	-
Amounts owing to associated companies, net	(2.0)	(0.2)	-	-

During the financial year:

1. RCMS Properties Private Limited recorded a revaluation loss of \$88.6 million (2008-09: \$29.4 million) from its annual revaluation exercise of its land and building. The Group's share of the revaluation loss of \$17.7 million at 31 March 2010 (2009: \$5.9 million) is included under the share of post-acquisition capital reserve.
2. SIAEC acquired a 49.0% stake in SAFRAN Electronics Asia Pte Ltd.
3. Tiger Airways Holdings Limited ("TIG") was listed on the SGX-ST in January 2010 and pursuant to the listing, the Group's shareholdings in TIG decreased from 49.0% to 34.0%. As a result, the Group recognised a surplus on dilution of interest of \$80.5 million in the general reserves. Subsequent to the public listing, the Group's shareholdings in TIG was further reduced to 33.7% due to share options exercised.
4. The Group has not recognised net liabilities relating to an associated company where its share of net liabilities exceeds the Group's interest in this associated company. The Group's cumulative share of net liabilities at the end of the reporting period was \$73.8 million (2009: \$185.6 million). The Group has no obligation in respect of these unrecognised liabilities.

## notes to the financial statements

31 march 2010

### 23 Associated Companies (in \$ million) (continued)

The customer-related intangible assets arose from SATS' acquisition of associated companies. SATS had engaged an independent third party to perform a fair valuation of these separately identified intangible assets. The useful life of these intangible assets was determined to be five years and the assets will be amortised on a straight-line basis over the useful life. The amortisation is included in the line of share of profits of associated companies in the consolidated profit and loss account. Subsequent to the disposal of SATS, there are nil balances for the intangible assets and related accumulated amortisation.

Loans to associated companies are unsecured and have no foreseeable terms of repayments. Accordingly, the fair values of the loans are not determinable as the timing of future cash flows arising from the loans cannot be estimated reliably.

Loans to associated companies of \$4.5 million were repaid during the financial year.

An amount of \$133.0 million, which was previously recorded as a loan, has been reclassified as cost of investment. This amount represents cumulative redeemable preference shares issued by Virgin Atlantic Limited ("VAL"). On 20 October 2009, the terms and conditions of the cumulative preference shares were changed to remove the automatic right of the preference shareholders to receive cumulative dividends and VAL had accordingly reclassified the liability in their books to share capital.

The cumulative redeemable preference shares carry no entitlement to vote at meetings. On a winding up of VAL, the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, the amount paid up on any share including any amount paid up by way of share premium plus any arrears or accruals of dividend declared but not paid on the due date.

Amounts owing to/by associated companies are unsecured, trade-related, non-interest bearing and are repayable on demand.

The summarised financial information of the associated companies, not adjusted for the proportion of ownership interest held by the Group, are as follows:

	The Group 31 March	
	2010	2009
<u>Assets and liabilities</u>		
Current assets	2,969.5	3,833.7
Non-current assets	1,969.1	2,661.3
	4,938.6	6,495.0
Current liabilities	(2,308.2)	(3,976.4)
Non-current liabilities	(1,127.3)	(1,197.1)
	(3,435.5)	(5,173.5)
	<b>2009-10</b>	<b>2008-09</b>
<u>Results</u>		
Revenue	6,364.2	7,702.1
Loss for the period	(25.8)	(28.2)

### 23 Associated Companies (in \$ million) (continued)

The associated companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group	
			2010	2009
Service Quality (SQ) Centre Pte Ltd®	Quality service training	Singapore	50.0	50.0
Virgin Atlantic Limited <sup>++</sup>	Air transportation	United Kingdom	49.0	49.0
Tiger Airways Holdings Limited®	Investment holding	Singapore	33.7	49.0
RCMS Properties Private Limited <sup>+++</sup>	Hotel ownership and management	- do -	20.0	20.0
Combustor Airmotive Services Pte Ltd <sup>+++</sup>	Repair and overhaul of aircraft engine combustion chambers, guides, fuel nozzles and related parts	- do -	39.5	39.5
Eagle Services Asia Private Limited <sup>+++</sup>	Repair and overhaul of aircraft engines	- do -	39.5	39.5
Fuel Accessory Service Technologies Pte Ltd <sup>+++</sup>	Repair and overhaul of engine fuel components and accessories	- do -	39.5	39.5
PT JAS Aero-Engineering Services <sup>###</sup>	Providing aircraft maintenance services, including technical and non-technical handling at the airport	Indonesia	39.5	39.5
PWA International Limited <sup>++++</sup>	Repair, overhaul and re-manufacture of aircraft turbine engine cases, components and related parts	Republic of Ireland	39.5	39.5
Safran Electronics Asia Pte Ltd <sup>@@@+</sup>	Providing avionics maintenance, repair and overhaul services	Singapore	39.5	-
Pan Asia Pacific Aviation Services Ltd <sup>@@@</sup>	Providing aircraft maintenance services, including technical and non-technical handling at the airport	Hong Kong	37.9	38.0
Jamco Aero Design & Engineering Private Limited <sup>^</sup>	Providing turnkey solutions for aircraft interior modifications	Singapore	36.2	36.3
Messier Services Asia Private Limited <sup>####</sup>	Repair and overhaul of Boeing and Airbus series landing gears	- do -	32.2	32.3
Goodrich Aerostructures Services Asia Pte Ltd <sup>@@+</sup>	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	- do -	32.2	32.3
Asian Surface Technologies Pte Ltd <sup>@@@+</sup>	Repair and overhaul of aircraft engine fan blades	- do -	31.6	31.6
International Aerospace Tubes-Asia Pte Ltd <sup>+++</sup>	Repair of tubes, ducts and manifolds for aircraft engines and airframe application	- do -	26.8	26.9
Asian Compressor Technology Services Co Ltd <sup>+++</sup>	Repair and overhaul of aircraft engines high pressure compressor stators	Taiwan	19.7	19.8
Turbine Coating Services Private Ltd <sup>+++</sup>	Repair and overhaul of aircraft engine turbine airfoils	Singapore	19.7	19.8
PT Purosani Sri Persada	Hotel ownership and management	Indonesia	20.0	20.0
Great Wall Airlines Company Limited <sup>++</sup>	Air cargo transportation	People's Republic of China	25.0	25.0

## notes to the financial statements

31 march 2010

## 23 Associated Companies (in \$ million) (continued)

Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group		
		2010	2009	
The following companies are part of SATS Group which was disposed during the financial year:				
PT Jasa Angkasa Semesta Tbk <sup>+++</sup>	Ground and cargo handling services	Indonesia	-	40.1
Asia Airfreight Terminal Co Ltd*	Air cargo handling services	Hong Kong	-	39.5
Aviserv Ltd <sup>****</sup>	Inflight catering services	Pakistan	-	39.5
Servair-SATS Holding Company Pte Ltd <sup>****</sup>	Investment holding company	Singapore	-	39.5
Taj SATS Air Catering Limited <sup>#</sup>	Catering services	India	-	39.5
Beijing Airport Inflight Kitchen Ltd <sup>***</sup>	Inflight catering services	People's Republic of China	-	32.2
Beijing Aviation Ground Services Co., Ltd <sup>***</sup>	Airport ground handling services	- do -	-	32.2
Maldives Inflight Catering Private Limited <sup>@@</sup>	Inflight catering services	Maldives	-	28.2
Taj Madras Flight Kitchen Pvt Limited <sup>#</sup>	Inflight catering services	India	-	24.2
Tan Son Nhat Cargo Services Ltd <sup>+++</sup>	Air cargo handling services	Vietnam	-	24.2
Evergreen Air Cargo Services Corporation <sup>^^+</sup>	Air cargo handling services	Taiwan	-	20.2
Evergreen Airline Services Corporation <sup>#+</sup>	Airport ground handling services	- do -	-	16.1
MacroAsia Catering Services, Inc. <sup>****</sup>	Inflight catering services	Philippines	-	16.1

@ Audited by Ernst & Young LLP, Singapore

@@ Audited by member firms of Ernst & Young

@@@ Audited by RSM Chio Lim, Singapore

@@@@ Audited by BDO Limited, Hong Kong

\* Audited by member firms of KPMG

\*\* Audited by Messrs Riaz Ahmed, Saqib, Gohar and Co, Pakistan

\*\*\* Audited by Zhongrui Yuehua Certified Public Accountants Co., Ltd

\*\*\*\* Audited by Sycip Gorres Velayo & Co

^ Audited by Pricewaterhouse Coopers LLP, Singapore

^^ Audited by member firms of Pricewaterhouse Coopers

# Audited by member firms of Deloitte Touche Tohmatsu

## Audited by Deloitte and Touche LLP, Singapore

+ Financial year end 28 February

++ Financial year end 31 December

+++ Financial year end 30 November

**24 Joint Venture Companies (in \$ million)**

	The Group 31 March	
	2010	2009
Investment in joint venture companies (unquoted, at cost)	56.6	56.9
Share of post-acquisition reserves		
- general reserve	66.6	74.7
- foreign currency translation reserve	(14.6)	(4.1)
	108.6	127.5

The Group's share of the consolidated assets and liabilities, and results of joint venture companies are as follows:

	The Group 31 March	
	2010	2009
<u>Assets and liabilities</u>		
Current assets	139.4	177.7
Non-current assets	74.8	63.8
	214.2	241.5
Current liabilities	(63.0)	(80.4)
Non-current liabilities	(42.6)	(33.6)
	(105.6)	(114.0)
	<b>2009-10</b>	<b>2008-09</b>
<u>Results</u>		
Revenue	595.6	654.6
Expenses	(539.5)	(590.7)
	56.1	63.9

## notes to the financial statements

31 march 2010

### 24 Joint Venture Companies (in \$ million) (continued)

The joint venture companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Percentage of equity held by the Group	
			2010	2009
International Engine Component Overhaul Pte Ltd**	Repair and overhaul of aero engine components and parts	Singapore	40.3	40.4
Singapore Aero Engine Services Private Limited**	Repair and overhaul of aircraft engines	- do -	40.3	40.4
SembCorp Network Pte Ltd***@	Provision of logistics support and services	- do -	-	40.3

\* Audited by Ernst & Young LLP, Singapore

\*\* Audited by KPMG LLP, Singapore

+ Financial year end 31 December

@ This company is part of SATS Group which was disposed during the financial year

### 25 Long-Term Investments (in \$ million)

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Unquoted equity investments	44.5	52.4	28.0	28.0
Accumulated impairment loss	(9.2)	(9.2)	(9.2)	(9.2)
	35.3	43.2	18.8	18.8
Analysis of accumulated impairment loss:				
Balance at 1 April	9.2	9.1	9.2	9.1
Charged during the year	-	0.1	-	0.1
Balance at 31 March	9.2	9.2	9.2	9.2

During the previous financial year, the Group and the Company recorded an impairment loss in the profit and loss account of \$0.1 million pertaining to unquoted equity investments.

**26 Other Non-Current Assets (in \$ million)**

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Other receivables	114.4	391.6	114.4	391.6
Investments in companies pending incorporation	-	12.0	-	-
	114.4	403.6	114.4	391.6

The Group's other receivables are stated at amortised cost and are expected to be received over a period of 2 to 10 years. As at 31 March 2010 and 31 March 2009, the entire balance of other receivables is denominated in USD.

The remaining non-current assets as at the end of the previous financial year was related to capital expenditure incurred by SATS for the setting up of associated companies which were not legally incorporated as at 31 March 2009.

**27 Inventories (in \$ million)**

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Technical stocks and stores	368.5	383.4	297.7	321.4
Catering and general stocks	17.1	70.8	12.1	17.3
Work-in-progress	43.9	49.0	-	-
Total inventories at lower of cost and net realisable value	429.5	503.2	309.8	338.7

The cost of inventories recognised as an expense amounts to \$106.6 million (2008-09: \$107.7 million). In addition, the Group wrote down \$7.4 million (2008-09: \$22.7 million) of inventories which are recognised as other operating expenses in the profit and loss account.

