Singapore Airlines
Annual Report
2011/2012

# Contents

# Rising Above Challenges.

Singapore Airlines achieved a net profit attributable to equity holders of $336 million for the financial year ended 31 March 2012.

Challenges persisted during the year in review, with the intensified competitive landscape, persistently high jet fuel prices, shorter economic cycles and natural disasters.

Beyond the challenges, the Airline will maintain its long-term approach and remains committed to optimising operating efficiency and containing costs.

In these uncertain times, nimbleness and flexibility will be key as we rise above the many challenges.

# Statistical Highlights

## Financial Statistics [R1]

| | 2011-12 | 2010-11 | % Change |
|---|---|---|---|
| **The Group** | | | |
| Financial Results ($ million) | | | |
| Total revenue | 14,857.8 | 14,524.8 | + 2.3 |
| Total expenditure | 14,571.9 | 13,253.5 | + 9.9 |
| Operating profit | 285.9 | 1,271.3 | - 77.5 |
| Profit before taxation | 448.2 | 1,419.0 | - 68.4 |
| Profit attributable to owners of the Parent | 335.9 | 1,092.0 | - 69.2 |
| Financial Position ($ million) | | | |
| Share capital | 1,856.1 | 1,832.4 | + 1.3 |
| Treasury shares | (258.4) | (43.0) | n.m. |
| Capital reserve | 99.1 | 91.8 | + 8.0 |
| Foreign currency translation reserve | (186.3) | (186.1) | - 0.1 |
| Share-based compensation reserve | 165.9 | 172.6 | - 3.9 |
| Fair value reserve | (47.6) | (138.0) | + 65.5 |
| General reserve | 11,264.6 | 12,474.7 | - 9.7 |
| Equity attributable to owners of the Parent | 12,893.4 | 14,204.4 | - 9.2 |
| Return on equity holders' funds (%) [R2] | 2.5 | 7.9 | - 5.4 points |
| Total assets | 22,043.0 | 24,544.5 | - 10.2 |
| Total debt | 1,077.8 | 2,038.9 | - 47.1 |
| Total debt equity ratio (times) [R3] | 0.08 | 0.14 | - 0.06 times |
| Value added | 4,344.3 | 5,419.2 | - 19.8 |
| Per Share Data | | | |
| Earnings - basic (cents) [R4] | 28.3 | 91.4 | - 69.0 |
| Earnings - diluted (cents) [R5] | 27.9 | 90.2 | - 69.1 |
| Net asset value ($) [R6] | 10.96 | 11.89 | - 7.8 |
| Dividends | | | |
| Interim dividend (cents per share) | 10.0 | 20.0 | - 10.0 cents |
| Final dividend (cents per share) | 10.0 | 40.0 | - 30.0 cents |
| Special dividend (cents per share) | - | 80.0 | - 80.0 cents |
| Dividend cover (times) [R7] | 1.4 | 0.7 | + 0.7 times |
| **The Company** | | | |
| Financial Results ($ million) | | | |
| Total revenue | 12,070.1 | 11,739.1 | + 2.8 |
| Total expenditure | 11,889.5 | 10,887.8 | + 9.2 |
| Operating profit | 180.6 | 851.3 | - 78.8 |
| Profit before taxation | 413.3 | 1,194.0 | - 65.4 |
| Profit after taxation | 390.2 | 1,011.2 | - 61.4 |
| Value added | 3,299.2 | 4,218.8 | - 21.8 |

[R1] *Singapore Airlines' financial year is from 1 April to 31 March. Throughout this report, all figures are in Singapore Dollars, unless stated otherwise.*

[R2] *Return on equity holders' funds is profit attributable to owners of the Parent expressed as a percentage of the average equity holders' funds.*

[R3] *Total debt equity ratio is total debt divided by equity attributable to owners of the Parent as at 31 March.*

[R4] *Earnings after tax per share (basic) is computed by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue excluding treasury shares.*

[R5] *Earnings after tax per share (diluted) is computed by dividing profit attributable to owners of the Parent 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.*

[R6] *Net asset value per share is computed by dividing equity attributable to owners of the Parent by the number of ordinary shares in issue excluding treasury shares at 31 March.*

[R7] *Dividend cover is profit attributable to owners of the Parent divided by total dividends.*

# Statistical Highlights

## Operating Statistics

| | 2011-12 | 2010-11 | % Change |
|---|---|---|---|
| **Singapore Airlines** | | | |
| Passengers carried (thousand) | 17,155 | 16,647 | + 3.1 |
| Revenue passenger-km (million) | 87,824.0 | 84,801.3 | + 3.6 |
| Available seat-km (million) | 113,409.7 | 108,060.2 | + 5.0 |
| Passenger load factor (%) | 77.4 | 78.5 | - 1.1 points |
| Passenger yield (cents/pkm) | 11.8 | 11.9 | - 0.8 |
| Passenger unit cost (cents/ask) | 9.2 | 8.9 | + 3.4 |
| Passenger breakeven load factor (%) | 78.0 | 74.8 | + 3.2 points |
| **SilkAir** | | | |
| Passengers carried (thousand) | 3,032 | 2,764 | + 9.7 |
| Revenue passenger-km (million) | 4,469.4 | 4,039.6 | + 10.6 |
| Available seat-km (million) | 5,904.8 | 5,285.1 | + 11.7 |
| Passenger load factor (%) | 75.7 | 76.4 | - 0.7 point |
| Overall yield (cents/ltk) | 153.3 | 147.4 | + 4.0 |
| Overall unit cost (cents/ctk) | 91.5 | 84.3 | + 8.5 |
| Overall breakeven load factor (%) | 59.7 | 57.2 | + 2.5 points |
| **SIA Cargo** | | | |
| Cargo and mail carried (million kg) | 1,205.8 | 1,156.4 | + 4.3 |
| Cargo load (million tonne-km) | 7,198.2 | 7,174.0 | + 0.3 |
| Gross capacity (million tonne-km) | 11,286.5 | 11,208.5 | + 0.7 |
| Cargo load factor (%) | 63.8 | 64.0 | - 0.2 point |
| Cargo yield (cents/ltk) | 34.9 | 36.2 | - 3.6 |
| Cargo unit cost (cents/ctk) | 23.5 | 22.3 | + 5.4 |
| Cargo breakeven load factor (%) | 67.3 | 61.6 | + 5.7 points |
| **Singapore Airlines, SilkAir and SIA Cargo** | | | |
| Overall load (million tonne-km) | 15,898.8 | 15,576.3 | + 2.1 |
| Overall capacity (million tonne-km) | 23,378.6 | 22,515.1 | + 3.8 |
| Overall load factor (%) | 68.0 | 69.2 | - 1.2 points |
| Overall yield (cents/ltk) | 85.5 | 85.5 | - |
| Overall unit cost (cents/ctk) | 58.6 | 55.4 | + 5.8 |
| Overall breakeven load factor (%) | 68.5 | 64.8 | + 3.7 points |
| **Employee Productivity (Average) - The Company** | | | |
| Average number of employees | 13,893 | 13,588 | + 2.2 |
| Seat capacity per employee (seat-km) | 8,163,082 | 7,952,620 | + 2.6 |
| Passenger load per employee (tonne-km) [R1] | 594,663 | 588,714 | + 1.0 |
| Revenue per employee ($) | 868,790 | 863,931 | + 0.6 |
| Value added per employee ($) | 237,472 | 310,480 | - 23.5 |
| **Employee Productivity (Average) - The Group** | | | |
| Average number of employees | 22,514 | 21,997 | + 2.4 |
| Revenue per employee ($) | 659,936 | 660,308 | - 0.1 |
| Value added per employee ($) | 192,960 | 246,361 | - 21.7 |

[R1] *Passenger load includes excess baggage carried.*

**GLOSSARY**

<u>*Singapore Airlines*</u>

| | | |
|---|---|---|
| *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)* |

<u>*SilkAir*</u>

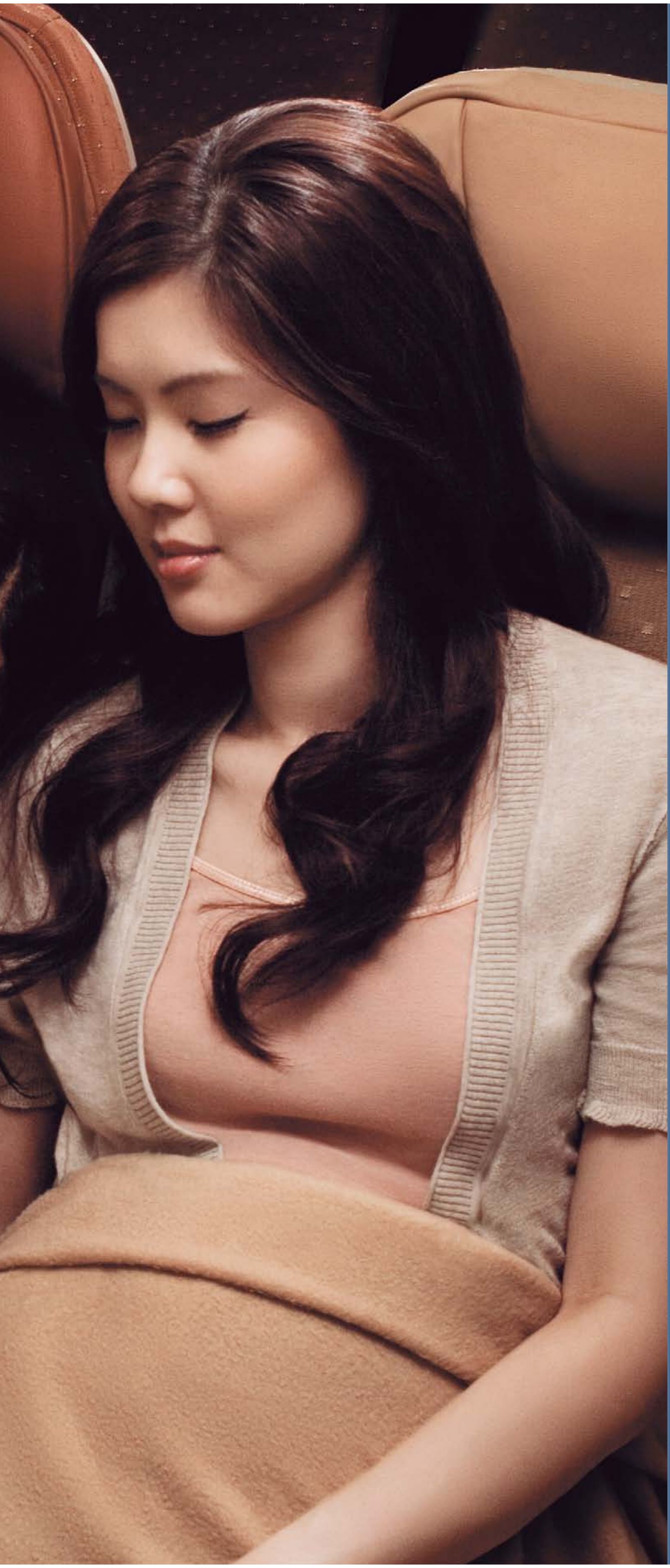
| | | |
|---|---|---|
| *Revenue passenger-km* | = | *Number of passengers carried x distance flown (in km)* |
| *Available seat-km* | = | *Number of available seats x distance flown (in km)* |
| *Passenger load factor* | = | *Revenue passenger-km expressed as a percentage of available seat-km* |
| *Overall yield* | = | *Passenger, cargo and mail revenue from scheduled services divided by total passenger and cargo load (in tonne-km)* |
| *Overall unit cost* | = | *Operating expenditure divided by gross capacity (in tonne-km)* |
| *Overall breakeven load factor* | = | *Overall unit cost expressed as a percentage of overall yield. This is the theoretical load factor at which passenger, cargo and mail revenue equate to the operating expenditure* |

<u>*SIA Cargo*</u>

| | | |
|---|---|---|
| *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)* |

<u>*Singapore Airlines, SilkAir and SIA Cargo*</u>

| | | |
|---|---|---|
| *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)* |



# Serving With Pride

At every step of the journey, we are focused on delivering the highest service standards to all our customers. Our staff continue to shine as the Airline's key assets, with a will to serve and to create extraordinary moments in the Singapore Airlines travel experience.

# Board of Directors







**1. 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. Among 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.

**2. Goh Choon Phong** • Director and Chief Executive Officer

Appointed Director on 1 October 2010 and Chief Executive Officer on 1 January 2011. Mr Goh joined the Company in 1990 and has held senior management positions in various divisions in Singapore and overseas, ranging from Marketing to Information Technology to Finance and Cargo. Prior to his appointment as Chief Executive Officer, Mr Goh was Executive Vice President for Marketing and the Regions and also served as President of Singapore Airlines Cargo Pte Ltd from 2006 to 2010.

**3. William Fung Kwok Lun** • Director

Appointed Director on 1 December 2009. Dr Fung is Executive Deputy Chairman of Li & Fung Limited, a multinational group of companies headquartered in Hong Kong. Dr Fung has 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.

# Board of Directors

**4. 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. She was the Chairperson of International Enterprise Singapore from April 2005 to April 2008 and Accounting Standards Council from 11 December 2007 to 31 October 2011. 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.

**5. David Michael Gonski** • Director
Appointed Director on 9 May 2006. Mr Gonski is Chairman of several companies including Investec Bank (Australia) Limited and Coca Cola Amatil Ltd. He is also Chancellor of the University of New South Wales and Chairman of the Board of Guardians of the Future Fund. 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.

**6. Christina Ong** • Director
Appointed Director on 1 September 2007. Mrs 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.

**7. 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.

**8. Jackson Peter Tai** • Director
Appointed Director on 1 September 2011. Mr Tai is on the Boards of Bank of China, MasterCard Incorporated, NYSE Euronext and Philips Electronics NV. Mr Tai was a senior executive with DBS Group and DBS Bank Ltd in Singapore between July 1999 and December 2007. Mr Tai joined DBS as Chief Financial Officer and in January 2001 became President and Chief Operating Officer. He became Vice Chairman and CEO in June 2002. Mr Tai joined DBS after 25 years with JP Morgan & Co, during which he held senior positions in New York, San Francisco and Tokyo.

**9. Lucien Wong Yuen Kuai** • Director
Appointed Director on 1 September 2007. Mr Wong 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 and a Board member of the Monetary Authority of Singapore.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SIA remains focused on adhering to its three core strengths, encompassing service excellence, product leadership and network connectivity. Much has taken place in all these areas over the past year, and there is more to come.

# Chairman's Letter to Shareholders

The 2011/12 financial year was challenging once again, ending on a disappointing note with a fourth-quarter loss. But there remains much to be positive about, as our strong balance sheet enables us to maintain a long-term approach and continue investing to keep us in an industry-leading position.

SIA remains focused on adhering to its three core strengths, encompassing service excellence, product leadership and network connectivity. Much has taken place in all these areas over the past year, and there is more to come.

From a service standpoint, we continue to invest in training to ensure that our employees provide the highest quality care to our customers, both on the ground and in the air.

Many initiatives were also implemented in the last financial year to ensure that our products remain among the best in the industry. A cabin retrofit programme was completed on our Boeing 777-300s to fit the aircraft with new seats. We also continued to take delivery of new Airbus A380s, and placed orders for additional Airbus A330-300s and B777-300ERs, in line with our longstanding policy of operating a young and modern fleet.

In the new financial year we will be retrofitting B777-200ERs with our latest-generation business class seat offerings. We are also introducing in-flight connectivity services, which over the next two years will progressively be made available on all our Airbus A340-500s, A380s and B777-300ERs. The services enable customers to surf the Internet, and send and receive mobile phone text messages and emails from their mobile devices, just as they can on the ground.

Our network also continues to be enhanced. SIA's capacity is growing in a measured manner, while our regional wing SilkAir has been recording particularly strong growth, with several new destinations recently introduced. New partnerships were also agreed over the past financial year, including with Virgin Australia and Scandinavian Airlines, to provide more travel choices to our customers.

Another important development in the last financial year was our establishment of Scoot, a new medium- and long-haul low-cost airline that recently launched operations with B777s. It is catering to a largely untapped new market segment and provides an additional engine of growth for the SIA Group.

Fuel remains the Group's biggest challenge, with average jet fuel prices rising by one third in the last financial year and now accounting for 40% of expenditure. Costs are being well managed in areas we can control, and strict cost discipline helped reduce our unit cost excluding fuel by 7.5% in the last financial year. With fuel prices expected to remain at high levels, the senior management team is committed to ongoing containment of costs.

Our staff continue to do their part to ensure the Group remains in a position of strength, and for this we are grateful to all our employees for their loyalty and dedication. As an indication of the positive relations between SIA and employee groups, new collective agreements were recently concluded with all three unions, which enables us to collectively focus on confronting the many external challenges.

I would also like to express my appreciation to my fellow Directors for their commitment over the past financial year, during which we welcomed Jackson Tai to the Board. This followed the retirement of James Koh, who had been a Director since 1 August 2005. I thank James for his invaluable contributions over many years.

Finally, I wish to record my thanks to our shareholders and assure you that we will never become complacent and rest on our laurels. With our strong balance sheet and commitment to maximising operating efficiency and containing costs, the Group remains well positioned to meet the challenges ahead.

Stephen Lee
Chairman

# Corporate Data

## Board Of Directors

*Chairman*
Stephen Lee Ching Yen

*Members*
William Fung Kwok Lun

Goh Choon Phong

Euleen Goh Yiu Kiang

David Michael Gonski

Christina Ong

Helmut Gunter Wilhelm Panke

Lucien Wong Yuen Kuai

James Koh Cher Siang
*(until 31 August 2011)*

Jackson Peter Tai
*(from 1 September 2011)*

## Board Committees

### Board Executive Committee

*Chairman*
Stephen Lee Ching Yen

*Members*
Goh Choon Phong

Euleen Goh Yiu Kiang

James Koh Cher Siang
*(until 31 August 2011)*

Lucien Wong Yuen Kuai
*(from 1 September 2011)*

### Board Audit Committee

*Chairperson*
Euleen Goh Yiu Kiang

*Members*
William Fung Kwok Lun

David Michael Gonski

Lucien Wong Yuen Kuai
*(until 31 August 2011)*

Jackson Peter Tai
*(from 1 September 2011)*

### Board Compensation and Industrial Relations Committee

*Chairman*
Stephen Lee Ching Yen

*Members*
David Michael Gonski

Helmut Gunter Wilhelm Panke

James Koh Cher Siang
*(until 31 August 2011)*

Jackson Peter Tai
*(from 1 September 2011)*

### Board Nominating Committee

*Chairman*
Lucien Wong Yuen Kuai

*Members*
Stephen Lee Ching Yen

Christina Ong

### Board Safety and Risk Committee

*Chairman*
James Koh Cher Siang
*(until 31 August 2011)*

Helmut Gunter Wilhelm Panke
*(from 1 September 2011)*

*Members*
Christina Ong

Helmut Gunter Wilhelm Panke
*(until 31 August 2011)*

Lucien Wong Yuen Kuai
*(from 1 September 2011)*

## 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

Mak Keat Meng
*(appointed since FY 2010-11)*

## Registered Office

Airline House
25 Airline Road
Singapore 819829

# Corporate Data

## Executive Management

### Head Office

Goh Choon Phong
*Chief Executive Officer*

Mak Swee Wah
*Executive Vice President Commercial*

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

Chow Kok Wah
*Acting Senior Vice President Cabin Crew*
*(until 31 January 2012)*

Tan Chik Quee
*Senior Vice President Marketing*

Lee Lik Hsin
*Senior Vice President Corporate Planning*
*(from 1 April 2012)*

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*

Tan Pee Teck
*Senior Vice President Product and Services*

Ng Kian Wah
*Senior Vice President Sales Regions*
*(until 30 June 2011)*

### Overseas Regions

Lim Wee Kok
*Regional Vice President North Asia*

Foo Chai Woo
*Regional Vice President Americas*

Paul Tan Wah Liang
*Regional Vice President Europe*

Subhas Menon
*Regional Vice President South West Pacific*

Philip Goh Ser Miang
*Regional Vice President South East Asia*
*(from 20 June 2011)*

Casey Ow Yong Fook Wing
*Regional Vice President West Asia and Africa*
*(from 13 June 2011)*

## Senior Management, Major Subsidiaries

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

Marvin Tan Meng Hung
*Chief Executive*
*SilkAir (Singapore) Private Limited*

Tan Kai Ping
*President*
*Singapore Airlines Cargo Pte Ltd*

Campbell David McGregor Wilson
*Chief Executive Officer*
*Scoot Pte. Ltd.*
*(with effect from 17 June 2011)*

## Financial Calendar

**31 March 2012**
*Financial Year-End*

**9 May 2012**
*Announcement of 2011-12*
*Annual Results*

**27 June 2012**
*Despatch of Annual Report*
*and Circular to Shareholders*

**25 July 2012**
*Announcement of 2012-13*
*First Quarter Results*

**26 July 2012**
*Annual General Meeting and*
*Extraordinary General Meeting*

**15 August 2012**
*Payment of Final Dividend for*
*the Financial Year 2011-12*
*(subject to shareholders'*
*approval at AGM)*

**2 November 2012**
*Announcement of 2012-13*
*Second Quarter and Half-Year Results*

# Significant Events

## 2011

### MAY

The Airline partners the Civil Aviation Authority of Singapore to implement air traffic management best practices on SQ37 from Los Angeles to Singapore, under the Asia and Pacific Initiative to Reduce Emissions - Daily City Pair programme.

Following the 11 March earthquake and tsunami in Japan, the Airline pledged to match staff donations for relief and recovery efforts dollar for dollar. In all, over $350,000 was raised for the Singapore Red Cross Society for its work in Japan. Including contributions from staff in overseas stations to their local Red Cross chapters, as well as a contribution from the Airline Pilots Assocation – Singapore to the Japan Red Cross, a total of $415,384 was raised.

Singapore Airlines announces its intention to launch a wholly owned, independently operated and separately managed low-fare airline, operating widebody aircraft on medium- and long-haul routes.

### JUNE

An agreement is signed with the Virgin Australia group of companies to establish a long-term alliance covering codesharing on each other's flights, reciprocal frequent flyer benefits and lounge access, among other initiatives.

The Airline introduces a range of toys from Hasbro specially for young customers aged 12 and below, including selections from the popular Monopoly, Transformers, and Play-Doh series.

A three-year commercial agreement with Tourism Australia to jointly fund a range of tourism promotion activities is signed. A memorandum of understanding is also undertaken with Spain Tourism Board to jointly explore and implement activities to promote tourist traffic to Spain.

The Airline signs a codeshare agreement with Brussels Airlines, allowing customers to fly from Singapore to Brussels, or vice versa, via Barcelona, London and Milan.

Acclaimed American chef Suzanne Goin, of Los Angeles restaurants Lucques, A.O.C. and Tavern, comes on board the Airline's International Culinary Panel, joining luminaries such as Georges Blanc from France and Yoshihiro Murata of Japan.

### JULY

The Airbus A380 is launched on the daily Singapore-Tokyo Narita-Los Angeles route, making the City of Angels the Airline's eighth destination and first North American point to receive the superjumbo.

Singapore Airlines executive Campbell Wilson is appointed as founding CEO of the wholly owned, subsidiary low-fare airline. The new airline also announces the Boeing 777-200 aircraft as its aircraft type of choice for its initial fleet, to be acquired from the parent airline company.

A four-year agreement to jointly fund a range of tourism promotion activities is signed with Tourism Queensland, reflecting the Airline's commitment to Australia.

The Airline signs a codeshare agreement with Transaero Airlines, allowing customers from Singapore to travel beyond Moscow to Ekaterinburg, Novosibirsk, Samara and St Petersburg.

An eighth daily service is introduced on the Singapore-Jakarta route.

# Significant Events

## SEPTEMBER

The Airline and Virgin Australia launch the first phase of their alliance, commencing an initial interline agreement and offering reciprocal lounge access to eligible customers.

The premium 2009 Château Filhot, Sauternes is added to the Airline's wine offerings in Suites and First Class; the white wines of Sauternes originate from Bordeaux and are famed for their rich sweetness and aromas.

Advance selection of Economy Class seats on the Airline's flights is now available through all booking channels, including travel agencies.

Taking another step towards greener skies, the Airline joins the Sustainable Aviation Fuel Users Group.

The Airline signs an agreement with Airbus to lease 15 A330-300 aircraft.

Under a partnership with Changi Airport Group, the Airline and wholly owned subsidiary SilkAir offer customers attractive Singapore Stopover Holiday packages, priced from as low as $60.

## OCTOBER

Selected customers of the Airline and its subsidiary SilkAir, who transit at Changi Airport, are issued $20 worth of Changi Dollar Vouchers each, redeemable at all retail, food and service outlets in the transit and public areas of Terminals 1, 2 and 3.

The Airline signs a codeshare agreement with Ethiopian Airlines, allowing customers to fly to the Ethiopian capital of Addis Ababa via Dubai.

## NOVEMBER

The wholly owned, low-fare subsidiary airline is unveiled as Scoot.

The Airline signs an agreement with Boeing to purchase eight more B777-300ERs.

## DECEMBER

The Airline and Virgin Australia commence reciprocal frequent flyer recognition, enabling members of each airline's frequent flyer programme to earn and redeem points on the other's flights. Reciprocal lounge access is also available for eligible customers.

# 2012

## JANUARY

The Airline and Scandinavian Airlines agree to boost air services between Singapore and destinations in Scandinavia, including participating in joint sales activities and with direct flights to the Swedish capital Stockholm should market conditions permit.

The daily Boeing 747-400 service plying Singapore-Frankfurt-New York is replaced with an Airbus A380, representing a daily increase of 25% in seat capacity. Frankfurt and New York are the Airline's ninth and tenth destinations to receive the superjumbo.

## FEBRUARY

Codesharing on Australian domestic flights operated by alliance partner Virgin Australia begins, with 20 more cities added to the Airline's codeshare network, offering customers more choices of flights.

Paying tribute to the Boeing 747 after nearly 40 years of service, the Airline displays aircraft '9V-SPQ', the last B747-400 delivered to the Airline in 2001, at the Singapore Airshow 2012. More than 1,000 staff and members of the public are treated to guided tours of the aircraft's cabin over 18 and 19 February, in a fond farewell, marking the launch of a series of events to commemorate the retirement of the Airline's B747 fleet.

## MARCH

The Airline's regional full service subsidiary airline, SilkAir, begins four-times-weekly services between Singapore and Darwin, while Virgin Australia will complement these services with a daily service between Sydney and Darwin from April.

# Enriching Every Experience

We dare to imagine an experience that brings exhilaration to our customers whenever they travel as we continue to introduce new and innovative product offerings on board our flights. With our KrisFlyer members enjoying more opportunities to earn and redeem miles, and the addition of a new world-class chef to our International Culinary Panel, we believe that every experience can be enriched as we commit to explore and offer the best.

# Operating Review

The Singapore Airlines Group achieved a net profit attributable to equity holders of $336 million in the financial year ended 31 March 2012.

## The Year in Review

The Singapore Airlines Group achieved a net profit attributable to equity holders of $336 million in the financial year ended 31 March 2012.

The first nine months of the year in review saw the Group record weaker operating results amidst a climate of economic uncertainty and weak consumer confidence, with both passenger and cargo yields coming under pressure. The Group earned a net profit of $374 million during the period. The last quarter of the year saw a further decline in performance in the face of persistently high fuel prices, with the Group recording a net loss of $38 million.

Fuel prices are expected to remain high going forward, which will continue to impact the Group's operating performance. An intensifying competitive landscape has necessitated various promotional activities, which have weighed on yields. Major world events also continue to have an impact on the Airline's operations.

Despite the continuing difficulties in the operating environment, the Airline will maintain a long-term approach to product and service excellence, by introducing new inflight offerings and cabin renewal programmes. The Group is also committed to optimising operating efficiency and containing costs.

The Airline has embarked on several strategic initiatives to expand its network and respond more aggressively to competition. In addition to several new codeshare agreements, the year in review saw the launch of a groundbreaking alliance with Virgin Australia, with the aim of connecting Singapore Airlines' extensive international network more seamlessly with Virgin Australia's wide range of Australian and Pacific destinations. The Airline also announced the establishment of Scoot, a wholly owned, independently operated and separately managed low-fare airline, to cater to the growing demand among consumers for low-fare travel.

# Operating Review

# Operating Review


## Network

The year in review saw strategic capacity management of Singapore Airlines' global network to meet the changes in demand patterns.

The Airline increased frequency to points in Southeast Asia, North Asia, the Indian subcontinent and other markets during the Northern Winter operating season as a result of continued growth in travel demand.

As demand recovered for travel to and from Japan, services between Singapore and Tokyo Haneda doubled to twice daily. Frequency on the Singapore-Osaka route also increased from 10 to 11 flights per week.

Services to Guangzhou doubled to 14 flights per week from seven, catering to increased demand on the route.

The Airbus A380 continued to extend its reach during the year in review. Los Angeles, Frankfurt and New York joined the A380 network as the eighth, ninth and tenth destinations served by the superjumbo.

Closer to home, in the Southeast Asia region, a fifth daily Bangkok service was added to the network, proving the resilience of the route.

Towards the end of the financial year from Northern Summer 2012, the Airline made some frequency adjustments to match capacity to prevailing demand for travel.

To serve the highly popular destination, frequency to the Maldives' capital Male increased to 12 flights per week from the previous 10 flights. It further increased to twice daily flights offering customers a choice of daily day and night flights out of Singapore from 30 April 2012.

An additional daily service was introduced to Seoul, increasing frequency to four flights per day from three, including one flight that continues to San Francisco. Services to Mumbai were also increased to 19 per week from 17.

In Southwest Pacific, frequency to points in Australia was increased. Adelaide services were boosted to 10 times per week from seven, while Brisbane and Perth would each be served 21 times per week, from 19 and 18 respectively.

Frequency reductions were also implemented in select markets to match travel demand.

Singapore-Moscow-Houston services were reduced to five times weekly and Singapore-Munich-Manchester services were reduced to six times weekly from daily.

The Singapore-Taipei route also saw a reduction from 18 to 14 services per week.

Demand patterns will continue to be closely monitored and changes made to the Airline's network when necessary.

# Operating Review

In our continual pursuit to offer a young and modern fleet to our customers, Singapore Airlines announced new aircraft orders for 15 Airbus A330-300s on operating leases and purchase of eight Boeing 777-300ER aircraft.

## Fleet Management

The year in review saw the delivery of an additional five Airbus A380-800 aircraft, bringing the total to 16, with three more on order and a further six on option.

Another six Boeing 777-300s completed a cabin refresh programme while four B777-300 and three B777-200 aircraft left the operating fleet. Two of these B777-200s were transferred to new subsidiary Scoot.

Six B747-400s were progressively phased out during the year as we bade a fond farewell to the "Queen of the Skies" from our fleet.

In our continual pursuit to offer a young and modern fleet to our customers, Singapore Airlines also announced new aircraft orders for 15 Airbus A330-300s on operating leases and purchase of eight Boeing 777-300ER aircraft. In addition to the 20 Airbus A350-900s and 20 Boeing 787-9s on order, our total firm aircraft orders stood at 66 aircraft as at 31 March 2012.

The Singapore Airlines passenger aircraft fleet, as at 31 March 2012, comprised 100 aircraft, with an average age of six years and two months.

SIA Cargo's fleet as at 31 March 2012 comprised 13 Boeing 747-400 freighters, with an average age of 11 years and three months.

The fleet of SilkAir as at 31 March 2012 comprised 14 Airbus A320s and six Airbus A319s, with an average age of six years and three months.

# Operating Review

Singapore Airlines continually endeavours to enhance the KrisWorld entertainment system to keep customers engaged and entertained with a wide range of programming.

## Products and Services

### KrisFlyer

KrisFlyer members enjoyed more opportunities to earn and redeem miles with the introduction of various programme initiatives in the year under review. The redemption award charts for Singapore Airlines and SilkAir were reviewed and Saver awards are now available in First and Business Class on aircraft types with upgraded cabin products, such as the Boeing 777-300ER, Airbus A380 and Airbus A340-500. Members can also earn KrisFlyer miles on certain promotional Economy Class fares.

With the addition of Ethiopian Airlines and Virgin Australia, members can earn and redeem miles on the programme's network of 28 airline partners. KrisFlyer also welcomed 12 new partners to the growing portfolio of over 150 global non-airline partners and brands. Throughout the year, members benefitted from a series of global redemption promotions, local offers and partner privileges.

### Ground Services

#### Mobile Boarding Pass

The Airline has introduced the use of Mobile Boarding Pass at Singapore, Hong Kong and Frankfurt airports.

Now, eligible passengers departing from these airports (excluding US-bound flights) will be offered the option of a Mobile Boarding Pass. Instead of having to print and bring along a copy of the boarding pass, the Mobile Boarding Pass is stored conveniently in the customer's mobile device and may be presented at the various check-points at the airport and when boarding the aircraft.

This service will be progressively implemented at more airports subject to local regulations.

### Inflight Services

#### Keeping KrisWorld Entertaining for All

Singapore Airlines continually endeavours to enhance the KrisWorld entertainment system to keep customers engaged and entertained with a wide range of programming. Some notable improvements include an increase in the total number of programmes available as well as the introduction of a thematic approach each month to provide an immersive experience.

Customers will soon have an even greater choice of Asian programmes on KrisWorld with cultural performances such as Chinese Opera and Crosstalk shows. Popular television shows from Japan, Korea, Hong Kong, Taiwan and India also provide countless hours of enjoyment.

# Operating Review

Singapore Airlines customers can now keep updated even during flights with happenings around the world, by viewing the latest news headlines on KrisWorld via a news ticker powered by Channel NewsAsia. In addition, customers can connect to the Internet and access mobile services such as text messaging on selected aircraft via the inflight connectivity services provided by OnAir.

## Appointment of New International Culinary Panel Chef

Singapore Airlines appointed a new International Culinary Panel chef, Suzanne Goin, on 1 April 2011. A deeply respected figure in the Los Angeles dining scene, Suzanne brings an inventive and distinctly Californian style to the Airline's inflight dining experience, with a focus on fresh seasonal ingredients from local markets and purveyors, and preparations rooted in classic culinary traditions.

Suzanne has won many accolades for her culinary expertise and creations, including Food & Wine Magazine's 'Best New Chefs of 1999', the James Beard Foundation's 'Best Chef: California' in 2006, and four consecutive nominations for the national Outstanding Chef Award from 2008 to 2011. Suzanne's passion for seasonal cooking is reflected in her artfully presented dishes bursting with colours and textures that embody the beauty of Californian cuisine.

Suzanne joins a host of food talents on the panel, to specially create the unique selection for customers on board that enhances the overall inflight dining experience.

## Introduction of Book the Cook Healthy Breakfast Choices

On 1 May 2011, a series of healthy breakfast choices was added to the Book the Cook programme on selected First and Business Class flights, to cater to the increasing demand for healthy eating.

## Children's Amenities

In mid 2011, the Airline introduced a new range of toys from Hasbro for young customers aged 12 and below. The exclusive collection includes toys and amenities from the popular Monopoly, Transformers, Play-Doh, Littlest Pet Shop, Chuck & Friends, Guess Who? and Twister series.

# Operating Review

# Operating Review

The learning framework for our staff continues to emphasise alignment with the Company's competency framework, to pursue improvements in productivity and promote continuous skills upgrading.

## People Development

The Airline remains focused on its people development policies to forge ahead in challenging times. The learning framework for staff continues to emphasise alignment with the Company's competency framework, to pursue improvements in productivity and promote continuous skills upgrading. Staff are provided access to resources such as e-learning programmes and e-business books, allowing them to learn at their own pace and convenience, with learning content made available through their personal mobile devices or tablets.

The revamped SIA Executives Programme for newly hired executives was rolled out in the year under review. The programme spans three months and includes training stints at the call centre and the airport. This enables new executives to acquire customer-servicing experience and gain greater appreciation of the complex operations of the Airline before being assigned to their first job in the Company.

For frontline staff, the Airline has been preparing them for the move to a new passenger booking and servicing system in 2012. Training for staff consists of a combination of e-learning courses and instructor-led training, run in progressive phases, first for staff in reservations, ticketing and call centres, followed by those involved in airport operations. More than 900 reservations, ticketing and call centre staff will be trained in the first phase in preparation for the system cutover.

A series of Station Leadership courses has also been introduced to develop and enhance leadership and decision-making skills at stations across the network. A structured framework of courses has also been developed for staff in Sales and Marketing to further enhance their skills. The Airline continues to focus and invest in customer service training of frontline staff to provide winning service to our customers.

To promote a healthy lifestyle and well-being at the workplace, an SIA Wellness and Health programme was initiated by the Company. Health screening sessions were held for staff, who also attended lunch-time health talks. In addition, health bazaars and sports try-out sessions in yoga and kickboxing, to name a few, were organised to inculcate a healthy lifestyle. As part of the programme, messages on adopting healthy eating habits and a regular exercise regimen were prominently displayed at staff canteens.

The Airline has maintained its appeal as an employer in the job market. In 2011, it was voted one of the top five private employers of choice in a survey of fresh local graduates by campus recruitment specialist JobsFactory, an award it has retained for four consecutive years.

As at 31 March 2012, the staff strength of SIA Group was 22,746, an increase of 2.1% over the previous year. Of this, 13,992 (61.5%) were employed by the Airline, with 7,438 cabin crew and 2,345 pilots.

# Supporting Our Communities

Singapore Airlines continues to do our part to support the communities in which we operate. Following the March 2011 earthquake and tsunami, over $350,000 was raised for the Singapore Red Cross Society for its work in Japan. Singapore Airlines also actively contributes to many other causes on an annual basis.

# Operating Review

Singapore Airlines is committed to working with key stakeholders on exploring the use of biofuels for aviation, and joined the Sustainable Aviation Fuel Users Group in September 2011.