## notes to the financial statements

31 march 2010

### 28 Trade Debtors (in \$ million)

The table below is an analysis of trade debtors as at 31 March:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Not past due and not impaired	1,236.0	1,330.5	925.2	961.2
Past due but not impaired	110.5	149.2	32.0	31.7
	1,346.5	1,479.7	957.2	992.9
Impaired trade debtors - collectively assessed	16.3	26.7	2.2	4.0
Less: Accumulated impairment losses	(15.0)	(21.3)	(1.4)	(3.0)
	1.3	5.4	0.8	1.0
Impaired trade debtors - individually assessed				
Customers in bankruptcy or other financial reorganisation	7.9	9.5	5.4	5.7
Customers who default in payment within stipulated framework of IATA Clearing House or Bank Settlement Plan	3.1	5.4	1.8	3.9
Less: Accumulated impairment losses	(11.0)	(14.5)	(7.2)	(8.6)
	-	0.4	-	1.0
Total trade debtors, net	1,347.8	1,485.5	958.0	994.9

Trade debtors are non-interest bearing. The carrying amount of trade debtors impaired by credit losses is reduced through the use of an allowance account unless the Group writes off the amount ascertained to be uncollectible. In subsequent periods when a trade debtor is ascertained to be uncollectible, it is written off against the allowance account.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days aging of debtor balances) are considered indicators that the trade debtor is impaired. Individual trade debtor is written off when management deems the amount not to be collectible.



**28 Trade Debtors (in \$ million) (continued)**

Trade debtors are stated after accumulated impairment losses. An analysis of the accumulated impairment losses is as follows:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Balance at 1 April	35.8	17.1	11.6	4.4
Charged/(Written back) during the year	-	12.3	(1.7)	7.2
Written off during the year	(2.7)	(0.6)	(1.3)	-
Disposal of a subsidiary company	(7.1)	-	-	-
Acquisition of a subsidiary company	-	7.0	-	-
Balance at 31 March	26.0	35.8	8.6	11.6
Bad debts written off directly to profit and loss account, net of debts recovered	0.8	2.4	0.7	1.2

As at 31 March 2010, the composition of trade debtors held in foreign currencies by the Group is as follows: USD – 40.1% (2009: 36.8%), AUD – 8.2% (2009: 7.1%), EUR – 7.4% (2009: 8.2%) and JPY – 3.7% (2009: 3.9%).

There was no loan to directors of the Company and its subsidiary companies in accordance with schemes approved by shareholders of the Company.

**29 Deposits and Other Debtors (in \$ million)**

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Deposits	17.0	203.3	10.7	194.3
Other debtors	49.3	38.6	31.2	13.3
	66.3	241.9	41.9	207.6

\$182.4 million margin calls were placed with a financial institution by the Group and the Company in the previous financial year. This amount was denominated in USD and had been refunded by the financial institution during the financial year.

## notes to the financial statements

31 march 2010

### 30 Investments (in \$ million)

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
<u>Available-for-sale investments</u>				
Quoted investments				
Government securities	11.6	10.4	-	-
Equity investments	34.1	20.1	-	-
Non-equity investments	14.9	104.8	-	87.7
	60.6	135.3	-	87.7
Unquoted investments				
Government securities	80.0	499.9	80.0	499.9
Non-equity investments	-	20.4	-	-
	80.0	520.3	80.0	499.9
	140.6	655.6	80.0	587.6

The Group's non-equity investments comprise investments in government securities and corporate bonds. During the previous financial year, the Group recorded an impairment loss in the profit and loss account of \$9.7 million pertaining to unquoted non-equity investments.

The interest rates for quoted and unquoted government securities range from 1.63% to 4.63% (2009: 1.63% to 4.63%) per annum and 0.19% to 0.60% (2009: 0.23% to 0.74%) per annum respectively. The interest rates for unquoted non-equity investments range from 1.81% to 4.00% per annum for the previous financial year.

### 31 Cash and Bank Balances (in \$ million)

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Fixed deposits	4,069.8	3,540.8	4,038.7	3,432.0
Cash and bank	402.1	307.2	222.0	26.0
	4,471.9	3,848.0	4,260.7	3,458.0

As at 31 March 2010, the composition of cash and bank balances held in foreign currencies by the Group is as follows: USD – 11.0% (2009: 21.6%), EUR – 1.5% (2009: 1.5%) and AUD – 1.2% (2009: 0.9%).

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 4.03% (2008-09: 0.02% to 7.50%) per annum. Short-term deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate for short-term deposits is 0.35% (2008-09: 1.14%) per annum.

**32 Trade and Other Creditors (in \$ million)**

Trade and other creditors are non-interest bearing. As at 31 March 2010, 9.6% (2009: 12.7%) of trade and other creditors were held in USD by the Group.

**33 Bank Overdrafts (in \$ million)**

There are no bank overdrafts for both the Group and the Company as at 31 March 2010.

Included in the Group's bank overdrafts as at 31 March 2009, was a secured banking facility of \$1.8 million offered to certain subsidiary companies. It was secured on the property, plant and equipment and other assets of these subsidiary companies with a total carrying value of \$141.2 million as at 31 March 2009. The effective interest rate ranged from 2.00% to 3.00% per annum.

The Company's bank overdrafts of \$7.5 million as at 31 March 2009 were unsecured. \$1.3 million of the bank overdrafts bore interest at a rate of 5.00% per annum.

As at 31 March 2009, the composition of bank overdrafts held in foreign currencies by the Group was as follows: GBP – 14.1% and AUD – 5.3%.

**34 Analysis of Capital Expenditure Cash Flow (in \$ million)**

	The Group 31 March	
	2009-10	2008-09
Purchase of property, plant and equipment	1,575.7	2,066.7
Property, plant and equipment acquired under credit terms	(15.4)	(35.6)
Cash invested in capital expenditure	1,560.3	2,031.1

**35 Capital and Other Commitments (in \$ million)****(a) Capital expenditure commitments**

The Group and the Company have commitments for capital expenditure. Such commitments aggregated \$7,581.7 million (2009: \$9,277.1 million) for the Group and \$6,839.8 million (2009: \$8,154.5 million) for the Company. The commitments relate principally to the acquisition of aircraft fleet and related equipment.

In addition, the Group's share of joint venture companies' commitments for capital expenditures totalled \$2.4 million (2009: \$21.8 million).

## notes to the financial statements

31 march 2010

### 35 Capital and Other Commitments (in \$ million) (continued)

#### (b) Operating lease commitments

##### As lessee

##### Aircraft

The Company has 2 B747-400, 4 B777-200, 3 B777-200ER, 7 B777-300, 11 A330-300 and 5 A380-800 aircraft under operating leases with fixed rental rates. Under 5 of the aircraft lease agreements, the rentals will be adjusted if one-month LIBOR exceeds 6.50% per annum. The original lease terms range from 5 to 10.5 years. In 5 of the aircraft lease agreements, the Company holds options to extend the leases for a further maximum period of 3 years and in 22 others, the Company holds the options to extend the leases for a further maximum period of 2 years. None of the operating lease agreements confer on the Company an option to purchase the related aircraft. Sub-leasing is allowed under all the lease arrangements.

SIA Cargo has 3 B747-400F aircraft under operating leases with fixed rental rates. The lease terms range from 10 to 11 years. In 1 of the aircraft lease agreements, SIA Cargo holds the option to extend the lease for a further maximum period of 2 years. For the other 2 agreements, there is no option for renewal. Sub-leasing is allowed under all the lease arrangements.

SilkAir (Singapore) Private Limited ("SilkAir") has 4 A320-232 and 2 A319-132 aircraft under operating leases with fixed rental rates. The lease terms for the 2 A319-132 aircraft are 5.5 years, which SilkAir holds an option to extend the leases for 1 year. The lease terms for 2 of the A320-232 aircraft are 4 and 4.5 years, which SilkAir holds an option to extend the leases for 4 years. The lease terms for the other 2 of the A320-232 aircraft are 7.5 and 8.5 years, which SilkAir holds an option to extend the leases for 2 to 5 years. None of the operating lease arrangements confer on SilkAir the option to purchase the related aircraft. Sub-leasing is allowed under all the lease arrangements.

Future lease payments under non-cancellable operating leases are as follows:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Not later than one year	575.0	591.8	516.9	488.0
Later than one year but not later than five years	1,735.9	1,758.7	1,540.8	1,522.7
Later than five years	530.7	867.1	475.5	792.1
	2,841.6	3,217.6	2,533.2	2,802.8

**35 Capital and Other Commitments (in \$ million) (continued)****(b) Operating lease commitments (continued)****As lessee (continued)**Property and equipment

The Group has entered into operating lease agreements for office and computer equipment, leasehold land and buildings. These non-cancellable leases have lease terms of between 1 to 30 years.

Future lease payments under non-cancellable operating leases are as follows:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Not later than one year	48.4	62.6	45.8	49.1
Later than one year but not later than five years	73.1	101.8	69.0	73.6
Later than five years	17.9	54.2	6.9	8.4
	139.4	218.6	121.7	131.1

The minimum lease payments recognised in the profit and loss account amounted to \$54.5 million (2008-09: \$63.7 million) and \$51.2 million (2008-09: \$53.3 million) for the Group and the Company respectively.

**As lessor**Aircraft

The Group had previously entered into a commercial aircraft lease. This non-cancellable lease has a remaining lease term of 5 years and 5 months. The lease rental is fixed throughout the lease term.

Future minimum lease receivables under non-cancellable operating leases are as follows:

	The Group 31 March	
	2010	2009
Not later than one year	13.6	-
Later than one year but not later than five years	54.5	59.1
Later than five years	5.7	20.9
	73.8	80.0

## notes to the financial statements

31 march 2010

### 36 Contingent Liabilities (in \$ million)

#### (a) Flight SQ006

There were 83 fatalities among 179 passengers and crew members aboard the Boeing 747 aircraft, Flight SQ006, that crashed on the runway at the Chiang Kai Shek International Airport, Taipei en route to Los Angeles on 31 October 2000. With the exception of one outstanding passenger claim, all the other lawsuits relating to the crash that were commenced against the Company by both the crew members and the other passengers or their next-of-kin have been settled. These claims are covered by the insurance coverage maintained by the Company and therefore have no material impact on its financial position.

#### (b) Cargo: Investigations by Competition Authorities and Civil Class Actions

SIA Cargo and the Company are among several airlines that have received notice of criminal and/or regulatory investigations by competition authorities in the US, European Union, Australia, Canada, New Zealand, South Africa, South Korea, and Switzerland on whether surcharges, rates or other competitive aspects of air cargo service were lawfully determined ("the air cargo issues"). These investigations remain ongoing. SIA Cargo and the Company are cooperating in relation to these inquiries concerning the air cargo issues.

In addition to the notices mentioned above, SIA Cargo and the Company are among several airlines to have received a Statement of Objections ("SO") from the European Commission ("EC") in December 2007. The SO sets out the EC's preliminary view of its case against the airlines with respect to alleged competition law infringements but does not prejudge the outcome. SIA Cargo and the Company responded to the SO in writing and during an oral hearing in the first half of 2008. The timing and content of any decision by the EC are uncertain, but a decision could be issued in the coming months.

In December 2008, the competition authorities in New Zealand and Australia initiated civil penalty proceedings concerning the air cargo issues. In New Zealand, a statement of claim was issued against fourteen airlines including both SIA Cargo and the Company. In Australia, statements of claim have been issued against nine airlines including SIA Cargo, but the competition authority has indicated that additional proceedings will be brought against other carriers. These proceedings are at a preliminary stage. An initial defence has been filed in both proceedings.

In October 2009, SIA Cargo was among several airlines to have received notification of alleged infringements in South Korea in the form of an Examiner's Report and Recommendations to the South Korean Fair Trade Commission ("KFTC"). The Examiner's Report is a preliminary document and does not constitute findings by the KFTC against SIA Cargo. SIA Cargo has provided its written response to the Examiner's Report and hearings are scheduled for May 2010. A decision is anticipated shortly thereafter, but the exact timing and content of any decision are uncertain.

After the investigations commenced, civil class action damages lawsuits were filed in the US, Canada, Australia and South Korea by external parties against several airlines, including SIA Cargo and the Company. These cases still remain in their respective procedural stages and none have been tried thus far on their respective substantive legal merits.

### 36 Contingent Liabilities (in \$ million) (continued)

#### (b) Cargo: Investigations by Competition Authorities and Civil Class Actions (continued)

As no competition authority has adopted any adverse decision against SIA Cargo and the Company, and as the civil class action suits have neither been tried on their respective substantive legal merits nor have damages been quantified, it is premature to make a determination regarding whether the investigations, proceedings or civil suits can be regarded as contingent liabilities and, therefore, no provision has been made in the financial statements.

#### (c) Passengers: Civil Class Actions and Investigations by Competition Authorities

The Company and several airlines have been named in civil class action damages lawsuits in the US and Canada alleging an unlawful agreement to fix surcharges and rates on transpacific flights. These cases are currently in procedural stages and none have been tried thus far on their respective substantive legal merits. The Company has also received notice of investigations by competition authorities in various jurisdictions concerning whether competitive aspects of passenger air travel services have been lawfully determined. The Company is cooperating with these criminal and regulatory investigations.

As the civil class action suits have neither been tried nor the damages quantified and the investigations by the competition authorities are ongoing, it is premature to make a determination regarding whether the civil suits or investigations can be regarded as contingent liabilities and, therefore, no provision has been made in the financial statements.

#### (d) Australian Travel Agents' Representative Actions

A former Australian travel agent, Leonie's Travel Pty Limited, filed a representative action in the Federal Court of Australia (New South Wales District Registry) on 15 December 2006 naming seven respondents [International Air Transport Association ("IATA"), Qantas Airways Limited, British Airways plc, Air New Zealand Limited, Singapore Airlines Limited, Malaysian Airline System Berhad, and Cathay Pacific Airways Limited] in a claim on behalf of Australian travel agents for alleged non-payment of commissions on fuel surcharges applied to passenger tickets issued in Australia from May 2004 onwards. IATA was subsequently removed from the proceedings.

In May 2007, the applicant's solicitors filed a fresh similar representative application on behalf of Paxtours International Travel Pty Ltd, another Australian travel agent, against Cathay Pacific Airways Limited and the Company. The Company denies the claims and, along with each of the named airlines, is defending the actions.

By agreement amongst the parties, the first case was heard with one airline from the respondent group as the lead defendant. The subsequent claims against the Company were put on hold until the first case is resolved.

In March 2009, the Court dismissed the first travel agent's claim. The agents appealed and on 4 May 2010 the Federal Court reversed the earlier decision. The other airline has 28 days from 4 May 2010 to appeal to the High Court of Australia.

In the meantime, there have been no substantive developments in the claim against the Company. The Company continues to deny the claim and is defending the action.

## notes to the financial statements

31 march 2010

**37 Financial Instruments (in \$ million)****(a) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

	Loans and receivables	Available- for-sale financial assets	Derivatives used for hedging	Financial liabilities at amortised cost	Derivatives at fair value through profit and loss	Total
<b>2010</b>						
<b>The Group</b>						
<b>Assets</b>						
Long-term investments	-	35.3	-	-	-	35.3
Other non-current assets	114.4	-	-	-	-	114.4
Trade debtors	1,289.8	-	50.3	-	7.7	1,347.8
Deposits and other debtors	66.3	-	-	-	-	66.3
Investments	-	140.6	-	-	-	140.6
Cash and bank balances	4,471.9	-	-	-	-	4,471.9
Total financial assets	5,942.4	175.9	50.3	-	7.7	6,176.3
Total non-financial assets						16,308.0
Total assets						22,484.3
<b>Liabilities</b>						
Notes payable	-	-	-	900.0	-	900.0
Finance lease commitments	-	-	-	438.9	-	438.9
Amounts owing to associated companies	-	-	-	2.0	-	2.0
Trade and other creditors	-	-	154.9	2,295.1	48.7	2,498.7
Total financial liabilities	-	-	154.9	3,636.0	48.7	3,839.6
Total non-financial liabilities						4,895.4
Total liabilities						8,735.0



## 37 Financial Instruments (in \$ million) (continued)

## (a) Classification of financial instruments (continued)

	Loans and receivables	Available- for-sale financial assets	Derivatives used for hedging	Financial liabilities at amortised cost	Total
<b>The Company</b>					
<b>Assets</b>					
Long-term investments	-	18.8	-	-	18.8
Other non-current assets	114.4	-	-	-	114.4
Trade debtors	913.1	-	44.9	-	958.0
Deposits and other debtors	41.9	-	-	-	41.9
Amounts owing by subsidiary companies	141.0	-	-	-	141.0
Investments	-	80.0	-	-	80.0
Cash and bank balances	4,260.7	-	-	-	4,260.7
Total financial assets	5,471.1	98.8	44.9	-	5,614.8
Total non-financial assets					16,333.7
Total assets					21,948.5
<b>Liabilities</b>					
Notes payable	-	-	-	900.0	900.0
Amounts owing to subsidiary companies	-	-	-	1,298.0	1,298.0
Trade and other creditors	-	-	121.1	1,755.5	1,876.6
Total financial liabilities	-	-	121.1	3,953.5	4,074.6
Total non-financial liabilities					4,390.6
Total liabilities					8,465.2

## notes to the financial statements

31 march 2010

## 37 Financial Instruments (in \$ million) (continued)

## (a) Classification of financial instruments (continued)

	Loans and receivables	Available- for-sale financial assets	Derivatives used for hedging	Financial liabilities at amortised cost	Derivatives at fair value through profit and loss	Total
<b>2009</b>						
<b>The Group</b>						
<b>Assets</b>						
Long-term investments	-	43.2	-	-	-	43.2
Other non-current assets	403.6	-	-	-	-	403.6
Trade debtors	1,264.5	-	194.6	-	26.4	1,485.5
Deposits and other debtors	241.9	-	-	-	-	241.9
Amounts owing by associated companies	0.4	-	-	-	-	0.4
Investments	-	655.6	-	-	-	655.6
Cash and bank balances	3,848.0	-	-	-	-	3,848.0
Total financial assets	5,758.4	698.8	194.6	-	26.4	6,678.2
Total non-financial assets						18,140.3
Total assets						24,818.5
<b>Liabilities</b>						
Notes payable	-	-	-	1,100.0	-	1,100.0
Loans	-	-	-	44.0	-	44.0
Finance lease commitments	-	-	-	548.5	-	548.5
Bank overdrafts	-	-	-	9.3	-	9.3
Amounts owing to associated companies	-	-	-	0.6	-	0.6
Trade and other creditors	-	-	928.2	2,616.2	37.1	3,581.5
Total financial liabilities	-	-	928.2	4,318.6	37.1	5,283.9
Total non-financial liabilities						5,044.2
Total liabilities						10,328.1

## 37 Financial Instruments (in \$ million) (continued)

## (a) Classification of financial instruments (continued)

	Loans and receivables	Available- for-sale financial assets	Derivatives used for hedging	Financial liabilities at amortised cost	Total
<b>The Company</b>					
<b>Assets</b>					
Long-term investments	-	18.8	-	-	18.8
Other non-current assets	391.6	-	-	-	391.6
Trade debtors	831.8	-	163.1	-	994.9
Deposits and other debtors	207.6	-	-	-	207.6
Amounts owing by					
subsidiary companies	284.6	-	-	-	284.6
Investments	-	587.6	-	-	587.6
Cash and bank balances	3,458.0	-	-	-	3,458.0
Total financial assets	5,173.6	606.4	163.1	-	5,943.1
Total non-financial assets					16,551.2
Total assets					22,494.3
<b>Liabilities</b>					
Notes payable	-	-	-	900.0	900.0
Bank overdrafts	-	-	-	7.5	7.5
Amounts owing to					
subsidiary companies	-	-	-	1,597.8	1,597.8
Trade and other creditors	-	-	751.6	1,940.4	2,692.0
Total financial liabilities	-	-	751.6	4,445.7	5,197.3
Total non-financial liabilities					4,398.0
Total liabilities					9,595.3

## notes to the financial statements

31 march 2010

### 37 Financial Instruments (in \$ million) (continued)

#### (a) Classification of financial instruments (continued)

Derivative financial instruments included in the statements of financial position are as follows:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
<u>Assets*</u>				
Currency hedging contracts	20.7	173.7	15.8	143.6
Fuel hedging contracts	5.7	8.8	5.2	7.4
Cross currency swap contracts	7.7	26.4	-	-
Interest rate cap contracts	23.9	12.1	23.9	12.1
	58.0	221.0	44.9	163.1
<u>Liabilities#</u>				
Currency hedging contracts	17.3	14.5	14.5	11.8
Fuel hedging contracts	112.9	899.2	93.6	739.8
Cross currency swap contracts	43.5	29.8	-	-
Interest rate swap contracts	29.9	21.8	13.0	-
	203.6	965.3	121.1	751.6

\* Included under trade debtors

# Included under trade creditors

**37 Financial Instruments (in \$ million) (continued)****(b) Fair values****Financial instruments carried at fair value**

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments (Level 1)	The Group 31 March 2010  Significant other observable inputs (Level 2)	Total
<u>Financial assets:</u>			
Available-for-sale financial assets (Note 30)			
Quoted investments			
- Government securities	11.6	-	11.6
- Equity investments	34.1	-	34.1
- Non-equity investments	14.9	-	14.9
Unquoted investments			
- Government securities	-	80.0	80.0
Derivative financial instruments			
Currency hedging contracts	-	20.7	20.7
Fuel hedging contracts	-	5.7	5.7
Cross currency swap contracts	-	7.7	7.7
Interest rate cap contracts	-	23.9	23.9
	60.6	138.0	198.6
<u>Financial liabilities:</u>			
Derivative financial instruments			
Currency hedging contracts	-	17.3	17.3
Fuel hedging contracts	-	112.9	112.9
Cross currency swap contracts	-	43.5	43.5
Interest rate swap contracts	-	29.9	29.9
	-	203.6	203.6

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

## notes to the financial statements

31 march 2010

### 37 Financial Instruments (in \$ million) (continued)

#### (b) Fair values (continued)

##### Financial instruments carried at fair value (continued)

###### Determination of fair value

The Group and the Company have carried all investment securities that are classified as available-for-sale financial assets and all derivative instruments at their fair values.

The fair values of jet fuel swap contracts are the mark-to-market values of these contracts. The fair values of jet fuel option contracts are determined by reference to available market information and the Black-Scholes option valuation model. As the Group hedges its jet fuel requirements in Mean of Platts Singapore Jet Kerosene ("MOPS") and that the majority of the Group's fuel uplifts are in MOPS, the MOPS price (2010: USD 89.59/BBL, 2009: USD 57.47/BBL) is used as the input for market fuel price to the Black-Scholes option valuation model. Consequently, the annualised volatility (2009-10: 23.46%, 2008-09: 60.30%) of the jet fuel swap and option contracts is also estimated with daily MOPS price. The continuously compounded risk-free rate estimated as average of the past 12 months Singapore Government Securities benchmark issues' one-year yield (2009-10: 0.41%, 2008-09: 0.88%) was also applied to each individual jet fuel option contract to derive their estimated fair values as at the end of the reporting period.

The fair values of gasoil and regrade swap contracts are also determined by reference to available market information and are the mark-to-market values of these swap contracts. As the Group hedges in InterContinental Exchange ("ICE") gasoil and MOPS jet-fuel-ICE gasoil regrade, the ICE gasoil futures contract price and the MOPS price are used as the mark-to-market prices.

The fair value of forward currency contracts is determined by reference to current forward prices for contracts with similar maturity profiles. The fair values of foreign currency option contracts, interest rate swap contracts and interest rate cap contracts are determined by reference to valuation reports provided by counterparties.

The fair value of cross currency swap contracts is determined based on quoted market prices or dealer quotes for similar instruments used.

The fair value of quoted investments is generally determined by reference to stock exchange quoted market bid prices at the close of the business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions or reference to the current market value of another instrument (which is substantially the same).

##### Financial instruments whose carrying amounts approximate fair value

The carrying amounts of the following financial assets and liabilities approximate their fair values due to their short-term nature: cash and bank balances, bank overdrafts, funds from subsidiary companies, amounts owing to/by subsidiary and associated companies, trade debtors, other debtors, trade and other creditors.