## Environment

The environment is one of the aviation industry's key priorities, along with safety and security. Airlines are working constantly to limit their climate change impact, emissions and noise.

Over the past 40 years, the industry has improved fuel efficiency by 70%. Between 2001 and 2008, fuel efficiency improved by 16%. Going forward, the industry aims to achieve carbon neutral growth by 2020 on the way to a carbon-free industry. The International Air Transport Association (IATA) has adopted a strategy to reduce emissions based on the four-pillar strategy of investing in technology, improving operational efficiency, building and using efficient infrastructure, and using positive economic instruments to provide incentives.

With advances in technology, aircraft emissions around airports have been significantly reduced. Since the 1960s, levels of carbon monoxide have come down by 50% and unburned hydrocarbons and smoke by around 90%. Research is targeting a further 80% reduction in nitrogen oxide emissions by 2020. The industry is also making substantial investments in cleaner ground support equipment and vehicles to improve local air quality.

Today's aircraft are 50% quieter than 10 years ago. The current noise certification standard -- Chapter 4 -- introduced on 1 January 2006 for new aircraft designs is more stringent than the Chapter 3 standard. Aircraft certified to Chapter 4 are at least one third quieter than those certified to the Chapter 3 standard.

Besides revolutionary changes in aircraft and engine design, and the use of lightweight composite materials, alternative fuels -- sustainable biofuels in particular -- have been identified as having potential to reduce the carbon footprint of the air transport industry. The challenge remains with the availability of commercially viable biofuels as well as supporting infrastructure. Singapore Airlines is committed to working with key stakeholders on exploring the use of biofuels for aviation, and joined the Sustainable Aviation Fuel Users Group in September 2011.

Despite significant strides made by the aviation industry in improving its environmental impact, the European Union Emissions Trading Scheme has been applied to international aviation since the beginning of 2012. Emissions from aviation are capped at 97% of average annual emissions in the reference period from 2004 to 2006, and the target will be tightened to 95% from 2013. Singapore Airlines supports IATA's position that any emissions trading schemes applied to aviation must incorporate a number of fundamental elements, including preserving the International Civil Aviation Organization's global leadership, minimising competitive distortions and having open access to trading markets.

# Operating Review

Singapore Airlines continues to do its part to reduce fuel consumption and carbon emissions, through various initiatives such as flight operations enhancements, engineering performance and maintenance improvements, as well as weight saving measures. Specifically, they include tailored potable water uplift, regular engine wash, optimised uplift of fuel, regular review of optimum speeds for climb, cruise and descent of flights, and partnering with airport authorities to develop shorter and more direct flight routings.

Singapore Airlines remains committed to its longstanding policy of maintaining a young and modern fleet of aircraft and adopting new technologies to harness the benefits of reduced greenhouse gas emissions, improved fuel productivity, lowered noise levels and more efficient utilisation of resources. We will continue to strive for improvements in our environmental performance and will take appropriate measures to address all areas of environmental concern.

More details of the Airline's environmental activities and programmes are available online at singaporeair.com.

# Operating Review

## Supporting Our Communities

Singapore Airlines believes that operating a successful airline involves contributing actively to the communities in which we work and live. The Airline has long been a fervent supporter of various charitable organisations, as well as educational, arts, sports and heritage institutions. Our support comes in the form of free and rebated tickets, cash contributions as well as staff involvement.

During the year in review, the Airline incorporated Médecins Sans Frontières (MSF) as one of the organisations that we support on a recurring basis. Also known as Doctors Without Borders, MSF is a leading international humanitarian aid organisation that provides emergency medical assistance to populations in distress and danger in more than 70 countries, including people affected by armed conflict, epidemics, natural or man-made disasters or exclusion from healthcare.

In the area of the Arts, the Airline continued its longstanding support for institutions such as the Singapore Symphony Orchestra (SSO), the Singapore Dance Theatre (SDT), the Singapore Lyric Opera (SLO) and the National Arts Council, to name a few. Amongst SSO's popular concerts for the year were Alpine Symphony and Russian Extravaganza, while the SDT presented classics such as The Nutcracker and Swan Lake with a modern twist. The SLO successfully staged well-received operas such as Mozart's Don Giovanni and Strauss' Salome. Also contributing to the arts scene in Singapore was the annual Singapore Arts Festival, themed I Want to Remember, which brought together iconic artists from around the world in a series of multi-sensory performances.

Another notable project that the Airline supported was the National Museum's blockbuster exhibition Highlights from Musée d'Orsay: Dreams & Realities, which featured over 140 masterpieces from the renowned museum in Paris.

At the Singapore Airshow 2012 held in February, at which a Singapore Airlines Boeing 747-400 was on display as part of a series of activities marking the retirement of the aircraft from the fleet, the Airline arranged for a group of students from Katong School to experience a special guided tour of the plane. Accompanied by their teachers and volunteers from the Cabin Crew Club for Community Care, the students were given the opportunity to try out the seats and view serviceware and amenities from the past. Food and drinks were catered to ensure an enjoyable experience was had by all.

As a long-time supporter of Community Chest, the Airline continued to contribute towards the annual "Give A Hand" campaign, which raises funds for various beneficiaries under the care of the Community Chest. In the educational sector, the Airline pledged to support the JY Pillay Global-Asia Programme which seeks to raise local levels of research and fieldwork, as well as the Lee Kuan Yew Bilingualism Fund, which will be used to spearhead initiatives to teach children their Mother Tongue and English.

# Operating Review

Over $350,000 was raised for the Singapore Red Cross Society for relief and recovery work in Japan in the aftermath of the March 2011 earthquake and tsunami.


A proud advocate of the Singapore brand, the Airline carried on its support of Singapore Day, an annual event organised by the Overseas Singaporean Unit aimed at engaging Singaporeans residing abroad. Singapore Day 2011 was held in Shanghai, China, attracting a total of 5,500 Singaporeans who enjoyed the wide selection of hawker fare and local performances.

As a global airline operating to more than 60 destinations in over 30 countries, Singapore Airlines is acutely aware of the importance of building strong relationships with the local communities that it serves. Many of our overseas offices work with local charities in support of various initiatives and causes.

In Australia, the Airline was the official airline partner for three major visiting exhibitions including Picasso: Masterpieces from the Musée National Picasso, Paris; Extraordinary Stories from the British Museum; as well as Matisse: Drawing Life. It also maintained its long-time support for The Arts Centre in Melbourne, the Western Australia Ballet and Queensland Ballet, on top of two Spanish and Indian film festivals. Fundraising activities were also carried out in the aftermath of the Christchurch, New Zealand earthquake.

In Japan, the Airline has established an annual tradition of visiting children at the Narita Red Cross Hospital each Christmas. In 2011, our staff members dressed up as Santa and his assistants, visiting the children's wards with Christmas gifts that brought smiles to many young faces.

Following the 11 March earthquake and tsunami in Japan, the Airline pledged to match staff donations for relief and recovery efforts dollar for dollar. In all, over $350,000 was raised for the Singapore Red Cross Society for its work in Japan. Including contributions from staff in overseas stations to their local Red Cross chapters, as well as a contribution from the Airline Pilots Assocation – Singapore to the Japan Red Cross, a total of $415,384 was raised.

In the Philippines, the Airline supported the Children's Hour Annual Benefit Luncheon "Everyday it's Christmas". A range of gifts and donations were given to children of informal settlers along the Pasig River and its tributaries. In December 2011, the Airline also worked with the Malaya Kids Ministry to provide gift items and toy sets to the Smokey Mountain dwellers. After tropical storm Sendong in Cagayan de Oro struck in January 2012, cartons of blankets were donated to victims, many of whom lost their homes and belongings.

In Korea, a spontaneous fundraising bazaar for underprivileged children was held in conjunction with the Beautiful Store, a non-profit organisation that provides aid to children in need. The idea had been conceived by a few staff members during a discussion. In a short span of a month, the local town, airport and cargo offices collected more than 2,500 donated items in pristine condition, which were sold alongside Singapore-style chicken curry rice and Singapore Slings prepared by Singapore's Ambassador to South Korea.

# Operating Review

SIA Cargo supported the Singapore Children's Society through fundraisers and organising outings for the children.

## Subsidiaries

### SIA Cargo

SIA Cargo reported an operating loss of $119.3 million in the year in review.

Weak economic activity in major consumer markets affected trade and airfreight tonnages during the year in review.

SIA Cargo continued with its variable frequency approach to its freighter network to better match capacity to cargo demand. On a planned basis, services were reduced during lull periods and additional services were scheduled during periods of stronger demand. The company also channeled resources to operate more short and medium haul services. New freighter points such as Lagos, Jakarta and Osaka were introduced in financial year 2011-12 as well.

Besides widening its network, SIA Cargo is also strengthening its competencies by pursuing new and high growth business segments such as temperature-sensitive pharmaceutical cargo.

SIA Cargo and joint venture company China Cargo Airlines started operating joint freighter services between Singapore and China from April 2012. The new agreement will benefit customers of both airlines as it will provide more choices of flights for air cargo shipments between Singapore and China. SIA Cargo holds a 16% equity interest in China Cargo Airlines.

The company continues to foster close partnerships with key customers. The Global Partnership Programme, which is running in its 11th year, recognises the strong strategic relationship with key multinational players supporting its business in the airfreight forwarding industry. Riding on the success of this Programme, SIA Cargo has also launched a Premier Partnership Programme with the aim of recognising the locally based forwarders in key markets, which have relentlessly supported it throughout the years. This new programme was launched in January 2012.

SIA Cargo launched the electronic air waybill (e-AWB) in Singapore during the year in review. The goal is to reach 100% e-AWB penetration on the feasible trade lanes for the Singapore market by the last quarter of the new financial year.

During the year in review, SIA Cargo received the "Award for Excellence (Air Carrier)" from Air Cargo World. It was also named Best Air Cargo Carrier in Asia and Best Green Service Provider (Airline) at the 2011 Asian Freight & Supply Chain Awards.

SIA Cargo celebrated 10 years of corporatisation on 1 July 2011 with a host of celebratory activities, including an anniversary luncheon, charity fundraisers and fun activities involving staff both in Singapore and overseas.

SIA Cargo also continued supporting the arts and heritage, protecting the environment and helping the less privileged. These initiatives included partnering with National Heritage

# Operating Review


Board to transport valuable exhibition items, working with Wildlife Reserves Singapore to carry live animals on zoo-to-zoo conservation exchange programmes, as well as supporting the Singapore Children's Society through fundraisers and organising outings for the children.

However, there remain concerns in the near future about escalating costs due to high jet fuel prices and the stability of the global economy's recovery.

In view of this challenging business environment, SIA Cargo will remain flexible in deploying its resources, and vigilant in maintaining cost discipline. The company will also continue to seek growth opportunities and increased connectivity in emerging markets, as well as actively pursue more project and charter opportunities.

# Operating Review


SIA Engineering Company achieved revenues of $1,170 million. Profit attributable to equity holders was $269 million.

## SIA Engineering Company

During the year under review, SIA Engineering Company (SIAEC) increased its revenue by 5.7% to $1,169.9 million. Profit attributable to equity holders grew 4.1% to $269.1 million.

SIAEC continued to stay at the leading edge of aircraft technology, performing the world's first 48-month check of the Airbus A380 superjumbo, a major maintenance milestone for the world's largest aircraft.

Leveraging on its wide bench of technical expertise and extensive capabilities in new-generation aircraft, SIAEC successfully attracted more airline customers to its fleet management business, consolidating its position as one of the world's largest fleet management service providers.

The Company secured a six-year contract with Airbus to provide fleet management, line maintenance, heavy and light checks, defect rectification and cabin maintenance for Singapore Airlines' 15 additional Airbus A330-300s. SIAEC also signed fleet management agreements with Mandala Airlines and VietJet Air to cover the carriers' Airbus A320 fleets. These three contracts have a combined value of more than $350 million.

During the year, SIAEC renewed its maintenance, repair and overhaul agreement with SIA Cargo and secured a contract to provide engineering support for Scoot's Boeing 777-200 fleet.

The Company continued to extend its competitive advantage by forging strategic collaborations with aerospace original equipment manufacturers (OEMs). Its joint venture with the SAFRAN Group, a world leader in aircraft avionics, launched a state-of-the-art avionics facility in Singapore. SIAEC also opened a facility with Panasonic Avionics Corporation for the repair and overhaul of in-flight entertainment systems, the first in Asia.

In 2012, SIAEC's facility in Singapore was appointed the authorised repair centre of Aircelle, a key player in the global engine nacelle market, and Messier-Bugatti-Dowty, a leading OEM in landing and brake systems.

SIAEC officially opened its line maintenance station at San Francisco International Airport, bringing its global line maintenance network to 28 airports spread across seven countries and territories - Singapore, Australia, United States, Hong Kong, Indonesia, Vietnam and the Philippines.

# Operating Review

## SilkAir

SilkAir closed the year in review with a profit after taxation of $85 million, a decrease of 18% compared to the previous financial year.

The airline carried a total of 3.0 million passengers during the year, an improvement of 9.8%. With capacity growth outpacing passenger carriage, passenger load factor declined by 0.7 percentage points to 75.7%.

Five new points were added to the SilkAir network during the financial year in review – Kolkata, Koh Samui, Bandung and Changsha in 2011 and Darwin in 2012.

SilkAir introduced flights between Singapore and Kolkata, the capital city of the state of West Bengal, from 1 August 2011. The four flights a week complement Singapore Airlines' flights to the city, to offer passengers a combined daily service.

Thrice-weekly flights to Koh Samui, Thailand's third largest island, began on 27 September 2011. Koh Samui is the airline's third destination in Thailand, after Phuket and Chiang Mai.

Bandung, the capital of West Java province and Indonesia's third largest city, was added as a SilkAir destination on 11 October 2011, with three flights a week. Bandung is the airline's ninth Indonesian destination after Balikpapan, Lombok, Manado, Medan, Palembang, Pekanbaru, Solo and Surabaya.

As part of its network expansion in China, the airline commenced services to Changsha on 31 October 2011, with flights on Mondays, Wednesdays and Saturdays. Changsha, the capital of Hunan province, is SilkAir's sixth destination in China, after Chengdu, Chongqing, Kunming, Shenzhen and Xiamen.

2012 saw SilkAir celebrate the addition of a new country, Australia, to its network. With its inaugural flight to Darwin, the capital city of the Northern Territory, SilkAir now flies to 11 countries from Singapore.

In addition to the new destinations, capacity to a number of existing destinations, such as Bangalore, Chongqing, Hyderabad, and Pekanbaru, was increased to meet growing demand. The airline also worked actively with its partners to operate charters to Dili (in Timor Leste).

As part of its efforts on community engagement, SilkAir renewed its partnership with international volunteer organisation, Friends International, whose goal is to help children in underdeveloped countries and raise awareness of child labour. SilkAir, together with Singapore Airlines, also supports the Giant Panda collaborative programme between Wildlife Reserves Singapore and the China Wildlife Conservation Association.

In October 2011, SilkAir was presented the award for Regional Airline of the Year 2011 by CAPA - the Centre for Aviation, a leading aviation research body. SilkAir was also ranked 2nd in the Best Regional Airline (Asia) category in the 2011 Skytrax World Airline Awards. These honours followed the induction of SilkAir into the TTG Asia Travel Hall of Fame in 2010, after its 10th win in the TTG Asia Travel Awards in 2009. SilkAir was once again voted one of the Top 10 Airlines Worldwide for Cabin Service by Hong Kong-based online travel magazine, Smart Travel Asia.

# Operating Review

## List of Awards

## 2012

### MARCH

Fortune Magazine (USA)
- *Top 50 World's Most Admired Companies (Ranked 23rd)*
- *Ranked second in the airline category*

Best Travel Media (China)
- *For 2011 – SIA is among Top 10 Airlines for Outbound Chinese Travellers*

Air Transport News (Greece)
- *Silver Award for Airline of the Year*

### FEBRUARY

Wanderlust Travel Award 2012 (UK)
- *Top Worldwide Airline (5th consecutive year, 10th time in the award's 11-year history)*

AsiaOne People's Choice Awards 2011/12 (Singapore)
- *Best Airline*

Travel + Leisure India & South Asia Awards (India)
- *Best Airline for Family*

South Asia Travel Trade Exhibition [SATTE] (India)
- *Best Performing International Airline*

DestinAsian (Jakarta)
- *Readers' Choice Awards (7th time running)*
- *Best Airline – Overall*
- *Best Airline for Premium Class Travel (First & Business Class)*
- *Best Airline for Economy Class*
- *Best In-flight Entertainment*
- *Favourite Airline Frequent Flyer Programme*

Asia-Pacific Airline Retail Conference (UK)
- *Best Airline for Inflight Food & Beverage*
- *Best Inflight Retailer*

### JANUARY

Monitor Airline of the Year 2011 Award ceremony (Bangladesh)
- *Most Trusted Airline 2011*
- *Best Economy Class 2011*
- *Cargo Airline of the Year 2011*

Hurun Report 2012 (China)
- *"Best of the Best" ranking*
- *Best International First & Business Class Award*

## 2011

### DECEMBER

Travel & Leisure Magazine (China)
- *Most Popular Airline*

The Beijing News,
China Travel Awards 2011
- *Airline with most passenger loyalty*

Global Times Newspaper (China)
- *SIA voted as 2011 Most Popular Foreign Airline for Outbound Travel among Chinese Families*

JoonAng Daily Newspaper (Korea)
Highest Brand of the Year 2011
- *Best Airline*

Travel Weekly Readers' Choice Awards (USA)
- *Best Business/First Class (3rd consecutive year)*

Business Traveler USA 2011
- *Best Airline in the World (22 of 23 years)*
- *Best First, Business & Economy Class*
- *Best In-flight service*
- *Best Transpac Business Class*
- *Best Business Class to Asia*

Global Traveler (USA)
- *Best Airline in the World 2011 (8th consecutive year)*

Condé Nast Traveller (India)
2011 First Readers' Travel Awards
- *Best Business Airline, Overseas*

Asiamoney (Hong Kong)
2011 Travel Awards
- *Asia's Best Airline for First Class*
- *Asia's Best Airline for Business Class*

### NOVEMBER

Diners Club Magazine (Germany)
- *Best Business Class*

SOHU Tourism Awards (China)
- *Consumers voted SIA Best Foreign Airline and Best In-flight Service*

Business Traveller (China)
- *Best Airline in the World (7th consecutive year)*
- *Best Airline Business & Economy Class*

SPRING {Service Productivity & Innovation for Growth} (Japan)
2nd Japanese Customer Satisfaction Index 2011 survey
- *SIA ranked 1st in international airlines category*

### OCTOBER

Condé Nast Traveler (USA)
2011 Readers' Choice Awards
- *Best International Route Airline (23 out of 24 years)*

Condé Nast Traveler (USA)
2011 Business Travel Awards
- *Best Transpacific Airline*

Schlemmer Atlas (Germany)
- *Airline of the Year 2012 (6th time)*

TTG Annual Travel Awards (Asia Pacific)
- *Travel Hall of Fame (9th consecutive year)*

Securities Investors Association (Singapore)
SIAS 12th Investors' Choice Awards 2011
- *Most Transparent Company Award 2011 (7th consecutive year)*
- *Transport/Storage/Communications Category*
- *Golden Circle Award*

# Operating Review

### SEPTEMBER

Korea Economic Daily & Korean Consumer's Forum
Brand of the Year 2011, International Flights Category
- *Best Foreign airline*

Business Traveller (UK) 2011
- *Best Asian Airline*
- *Best Long Haul Airline*
- *Best Business Class*
- *Best Economy Class*
- *Best Cabin Staff*

Business Traveller (Asia Pacific) 2011
- *Best Airline (20th consecutive year)*
- *Best Asia-Pacific Airline*
- *Best First Class*
- *Best Business Class*
- *Best Economy Class*

### AUGUST

SmartTravelAsia.Com (Hong Kong)
Favourite Airline Poll Results, 2011
- *Best Airline Worldwide*
- *Best Business Class*
- *Best Cabin Service*

Commonwealth Magazine (Taiwan)
Inaugural "Golden Service Awards"
- *Ranked Top under Airline category*

### JULY

Singapore Corporate Awards 2011
Organised by Business Times Singapore
- *Gold – Best Investor Relations award*

AB Road (Japan)
Airline Ranking
- *Best Inflight service (by Cabin Crew)*

Aviation Week (USA)
Top Performing Airlines survey results for 2010
- *SIA ranked first in the Mainline Carriers category*

ExecutiveTravel Magazine (USA)
Executive Travel Leading Edge Awards
- *Top International Airline Overall*
- *Top International Airline Customer service*
- *Top International Airline First Class service*
- *Top International Airline Business Class service*
- *Best Flight experience to Asia*

Travel & Leisure Magazine (USA)
- *World's Best International Airline (16th consecutive year)*

### JUNE

Skytrax World Airline Awards 2011 (UK)
- *Best Airline Asia*
- *Best Airline Business Class*

TravelAge West (USA)
2011 Wave Awards
- *Best Airline, International (5th consecutive year)*

### MAY

Business Traveller Middle East Award
- *Best Asian Airline Serving the Middle East (10th consecutive year)*

### APRIL

Zoover.nl (Holland)
- *Best Carrier*

Centurion Magazine Readers' Choice 2010 (Magazine from American Express - Europe, Middle East, Asia, Pacific)
- *Favourite airline in First and Business Class and Overall Service*

National Consumer Satisfaction Index Survey (South Korea)
- *Best International Airline (14th consecutive year)*

Clever Reisen (Germany)
- *Winner of category "Flying with the Family"*

TTG China Travel Awards
- *Best Asian Airline serving China*

MICE Magazine (China)
MICE Golden Chair 2010
- *Favourite Airline of the Year*

# Statement On Risk Management

## 1 Risk Management Framework

1.1 In 2002, SIA formalised its Risk Management Framework, encompassing a Governance & Reporting Structure, a standardised Risk Management Process and a set of risk management Principles, Policies and Guidelines.

## 2 Governance & Reporting Structure

2.1 *Board of Directors* - Annually, SIA's Board of Directors reviews and discusses the strategic and other key risks of the Group.

2.2 *Board Committees* - The Board's oversight is supported by the Board Safety and Risk Committee (made up of independent Board Directors) and other Board Committees that review and ensure that specific top risks are managed appropriately. The Board Safety and Risk Committee oversees management's implementation of the Risk Management Framework and assesses the effectiveness thereof annually.

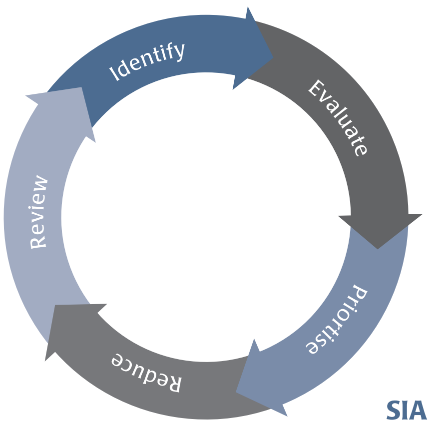

2.3 *Risk Management Committees* - The Group Risk Management Committee and various Company Risk Management Committees drive the implementation of the Risk Management Framework, and through detailed review of specific risks and corresponding risk controls, ensure that risks are identified and managed, and surfaced for the Board Committees' attention.

2.4 *Risk Management Function* - A dedicated Risk Management Department provides support to the Risk Committees and to business units, ensuring that risks are surfaced by business units from the bottom up to complement the top-down perspectives provided by top management and the Risk Committees. Risks are structured under four main categories – Strategic, Operational, Financial and Regulatory/Compliance – for ease of communication and coordination.

# Statement On Risk Management

## 3 Risk Management Process

3.1 *Structured Process* - Within the Risk Management Framework, a simplified 5-step Risk Management Process is adopted to allow easier communication, understanding and application by all levels of staff. The five steps – to Identify, Evaluate, Prioritise, Reduce and Review risks – form a re-iterative flow of activities depicted as follows:




**SIA 5-Step Risk Management Process**

3.2 *Multi-pronged Strategies* - Within this process, multi-pronged Risk Reduction strategies such as Risk Prevention, Risk Mitigation and Risk Transfer are employed to address the risks. Wherever possible, preventive measures are adopted and complemented with Crisis Management, Business Continuity and Disaster Recovery plans that are coordinated and integrated into a seamless risk response effort. Risk policies, guidelines and tolerance limits are incorporated into the process to ensure adequacy and effectiveness of risk responses.

3.3 *Embedded Activity* - Twice each year, all business units carry out a Group-wide risk review to ensure that risk registers are kept current and risk controls are improved and up-to-date. These processes are embedded within the work schedules of the business units, and driven by the quarterly risk review activities of the Risk Committees.

## 4 Principles, Policies And Guidelines

4.1 *Governing Philosophy* - A set of Risk Management Principles adapted from ISO 31000 provide the underlying basis for the scope and objectives of the risk management effort, complementing the overarching philosophy provided by the Risk Management Policy Statement as follows:

"SIA is to be a risk-aware organisation such that the taking of risks necessary for the achievement of its corporate objectives is carried out knowingly, and risks that represent a threat to SIA are managed so as to protect and enhance the value of the organisation in the interests of shareholders and stakeholders of SIA."

4.2 *Controls and Limits* - Written guidelines on managing specific types of risks provide the control boundaries and performance standards for business units to comply with in managing risks. All risk responses are required to be tested where practicable, to ensure that they are adequate to manage the risks identified, and effective in reducing the risks to within tolerance limits or better.

# Statement On Risk Management

## 5 Summary Of Risk Management Activities

5.1 *Review and Lessons Learnt* - During the year under review, a Group-wide Risk Review was carried out at both mid-year and at year-end, and key risks were reviewed at various levels of Risk Committees to ensure that the risk controls are up to date. As part of the risk review process, lessons learnt from risk events occurring internally or externally at other airports or other organisations were incorporated in improvements to existing or new risk controls.

5.2 *Assurances* - Following the year-end review, all Heads of Business Units provided written assurances to the Risk Committees regarding their implementation of risk management within their respective business units. Corresponding written assurances are provided by Group CEO and Senior Vice President, Finance to the Board Safety and Risk Committee.

5.3 *Tests and Verification* - Tests of risk response plans were carried out by business units throughout the year, with the tests being independently verified and reported. The Disaster Recovery Plans for back-up Information Technology systems at alternate sites were activated and tested, and Business Continuity Plans for various scenarios were also activated and practiced to ensure effectiveness.

5.4 *Multi-Agency Scenario Simulation* - The Group also carried out a test of the Crisis Management Plan as part of Changi Airport's multi-agency simulation exercise involving government Ministries, regulators, support and control agencies such as civil defence, police and armed forces, medical/counselling services and emergency rescue services. This large scale integrated exercise provided all parties with a realistic scenario to interact and coordinate diverse roles and objectives to ensure response effectiveness.

5.5 *Risk Management Training* - As part of the awareness and communication programme, all ground executives up to Vice President grade are required to undergo an online training module on Risk Management, including passing a test at the end. The first two-year cycle of the programme was completed in 2011, with staff being required to re-take the training course and test as a refresher every two years.

## 6 Board Of Directors' Comments On The Practice Of Risk Management In Singapore Airlines

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

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

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 Code of Corporate Governance issued by the Ministry of Finance in Singapore in July 2005 ("the Code")[1].

## 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 2012, 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 | 29 July 2011 | Non-executive/ Non-Independent |
| Goh Choon Phong | Director | 1 October 2010 | 29 July 2011 | Executive/ Non-Independent |
| William Fung Kwok Lun | Director | 1 December 2009 | 27 July 2010 | Non-executive/ Independent |
| Euleen Goh Yiu Kiang | Director | 1 September 2006 | 29 July 2011 | Non-executive/ Independent |
| David Michael Gonski | Director | 9 May 2006 | 27 July 2010 | Non-executive/ Independent |
| Christina Ong | Director | 1 September 2007 | 27 July 2010 | Non-executive/ Independent |
| Helmut Gunter Wilhelm Panke | Director | 1 September 2009 | 27 July 2010 | Non-executive/ Independent |
| Jackson Peter Tai | Director | 1 September 2011 | NA | Non-executive/ Independent |
| Lucien Wong Yuen Kuai | Director | 1 September 2007 | 29 July 2011 | Non-executive/ Independent |

Note: Mr James Koh Cher Siang retired on 1 September 2011

The Board currently comprises nine 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 52 to 60.

[1] *The Monetary Authority of Singapore had on 2 May 2012 issued a revised Code of Corporate Governance ("revised Code"), which will take effect with respect to Annual Reports of listed entities relating to financial years commencing from 1 November 2012. The revised Code will apply to the SIA 2014 Annual Report.*

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

There is a strong independent element in the Board, with the Nominating Committee considering seven out of nine 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 Goh Choon Phong 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 programmes and site visits for new Directors, and arranges for Directors to be updated 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 Goh Choon Phong, 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 four 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 50 to 51.

## Board Executive Committee (ExCo)

The members of the ExCo were Mr Stephen Lee (Chairman), Mr Goh Choon Phong, Ms Euleen Goh, Mr James Koh (until 31 August 2011) and Mr Lucien Wong (from 1 September 2011). 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), Dr William Fung, Mr David Gonski, Mr Lucien Wong (until 31 August 2011) and Mr Jackson Tai (from 1 September 2011). 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) on pages 47 to 48.

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

## Board Safety and Risk Committee (SRC)

The members of the SRC were Mr James Koh (Chairman until 31 August 2011), Dr Helmut Panke (Chairman from 1 September 2011), Mrs Christina Ong and Mr Lucien Wong (from 1 September 2011). 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 members of the NC were Mr Lucien Wong (Chairman), Mr Stephen Lee and Mrs Christina Ong. 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.

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.

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

## Board Compensation and Industrial Relations Committee (BCIRC)

The BCIRC is chaired by Mr Stephen Lee, and comprises Mr David Gonski, Mr James Koh (until 31 August 2011), Mr Jackson Tai (from 1 September 2011) and Dr Helmut Panke. 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 exercise independent judgement 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. The award of shares to senior executives is based on organisational and individual performance. Professional advice is sought by the BCIRC, as it deems necessary, in the development and execution of the remuneration plan for the Company's key executives.

Leadership development and succession planning in the Company remain a key focus for the BCIRC. The Company has in place an annual review of high potential executives, to ensure an adequate pipeline for succession planning in key management positions. Such high potential executives will be given exposure to key jobs in the organisation, as part of their career development.

The Company continues to put much emphasis in maintaining harmonious industrial relations and the BCIRC plays an important role in providing appropriate guidance to Management in this regard. The Company's three unions, namely, ALPA-S representing the pilots, AESU representing the Administrative Officers, and SIASU representing the General Staff (including Cabin Crew), hold regular meetings with Management and Chairman of BCIRC.

## Access to Information (Principle 6)

The Directors are provided with Board Papers in advance of 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

SIA's remuneration mix for Senior Management comprises fixed and variable components. Variable components comprise short and long term incentives, which are dependent on Group, Company and individual performance. The remuneration mix aims to provide a good balance between competitiveness with the market, as well as rewards for short and long term objectives.

### Fixed Component

The fixed component comprises base salary, the Annual Wage Supplement (AWS) and cash allowances. The fixed components are benchmarked to comparable positions in the market, and reflect the market worth of the positions.

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

## Variable Components:

### Short-term incentives

Short-term incentives take the form of an annual profit-sharing bonus. The profit sharing bonus targets are designed to achieve a good balance of both Group financial objectives and the Company's operational performance. Payment of the variable bonus is based on senior executives achieving the target levels set for each of the Key Performance Indicators stated below, and taking into account individual performance:

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

### Long-term incentives

The Company's long term incentive plans for Senior Management (SVPs and above) comprise the Performance Share Plan (PSP), Restricted Share Plan (RSP), Employee Share Option Plan (ESOP) and the EVA-Based Incentive Plan (EBIP).

The ESOP was introduced in 2000. The last grant was made in July 2008. No additional grants will be made under the ESOP.

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.

The 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 deemed appropriate and relevant to the business conditions. Non-executive Directors of the Group are not eligible to participate in the PSP and RSP.

### The SIA Performance Share Plan (PSP)

The PSP is a share-based incentive scheme established with the objective of rewarding, motivating, and retaining a select group of key senior management staff 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.

Under the PSP, an initial award is made in the form of rights to shares, provided performance targets are met. Annual awards are made based on strategic contribution of senior management staff. The final award depends on the stretched value-aligned performance targets, such as absolute and relative shareholder returns being met over the performance period of three financial years, and can vary between 0 – 2 times the initial award.

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

## 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. To retain key executives, an extended vesting period is imposed beyond the performance target completion date.

Under the RSP, an initial award is made in the form of rights to shares, provided performance conditions are met in future. Annual grants are made based on individual performance of the key executives selected to participate in the RSP. Final awards are given out at the end of the 2 year performance period. This may vary between 0 – 1.5 times the initial award, depending on the extent to which targets such as Company and Group EBITDAR and Staff Productivity are met. The final award is subject to extended vesting, with 50% of the final award paid out at the end of the 2 year performance period, and the rest paid out equally over the next 2 years.

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 0.75% 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 81 to 84 of the Report by the Board of Directors.

## Directors' Fees

The Directors' fees paid in financial year 2011-12 amounted to $1,469,000 [financial year 2010-11: $1,455,000] and were based on the following rates:

| | | Rates ($) |
|---|---|---|
| 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, Member of Executive Committee and Audit Committee | 35,000 |
| | 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 |

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

## Disclosure on Remuneration

The following table shows the composition of the remuneration of Directors.

| Directors | Fee $ | Salary $ | Bonuses[1] $ | Benefits $ | Total $ | Performance and Restricted Shares granted during the year[2] Number | Time-based Restricted Shares granted during the year[3] Number |
|---|---|---|---|---|---|---|---|
| Stephen Lee Ching Yen | 265,000 | - | - | 12,866 | 277,866 | - | - |
| William Fung Kwok Lun | 155,000 | - | - | - | 155,000 | - | - |
| Euleen Goh Yiu Kiang | 185,000 | - | - | 375 | 185,375 | - | - |
| David Michael Gonski | 175,000 | - | - | 710 | 175,710 | - | - |
| James Koh Cher Siang | 72,500 | - | - | 750 | 73,250 | - | - |
| Christina Ong | 140,000 | - | - | 795 | 140,795 | - | - |
| Helmut G W Panke | 208,750 | - | - | - | 208,750 | - | - |
| Jackson Peter Tai | 100,750 | - | - | - | 100,750 | - | - |
| Lucien Wong Yuen Kuai | 167,000 | - | - | 3,176 | 170,176 | - | - |
| Goh Choon Phong[4] | - | 922,707 | 732,976 | 98,759 | 1,754,442 | 55,000 PSP<br>40,000 RSP | - |

[1] *Includes Economic Value Added (EVA)-based incentive plan (EBIP) payment and profit-sharing bonus. The amount paid in the reporting year under EBIP is a percentage of the EVA Bank. See below for additional information on the EBIP.*

[2] *Shares awarded under the PSP and RSP are subject to performance targets and other terms and conditions being met under the respective share plans.*

[3] *Please refer to Note 5 of the Notes to Financial Statements on the details and terms of the time-based restricted shares.*

[4] *As Chief Executive Officer, Mr Goh Choon Phong does not receive any Director's fees.*

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

No employee of the Group who is an immediate family member of a Director was paid a remuneration that exceeded $150,000 during the financial year ended 31 March 2012.

| Senior Management | Fee % | Salary % | Bonuses[1] % | Benefits % | Total % | Performance and Restricted Shares granted during the year[2] Number | Time-based Restricted Shares granted during the year[3] Number |
|---|---|---|---|---|---|---|---|
| **Between $1,500,000 to $1,750,000** | | | | | | | |
| Ng Chin Hwee | - | 30 | 65 | 5 | 100 | 22,000 PSP<br>20,000 RSP | - |
| **Between $1,000,000 to $1,250,000** | | | | | | | |
| Mak Swee Wah | - | 43 | 50 | 7 | 100 | 22,000 PSP<br>20,000 RSP | - |

[1] *Includes Economic Value Added (EVA)-based incentive plan (EBIP) payment and profit-sharing bonus. The amount paid in the reporting year under EBIP is a percentage of the individual's EVA Bank. See below for additional information on the EBIP.*

[2] *Shares awarded under the PSP and RSP are subject to performance targets and other terms and conditions being met under the respective share plans.*

[3] *Please refer to Note 5 of the Notes to Financial Statements on the details and terms of the time-based restricted shares.*

[4] *The above table reflects the remuneration of the employees who hold the rank of Executive Vice President and above, who are the top key executives of the Company.*

## 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.

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

## Board Audit Committee Activities (Principle 11)

The AC's activities for financial year 2011-12, in accordance with its responsibilities and duties under its Charter, included the following:

### (a) Financial Reporting

The AC reviewed the quarterly 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 judgemental and risk areas, any significant adjustment 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. In assessing independence, the AC reviewed the fees and expenses paid to the external auditors, including fees paid for non-audit services during the year. The AC is of the opinion that the auditor's independence has not been compromised.

In addition, 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.

The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the engagement of its 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 Group's material controls, including financial, compliance and risk management controls, to safeguard shareholders' investments and the Group's assets.

Annually, a report is submitted by the Risk Management Department to the Board, which provides a comprehensive review of the risks faced by the Group. The review includes the identification of risks overseen by the main Board and its various Board Committees, as well as addresses the current assessment and outlook of the various risk factors.

### (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 Annual General Meeting.

### (f) Whistle-Blowing

The AC reviewed and was satisfied with the adequacy of the whistle-blowing programme instituted by the Company through which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. All whistle-blower reports are reviewed by the AC at its quarterly meetings to ensure independent investigation and adequate resolution.

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

### (g) Others

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. The AC meets with the internal and external auditors without the presence of non-audit Management every quarter.

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

SIA Internal Audit is an independent department that reports directly to the AC. The department assists the AC and the Board by performing regular evaluations on the Group'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 Group's requirements. SIA Internal Audit is a member of the Singapore chapter of the Institute of Internal Auditors ("IIA") and meets the Standards for the Professional Practice of Internal Auditing set by the IIA.

SIA Internal Audit also performs analyses of data and transactions periodically (continuous monitoring) on selected areas that are more susceptible to fraud risk.

In relation to audit activities conducted during the financial year, SIA Internal Audit had unfettered access to the Group's documents, records, properties and personnel, as well as the AC.

The Control Self Assessment (CSA) Programme established since financial year 2003-04 provides a framework for Management to obtain assurance on the state of internal controls. The CSA Programme requires operating departments' management to review and report annually on the adequacy of their respective units' control environment to the AC. Internal Audit performed independent and random reviews during the year to validate the results of these self assessments.

A dedicated Risk Management Department looks into and manages the Group's risk management policies. The Risk Management Report can be found on pages 36 to 38 of this Report.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls were adequate as at 31 March 2012 to address financial, operational and compliance risks, which the Group considers relevant and material to its operations.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

# Corporate Governance Report
For the period 1 April 2011 to 31 March 2012

## Communication with Shareholders (Principles 14 and 15)

Singapore Airlines believes in timely and consistent disclosure of pertinent information to enable a transparent assessment of the Company's value. It values dialogue with shareholders, and holds analyst and media briefings when announcing half-yearly and year-end results. Full transcripts of the proceedings are made available on SGXNET and our Company's website at 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's website, and disclosure via SGXNET. The Company's website is an important source of information for shareholders and the investment community. Quarterly results announcements, news releases, presentation slides, transcripts for half-year and year-end results analyst and media briefings, monthly operating statistics, annual reports, corporate data, shareholding information and information on shareholders' meetings are available on the Investor Relations website.

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. Lines of contact such as the investor relations email and hotline are also maintained for the investing community to reach out to the Company for queries.

The Company's commitment to corporate transparency and investor relations approach was again recognised by the investing community. In 2011, Singapore Airlines won the Best Investor Relations Gold Award for companies with $1 billion and above in market capitalisation at the Singapore Corporate Awards 2011. In addition, the Company was recognised as the "Most Transparent Company - Transport/Storage/Communication Category by the Securities Investors Association of Singapore ("SIAS") for the 10th time since the inception of the SIAS Investors' Choice Award in 2000. The Company was also the winner of the Golden Circle Award (an open category award for overall recognition in transparency excellence across all sectors) for the third consecutive year.

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.

To enhance transparency in the voting process, the Company had, since financial year 2008-09, implemented full poll voting for all the resolutions tabled at its shareholders' meetings.

## 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 2011 to 31 March 2012

| | Board | | Board Executive Committee | |
|---|---|---|---|---|
| Name of Directors | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended |
| Stephen Lee Ching Yen | 4 | 4 | 5 | 5 |
| Goh Choon Phong | 4 | 4 | 5 | 5 |
| William Fung Kwok Lun | 4 | 4 | - | - |
| Euleen Goh Yiu Kiang | 4 | 4 | 5 | 5 |
| David Michael Gonski | 4 | 4 | - | - |
| James Koh Cher Siang (Note 1) | 2* | 2 | 2* | 2 |
| Christina Ong | 4 | 4 | - | - |
| Helmut Gunter Wilhelm Panke | 4 | 4 | - | - |
| Jackson Peter Tai (Note 2) | 2* | 2 | - | - |
| Lucien Wong Yuen Kuai | 4 | 4 | 3* | 3 |

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

*Notes:*
*(1) Retired from the Board on 1 September 2011*
*(2) Appointed to the Board on 1 September 2011*

| 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 |
| - | - | - | - | - | - | - | - |
| 4 | 4 | - | - | - | - | - | - |
| 4 | 4 | - | - | - | - | - | - |
| 4 | 4 | 4 | 4 | - | - | - | - |
| - | - | 2* | 2 | 2* | 2 | - | - |
| - | - | - | - | 4 | 4 | 3 | 3 |
| - | - | 4 | 4 | 4 | 4 | - | - |
| 2* | 2 | 2* | 1 | - | - | - | - |
| 2* | 2 | - | - | 2* | 2 | 3 | 3 |

# Further Information On Board Of Directors

## STEPHEN LEE CHING YEN, 65

Non-executive and non-independent Director

Academic and Professional Qualifications:
Master of Business Administration, Northwestern University, Illinois

| | |
|---|---|
| Date of first appointment as a director: | 26 April 2004 |
| Date of last re-election as a director: | 29 July 2011 |
| Board committee(s) served on: | |
| Board Executive Committee | Chairman |
| Board Compensation and Industrial Relations Committee | Chairman |
| Board Nominating Committee | Member |

### Current Directorships in Other Listed Companies

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | SIA Engineering Company Limited | Chairman |

### Other Major Appointments

| | *Organisation/Company* | *Title* |
|---|---|---|
| 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

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Singapore Labour Foundation | Director |
| 2. | Shanghai Commercial Bank Ltd, Hong Kong | Director |
| 3. | COFCO Corporation, China | Director |
| 4. | Chinese Development Assistance Council | Board Member |
| 5. | National Wages Council | Member |
| 6. | SLF Strategic Advisers Private Limited | Director<br>SLF Investment Committee |

### Directorships/Appointments in the past 3 years

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Baosteel Group Corporation, China | Director |

# Further Information On Board Of Directors

## GOH CHOON PHONG, 48
Executive and non-independent Director

Academic and Professional Qualifications:
- Masters in Electrical Engineering and Computer Science
- Bachelor of Computer Science & Engineering
- Bachelor of Management Science
- Bachelor of Cognitive Science
- Massachusetts Institute of Technology

| | |
|---|---|
| Date of first appointment as a director | 1 October 2010 |
| Date of last re-election as a director | 29 July 2011 |
| Board committee(s) served on: | |
| Board Executive Committee | Member |

### Current Directorships in Other Listed Companies

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | SIA Engineering Company Limited | Director |

### Others

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Mount Alvernia Hospital | Director |
| 2. | International Air Transport Association | Member, Board of Governors |

### Directorships/Appointments in the past 3 years

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | SilkAir (Singapore) Private Limited | Chairman |
| 2. | Great Wall Airlines Company Limited | Director |
| 3. | Singapore Airlines Cargo Pte Ltd | Director |

# Further Information On Board Of Directors

## WILLIAM FUNG KWOK LUN, 63

Non-executive and independent Director

Academic and Professional Qualifications:

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

| | |
|---|---|
| Date of first appointment as a director: | 1 December 2009 |
| Date of last re-election as a director: | 27 July 2010 |
| Board committee(s) served on: | |
| Board Audit Committee | Member |

### Current Directorships in Other Listed Companies

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Li & Fung Limited | Executive Deputy Chairman |
| 2. | Trinity Limited | Deputy Chairman |
| 3. | Convenience Retail Asia Limited | Director |
| 4. | Shui On Land Limited | Director |
| 5. | Sun Hung Kai Properties Limited | Director |
| 6. | VTech Holdings Limited | Director |
| 7. | The Hongkong and Shanghai Hotels, Limited | Director |

### Other Major Appointments

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | The Hongkong and Shanghai Banking Corporation Limited | Deputy Chairman |

### Directorships/Appointments in the past 3 years

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | HSBC Holdings plc | Director |

# Further Information On Board Of Directors

## EULEEN GOH YIU KIANG, 57

Non-executive and independent Director

Academic and Professional Qualifications:
Member of the following institutions –
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

| | |
|---|---|
| Date of first appointment as a director: | 1 September 2006 |
| Date of last re-election as a director: | 29 July 2011 |
| Board committee(s) served on: | |
| Board Audit Committee | Chairperson |
| Board Executive Committee | Member |

### Current Directorships in Other Listed Companies

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Aviva plc | Director |
| 2. | DBS Group Holdings Ltd | Director |
| 3. | CapitaLand Limited | Director |
| 4. | Singapore Exchange Limited | Director |

### Other Major Appointments

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Singapore International Foundation | Chairperson, Board of Governors |
| 2. | DBS Bank Ltd | Director |

### Others

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Northlight School | Chairperson, Board of Governors |
| 2. | Singapore Chinese Girls' School | Chairperson |
| 3. | Management Advisory Board of NUS Business School | Member |

### Directorships/Appointments in the past 3 years

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Accounting Standards Council | Chairperson |
| 2. | MediaCorp Pte Ltd | Director |

# Further Information On Board Of Directors

## DAVID MICHAEL GONSKI, 58

Non-executive and independent Director

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

| | |
|---|---|
| Date of first appointment as a director: | 9 May 2006 |
| Date of last re-election as a director: | 27 July 2010 |
| Board committee(s) served on: | |
| Board Audit Committee | Member |
| Board Compensation and Industrial Relations Committee | Member |

### Current Directorships in Other Listed Companies

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Coca-Cola Amatil Limited | Chairman |

### Other Major Appointments

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Investec Bank (Australia) Limited | Chairman |
| 2. | The University of New South Wales (UNSW) | Chancellor |
| 3. | National E-Health Transition Authority | Chairman |
| 4. | Australian Government Future Fund | Chairman, Board of Guardians |

### Others

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Ingeus Limited | Chairman |
| 2. | Sydney Theatre Company | Chairman |
| 3. | UNSW Foundation Limited | Chairman |
| 4. | Review Committee for the Funding of Schools in Australia | Chairman |
| 5. | Swiss Re Life and Health Australia Ltd | Chairman |
| 6. | Infrastructure NSW | Director |

### Directorships/Appointments in the past 3 years

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Australian Securities Exchange Ltd | Chairman |
| 2. | Sydney Grammar School | President/Chairman Board of Trustees |
| 3. | Westfield Group – Westfield Holdings Limited | Director |

# Further Information On Board Of Directors

## CHRISTINA ONG, 64
Non-executive and independent Director

Academic and Professional Qualifications:
Bachelor of Arts in Economics, University of Westminster, London

| | |
|---|---|
| Date of first appointment as a director: | 1 September 2007 |
| Date of last re-election as a director: | 27 July 2010 |
| Board committee(s) served on: | |
| Board Nominating Committee | Member |
| Board Safety and Risk Committee | Member |

### Major Appointments

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | AX 21 Holdings Pte Ltd | Managing Director |
| 2. | Club 21 Pte Ltd | Managing Director |

### Others

| | *Organisation/Company* | *Title* |
|---|---|---|
| 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 |

# Further Information On Board Of Directors

## HELMUT GUNTER WILHELM PANKE, 65

Non-executive and independent Director

Academic and Professional Qualifications:
Doctor in Physics, University of Munich

| | |
|---|---|
| Date of first appointment as a director: | 1 September 2009 |
| Date of last re-election as a director: | 27 July 2010 |
| Board committee(s) served on: | |
| Board Safety and Risk Committee | Chairman |
| Board Compensation and Industrial Relations Committee | Member |

### Current Directorships in Other Listed Companies

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Bayer AG | Director |
| 2. | Microsoft Corporation | Director |
| 3. | UBS AG | Director |

### Directorships/Appointments in the past 3 years

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Global Strategic Equities Fund (Dubai International Capital LLC) | Member, Advisory Board |

# Further Information On Board Of Directors

## JACKSON PETER TAI, 61

Non-executive and independent Director

Academic and Professional Qualifications:
Master of Business Administration, Harvard University
Bachelor of Science, Rensselaer Polytechnic Institute

| | |
|---|---|
| Date of first appointment as a director: | 1 September 2011 |
| Date of last re-election as a director: | Not Applicable |
| Board committee(s) served on: | |
| Board Audit Committee | Member |
| Board Compensation and Industrial Relations Committee | Member |

### Current Directorships in Other Listed Companies

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Bank of China | Director |
| 2. | MasterCard Incorporated | Director |
| 3. | NYSE Euronext | Director |
| 4. | Philips Electronics NV | Director |

### Others

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Brookstone Inc | Chairman |
| 2. | Cassis International | Director |
| 3. | Committee of 100 Board | Director |
| 4. | Merlin USA | Director |
| 5. | Harvard Business School Asia-Pacific Advisory Board | Member |
| 6. | Harvard China Fund Advisory Board | Member |
| 7. | Rensselaer Polytechnic Institute Board of Trustees | Trustee |

### Directorships/Appointments in the past 3 years

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Bloomberg Asia Pacific Advisory Board | Director |
| 2. | CapitaLand Limited | Director |
| 3. | ING Groep NV Supervisory Board | Director |

# Further Information On Board Of Directors

## LUCIEN WONG YUEN KUAI, 58

Non-executive and independent Director

Academic and Professional Qualifications:
Bachelor of Laws (Honours), University of Singapore

| | |
|---|---|
| Date of first appointment as a director: | 1 September 2007 |
| Date of last re-election as a director: | 29 July 2011 |
| Board committee(s) served on: | |
| Board Nominating Committee | Chairman |
| Board Executive Committee | Member |
| Board Safety and Risk Committee | Member |

### Current Directorships in Other Listed Companies

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Cerebos Pacific Limited | Director |
| 2. | Hap Seng Plantations Holdings Berhad | Director |
| 3. | Singapore Press Holdings Limited | Director |

### Other Major Appointments

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Allen & Gledhill LLP | Managing Director |
| 2. | Maritime and Port Authority of Singapore | Chairman |

### Others

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Eastern Development Private Limited | Director |
| 2. | Monetary Authority of Singapore | Board Member |

### Directorships/Appointments in the past 3 years

| | *Organisation/Company* | *Title* |
|---|---|---|
| 1. | Altitude Trust Management Pte Ltd | Director |
| 2. | DLF Trust Management Pte Ltd | Director |
| 3. | Linklaters Allen & Gledhill Pte Ltd | Director |
| 4. | Mapletree Commercial Trust Management Ltd | Director |
| 5. | National University of Singapore | Member, Board of Trustees |
| 6. | SingHealth Foundation | Trustee |

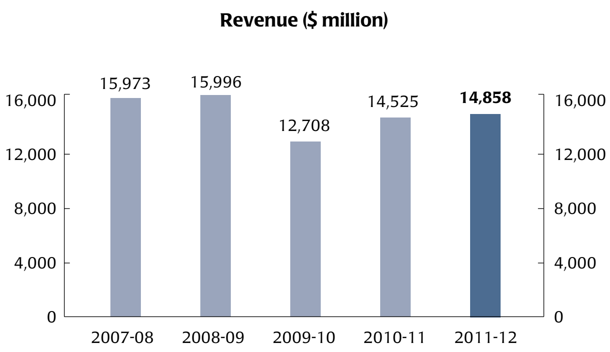
# Financials

# Financial Contents

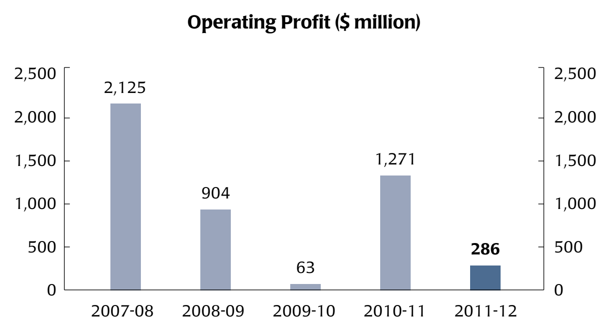
# Financial Review

## HIGHLIGHTS OF THE GROUP'S PERFORMANCE

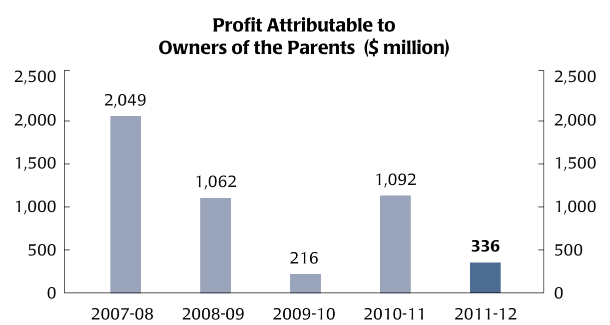
- **Total revenue $14,858 million (+$333 million, +2.3%)**




- **Operating profit $286 million (-$985 million, -77.5%)**




- **Profit attributable to owners of the Parent $336 million (-$756 million, -69.2%)**



# Financial Review

## Performance of the Group

### Key Financial Highlights

| | 2011-12 | 2010-11 | % Change |
|---|---|---|---|
| Earnings For The Year ($ million) | | | |
| Revenue | 14,857.8 | 14,524.8 | + 2.3 |
| Expenditure | 14,571.9 | 13,253.5 | + 9.9 |
| Operating profit | 285.9 | 1,271.3 | - 77.5 |
| Profit attributable to owners of the Parent | 335.9 | 1,092.0 | - 69.2 |
| Per Share Data (cents) | | | |
| Earnings per share – basic | 28.3 | 91.4 | - 69.0 |
| Ordinary dividend per share | 20.0 | 60.0 | - 66.7 |
| Special dividend per share | - | 80.0 | n.m. |
| Ratios (%) | | | |
| Return on equity holders' funds | 2.5 | 7.9 | - 5.4 points |
| Return on total assets | 1.7 | 4.9 | - 3.2 points |

*n.m. not meaningful*

### Group Earnings

The uncertain global economy weighed heavily on the Group's earnings in the 2011-12 financial year, as the sovereign debt crisis in the Eurozone and the economic slowdown in the United States impacted travel sentiment. In addition, during the early part of the financial year, air travel demand was dampened by concerns over nuclear radiation following the Japan earthquake and tsunami, as well as the political unrest in the Middle East and Northern Africa.

As the largest expense item of the Group, the persistently high fuel prices also took a toll on the Group's bottom line. Political tensions in the Middle East pushed jet fuel prices to more than USD130 per barrel since the beginning of the financial year. Although fuel prices receded slightly in the second and third quarters, escalation of the events in the Middle East in the last quarter of the financial year once again drove jet fuel prices up.

Against these challenges, Group revenue grew $333 million (+2.3 per cent) to $14,858 million, on the back of a 3.6 per cent improvement in passenger carriage, but partially offset by weaker yields. The Group's revenue by business segment is shown below:

| | 2011-12 $ million | 2010-11 $ million |
|---|---|---|
| Airline operations | 11,582.3 | 11,227.0 |
| Cargo operations | 2,673.6 | 2,775.9 |
| Engineering services | 551.5 | 466.6 |
| Others | 50.4 | 55.3 |
| Total revenue | 14,857.8 | 14,524.8 |

# Financial Review

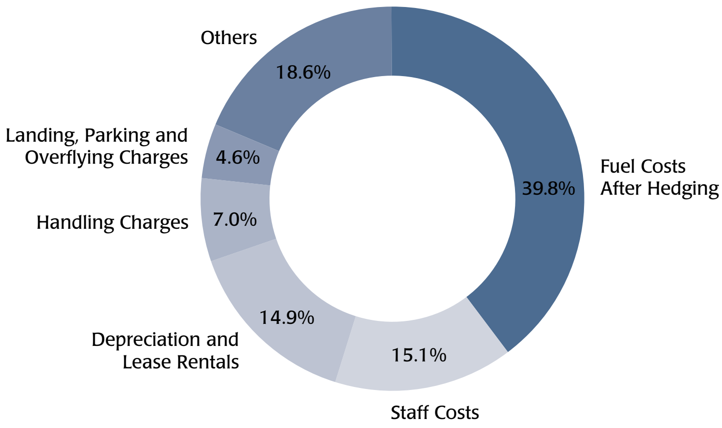
## Performance of the Group (continued)

### Group Earnings (continued)

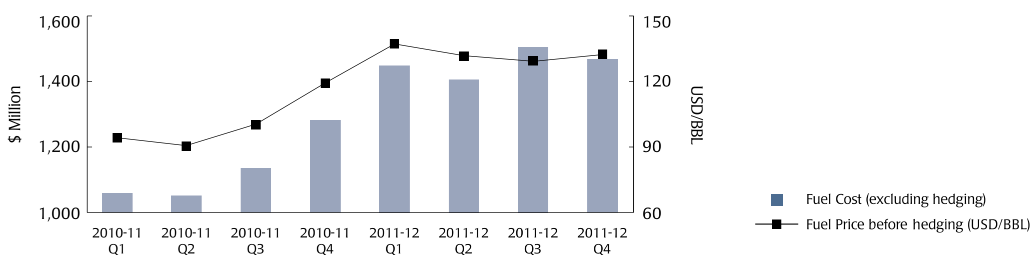
Group expenditure, however, rose at a faster pace, increasing $1,318 million (+9.9 per cent) to $14,572 million, primarily from higher fuel cost. Average jet fuel prices spiked 31.7 per cent to USD133 per barrel in the 2011-12 financial year, translating to a 29.1 per cent increase (+$1,314 million) in fuel cost before hedging. The Group had partial relief from fuel hedging gain of $24 million as opposed to a loss of $62 million (-$86 million) last year.

Ex-fuel cost for the Group was higher by $90 million (+1.0 per cent), largely driven by increase in handling charges (+$61 million) and landing, parking and overflying charges (+$55 million) from the higher capacity this year.

**Group Expenditure**




**Quarterly Trend of Group Fuel Price and Fuel Cost (excluding hedging)**




Consequently, the Group's operating profit fell $985 million to $286 million for the financial year ended 31 March 2012. The operating performance for all the major companies in the Group weakened. Singapore Airlines ("the Company") recorded an operating profit of $181 million in the financial year, a reduction of $670 million (-78.8 per cent) from a year ago. Singapore Airlines Cargo ("SIA Cargo"), in particular, was in the red as yields were depressed from the weak air freight market, exacerbated by rising fuel costs. Please refer to the review of the Company and subsidiary companies for further details.

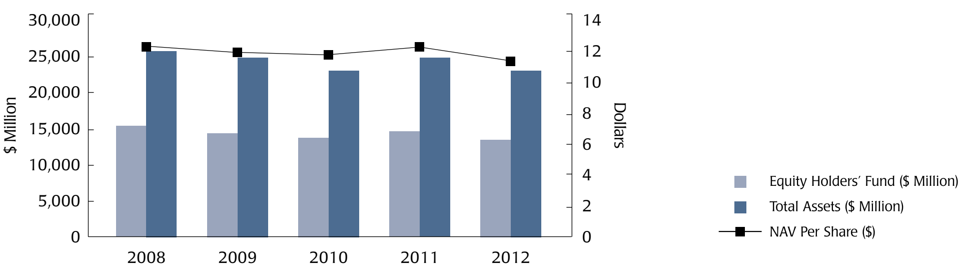
# Financial Review

## Performance of the Group (continued)

### Financial Position

Equity attributable to owners of the Parent decreased by $1,311 million or 9.2 per cent to $12,893 million as at 31 March 2012 due mainly to the payment of final and special dividends in respect of 2010-11 (-$1,439 million) and payment of interim dividends in respect of 2011-12 (-$118 million), partially offset by profit for the financial year (+$336 million).

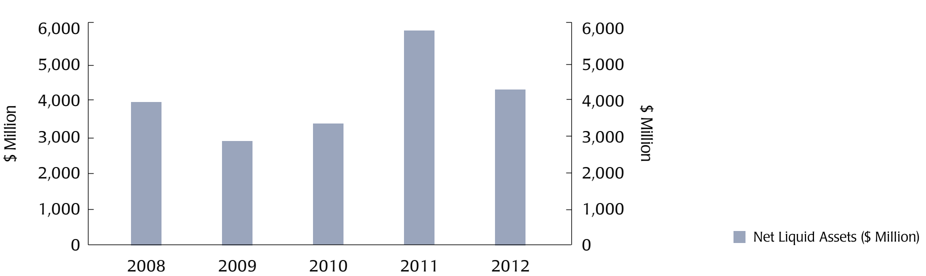
**Group Equity Holders' Fund, Total Assets and Net Asset Value (NAV) per Share**




Total Group assets decreased by $2,502 million or 10.2 per cent to $22,043 million as at 31 March 2012 primarily due to the decrease in cash and bank balances by $2,732 million, arising mainly from the dividend payments and repayment of the $900 million fixed rate note in December 2011. Net asset value per share dropped 7.8 per cent to $10.96.

The Group's net liquid assets[R1] decreased $1,543 million to $4,250 million as at 31 March 2012, mainly a result of lower cash and bank balances from the dividend payments. Total debt to equity ratio improved from 0.14 times last year to 0.08 times as at 31 March 2012.

**Group Net Liquid Assets**




[R1] *Net liquid assets is defined as the sum of cash and bank balances, investments, and net of finance lease commitments, loans and bonds issued.*

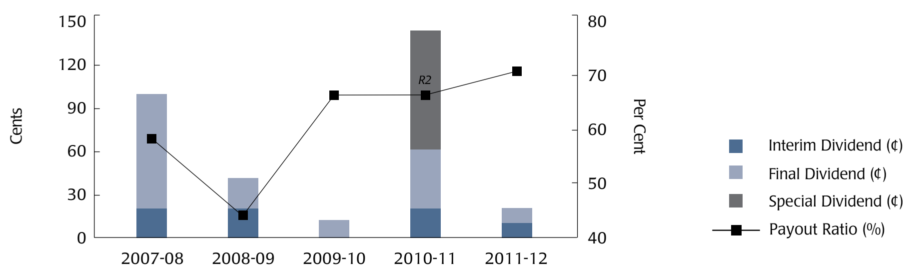
# Financial Review

## Performance of the Group (continued)

### Dividends

For the financial year ended 31 March 2012, the Board recommends a final dividend of 10 cents per share. Including the interim dividend of 10 cents per share paid on 2 December 2011, the total dividend for the 2011-12 financial year will be 20 cents per share. This amounts to a payout of approximately $236 million based on the number of issued shares as at 31 March 2012. The total dividend per share of 20 cents translates to a payout ratio of 70.2 per cent, an increase of 4.5 percentage points compared to the 2010-11 payout ratio of 65.7 per cent.

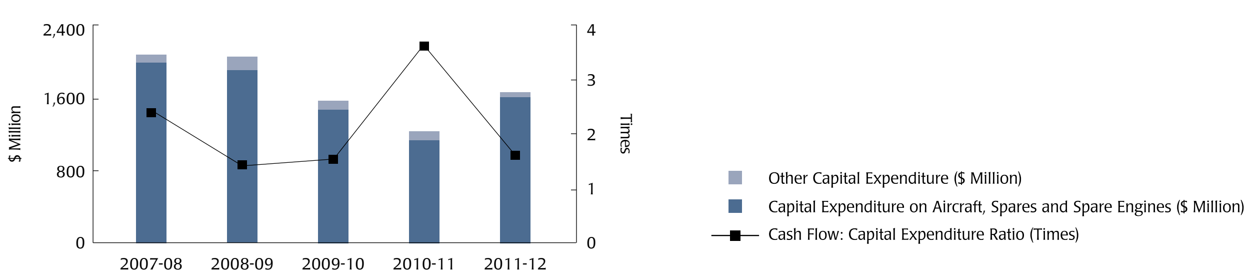
**Dividend Payout**




### Capital Expenditure and Cash Flow of the Group

Capital expenditure was $1,641 million, 34.1 per cent lower than the year before. About 96 per cent of the capital spending was on aircraft, spares and spare engines. Internally generated cash flow of $2,728 million (-38.5 per cent) was 1.66 times of capital expenditure. The decrease in internally generated cash flow was primarily due to the weaker operating performance.

**Group Capital Expenditure**



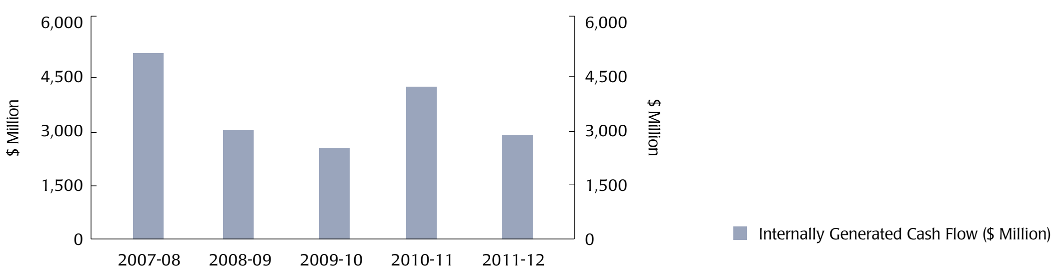

[R2] *Excludes 80.0 cents per share special dividend.*

# Financial Review

## Performance of the Group (continued)

### Capital Expenditure and Cash Flow of the Group (continued)

**Internally Generated Cash Flow**




### Group Staff Strength and Productivity

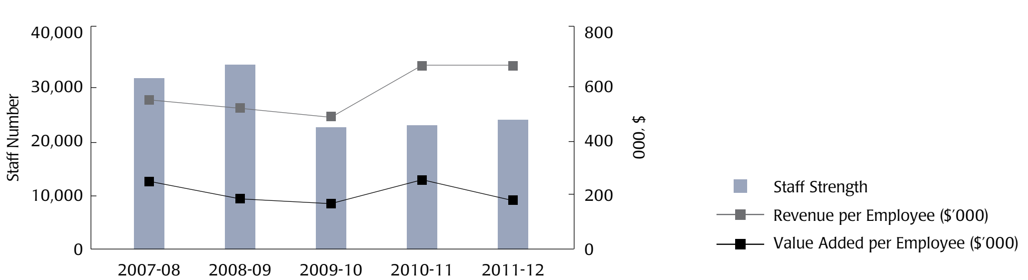
The Group's staff strength as at 31 March 2012 is as follows:

| | 2011-12 | 2010-11 | % | Change |
|---|---|---|---|---|
| Singapore Airlines | 13,992 | 13,793 | + | 1.4 |
| SIA Engineering Group | 6,166 | 6,132 | + | 0.6 |
| SilkAir | 1,192 | 1,116 | + | 6.8 |
| SIA Cargo | 992 | 954 | + | 4.0 |
| Others | 404 | 287 | + | 40.8 R3 |
| | 22,746 | 22,282 | + | 2.1 |

Average staff productivity are as follows:

| | 2011-12 | 2010-11 | % | Change |
|---|---|---|---|---|
| Revenue per employee ($) | 659,936 | 660,308 | - | 0.1 |
| Value added per employee ($) | 192,960 | 246,361 | - | 21.7 |

**Group Average Staff Strength and Productivity**




R3 *Other subsidiary companies' staff strength was up 40.8 per cent, mainly due to Scoot's 128 staff as at 31 March 2012.*

# Financial Review

## Performance of the Group (continued)

### Statements of Value Added and its Distribution

| | 2011-12 $ million | 2010-11 $ million |
|---|---|---|
| Total revenue | 14,857.8 | 14,524.8 |
| Less: Purchase of goods and services | (10,750.1) | (9,323.4) |
| | 4,107.7 | 5,201.4 |
| Add: | | |
| Interest income | 50.5 | 37.3 |
| (Loss)/Surplus on disposal of aircraft, spares and spare engines | (1.4) | 103.3 |
| Dividends from long-term investments | 18.0 | 23.8 |
| Other non-operating items | 48.8 | 80.1 |
| Share of profits of joint venture companies | 74.7 | 74.6 |
| Share of profits of associated companies | 51.4 | 100.5 |
| Exceptional items | (5.4) | (201.8) |
| Total value added for distribution | 4,344.3 | 5,419.2 |
| Applied as follows: | | |
| To employees: | | |
| - Salaries and other staff cost | 2,194.4 | 2,218.4 |
| To government: | | |
| - Corporation taxes | 51.4 | 270.2 |
| To suppliers of capital: | | |
| - Interim and proposed dividends | 235.9 | 1,673.2 |
| - Finance charges | 74.3 | 70.1 |
| - Non-controlling interests | 60.9 | 56.8 |
| Retained for future capital requirements: | | |
| - Depreciation and amortisation | 1,627.4 | 1,711.7 |
| - Retained profit/(loss) | 100.0 | (581.2) |
| Total value added | 4,344.3 | 5,419.2 |
| Value added per $ revenue ($) | 0.29 | 0.37 |
| Value added per $ employment cost ($) | 1.98 | 2.44 |
| Value added per $ investment in property, plant and equipment ($) | 0.19 | 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.

# Financial Review

## Performance of the Company

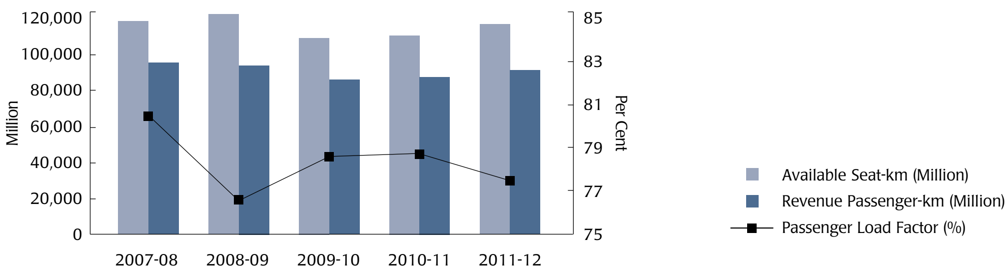
### Operating Performance

| | 2011-12 | 2010-11 | % Change | | |
|---|---|---|---|---|---|
| Passengers carried (thousand) | 17,155 | 16,647 | + | 3.1 | |
| Available seat-km (million) | 113,409.7 | 108,060.2 | + | 5.0 | |
| Revenue passenger-km (million) | 87,824.0 | 84,801.3 | + | 3.6 | |
| Passenger load factor (%) | 77.4 | 78.5 | - | 1.1 | points |
| Passenger yield (¢/pkm) | 11.8 | 11.9 | - | 0.8 | |
| Passenger unit cost (¢/ask) | 9.2 | 8.9 | + | 3.4 | |
| Passenger breakeven load factor (%) | 78.0 | 74.8 | + | 3.2 | points |

During the financial year, travel demand was affected by the ongoing economic uncertainties in the Eurozone and the United States, as well as natural disasters such as the Japan earthquake and tsunami and the floods in Thailand. Passenger carriage growth of 3.6 per cent could not keep up with the capacity expansion of 5.0 per cent. As a result, passenger load factor of 77.4 per cent was 1.1 percentage points lower year-on-year.

Passenger yield was marginally lower from promotional activities necessitated by intense competition amongst airlines and efforts to stimulate travel demand.