##### Financial instruments carried at other than fair value

Long-term investments amounting to \$35.3 million (2009: \$43.2 million) for the Group and \$18.8 million (2009: \$18.8 million) for the Company are stated at cost because the fair values cannot be obtained directly from quoted market price or indirectly using valuation techniques supported by observable market data.

The Group and the Company have no intention to dispose of their interests in the above investments in the foreseeable future.

### 37 Financial Instruments (in \$ million) (continued)

#### (b) Fair values (continued)

##### Financial instruments carried at other than fair value (continued)

Net carrying amounts of long-term liabilities approximate the fair value as the interest rates implicit in the long-term liabilities approximate the market interest rates.

### 38 Financial Risk Management Objectives and Policies (in \$ million)

The Group operates globally and generates revenue in various currencies. The Group's airline operations carry certain financial and commodity risks, including the effects of changes in jet fuel prices, foreign currency exchange rates, interest rates and the market value of its investments. The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance. The Group's policy is to use derivatives to hedge specific exposures.

As derivatives are used for the purpose of risk management, they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenues or costs being hedged. Moreover, counterparty credit risk is generally restricted to any hedging gain from time to time, and not the principal amount hedged. Therefore the possibility of a material loss arising in the event of non-performance by a counterparty is considered to be unlikely.

Financial risk management policies are periodically reviewed and approved by the Board Executive Committee ("BEC").

#### (a) Jet fuel price risk

The Group's earnings are affected by changes in the price of jet fuel. The Group's strategy for managing the risk on fuel price, as defined by BEC, aims to provide the Group with protection against sudden and significant increases in jet fuel prices. In meeting these objectives, the fuel risk management programme allows for the judicious use of approved instruments such as swaps and options with approved counterparties and within approved credit limits.

##### Cash flow hedges

The Group manages this fuel price risk by using swap and option contracts and hedging up to 15 months forward using jet fuel swap and option contracts. The Group will no longer enter into new gasoil hedges. Existing gasoil swap contracts will all be rolled up into jet fuel equivalents by hedging in the gasoil-jet fuel regrade closer to maturity.

The Group has applied cash flow hedge accounting to these derivatives as they are considered to be highly effective hedging instruments. A net fair value loss before tax of \$458.9 million (2009: \$1,249.6 million), with a related deferred tax credit of \$116.9 million (2009: \$251.3 million), is included in the fair value reserve in respect of these contracts.

##### Jet fuel price sensitivity analysis

The jet fuel price risk sensitivity analysis is based on the assumption that all other factors, such as fuel surcharge and uplifted fuel volume, remain constant. Under this assumption, and excluding the effects of hedging, an increase in price of one USD per barrel of jet fuel affects the Group's and the Company's annual fuel costs by \$44.9 million and \$38.1 million (2008-09: \$54.4 million and \$45.7 million) respectively.

## notes to the financial statements

31 march 2010

### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (a) Jet fuel price risk (continued)

##### Jet fuel price sensitivity analysis (continued)

The fuel hedging sensitivity analysis is based on contracts that are still outstanding as at the end of the reporting period and assumes that all jet fuel, gasoil and regrade hedges are highly effective. Under these assumptions, with an increase or decrease in both jet fuel and gasoil prices, each by one USD per barrel, the before tax effects on equity are as follows:

	The Group 31 March		The Company 31 March	
	2010 Effect on equity	2009	2010 Effect on equity	2009
Increase in one USD per barrel	5.1	14.3	4.2	11.8
Decrease in one USD per barrel	(5.1)	(14.3)	(4.2)	(11.8)

#### (b) Foreign currency risk

The Group is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenues and expenses. For the financial year ended 31 March 2010, these accounted for 62.4% of total revenue (2008-09: 63.0%) and 58.6% of total operating expenses (2008-09: 69.0%). The Group's largest exposures are from USD, Euro, UK Sterling Pound, Swiss Franc, Australian Dollar, New Zealand Dollar, Japanese Yen, Indian Rupee, Hong Kong Dollar, Chinese Yuan, Korean Won and Malaysian Ringgit. The Group generates a surplus in all of these currencies, with the exception of USD. The deficit in USD is attributable to capital expenditure, fuel costs and aircraft leasing costs – all conventionally denominated and payable in USD.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for USD and SGD. The Group also uses forward foreign currency contracts and foreign currency option contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell currencies at predetermined forward rates, buying either USD or SGD depending on forecast requirements, with settlement dates that range from one month up to one year. The Group uses these currency hedging contracts purely as a hedging tool. It does not take positions in currencies with a view to making speculative gains from currency movements.

##### Cash flow hedges

As at 31 March 2010, the Company holds USD 158.3 million (2009: USD 268.7 million) in short-term deposits to hedge against foreign currency risk for a portion of the forecast USD capital expenditure in the next 10 months.

During the financial year, the Group entered into financial instruments to hedge expected future payments in USD and SGD.

The cash flow hedges of the expected future purchases in USD and expected future payments in SGD in the next 12 months are assessed to be highly effective and at 31 March 2010, a net fair value gain before tax of \$302.5 million (2009: \$455.1 million), with a related deferred tax charge of \$84.6 million (2009: \$110.5 million), is included in the fair value reserve in respect of these contracts.



### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (b) Foreign currency risk (continued)

##### Fair value through profit and loss

In addition, there are cross currency swap contracts in place where the Group pays SGD and receives USD with exchange rates ranging from 1.3085 to 1.6990 (2009: 1.3085 to 1.6990). These contracts are used to protect the foreign exchange risk exposure of the Group's USD-denominated finance lease commitments. The maturity period of these contracts ranges from 21 August 2015 to 14 February 2018.

##### Foreign currency sensitivity analysis

The foreign currency risk sensitivity analysis is based on the assumption that all cash flow hedges are highly effective; hence there will be no impact on profit before taxation from the cash flow hedges.

The following table details the sensitivity of a 1% strengthening of SGD against the respective foreign currencies. The sensitivity analysis includes only significant outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates.

	The Group 31 March			
	2010		2009	
	Effect on equity	Effect on profit before taxation	Effect on equity	Effect on profit before taxation
AUD	(0.9)	(1.4)	(4.4)	(1.5)
EUR	(3.3)	(1.4)	(2.6)	(1.3)
GBP	(1.3)	(0.5)	(2.6)	(0.2)
JPY	(0.9)	(0.4)	(2.4)	(0.5)
USD	-	(6.6)	-	(2.7)

	The Company 31 March			
	2010		2009	
	Effect on equity	Effect on profit before taxation	Effect on equity	Effect on profit before taxation
AUD	(0.9)	(1.2)	(4.1)	(1.4)
EUR	(2.4)	(0.9)	(1.8)	(0.9)
GBP	(1.1)	(0.4)	(2.3)	(0.2)
JPY	(0.6)	(0.3)	(1.5)	(0.4)
USD	-	(6.6)	-	(2.8)

If the relevant foreign currency weakens by 1% against SGD, equity and profit before taxation would increase by the same amounts.

## notes to the financial statements

31 march 2010

### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (c) Interest rate risk

The Group's earnings are also affected by changes in interest rates due to the impact such changes have on interest income and expense from short-term deposits and other interest-bearing financial assets and liabilities. The Group enters into interest rate swap contracts and interest rate cap contracts to manage interest rate costs on its financial assets and liabilities, with the prior approval of the BEC or Boards of subsidiary companies.

#### Cash flow hedges

As at 31 March 2010, the Company had interest rate cap contracts at a strike rate of 6.50% (2009: 6.50%), maturing in 7 to 8 years, to hedge against risk of increase in aircraft lease rentals.

The cash flow hedges of the interest rate cap contracts are assessed to be highly effective and as at 31 March 2010, a net fair value gain before tax of \$4.1 million (2009: net fair value loss before tax of \$6.5 million), with a related deferred tax charge of \$0.7 million (2009: deferred tax credit of \$1.3 million), was included in the fair value reserve in respect of these contracts.

The Group also has interest rate swap contracts in place whereby it pays fixed rates of interest ranging from 3.00% to 4.95% (2009: 3.00% to 4.95%) and receives the USD Swap rate then prevailing at the delivery of certain aircraft on operating lease. These contracts are used to protect a portion of the finance lease commitments from exposure to fluctuations in interest rates. The maturity period of these contracts ranges from 7 September 2015 to 25 October 2015.

The cash flow hedges of some of the interest rate swap contracts are assessed to be highly effective and as at 31 March 2010, a net fair value loss before tax of \$22.7 million (2009: \$14.4 million), with a related deferred tax credit of \$2.2 million (2009: \$2.4 million), was included in the fair value reserve in respect of these contracts.

#### Interest rate sensitivity analysis

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or finance charges of variable interest financial instruments.
- Changes in market interest rates affect the fair value of derivative financial instruments designated as hedging instruments and all interest rate hedges are expected to be highly effective.
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the end of the reporting period.

**38 Financial Risk Management Objectives and Policies (in \$ million) (continued)****(c) Interest rate risk (continued)**Interest rate sensitivity analysis (continued)

Under these assumptions, an increase or decrease in market interest rates of one basis point for all currencies in which the Group has borrowings and derivative financial instruments at 31 March 2010 will have the following effects:

	<b>The Group 31 March</b>			
	2010			2009
	Effect on equity	Effect on profit before taxation	Effect on equity	Effect on profit before taxation
Increase in one basis point in market interest rates	0.4	0.5	*	0.4
Decrease in one basis point in market interest rates	(0.4)	(0.5)	*	(0.4)

\* Amount less than \$0.1 million.

	<b>The Company 31 March</b>			
	2010			2009
	Effect on equity	Effect on profit before taxation	Effect on equity	Effect on profit before taxation
Increase in one basis point in market interest rates	0.4	0.3	*	0.2
Decrease in one basis point in market interest rates	(0.4)	(0.3)	*	(0.2)

\* Amount less than \$0.1 million.

## notes to the financial statements

31 march 2010

### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (d) Market price risk

The Group and the Company owned \$140.6 million (2009: \$655.6 million) and \$80.0 million (2009: \$587.6 million) in available-for-sale investments respectively at 31 March 2010.

The market risk associated with these investments is the potential loss resulting from a decrease in market prices.

#### Market price sensitivity analysis

If prices for available-for-sale investments increase or decrease by 1% with all other variables being held constant, the before tax effects on equity are as follows:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
	Effect on equity		Effect on equity	
Increase in 1% of quoted prices	1.4	6.6	0.8	5.9
Decrease in 1% of quoted prices	(1.4)	(6.6)	(0.8)	(5.9)

#### (e) Liquidity risk

At 31 March 2010, the Group had at its disposal, cash and short-term deposits amounting to \$4,471.9 million (2009: \$3,848.0 million). In addition, the Group had available short-term credit facilities of about \$535.1 million (2009: \$486.1 million). The Group also has Medium Term Note Programmes under which it may issue notes up to \$1,000.0 million (2009: \$1,300.0 million). Under these Programmes, notes issued by the Company may have varying maturities as agreed with the relevant financial institutions.

The Group's holdings of cash and short-term deposits, together with committed funding facilities and net cash flow from operations, are expected to be sufficient to cover the cost of all firm aircraft deliveries due in the next financial year. It is expected that any shortfall would be met by bank borrowings or public market funding. Due to the necessity to plan aircraft orders well in advance of delivery, it is not economical for the Group to have committed funding in place at present for all outstanding orders, many of which relate to aircraft which will not be delivered for several years. The Group's policies in this regard are in line with the funding policies of other major airlines.

### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (e) Liquidity risk (continued)

The maturity profile of the financial liabilities of the Group and the Company is as follows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
<b>2010</b>							
<b>The Group</b>							
Notes payable	37.4	928.0	-	-	-	-	965.4
Finance lease commitments	78.2	80.4	82.5	83.3	64.3	106.3	495.0
Trade and other creditors	2,295.1	-	-	-	-	-	2,295.1
Amounts owing to associated companies	2.0	-	-	-	-	-	2.0
Derivative financial instruments:							
Currency hedging contracts	17.3	-	-	-	-	-	17.3
Fuel hedging contracts	112.9	-	-	-	-	-	112.9
Cross currency swap contracts	43.5	-	-	-	-	-	43.5
Interest rate swap contracts	29.9	-	-	-	-	-	29.9
	2,616.3	1,008.4	82.5	83.3	64.3	106.3	3,961.1
<b>The Company</b>							
Notes payable	37.4	928.0	-	-	-	-	965.4
Trade and other creditors	1,755.5	-	-	-	-	-	1,755.5
Amounts owing to subsidiary companies	1,298.0	-	-	-	-	-	1,298.0
Derivative financial instruments:							
Currency hedging contracts	14.5	-	-	-	-	-	14.5
Fuel hedging contracts	93.6	-	-	-	-	-	93.6
Interest rate swap contracts	13.0	-	-	-	-	-	13.0
	3,212.0	928.0	-	-	-	-	4,140.0

## notes to the financial statements

31 march 2010

**38 Financial Risk Management Objectives and Policies (in \$ million) (continued)****(e) Liquidity risk (continued)**

	Within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
<b>2009</b>							
<b>The Group</b>							
Notes payable	239.9	37.4	928.0	-	-	-	1,205.3
Finance lease commitments	85.2	87.3	89.2	91.1	91.8	188.5	633.1
Bank overdrafts	9.3	-	-	-	-	-	9.3
Loans	33.1	5.4	3.2	0.5	0.2	2.2	44.6
Trade and other creditors	2,616.2	-	-	-	-	-	2,616.2
Amounts owing to associated companies	0.6	-	-	-	-	-	0.6
Derivative financial instruments:							
Currency hedging contracts	14.5	-	-	-	-	-	14.5
Fuel hedging contracts	899.2	-	-	-	-	-	899.2
Cross currency swap contracts	29.8	-	-	-	-	-	29.8
Interest rate swap contracts	21.8	-	-	-	-	-	21.8
	<b>3,949.6</b>	<b>130.1</b>	<b>1,020.4</b>	<b>91.6</b>	<b>92.0</b>	<b>190.7</b>	<b>5,474.4</b>
<b>The Company</b>							
Notes payable	37.4	37.4	928.0	-	-	-	1,002.8
Trade and other creditors	1,940.4	-	-	-	-	-	1,940.4
Amounts owing to subsidiary companies	1,597.8	-	-	-	-	-	1,597.8
Bank overdrafts	7.5	-	-	-	-	-	7.5
Derivative financial instruments:							
Currency hedging contracts	11.8	-	-	-	-	-	11.8
Fuel hedging contracts	739.8	-	-	-	-	-	739.8
	<b>4,334.7</b>	<b>37.4</b>	<b>928.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,300.1</b>

### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (f) Credit risk

The Group has an independent Group Debts Review Committee to review the follow up actions on outstanding receivables monthly. On a day-to-day basis, the respective Finance divisions have the primary responsibility for measuring and managing specific risk exposures.

The maximum exposure to credit risk for the Group and the Company are as follows:

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Long-term investments	35.3	43.2	18.8	18.8
Other non-current assets	114.4	403.6	114.4	391.6
Trade debtors	1,347.8	1,485.5	958.0	994.9
Deposits and other debtors	66.3	241.9	41.9	207.6
Prepayments	92.6	101.9	82.0	77.8
Amounts owing by subsidiary companies	-	-	141.0	284.6
Amounts owing by associated companies	-	0.4	-	-
Loan to a subsidiary company	-	-	50.0	25.0
Loans to associated companies	-	138.5	-	137.1
Investments	140.6	655.6	80.0	587.6
Cash and bank balances	4,471.9	3,848.0	4,260.7	3,458.0
	6,268.9	6,918.6	5,746.8	6,183.0

There are no significant concentrations of credit risk other than on derivative counterparties where transactions are limited to financial institutions possessing high credit quality and hence the risk of default is low.

The sale of passenger and cargo transportation is largely achieved through IATA accredited sales agents. The credit risk of such sales agents is relatively small owing to a broad diversification. In specific instances, the contract may require special collateral.

Unless expressly stated otherwise in the contract, receivables and payables among airlines are settled either bilaterally or via the IATA Clearing House. Receivables and payables are generally netted and settled at weekly intervals, which lead to a clear reduction in the risk of default.

For all other service relationships, depending on the nature and scope of the services rendered, collateral is required, credit reports or references are obtained and use is made of historical data from previous business relations, especially with regard to payment behaviour, in order to avoid non-performance.

Collaterals requested from debtors include bank guarantees, cash-in-lieu of deposit and security deposits.

Allowance is made for doubtful accounts whenever risks are identified.

# notes to the financial statements

31 march 2010

## 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

### (g) Counterparty risk

Surplus funds are invested in interest-bearing bank deposits and other high quality short-term liquid investments. Counterparty risks are managed by limiting aggregated exposure on all outstanding financial instruments to any individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising from the event of non-performance by counterparties.

The Group determines concentrations of credit risk by monitoring the industry, country and credit rating of its counterparties. The table below shows an analysis of credit risk exposures of balances that exceed 5% of the financial assets of the Group and the Company as at 31 March:

	The Group				The Company			
	Outstanding balance		Percentage of total financial assets		Outstanding balance		Percentage of total financial assets	
	2010	2009	2010	2009	2010	2009	2010	2009
<b>Counterparty profiles</b>								
By industry:								
Travel agencies	369.0	348.1	6.0%	5.2%	349.3	334.6	6.2%	5.6%
Airlines	178.4	231.0	2.9%	3.5%	108.2	135.3	1.9%	2.3%
Financial institutions	4,690.8	4,357.5	75.9%	65.2%	4,462.4	3,878.0	79.5%	65.3%
Others	581.5	1,456.1	9.4%	21.8%	298.8	1,084.2	5.3%	18.2%
	5,819.7	6,392.7	94.2%	95.7%	5,218.7	5,432.1	92.9%	91.4%
By region:								
East Asia	2,507.6	2,918.1	40.6%	43.7%	2,144.9	2,259.1	38.2%	38.0%
Europe	2,196.2	2,531.1	35.5%	37.9%	2,114.9	2,409.1	37.7%	40.6%
South West Pacific	164.1	388.8	2.7%	5.8%	132.7	357.7	2.3%	6.0%
Americas	388.9	442.7	6.3%	6.6%	315.8	364.6	5.6%	6.1%
West Asia and Africa	562.9	112.0	9.1%	1.7%	510.4	41.6	9.1%	0.7%
	5,819.7	6,392.7	94.2%	95.7%	5,218.7	5,432.1	92.9%	91.4%
By Moody's credit ratings:								
Investment grade (A to Aaa)	4,689.2	4,884.2	75.9%	73.1%	4,462.2	4,376.8	79.5%	73.7%
Investment grade (Baa)	0.5	3.1	0.0%	0.0%	0.5	1.1	0.0%	0.0%
Non-rated	1,130.0	1,505.4	18.3%	22.6%	756.5	1,054.2	13.4%	17.7%
	5,819.7	6,392.7	94.2%	95.7%	5,219.2	5,432.1	92.9%	91.4%



### 39 Capital Management (in \$ million)

The primary objective of the management of the Company's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The Directors regularly review the Company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital.

The Company did not breach any gearing covenants during the financial years ended 31 March 2010 or 31 March 2009. In the same period, no significant changes were made in the objectives, policies or processes relating to the management of the Company's capital structure.

	The Group 31 March		The Company 31 March	
	2010	2009	2010	2009
Notes payable	900.0	1,100.0	900.0	900.0
Finance lease commitments	438.9	548.5	-	-
Loans	-	44.0	-	-
Bank overdrafts	-	9.3	-	7.5
Total debt	1,338.9	1,701.8	900.0	907.5
Share capital	1,750.6	1,684.8	1,750.6	1,684.8
Reserves	11,718.3	12,245.8	11,732.7	11,214.2
Total capital	13,468.9	13,930.6	13,483.3	12,899.0
Gearing ratio (times)	0.10	0.12	0.07	0.07

## notes to the financial statements

31 march 2010

### 40 Related Party Transactions (in \$ million)

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, these were the following significant related party transactions which were carried out in the normal course of business on terms that prevail in arm's length transactions during the financial year:

	The Group		The Company	
	2009-10	2008-09	2009-10	2008-09
Purchases of services from subsidiary companies	-	-	493.4	781.4
Services rendered to subsidiary companies	-	-	(1,045.3)	(1,432.8)
Purchases of services from associated companies	34.8	132.8	20.1	82.0
Services rendered to associated companies	(5.7)	(40.7)	(4.0)	(14.6)
Purchases of services from joint venture companies	0.3	1.2	0.3	1.2
Services rendered to joint venture companies	(10.3)	(10.8)	-	(0.8)

#### Directors' and key executives' remuneration of the Company

	The Company	
	2009-10	2008-09
<u>Directors</u>		
Salary, bonuses and other costs	4.0	6.3
CPF and other defined contributions	*	*
Share-based compensation expense	0.9	1.2
	4.9	7.5
<u>Key executives (excluding executive directors)</u>		
Salary, bonuses and other costs	3.4	5.7
CPF and other defined contributions	*	*
Share-based compensation expense	1.1	1.2
	4.5	6.9

\* Amount less than \$0.1 million

#### 40 Related Party Transactions (in \$ million) (continued)

Share options granted to and exercised by directors and key executives of the Company are as follows:

Name of participant	Options granted during financial year under review	Exercise price for options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding at end of financial year under review
Chew Choon Seng	-	-	1,194,000	120,000	-	1,074,000
Bey Soo Khiang	-	-	762,000	342,000	-	420,000
Huang Cheng Eng	-	-	747,000	456,750	-	290,250
Mak Swee Wah	-	-	362,750	156,650	-	206,100
Ng Chin Hwee	-	-	214,025	83,500	-	130,525
Goh Choon Phong	-	-	364,275	18,000	-	346,275

Conditional awards granted to directors and key executives of the Company pursuant to the Restricted Share Plan and the Performance Share Plan are as follows:

#### RSP Base Awards

Name of participant	Balance as at 1 April 2009	Base Awards granted during the financial year	Base Awards vested during the financial year	Adjustment arising from dividend <i>in specie</i> *	Balance as at 31 March 2010	Aggregate Base Awards granted since commencement of RSP to end of financial year under review
Chew Choon Seng	100,215	36,000	46,215	10,800	100,800	177,825
Bey Soo Khiang	36,945	20,000	16,945	4,800	44,800	72,015
Huang Cheng Eng	30,864	17,000	13,864	4,080	38,080	59,646
Mak Swee Wah	27,783	17,000	10,783	4,080	38,080	53,998
Ng Chin Hwee	17,000	17,000	-	4,080	38,080	38,080
Goh Choon Phong	30,283	13,000	10,783	3,900	36,400	54,885

## notes to the financial statements

31 march 2010

### 40 Related Party Transactions (in \$ million) (continued)

RSP Final Awards (Pending Release) <sup>R1</sup>

Name of participant	Balance as at 1 April 2009	Final Awards granted during the financial year <sup>#</sup>	Final Awards released during the financial year	Adjustment arising from dividend <i>in specie</i> <sup>*</sup>	Balance as at 31 March 2010	Aggregate ordinary shares released to participant since commencement of RSP to end of financial year under review
Chew Choon Seng	18,472	50,840	34,620	4,162	38,854	53,120
Bey Soo Khiang	6,124	18,640	12,420	1,480	13,824	18,620
Huang Cheng Eng	4,642	15,250	9,925	1,196	11,163	14,525
Mak Swee Wah	3,062	11,870	7,435	899	8,396	10,535
Ng Chin Hwee	-	-	-	-	-	-
Goh Choon Phong	4,642	11,870	8,235	993	9,270	12,835

PSP Base Awards <sup>R2</sup>

Name of participant	Balance as at 1 April 2009	Base Awards granted during the financial year	Base Awards vested during the financial year	Adjustment arising from dividend <i>in specie</i> <sup>*</sup>	Balance as at 31 March 2010	Aggregate Base Awards granted since commencement of PSP to end of financial year under review	Aggregate ordinary shares released to participant since commencement of PSP to end of financial year under review
Chew Choon Seng	134,625	48,000	27,729	18,587	173,483	201,212	20,796
Bey Soo Khiang	54,350	22,000	13,864	7,498	69,984	83,848	10,398
Huang Cheng Eng	37,594	15,000	10,270	5,078	47,402	57,672	7,702
Mak Swee Wah	28,967	15,000	7,805	4,339	40,501	48,306	5,853
Ng Chin Hwee	15,000	15,000	-	3,600	33,600	33,600	-
Goh Choon Phong	23,978	8,000	8,216	2,851	26,613	34,829	6,162

<sup>R1</sup> The actual number of RSP Final Awards of fully paid ordinary shares will range from 0% to 150% of the Base Awards and is contingent on the Achievements against Targets over the two-year performance periods relating to the relevant awards.