**Avaliable 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 [R4] (2011-12 against 2010-11) | | |
|---|---|---|---|
| | Passengers Carried Change (thousand) | Revenue Passenger KM % Change | Available Seat KM % Change |
| East Asia | + 281 | + 5.0 | + 8.3 |
| Americas | + 157 | + 12.9 | + 15.3 |
| Europe | - 5 | + 0.1 | + 0.9 |
| South West Pacific | + 97 | + 2.8 | + 2.8 |
| West Asia and Africa | - 22 | - 4.5 | - 3.8 |
| Systemwide | + 508 | + 3.6 | + 5.0 |

Passenger load factor by route region is as follows:

| | Passenger Load Factor (%) | | |
|---|---|---|---|
| | 2011-12 | 2010-11 | % Change points |
| East Asia | 76.4 | 78.8 | - 2.4 |
| Americas | 78.4 | 80.0 | - 1.6 |
| Europe | 78.0 | 78.5 | - 0.5 |
| South West Pacific | 80.3 | 80.4 | - 0.1 |
| West Asia and Africa | 72.1 | 72.6 | - 0.5 |
| Systemwide | 77.4 | 78.5 | - 1.1 |

[R4] *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 Brazil and USA. Europe consists of Denmark, England, France, Germany, Greece, Italy, Russia, Spain, Switzerland, The Netherlands and Turkey. South West Pacific covers Australia and New Zealand. West Asia and Africa are made up of Bangladesh, Egypt, India, Kuwait, Maldives, Saudi Arabia, South Africa, Sri Lanka and United Arab Emirates.*

# Financial Review

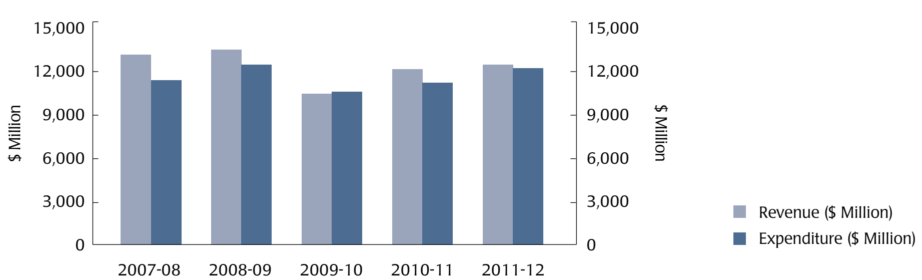
## Performance of the Company (continued)

### Earnings

| | 2011-12 $ million | 2010-11 $ million | % | Change |
|---|---|---|---|---|
| Revenue | 12,070.1 | 11,739.1 | + | 2.8 |
| Expenditure | 11,889.5 | 10,887.8 | + | 9.2 |
| Operating profit | 180.6 | 851.3 | - | 78.8 |
| Finance charges | (65.9) | (59.1) | + | 11.5 |
| Interest income | 50.0 | 38.6 | + | 29.5 |
| (Loss)/Surplus on disposal of aircraft, spares and spare engines | (3.8) | 98.9 | | n.m. |
| Dividends from subsidiary and associated companies | 271.0 | 172.5 | + | 57.1 |
| Dividends from long-term investments | 3.9 | 10.2 | - | 61.8 |
| Other non-operating items | (18.4) | 81.6 | | n.m. |
| Profit before exceptional items | 417.4 | 1,194.0 | - | 65.0 |
| Exceptional items [R5] | (4.1) | - | | n.m. |
| Profit before taxation | 413.3 | 1,194.0 | - | 65.4 |
| Taxation | (23.1) | (182.8) | - | 87.4 |
| Profit after taxation | 390.2 | 1,011.2 | - | 61.4 |

*n.m. not meaningful*

**Company Revenue and Expenditure**




[R5] *A provision has been made for an administrative penalty pursuant to a settlement agreement entered into with the South African Competition Commission. As part of the settlement, the Company has agreed to pay an administrative penalty of ZAR25 million ($4.1 million) within 30 days of the settlement being confirmed by an order of the South African Competition Tribunal. The issuance of a confirmation order by the Competition Tribunal will bring a close to the Competition Commission's investigation of the Company.*

# Financial Review

## Performance of the Company (continued)

### Revenue

The Company's revenue increased 2.8 per cent to $12,070 million as follows:

| | 2011-12 $ million | 2010-11 $ million | Change $ million | % |
|---|---|---|---|---|
| Passenger revenue | 8,392.0 | 8,683.4 | - 291.4 | - 3.4 |
| Bellyhold revenue from SIA Cargo | 1,170.0 | 1,127.2 | + 42.8 | + 3.8 |
| Others | 2,508.1 | 1,928.5 | + 579.6 | + 30.1 |
| Total operating revenue | 12,070.1 | 11,739.1 | + 331.0 | + 2.8 |

The Company's passenger revenue decreased $291 million (-3.4 per cent) in 2011-12, as a result of:

| | $ million | $ million |
|---|---|---|
| 3.6% increase in passenger traffic: | | + 309.5 |
| 5.9% decrease in passenger yield (excluding fuel surcharge): | | |
| Lower local currency yields | - 554.2 | |
| Foreign exchange | - 109.3 | |
| Change in passenger mix | + 62.6 | - 600.9 |
| Decrease in passenger revenue | | - 291.4 |

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 | 108.4 |
| 1.0% change in passenger yield, if passenger traffic remains constant | 83.9 |

A breakdown of passenger revenue by route region and area of original sale is shown below:

| | By Route Region ($ million) | | | By Area of Original Sale [R6] ($ million) | | |
|---|---|---|---|---|---|---|
| | 2011-12 | 2010-11 | % Change | 2011-12 | 2010-11 | % Change |
| East Asia | 2,482.6 | 2,541.6 | - 2.3 | 4,381.6 | 4,417.7 | - 0.8 |
| Americas | 1,677.3 | 1,638.8 | + 2.3 | 728.5 | 744.8 | - 2.2 |
| Europe | 1,885.9 | 1,996.3 | - 5.5 | 1,367.8 | 1,504.7 | - 9.1 |
| South West Pacific | 1,517.0 | 1,553.7 | - 2.4 | 1,495.0 | 1,512.3 | - 1.1 |
| West Asia and Africa | 829.2 | 953.0 | - 13.0 | 419.1 | 503.9 | - 16.8 |
| Systemwide | 8,392.0 | 8,683.4 | - 3.4 | 8,392.0 | 8,683.4 | - 3.4 |

[R6] *Each area of original sale comprises countries within a region from which the sale is made.*

# Financial Review

## Performance of the Company (continued)

### Expenditure

The Company's expenditure increased 9.2 per cent to $11,889 million in 2011-12.

| | 2011-12 $ million | % | 2010-11 $ million | % | % Change | |
|---|---|---|---|---|---|---|
| Fuel costs | 4,868.8 | 40.9 | 3,805.1 | 35.0 | + | 28.0 |
| Staff costs | 1,495.4 | 12.6 | 1,549.5 | 14.2 | - | 3.5 |
| Depreciation R7 | 1,324.6 | 11.1 | 1,416.0 | 13.0 | - | 6.5 |
| Handling charges | 831.2 | 7.0 | 802.9 | 7.4 | + | 3.5 |
| Inflight meals and other passenger costs | 595.1 | 5.0 | 560.3 | 5.2 | + | 6.2 |
| Airport and overflying charges | 559.7 | 4.7 | 514.9 | 4.7 | + | 8.7 |
| Aircraft maintenance and overhaul costs | 553.7 | 4.7 | 504.9 | 4.6 | + | 9.7 |
| Rentals on leased aircraft | 510.2 | 4.3 | 525.6 | 4.8 | - | 2.9 |
| Sales costs R8 | 497.8 | 4.2 | 556.3 | 5.1 | - | 10.5 |
| Communication and information technology costs R9 | 91.1 | 0.8 | 86.5 | 0.8 | + | 5.3 |
| Other costs R10 | 561.9 | 4.7 | 565.8 | 5.2 | - | 0.7 |
| Total | 11,889.5 | 100.0 | 10,887.8 | 100.0 | + | 9.2 |

A breakdown of fuel cost is shown below:

| | 2011-12 $ million | 2010-11 $ million | Change $ million | |
|---|---|---|---|---|
| Fuel cost (before hedging) | 4,888.7 | 3,755.2 | + | 1,133.5 |
| Fuel hedging (gain)/loss | (19.9) | 49.9 | - | 69.8 |
| | 4,868.8 | 3,805.1 | + | 1,063.7 |

Expenditure of fuel before hedging was $1,134 million higher because of:

| | $ million | |
|---|---|---|
| 31.8% increase in weighted average fuel price from 100.4 USD/BBL to 132.3 USD/BBL | + | 1,254.1 |
| 4.6% increase in volume uplifted from 28.2 million BBL to 29.5 million BBL | + | 168.4 |
| Weakening of USD against SGD | - | 289.0 |
| | + | 1,133.5 |

Staff costs saw a drop of $54 million (-3.5 per cent), largely from lower provision for profit-sharing bonus as a result of the weaker operating performance.

Depreciation reduced $91 million (-6.5 per cent) mainly from lower depreciation of heavy maintenance visits (HMV) and engine overhauls (EOH) with the sale of three B747-400 and two B777-200 aircraft and the return of four B777-300, three B747-400 and one B777-200 aircraft to lessors on expiry of the leases during the financial year.

Sales costs decreased $58 million (-10.5 per cent) primarily due to lower commission and incentives as more stringent criteria were set for the incentive schemes this year.

R7 *Depreciation included impairment of property, plant and equipment and amortisation of computer software.*

R8 *Sales costs included commission and incentives, frequent flyer programme cost, computer reservation system booking fees, advertising expenses and other sales costs.*

R9 *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.*

R10 *Other costs mainly comprised crew expenses, company accommodation cost, foreign exchange revaluation and hedging 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)

### Fuel Productivity and Sensitivity Analysis

Fuel productivity as measured by load tonne-km per barrel (ltk/BBL) decreased 1.0 per cent over the previous year to 421ltk/BBL. This was mainly due to a decline in the overall load factor.

A change in fuel productivity (passenger aircraft) of 1.0 per cent would impact the Company's annual fuel cost by about $49 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 $37 million, before accounting for USD exchange movements, and changes in volume of fuel consumed.

**Fuel Productivity of Passenger Fleet**


### Finance Charges

Finance charges were 11.5 per cent higher in 2011-12, mainly from interest expense incurred for the $500 million 10-year bond (issued in July 2010) bearing interest of 3.22 per cent per annum and $300 million 5-year bond (issued in September 2010) bearing interest of 2.15 per cent per annum. This was partially offset by a reduction in interest cost after the repayment of the $900 million fixed rate note in December 2011.

### Interest Income

Interest income was up 29.5 per cent in 2011-12, largely from the increase in investments and deposits and higher interest rates.

### Surplus on Disposal of Aircraft, Spares and Spare Engines

The loss on disposal of aircraft, spares and spare engines arose mainly from the loss on sale of the last B747-400 aircraft, partially compensated by the gain on sale and leaseback of four B777-300 engines and one A380-800 aircraft. In contrast, the Company made a gain of $99 million last year on the sale of four B777-200 aircraft and the sale and leaseback of one A380-800 aircraft.

### Taxation

There was a net tax expense of $23 million, comprising current tax charge of $152 million and deferred tax credit of $129 million.

As at 31 March 2012, the Company's deferred taxation account stood at $1,695 million.

# Financial Review

## Performance of the Company (continued)

### Staff Strength and Productivity

The Company's staff strength as at 31 March 2012 was 13,992, an increase of 199 over last year. The distribution of employee strength by category and location is as follows:

| | 2011-12 | 2010-11 | % Change |
|---|---|---|---|
| **Category** | | | |
| Senior staff (administrative and higher ranking officers) | 1,290 | 1,251 | + 3.1 |
| Technical crew | 2,345 | 2,331 | + 0.6 |
| Cabin crew | 7,438 | 7,304 | + 1.8 |
| Other ground staff | 2,919 | 2,907 | + 0.4 |
| | 13,992 | 13,793 | + 1.4 |
| **Location** | | | |
| Singapore | 12,023 | 11,864 | + 1.3 |
| East Asia | 794 | 778 | + 2.1 |
| Europe | 411 | 398 | + 3.3 |
| South West Pacific | 305 | 311 | - 1.9 |
| West Asia and Africa | 278 | 269 | + 3.3 |
| Americas | 181 | 173 | + 4.6 |
| | 13,992 | 13,793 | + 1.4 |

The Company's average staff productivity ratios[R11] are shown below:

| | 2011-12 | 2010-11 | % Change |
|---|---|---|---|
| Seat capacity per employee (seat-km) | 8,163,082 | 7,952,620 | + 2.6 |
| Passenger load carried per employee (tonne-km) | 594,663 | 588,714 | + 1.0 |
| Revenue per employee ($) | 868,790 | 863,931 | + 0.6 |
| Value added per employee ($) | 237,472 | 310,480 | - 23.5 |

## Performance of the Subsidiary Companies

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

### SIA Engineering Group

| | 2011-12 $ million | 2010-11 $ million | % Change |
|---|---|---|---|
| Total revenue | 1,169.9 | 1,106.9 | + 5.7 |
| Total expenditure | 1,040.3 | 971.2 | + 7.1 |
| Operating profit | 129.6 | 135.7 | - 4.5 |
| Net profit | 269.1 | 258.5 | + 4.1 |

SIAEC's Group revenue grew $63 million (+5.7 per cent) to $1,170 million. This was primarily contributed by higher fleet management programme revenue with an increase in fleet size, more airframe and component overhaul work and a cabin interior reconfiguration project for four B777-300 aircraft. Expenditure at $1,040 million was $69 million (+7.1 per cent) higher, mainly due to higher subcontract and staff costs to support the increase in workload.

The resulting operating profit of $130 million was $6 million (-4.5 per cent) lower compared to previous financial year.

*[R11] The Company's staff productivity ratios were computed based on average staff strength of 13,893 in 2011-12 (2010-11: 13,588).*

# Financial Review

## Performance of the Subsidiary Companies (continued)

### SIA Engineering Group (continued)

Share of profits of associated and joint venture companies increased $13 million or 8.7 per cent to $157 million, representing a contribution of 51.8 per cent to SIAEC Group's pre-tax profits.

Net profit of $269 million for 2011-12 was $11 million (+4.1 per cent) higher than the previous financial year.

As at 31 March 2012, SIAEC Group's total equity amounted to $1,254 million, a decrease of $48 million (-3.7 per cent) from a year ago. Correspondingly, net asset value per share fell 5.1 cents (-4.3 per cent) to $1.14 as at 31 March 2012.

Basic earnings per share increased 0.8 cents (+3.3 per cent) to 24.6 cents.

### SIA Cargo

| | 2011-12 $ million | 2010-11 $ million | % Change | |
|---|---|---|---|---|
| Total revenue | 2,679.5 | 2,783.3 | - | 3.7 |
| Total expenditure | 2,798.8 | 2,631.9 | + | 6.3 |
| Operating (loss)/profit | (119.3) | 151.4 | | n.m. |
| Exceptional items | (1.3) | (201.8) | - | 99.4 |
| Loss after taxation | (106.5) | (116.5) | + | 8.6 |

*n.m. not meaningful*

SIA Cargo's revenue declined $104 million (-3.7 per cent) largely due to weaker yields, while expenditure increased $167 million (+6.3 per cent) mainly driven by higher fuel cost. This translated into an operating loss of $119 million for 2011-12, as opposed to a profit of $151 million a year ago.

In 2011-12, cargo capacity (in capacity tonne kilometers) expanded 0.7 per cent, while overall cargo traffic (in load tonne kilometers) was almost flat, resulting in a marginal drop in cargo load factor to 63.8 per cent. Cargo breakeven load factor climbed 5.7 percentage points to 67.3 per cent from a combination of higher unit cost (+5.4 per cent) and weaker yields (-3.6 per cent).

During the financial year, SIA Cargo accepted a settlement offer from the plaintiffs in the Canadian air cargo class actions to resolve all such actions on an agreed basis for an amount of CAD1.05 million ($1.3 million). The settlement is without admission of any wrongdoing or liability and is subject to court approval.

The exception items of $202 million for the previous financial year comprised fines paid by SIA Cargo as imposed by the European Commission, the South Korean Fair Trade Commission and as agreed with the United States Department of Justice Antitrust Division.

As at 31 March 2012, SIA Cargo operated a fleet of 13 B747-400 freighters. SIA Cargo's equity was $1,477 million (-6.1 per cent).

# Financial Review

## Performance of the Subsidiary Companies (continued)

### SilkAir

| | 2011-12 $ million | 2010-11 $ million | % Change |
|---|---|---|---|
| Total revenue | 750.8 | 670.3 | + 12.0 |
| Total expenditure | 646.2 | 548.9 | + 17.7 |
| Operating profit | 104.6 | 121.4 | - 13.8 |
| Profit after taxation | 84.9 | 103.8 | - 18.2 |

SilkAir's revenue increased $80 million (+12.0 per cent) to $751 million, from improvements in both load (+9.0 per cent) and yield (+4.0 per cent). Expenditure was up $97 million (+17.7 per cent), primarily due to higher fuel costs. As a result, operating profit fell 13.8 per cent to $105 million.

Yield improved by 4.0 per cent to 153.3 cents/ltk, while unit cost increased at a faster rate of 8.5 per cent to 91.5 cents/ctk. Consequently, the breakeven load factor rose 2.5 percentage points to 59.7 per cent.

Profit after taxation of $85 million was 18.2 per cent lower.

SilkAir's route network spanned 39 cities in 12 countries. During the year, SilkAir launched new services to Bandung (Indonesia), Changsha (China), Darwin (Australia), Koh Samui (Thailand) and Kolkata (India).

As at 31 March 2012, SilkAir's equity stood at $693 million (+13.9 per cent).

# Report by the Board Of Directors

The directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2012.

## 1 Directors of the Company

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

Stephen Lee Ching Yen – Chairman (Non Independent)
Goh Choon Phong – Chief Executive Officer
William Fung Kwok Lun (Independent)
Euleen Goh Yiu Kiang (Independent)
David Michael Gonski (Independent)
Christina Ong (Independent)
Helmut Gunter Wilhelm Panke (Independent)
Jackson Peter Tai (Independent) (appointed as director on 1 September 2011)
Lucien Wong Yuen Kuai (Independent)

## 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 or 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, as disclosed in this report.

## 3 Directors' Interests in Ordinary Shares, Share Options and Debentures

The following directors who held office at the end of the financial year had, 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:

| | | Direct interest | | Deemed interest | |
|---|---|---|---|---|---|
| Name of Director | | 1.4.2011/ Date of Appointment | 31.3.2012 | 1.4.2011/ Date of Appointment | 31.3.2012 |
| **Interest in Singapore Airlines Limited** | | | | | |
| Ordinary shares | | | | | |
| Stephen Lee Ching Yen | | 9,400 | 9,400 | - | - |
| Goh Choon Phong | | 52,569 | 82,510 | - | - |
| William Fung Kwok Lun | | - | - | 200,000 | 200,000 |
| Euleen Goh Yiu Kiang | | 3,800 | 3,800 | - | - |
| Christina Ong | | 14,000 | 100,000 | - | - |
| Lucien Wong Yuen Kuai | | - | - | 58,000 | 58,000 |
| Options to subscribe for ordinary shares | | | | | |
| Goh Choon Phong | | 319,275 | 319,275 | - | - |
| Conditional award of restricted shares (Note 1) | | | | | |
| Goh Choon Phong | - Base Awards | 31,560 | 60,371 | - | - |
| | - Final Awards (Pending Release) | 11,188 | 11,106 | - | - |

# Report by the Board Of Directors

## 3 Directors' Interests in Ordinary Shares, Share Options and Debentures (continued)

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| Name of Director | 1.4.2011/ Date of Appointment | 31.3.2012 | 1.4.2011/ Date of Appointment | 31.3.2012 |
| Conditional award of performance shares (Note 2) | | | | |
| Goh Choon Phong – Base Awards | 34,712 | 83,631 | - | - |
| Award of time-based restricted shares | | | | |
| Goh Choon Phong – Base Awards | 100,000 | 105,917 | - | - |
| **Interest in SIA Engineering Company Limited** | | | | |
| Ordinary shares | | | | |
| Lucien Wong Yuen Kuai | - | - | 142,000 | - |
| **Interest in Singapore Telecommunications Limited** | | | | |
| Ordinary shares | | | | |
| Stephen Lee Ching Yen | 190 | 190 | 190 | 190 |
| Goh Choon Phong | 1,610 | 1,610 | - | - |
| Euleen Goh Yiu Kiang | 1,537 | 21,537 | - | - |
| Lucien Wong Yuen Kuai | 1,680 | 1,680 | 1,540 | 111,540 |
| **Interest in SMRT Corporation Limited** | | | | |
| Ordinary shares | | | | |
| Lucien Wong Yuen Kuai | - | - | 10,000 | - |
| **Interest in Neptune Orient Lines Limited** | | | | |
| Ordinary shares | | | | |
| Stephen Lee Ching Yen | 30,000 | 30,000 | - | - |
| Euleen Goh Yiu Kiang | 2,000 | 2,000 | - | - |
| **Interest in Mapletree Commercial Trust** | | | | |
| Units | | | | |
| Lucien Wong Yuen Kuai | - | - | - | 100,000 |
| **Interest in Mapletree Industrial Trust** | | | | |
| Units | | | | |
| Lucien Wong Yuen Kuai | 268,000 | 268,000 | - | - |
| **Interest in SP AusNet** | | | | |
| Ordinary shares | | | | |
| Christina Ong | 500,000 | 500,000 | 243,000 | 243,000 |
| **Interest in StarHub Ltd** | | | | |
| Ordinary shares | | | | |
| Christina Ong | - | - | 200,000 | 200,000 |

# Report by the Board Of Directors

## 3 Directors' Interests in Ordinary Shares, Share Options and Debentures (continued)

| Name of Director | Direct interest 1.4.2011/ Date of Appointment | Direct interest 31.3.2012 | Deemed interest 1.4.2011/ Date of Appointment | Deemed interest 31.3.2012 |
|---|---|---|---|---|
| **Interest in Singapore Technologies Engineering Limited** | | | | |
| Ordinary shares | | | | |
| Goh Choon Phong | 6,000 | 6,000 | - | - |
| Lucien Wong Yuen Kuai | 298,000 | 298,000 | 20,000 | 20,000 |
| Options to subscribe for ordinary shares | | | | |
| Lucien Wong Yuen Kuai | 21,500 | 21,500 | - | - |

**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.

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 date of appointment, if later, or at the end of the financial year.

There were no changes in any of the above-mentioned interests between the end of the financial year and 21 April 2012.

## 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
Helmut Gunter Wilhelm Panke
Jackson Peter Tai

# Report by the Board Of Directors

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

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

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

At the end of the financial year, options to take up 37,139,973 unissued shares in the Company were outstanding:

| | Number of options to subscribe for unissued ordinary shares | | | | | |
|---|---|---|---|---|---|---|
| Date of grant | Balance at 1.4.2011 | Cancelled | Exercised | Balance at 31.3.2012 | Exercise price* | Exercisable Period |
| 2.7.2001 | 1,468,115 | (333,499) | (1,134,616) | - | $9.75 | 2.7.2002 - 1.7.2011 |
| 1.7.2002 | 2,406,793 | (18,145) | (632,216) | 1,756,432 | $9.81 | 1.7.2003 - 30.6.2012 |
| 1.7.2003 | 1,697,191 | (18,330) | (447,413) | 1,231,448 | $7.33 | 1.7.2004 - 30.6.2013 |
| 1.7.2004 | 2,926,794 | (37,381) | (503,140) | 2,386,273 | $7.69 | 1.7.2005 - 30.6.2014 |
| 1.7.2005 | 5,463,928 | (70,087) | (845,625) | 4,548,216 | $8.27 | 1.7.2006 - 30.6.2015 |
| 3.7.2006 | 7,413,806 | (80,953) | (959,813) | 6,373,040 | $9.59 | 3.7.2007 - 2.7.2016 |
| 2.7.2007 | 11,129,875 | (167,960) | - | 10,961,915 | $15.71 | 2.7.2008 - 1.7.2017 |
| 1.7.2008 | 10,707,031 | (133,090) | (691,292) | 9,882,649 | $12.32 | 1.7.2009 - 30.6.2018 |
| | 43,213,533 | (859,445) | (5,214,115) | 37,139,973 | | |

* Following approval by the Company's shareholders of the declaration of a special dividend of $0.50 per share 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 Committee approved another reduction of $0.80 in the exercise prices of the share options outstanding on 18 August 2011 after the approval by the Company's shareholders of the declaration of a special dividend of $0.80 per share on 29 July 2011. The exercise prices reflected here are the exercise prices after such adjustments.

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

| Name of participant | 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 |
|---|---|---|---|---|---|
| Goh Choon Phong | - | 444,075 | 124,800 | - | 319,275 |

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

No options have been granted during the financial year as the last grant of the share options under the ESOP was made in July 2008.

# Report by the Board Of Directors

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

### (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 directors or employees under the RSP and PSP.

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

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 | Base Awards granted during the financial year | Base Awards vested during the financial year | Modifications ^ | Balance as at 31 March 2012 | Aggregate Base Awards granted since commencement of RSP to end of financial year under review |
|---|---|---|---|---|---|
| Goh Choon Phong | 40,000 | 14,560 | 3,371 | 60,371 | 115,256 |

2. RSP Final Awards (Pending Release) [R1]

| Name of participant | Final Awards granted during the financial year# | Final Awards released during the financial year | Modifications ^ | Balance as at 31 March 2012 | Aggregate ordinary shares released to participant since commencement of RSP to end of financial year under review |
|---|---|---|---|---|---|
| Goh Choon Phong | 13,110 | 13,811 | 619 | 11,106 | 40,458 |

# Report by the Board Of Directors

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

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

3. PSP Base Awards [R2]

| Name of participant | Base Awards granted during the financial year | Base Awards vested during the financial year* | Modifications^ | Balance as at 31 March 2012 | 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 |
|---|---|---|---|---|---|---|
| Goh Choon Phong | 55,000 | 10,752 | 4,671 | 83,631 | 109,500 | 32,652 |

[R1] *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.*

[R2] *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.*

\# *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.*

* *16,130 PSP Final Awards of SIA ordinary shares were released to Mr Goh Choon Phong pursuant to the vesting of 10,752 PSP Base Awards during the financial year.*

^ *Following approval by the Company's shareholders of a special dividend of $0.80 per share on 29 July 2011, the Board Compensation & Industrial Relations Committee approved an increase in all restricted shares and performance shares outstanding on 18 August 2011 under the RSP and PSP.*

### (iii) Time-based Restricted Share Plan ("RSP")

Details of the time-based RSP are disclosed in Note 5 to the financial statements. The time-based RSP awards were made under the authority of the Board Compensation & Industrial Relations Committee.

The details of the shares awarded under time-based RSP to directors of the Company are as follows:

| Name of participant | Awards granted during the financial year | Modifications^ | Balance as at 31 March 2012 | Aggregate Awards granted since commencement of time-based RSP to end of financial year under review | Aggregate ordinary shares released to participant since commencement of time-based RSP to end of financial year under review |
|---|---|---|---|---|---|
| Goh Choon Phong | - | 5,917 | 105,917 | 105,917 | - |

^ *Following approval by the Company's shareholders of a special dividend of $0.80 per share on 29 July 2011, the Board Compensation & Industrial Relations Committee approved an increase in all time-based restricted shares outstanding on 18 August 2011 under the time-based RSP.*

# 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 41,376,903 unissued shares in SIAEC were outstanding. Details and terms of the options have been disclosed in the Directors' Report of SIAEC.

### (ii) SIAEC RSP and SIAEC PSP

Details and terms of the SIAEC RSP and SIAEC PSP have been disclosed in the Directors' Report of SIAEC.

## 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

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board,

**STEPHEN LEE CHING YEN**
Chairman

**GOH CHOON PHONG**
Chief Executive Officer

Dated this 9th day of May 2012

# Statement by the Directors Pursuant to Section 201(15)

We, Stephen Lee Ching Yen and Goh Choon Phong, 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 2012 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

**GOH CHOON PHONG**
Chief Executive Officer

Dated this 9th day of May 2012

# Independent Auditors' Report

To the members of Singapore Airlines Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of Singapore Airlines Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 188, which comprise the statements of financial position of the Group and the Company as at 31 March 2012, 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 information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, and for 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 accounts and balance sheets and to maintain accountability of assets.

## 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 about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the 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 2012 and of 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.

# Independent Auditors' Report

## Report on Other Legal and Regulatory Requirements

In our opinion, 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 9th day of May 2012
Singapore

# Consolidated Profit and Loss Account

For The Financial Year Ended 31 March 2012 (in $ million)

| | Notes | The Group 2011-12 | The Group 2010-11 |
|---|---|---|---|
| **REVENUE** | | 14,857.8 | 14,524.8 |
| **EXPENDITURE** | | | |
| Staff costs | 5 | 2,194.4 | 2,218.4 |
| Fuel costs | | 5,803.4 | 4,575.3 |
| Depreciation | 21 | 1,588.5 | 1,671.7 |
| Impairment of property, plant and equipment | 21 | 15.8 | 15.7 |
| Amortisation of intangible assets | 22 | 23.1 | 24.3 |
| Aircraft maintenance and overhaul costs | | 463.4 | 402.8 |
| Commission and incentives | | 330.9 | 402.8 |
| Landing, parking and overflying charges | | 668.6 | 613.2 |
| Handling charges | | 1,012.8 | 951.7 |
| Rentals on leased aircraft | | 573.7 | 581.8 |
| Material costs | | 219.0 | 223.9 |
| Inflight meals | | 480.5 | 433.4 |
| Advertising and sales costs | | 201.6 | 191.4 |
| Insurance expenses | | 46.8 | 51.0 |
| Company accommodation and utilities | | 113.9 | 112.8 |
| Other passenger costs | | 139.3 | 145.4 |
| Crew expenses | | 140.8 | 133.7 |
| Other operating expenses | | 555.4 | 504.2 |
| | | 14,571.9 | 13,253.5 |
| **OPERATING PROFIT** | 6 | 285.9 | 1,271.3 |
| Finance charges | 7 | (74.3) | (70.1) |
| Interest income | 8 | 50.5 | 37.3 |
| (Loss)/Surplus on disposal of aircraft, spares and spare engines | | (1.4) | 103.3 |
| Dividends from long-term investments | | 18.0 | 23.8 |
| Other non-operating items | 9 | 48.8 | 80.1 |
| Share of profits of joint venture companies | 25 | 74.7 | 74.6 |
| Share of profits of associated companies | | 51.4 | 100.5 |
| **PROFIT BEFORE EXCEPTIONAL ITEMS** | | 453.6 | 1,620.8 |
| **EXCEPTIONAL ITEMS** | 10 | (5.4) | (201.8) |
| **PROFIT BEFORE TAXATION** | | 448.2 | 1,419.0 |
| **TAXATION** | 11 | (51.4) | (270.2) |
| **PROFIT FOR THE FINANCIAL YEAR** | | 396.8 | 1,148.8 |
| **PROFIT ATTRIBUTABLE TO:** | | | |
| **OWNERS OF THE PARENT** | | 335.9 | 1,092.0 |
| **NON-CONTROLLING INTERESTS** | | 60.9 | 56.8 |
| | | 396.8 | 1,148.8 |
| **BASIC EARNINGS PER SHARE (CENTS)** | 12 | 28.3 | 91.4 |
| **DILUTED EARNINGS PER SHARE (CENTS)** | 12 | 27.9 | 90.2 |

*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 2012 (In $ million)

| | The Group | |
|---|---|---|
| | 2011-12 | 2010-11 |
| **PROFIT FOR THE FINANCIAL YEAR** | 396.8 | 1,148.8 |
| | | |
| **OTHER COMPREHENSIVE INCOME:** | | |
| Currency translation differences | (0.6) | (51.9) |
| Available-for-sale financial assets | (2.2) | (2.0) |
| Cash flow hedges | 92.0 | 6.6 |
| Loss on dilution of interest in an associated company due to share options exercised | (1.1) | (0.7) |
| Share of comprehensive income of associated and joint venture companies | 18.5 | 18.7 |
| **OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR, NET OF TAX** | 106.6 | (29.3) |
| | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR** | 503.4 | 1,119.5 |
| | | |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | |
| **OWNERS OF THE PARENT** | 442.9 | 1,074.1 |
| **NON-CONTROLLING INTERESTS** | 60.5 | 45.4 |
| | 503.4 | 1,119.5 |

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

# Statements of Financial Position

As At 31 March 2012 (In $ million)

| | Notes | The Group 2012 | The Group 2011 | The Company 2012 | The Company 2011 |
|---|---|---|---|---|---|
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | | | | |
| Share capital | 14 | 1,856.1 | 1,832.4 | 1,856.1 | 1,832.4 |
| Treasury shares | 15 | (258.4) | (43.0) | (258.4) | (43.0) |
| Other reserves | 16 | 11,295.7 | 12,415.0 | 11,249.2 | 12,345.7 |
| | | 12,893.4 | 14,204.4 | 12,846.9 | 14,135.1 |
| **NON-CONTROLLING INTERESTS** | | 294.0 | 298.4 | - | - |
| **TOTAL EQUITY** | | 13,187.4 | 14,502.8 | 12,846.9 | 14,135.1 |
| **DEFERRED ACCOUNT** | 17 | 224.4 | 347.1 | 199.9 | 330.7 |
| **DEFERRED TAXATION** | 18 | 2,029.1 | 2,181.1 | 1,694.8 | 1,814.1 |
| **LONG-TERM LIABILITIES** | 19 | 1,018.5 | 1,079.2 | 807.9 | 803.4 |
| **PROVISIONS** | 20 | 318.6 | 202.0 | 259.1 | 162.0 |
| | | 16,778.0 | 18,312.2 | 15,808.6 | 17,245.3 |
| Represented by: | | | | | |
| **PROPERTY, PLANT AND EQUIPMENT** | 21 | | | | |
| Aircraft, spares and spare engines | | 11,383.5 | 11,577.3 | 9,223.9 | 9,479.1 |
| Land and buildings | | 252.0 | 274.6 | 79.4 | 92.5 |
| Others | | 1,745.9 | 2,025.7 | 1,525.0 | 1,805.8 |
| | | 13,381.4 | 13,877.6 | 10,828.3 | 11,377.4 |
| **INTANGIBLE ASSETS** | 22 | 158.3 | 125.2 | 111.2 | 90.8 |
| **SUBSIDIARY COMPANIES** | 23 | - | - | 2,038.8 | 1,755.8 |
| **ASSOCIATED COMPANIES** | 24 | 543.2 | 504.8 | 1,701.1 | 1,715.7 |
| **JOINT VENTURE COMPANIES** | 25 | 113.2 | 102.8 | - | - |
| **LONG-TERM INVESTMENTS** | 26 | 373.7 | 35.3 | 293.7 | 18.8 |
| **OTHER RECEIVABLES** | 27 | 215.6 | 119.6 | 215.6 | 119.6 |
| **DEFERRED ACCOUNT** | 17 | 51.7 | - | 33.7 | - |
| **CURRENT ASSETS** | | | | | |
| Inventories | 28 | 306.1 | 335.5 | 221.7 | 253.9 |
| Trade debtors | 29 | 1,354.8 | 1,381.8 | 870.2 | 913.6 |
| Deposits and other debtors | 30 | 46.8 | 52.0 | 26.7 | 33.5 |
| Prepayments | | 98.5 | 103.6 | 74.8 | 89.5 |
| Amounts owing by subsidiary companies | 23 | - | - | 195.2 | 194.0 |
| Investments | 31 | 625.1 | 397.8 | 565.2 | 339.9 |
| Derivative assets | 37(a) | 71.9 | 74.3 | 57.4 | 63.1 |
| Cash and bank balances | 32 | 4,702.7 | 7,434.2 | 4,450.7 | 7,217.8 |
| | | 7,205.9 | 9,779.2 | 6,461.9 | 9,105.3 |
| Less: **CURRENT LIABILITIES** | | | | | |
| Sales in advance of carriage | | 1,456.8 | 1,459.8 | 1,409.5 | 1,421.1 |
| Deferred revenue | | 497.0 | 445.1 | 497.0 | 445.1 |
| Current tax payable | | 244.4 | 440.2 | 186.0 | 370.3 |
| Trade and other creditors | 33 | 2,885.4 | 2,725.7 | 2,210.2 | 2,161.8 |
| Amounts owing to subsidiary companies | 23 | - | - | 1,525.2 | 1,529.0 |
| Finance lease commitments | 19 | 64.8 | 61.4 | - | - |
| Loans | 19 | 2.4 | 1.7 | - | - |
| Notes payable | 19 | - | 900.0 | - | 900.0 |
| Provisions | 20 | 35.3 | 62.5 | 35.1 | 62.3 |
| Derivative liabilities | 37(a) | 78.9 | 135.9 | 12.7 | 48.5 |
| | | 5,265.0 | 6,232.3 | 5,875.7 | 6,938.1 |
| **NET CURRENT ASSETS** | | 1,940.9 | 3,546.9 | 586.2 | 2,167.2 |
| | | 16,778.0 | 18,312.2 | 15,808.6 | 17,245.3 |

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

# Statements of Changes in Equity

For The Financial Year Ended 31 March 2012 (In $ million)

## The Group

| | Notes | Share capital | Treasury shares | Capital reserve |
|---|---|---|---|---|
| Balance at 1 April 2011 | | 1,832.4 | (43.0) | 91.8 |
| Comprehensive income | | | | |
| Currency translation differences | 16 | - | - | - |
| Net fair value changes on available-for-sale assets | 16 | - | - | - |
| Net fair value changes on cash flow hedges | | - | - | - |
| Loss on dilution of interest in an associated company due to share options exercised | | - | - | - |
| Share of other comprehensive income of associated and joint venture companies | | - | - | 17.9 |
| Other comprehensive income for the financial year | | - | - | 17.9 |
| Profit for the financial year | | - | - | - |
| Total comprehensive income for the financial year, net of tax | | - | - | 17.9 |
| Transactions with owners, recorded directly in equity | | | | |
| Surplus on dilution of interest in subsidiary companies due to share options exercised | | - | - | - |
| Share-based compensation expense | 5 | - | - | - |
| Share options exercised | 14 | 23.7 | - | - |
| Share options lapsed | | - | - | - |
| Purchase of treasury shares | 15 | - | (272.1) | - |
| Treasury shares reissued pursuant to equity compensation plans | 15 | - | 56.7 | (10.6) |
| Dividends | 13 | - | - | - |
| Total transactions with owners | | 23.7 | (215.4) | (10.6) |
| Balance at 31 March 2012 | | 1,856.1 | (258.4) | 99.1 |

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

| | Attributable to Owners of the Parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Foreign currency translation reserve | Share-based compensation reserve | Fair value reserve | General reserve | Total | Non-controlling interests | Total equity |
| | (186.1) | 172.6 | (138.0) | 12,474.7 | 14,204.4 | 298.4 | 14,502.8 |
| | (0.2) | - | - | - | (0.2) | (0.4) | (0.6) |
| | - | - | (2.2) | - | (2.2) | - | (2.2) |
| | - | - | 92.0 | - | 92.0 | - | 92.0 |
| | - | - | - | (1.1) | (1.1) | - | (1.1) |
| | - | - | 0.6 | - | 18.5 | - | 18.5 |
| | (0.2) | - | 90.4 | (1.1) | 107.0 | (0.4) | 106.6 |
| | - | - | - | 335.9 | 335.9 | 60.9 | 396.8 |
| | (0.2) | - | 90.4 | 334.8 | 442.9 | 60.5 | 503.4 |
| | - | (5.0) | - | 10.5 | 5.5 | 8.4 | 13.9 |
| | - | 18.1 | - | - | 18.1 | - | 18.1 |
| | - | (4.1) | - | - | 19.6 | - | 19.6 |
| | - | (1.8) | - | 1.8 | - | - | - |
| | - | - | - | - | (272.1) | - | (272.1) |
| | - | (13.9) | - | - | 32.2 | - | 32.2 |
| | - | - | - | (1,557.2) | (1,557.2) | (73.3) | (1,630.5) |
| | - | (6.7) | - | (1,544.9) | (1,753.9) | (64.9) | (1,818.8) |
| | (186.3) | 165.9 | (47.6) | 11,264.6 | 12,893.4 | 294.0 | 13,187.4 |

# Statements of Changes in Equity

For The Financial Year Ended 31 March 2012 (In $ million)

## The Group

| | Notes | Share capital | Treasury shares | Capital reserve |
|---|---|---|---|---|
| Balance at 1 April 2010 | | 1,750.6 | (0.9) | 74.8 |
| Comprehensive income | | | | |
| Currency translation differences | 16 | - | - | - |
| Net fair value changes on available-for-sale assets | 16 | - | - | - |
| Net fair value changes on cash flow hedges | | - | - | - |
| Loss on dilution of interest in an associated company due to share options exercised | | - | - | - |
| Share of other comprehensive income of associated and joint venture companies | | - | - | 17.0 |
| Other comprehensive income for the financial year | | - | - | 17.0 |
| Profit for the financial year | | - | - | - |
| Total comprehensive income for the financial year, net of tax | | - | - | 17.0 |
| Transactions with owners, recorded directly in equity | | | | |
| Surplus on dilution of interest in subsidiary companies due to share options exercised | | - | - | - |
| Share-based compensation expense | 5 | - | - | - |
| Share options exercised and share awards vested | 14 | 81.8 | - | - |
| Share options lapsed | | - | - | - |
| Purchase of treasury shares | 15 | - | (44.5) | - |
| Treasury shares reissued pursuant to equity compensation plans | 15 | - | 2.4 | - |
| Dividends | 13 | - | - | - |
| Total transactions with owners | | 81.8 | (42.1) | - |
| Balance at 31 March 2011 | | 1,832.4 | (43.0) | 91.8 |