<sup>R2</sup> The actual number of PSP Final Awards of fully paid ordinary shares will range from 0% to 200% of the Base Awards and is contingent on the Achievements against Targets over the three-year performance periods relating to the relevant awards.

<sup>\*</sup> Arising from the dividend in specie of shares in SATS on 1 September 2009.

<sup>#</sup> Final Awards granted during the financial year is determined by applying the achievement factor to the Base Awards that have vested during the financial year.

### 41 Subsequent Events

The Company signed an agreement on 29 April 2010 to lease out six B777-200ER aircraft to an airline for a lease period of 2 to 2.5 years each.

In addition, an agreement was signed on 3 May 2010 for the sale of four B777-200 aircraft to another airline. The four aircraft are to be delivered in 2010 after their scheduled releases from the operating fleet.

## additional information required by the singapore exchange securities trading limited

### 1 Interested Person Transactions (in \$ million)

The aggregate values of all interested person transactions entered into during the financial year are as follows:

	Aggregate value of all transactions (excluding transactions less than \$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual) 2009-10	Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000) 2009-10
<u>Singapore Airport Terminal Services Limited Group</u>		
Aero Laundry & Linen Services Private Limited	-	6.7
Air India - SATS Joint Venture (50:50)	-	0.8
Beijing Airport Inflight Kitchen Limited	-	2.4
Beijing Aviation Ground Services Company Ltd	-	2.9
Maldives Inflight Catering Pte Ltd	-	0.7
PT Jasa Angkasa Semesta Tbk	-	5.2
SATS Airport Services Pte Ltd	-	15.3
SATS Catering Pte Ltd	-	10.4
SATS HK Limited	-	0.9
SATS Security Services Private Limited	-	13.1
Singapore Airport Terminal Services Limited	-	237.2
Taj Madras Flight Kitchen Pvt Limited	-	0.4
Taj SATS Air Catering Ltd	-	2.3
Tan Son Nhat Cargo Services Ltd (TCS)	-	0.5
<u>Temasek Holdings (Private) Limited Group</u>		
Aspremise Pte Ltd	-	0.6
Certis CISCO Security Pte Ltd	-	0.5
Great Wall Airlines Company Ltd	-	2.3
MediaCorp Pte Ltd	-	0.2
PT Bank Danamon Indonesia TBK	-	0.2
Temasek Holdings (Private) Limited	-	0.4
Tiger Airways Singapore Pte Ltd	-	0.1
<u>Singapore Technologies Engineering Ltd Group</u>		
ST Aerospace Engineering Pte Ltd	-	0.5
<u>Singapore Telecommunications Ltd Group</u>		
NCS Pte Ltd	-	1.3
Singapore Telecommunications Ltd	-	1.0
Trusted Hub Limited	-	0.2
Total interested person transactions	-	306.1

Note: All the above interested person transactions were carried out on normal commercial terms.

### 2 Material Contracts

Since the end of the previous financial year, the Company and its subsidiary companies did not enter into any material contracts involving interests of the Chief Executive Officer, directors or controlling shareholders and no such material contracts still subsist at the end of the financial year.

## quarterly results of the group

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
<b>TOTAL REVENUE</b>						
2009-10	(\$ million)	2,871.4	3,082.1	3,418.0	3,335.8	12,707.3
2008-09	(\$ million)	4,131.7	4,379.3	4,164.0	3,321.3	15,996.3
<b>TOTAL EXPENDITURE</b>						
2009-10	(\$ million)	3,190.7	3,263.5	3,095.1	3,094.8	12,644.1
2008-09	(\$ million)	3,788.5	4,147.6	3,807.3	3,349.3	15,092.7
<b>OPERATING (LOSS)/PROFIT</b>						
2009-10	(\$ million)	(319.3)	(181.4)	322.9	241.0	63.2
2008-09	(\$ million)	343.2	231.7	356.7	(28.0)	903.6
<b>(LOSS)/PROFIT BEFORE TAXATION</b>						
2009-10	(\$ million)	(269.9)	(122.1)	396.6	280.9	285.5
2008-09	(\$ million)	474.2	404.0	430.1	(109.7)	1,198.6
<b>(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>						
2009-10	(\$ million)	(307.1)	(158.8)	403.7	278.0	215.8
2008-09	(\$ million)	358.6	323.8	337.2	41.9	1,061.5
<b>(LOSS)/EARNINGS (AFTER TAXATION) PER SHARE - BASIC</b>						
2009-10	(cents)	(26.0)	(13.4)	34.1	23.4	18.2
2008-09	(cents)	30.3	27.3	28.4	3.5	89.6
<b>(LOSS)/EARNINGS (AFTER TAXATION) PER SHARE - DILUTED</b>						
2009-10	(cents)	(25.9)	(13.4)	33.7	23.1	18.0
2008-09	(cents)	30.0	27.1	28.4	3.5	89.1

## five-year financial summary of the group

	2009-10	2008-09	2007-08	2006-07	2005-06
<b>PROFIT AND LOSS ACCOUNT (\$ million)</b>					
Total revenue	12,707.3	15,996.3	15,972.5	14,494.4	13,341.1
Total expenditure	(12,644.1)	(15,092.7)	(13,848.0)	(13,180.0)	(12,127.8)
Operating profit	63.2	903.6	2,124.5	1,314.4	1,213.3
Finance charges	(68.9)	(89.7)	(100.2)	(124.1)	(96.3)
Interest income	49.5	96.0	181.2	181.8	96.7
Surplus on disposal of aircraft, spares and spare engines	25.4	60.6	49.1	237.9	115.7
Dividend from long-term investments, gross	33.0	23.7	34.8	38.8	24.6
Other non-operating items	34.2	29.4	96.8	77.9	12.3
Share of profits of joint venture companies	56.1	63.9	50.8	57.9	40.6
Share of profits of associated companies	93.0	111.1	110.2	79.0	255.2
Profit before exceptional items	285.5	1,198.6	2,547.2	1,863.6	1,662.1
Surplus on sale of SIA Building	-	-	-	223.3	-
Surplus on sale of investment in Singapore Aircraft Leasing Enterprise Pte Ltd	-	-	-	197.7	-
Profit before taxation	285.5	1,198.6	2,547.2	2,284.6	1,662.1
Profit attributable to equity holders of the Company	215.8	1,061.5	2,049.4	2,128.8	1,240.7
<b>STATEMENT OF FINANCIAL POSITION (\$ million)</b>					
Share capital	1,750.6	1,684.8	1,682.0	1,494.9	1,202.6
Treasury shares	(0.9)	(44.4)	(33.2)	-	-
Capital reserve	74.8	86.3	95.6	44.9	40.8
Foreign currency translation reserve	(137.0)	(137.9)	(130.7)	(59.5)	(30.5)
Share-based compensation reserve	185.3	187.3	136.4	97.3	81.8
Fair value reserve	(140.9)	(660.8)	443.4	(45.5)	163.6
General reserve	11,737.0	12,815.3	12,931.7	13,567.9	12,012.3
Equity attributable to equity holders of the Company	13,468.9	13,930.6	15,125.2	15,100.0	13,470.6
Minority interests	280.4	559.8	503.7	443.3	396.3
Deferred account	480.7	673.9	787.3	973.6	349.6
Deferred taxation	2,296.6	2,222.0	2,542.1	2,410.9	2,486.1
Property, plant and equipment	15,063.9	15,992.4	16,474.1	16,311.7	15,524.7
Intangible assets	80.8	553.0	106.6	100.2	121.7
Investment properties	-	7.0	-	-	-
Associated companies	532.6	855.3	1,121.0	897.5	996.3
Joint venture companies	108.6	127.5	95.1	86.6	362.6
Long-term investments	35.3	43.2	43.3	43.3	425.9
Other non-current assets	114.4	403.6	361.8	303.9	-
Current assets	6,548.7	6,836.5	8,313.3	8,248.8	5,938.3
Total assets	22,484.3	24,818.5	26,515.2	25,992.0	23,369.5
Long-term liabilities	1,438.1	1,513.5	1,689.4	1,805.8	1,824.4
Current liabilities	4,519.6	5,918.7	5,867.5	5,258.4	4,842.5
Total liabilities	5,957.7	7,432.2	7,556.9	7,064.2	6,666.9

## five-year financial summary of the group

	2009-10	2008-09	2007-08	2006-07	2005-06
<b>CASH FLOW (\$ million)</b>					
Cash flow from operations	2,091.2	1,967.0	4,401.8	3,175.8	2,380.3
Internally generated cash flow <sup>R1</sup>	2,423.3	2,994.6	5,028.3	4,823.0	3,101.2
Capital expenditure	1,560.3	2,031.1	2,088.6	3,026.7	2,058.8
<b>PER SHARE DATA</b>					
Earnings before tax (cents)	24.1	101.2	209.5	185.2	136.3
Earnings after tax (cents) - basic	18.2	89.6	168.5	172.6	101.7
- diluted	18.0	89.1	166.1	170.8	101.3
Cash earnings (\$) <sup>R2</sup>	1.67	2.36	2.94	2.84	2.08
Net asset value (\$)	11.30	11.78	12.77	12.11	11.00
<b>SHARE PRICE (\$)</b>					
High	15.94	16.34	20.20	18.00	14.90
Low	10.12	9.39	14.12	12.00	11.10
Closing	15.20	10.00	15.60	16.60	14.00
<b>DIVIDENDS</b>					
Gross dividends (cents per share)	12.0	40.0	100.0	100.0 <sup>R3</sup>	45.0
Dividend cover (times)	1.5	2.2	1.7	1.7	2.3
<b>PROFITABILITY RATIOS (%)</b>					
Return on equity holders' funds <sup>R4</sup>	1.6	7.3	13.6	14.9	9.6
Return on total assets <sup>R5</sup>	1.2	4.5	8.1	8.9	5.8
Return on turnover <sup>R6</sup>	2.2	7.2	13.4	15.2	9.8
<b>PRODUCTIVITY AND EMPLOYEE DATA</b>					
Value added (\$ million)	4,276.4	5,570.8	7,082.1	6,510.1	5,534.0
Value added per employee (\$) <sup>R7</sup>	159,151	174,995	235,380	223,523	193,781
Revenue per employee (\$) <sup>R7</sup>	472,918	502,491	530,859	497,662	467,158
Average employee strength	33,222	31,834	30,088	29,125	28,558
S\$ per US\$ exchange rate as at 31 March	1.4005	1.5203	1.3807	1.5171	1.6181

<sup>R1</sup> Internally generated cash flow comprises cash generated from operations, dividends from joint venture and associated companies, and proceeds from sale of aircraft and other property, plant and equipment.

<sup>R2</sup> Cash earnings is defined as profit attributable to equity holders of the Company plus depreciation and amortisation.

<sup>R3</sup> Includes 50.0 cents per share special dividend.

<sup>R4</sup> Return on equity holders' funds is the profit attributable to equity holders of the Company expressed as a percentage of the average equity holders' funds.

<sup>R5</sup> Return on total assets is the profit after tax expressed as a percentage of the average total assets.

<sup>R6</sup> Return on turnover is the profit after tax expressed as a percentage of the total revenue.

<sup>R7</sup> Based on average staff strength.