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

| Attributable to Owners of the Parent | | | | | | |
|---|---|---|---|---|---|---|
| Foreign currency translation reserve | Share-based compensation reserve | Fair value reserve | General reserve | Total | Non-controlling interests | Total equity |
| (137.0) | 185.3 | (140.9) | 11,737.0 | 13,468.9 | 280.4 | 13,749.3 |
| (40.5) | - | - | - | (40.5) | (11.4) | (51.9) |
| - | - | (2.0) | - | (2.0) | - | (2.0) |
| - | - | 6.6 | - | 6.6 | - | 6.6 |
| - | - | - | (0.7) | (0.7) | - | (0.7) |
| (8.6) | 0.5 | (1.7) | 11.5 | 18.7 | - | 18.7 |
| (49.1) | 0.5 | 2.9 | 10.8 | (17.9) | (11.4) | (29.3) |
| - | - | - | 1,092.0 | 1,092.0 | 56.8 | 1,148.8 |
| (49.1) | 0.5 | 2.9 | 1,102.8 | 1,074.1 | 45.4 | 1,119.5 |
| - | (7.9) | - | 15.4 | 7.5 | 18.7 | 26.2 |
| - | 17.9 | - | - | 17.9 | - | 17.9 |
| - | (20.8) | - | - | 61.0 | - | 61.0 |
| - | (2.2) | - | 2.2 | - | - | - |
| - | - | - | - | (44.5) | - | (44.5) |
| - | (0.2) | - | - | 2.2 | - | 2.2 |
| - | - | - | (382.7) | (382.7) | (46.1) | (428.8) |
| - | (13.2) | - | (365.1) | (338.6) | (27.4) | (366.0) |
| (186.1) | 172.6 | (138.0) | 12,474.7 | 14,204.4 | 298.4 | 14,502.8 |

# Statements of Changes in Equity

For The Financial Year Ended 31 March 2012 (In $ million)

## The Company

| | Notes | Share capital | Treasury shares | Capital reserve | Share-based compensation reserve | Fair value reserve | General reserve | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 April 2011 | | 1,832.4 | (43.0) | 2.5 | 138.5 | (94.2) | 12,298.9 | 14,135.1 |
| Comprehensive income | | | | | | | | |
| Net fair value changes on available-for-sale assets | 16 | - | - | - | - | (0.3) | - | (0.3) |
| Net fair value changes on cash flow hedges | 16 | - | - | - | - | 84.7 | - | 84.7 |
| Other comprehensive income for the financial year | | - | - | - | - | 84.4 | - | 84.4 |
| Profit for the financial year | | - | - | - | - | - | 390.2 | 390.2 |
| Total comprehensive income for the financial year, net of tax | | - | - | - | - | 84.4 | 390.2 | 474.6 |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Share-based compensation expense | | - | - | - | 14.7 | - | - | 14.7 |
| Share options exercised | 14 | 23.7 | - | - | (4.1) | - | - | 19.6 |
| Share options lapsed | | - | - | - | (1.5) | - | 1.5 | - |
| Purchase of treasury shares | 15 | - | (272.1) | - | - | - | - | (272.1) |
| Treasury shares reissued pursuant to equity compensation plans | 15 | - | 56.7 | (10.6) | (13.9) | - | - | 32.2 |
| Dividends | 13 | - | - | - | - | - | (1,557.2) | (1,557.2) |
| Total transactions with owners | | 23.7 | (215.4) | (10.6) | (4.8) | - | (1,555.7) | (1,762.8) |
| Balance at 31 March 2012 | | 1,856.1 | (258.4) | (8.1) | 133.7 | (9.8) | 11,133.4 | 12,846.9 |

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

# Statements of Changes in Equity

For The Financial Year Ended 31 March 2012 (In $ million)

## The Company

| | Notes | Share capital | Treasury shares | Capital reserve | Share-based compensation reserve | Fair value reserve | General reserve | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 April 2010 | | 1,750.6 | (0.9) | 2.5 | 147.9 | (85.3) | 11,668.5 | 13,483.3 |
| Comprehensive income | | | | | | | | |
| Net fair value changes on cash flow hedges | 16 | - | - | - | - | (8.9) | - | (8.9) |
| Other comprehensive income for the financial year | | - | - | - | - | (8.9) | - | (8.9) |
| Profit for the financial year | | - | - | - | - | - | 1,011.2 | 1,011.2 |
| Total comprehensive income for the financial year, net of tax | | - | - | - | - | (8.9) | 1,011.2 | 1,002.3 |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Share-based compensation expense | | - | - | - | 13.5 | - | - | 13.5 |
| Share options exercised and share awards vested | 14 | 81.8 | - | - | (20.8) | - | - | 61.0 |
| Share options lapsed | | - | - | - | (1.9) | - | 1.9 | - |
| Purchase of treasury shares | 15 | - | (44.5) | - | - | - | - | (44.5) |
| Treasury shares reissued pursuant to equity compensation plans | 15 | - | 2.4 | - | (0.2) | - | - | 2.2 |
| Dividends | 13 | - | - | - | - | - | (382.7) | (382.7) |
| Total transactions with owners | | 81.8 | (42.1) | - | (9.4) | - | (380.8) | (350.5) |
| Balance at 31 March 2011 | | 1,832.4 | (43.0) | 2.5 | 138.5 | (94.2) | 12,298.9 | 14,135.1 |

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

# Consolidated Statement of Cash Flows

For The Financial Year Ended 31 March 2012 (in $ million)

| | Notes | The Group 2011-12 | The Group 2010-11 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 448.2 | 1,419.0 |
| Adjustments for: | | | |
| Depreciation | 21 | 1,588.5 | 1,671.7 |
| Impairment of property, plant and equipment | 21 | 15.8 | 15.7 |
| Amortisation of intangible assets | 22 | 23.1 | 24.3 |
| Writeback of impairment of trade debtors | 6 | (0.2) | (1.5) |
| Income from short-term investments | 6 | (1.6) | (1.7) |
| Share-based compensation expense | 5 | 18.1 | 17.9 |
| Exchange differences | | 7.2 | 11.5 |
| Amortisation of deferred gain on sale and operating leaseback transactions | 6 | (18.3) | (29.0) |
| Finance charges | 7 | 74.3 | 70.1 |
| Interest income | 8 | (50.5) | (37.3) |
| Loss/(Surplus) on disposal of aircraft, spares and spare engines | | 1.4 | (103.3) |
| Dividends from long-term investments | | (18.0) | (23.8) |
| Other non-operating items | 9 | (48.8) | (80.1) |
| Share of profits of joint venture companies | 25 | (74.7) | (74.6) |
| Share of profits of associated companies | | (51.4) | (100.5) |
| Exceptional items | 10 | 5.4 | 201.8 |
| Operating profit before working capital changes | | 1,918.5 | 2,980.2 |
| Increase in trade and other creditors | | 224.2 | 395.3 |
| (Decrease)/Increase in sales in advance of carriage | | (3.0) | 121.8 |
| (Increase)/Decrease in trade debtors | | (132.3) | 23.9 |
| Decrease in deposits and other debtors | | 5.2 | 14.3 |
| Decrease/(Increase) in prepayments | | 5.1 | (11.0) |
| Decrease in inventories | | 29.4 | 40.0 |
| Increase/(Decrease) in deferred revenue | | 51.9 | (15.0) |
| Increase in amounts owing by associated companies | | - | (2.0) |
| Cash generated from operations | | 2,099.0 | 3,547.5 |
| Payment of cargo fines | 10 | (1.3) | (201.8) |
| Income taxes paid | | (394.9) | (60.5) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | | 1,702.8 | 3,285.2 |

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

| | Notes | The Group 2011-12 | 2010-11 |
|---|---|---|---|
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure | 34 | (1,641.2) | (1,223.8) |
| Purchase of intangible assets | | (56.1) | (19.6) |
| Proceeds from disposal of aircraft and other property, plant and equipment | | 495.1 | 721.4 |
| Purchase of long-term investments | | (339.0) | - |
| Purchase of short-term investments | | (229.6) | (259.6) |
| Proceeds on disposal of an associated company | | - | 2.1 |
| Investments in associated companies | | (54.6) | (1.1) |
| Dividends received from associated and joint venture companies | | 133.6 | 165.3 |
| Dividends received from investments | | 18.9 | 24.7 |
| Interests received from investments and deposits | | 44.4 | 24.0 |
| Return of capital by an associated company | | 48.1 | - |
| **NET CASH USED IN INVESTING ACTIVITIES** | | (1,580.4) | (566.6) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Dividends paid | 13 | (1,557.2) | (382.7) |
| Dividends paid by subsidiary companies to non-controlling interests | | (73.3) | (46.1) |
| Interest paid | | (86.9) | (69.3) |
| Proceeds from issuance of bonds | | - | 800.0 |
| Repayment of fixed rate notes | | (900.0) | - |
| Proceeds from borrowings | | 1.1 | 1.7 |
| Repayment of borrowings | | (0.4) | - |
| Repayment of long-term lease liabilities | | (61.2) | (64.3) |
| Proceeds from exercise of share options | | 65.7 | 89.4 |
| Purchase of treasury shares | 15 | (272.1) | (44.5) |
| **NET CASH (USED IN)/FROM FINANCING ACTIVITIES** | | (2,884.3) | 284.2 |
| **NET CASH (OUTFLOW)/INFLOW** | | (2,761.9) | 3,002.8 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR** | | 7,434.2 | 4,471.9 |
| Effect of exchange rate changes | | 30.4 | (40.5) |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | | 4,702.7 | 7,434.2 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS** | | | |
| Fixed deposits | 32 | 4,260.6 | 7,128.9 |
| Cash and bank | 32 | 442.1 | 305.3 |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | | 4,702.7 | 7,434.2 |

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

# Notes to the Financial Statements
31 March 2012

## 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, engineering services, training of pilots, air charters and tour wholesaling and related activities. The principal activity of the Company consists of passenger air transportation.

The financial statements for the financial year ended 31 March 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 9 May 2012.

## 2 Summary of Significant Accounting Policies

The accounting policies applied by the Group and the Company 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 2011, the Group adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual financial periods beginning on or after 1 April 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

# Notes to the Financial Statements

31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

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

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to FRS 107 Disclosures – Transfer of Financial Assets | 1 July 2011 |
| Amendments to FRS 12 Deferred Tax – Recovery of Underlying Assets | 1 January 2012 |
| Amendments to FRS 1 Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| Amendments to FRS 107 Disclosures – Offsetting of Financial Assets and Financial Liabilities | 1 January 2013 |
| Amendments to FRS 32 Financial Instruments – Offsetting of Financial Assets and Financial Liabilities | 1 January 2014 |
| Revised FRS 19 Employee Benefits | 1 January 2013 |
| Revised FRS 27 Separate Financial Statements | 1 January 2013 |
| Revised FRS 28 Investments in Associates and Joint Ventures | 1 January 2013 |
| FRS 110 Consolidated Financial Statements | 1 January 2013 |
| FRS 111 Joint Arrangements | 1 January 2013 |
| FRS 112 Disclosure of Interests in Other Entities | 1 January 2013 |
| FRS 113 Fair Value Measurements | 1 January 2013 |
| INT FRS 120 Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |

Except for the Amendments to FRS 1, FRS 111 and revised FRS 28 and FRS 112, the management expects that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, FRS 111 and revised FRS 28 and FRS 112 are described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2013.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

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

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures (continued)

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates. The adoption of FRS 111 and the revised FRS 28 will not affect the Group as the Group does not apply proportionate consolidation for its joint ventures.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

### (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 to like transactions and events in similar circumstances. A list of the Group's subsidiary companies is shown in Note 23 to the financial statements.

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

Business combinations are accounted for by applying the acquisition 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. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in the profit and loss account or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interest in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the profit and loss account.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in the profit and loss account on the acquisition date.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiary companies not attributable, directly or indirectly, to owners of the Parent, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Parent.

Changes in the Company's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent.

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

In the Company's separate financial statements, investments 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 24 to the financial statements.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

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

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 and is neither amortised nor tested individually for impairment. 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.

The profit or loss reflects the share of the results of operations of the associated company. Where there has been a change recognised in other comprehensive income by the associated company, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associated company are eliminated to the extent of its interest in the associated company.

The Group's share of profit or loss of its associated company is shown on the face of the profit and loss account.

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 and loss account.

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 25 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.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (e) Intangible assets

#### (i) 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. Advance and progress payments are not amortised. The amortisation period and method are reviewed at least annually.

#### (ii) Licences

Licences were acquired in business combinations. These intangible assets are amortised on a straight-line basis over its estimated useful life of 3 years.

#### (iii) 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.

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.

# Notes to the Financial Statements

31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (f) Foreign currencies (continued)

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 other comprehensive income 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, engine overhauls and landing gear 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.

Leasehold hotel properties held by an associated company are carried at fair value, less accumulated depreciation and accumulated impairment losses. Fair values of leasehold hotel properties are determined by independent professional valuers on an annual basis. The Group's share of the revaluation gain or loss is reflected under the share of post-acquisition capital reserve.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

# Notes to the Financial Statements

31 March 2012

## 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 prospectively, if appropriate.

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.

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 values.

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.

Training aircraft are depreciated over 5 to 15 years to 10% to 20% residual values.

Flight simulators are depreciated over 5 to 10 years to nil residual values.

#### (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. |
| Leasehold hotel properties held by an associated company | - according to lease period of 99 years, up to 2081. |

#### (iii) Others

Plant and equipment, office and computer equipment are depreciated over 1 to 7 years to nil residual values.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (i) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment 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 7 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. Excess of sales proceeds over 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. If the sales proceeds are below fair values, the loss is recognised in the profit and loss account except that, if the loss is compensated for by future lease payments at below market values, the deferred loss is included under deferred account and is amortised over the minimum lease period.

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.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (j) 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. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

### (k) 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. The Group determines the classification of its financial assets at initial recognition.

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 the profit and loss account.

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.

#### (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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. 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, less impairment. 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.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (k) Financial assets (continued)

#### (iii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit and loss account when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

#### (iv) 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.

### (l) Investments

Investments held by the Group are classified as available-for-sale or held-to-maturity. Investments classified as available-for-sale are stated at fair value, unless there is no active market for trading. Fair value is determined in the manner described in Note 37(b). Investments with no active market for trading are stated at cost less accumulated impairment losses as their fair value cannot be reliably measured. Held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. The accounting policy for both categories of financial assets is stated in Note 2(k).

### (m) 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(k).

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

### (n) 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. The accounting policy for this category of financial assets is stated in Note 2(k), under loans and receivables.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (o) 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 cash-generating units' ("CGU") 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and 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. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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.

### (p) 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.

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

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

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

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

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 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 other comprehensive income to the profit and loss account. Reversals of impairment losses in respect of equity instruments are not recognised in the profit and loss account; increase in the fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit and loss account. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed in the profit and loss account.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (q) 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. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as follows:

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

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit and loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the profit and loss account.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit and loss.

#### (ii) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 and loss account.

### (r) 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.

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

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (s) 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.

### (t) 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.

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.

### (u) Maintenance reserve

Maintenance reserve relates to payments made by the lessee for maintenance activities undertaken during the lease period. The Group will reimburse the lessee for agreed maintenance work done as and when incurred. The Group records the amounts received as maintenance reserve. At the expiry of the lease term, excess maintenance reserve is recognised in the profit and loss account.

### (v) 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.

### (w) 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. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

# Notes to the Financial Statements

31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (x) 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.

### (y) 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 tax 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, in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current taxes are recognised in the profit and loss account 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.

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.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (y) Taxation (continued)

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

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 tax authority.

#### (iii) Indirect Taxes

Revenues, expenses and assets are recognised net of the amount of indirect tax except:

- Where the indirect tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the indirect tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of indirect tax included.

The net amount of indirect tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

### (z) 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, 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 is recognised as revenue if unused after two years and one year respectively.

# Notes to the Financial Statements

31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (z) Revenue (continued)

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.

### (aa) 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.

### (ab) 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.

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 and share awards, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company and non-vesting conditions.

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.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (ab) Employee benefits (continued)

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

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.

### (ac) Aircraft maintenance and overhaul costs

The Group recognises aircraft maintenance and overhaul expenses (except heavy maintenance visits, engine overhaul and landing gear 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.

### (ad) 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.

### (ae) 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.

### (af) 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.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (ag) 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 and jet fuel 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 remeasured 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 sets 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.

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 16(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.

### (ah) 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, engineering services and cargo operations.

# Notes to the Financial Statements
31 March 2012

## 2 Summary of Significant Accounting Policies (continued)

### (ah) Segment reporting (continued)

#### (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 consist principally of 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, and 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.

### (a) 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. The fair value less costs to sell computation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. 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.

### (b) 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 2012 was $11,024.2 million (2011: $11,111.9 million) and $8,985.5 million (2011: $9,137.5 million) respectively.

### (c) 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 2012 was $1,456.8 million (2011: $1,459.8 million) and $1,409.5 million (2011: $1,421.1 million) respectively.

# Notes to the Financial Statements
31 March 2012

## 3 Significant Accounting Estimates (continued)

### (d) 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 2012 was $497.0 million (2011: $445.1 million).

### (e) 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 2012 was $684.3 million (2011: $538.1 million) and $634.3 million (2011: $497.5 million) respectively. The maintenance and repair costs covered by PBH agreements which are expensed off during the year amounted to $38.0 million (2011: $40.2 milion) for the Group and $35.8 million (2011: $38.1 milion) 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 4 reportable operating segments as follows:

(i) The airline operations segment provides passenger air transportation.

(ii) The engineering services segment is in the business of providing airframe maintenance and overhaul services, line maintenance, technical ground handling services and fleet management programme. 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.

(iii) The cargo operations segment is involved in air cargo transportation and related activities.

(iv) 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 2012

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

**Business segments**

The Group's business are organised and managed separately according to the nature of the services provided. The following table presents revenue and profit information regarding business segments for the financial years ended 31 March 2012 and 2011 and certain assets and liabilities information of the business segments as at those dates.

| | Airline operations 2011-12 |
|---|---|
| **TOTAL REVENUE** | |
| External revenue | 11,582.3 |
| Inter-segment revenue | 1,234.9 |
| | 12,817.2 |
| **RESULTS** | |
| Segment result | 279.1 |
| Finance charges | (65.9) |
| Interest income | 50.1 |
| (Loss)/Surplus on disposal of aircraft, spares and spare engines | (28.9) |
| Dividends from subsidiary companies | 266.4 |
| Dividends from long-term investments | 4.4 |
| Other non-operating items | (13.4) |
| Share of profits of joint venture companies | - |
| Share of (losses)/profits of associated companies | (29.3) |
| Exceptional items | (4.1) |
| Taxation | (45.2) |
| Profit/(Loss) for the financial year | 413.2 |
| Attributable to: | |
| Owners of the Parent | |
| Non-controlling 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.*

| Engineering services 2011-12 | Cargo operations 2011-12 | Others 2011-12 | Total of segments 2011-12 | Elimination* 2011-12 | Consolidated 2011-12 |
|---|---|---|---|---|---|
| 551.5 | 2,673.6 | 50.4 | 14,857.8 | - | 14,857.8 |
| 618.4 | 5.9 | 79.2 | 1,938.4 | (1,938.4) | - |
| 1,169.9 | 2,679.5 | 129.6 | 16,796.2 | (1,938.4) | 14,857.8 |
| 129.6 | (119.3) | (0.4) | 289.0 | (3.1) | 285.9 |
| - | (12.3) | - | (78.2) | 3.9 | (74.3) |
| 1.5 | 1.5 | 0.3 | 53.4 | (2.9) | 50.5 |
| - | - | (2.7) | (31.6) | 30.2 | (1.4) |
| - | 1.7 | - | 268.1 | (268.1) | - |
| 13.6 | - | - | 18.0 | - | 18.0 |
| 1.5 | (2.9) | (0.2) | (15.0) | 63.8 | 48.8 |
| 74.7 | - | - | 74.7 | - | 74.7 |
| 82.2 | (1.5) | - | 51.4 | - | 51.4 |
| - | (1.3) | - | (5.4) | - | (5.4) |
| (31.1) | 26.1 | (1.2) | (51.4) | - | (51.4) |
| 272.0 | (108.0) | (4.2) | 573.0 | (176.2) | 396.8 |
| | | | | | 335.9 |
| | | | | | 60.9 |
| | | | | | 396.8 |

# Notes to the Financial Statements
31 March 2012

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

**Business segments (continued)**

| | Airline operations 2010-11 |
|---|---|
| **TOTAL REVENUE** | |
| External revenue | 11,227.0 |
| Inter-segment revenue | 1,178.5 |
| | 12,405.5 |
| **RESULTS** | |
| Segment result | 972.8 |
| Finance charges | (58.8) |
| Interest income | 36.8 |
| Surplus on disposal of aircraft, spares and spare engines | 103.1 |
| Dividends from subsidiary companies | 173.0 |
| Dividends from long-term investments | 11.3 |
| Other non-operating items | 81.5 |
| Share of profits of joint venture companies | - |
| Share of profits of associated companies | 22.3 |
| Exceptional items | - |
| Taxation | (210.0) |
| Profit/(Loss) for the financial year | 1,132.0 |
| Attributable to: | |
| Owners of the Parent | |
| Non-controlling 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.*

| Engineering services 2010-11 | Cargo operations 2010-11 | Others 2010-11 | Total of segments 2010-11 | Elimination* 2010-11 | Consolidated 2010-11 |
|---|---|---|---|---|---|
| 466.6 | 2,775.9 | 55.3 | 14,524.8 | - | 14,524.8 |
| 640.3 | 7.4 | 82.8 | 1,909.0 | (1,909.0) | - |
| 1,106.9 | 2,783.3 | 138.1 | 16,433.8 | (1,909.0) | 14,524.8 |
| 135.7 | 151.4 | 11.0 | 1,270.9 | 0.4 | 1,271.3 |
| - | (15.2) | - | (74.0) | 3.9 | (70.1) |
| 1.4 | 2.5 | 0.5 | 41.2 | (3.9) | 37.3 |
| - | 0.1 | - | 103.2 | 0.1 | 103.3 |
| - | 1.0 | 0.2 | 174.2 | (174.2) | - |
| 12.5 | - | - | 23.8 | - | 23.8 |
| 2.1 | (31.7) | (0.7) | 51.2 | 28.9 | 80.1 |
| 74.6 | - | - | 74.6 | - | 74.6 |
| 69.8 | 8.4 | - | 100.5 | - | 100.5 |
| - | (201.8) | - | (201.8) | - | (201.8) |
| (34.9) | (22.8) | (2.5) | (270.2) | - | (270.2) |
| 261.2 | (108.1) | 8.5 | 1,293.6 | (144.8) | 1,148.8 |
| | | | | | 1,092.0 |
| | | | | | 56.8 |
| | | | | | 1,148.8 |

# Notes to the Financial Statements

31 March 2012

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

**Business segments (continued)**

| | Airline operations 2012 |
|---|---|
| **OTHER INFORMATION AS AT 31 MARCH** | |
| Segment assets | 18,704.9 |
| Investments in and loans to associated and joint venture companies | 220.8 |
| Long-term investments | 295.6 |
| Accrued interest receivable | 7.9 |
| Total assets | 19,229.2 |
| | |
| Segment liabilities | 4,532.5 |
| Long-term liabilities | 7.9 |
| Provisions | 331.4 |
| Finance lease commitments | - |
| Loans | - |
| Notes payable | 800.0 |
| Accrued interest payable | 4.6 |
| Tax liabilities | 1,979.0 |
| Total liabilities | 7,655.4 |
| | |
| Capital expenditure | 1,505.9 |
| Purchase of intangible assets | 41.2 |
| | |
| Depreciation | 1,355.0 |
| Impairment of property, plant and equipment | 10.8 |
| Amortisation of intangible assets | 19.6 |
| Non-cash items other than depreciation, impairment of property, plant and equipment and amortisation of intangible assets | 24.7 |

* *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.*

| Engineering services 2012 | Cargo operations 2012 | Others 2012 | Total of segments 2012 | Elimination* 2012 | Consolidated 2012 |
|---|---|---|---|---|---|
| 1,166.7 | 2,234.3 | 188.7 | 22,294.6 | (1,289.8) | 21,004.8 |
| 418.0 | 17.6 | - | 656.4 | - | 656.4 |
| 14.6 | 63.5 | - | 373.7 | - | 373.7 |
| - | - | 0.2 | 8.1 | - | 8.1 |
| 1,599.3 | 2,315.4 | 188.9 | 23,332.8 | (1,289.8) | 22,043.0 |
| 263.7 | 300.9 | 44.6 | 5,141.7 | (5.4) | 5,136.3 |
| - | - | - | 7.9 | - | 7.9 |
| 0.2 | 22.3 | - | 353.9 | - | 353.9 |
| - | 275.4 | - | 275.4 | - | 275.4 |
| 2.4 | - | - | 2.4 | - | 2.4 |
| - | - | - | 800.0 | - | 800.0 |
| - | 1.6 | - | 6.2 | - | 6.2 |
| 53.2 | 237.9 | 3.1 | 2,273.2 | 0.3 | 2,273.5 |
| 319.5 | 838.1 | 47.7 | 8,860.7 | (5.1) | 8,855.6 |
| 28.8 | 137.4 | 5.5 | 1,677.6 | (36.4) | 1,641.2 |
| 14.0 | 0.6 | 0.3 | 56.1 | - | 56.1 |
| 37.8 | 188.0 | 7.3 | 1,588.1 | 0.4 | 1,588.5 |
| - | - | 5.0 | 15.8 | - | 15.8 |
| 1.7 | 1.2 | 0.6 | 23.1 | - | 23.1 |
| 3.2 | (2.4) | (0.4) | 25.1 | - | 25.1 |

# Notes to the Financial Statements
31 March 2012

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

**Business segments (continued)**

| | Airline operations 2011 |
|---|---|
| **OTHER INFORMATION AS AT 31 MARCH** | |
| Segment assets | 21,558.6 |
| Investments in and loans to associated and joint venture companies | 184.9 |
| Long-term investments | 20.7 |
| Accrued interest receivable | 7.1 |
| Total assets | 21,771.3 |
| | |
| Segment liabilities | 4,549.7 |
| Long-term liabilities | 3.4 |
| Provisions | 240.9 |
| Finance lease commitments | - |
| Loans | - |
| Notes payable | 1,700.0 |
| Accrued interest payable | 14.5 |
| Tax liabilities | 2,269.3 |
| Total liabilities | 8,777.8 |
| | |
| Capital expenditure | 1,097.7 |
| Purchase of intangible assets | 6.0 |
| | |
| Depreciation | 1,441.3 |
| Impairment of property, plant and equipment | 15.7 |
| Amortisation of intangible assets | 21.1 |
| Non-cash items other than depreciation, impairment of property, plant and equipment and amortisation of intangible assets | 25.8 |

* *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.*

| | Engineering services 2011 | Cargo operations 2011 | Others 2011 | Total of segments 2011 | Elimination* 2011 | Consolidated 2011 |
|---|---|---|---|---|---|---|
| | 1,208.1 | 2,513.2 | 207.7 | 25,487.6 | (1,593.3) | 23,894.3 |
| | 398.8 | 23.9 | - | 607.6 | - | 607.6 |
| | 14.6 | - | - | 35.3 | - | 35.3 |
| | - | - | 0.2 | 7.3 | - | 7.3 |
| | 1,621.5 | 2,537.1 | 207.9 | 26,137.8 | (1,593.3) | 24,544.5 |
| | 235.5 | 305.7 | 47.5 | 5,138.4 | (41.1) | 5,097.3 |
| | - | - | - | 3.4 | - | 3.4 |
| | 0.2 | 23.4 | - | 264.5 | - | 264.5 |
| | - | 337.2 | - | 337.2 | - | 337.2 |
| | 1.7 | - | - | 1.7 | - | 1.7 |
| | - | - | - | 1,700.0 | - | 1,700.0 |
| | - | 1.8 | - | 16.3 | - | 16.3 |
| | 56.2 | 290.9 | 4.7 | 2,621.1 | 0.2 | 2,621.3 |
| | 293.6 | 959.0 | 52.2 | 10,082.6 | (40.9) | 10,041.7 |
| | 44.6 | 66.4 | 15.1 | 1,223.8 | - | 1,223.8 |
| | 12.4 | 1.0 | 0.2 | 19.6 | - | 19.6 |
| | 37.7 | 189.0 | 6.1 | 1,674.1 | (2.4) | 1,671.7 |
| | - | - | - | 15.7 | - | 15.7 |
| | 1.6 | 0.9 | 0.7 | 24.3 | - | 24.3 |
| | 6.2 | (26.7) | 0.4 | 5.7 | - | 5.7 |

# Notes to the Financial Statements
31 March 2012

## 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 2012 and 2011.

| | By area of original sale | |
|---|---|---|
| | 2011-12 | 2010-11 |
| East Asia | 4,754.1 | 4,769.0 |
| Europe | 1,411.3 | 1,551.0 |
| South West Pacific | 1,556.6 | 1,568.0 |
| Americas | 747.8 | 763.1 |
| West Asia and Africa | 461.0 | 545.2 |
| Systemwide | 8,930.8 | 9,196.3 |
| Non-scheduled services and incidental revenue | 3,886.4 | 3,209.2 |
| | 12,817.2 | 12,405.5 |

## 5 Staff Costs (in $ million)

| | The Group | |
|---|---|---|
| | 2011-12 | 2010-11 |
| Salary, bonuses and other costs | 2,026.2 | 2,080.4 |
| CPF and other defined contributions | 150.1 | 120.1 |
| Share-based compensation expense | 18.1 | 17.9 |
| | 2,194.4 | 2,218.4 |

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. In October 2009, the Government extended the scheme with another two payments at stepped-down rates of 6% and 3% in March and June 2010 respectively. The total grant received in the previous financial year was $4.0 million and this was 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 $25.9 million for 2011-12 and $13.6 million for 2010-11. As these are not material to the total staff costs of the Group for 2011-12 and 2010-11, additional disclosures of these defined benefit plans are not shown.

# Notes to the Financial Statements

31 March 2012

## 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 | |
|---|---|---|
| | 2011-12 | 2010-11 |
| Employee share option scheme | 1.2 | 6.4 |
| Restricted share plan | 14.8 | 9.1 |
| Performance share plan | 2.1 | 2.4 |
| | 18.1 | 17.9 |

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 were granted for a term no longer than 10 years from the date of grant. The exercise price of the options was 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 vest two years after the date of grant.

Under the Senior Executive Share Option Scheme, options 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 2012

## 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:

| | 2011-12 | | 2010-11 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at 1 April | 43,213,533 | $12.25 | 52,411,320 | $9.22 |
| Cancelled | (859,445) | $11.19 | (3,531,268) | $14.22 |
| Exercised | (5,214,115) | $9.95 | (5,666,519) | $11.15 |
| Balance at 31 March | 37,139,973 | $11.77 | 43,213,533 | $12.25 |
| Exercisable at 31 March | 35,865,297 | $11.76 | 39,413,208 | $11.00 |

The range of exercise prices for options outstanding at the end of the year is $7.33 to $15.71 (2010-11: $8.13 to $16.51).

Following the expiry of the share option plans in March 2009, the Company ceased to grant options under ESOP.

The weighted average share price for options exercised during the year was $11.90 (2010-11: $15.11). The weighted average remaining contractual life for these options is 4.54 years (2010-11: 5.24 years).

Terms of share options outstanding as at 31 March 2012:

| Exercisable period | Exercise price | Number outstanding | Number exercisable |
|---|---|---|---|
| 1.7.2003 - 30.6.2012 | $9.81 | 200,092 | 200,092 |
| 1.7.2004 - 30.6.2012 | $9.81 | 1,026,750 | 1,026,750 |
| 1.7.2005 - 30.6.2012 | $9.81 | 273,275 | 273,275 |
| 1.7.2006 - 30.6.2012 | $9.81 | 256,315 | 256,315 |
| 1.7.2004 - 30.6.2013 | $7.33 | 152,839 | 152,839 |
| 1.7.2005 - 30.6.2013 | $7.33 | 565,819 | 565,819 |
| 1.7.2006 - 30.6.2013 | $7.33 | 179,330 | 179,330 |
| 1.7.2007 - 30.6.2013 | $7.33 | 333,460 | 333,460 |
| 1.7.2005 - 30.6.2014 | $7.69 | 291,752 | 291,752 |
| 1.7.2006 - 30.6.2014 | $7.69 | 988,369 | 988,369 |
| 1.7.2007 - 30.6.2014 | $7.69 | 471,394 | 471,394 |
| 1.7.2008 - 30.6.2014 | $7.69 | 634,758 | 634,758 |

# Notes to the Financial Statements
31 March 2012

## 5 Staff Costs (in $ million) (continued)

Share-based compensation expense (continued)

**Share option plans (continued)**

| Exercisable period | Exercise price | Number outstanding | Number exercisable |
|---|---|---|---|
| 1.7.2006 - 30.6.2015 | $8.27 | 505,082 | 505,082 |
| 1.7.2007 - 30.6.2015 | $8.27 | 2,340,562 | 2,340,562 |
| 1.7.2008 - 30.6.2015 | $8.27 | 827,322 | 827,322 |
| 1.7.2009 - 30.6.2015 | $8.27 | 875,250 | 875,250 |
| 3.7.2007 - 2.7.2016 | $9.59 | 661,446 | 661,446 |
| 3.7.2008 - 2.7.2016 | $9.59 | 3,932,030 | 3,932,030 |
| 3.7.2009 - 2.7.2016 | $9.59 | 850,321 | 850,321 |
| 3.7.2010 - 2.7.2016 | $9.59 | 929,243 | 929,243 |
| 2.7.2008 - 1.7.2017 | $15.71 | 1,194,518 | 1,194,518 |
| 2.7.2009 - 1.7.2017 | $15.71 | 7,381,254 | 7,381,254 |
| 2.7.2010 - 1.7.2017 | $15.71 | 1,196,371 | 1,196,371 |
| 2.7.2011 - 1.7.2017 | $15.71 | 1,189,772 | 1,189,772 |
| 1.7.2009 - 30.6.2018 | $12.32 | 1,070,818 | 1,070,818 |
| 1.7.2010 - 30.6.2018 | $12.32 | 6,289,014 | 6,289,014 |
| 1.7.2011 - 30.6.2018 | $12.32 | 1,237,881 | 1,237,881 |
| 1.7.2012 - 30.6.2018 | $12.32 | 1,284,936 | 10,260 |
| Total number of options outstanding | | 37,139,973 @ | 35,865,297 |

@ *The total number of options outstanding includes:*

(a) *5,255,057 (2011: 6,173,715) 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) *92,982 (2011: 114,067) 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 the Annual Report of SIAEC.

# Notes to the Financial Statements
31 March 2012

## 5 Staff Costs (in $ million) (continued)

Share-based compensation expense (continued)

**Share-based incentive plans**

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 |
|---|---|---|
| **Plan Description** | 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. |
| **Performance Conditions** | At both Company and Group level<br>• EBITDAR# Margin<br>• Value Added per $ Employment Cost | • Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE)<br>• Relative TSR against selected airline peer index companies |
| **Vesting Condition** | 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 fulfillment of service requirements. | Vesting based on meeting stated performance conditions over a three-year performance period. |
| **Payout** | 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 Rentals on leased aircraft.*

# Notes to the Financial Statements

31 March 2012

## 5 Staff Costs (in $ million) (continued)

Share-based compensation expense (continued)

**Share-based incentive plans (continued)**

Movement of share awards during the financial year

| | Number of Restricted Shares | | | | | |
|---|---|---|---|---|---|---|
| Date of grant | Balance at 1.4.2011/ date of grant | Adjustment* | Vested | Modifications^ | Cancelled | Balance at 31.03.2012 |
| **RSP** | | | | | | |
| 1.8.2007 | 116,928 | - | (116,928) | - | - | - |
| 1.7.2008 | 210,440 | - | (122,889) | 5,156 | (1,154) | 91,553 |
| 29.7.2009 | 634,809 | (110,029) | (310,960) | 12,615 | (4,034) | 222,401 |
| 22.07.2010 | 527,300 | - | - | 31,165 | (11,438) | 547,027 |
| 01.07.2011 | 553,160 | - | - | 32,690 | (12,582) | 573,268 |
| | 2,042,637 | (110,029) | (550,777) | 81,626 | (29,208) | 1,434,249 |

* *Adjustment at the end of two-year performance period upon meeting performance targets and adjustments for number of days in service for retirees.*

^ *Following approval by the Company's shareholders of the declaration of a special dividend of $0.80 per share on 29 July 2011, the Board Compensation & Industrial Relations Committee approved an increase in all restricted shares outstanding on 18 August 2011 under the RSP.*

| | Number of Performance Shares | | | | |
|---|---|---|---|---|---|
| Date of grant | Balance at 1.4.2011/ date of grant | Adjustment* | Vested | Modifications^ | Balance at 31.03.2012 |
| **PSP** | | | | | |
| 1.7.2008 | 224,224 | 68,006 | (292,230) | - | - |
| 29.7.2009 | 193,760 | - | - | 11,462 | 205,222 |
| 22.07.2010 | 155,400 | - | - | 9,190 | 164,590 |
| 01.07.2011 | 145,400 | - | - | 8,599 | 153,999 |
| | 718,784 | 68,006 | (292,230) | 29,251 | 523,811 |

* *Adjustment at the end of three-year performance period upon meeting performance targets and adjustment for number of days in service for retirees.*

^ *Following approval by the Company's shareholders of the declaration of a special dividend of $0.80 per share on 29 July 2011, the Board Compensation & Industrial Relations Committee approved an increase in all performance shares outstanding on 18 August 2011 under the PSP.*

# Notes to the Financial Statements
31 March 2012

## 5 Staff Costs (in $ million) (continued)

Share-based compensation expense (continued)

**Share-based incentive plans (continued)**

Fair value 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 2011 and July 2010 awards:

| | July 2011 Award | | July 2010 Award | |
|---|---|---|---|---|
| | RSP | PSP | RSP | PSP |
| Expected dividend yield (%) | Management's forecast in line with dividend policy | | | |
| Expected volatility (%) | 17.89 – 27.50 | 27.50 | 27.58 – 31.92 | 30.06 |
| Risk-free interest rate (%) | 0.42 – 0.75 | 0.52 | 0.47 – 0.62 | 0.54 |
| Expected term (years) | 2.0 – 4.0 | 3.0 | 1.9 – 3.9 | 3.0 |
| Share price at date of grant ($) | 14.20 | 14.20 | 14.70 | 14.70 |

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 $11.47 to $12.45 (2011: $12.93 to $13.77) and the estimated fair value at date of grant for each share granted under the PSP is $12.75 (2011: $12.64).