## ten-year statistical record

		2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
<b>SINGAPORE AIRLINES</b>											
<b>FINANCIAL<sup>R1</sup></b>											
Total revenue	(\$ million)	10,145.0	13,049.5	12,759.6	11,343.9	10,302.8	9,260.1	7,187.6	8,047.0	7,694.7	9,125.8
Total expenditure	(\$ million)	10,183.6	12,226.6	11,115.6	10,316.9	9,651.8	8,562.2	7,046.1	7,838.0	7,281.6	8,222.5
Operating (loss)/profit	(\$ million)	(38.6)	822.9	1,644.0	1,027.0	651.0	697.9	141.5	209.0	413.1	903.3
Profit before taxation	(\$ million)	233.3	1,252.4	2,077.6	2,291.1	940.8	1,570.4	319.7	460.1	740.7	1,607.2
Profit after taxation	(\$ million)	279.8	1,218.7	1,758.8	2,213.2	746.0	1,283.6	420.6	618.0	567.2	1,422.2
Capital disbursements <sup>R2</sup>	(\$ million)	1,356.5	1,698.6	1,814.4	2,792.7	1,458.6	1,608.9	2,051.3	2,766.2	2,885.7	2,777.7
<b>Passenger</b>											
- yield	(cents/pkm)	10.4	12.5	12.1	10.9	10.6	10.1	9.2	9.1	9.0	9.4
- unit cost	(cents/ask)	8.6	9.2	8.4	7.9	7.5	7.0	6.7	6.7	6.4	-
- breakeven load factor	(%)	82.7	73.6	69.4	72.5	70.8	69.3	72.8	73.6	71.1	-
<b>OPERATING PASSENGER FLEET</b>											
Aircraft	(numbers)	108	103	98	94	90	89	85	96	92	84
Average age	(months)	75	74	77	75	76	64	60	71	69	70
Industry-wide average age	(months)	162	162	162	161	159	157	156	155	155	158
<b>PASSENGER PRODUCTION</b>											
Destination cities	(numbers)	68	66	65	64	62	59	56	60	64	67
Distance flown	(million km)	342.4	379.8	365.9	353.1	341.8	325.4	266.7	296.2	288.4	289.1
Time flown	(hours)	443,141	492,103	474,432	458,936	441,510	419,925	342,715	384,652	368,204	366,784
Available seat-km	(million)	105,673.7	117,788.7	113,919.1	112,543.8	109,483.7	104,662.3	88,252.7	99,565.9	94,558.5	92,648.0
<b>TRAFFIC</b>											
Passengers carried	('000)	16,480	18,293	19,120	18,346	16,995	15,944	13,278	15,326	14,765	15,002
Revenue passenger-km	(million)	82,882.5	90,128.1	91,485.2	89,148.8	82,741.7	77,593.7	64,685.2	74,183.2	69,994.5	71,118.4
Passenger load factor	(%)	78.4	76.5	80.3	79.2	75.6	74.1	73.3	74.5	74.0	76.8
<b>STAFF</b>											
Average strength	(numbers)	13,934	14,343	14,071	13,847	13,729	13,572	14,010	14,418	14,205	14,254
Seat capacity per employee <sup>R3</sup>	(seat-km)	7,583,874	8,212,278	8,096,020	8,127,667	7,974,630	7,711,634	6,299,265	6,905,667	6,656,705	-
Passenger load carried per employee <sup>R4</sup>	(tonne-km)	563,318	598,047	618,295	613,211	577,784	549,904	448,513	495,617	471,300	-
Revenue per employee	(\$)	728,075	909,817	906,801	819,232	750,441	682,294	513,034	558,122	541,690	647,516
Value added per employee	(\$)	219,678	294,666	368,382	368,831	258,810	301,024	179,272	191,566	189,806	284,369
<b>SIA CARGO</b>											
Cargo and mail carried	(million kg)	1,122.4	1,219.5	1,308.0	1,284.9	1,248.5	1,149.5	1,050.9	1,043.2	938.5	975.4
Cargo load	(million tonne-km)	6,659.1	7,299.3	7,959.2	7,995.6	7,874.4	7,333.2	6,749.4	6,913.6	6,039.8	6,167.6
Gross capacity	(million tonne-km)	10,510.1	12,292.5	12,787.8	12,889.8	12,378.9	11,544.1	10,156.5	9,927.1	8,950.3	8,876.1
Cargo load factor	(%)	63.4	59.4	62.2	62.0	63.6	63.5	66.5	69.6	67.5	69.5
Cargo yield	(cents/ttk)	32.0	38.2	38.7	38.4	38.6	35.9	36.7	34.2	32.2	-
Cargo unit cost	(cents/ctk)	21.9	24.9	23.4	24.5	23.5	21.3	23.0	23.9	23.2	-
Cargo breakeven load factor	(%)	68.4	65.2	60.5	63.8	60.9	59.3	62.7	69.9	72.0	-
<b>SINGAPORE AIRLINES AND SIA CARGO</b>											
Overall load	(million tonne-km)	14,508.4	15,876.9	16,659.2	16,486.8	15,806.8	14,796.5	13,033.1	14,059.5	12,734.6	12,985.3
Overall capacity	(million tonne-km)	20,962.1	23,946.0	24,052.1	24,009.7	23,208.0	21,882.5	18,873.8	19,773.7	18,305.1	18,034.0
Overall load factor	(%)	69.2	66.3	69.3	68.7	68.1	67.6	69.1	71.1	69.6	72.0
Overall yield	(cents/ttk)	74.7	88.6	85.0	77.5	74.6	70.8	65.0	64.5	64.9	67.9
Overall unit cost	(cents/ctk)	53.8	57.7	52.3	50.0	47.7	44.5	43.4	45.5	44.9	45.4
Overall breakeven load factor	(%)	72.0	65.1	61.5	64.5	63.9	62.9	66.8	70.5	69.2	66.9

<sup>R1</sup> SIA Cargo was corporatised on 1 July 2001. Statistics for 2000-01 show the combined numbers of both passenger and cargo operations. Statistics for 2001-02 includes cargo operations for the first three months only (April to June 2001).

<sup>R2</sup> Capital disbursements comprised capital expenditure, investments in joint venture, subsidiary and associated companies, and additional long-term investments.

<sup>R3</sup> Seat capacity per employee is available seat capacity divided by Singapore Airlines average staff strength.

<sup>R4</sup> Passenger load carried per employee is defined as passenger load and excess baggage carried divided by Singapore Airlines average staff strength.

## the group fleet profile

As at 31 March 2010, Singapore Airlines Group operating fleet consisted of 136 aircraft - 125 passenger aircraft and 11 freighters. 108 and 18 of the passenger aircraft were operated by Singapore Airlines and SilkAir respectively.

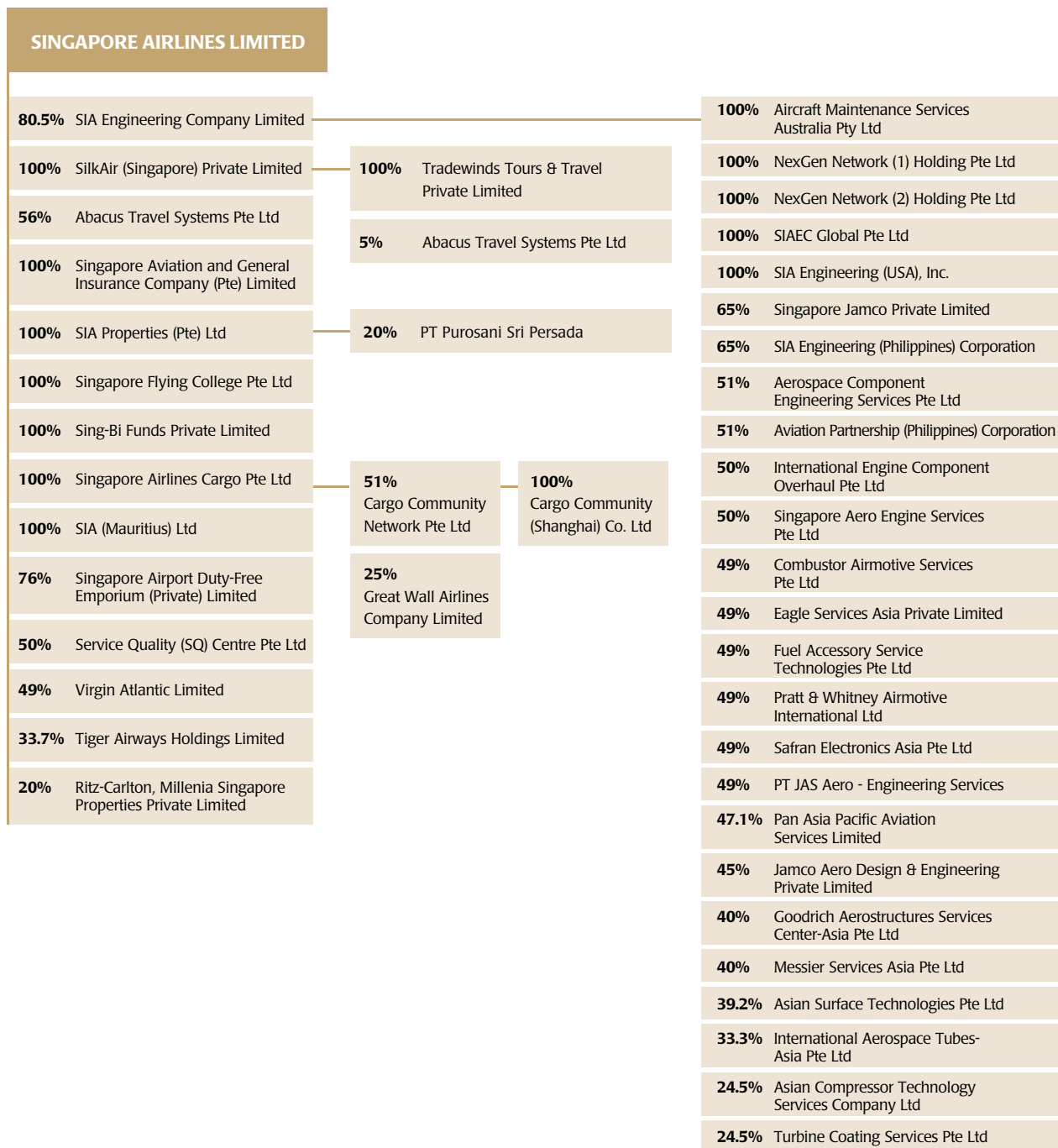
Aircraft type	Owned	Finance Lease	Operating Lease	Total	Seats in standard configuration	Average age in years (y) and months (m)	Expiry of operating lease		On firm order	On option
							2010-11	2011-12		
<b>Singapore Airlines:</b>										
B747-400	5		2	7	375	12 y 4 m	1	1		
B777-200	11		1	12	288	9 y 8 m		1		
B777-200A	14		2	16	323	8 y 8 m				
B777-200R			1	1	266	8 y 1 m				
B777-200ER	12		3	15	285	7 y 10 m				
B777-300	4		7	11	332	8 y 5 m		4		
B777-300R	1			1	284	8 y 6 m				
B777-300ER	19			19	278	2 y 7 m				
A340-500	5			5	100	6 y 1 m				
A380-800	5		5	10	471	1 y 6 m			9	6
A330-300			11	11	285	0 y 9 m			8	
B787-9 <sup>R1</sup>									20	20
A350-900 XWB <sup>R1</sup>									20	20
Sub-total	76		32	108	N.A.	6 y 3 m	1	6	57	46
<b>SIA Cargo:</b>										
B747-400F	4	4	3	11	N.A.	8 y 2 m				
<b>SilkAir:</b>										
A319-100	5		1	6	118	5 y 10 m	1		3	
A320-200	7		4	11	142	5 y 9 m		1	5	4
Sub-total	12		5	17	N.A.	5 y 9 m	1	1	8	4
<b>Total</b>	<b>92</b>	<b>4</b>	<b>40</b>	<b>136</b>	<b>N.A.</b>	<b>6 y 4 m</b>	<b>2</b>	<b>7</b>	<b>65</b>	<b>50</b>

N.A. not applicable

<sup>R1</sup> The standard seat configuration will be finalised at a later date.

# group corporate structure

at 31 march 2010



Note: Only subsidiary and associated companies, in which equity interest is at least 20%, are listed

## information on shareholdings

as at 7 June 2010

No. of Issued Shares: 1,192,105,292  
 No. of Issued Shares (excluding Treasury Shares): 1,192,038,808  
 No./Percentage of Treasury Shares: 66,484 (0.01%)

Class of Shares: Ordinary shares  
 One Special share held by the Minister for Finance (Incorporated)

Voting Rights (excluding Treasury Shares): 1 vote per share

Range of shareholdings	Number of shareholders	%*	Number of shares	%*
1 - 999	4,081	15.06	2,033,741	0.17
1,000 - 10,000	21,134	78.01	54,815,114	4.60
10,001 - 1,000,000	1,855	6.85	63,810,238	5.35
1,000,001 and above	22	0.08	1,071,379,715	89.88
<b>Total</b>	<b>27,092</b>	<b>100.00</b>	<b>1,192,038,808</b>	<b>100.00</b>

**Twenty largest shareholders**

	<b>Name</b>	<b>Number of shares</b>	<b>%*</b>
1	Temasek Holdings (Private) Limited	645,354,600	54.14
2	Citibank Nominees Singapore Pte Ltd	146,235,131	12.27
3	DBS Nominees Pte Ltd	94,818,244	7.95
4	DBSN Services Pte Ltd	47,850,084	4.01
5	HSBC (Singapore) Nominees Pte Ltd	40,647,870	3.41
6	United Overseas Bank Nominees Pte Ltd	33,586,951	2.82
7	Raffles Nominees Pte Ltd	20,301,011	1.70
8	BNP Paribas Securities Services Singapore Branch	17,304,396	1.45
9	DBS Vickers Securities (S) Pte Ltd	4,391,460	0.37
10	UOB Kay Hian Pte Ltd	2,302,902	0.19
11	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,214,449	0.19
12	Tan Leng Yeow	2,026,000	0.17
13	Chang Shyh Jin	2,007,940	0.17
14	DB Nominees (S) Pte Ltd	1,707,018	0.14
15	Western Properties Pte Ltd	1,631,600	0.14
16	Merrill Lynch (Singapore) Pte Ltd	1,564,973	0.13
17	OCBC Nominees Singapore Private Limited	1,409,990	0.12
18	ABN AMRO Nominees Singapore Pte Ltd	1,335,044	0.11
19	Kim Eng Securities Pte Ltd	1,270,420	0.11
20	Royal Bank of Canada (Asia) Ltd	1,246,600	0.10
	<b>Total</b>	<b>1,069,206,683</b>	<b>89.69</b>

**Substantial shareholder (as shown in the Register of Substantial Shareholders)**

<b>Substantial shareholder</b>	<b>Number of shares</b>	<b>%*</b>
Temasek Holdings (Private) Limited	650,051,346**	54.53

\* The percentage of issued shares is calculated based on the number of issued shares as at 7 June 2010, excluding any Treasury Shares held at that date.

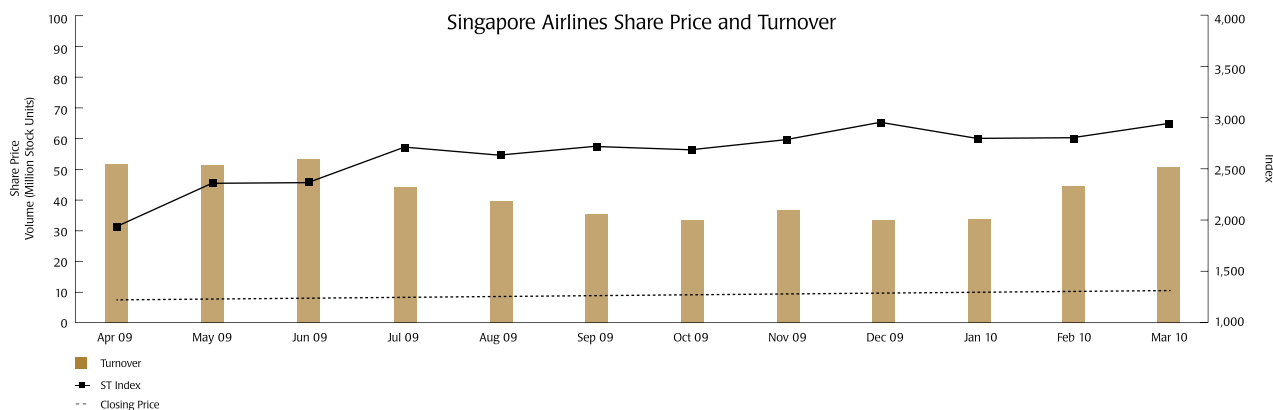
\*\* Includes shares in which the substantial shareholder is deemed to have an interest.

**Shareholdings held by the public**

Based on the information available to the Company as at 7 June 2010, 45.42 percent of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

## share price and turnover

For the financial year ended 31 March 2010



	2009-10	2008-09
<b>Share Price (\$)</b>		
Highest closing price	15.94	16.34
Lowest closing price	10.12	9.39
31 March closing price	15.20	10.00
<b>Market Value Ratios <sup>R1</sup></b>		
Price/Earnings	83.52	11.16
Price/Book value	1.35	0.85
Price/Cash earnings <sup>R2</sup>	9.10	4.24

<sup>R1</sup> Based on closing price on 31 March and Group numbers.

<sup>R2</sup> Cash earnings is defined as profit attributable to equity holders of the Company plus depreciation and amortisation.

# notice of annual general meeting

## SINGAPORE AIRLINES LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 197200078R

**Notice is hereby given** that the Thirty-Eighth Annual General Meeting of Singapore Airlines Limited (“**the Company**”) will be held at the Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Tuesday, 27 July 2010 at 10.00 a.m. to transact the following business:

### *Ordinary Business*

1. To receive and adopt the Directors’ Report and Audited Financial Statements for the year ended 31 March 2010 and the Auditors’ Report thereon.
2. To declare a final dividend of 12 cents per ordinary share for the year ended 31 March 2010.
3. To re-elect the following Directors who are retiring by rotation in accordance with Article 82 of the Company’s Articles of Association and who, being eligible, offer themselves for re-election:
  - (a) Mr David Michael Gonski
  - (b) Mr James Koh Cher Siang
  - (c) Mrs Christina Ong
4. To re-elect the following Directors, who are retiring in accordance with Article 89 of the Company’s Articles of Association and who, being eligible, offer themselves for re-election:
  - (a) Dr Helmut Gunter Wilhelm Panke
  - (b) Dr William Fung Kwok Lun
5. To approve Directors’ fees of up to \$1,650,000 for the financial year ending 31 March 2011 (FY 2009/2010: \$1,650,000).
6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

### *Special Business*

7. To consider and if thought fit, approve, with or without modification, the following resolutions as Ordinary Resolutions:
  - 7.1 That pursuant to Section 161 of the Companies Act, Cap 50, authority be and is hereby given to the Directors of the Company to:
    - (a) (i) issue shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
    - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,  
  
at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
  - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

## notice of annual general meeting

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 5 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7.2 That the Directors be and are hereby authorised to:

- (a) grant awards in accordance with the provisions of the SIA Performance Share Plan (“**Performance Share Plan**”) and/or the SIA Restricted Share Plan (“**Restricted Share Plan**”); and
- (b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the SIA Employee Share Option Plan (“Share Option Plan”) and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Share Plan (the Share Option Plan, the Performance Share Plan and the Restricted Share Plan, together the “Share Plans”),

provided that:

- (1) the maximum number of new ordinary shares which may be issued pursuant to the Share Plans shall not exceed 13 per cent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company, as determined in accordance with the Share Plans; and
- (2) the maximum number of new ordinary shares under awards to be granted pursuant to the Performance Share Plan and the Restricted Share Plan during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1.5 per cent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company preceding the relevant date of grant.

8. To transact any other business as may properly be transacted at an Annual General Meeting.



## notice of annual general meeting

### *Closure of Books*

**Notice is hereby given** that, subject to the approval of shareholders to the final dividend being obtained at the Thirty-Eighth Annual General Meeting to be held on 27 July 2010, the Transfer Books and the Register of Members of the Company will be closed on 4 August 2010 for the preparation of dividend warrants.

Duly completed and stamped transfers (together with all relevant documents of or evidencing title) received by the Share Registrar, M & C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 up to 5.00 p.m. on 3 August 2010 will be registered to determine shareholders' entitlements to the final dividend. Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 3 August 2010 will be entitled to the final dividend.

The final dividend, if so approved by shareholders, will be paid on 17 August 2010.

By Order of the Board

Ethel Tan (Mrs)  
Company Secretary  
2 July 2010  
Singapore

### *Explanatory notes*

1. In relation to Ordinary Resolution Nos. 3(a), 3(b) and 3(c), Mr David Michael Gonski will, upon re-election, continue to serve as a member of the Board Audit Committee and Board Compensation and Industrial Relations Committee. Mr James Koh Cher Siang will, upon re-election, continue to serve as Chairman of the Board Safety and Risk Committee, as well as a member of the Board Executive Committee and Board Compensation and Industrial Relations Committee. Mrs Christina Ong will, upon re-election, continue to serve as a member of the Board Nominating Committee and Board Safety and Risk Committee. Mr Gonski, Mr Koh and Mrs Ong are considered independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Gonski, Mr Koh and Mrs Ong, respectively.
2. In relation to Ordinary Resolution Nos. 4(a) and 4(b), Article 89 of the Company's Articles of Association permits the Directors to appoint any person approved in writing by the Special Member to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election. Dr Helmut Gunter Wilhelm Panke and Dr William Fung Kwok Lun were appointed on 1 September 2009 and 1 December 2009 respectively, and are seeking re-election at the forthcoming Thirty-Eighth Annual General Meeting. Dr Panke will, upon re-election, continue to serve as a member of the Board Compensation and Industrial Relations Committee and Board Safety and Risk Committee. Dr Fung will, upon re-election, continue to serve as a member of the Board Audit Committee. Dr Panke and Dr Fung are considered independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Dr Panke and Dr Fung, respectively.
3. Ordinary Resolution No. 5, if passed, will facilitate the payment of Directors' fees during the financial year in which the fees are incurred, that is, during Financial Year 2010-11. Directors' fees are computed based on the anticipated

number of Board and Committee meetings for Financial Year 2010-11, assuming full attendance by all of the current eight non-executive Directors, at the fee rates shown in the Annual Report. The amount also caters for unforeseen circumstances, for example, the appointment of additional Directors, additional unscheduled Board meetings and/or the formation of additional Board Committees. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting before payments are made to Directors for the shortfall. Mr Chew Choon Seng, being the Chief Executive Officer, does not receive any Director's fees.

4. Ordinary Resolution No. 7.1, if passed, will empower Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, from the date of the above Meeting until the date of the next Annual General Meeting. The number of shares which the Directors may issue under this Resolution will not exceed 50 per cent of the issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 5 per cent for issues other than on a *pro rata* basis. The 5 per cent sub-limit for non-*pro rata* issues is lower than the 20 per cent sub-limit allowed under the Listing Manual of the Singapore Exchange Securities Trading Limited. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed and (b) any subsequent bonus issue or consolidation or subdivision of shares. For the avoidance of doubt, shareholders' approval will be required for any consolidation or subdivision of shares.
5. Ordinary Resolution No. 7.2, if passed, will empower the Directors to grant awards pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan, and to allot and issue ordinary shares in the capital of the Company pursuant to the SIA Employee Share Option Plan, the SIA Performance Share Plan and the SIA Restricted Share Plan (together, the "**Share Plans**") provided that (a) the maximum number of new ordinary shares which may be issued under the Share Plans is limited to 13 per cent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company, as determined in accordance with the Share Plans and (b) the maximum number of new ordinary shares under awards which may be granted pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan from this Annual General Meeting to the next Annual General Meeting shall not exceed 1.5 per cent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company preceding the relevant date of grant. The SIA Performance Share Plan and the SIA Restricted Share Plan were adopted at the Extraordinary General Meeting of the Company held on 28 July 2005.

## Notes

1. *The Chairman of the Annual General Meeting will be exercising his right under Article 63 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the Annual General Meeting and at any adjournment thereof. Accordingly, each resolution at the Annual General Meeting will be voted on by way of a poll.*
2. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
3. *The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 not less than 48 hours before the time fixed for holding the Meeting.*

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A STAR ALLIANCE MEMBER 

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Singapore Company Registration Number  
197200078R

[www.singaporeair.com](http://www.singaporeair.com)