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.

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.

# Notes to the Financial Statements
31 March 2012

## 5 Staff Costs (in $ million) (continued)

Share-based compensation expense (continued)

**Share-based incentive plans (continued)**

Fair value of share awards granted (continued)

The number of contingent shares granted but not released as at 31 March 2012, were 1,434,249 (2011: 1,489,477) and 523,811 (2011: 573,384) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 1,994,397 (2011: 2,070,532) and 1,047,622 (2011: 1,146,768) 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 SIAEC.

Time-based RSP

During the previous financial year, the Board Compensation & Industrial Relations Committee approved a special time-based RSP awarded to senior management. This one-off grant of time-based RSP shares will be issued on the vesting dates.

For retirees, 50% of the shares will vest on the retirement date and the remaining 50% one year after the retirement date.

For employees still in service, 50% of the shares will vest in 2013 and the balance will vest equally in 2014 and 2015.

The fair value of the time-based share awards is the market price of the shares at the date of grant discounted by the expected future dividend yield over the vesting period.

Movement of time-based share awards during the financial year

| | Number of Time-based Restricted Shares | | | |
|---|---|---|---|---|
| Date of grant | Balance at 1.4.2011 | Vested | Modifications^ | Balance at 31.03.2012 |
| **Time-based RSP** | | | | |
| 01.04.2010 | 10,000 | (10,000) | - | - |
| 07.05.2010 | 466,500 | (48,570) | 26,916 | 444,846 |
| | 476,500 | (58,570) | 26,916 | 444,846 |

^ *Following approval by the Company's shareholders of the declaration of a special dividend of $0.80 per share on 29 July 2011, the Board Compensation & Industrial Relations Committee approved an increase in all time-based restricted shares outstanding on 18 August 2011 under the time-based RSP.*

The number of time-based restricted shares granted but not released as at 31 March 2012 was 444,846 (2011: 476,500).

# Notes to the Financial Statements
31 March 2012

## 6 Operating Profit (in $ million)

Operating profit for the financial year was arrived at after charging/(crediting):

| | The Group 2011-12 | The Group 2010-11 |
|---|---|---|
| Interest income from short-term investments | (0.7) | (0.8) |
| Dividend income from short-term investments | (0.9) | (0.9) |
| Loss/(Surplus) on disposal of short-term investments | 0.3 | (6.3) |
| Income from operating lease of aircraft | (116.8) | (91.8) |
| Amortisation of deferred gain on sale and operating leaseback transactions | (18.3) | (29.0) |
| Bad debts written off | 1.3 | 0.8 |
| Writeback of impairment of trade debtors | (0.2) | (1.5) |
| Remuneration for auditors of the Company | | |
| Audit fees | 1.5 | 1.5 |
| Non-audit fees | 0.7 | 0.7 |
| Exchange loss, net | 36.6 | 71.5 |
| Currency hedging loss | 56.2 | 38.2 |
| Fuel hedging (gain)/loss recognised in "Fuel costs" | (24.0) | 62.1 |

## 7 Finance Charges (in $ million)

| | The Group 2011-12 | The Group 2010-11 |
|---|---|---|
| Notes payable | 49.4 | 52.3 |
| Other receivables measured at amortised cost | 10.1 | - |
| Finance lease commitments | 8.0 | 9.9 |
| Realised loss on interest rate swap contracts accounted as cash flow hedges | 5.9 | 7.1 |
| Fair value gain on interest rate swap contracts accounted as fair value through profit and loss | (1.6) | (1.8) |
| Commitment fees | 2.5 | 2.6 |
| | 74.3 | 70.1 |

## 8 Interest Income (in $ million)

| | The Group 2011-12 | The Group 2010-11 |
|---|---|---|
| Interest income from fixed deposits and investments | 32.4 | 26.7 |
| Amortised interest income from other receivables | 6.1 | 9.5 |
| Others | 12.0 | 1.1 |
| | 50.5 | 37.3 |

## 9 Other Non-operating Items (in $ million)

| | The Group 2011-12 | The Group 2010-11 |
|---|---|---|
| Return of capital by an associated company | 48.1 | - |
| Dividends from an associated company | 4.9 | - |
| Surplus on disposal of other property, plant and equipment | 1.8 | 1.0 |
| Liquidated damages | (0.4) | 79.8 |
| Provision for impairment in an associated company | (5.6) | - |
| Loss on sale of Service Quality (SQ) Centre Pte Ltd | - | (0.7) |
| | 48.8 | 80.1 |

# Notes to the Financial Statements
31 March 2012

## 10 Exceptional Items (in $ million)

During the financial year, the Company and Singapore Airlines Cargo Pte Ltd ("SIA Cargo") accepted a settlement offer from the plaintiffs in the Canadian air cargo class actions to resolve all such actions on an agreed basis for an amount of CAD1.04 million ($1.3 million). The settlement is without admission of any wrongdoing or liability and is subject to court approval.

A provision has also been made for the payment by the Company of an administrative penalty pursuant to a settlement agreement entered into with the South African Competition Commission. As part of the settlement, the Company has agreed to pay an administrative penalty of ZAR25 million ($4.1 million) within 30 days of the settlement being confirmed by an order of the South African Competition Tribunal. The issuance of a confirmation order by the Competition Tribunal will bring a close to the Competition Commission's investigation of the Company.

During the previous financial year, the exceptional items comprised fines paid by SIA Cargo as imposed by the European Commission (EUR74.8 million or $135.7 million), the South Korean Fair Trade Commission (KRW3.1 billion or $3.6 million) and the United States Department of Justice Antitrust Division (USD48.0 million or $62.5 million).

SIA Cargo has filed appeals against the decisions made by the European Commission and the South Korean Fair Trade Commission. In the appeals, SIA Cargo contests any suggestion that it was involved in a global conspiracy to fix surcharges.

SIA Cargo accepted the plea offer made by the United States Department of Justice. The plea agreement brought the Department of Justice's air cargo investigations in the United States to a close for SIA Cargo.

## 11 Taxation (in $ million)

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2012 and 2011 are:

| | The Group | |
|---|---|---|
| | 2011-12 | 2010-11 |
| Current taxation | | |
| Provision for the year | 199.2 | 387.4 |
| Overprovision in respect of prior years | (0.1) | (7.5) |
| Share of joint venture companies' taxation | 1.2 | 2.9 |
| Share of associated companies' taxation | 13.7 | 12.6 |
| | 214.0 | 395.4 |
| Deferred taxation | | |
| Movement in temporary differences | (139.5) | (127.0) |
| (Over)/Underprovision in respect of prior years | (23.1) | 1.8 |
| | (162.6) | (125.2) |
| | 51.4 | 270.2 |

Deferred taxation related to other comprehensive income:

| | The Group | |
|---|---|---|
| | 2011-12 | 2010-11 |
| Available-for-sale financial assets | (0.4) | (0.4) |
| Cash flow hedges | 11.0 | 7.7 |
| Share of comprehensive income of associated and joint venture companies | 0.2 | 0.2 |
| | 10.8 | 7.5 |

# Notes to the Financial Statements
31 March 2012

## 11 Taxation (in $ million) (continued)

The Group has tax losses (of which no deferred tax asset has been recognised) of approximately $53.8 million (2011: $30.9 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.

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 | |
|---|---|---|
| | 2011-12 | 2010-11 |
| Profit before taxation | 448.2 | 1,419.0 |
| Taxation at statutory corporate tax rate of 17.0% | 76.2 | 241.2 |
| Adjustments | | |
| Income not subject to tax | (19.9) | (35.3) |
| Expenses not deductible for tax purposes | 17.3 | 67.0 |
| Higher effective tax rates of other countries | 7.0 | 6.1 |
| Overprovision in respect of prior years, net | (23.2) | (5.7) |
| Income subject to concessionary tax rate | (2.4) | (4.6) |
| Tax benefit not recognised | 1.0 | 1.7 |
| Others | (4.6) | (0.2) |
| Taxation | 51.4 | 270.2 |

## 12 Earnings Per Share

| | The Group | | | |
|---|---|---|---|---|
| | 2011-12 | | 2010-11 | |
| | Basic | Diluted | Basic | Diluted |
| Profit attributable to owners of the Parent (in $ million) | 335.9 | 335.9 | 1,092.0 | 1,092.0 |
| Adjustment for dilutive potential ordinary shares of subsidiary companies (in $ million) | - | (1.7) | - | (2.3) |
| Adjusted net profit attributable to owners of the Parent (in $ million) | 335.9 | 334.2 | 1,092.0 | 1,089.7 |
| Weighted average number of ordinary shares in issue (in million) | 1,188.8 | 1,188.8 | 1,194.9 | 1,194.9 |
| Adjustment for dilutive potential ordinary shares (in million) | - | 8.1 | - | 13.3 |
| Weighted average number of ordinary shares in issue used for computing earnings per share (in million) | 1,188.8 | 1,196.9 | 1,194.9 | 1,208.2 |
| Earnings per share (cents) | 28.3 | 27.9 | 91.4 | 90.2 |

# Notes to the Financial Statements
31 March 2012

## 12 Earnings Per Share (continued)

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent 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 owners of the Parent 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.

21.1 million (2010-11: 11.3 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.

## 13 Dividends Paid and Proposed (in $ million)

| | The Group and the Company | |
|---|---|---|
| | 2011-12 | 2010-11 |
| Dividends paid: | | |
| Final dividend of 40.0 cents per share tax exempt (one-tier) in respect of 2010-11 (2010-11: 12.0 cents per share tax exempt [one-tier] in respect of 2009-10) | 479.7 | 143.3 |
| Special dividend of 80.0 cents per share tax exempt (one-tier) in respect of 2010-11 | 959.3 | - |
| Interim dividend of 10.0 cents per share tax exempt (one-tier) in respect of 2011-12 (2010-11: 20.0 cents per share tax exempt [one-tier] in respect of 2010-11) | 118.2 | 239.4 |
| | 1,557.2 | 382.7 |

The directors propose that a final tax exempt (one-tier) dividend of 10 cents per share (2010-11: final tax exempt [one-tier] dividend of 40.0 cents per share and special tax exempt [one-tier] dividend of 80.0 cents per share) amounting to $117.7 million (2010-11: $479.7 million and $959.3 million) be paid for the financial year ended 31 March 2012.

## 14 Share Capital (in $ million)

| | The Group and the Company | | | |
|---|---|---|---|---|
| | Number of shares | | Amount | |
| | 2012 | 2011 | 2012 | 2011 |
| Issued and fully paid share capital | | | | |
| Ordinary shares | | | | |
| Balance at 1 April | 1,197,928,580 | 1,191,608,511 | 1,832.4 | 1,750.6 |
| Share options exercised and share awards vested during the year | 1,922,438 | 6,320,069 | 23.7 | 81.8 |
| Balance at 31 March | 1,199,851,018 | 1,197,928,580 | 1,856.1 | 1,832.4 |
| Special share | | | | |
| Balance at 1 April and 31 March | 1 | 1 | # | # |

# *The value is $0.50*

# Notes to the Financial Statements
31 March 2012

## 14 Share Capital (in $ million) (continued)

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 1,922,438 shares (2010-11: 5,552,283) upon exercise of options granted under the Employee Share Option Plan. No shares (2010-11: 767,786) were issued for RSP and PSP.

## 15 Treasury Shares (in $ million)

| | The Group and the Company 31 March | |
|---|---|---|
| | 2012 | 2011 |
| Balance at 1 April | (43.0) | (0.9) |
| Purchase of treasury shares | (272.1) | (44.5) |
| Treasury shares reissued pursuant to equity compensation plans: | | |
| - For cash on exercise of employee share options | 32.2 | 2.2 |
| - Transferred from share-based compensation reserve | 13.9 | 0.2 |
| - Loss on reissuance of treasury shares | 10.6 | - |
| | 56.7 | 2.4 |
| Balance at 31 March | (258.4) | (43.0) |

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year, the Company purchased 24,213,000 (2011: 3,149,000) of its ordinary shares by way of on-market purchases at share prices ranging from $10.16 to $14.23 (2011: $13.13 to $15.27). The total amount paid to purchase the shares was $272.1 million (2011: $44.5 million) and this is presented as a component within equity attributable to owners of the parent.

The Company reissued 3,291,677 (2011: 114,236) treasury shares pursuant to its employee share option plans at a weighted average exercise price of $9.84 (2011: $10.19) each. In addition, 550,777 (2011: nil) shares, 292,230 (2011: nil) shares and 58,570 (2011: 51,500) shares were reissued pursuant to the RSP, PSP and time-based RSP respectively. The number of treasury shares as at 31 March 2012 was 23,079,494 (2011: 3,059,748).

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 2012

## 16 Other Reserves (in $ million)

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Capital reserve | 99.1 | 91.8 | (8.1) | 2.5 |
| Foreign currency translation reserve | (186.3) | (186.1) | - | - |
| Share-based compensation reserve | 165.9 | 172.6 | 133.7 | 138.5 |
| Fair value reserve | (47.6) | (138.0) | (9.8) | (94.2) |
| General reserve | 11,264.6 | 12,474.7 | 11,133.4 | 12,298.9 |
| | 11,295.7 | 12,415.0 | 11,249.2 | 12,345.7 |

### (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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Balance at 1 April | 3.0 | 5.0 | - | - |
| Net loss on fair value changes | (2.2) | (2.0) | (0.3) | - |
| Balance at 31 March | 0.8 | 3.0 | (0.3) | - |
| | | | | |
| (Loss)/Gain on fair value changes | (2.4) | 3.0 | (0.3) | (0.1) |
| Recognised in the profit and loss account on disposal of available-for-sale investments | 0.2 | (5.0) | - | 0.1 |
| | (2.2) | (2.0) | (0.3) | - |

# Notes to the Financial Statements
31 March 2012

## 16 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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Balance at 1 April | (141.0) | (145.9) | (94.2) | (85.3) |
| Net gain/(loss) on fair value changes | 92.6 | 4.9 | 84.7 | (8.9) |
| Balance at 31 March | (48.4) | (141.0) | (9.5) | (94.2) |
| Gain/(Loss) on fair value changes | 16.2 | (67.8) | 14.9 | (69.7) |
| Share of associated companies' net gain/(loss) on fair value reserve | 0.6 | (1.7) | - | - |
| Recognised in the carrying value of non-financial assets on occurrence of capital expenditure commitments | 35.9 | 8.1 | 35.9 | 8.1 |
| Recognised in the profit and loss account on occurrence of: | | | | |
| Fuel hedging contracts recognised in "Fuel costs" | (19.9) | 51.5 | (16.5) | 41.4 |
| Foreign currency contracts recognised in "Other operating expenses" | 53.9 | 7.7 | 50.4 | 11.3 |
| Interest rate swap contracts recognised in "Finance charges" | 5.9 | 7.1 | - | - |
| | 92.6 | 4.9 | 84.7 | (8.9) |
| Total fair value reserve | (47.6) | (138.0) | (9.8) | (94.2) |

### (e) General reserve

General reserve comprises mainly retained earnings of the Group and the Company. Movements in the Group's and the Company's general reserves are set out in the Statement of Changes in Equity respectively.

## 17 Deferred Account (in $ million)

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Deferred (loss)/gain on sale and leaseback transactions | | | | |
| - operating leases | (39.7) | 9.2 | (33.7) | 7.7 |
| - finance leases | 12.5 | 14.9 | - | - |
| | (27.2) | 24.1 | (33.7) | 7.7 |
| Deferred credit | 199.9 | 323.0 | 199.9 | 323.0 |
| | 172.7 | 347.1 | 166.2 | 330.7 |
| Presented as: | | | | |
| - Non-current assets | (51.7) | - | (33.7) | - |
| - Non-current liabilities | 224.4 | 347.1 | 199.9 | 330.7 |
| | 172.7 | 347.1 | 166.2 | 330.7 |

# Notes to the Financial Statements
31 March 2012

## 18 Deferred Taxation (in $ million)

| | The Group | | | | The Company | |
|---|---|---|---|---|---|---|
| | Statement of financial position 31 March | | Profit and loss | | Statement of financial position 31 March | |
| | 2012 | 2011 | 2011-12 | 2010-11 | 2012 | 2011 |
| The deferred taxation arises as a result of: | | | | | | |
| Deferred tax liabilities | | | | | | |
| Differences in depreciation | 1,981.1 | 2,142.2 | (161.1) | (173.5) | 1,638.4 | 1,777.0 |
| Revaluation of fuel hedging contracts to fair value | 7.9 | 6.4 | - | - | 6.6 | 5.4 |
| Revaluation of currency hedging contracts to fair value | 2.8 | 0.8 | - | - | 1.9 | - |
| Revaluation of available-for-sale financial assets to fair value | 0.3 | 0.6 | - | - | - | - |
| Other temporary differences | 113.0 | 112.6 | 0.4 | 33.1 | 106.4 | 104.3 |
| Gross deferred tax liabilities | 2,105.1 | 2,262.6 | (160.7) | (140.4) | 1,753.3 | 1,886.7 |
| Deferred tax assets | | | | | | |
| Unabsorbed capital allowances and tax losses | (7.8) | (0.9) | (6.9) | 16.2 | - | - |
| Benefits from previously unrecognised tax losses | - | - | - | (2.4) | - | - |
| Revaluation of fuel hedging contracts to fair value | (0.1) | (0.9) | - | - | (0.1) | (0.9) |
| Revaluation of currency hedging contracts to fair value | (2.7) | (10.0) | - | - | (2.1) | (8.4) |
| Revaluation of interest rate cap contracts to fair value | (8.6) | (8.0) | - | - | (8.6) | (8.0) |
| Revaluation of available-for-sale financial assets to fair value | (0.1) | - | - | - | (0.1) | - |
| Other deferred tax assets | (56.7) | (61.7) | 5.0 | 1.4 | (47.6) | (55.3) |
| Gross deferred tax assets | (76.0) | (81.5) | (1.9) | 15.2 | (58.5) | (72.6) |
| Net deferred tax liabilities | 2,029.1 | 2,181.1 | | | 1,694.8 | 1,814.1 |
| Deferred tax credited to profit and loss | | | (162.6) | (125.2) | | |
| Deferred tax charged to equity | 10.6 | 7.3 | | | 9.5 | 4.6 |

# Notes to the Financial Statements
31 March 2012

## 19 Long-Term Liabilities (in $ million)

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Notes payable | 800.0 | 1,700.0 | 800.0 | 1,700.0 |
| Current | - | (900.0) | - | (900.0) |
| Non-current | 800.0 | 800.0 | 800.0 | 800.0 |
| Loans | 2.4 | 1.7 | - | - |
| Current | (2.4) | (1.7) | - | - |
| Non-current | - | - | - | - |
| Finance lease commitments | 275.4 | 337.2 | - | - |
| Current | (64.8) | (61.4) | - | - |
| Non-current | 210.6 | 275.8 | - | - |
| Maintenance reserve | 7.9 | 3.4 | 7.9 | 3.4 |
| Current | - | - | - | - |
| Non-current | 7.9 | 3.4 | 7.9 | 3.4 |
| Total long-term liabilities | 1,018.5 | 1,079.2 | 807.9 | 803.4 |

**Notes payable**

Notes payable at 31 March 2012 comprise unsecured notes and bonds issued by the Company.

$900 million fixed rate notes due 2011 bear fixed interest at 4.15% (2010-11: 4.15%) per annum and was repaid on 19 December 2011.

$500 million fixed rate notes due 2020 ("Series 001 Notes") bear fixed interest at 3.22% per annum and are repayable on 9 July 2020. The fair value of notes payable amounted to $504.2 million as at 31 March 2012 (2010-11: $494.3 million) for the Company.

$300 million bonds bear fixed interest at 2.15% per annum and are repayable on 30 September 2015. The fair value of notes payable amounted to $301.3 million as at 31 March 2012 (2010-11: $297.6 million) for the Company.

**Loans**

The revolving credit facility denominated in United States dollars taken by a subsidiary company is unsecured and bears a fixed interest at 2.5% (2010-11: 2.5%) per annum.

**Finance lease commitments**

SIA Cargo holds 4 B747-400 freighters under finance leases, which mature between 2014 and 2018, without any options for renewal. 3 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.

Interest rates on 3 of SIA Cargo's finance lease commitments are charged at a margin above the London Interbank Offered Rate ("LIBOR"). These ranged from 0.28% to 1.14% (2010-11: 0.28% to 1.16%) per annum. The interest rate on the fourth finance lease commitment is fixed at 5.81% (2010-11: 5.81%) per annum.

# Notes to the Financial Statements
31 March 2012

## 19 Long-Term Liabilities (in $ million) (continued)

**Finance lease commitments (continued)**

SIA Cargo continues to remain the primary obligor under the lease agreements, and as such, there are unpaid lease commitments of $78.8 million (2011: $79.0 million) as at 31 March 2012. Out of this, $59.3 million (2011: $56.2 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.

SIAEC Group's finance leases for certain equipment and vehicles matured during the financial year.

Future lease payments under these finance leases are as follows:

| | The Group 31 March | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Minimum Payments | Repayment of Principal | Minimum Payments | Repayment of Principal |
| Not later than one year | 72.2 | 64.8 | 71.1 | 61.4 |
| Later than one year but not later than five years | 204.3 | 189.3 | 256.9 | 234.3 |
| Later than five years | 22.1 | 21.3 | 44.4 | 41.5 |
| Total future lease payments | 298.6 | 275.4 | 372.4 | 337.2 |
| Amounts representing interest | (23.2) | - | (35.2) | - |
| Principal value of finance lease commitments | 275.4 | 275.4 | 337.2 | 337.2 |

## 20 Provisions (in $ million)

Included are provisions for warranty claims, provisions made for upgrade costs and provisions for return costs for leased aircraft. 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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Balance at 1 April | 264.5 | 199.2 | 224.3 | 142.6 |
| Provision during the year | 157.1 | 114.9 | 133.4 | 101.4 |
| Provision utilised during the year | (44.0) | (41.2) | (44.0) | (17.4) |
| Provision written back during the year | (23.7) | (8.0) | (19.5) | (1.9) |
| Exchange gain | - | (0.4) | - | (0.4) |
| Balance at 31 March | 353.9 | 264.5 | 294.2 | 224.3 |
| Current | 35.3 | 62.5 | 35.1 | 62.3 |
| Non-current | 318.6 | 202.0 | 259.1 | 162.0 |
| | 353.9 | 264.5 | 294.2 | 224.3 |

# Notes to the Financial Statements
31 March 2012

## 21 Property, Plant and Equipment (in $ million)

### The Group

| | Aircraft | Aircraft spares | Aircraft spare engines |
|---|---|---|---|
| Cost | | | |
| At 1 April 2010 | 20,042.8 | 714.6 | 424.8 |
| Additions | 116.4 | 34.5 | 6.9 |
| Transfers | 657.3 | (0.9) | 7.8 |
| Transfer to intangible assets | - | - | - |
| Disposals | (1,205.7) | (61.0) | (45.5) |
| Exchange differences | - | (0.3) | - |
| At 31 March 2011 | 19,610.8 | 686.9 | 394.0 |
| Additions | 94.9 | 21.6 | 4.2 |
| Transfers | 1,709.7 | - | 7.7 |
| Disposals | (2,186.2) | (93.7) | (100.8) |
| Exchange differences | - | - | - |
| At 31 March 2012 | 19,229.2 | 614.8 | 305.1 |
| Accumulated depreciation and impairment loss | | | |
| At 1 April 2010 | 7,567.9 | 404.7 | 202.2 |
| Depreciation | 1,506.9 | 33.4 | 29.8 |
| Impairment loss | 14.6 | 1.1 | - |
| Transfers | (30.4) | (6.0) | 36.1 |
| Disposals | (560.1) | (42.6) | (43.1) |
| Exchange differences | - | (0.1) | - |
| At 31 March 2011 | 8,498.9 | 390.5 | 225.0 |
| Depreciation | 1,433.3 | 27.7 | 19.4 |
| Impairment loss | 14.3 | 0.2 | 0.3 |
| Transfers | (7.6) | - | 7.3 |
| Disposals | (1,733.9) | (69.3) | (40.5) |
| Exchange differences | - | - | - |
| At 31 March 2012 | 8,205.0 | 349.1 | 211.5 |
| Net book value | | | |
| At 31 March 2011 | 11,111.9 | 296.4 | 169.0 |
| At 31 March 2012 | 11,024.2 | 265.7 | 93.6 |

| Freehold land | Freehold buildings | Leasehold land and buildings | Plant and equipment | Office and computer equipment | Advance and progress payments | Total |
|---|---|---|---|---|---|---|
| 15.7 | 150.7 | 573.8 | 748.9 | 330.1 | 1,608.2 | 24,609.6 |
| - | - | 0.4 | 48.8 | 11.9 | 1,015.5 | 1,234.4 |
| - | - | 45.4 | 52.5 | 6.4 | (768.5) | - |
| - | - | - | - | - | (51.5) | (51.5) |
| - | (2.1) | (0.5) | (176.7) | (64.2) | (7.4) | (1,563.1) |
| - | - | (1.7) | (1.3) | (0.4) | - | (3.7) |
| 15.7 | 148.6 | 617.4 | 672.2 | 283.8 | 1,796.3 | 24,225.7 |
| - | - | 0.5 | 13.6 | 6.9 | 1,504.1 | 1,645.8 |
| - | - | (0.2) | 70.3 | 10.5 | (1,798.0) | - |
| - | - | - | (31.6) | (23.8) | - | (2,436.1) |
| - | - | (0.1) | (0.1) | - | - | (0.2) |
| 15.7 | 148.6 | 617.6 | 724.4 | 277.4 | 1,502.4 | 23,435.2 |
| | | | | | | |
| - | 106.5 | 380.1 | 621.5 | 262.8 | - | 9,545.7 |
| - | 4.3 | 18.5 | 49.0 | 29.8 | - | 1,671.7 |
| - | - | - | - | - | - | 15.7 |
| - | - | - | 0.3 | - | - | - |
| - | (2.0) | (0.2) | (172.1) | (64.2) | - | (884.3) |
| - | - | (0.1) | (0.5) | - | - | (0.7) |
| - | 108.8 | 398.3 | 498.2 | 228.4 | - | 10,348.1 |
| - | 4.2 | 18.6 | 54.9 | 30.4 | - | 1,588.5 |
| - | - | - | 1.0 | - | - | 15.8 |
| - | - | - | 0.3 | - | - | - |
| - | - | - | (31.1) | (23.7) | - | (1,898.5) |
| - | - | - | (0.1) | - | - | (0.1) |
| - | 113.0 | 416.9 | 523.2 | 235.1 | - | 10,053.8 |
| | | | | | | |
| 15.7 | 39.8 | 219.1 | 174.0 | 55.4 | 1,796.3 | 13,877.6 |
| 15.7 | 35.6 | 200.7 | 201.2 | 42.3 | 1,502.4 | 13,381.4 |

# Notes to the Financial Statements
31 March 2012

## 21 Property, Plant and Equipment (in $ million) (continued)

### The Company

| | Aircraft | Aircraft spares | Aircraft spare engines |
|---|---|---|---|
| Cost | | | |
| At 1 April 2010 | 16,627.1 | 576.5 | 295.4 |
| Additions | 56.0 | 12.4 | - |
| Transfers | 517.7 | - | - |
| Transfers to intangible assets | - | - | - |
| Disposals | (971.2) | (59.7) | (21.3) |
| At 31 March 2011 | 16,229.6 | 529.2 | 274.1 |
| Additions | 93.2 | 10.7 | - |
| Transfers | 1,498.1 | - | 7.7 |
| Disposals | (2,210.9) | (91.7) | (94.1) |
| At 31 March 2012 | 15,610.0 | 448.2 | 187.7 |
| | | | |
| Accumulated depreciation and impairment loss | | | |
| At 1 April 2010 | 6,279.6 | 353.2 | 126.7 |
| Depreciation | 1,270.9 | 18.5 | 23.5 |
| Impairment loss | 14.6 | 1.1 | - |
| Transfers | - | - | - |
| Disposals | (473.0) | (41.8) | (19.5) |
| At 31 March 2011 | 7,092.1 | 331.0 | 130.7 |
| Depreciation | 1,191.9 | 17.7 | 12.9 |
| Impairment loss | 10.8 | - | - |
| Transfers | (7.6) | - | 7.3 |
| Disposals | (1,662.7) | (68.1) | (34.0) |
| At 31 March 2012 | 6,624.5 | 280.6 | 116.9 |
| | | | |
| Net book value | | | |
| At 31 March 2011 | 9,137.5 | 198.2 | 143.4 |
| At 31 March 2012 | 8,985.5 | 167.6 | 70.8 |

| Freehold land | Freehold buildings | Leasehold land and buildings | Plant and equipment | Office and computer equipment | Advance and progress payments | Total |
|---|---|---|---|---|---|---|
| | | | | | | |
| 15.7 | 150.7 | 341.7 | 427.5 | 281.7 | 1,386.4 | 20,102.7 |
| - | - | - | 38.0 | 10.4 | 860.6 | 977.4 |
| - | - | - | 31.8 | 4.1 | (553.6) | - |
| - | - | - | - | - | (51.1) | (51.1) |
| - | (2.0) | - | (146.9) | (60.4) | - | (1,261.5) |
| 15.7 | 148.7 | 341.7 | 350.4 | 235.8 | 1,642.3 | 19,767.5 |
| - | - | - | 1.2 | 4.3 | 1,280.1 | 1,389.5 |
| - | - | - | 59.0 | 7.4 | (1,572.2) | - |
| - | - | - | (18.4) | (18.7) | - | (2,433.8) |
| 15.7 | 148.7 | 341.7 | 392.2 | 228.8 | 1,350.2 | 18,723.2 |
| | | | | | | |
| - | 106.5 | 295.8 | 355.0 | 220.5 | - | 7,737.3 |
| - | 4.3 | 8.9 | 28.2 | 26.2 | - | 1,380.5 |
| - | - | - | - | - | - | 15.7 |
| - | - | - | - | - | - | - |
| - | (1.9) | - | (146.8) | (60.4) | - | (743.4) |
| - | 108.9 | 304.7 | 236.4 | 186.3 | - | 8,390.1 |
| - | 4.2 | 8.9 | 33.8 | 26.5 | - | 1,295.9 |
| - | - | - | - | - | - | 10.8 |
| - | - | - | 0.3 | - | - | - |
| - | - | - | (18.4) | (18.7) | - | (1,801.9) |
| - | 113.1 | 313.6 | 252.1 | 194.1 | - | 7,894.9 |
| | | | | | | |
| 15.7 | 39.8 | 37.0 | 114.0 | 49.5 | 1,642.3 | 11,377.4 |
| 15.7 | 35.6 | 28.1 | 140.1 | 34.7 | 1,350.2 | 10,828.3 |

# Notes to the Financial Statements
31 March 2012

## 21 Property, Plant and Equipment (in $ million) (continued)

| | The Group 31 March 2012 | 2011 |
|---|---|---|
| Net book value of property, plant and equipment acquired under finance leases: | | |
| - aircraft | 617.0 | 676.5 |
| - plant and equipment | 0.1 | 0.1 |
| | 617.1 | 676.6 |

Advance and progress payments comprise mainly purchases of aircraft and related equipment.

## 22 Intangible Assets (in $ million)

**The Group**

| | Computer software | Licences | Deferred engine development cost | Advance and progress payments | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 April 2010 | 366.0 | 1.3 | 12.1 | 4.3 | 383.7 |
| Additions | 5.3 | - | 11.7 | 2.6 | 19.6 |
| Disposals | (18.6) | - | - | - | (18.6) |
| Transfers | 4.8 | - | - | (4.8) | - |
| Transfer from property, plant and equipment | 0.4 | - | - | 51.1 | 51.5 |
| Exchange differences | (0.5) | - | (2.0) | - | (2.5) |
| At 31 March 2011 | 357.4 | 1.3 | 21.8 | 53.2 | 433.7 |
| Additions | 5.9 | - | 12.5 | 37.7 | 56.1 |
| Disposals | (4.6) | - | - | - | (4.6) |
| Transfers | 16.0 | - | - | (16.0) | - |
| Exchange differences | - | - | 0.1 | - | 0.1 |
| At 31 March 2012 | 374.7 | 1.3 | 34.4 | 74.9 | 485.3 |
| | | | | | |
| Accumulated amortisation | | | | | |
| At 1 April 2010 | 302.6 | 0.3 | - | - | 302.9 |
| Amortisation | 23.8 | 0.5 | - | - | 24.3 |
| Disposals | (18.6) | - | - | - | (18.6) |
| Exchange differences | (0.1) | - | - | - | (0.1) |
| At 31 March 2011 | 307.7 | 0.8 | - | - | 308.5 |
| Amortisation | 22.7 | 0.4 | - | - | 23.1 |
| Disposals | (4.6) | - | - | - | (4.6) |
| Exchange differences | - | - | - | - | - |
| At 31 March 2012 | 325.8 | 1.2 | - | - | 327.0 |
| | | | | | |
| Net book value | | | | | |
| At 31 March 2011 | 49.7 | 0.5 | 21.8 | 53.2 | 125.2 |
| At 31 March 2012 | 48.9 | 0.1 | 34.4 | 74.9 | 158.3 |

# Notes to the Financial Statements
31 March 2012

## 22 Intangible Assets (in $ million) (continued)

### The Company

| | Computer software | Advance and progress payments | Total |
|---|---|---|---|
| Cost | | | |
| At 1 April 2010 | 293.0 | - | 293.0 |
| Additions | 4.5 | - | 4.5 |
| Disposals | (18.5) | - | (18.5) |
| Transfer from property, plant and equipment | - | 51.1 | 51.1 |
| At 31 March 2011 | 279.0 | 51.1 | 330.1 |
| Additions | 4.9 | 33.4 | 38.3 |
| Transfers | 13.0 | (13.0) | - |
| Disposals | (4.2) | - | (4.2) |
| At 31 March 2012 | 292.7 | 71.5 | 364.2 |
| Accumulated amortisation | | | |
| At 1 April 2010 | 238.0 | - | 238.0 |
| Amortisation | 19.8 | - | 19.8 |
| Disposals | (18.5) | - | (18.5) |
| At 31 March 2011 | 239.3 | - | 239.3 |
| Amortisation | 17.9 | - | 17.9 |
| Disposals | (4.2) | - | (4.2) |
| At 31 March 2012 | 253.0 | - | 253.0 |
| Net book value | | | |
| At 31 March 2011 | 39.7 | 51.1 | 90.8 |
| At 31 March 2012 | 39.7 | 71.5 | 111.2 |

# Notes to the Financial Statements
31 March 2012

## 23 Subsidiary Companies (in $ million)

| | The Company 31 March 2012 | The Company 31 March 2011 |
|---|---|---|
| Investment in subsidiary companies (at cost) | | |
| Quoted equity investments | # | # |
| Unquoted equity investments | 2,055.4 | 1,772.4 |
| | 2,055.4 | 1,772.4 |
| Accumulated impairment loss | (16.6) | (16.6) |
| | 2,038.8 | 1,755.8 |
| Funds from subsidiary companies | (1,361.8) | (1,418.8) |
| Amounts owing to subsidiary companies | (163.4) | (110.2) |
| | (1,525.2) | (1,529.0) |
| Amounts owing by subsidiary companies | 195.2 | 194.0 |
| Market value of quoted equity investments | 3,506.1 | 3,523.5 |

# *The value is $1.*

During the financial year:

1. The Company incorporated a wholly-owned subsidiary, Scoot Pte. Ltd., and injected $283.0 million into the company.

2. SIAEC invested an additional of $1.7 million and $10.7 million to NexGen Network (1) Holding Pte Ltd ("NGN1") and NexGen Network (2) Holding Pte Ltd ("NGN2") respectively, in accordance to the agreement.

There are no existing loans to subsidiary companies as at 31 March 2012.

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 0.01% to 0.75% (2010-11: 0.01% to 0.55%) per annum for SGD funds, from 0.02% to 0.75% (2010-11: 0.14% to 0.73%) per annum for USD funds and from 4.40% to 5.40% (2010-11: 4.10% to 4.87%) per annum for AUD funds.

As at 31 March 2012, the composition of funds from subsidiary companies held in foreign currencies by the Company is as follows: USD – 6.3% (2011: 10.8%) and AUD – 0.2% (2011: 0.3%).

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.

# Notes to the Financial Statements
31 March 2012

## 23 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 2012 | 2011 |
|---|---|---|---|---|
| SIA Engineering Company Limited | Engineering services | Singapore | 79.3 | 79.7 |
| Aircraft Maintenance Services Australia Pty Ltd* | Provide aircraft maintenance services, including technical and non-technical handling at the airport | Australia | 79.3 | 79.7 |
| NexGen Network (1) Holding Pte Ltd | Investment holding | Singapore | 79.3 | 79.7 |
| NexGen Network (2) Holding Pte Ltd | Investment holding | - do - | 79.3 | 79.7 |
| SIA Engineering (USA), Inc.@ | Provide aircraft maintenance services, including technical and non-technical handling at the airport | United States of America | 79.3 | 79.7 |
| SIAEC Global Pte Ltd | Investment holding | Singapore | 79.3 | 79.7 |
| SIA Engineering (Philippines) Corporation* | Provide airframe maintenance and component overhaul services | Philippines | 51.6 | 51.8 |
| Singapore Jamco Pte Ltd | Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys | Singapore | 51.6 | 51.8 |
| Aerospace Component Engineering Services Pte Limited | Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft | - do - | 40.5 | 40.7 |
| Aviation Partnership (Philippines) Corporation* | Providing aircraft maintenance services including technical and non-technical handling at the airport | Philippines | 40.5 | 40.7 |
| 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 |
| Scoot Pte. Ltd. | Air transportation | - do - | 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 |
| Singapore Flying College Pte Ltd | Training of pilots | - do - | 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 | 76.0 |
| 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 |

*All the Singapore-incorporated subsidiary companies are audited by Ernst & Young LLP, Singapore*
* *Audited by member firms of Ernst & Young Global in the respective countries*
** *Audited by Grant Thornton*
@ *Not required to be audited under the law in country of incorporation*

# Notes to the Financial Statements
31 March 2012

## 24 Associated Companies (in $ million)

| | The Group 31 March 2012 | 2011 |
|---|---|---|
| Share of net assets of associated companies at acquisition date | 471.8 | 418.3 |
| Goodwill on acquisition of associated companies | 1,677.2 | 1,677.2 |
| | 2,149.0 | 2,095.5 |
| Accumulated impairment loss | (20.8) | (15.2) |
| | 2,128.2 | 2,080.3 |
| Goodwill written-off to reserves | (1,612.3) | (1,612.3) |
| Foreign currency translation reserve | (179.1) | (179.6) |
| Share of post-acquisition reserves | | |
| - general reserve | 136.3 | 164.9 |
| - fair value reserve | (37.6) | (38.2) |
| - capital reserve | 107.7 | 89.7 |
| | 543.2 | 504.8 |
| Loans to associated companies | 4.5 | 4.5 |
| Write-down of loans | (4.5) | (4.5) |
| | - | - |
| | 543.2 | 504.8 |

| | The Company 31 March 2012 | 2011 |
|---|---|---|
| Investment in associated companies (at cost) | | |
| Unquoted equity investments | 1,646.7 | 1,713.2 |
| Quoted equity investments | 63.8 | 11.9 |
| | 1,710.5 | 1,725.1 |
| Accumulated impairment loss | (9.4) | (9.4) |
| | 1,701.1 | 1,715.7 |
| Market value of quoted equity investments | 206.8 | 259.6 |

During the financial year:

1. RCMS Properties Private Limited recorded a revaluation gain of $89.7 million (2010-11: $86.3 million) from its annual revaluation exercise of its land and building. The Group's share of the revaluation gain of $17.9 million at 31 March 2012 (2010-11: $17.3 million) is included under the share of post-acquisition capital reserve.

2. SIAEC and Panasonic Avionics Corporation incorporated a company, Panasonic Avionics Services Singapore ("PACSS"), in Singapore. SIAEC injected $2.7 million for its 42.5% equity in PACSS.

3. Pursuant to the renounceable Rights Issue of Tiger Airways Holdings Limited ("Tiger Airways"), the Company had been allocated 89,504,625 Rights Shares. Based on an issue price of $0.58 per Rights Share, the total consideration paid by the Company in relation to the subscription of the Rights Shares was $51.9 million.

# Notes to the Financial Statements
31 March 2012

## 24 Associated Companies (in $ million) (continued)

4. Great Wall Airlines Company Limited ("GWA") entered into a sale and purchase agreement with China Cargo Airlines Limited ("CK") in relation to the cargo aviation business and transferred related assets and liabilities from GWA to CK. The transfer was performed on 31 May 2011 and a Board meeting has been convened by GWA to pass a resolution to dissolve GWA. As at 31 March 2012, GWA is undergoing liquidation and a provision for diminution in value of $5.6 million has been made, taking into consideration the expected proceeds from liquidation.

5. 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 $96.4 million (2011: $0.6 million). The Group has no obligation in respect of these unrecognised liabilities.

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.

Cost of investment included cumulative redeemable preference shares of $133.0 million issued by Virgin Atlantic Limited ("VAL"). 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. During the financial year, VAL redeemed 50% of the cumulative redeemable preference shares at cost, therefore reducing the cost of investment by $66.5 million.

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 | |
| | 2012 | 2011 |
| Assets and liabilities | | |
| Current assets | 538.4 | 581.2 |
| Non-current assets | 2,582.6 | 2,341.0 |
| | 3,121.0 | 2,922.2 |
| Current liabilities | (690.8) | (696.9) |
| Non-current liabilities | (673.8) | (642.2) |
| | (1,364.6) | (1,339.1) |
| | 2011-12 | 2010-11 |
| Results | | |
| Revenue | 2,708.9 | 2,521.9 |
| Profit for the period | 74.1 | 231.9 |

# Notes to the Financial Statements

31 March 2012

## 24 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 2012 | Percentage of equity held by the Group 2011 |
|---|---|---|---|---|
| Virgin Atlantic Limited[*+] | Air transportation | United Kingdom | 49.0 | 49.0 |
| Tiger Airways Holdings Limited[@] | Investment holding | Singapore | 32.7 | 32.9 |
| RCMS Properties Private Limited[^++] | Hotel ownership and management | - do - | 20.0 | 20.0 |
| Southern Airports Aircraft Maintenance Services Company Limited[#++] | Provide aircraft maintenance services, including technical and non-technical handling at the airport | Vietnam | 38.9 | 39.1 |
| Combustor Airmotive Services Pte Ltd[^+++] | Repair and overhaul of aircraft engine combustion chambers, guides, fuel nozzles and related parts | Singapore | 38.9 | 39.1 |
| Eagle Services Asia Private Limited[^++] | Repair and overhaul of aircraft engines | - do - | 38.9 | 39.1 |
| Fuel Accessory Service Technologies Pte Ltd[^+++] | Repair and overhaul of engine fuel components and accessories | - do - | 38.9 | 39.1 |
| PT JAS Aero-Engineering Services[@@++] | Provide aircraft maintenance services, including technical and non-technical handling at the airport | Indonesia | 38.9 | 39.1 |
| PWA International Limited[^^+++] | Repair, overhaul and re-manufacture of aircraft turbine engine cases, components and related parts | Republic of Ireland | 38.9 | 39.1 |
| Safran Electronics Asia Pte Ltd[@@@++] | Provide avionics maintenance, repair and overhaul services | Singapore | 38.9 | 39.1 |
| Pan Asia Pacific Aviation Services Ltd[@@@@] | Provide aircraft maintenance services, including technical and non-technical handling at the airport | Hong Kong | 37.3 | 37.5 |
| Jamco Aero Design & Engineering Pte Ltd[@] | Provide turnkey solutions for aircraft interior modifications | Singapore | 35.7 | 35.9 |
| Panasonic Avionics Services Pte Ltd [**] | IFE maintenance, repair and overhaul and ancillary services | - do - | 33.7 | - |
| Messier Services Asia Private Limited[@++] | Repair and overhaul of Boeing and Airbus series landing gears | - do - | 31.7 | 31.9 |
| Goodrich Aerostructures Service Asia Pte Ltd[@++] | Repair and overhaul of aircraft nacelles, thrust reservers and pylons | - do - | 31.7 | 31.9 |
| Asian Surface Technologies Pte Ltd[@@@++] | Repair and overhaul of aircraft engine fan blades | - do - | 31.1 | 31.2 |

# Notes to the Financial Statements
31 March 2012

## 24 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 2012 | 2011 |
|---|---|---|---|---|
| International Aerospace Tubes-Asia Pte Ltd^++ | Repair of tubes, ducts and manifolds for aircraft engines and airframe application | - do - | 26.4 | 26.6 |
| Turbine Coating Services Pte Ltd^+++ | Repair and overhaul of aircraft engine turbine airfoils | - do - | 19.4 | 19.5 |
| Asian Compressor Technology Services Co Ltd^^++ | Repair and overhaul of aircraft engine high pressure compressor stators | Taiwan | 19.4 | 19.5 |
| PT Purosani Sri Persada | Hotel ownership and management | Indonesia | 20.0 | 20.0 |
| Great Wall Airlines Company Limited#++ | Air cargo transportation | People's Republic of China | 25.0 | 25.0 |

@ *Audited by Ernst & Young LLP, Singapore*
@@ *Audited by RSM Chio Lim, Indonesia*
@@@ *Audited by RSM Chio Lim, Singapore*
@@@@ *Audited by BDO Limited, Hong Kong*
* *Audited by member firms of KPMG*
** *Audited by KPMG, Singapore*
^ *Audited by Pricewaterhouse Coopers LLP, Singapore*
^^ *Audited by member firms of Pricewaterhouse Coopers*
# *Audited by member firms of Deloitte Touche Tohmatsu*
+ *Financial year end 28 February*
++ *Financial year end 31 December*
+++ *Financial year end 30 November*

## 25 Joint Venture Companies (in $ million)

| | The Group 31 March 2012 | 2011 |
|---|---|---|
| Investment in joint venture companies (unquoted, at cost) | 56.6 | 56.6 |
| Share of post-acquisition reserves | | |
| - general reserve | 82.2 | 70.6 |
| - share of other comprehensive income | (0.5) | 0.6 |
| - foreign currency translation reserve | (25.1) | (25.0) |
| | 113.2 | 102.8 |

# Notes to the Financial Statements
31 March 2012

## 25 Joint Venture Companies (in $ million) (continued)

The Group's share of the consolidated assets and liabilities, and results of joint venture companies are as follows:

| | The Group 31 March | |
|---|---|---|
| | 2012 | 2011 |
| Assets and liabilities | | |
| Current assets | 61.0 | 61.9 |
| Non-current assets | 194.7 | 138.5 |
| | 255.7 | 200.4 |
| Current liabilities | (84.1) | (52.9) |
| Non-current liabilities | (58.4) | (44.7) |
| | (142.5) | (97.6) |
| | 2011-12 | 2010-11 |
| Results | | |
| Revenue | 754.8 | 728.1 |
| Expenses | (680.1) | (653.5) |
| | 74.7 | 74.6 |

The joint venture companies at 31 March are:

| | Principal activities | Country of incorporation and place of business | Percentage of equity held by the Group 2012 | 2011 |
|---|---|---|---|---|
| International Engine Component Overhaul Pte Ltd | Repair and overhaul of aero engine components and parts | Singapore | 39.7 | 39.9 |
| Singapore Aero Engine Services Pte Ltd | Repair and overhaul of aircraft engines | Singapore | 39.7 | 39.9 |

The joint venture companies are audited by Ernst and Young LLP, Singapore and have financial year end of 31 December.

# Notes to the Financial Statements
31 March 2012

## 26 Long-Term Investments (in $ million)

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Available-for-sale investments | | | | |
| Unquoted | | | | |
| Non-equity investments | 139.7 | - | 139.7 | - |
| Equity investments, at cost | 108.0 | 44.5 | 28.0 | 28.0 |
| Accumulated impairment loss | (9.2) | (9.2) | (9.2) | (9.2) |
| | 238.5 | 35.3 | 158.5 | 18.8 |
| Held-to-maturity investments | | | | |
| Quoted non-equity investments | 135.2 | - | 135.2 | - |
| | 373.7 | 35.3 | 293.7 | 18.8 |

The interest rates for quoted and unquoted non-equity investments range from 3.10% to 4.65% (2011: nil) per annum and 1.15% to 3.20% per annum (2011: nil) respectively.

## 27 Other Receivables (in $ million)

The Group's other receivables are stated at amortised cost and are expected to be received over a period of 2 to 5 years. The entire balance of other receivables is denominated in USD.

## 28 Inventories (in $ million)

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Technical stocks and stores | 283.0 | 316.7 | 204.4 | 240.5 |
| Catering and general stocks | 23.1 | 18.8 | 17.3 | 13.4 |
| Total inventories at lower of cost and net realisable value | 306.1 | 335.5 | 221.7 | 253.9 |

The cost of inventories recognised as an expense amounts to $102.7 million (2010-11: $98.9 million). In addition, the Group wrote down $27.3 million (2010-11: $32.8 million) of inventories which are recognised as other operating expenses in the profit and loss account.

# Notes to the Financial Statements
31 March 2012

## 29 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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Not past due and not impaired | 1,239.4 | 1,259.7 | 857.1 | 903.3 |
| Past due but not impaired | 114.4 | 121.7 | 12.1 | 9.9 |
| | 1,353.8 | 1,381.4 | 869.2 | 913.2 |
| Impaired trade debtors - collectively assessed | 9.0 | 10.7 | 1.4 | 0.8 |
| Less: Accumulated impairment losses | (8.1) | (10.4) | (0.5) | (0.4) |
| | 0.9 | 0.3 | 0.9 | 0.4 |
| Impaired trade debtors - individually assessed | | | | |
| Customers in bankruptcy or other financial reorganisation | 12.5 | 11.1 | 5.3 | 5.3 |
| Customers who default in payment within stipulated framework of IATA Clearing House or Bank Settlement Plan | 2.2 | 3.1 | 1.7 | 2.5 |
| Less: Accumulated impairment losses | (14.6) | (14.1) | (6.9) | (7.8) |
| | 0.1 | 0.1 | 0.1 | - |
| Total trade debtors, net | 1,354.8 | 1,381.8 | 870.2 | 913.6 |

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.

Included in trade debtors are accrued receivables of $64.1 million (2011: $54.0 million), which pertains to services rendered in advance of billings.

# Notes to the Financial Statements
31 March 2012

## 29 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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Balance at 1 April | 24.5 | 26.0 | 8.2 | 8.6 |
| Written back during the year | (0.2) | (1.5) | (0.8) | (0.4) |
| Written off during the year | (1.6) | - | - | - |
| Balance at 31 March | 22.7 | 24.5 | 7.4 | 8.2 |
| Bad debts written off directly to profit and loss account, net of debts recovered | 1.3 | 0.8 | 1.2 | 0.7 |

As at 31 March 2012, the composition of trade debtors held in foreign currencies by the Group is as follows: USD – 23.3% (2011: 32.0%), AUD – 11.1% (2011: 8.3%), EUR – 8.0% (2011: 6.7%), GBP – 5.1% (2011: 3.9%) and JPY – 4.7% (2011: 4.1%).

There was no loan to directors of the Company and its subsidiary companies.

## 30 Deposits and Other Debtors (in $ million)

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Deposits | 14.2 | 15.1 | 8.2 | 9.0 |
| Other debtors | 32.6 | 36.9 | 18.5 | 24.5 |
| | 46.8 | 52.0 | 26.7 | 33.5 |

# Notes to the Financial Statements

31 March 2012

## 31 Investments (in $ million)

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Available-for-sale investments | | | | |
| Quoted | | | | |
| Government securities | 4.1 | 8.9 | - | - |
| Equity investments | 32.8 | 34.3 | - | - |
| Non-equity investments | 232.0 | 14.7 | 209.0 | - |
| | 268.9 | 57.9 | 209.0 | - |
| Unquoted | | | | |
| Government securities | 307.5 | 339.9 | 307.5 | 339.9 |
| Non-equity investments | 19.9 | - | 19.9 | - |
| | 327.4 | 339.9 | 327.4 | 339.9 |
| | 596.3 | 397.8 | 536.4 | 339.9 |
| Held-to-maturity investments | | | | |
| Quoted non-equity investments | 13.8 | - | 13.8 | - |
| Unquoted non-equity investments | 15.0 | - | 15.0 | - |
| | 28.8 | - | 28.8 | - |
| | 625.1 | 397.8 | 565.2 | 339.9 |

The Group's non-equity investments comprise investments in government securities, corporate bonds, credit-linked notes and money market funds.

The interest rates for quoted and unquoted government securities range from 1.63% to 4.00% (2011: 1.63% to 4.00%) per annum and 0.27% to 0.39% (2011: 0.27% to 0.38%) per annum respectively. The interest rates for quoted and unquoted non-equity investments range from 0.12% to 5.88% (2011: 1.10% to 5.88%) per annum and 1.00% to 1.06% (2011: nil) per annum respectively.

## 32 Cash and Bank Balances (in $ million)

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Fixed deposits | 4,260.6 | 7,128.9 | 4,234.0 | 7,102.3 |
| Cash and bank | 442.1 | 305.3 | 216.7 | 115.5 |
| | 4,702.7 | 7,434.2 | 4,450.7 | 7,217.8 |

As at 31 March 2012, the composition of cash and bank balances held in foreign currencies by the Group is as follows: USD –10.8% (2011: 13.8%), EUR – 1.6% (2011: 1.1%) and AUD – 0.8% (2011: 1.1%).

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.01% to 5.40% (2010-11: 0.01% to 4.87%) 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 0.55% (2010-11: 0.46%) per annum.

# Notes to the Financial Statements
31 March 2012

## 33 Trade and Other Creditors (in $ million)

Trade and other creditors are non-interest bearing. As at 31 March 2012, 10.2% (2011: 8.7%) of trade and other creditors were held in USD by the Group. Included in trade and other creditors are amounts owing to related parties of $137.3 million (2011: $110.0 million) and $99.2 million (2011: $76.5 million) for the Group and Company respectively.

## 34 Analysis of Capital Expenditure Cash Flow (in $ million)

| | The Group | |
|---|---|---|
| | **2011-12** | **2010-11** |
| Purchase of property, plant and equipment | 1,645.8 | 1,234.4 |
| Property, plant and equipment acquired under credit terms | (4.6) | (10.6) |
| Cash invested in capital expenditure | 1,641.2 | 1,223.8 |

## 35 Capital and Other Commitments (in $ million)

### (a) Capital expenditure commitments

The Group and the Company have commitments for capital expenditure. Such commitments aggregated $7,511.4 million (2011: $6,556.6 million) for the Group and $7,042.2 million (2011: $6,015.7 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 expenditure totalled $0.6 million (2011: $1.0 million).

### (b) Operating lease commitments

**As lessee**

Aircraft

The Company has 3 B777-200, 3 B777-200ER, 3 B777-300, 19 A330-300 and 7 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 2 of the aircraft lease agreements, the Company holds options to extend the lease for a further maximum period of 5 years. In 5 other aircraft lease agreements, the Company holds options to extend the leases for a further maximum period of 3 years and in 24 others, the Company holds the options to extend the leases for a further maximum period of 2 years. 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 one 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 6 A320-200 and 3 A319-100 aircraft under operating leases with fixed rental rates. The original lease terms for the 3 A319-100s range from 6.9 to 11.5 years, which SilkAir holds options to extend the leases up to a maximum of 3 years. The original lease terms for the 6 A320-200s range from 4 to 11.8 years and SilkAir holds options to extend the leases for 2 to 5 years. None of the operating lease agreements confer on SilkAir an option to purchase the related aircraft. Sub-leasing is allowed under all the lease arrangements.

# Notes to the Financial Statements
31 March 2012

## 35 Capital and Other Commitments (in $ million) (continued)

### (b) Operating lease commitments (continued)

**As lessee (continued)**

Aircraft (continued)

Future minimum lease payments under non-cancellable operating leases are as follows:

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Not later than one year | 561.5 | 587.2 | 492.2 | 525.1 |
| Later than one year but not later than five years | 1,968.1 | 1,717.7 | 1,768.9 | 1,508.0 |
| Later than five years | 927.0 | 455.0 | 828.0 | 360.7 |
| | 3,456.6 | 2,759.9 | 3,089.1 | 2,393.8 |

Engines

During the financial year, the Company entered into operating lease agreements for 4 GE90-115B engines with fixed rental rates. The basic lease term for each engine is 6 years and 10 months with an option to extend the lease for a further maximum period of 6 years.

Future minimum lease payments under non-cancellable operating leases are as follows:

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Not later than one year | 8.5 | - | 8.5 | - |
| Later than one year but not later than five years | 34.1 | - | 34.1 | - |
| | 42.6 | - | 42.6 | - |

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 minimum lease payments under non-cancellable operating leases are as follows:

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Not later than one year | 59.5 | 64.4 | 42.7 | 48.0 |
| Later than one year but not later than five years | 87.2 | 93.3 | 62.3 | 71.1 |
| Later than five years | 86.4 | 81.6 | 20.0 | 12.5 |
| | 233.1 | 239.3 | 125.0 | 131.6 |

The minimum lease payments recognised in the profit and loss account amounted to $63.8 million (2010-11: $62.3 million) and $52.8 million (2010-11: $54.8 million) for the Group and the Company respectively.

# Notes to the Financial Statements
31 March 2012

## 35 Capital and Other Commitments (in $ million) (continued)

### (b) Operating lease commitments (continued)

**As lessor**

Aircraft

During the previous financial year, the Company entered into a commercial aircraft lease for 6 B777-200ER aircraft. This non-cancellable lease is for a basic lease term of 2 years and 6 months for the first 3 aircraft and 2 years for the other 3 aircraft. During the financial year, the lease term for 4 of the aircraft was extended for periods ranging from 1 month to 8 months. The lease rental is fixed throughout the lease term for all 6 aircraft.

SIA Cargo has previously entered into a commercial aircraft lease. This non-cancellable lease has a remaining lease term of 3 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 | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Not later than one year | 96.1 | 122.0 | 83.8 | 109.7 |
| Later than one year but not later than five years | 79.4 | 101.9 | 49.9 | 60.1 |
| | 175.5 | 223.9 | 133.7 | 169.8 |

## 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

In 2006 and thereafter, SIA Cargo and the Company were among several airlines that received notice of investigations by competition authorities in the US, European Union, Australia, Canada, New Zealand, South Africa, South Korea and Switzerland as to whether surcharges, rates or other competitive aspects of air cargo service were lawfully determined (the "air cargo issues").

On 8 February 2011, SIA Cargo confirmed its acceptance of a plea bargain offered by the United States Department of Justice (USD48.0 million or $62.5 million). This amount has been reflected as exceptional items in the Group's accounts in FY2010-11. The plea agreement has brought the Department of Justice's air cargo investigations in the United States to a close for SIA Cargo.

# Notes to the Financial Statements
31 March 2012

## 36 Contingent Liabilities (in $ million) (continued)

### (b) Cargo: Investigations by Competition Authorities and Civil Class Actions (continued)

On 30 November 2010, the Korea Fair Trade Commission ("KFTC") released its adverse decision against 21 air cargo carriers, including SIA Cargo, in respect of fuel surcharges. A fine of KRW3.117 billion ($3.6 million) was imposed on SIA Cargo. The fine was paid in January 2011 in accordance with Korean laws. This amount has been reflected as exceptional items in the Group's accounts in FY2010-11. SIA Cargo contested the validity of the KFTC decision and has filed an appeal before the Seoul District Court.

On 9 November 2010, the European Commission issued an adverse decision against 13 air cargo carriers, including SIA Cargo and the Company, in respect of fuel surcharges, security surcharges and commissions on surcharges. A fine of EUR74.8 million ($135.7 million) was imposed on SIA Cargo and the Company.

SIA Cargo paid the fine in February 2011 in accordance with European Union laws. SIA Cargo and the Company have filed an appeal to the European General Court seeking annulment of the decision.

In July 2010, SIA Cargo was among eight airlines to receive notification that the Competition Commission of South Africa had referred a complaint to the South Africa Competition Tribunal in respect of fuel surcharges. These proceedings have not progressed since the initial issuance of the complaint. SIA Cargo intends to defend this proceeding.

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 14 airlines including both SIA Cargo and the Company. In Australia, statements of claim have been issued against nine airlines including SIA Cargo. In August 2011, the New Zealand High Court issued a judgment on the first stage of the New Zealand proceedings concerning whether the New Zealand Commerce Act applies to air cargo services coming to New Zealand from overseas. The High Court gave an affirmative response on this issue. SIA Cargo and the Company have appealed this decision and the New Zealand Commerce Commission has cross-appealed. The New Zealand and Australia proceedings otherwise remain at a preliminary stage. A defence has been filed in both proceedings.

After the investigations commenced, civil damage lawsuits were filed in the US, Canada, Australia, South Korea, England and the Netherlands by private parties against several airlines, including SIA Cargo and the Company. Other lawsuits have been threatened by customers of SIA Cargo or shippers that purportedly contracted with SIA Cargo's customers.

The plaintiffs in the South Korea proceedings withdrew their complaint in July 2011 and the proceedings were accordingly dismissed without prejudice.

In June 2011, without admitting any liability, SIA Cargo and the Company reached a settlement with the plaintiffs in Canada whereby SIA Cargo agreed to pay CAD1.05 million ($1.3 million) to resolve all liability of SIA Cargo and the Company as concerns the civil damage lawsuits filed in Canada. This amount has been reflected as an exceptional item in the Group's accounts.

In addition, without admitting any liability, SIA Cargo has reached settlements with certain of its customers to resolve all pending and potential future civil damage claims regarding the air cargo issues. The settlements have been reflected in the Group's accounts. The individual terms of such settlements are required to be kept confidential.

# Notes to the Financial Statements
31 March 2012

## 36 Contingent Liabilities (in $ million) (continued)

### (b) Cargo: Investigations by Competition Authorities and Civil Class Actions (continued)

Apart from Canada and South Korea, the filed cases still remain in their respective procedural stages and none have been tried thus far on their respective substantive legal merits.

Apart from the exceptional items noted above, it is premature to make provision in the financial statements for the other pending investigations, court proceedings, civil suits, or threatened claims.

### (c) Passengers: Civil Class Actions, South African settlement and Indian case

The Company and several other airlines have been named in civil class action lawsuits in the US and Canada alleging an unlawful agreement to fix surcharges and fares on transpacific flights. These cases are currently in the procedural stages and none has been tried thus far on their respective substantive legal merits. As these lawsuits have neither been tried nor the alleged damages quantified, it is premature to make a provision in the financial statements.

With regard to an investigation conducted by the South African Competition Commission concerning price-fixing on certain routes, a settlement agreement has been reached which includes an administrative penalty of $4.1 million. The payment of the settlement agreement is pending the final approval of the South African Competition Tribunal.

In July 2010, the Company received notice of an investigation by the Competition Commission of India ("CCI") concerning alleged collusion in the elimination of commissions paid to travel agents in India. In January 2011, the Office of the Director General of the CCI issued a report exonerating the Company and the other defendant airlines. The Travel Agent Association of India has filed an appeal of the CCI's decision with the Competition Appellate Tribunal ("COMPAT"). The Company has filed a reply brief with the COMPAT. As this appeal has not been decided nor the alleged damages quantified, it is premature to make a provision 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 against 6 airlines, namely Qantas Airways Limited, British Airways plc, Air New Zealand Limited, Malaysian Airline System Berhad, Cathay Pacific Airways Limited ("CX") and Singapore Airlines 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 (the "Leonie's Case").

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 CX and the Company, as Leonie's Travel did not issue fares against CX and the Company (the "Paxtours Case").

On 19 August 2011, the Leonie's Case was discontinued against the Company.

The Paxtours Case remains the vehicle for claims against the Company. Following discussion with Paxtours' solicitors, the parties have agreed on a settlement mechanism, which has been approved by the court. Based on presently available information, the Company does not expect the settlement amount to be material.

# Notes to the Financial Statements
31 March 2012

## 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 revenue and expenses, including fair value gains and losses, are recognised.

The following tables analyse 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:

| 2012 The Group | Loans and receivables | Available-for-sale financial assets | Held-to-maturity financial assets | Derivatives used for hedging | Financial liabilities at amortised cost | Derivatives at fair value through profit and loss | Total |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Long-term investments | - | 238.5 | 135.2 | - | - | - | 373.7 |
| Other receivables | 215.6 | - | - | - | - | - | 215.6 |
| Trade debtors | 1,354.8 | - | - | - | - | - | 1,354.8 |
| Deposits and other debtors | 46.8 | - | - | - | - | - | 46.8 |
| Investments | - | 596.3 | 28.8 | - | - | - | 625.1 |
| Derivative assets | - | - | - | 71.9 | - | - | 71.9 |
| Cash and bank balances | 4,702.7 | - | - | - | - | - | 4,702.7 |
| Total financial assets | 6,319.9 | 834.8 | 164.0 | 71.9 | - | - | 7,390.6 |
| Total non-financial assets | | | | | | | 14,652.4 |
| Total assets | | | | | | | 22,043.0 |
| **Liabilities** | | | | | | | |
| Notes payable | - | - | - | - | 800.0 | - | 800.0 |
| Finance lease commitments | - | - | - | - | 275.4 | - | 275.4 |
| Loans | - | - | - | - | 2.4 | - | 2.4 |
| Trade and other creditors | - | - | - | - | 2,885.4 | - | 2,885.4 |
| Derivative liabilities | - | - | - | 26.2 | - | 52.7 | 78.9 |
| Total financial liabilities | - | - | - | 26.2 | 3,963.2 | 52.7 | 4,042.1 |
| Total non-financial liabilities | | | | | | | 4,813.5 |
| Total liabilities | | | | | | | 8,855.6 |

# Notes to the Financial Statements
31 March 2012

## 37 Financial Instruments (in $ million) (continued)

### (a) Classification of financial instruments (continued)

| 2012<br>The Company | Loans and receivables | Available-for-sale financial assets | Held-to-maturity financial assets | Derivatives used for hedging | Financial liabilities at amortised cost | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Long-term investments | - | 158.5 | 135.2 | - | - | 293.7 |
| Other receivables | 215.6 | - | - | - | - | 215.6 |
| Trade debtors | 870.2 | - | - | - | - | 870.2 |
| Deposits and other debtors | 26.7 | - | - | - | - | 26.7 |
| Amounts owing by subsidiary companies | 195.2 | - | - | - | - | 195.2 |
| Investments | - | 536.4 | 28.8 | - | - | 565.2 |
| Derivative assets | - | - | - | 57.4 | - | 57.4 |
| Cash and bank balances | 4,450.7 | - | - | - | - | 4,450.7 |
| Total financial assets | 5,758.4 | 694.9 | 164.0 | 57.4 | - | 6,674.7 |
| Total non-financial assets | | | | | | 15,009.6 |
| Total assets | | | | | | 21,684.3 |
| | | | | | | |
| **Liabilities** | | | | | | |
| Notes payable | - | - | - | - | 800.0 | 800.0 |
| Trade and other creditors | - | - | - | - | 2,210.2 | 2,210.2 |
| Amount owing to subsidiary companies | - | - | - | - | 1,525.2 | 1,525.2 |
| Derivative liabilities | - | - | - | 12.7 | - | 12.7 |
| Total financial liabilities | - | - | - | 12.7 | 4,535.4 | 4,548.1 |
| Total non-financial liabilities | | | | | | 4,289.3 |
| Total liabilities | | | | | | 8,837.4 |

# Notes to the Financial Statements
31 March 2012

## 37 Financial Instruments (in $ million) (continued)

### (a) Classification of financial instruments (continued)

| 2011<br>The Group | 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 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Long-term investments | - | 35.3 | - | - | - | 35.3 |
| Other receivables | 119.6 | - | - | - | - | 119.6 |
| Trade debtors | 1,381.8 | - | - | - | - | 1,381.8 |
| Deposits and other debtors | 52.0 | - | - | - | - | 52.0 |
| Investments | - | 397.8 | - | - | - | 397.8 |
| Derivative assets | - | - | 74.3 | - | - | 74.3 |
| Cash and bank balances | 7,434.2 | - | - | - | - | 7,434.2 |
| Total financial assets | 8,987.6 | 433.1 | 74.3 | - | - | 9,495.0 |
| Total non-financial assets | | | | | | 15,049.5 |
| Total assets | | | | | | 24,544.5 |
| **Liabilities** | | | | | | |
| Notes payable | - | - | - | 1,700.0 | - | 1,700.0 |
| Finance lease commitments | - | - | - | 337.2 | - | 337.2 |
| Loans | - | - | - | 1.7 | - | 1.7 |
| Trade and other creditors | - | - | - | 2,725.7 | - | 2,725.7 |
| Derivative liabilities | - | - | 69.3 | - | 66.6 | 135.9 |
| Total financial liabilities | - | - | 69.3 | 4,764.6 | 66.6 | 4,900.5 |
| Total non-financial liabilities | | | | | | 5,141.2 |
| Total liabilities | | | | | | 10,041.7 |

# Notes to the Financial Statements
31 March 2012

## 37 Financial Instruments (in $ million) (continued)

### (a) Classification of financial instruments (continued)

| 2011<br>The Company | Loans and receivables | Available-for-sale financial assets | Derivatives used for hedging | Financial liabilities at amortised cost | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Long-term investments | - | 18.8 | - | - | 18.8 |
| Other receivables | 119.6 | - | - | - | 119.6 |
| Trade debtors | 913.6 | - | - | - | 913.6 |
| Deposits and other debtors | 33.5 | - | - | - | 33.5 |
| Amounts owing by subsidiary companies | 194.0 | - | - | - | 194.0 |
| Investments | - | 339.9 | - | - | 339.9 |
| Derivative assets | - | - | 63.1 | - | 63.1 |
| Cash and bank balances | 7,217.8 | - | - | - | 7,217.8 |
| Total financial assets | 8,478.5 | 358.7 | 63.1 | - | 8,900.3 |
| Total non-financial assets | | | | | 15,283.1 |
| Total assets | | | | | 24,183.4 |
| **Liabilities** | | | | | |
| Notes payable | - | - | - | 1,700.0 | 1,700.0 |
| Trade and other creditors | - | - | - | 2,161.8 | 2,161.8 |
| Amounts owing to subsidiary companies | - | - | - | 1,529.0 | 1,529.0 |
| Derivative liabilities | - | - | 48.5 | - | 48.5 |
| Total financial liabilities | - | - | 48.5 | 5,390.8 | 5,439.3 |
| Total non-financial liabilities | | | | | 4,609.0 |
| Total liabilities | | | | | 10,048.3 |

Derivative financial instruments included in the statements of financial position are as follows:

| | The Group<br>31 March | | The Company<br>31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Derivative assets | | | | |
| Currency hedging contracts | 21.3 | 2.5 | 14.6 | 1.6 |
| Fuel hedging contracts | 46.7 | 54.2 | 38.9 | 43.9 |
| Interest rate cap contracts | 3.9 | 17.6 | 3.9 | 17.6 |
| | 71.9 | 74.3 | 57.4 | 63.1 |
| Derivative liabilities | | | | |
| Currency hedging contracts | 15.5 | 57.3 | 12.2 | 48.5 |
| Fuel hedging contracts | 0.6 | - | 0.5 | - |
| Cross currency swap contracts | 50.9 | 63.3 | - | - |
| Interest rate swap contracts | 11.9 | 15.3 | - | - |
| | 78.9 | 135.9 | 12.7 | 48.5 |

# Notes to the Financial Statements
31 March 2012

## 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:

| | The Group 31 March | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Quoted prices in active markets for identical instruments (Level 1) | Significant other observable inputs (Level 2) | Quoted prices in active markets for identical instruments (Level 1) | Significant other observable inputs (Level 2) |
| Financial assets: | | | | |
| Available-for-sale investments | | | | |
| Quoted investments | | | | |
| - Government securities | 4.1 | - | 8.9 | - |
| - Equity investments | 32.8 | - | 34.3 | - |
| - Non-equity investments | 232.0 | - | 14.7 | - |
| Unquoted investments | | | | |
| - Government securities | - | 307.5 | - | 339.9 |
| - Non-equity investments | - | 159.6 | - | - |
| Derivative assets | | | | |
| Currency hedging contracts | - | 21.3 | - | 2.5 |
| Fuel hedging contracts | - | 46.7 | - | 54.2 |
| Interest rate cap contracts | - | 3.9 | - | 17.6 |
| | 268.9 | 539.0 | 57.9 | 414.2 |
| Financial liabilities: | | | | |
| Derivative liabilities | | | | |
| Currency hedging contracts | - | 15.5 | - | 57.3 |
| Fuel hedging contracts | - | 0.6 | - | - |
| Cross currency swap contracts | - | 50.9 | - | 63.3 |
| Interest rate swap contracts | - | 11.9 | - | 15.3 |
| | - | 78.9 | - | 135.9 |

# Notes to the Financial Statements
31 March 2012

## 37 Financial Instruments (in $ million) (continued)

### (b) Fair values (continued)

**Financial instruments carried at fair value (continued)**

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)

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 (2012: USD 135.42/BBL, 2011: USD 133.22/BBL) is used as the input for market fuel price to the Black-Scholes option valuation model. Consequently, the annualised volatility (2011-12: 11.34%, 2010-11: 26.85%) 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 (2011-12: 0.33%, 2010-11: 0.38%) 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 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, funds from subsidiary companies, amounts owing to/by subsidiary companies, trade debtors, other debtors, trade and other creditors.

# Notes to the Financial Statements
31 March 2012

## 37 Financial Instruments (in $ million) (continued)

### (b) Fair values (continued)

**Financial instruments carried at other than fair value**

Long-term investments classified as available-for-sale amounting to $98.8 million (2011: $35.3 million) for the Group and $18.8 million (2011: $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.

Investments classified as held-to-maturity amounting to $164.0 million (2011: nil) for the Group and the Company are stated at amortised cost. The fair value of these investments as at 31 March 2012 approximate $163.4 million (2011: nil) for the Group and the Company. Fair value is determined by reference to their published market bid price at the end of the reporting period.

The Group and the Company have no intention to dispose of their interests in the above investments in the foreseeable future.

The fair values of long-term liabilities are disclosed in Note 19.

## 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 expenses 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 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 $308.1 million (2011: $321.6 million), with a related deferred tax credit of $91.5 million (2011: $93.8 million), is included in the fair value reserve in respect of these contracts.

# Notes to the Financial Statements
31 March 2012

## 38 Financial Risk Management Objectives and Policies (in $ million) (continued)

### (a) Jet fuel price risk (continued)

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 $44.1 million and $37.1 million (2010-11: $42.5 million and $35.5 million) respectively.

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 hedges are highly effective. Under these assumptions, with an increase or decrease in jet fuel prices, each by one USD per barrel, the before tax effects on equity are set out in the table below.

Sensitivity analysis on outstanding fuel hedging contracts:

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | Effect on equity | | Effect on equity | |
| Increase in one USD per barrel | 4.5 | 3.5 | 3.7 | 2.8 |
| Decrease in one USD per barrel | (4.5) | (3.5) | (3.7) | (2.8) |

### (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 2012, these accounted for 60.5% of total revenue (2010-11: 63.5%) and 68.9% of total operating expenses (2010-11: 64.0%). 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 2012, the Company holds USD97.0 million (2011: USD460.9 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 2012, a net fair value gain before tax of $301.6 million (2011: $247.5 million), with a related deferred tax charge of $84.4 million (2011: $75.2 million), is included in the fair value reserve in respect of these contracts.

# Notes to the Financial Statements
31 March 2012

## 38 Financial Risk Management Objectives and Policies (in $ million) (continued)

### (b) Foreign currency risk (continued)

Fair value through profit and loss

In addition, the Group has cross currency swap contracts in place with notional amounts ranging from $23.9 million to $89.7 million (2011: $30.1 million to $109.6 million) where it pays SGD and receives USD at USD/SGD exchange rates ranging from 1.3085 to 1.6990 (2011: 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 outstanding foreign currency hedging contracts and significant outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates.

Sensitivity analysis:

| | The Group 31 March | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Effect on equity [R1] | Effect on profit before taxation [R2] | Effect on equity [R1] | Effect on profit before taxation [R2] |
| AUD | 2.0 | (1.6) | 2.7 | (1.6) |
| EUR | 2.5 | (1.4) | 2.5 | (1.3) |
| GBP | 1.1 | (0.5) | 0.9 | (0.5) |
| JPY | 1.5 | (0.4) | 0.6 | (0.6) |
| USD | (4.3) | (5.1) | (12.9) | (6.5) |

| | The Company 31 March | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Effect on equity [R1] | Effect on profit before taxation [R2] | Effect on equity [R1] | Effect on profit before taxation [R2] |
| AUD | 1.8 | (1.4) | 2.5 | (1.4) |
| EUR | 1.8 | (0.5) | 2.0 | (0.8) |
| GBP | 0.9 | (0.4) | 0.8 | (0.4) |
| JPY | 1.0 | (0.2) | 0.4 | (0.4) |
| USD | (4.3) | (5.2) | (12.3) | (6.7) |

[R1] *Sensitivity analysis on outstanding foreign currency hedging contracts.*

[R2] *Sensitivity analysis on significant outstanding foreign currency denominated monetary items.*

If the relevant foreign currency strengthens by 1% against SGD, equity and profit before taxation would change by the same amounts in the opposite direction.

# Notes to the Financial Statements

31 March 2012

## 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 2012, the Company has interest rate cap contracts at a strike rate of 6.50% (2011: 6.50%), maturing in 5 to 6 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.

In FY2009-10, the Company entered into interest rate swap contracts to protect a portion of the future operating lease rent payments from exposure to fluctuations in interest rates. These contracts were settled during the previous financial year and the balance in the fair value reserve will be recognised in the profit and loss account over the lease term of the respective aircraft.

As at 31 March 2012, other than those instruments entered into by the Company, the Group has interest rate swap agreements in place whereby it pays fixed rates of interest ranging from 3.00% to 4.95% (2011: 3.00% to 4.95%) and receives a variable rate linked to LIBOR. 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 swaps ranges from 1 March 2014 to 5 March 2016.

The cash flow hedges for the interest rate swaps are assessed to be highly effective and are included in the statement of financial position as follows:

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Derivative assets and liabilities: | | | | |
| Fair value loss on interest rate cap contracts | (15.9) | (2.3) | (15.9) | (2.3) |
| Fair value loss on interest rate swap contracts | (44.9) | (56.8) | (34.8) | (44.9) |
| | (60.8) | (59.1) | (50.7) | (47.2) |
| Deferred tax: | | | | |
| Deferred tax credit on interest rate cap contracts | 2.7 | 0.4 | 2.7 | 0.4 |
| Deferred tax credit on interest rate swap contracts | 7.6 | 9.6 | 5.9 | 7.6 |
| | 10.3 | 10.0 | 8.6 | 8.0 |
| Fair value reserve: | | | | |
| Net fair value loss on interest rate cap contracts | (13.2) | (1.9) | (13.2) | (1.9) |
| Net fair value loss on interest rate swap contracts | (37.3) | (47.2) | (28.9) | (37.3) |
| | (50.5) | (49.1) | (42.1) | (39.2) |

# Notes to the Financial Statements
31 March 2012

## 38 Financial Risk Management Objectives and Policies (in $ million) (continued)

### (c) Interest rate risk (continued)

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.

Under these assumptions, an increase or decrease in market interest rates of one basis point for all currencies in which the Group has derivative financial instruments and variable rate assets and liabilities at 31 March 2012 will have the effects as set out in the table below.

Sensitivity analysis:

| | The Group 31 March | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Effect on equity [R1] | Effect on profit before taxation [R2] | Effect on equity [R1] | Effect on profit before taxation [R2] |
| Increase in one basis point in market interest rates | 0.1 | 0.5 | 0.1 | 0.7 |
| Decrease in one basis point in market interest rates | (0.1) | (0.5) | (0.1) | (0.7) |

| | The Company 31 March | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | Effect on equity [R1] | Effect on profit before taxation [R2] | Effect on equity [R1] | Effect on profit before taxation [R2] |
| Increase in one basis point in market interest rates | 0.1 | 0.3 | 0.1 | 0.6 |
| Decrease in one basis point in market interest rates | (0.1) | (0.3) | (0.1) | (0.6) |

[R1] *Sensitivity analysis on derivative financial instruments.*

[R2] *Sensitivity analysis on variable rate assets and liabilities.*

# Notes to the Financial Statements
31 March 2012

## 38 Financial Risk Management Objectives and Policies (in $ million) (continued)

### (d) Market rate risk

At 31 March 2012, the Group and the Company own investments of $900.0 million (2011: $397.8 million) and $840.1 million (2011: $339.9 million) respectively, which are subject to market rate risk. 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 these investments increase or decrease by 1% with all other variables being held constant, the before tax effects on equity are set out in the table below.

Sensitivity analysis on investments:

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | Effect on equity | | Effect on equity | |
| Increase in 1% of quoted prices | 7.4 | 4.0 | 6.8 | 3.4 |
| Decrease in 1% of quoted prices | (7.4) | (4.0) | (6.8) | (3.4) |

### (e) Liquidity risk

At 31 March 2012, the Group has at its disposal, cash and short-term deposits amounting to $4,702.7 million (2011: $7,434.2 million). In addition, the Group has available short-term credit facilities of about $520.7 million (2011: $521.0 million). The Group also has Medium Term Note Programmes under which it may issue notes up to $1,000.0 million (2011: $1,000.0 million) and as of 31 March 2012, $500.0 million (2011: $500.0 million) remains unutilised. 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.

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.

# Notes to the Financial Statements
31 March 2012

## 38 Financial Risk Management Objectives and Policies (in $ million) (continued)

### (e) Liquidity risk (continued)

| 2012 | Within 1 year | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | |
| Notes payable | 22.6 | 22.6 | 22.6 | 319.3 | 16.1 | 552.6 | 955.8 |
| Finance lease commitments | 72.2 | 73.6 | 57.0 | 51.6 | 22.1 | 22.1 | 298.6 |
| Loans | 2.4 | - | - | - | - | - | 2.4 |
| Trade and other creditors | 2,885.4 | - | - | - | - | - | 2,885.4 |
| Derivative financial instruments: | | | | | | | |
| Currency hedging contracts | 15.5 | - | - | - | - | - | 15.5 |
| Fuel hedging contracts | 0.6 | - | - | - | - | - | 0.6 |
| Cross currency swap contracts | 50.9 | - | - | - | - | - | 50.9 |
| Interest rate swap contracts | 11.9 | - | - | - | - | - | 11.9 |
| | 3,061.5 | 96.2 | 79.6 | 370.9 | 38.2 | 574.7 | 4,221.1 |
| **The Company** | | | | | | | |
| Notes payable | 22.6 | 22.6 | 22.6 | 319.3 | 16.1 | 552.6 | 955.8 |
| Trade and other creditors | 2,210.2 | - | - | - | - | - | 2,210.2 |
| Amounts owing to subsidiary companies | 1,525.2 | - | - | - | - | - | 1,525.2 |
| Derivative financial instruments: | | | | | | | |
| Currency hedging contracts | 12.2 | - | - | - | - | - | 12.2 |
| Fuel hedging contracts | 0.5 | - | - | - | - | - | 0.5 |
| | 3,770.7 | 22.6 | 22.6 | 319.3 | 16.1 | 552.6 | 4,703.9 |

| 2011 | Within 1 year | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | |
| Notes payable | 949.4 | 22.6 | 22.6 | 22.6 | 319.3 | 568.7 | 1,905.2 |
| Finance lease commitments | 71.1 | 73.4 | 74.5 | 57.5 | 51.5 | 44.4 | 372.4 |
| Trade and other creditors | 2,725.7 | - | - | - | - | - | 2,725.7 |
| Loans | 1.7 | - | - | - | - | - | 1.7 |
| Derivative financial instruments: | | | | | | | |
| Currency hedging contracts | 57.3 | - | - | - | - | - | 57.3 |
| Cross currency swap contracts | 63.3 | - | - | - | - | - | 63.3 |
| Interest rate swap contracts | 15.3 | - | - | - | - | - | 15.3 |
| | 3,883.8 | 96.0 | 97.1 | 80.1 | 370.8 | 613.1 | 5,140.9 |
| **The Company** | | | | | | | |
| Notes payable | 949.4 | 22.6 | 22.6 | 22.6 | 319.3 | 568.7 | 1,905.2 |
| Trade and other creditors | 2,161.8 | - | - | - | - | - | 2,161.8 |
| Amounts owing to subsidiary companies | 1,529.0 | - | - | - | - | - | 1,529.0 |
| Derivative financial instruments: | | | | | | | |
| Currency hedging contracts | 48.5 | - | - | - | - | - | 48.5 |
| | 4,688.7 | 22.6 | 22.6 | 22.6 | 319.3 | 568.7 | 5,644.5 |

# Notes to the Financial Statements
31 March 2012

## 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 is represented by the carrying amount of each financial asset in the statement of financial position.

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.

### (g) Counterparty risk

Counterparty risk is the potential financial loss from a transaction that may arise in the event of default by the counterparty. 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.

Surplus funds are invested in interest-bearing bank deposits and other high quality short-term liquid investments.

# Notes to the Financial Statements
31 March 2012

## 38 Financial Risk Management Objectives and Policies (in $ million) (continued)

### (g) Counterparty risk (continued)

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 | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **Counterparty profiles** | | | | | | | | |
| By industry: | | | | | | | | |
| Travel agencies | 637.3 | 348.2 | 8.6% | 3.7% | 340.7 | 327.9 | 5.1% | 3.7% |
| Airlines | 344.1 | 275.2 | 4.7% | 2.9% | 116.3 | 139.9 | 1.7% | 1.6% |
| Financial institutions | 5,132.9 | 7,725.3 | 69.5% | 81.8% | 4,837.6 | 7,549.5 | 72.5% | 84.8% |
| Others | 942.0 | 487.6 | 12.7% | 5.2% | 885.2 | 177.2 | 13.3% | 2.0% |
| | 7,056.3 | 8,836.3 | 95.5% | 93.6% | 6,179.8 | 8,194.5 | 92.6% | 92.1% |
| By region: | | | | | | | | |
| East Asia | 4,935.0 | 3,414.1 | 66.8% | 36.2% | 4,424.2 | 3,037.3 | 66.3% | 34.1% |
| Europe | 677.0 | 3,834.0 | 9.1% | 40.6% | 495.6 | 3,729.7 | 7.4% | 41.9% |
| South West Pacific | 982.0 | 1,199.2 | 13.3% | 12.7% | 944.4 | 1,169.7 | 14.1% | 13.2% |
| Americas | 351.9 | 277.3 | 4.8% | 2.9% | 250.8 | 187.2 | 3.8% | 2.1% |
| West Asia and Africa | 110.4 | 111.7 | 1.5% | 1.2% | 64.8 | 70.6 | 1.0% | 0.8% |
| | 7,056.3 | 8,836.3 | 95.5% | 93.6% | 6,179.8 | 8,194.5 | 92.6% | 92.1% |
| By Moody's credit ratings: | | | | | | | | |
| Investment grade (A to Aaa) | 5,669.5 | 7,719.8 | 76.7% | 81.8% | 5,400.6 | 7,503.3 | 80.9% | 84.3% |
| Investment grade (Baa) | 1.7 | 3.2 | 0.0% | 0.0% | 0.8 | 0.3 | 0.0% | 0.0% |
| Non-rated | 1,385.1 | 1,113.3 | 18.8% | 11.8% | 778.4 | 690.9 | 11.7% | 7.8% |
| | 7,056.3 | 8,836.3 | 95.5% | 93.6% | 6,179.8 | 8,194.5 | 92.6% | 92.1% |

# Notes to the Financial Statements

31 March 2012

## 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 2012 or 31 March 2011. 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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Notes payable | 800.0 | 1,700.0 | 800.0 | 1,700.0 |
| Finance lease commitments | 275.4 | 337.2 | - | - |
| Loans | 2.4 | 1.7 | - | - |
| Total debt | 1,077.8 | 2,038.9 | 800.0 | 1,700.0 |
| Share capital | 1,856.1 | 1,832.4 | 1,856.1 | 1,832.4 |
| Reserves | 11,037.3 | 12,372.0 | 10,990.8 | 12,302.7 |
| Total capital | 12,893.4 | 14,204.4 | 12,846.9 | 14,135.1 |
| Gearing ratio (times) | 0.08 | 0.14 | 0.06 | 0.12 |

## 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.

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Group considers the directors, chief executive officer and executive vice presidents of the Company to be key management personnel of the Company.

# Notes to the Financial Statements
31 March 2012

## 40 Related Party Transactions (in $ million) (continued)

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 | |
|---|---|---|
| | 2011-12 | 2010-11 |
| Purchases of services from associated companies | 124.1 | 30.0 |
| Services rendered to associated companies | (12.6) | (23.0) |
| Purchases of services from joint venture companies | 2.9 | 0.5 |
| Services rendered to joint venture companies | (11.5) | (11.9) |
| Purchases of services from related parties | 1,033.1 | 932.5 |
| Professional fees paid to a firm of which a director is a member | 0.3 | 0.5 |

Director's and key executives' remuneration of the Company

| | The Company | |
|---|---|---|
| | 2011-12 | 2010-11 |
| Directors | | |
| Salary, bonuses and other costs | 3.2 | 3.6 |
| CPF and other defined contributions | * | * |
| Share-based compensation expense | 1.3 | 1.4 |
| | 4.5 | 5.0 |
| Key executives (excluding executive directors) | | |
| Salary, bonuses and other costs | 2.7 | 2.3 |
| CPF and other defined contributions | * | * |
| Share-based compensation expense | 2.1 | 2.6 |
| | 4.8 | 4.9 |

* Amount less than $0.1 million

Share options granted to and exercised by director and key executives of the Company are as follows:

| Name of participant | Aggregate options granted since commencement of scheme up to end of financial year under review | Aggregate options exercised since commencement of scheme up to end of financial year under review | Aggregate options outstanding at end of financial year under review |
|---|---|---|---|
| Goh Choon Phong | 444,075 | 124,800 | 319,275 |
| Mak Swee Wah | 362,750 | 156,650 | 206,100 |
| Ng Chin Hwee | 214,025 | 157,700 | 56,325 |

# Notes to the Financial Statements

31 March 2012

## 40 Related Party Transactions (in $ million) (continued)

Conditional awards granted to director 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 2011 | Base Awards granted during the financial year | Base Awards vested during the financial year | Modifications^ | Balance as at 31 March 2012 | Aggregate Base Awards granted since commencement of RSP to end of financial year under review |
|---|---|---|---|---|---|---|
| Goh Choon Phong | 31,560 | 40,000 | 14,560 | 3,371 | 60,371 | 115,256 |
| Mak Swee Wah | 36,040 | 20,000 | 19,040 | 2,188 | 39,188 | 93,186 |
| Ng Chin Hwee | 36,040 | 20,000 | 19,040 | 2,188 | 39,188 | 77,268 |

RSP Final Awards (Pending Release) [R1]

| Name of participant | Balance as at 1 April 2011 | Final Awards granted during the financial year# | Final Awards released during the financial year | Modifications^ | Balance as at 31 March 2012 | Aggregate ordinary shares released to participant since commencement of RSP to end of financial year under review * |
|---|---|---|---|---|---|---|
| Goh Choon Phong | 11,188 | 13,110 | 13,811 | 619 | 11,106 | 40,458 |
| Mak Swee Wah | 10,178 | 17,140 | 15,321 | 709 | 12,706 | 37,784 |
| Ng Chin Hwee | 6,855 | 17,140 | 11,998 | 709 | 12,706 | 18,853 |

Time-based RSP Awards

| Name of participant | Balance as at 1 April 2011 | Modifications^ | Balance as at 31 March 2012 | Aggregate Awards granted since commencement of time-based RSP to end of financial year under review | Aggregate ordinary shares released to participant since commencement of time-based RSP to end of financial year under review |
|---|---|---|---|---|---|
| Goh Choon Phong | 100,000 | 5,917 | 105,917 | 105,917 | - |
| Mak Swee Wah | 100,000 | 5,917 | 105,917 | 105,917 | - |
| Ng Chin Hwee | 100,000 | 5,917 | 105,917 | 105,917 | - |

# Notes to the Financial Statements
31 March 2012

## 40 Related Party Transactions (in $ million) (continued)

PSP Base Awards [R2]

| Name of participant | Balance as at 1 April 2011 | Base Awards granted during the financial year | Base Awards vested during the financial year | Modifications^ | Balance as at 31 March 2012 | 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 * |
|---|---|---|---|---|---|---|---|
| Goh Choon Phong | 34,712 | 55,000 | 10,752 | 4,671 | 83,631 | 109,500 | 32,652 |
| Mak Swee Wah | 48,600 | 22,000 | 16,800 | 3,182 | 56,982 | 88,488 | 41,413 |
| Ng Chin Hwee | 48,600 | 22,000 | 16,800 | 3,182 | 56,982 | 73,782 | 25,200 |

[R1] *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.*

[R2] *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.*

# *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.*

^ *Following approval by the Company's shareholders of the special dividend of $0.80 on 29 July 2011, the Board Compensation and Industrial Relations Committee approved an increase in all restricted and performance shares outstanding on 18 August 2011.*

* *During the financial year, 41,130 and 66,530 treasury shares were issued to director and key executives of the Company pursuant to the RSP and PSP respectively.*

# 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) 2011-12 | 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) 2011-12 |
|---|---|---|
| Neptune Orient Lines Limited Group | | |
| Neptune Orient Lines Limited * | 14.4 | - |
| PT Bank Danamon Indonesia TBK Group | | |
| PT Bank Danamon Indonesia TBK | - | 0.2 |
| SATS Ltd. Group | | |
| Aero Laundry & Linen Services Private Limited | - | 11.6 |
| Air India SATS Airport Services Private Limited | - | 5.9 |
| Asia Airfreight Terminal Co Ltd | - | 9.8 |
| Beijing Airport Inflight Kitchen Limited | - | 4.4 |
| Beijing Aviation Ground Services Company Ltd | - | 5.7 |
| Maldives Inflight Catering Private Limited | - | 2.0 |
| PT Jasa Angkasa Semesta Tbk | - | 13.7 |
| SATS Airport Services Pte Ltd | - | 15.3 |
| SATS Catering Pte Ltd | - | 9.8 |
| SATS HK Limited | - | 4.4 |
| SATS Ltd | - | 589.3 |
| SATS Security Services Private Limited | - | 25.0 |
| Taj Madras Flight Kitchen Pvt Limited | - | 0.6 |
| Taj SATS Air Catering Ltd | - | 4.3 |
| Tan Son Nhat Cargo Services Ltd (TCS) | - | 0.2 |
| Singapore Telecommunications Limited Group | | |
| Singapore Telecommunications Limited | - | 2.7 |
| Trusted Hub Limited | - | 0.3 |
| Temasek Holdings (Private) Limited and Associates | | |
| Great Wall Airlines Company Limited | - | 0.3 |
| MediaCorp Pte Ltd | - | 0.2 |
| Tiger Airways Holdings Limited Group | | |
| Tiger Airways Holdings Limited ** | 51.9 | 0.2 |
| Total Interested Person Transactions | 66.3 | 705.9 |

* *Subscription of 10-year fixed rate notes which are issued by Neptune Orient Lines Limited under its Medium Term Note Programme. In accordance with Rule 909(3) of the SGX Listing Manual, the value of the transaction is the interest payable (i.e., $4.4 million over 10 years) on the loan, and the value of the loan (i.e., $10.0 million).*

** *Subscription of 89,504,625 new ordinary shares in Tiger Airways Holdings Limited at an issue price of SGD0.58 per share pursuant to the Rights Issue of Tiger Airways Holdings Limited.*

*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 |
|---|---|---|---|---|---|---|
| **TOTAL REVENUE** | | | | | | |
| 2011-12 | ($ million) | 3,577.6 | 3,699.5 | 3,875.4 | 3,705.3 | 14,857.8 |
| 2010-11 | ($ million) | 3,465.8 | 3,631.2 | 3,841.0 | 3,586.8 | 14,524.8 |
| **TOTAL EXPENDITURE** | | | | | | |
| 2011-12 | ($ million) | 3,566.6 | 3,576.6 | 3,718.2 | 3,710.5 | 14,571.9 |
| 2010-11 | ($ million) | 3,215.3 | 3,285.5 | 3,331.7 | 3,421.0 | 13,253.5 |
| **OPERATING PROFIT/(LOSS)** | | | | | | |
| 2011-12 | ($ million) | 11.0 | 122.9 | 157.2 | (5.2) | 285.9 |
| 2010-11 | ($ million) | 250.5 | 345.7 | 509.3 | 165.8 | 1,271.3 |
| **PROFIT/(LOSS) BEFORE TAXATION** | | | | | | |
| 2011-12 | ($ million) | 74.7 | 227.4 | 176.5 | (30.4) | 448.2 |
| 2010-11 | ($ million) | 317.5 | 480.4 | 409.4 | 211.7 | 1,419.0 |
| **PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT** | | | | | | |
| 2011-12 | ($ million) | 44.7 | 194.2 | 135.2 | (38.2) | 335.9 |
| 2010-11 | ($ million) | 252.5 | 380.2 | 288.3 | 171.0 | 1,092.0 |
| **EARNINGS/(LOSS) PER SHARE - BASIC** | | | | | | |
| 2011-12 | (cents) | 3.7 | 16.2 | 11.4 | (3.2) | 28.3 |
| 2010-11 | (cents) | 21.2 | 31.8 | 24.1 | 14.3 | 91.4 |
| **EARNINGS/(LOSS) PER SHARE - DILUTED** | | | | | | |
| 2011-12 | (cents) | 3.7 | 16.1 | 11.3 | (3.2) | 27.9 |
| 2010-11 | (cents) | 20.9 | 31.4 | 23.8 | 14.1 | 90.2 |

# Five-Year Financial Summary Of The Group

| | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|---|---|---|---|---|---|
| **PROFIT AND LOSS ACCOUNT ($ million)** | | | | | |
| Total revenue | 14,857.8 | 14,524.8 | 12,707.3 | 15,996.3 | 15,972.5 |
| Total expenditure | (14,571.9) | (13,253.5) | (12,644.1) | (15,092.7) | (13,848.0) |
| Operating profit | 285.9 | 1,271.3 | 63.2 | 903.6 | 2,124.5 |
| Finance charges | (74.3) | (70.1) | (68.9) | (89.7) | (100.2) |
| Interest income | 50.5 | 37.3 | 49.5 | 96.0 | 181.2 |
| (Loss)/Surplus on disposal of aircraft, spares and spare engines | (1.4) | 103.3 | 25.4 | 60.6 | 49.1 |
| Dividend from long-term investments | 18.0 | 23.8 | 33.0 | 23.7 | 34.8 |
| Other non-operating items | 48.8 | 80.1 | 34.2 | 29.4 | 96.8 |
| Share of profits of joint venture companies | 74.7 | 74.6 | 56.1 | 63.9 | 50.8 |
| Share of profits of associated companies | 51.4 | 100.5 | 93.0 | 111.1 | 110.2 |
| Profit before exceptional items | 453.6 | 1,620.8 | 285.5 | 1,198.6 | 2,547.2 |
| Fines | (5.4) | (201.8) | - | - | - |
| Profit before taxation | 448.2 | 1,419.0 | 285.5 | 1,198.6 | 2,547.2 |
| Profit attributable to owners of the Parent | 335.9 | 1,092.0 | 215.8 | 1,061.5 | 2,049.4 |
| **STATEMENT OF FINANCIAL POSITION ($ million)** | | | | | |
| Share capital | 1,856.1 | 1,832.4 | 1,750.6 | 1,684.8 | 1,682.0 |
| Treasury shares | (258.4) | (43.0) | (0.9) | (44.4) | (33.2) |
| Capital reserve | 99.1 | 91.8 | 74.8 | 86.3 | 95.6 |
| Foreign currency translation reserve | (186.3) | (186.1) | (137.0) | (137.9) | (130.7) |
| Share-based compensation reserve | 165.9 | 172.6 | 185.3 | 187.3 | 136.4 |
| Fair value reserve | (47.6) | (138.0) | (140.9) | (660.8) | 443.4 |
| General reserve | 11,264.6 | 12,474.7 | 11,737.0 | 12,815.3 | 12,931.7 |
| Equity attributable to owners of the Parent | 12,893.4 | 14,204.4 | 13,468.9 | 13,930.6 | 15,125.2 |
| Non-controlling interests | 294.0 | 298.4 | 280.4 | 559.8 | 503.7 |
| Total equity | 13,187.4 | 14,502.8 | 13,749.3 | 14,490.4 | 15,628.9 |
| Property, plant and equipment | 13,381.4 | 13,877.6 | 15,063.9 | 15,992.4 | 16,474.1 |
| Intangible assets | 158.3 | 125.2 | 80.8 | 553.0 | 106.6 |
| Investment properties | - | - | - | 7.0 | - |
| Associated companies | 543.2 | 504.8 | 532.6 | 855.3 | 1,121.0 |
| Joint venture companies | 113.2 | 102.8 | 108.6 | 127.5 | 95.1 |
| Long-term investments | 373.7 | 35.3 | 35.3 | 43.2 | 43.3 |
| Other non-current assets | 267.3 | 119.6 | 114.4 | 403.6 | 361.8 |
| Current assets | 7,205.9 | 9,779.2 | 6,548.7 | 6,836.5 | 8,313.3 |
| Total assets | 22,043.0 | 24,544.5 | 22,484.3 | 24,818.5 | 26,515.2 |
| Deferred account | 224.4 | 347.1 | 480.7 | 673.9 | 787.3 |
| Deferred taxation | 2,029.1 | 2,181.1 | 2,296.6 | 2,222.0 | 2,542.1 |
| Long-term liabilities and provisions | 1,337.1 | 1,281.2 | 1,438.1 | 1,513.5 | 1,689.4 |
| Current liabilities | 5,265.0 | 6,232.3 | 4,519.6 | 5,918.7 | 5,867.5 |
| Total liabilities | 8,855.6 | 10,041.7 | 8,735.0 | 10,328.1 | 10,886.3 |
| Net assets | 13,187.4 | 14,502.8 | 13,749.3 | 14,490.4 | 15,628.9 |

# Five-Year Financial Summary Of The Group

| | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|---|---|---|---|---|---|
| **CASH FLOW ($ million)** | | | | | |
| Cash flow from operations | 2,099.0 | 3,547.5 | 2,091.2 | 1,967.0 | 4,401.8 |
| Internally generated cash flow [R1] | 2,727.7 | 4,434.2 | 2,423.3 | 2,994.6 | 5,028.3 |
| Capital expenditure | 1,641.2 | 1,223.8 | 1,560.3 | 2,031.1 | 2,088.6 |
| **PER SHARE DATA** | | | | | |
| Earnings - basic (cents) | 28.3 | 91.4 | 18.2 | 89.6 | 168.5 |
| Earnings - diluted (cents) | 27.9 | 90.2 | 18.0 | 89.1 | 166.1 |
| Cash earnings ($) [R2] | 1.65 | 2.35 | 1.67 | 2.36 | 2.94 |
| Net asset value ($) | 10.96 | 11.89 | 11.30 | 11.78 | 12.77 |
| **SHARE PRICE ($)** | | | | | |
| High | 14.77 | 16.50 | 15.94 | 16.34 | 20.20 |
| Low | 10.05 | 13.00 | 10.12 | 9.39 | 14.12 |
| Closing | 10.77 | 13.68 | 15.20 | 10.00 | 15.60 |
| **DIVIDENDS** | | | | | |
| Gross dividends (cents per share) | 20.0 | 140.0 [R3] | 12.0 | 40.0 | 100.0 |
| Dividend cover (times) | 1.4 | 0.7 | 1.5 | 2.2 | 1.7 |
| **PROFITABILITY RATIOS (%)** | | | | | |
| Return on equity holders' funds [R4] | 2.5 | 7.9 | 1.6 | 7.3 | 13.6 |
| Return on total assets [R5] | 1.7 | 4.5 | 1.2 | 4.5 | 8.1 |
| Return on turnover [R6] | 2.7 | 7.9 | 2.2 | 7.2 | 13.4 |
| **PRODUCTIVITY AND EMPLOYEE DATA** | | | | | |
| Value added ($ million) | 4,344.3 | 5,419.2 | 4,276.4 | 5,570.8 | 7,082.1 |
| Value added per employee ($) [R7] | 192,960 | 246,361 | 159,151 | 174,995 | 235,380 |
| Revenue per employee ($) [R7] | 659,936 | 660,308 | 472,918 | 502,491 | 530,859 |
| Average employee strength | 22,514 | 21,997 | 33,222 | 31,834 | 30,088 |
| SGD per USD exchange rate as at 31 March | 1.2569 | 1.2602 | 1.4005 | 1.5203 | 1.3807 |

[R1] *Internally generated cash flow comprises cash generated from operations, dividends from associated and joint venture companies, and proceeds from sale of aircraft and other property, plant and equipment.*

[R2] *Cash earnings is defined as profit attributable to owners of the Parent plus depreciation and amortisation.*

[R3] *Includes 80.0 cents per share special dividend.*

[R4] *Return on equity holders' funds is the profit attributable to owners of the Parent expressed as a percentage of the average equity holders' funds.*

[R5] *Return on total assets is the profit after tax expressed as a percentage of the average total assets.*

[R6] *Return on turnover is the profit after tax expressed as a percentage of the total revenue.*

[R7] *Based on average staff strength.*

# Ten-Year Statistical Record

| | | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **SINGAPORE AIRLINES** | | | | | | | | | | | |
| FINANCIAL | | | | | | | | | | | |
| Total revenue | ($ million) | 12,070.1 | 11,739.1 | 10,145.0 | 13,049.5 | 12,759.6 | 11,343.9 | 10,302.8 | 9,260.1 | 7,187.6 | 8,047.0 |
| Total expenditure | ($ million) | 11,889.5 | 10,887.8 | 10,183.6 | 12,226.6 | 11,115.6 | 10,316.9 | 9,651.8 | 8,562.2 | 7,046.1 | 7,838.0 |
| Operating profit /(loss) | ($ million) | 180.6 | 851.3 | (38.6) | 822.9 | 1,644.0 | 1,027.0 | 651.0 | 697.9 | 141.5 | 209.0 |
| Profit before taxation | ($ million) | 413.3 | 1,194.0 | 233.3 | 1,252.4 | 2,077.6 | 2,291.1 | 940.8 | 1,570.4 | 319.7 | 460.1 |
| Profit after taxation | ($ million) | 390.2 | 1,011.2 | 279.8 | 1,218.7 | 1,758.8 | 2,213.2 | 746.0 | 1,283.6 | 420.6 | 618.0 |
| Capital disbursements [R1] | ($ million) | 1,762.7 | 981.9 | 1,372.4 | 1,698.6 | 1,814.4 | 2,792.7 | 1,458.6 | 1,608.9 | 2,051.3 | 2,766.2 |
| Passenger - yield | (cents/pkm) | 11.8 | 11.9 | 10.4 | 12.5 | 12.1 | 10.9 | 10.6 | 10.1 | 9.2 | 9.1 |
| - unit cost | (cents/ask) | 9.2 | 8.9 | 8.6 | 9.2 | 8.4 | 7.9 | 7.5 | 7.0 | 6.7 | 6.7 |
| - breakeven load factor | (%) | 78.0 | 74.8 | 82.7 | 73.6 | 69.4 | 72.5 | 70.8 | 69.3 | 72.8 | 73.6 |
| OPERATING PASSENGER FLEET | | | | | | | | | | | |
| Aircraft | (numbers) | 100 | 108 | 108 | 103 | 98 | 94 | 90 | 89 | 85 | 96 |
| Average age | (months) | 74 | 75 | 75 | 74 | 77 | 75 | 76 | 64 | 60 | 71 |
| Industry-wide average age | (months) | 151 | 163 | 162 | 162 | 162 | 161 | 159 | 157 | 156 | 155 |
| PASSENGER PRODUCTION | | | | | | | | | | | |
| Destination cities | (numbers) | 63 | 64 | 68 | 66 | 65 | 64 | 62 | 59 | 56 | 60 |
| Distance flown | (million km) | 374.6 | 354.1 | 342.4 | 379.8 | 365.9 | 353.1 | 341.8 | 325.4 | 266.7 | 296.2 |
| Time flown | (hours) | 490,261 | 460,096 | 443,141 | 492,103 | 474,432 | 458,936 | 441,510 | 419,925 | 342,715 | 384,652 |
| Available seat-km | (million) | 113,409.7 | 108,060.2 | 105,673.7 | 117,788.7 | 113,919.1 | 112,543.8 | 109,483.7 | 104,662.3 | 88,252.7 | 99,565.9 |
| TRAFFIC | | | | | | | | | | | |
| Passengers carried | ('000) | 17,155 | 16,647 | 16,480 | 18,293 | 19,120 | 18,346 | 16,995 | 15,944 | 13,278 | 15,326 |
| Revenue passenger-km | (million) | 87,824.0 | 84,801.3 | 82,882.5 | 90,128.1 | 91,485.2 | 89,148.8 | 82,741.7 | 77,593.7 | 64,685.2 | 74,183.2 |
| Passenger load factor | (%) | 77.4 | 78.5 | 78.4 | 76.5 | 80.3 | 79.2 | 75.6 | 74.1 | 73.3 | 74.5 |
| STAFF | | | | | | | | | | | |
| Average strength | (numbers) | 13,893 | 13,588 | 13,934 | 14,343 | 14,071 | 13,847 | 13,729 | 13,572 | 14,010 | 14,418 |
| Seat capacity per employee [R2] | (seat-km) | 8,163,082 | 7,952,620 | 7,583,874 | 8,212,278 | 8,096,020 | 8,127,667 | 7,974,630 | 7,711,634 | 6,299,265 | 6,905,667 |
| Passenger load carried per employee [R3] | (tonne-km) | 594,663 | 588,714 | 563,318 | 598,047 | 618,295 | 613,211 | 577,784 | 549,904 | 448,513 | 495,617 |
| Revenue per employee | ($) | 868,790 | 863,931 | 728,075 | 909,817 | 906,801 | 819,232 | 750,441 | 682,294 | 513,034 | 558,122 |
| Value added per employee | ($) | 237,472 | 310,480 | 219,678 | 294,666 | 368,382 | 368,831 | 258,810 | 301,024 | 179,272 | 191,566 |
| **SILKAIR** | | | | | | | | | | | |
| Passengers carried | ('000) | 3,032 | 2,764 | 2,356 | 1,954 | 1,815 | 1,616 | 1,259 | 1,044 | 845 | 948 |
| Revenue passenger-km | (million) | 4,469.4 | 4,039.6 | 3,466.4 | 3,158.6 | 3,094.9 | 2,712.9 | 2,208.0 | 1,895.6 | 1,453.0 | 1,555.7 |
| Available seat-km | (million) | 5,904.8 | 5,285.1 | 4,495.9 | 4,355.2 | 4,323.0 | 3,865.8 | 3,295.3 | 2,909.6 | 2,296.4 | 2,495.7 |
| Passenger load factor | (%) | 75.7 | 76.4 | 77.1 | 72.5 | 71.6 | 70.2 | 67.0 | 65.2 | 63.3 | 62.3 |
| Overall yield | (cents/ltk) | 153.3 | 147.4 | 137.9 | 156.2 | 147.2 | 140.8 | 138.7 | 134.4 | 131.6 | 144.0 |
| Overall unit cost | (cents/ctk) | 91.5 | 84.3 | 87.4 | 95.1 | 85.7 | 83.6 | 79.4 | 66.9 | 65.7 | 65.6 |
| Overall breakeven load factor | (%) | 59.7 | 57.2 | 63.3 | 60.9 | 58.2 | 59.3 | 57.3 | 49.8 | 49.9 | 45.6 |
| **SIA CARGO** | | | | | | | | | | | |
| Cargo and mail carried | (million kg) | 1,205.8 | 1,156.4 | 1,122.4 | 1,219.5 | 1,308.0 | 1,284.9 | 1,248.5 | 1,149.5 | 1,050.9 | 1,043.2 |
| Cargo load | (million tonne-km) | 7,198.2 | 7,174.0 | 6,659.1 | 7,299.3 | 7,959.2 | 7,995.6 | 7,874.4 | 7,333.2 | 6,749.4 | 6,913.6 |
| Gross capacity | (million tonne-km) | 11,286.5 | 11,208.5 | 10,510.1 | 12,292.5 | 12,787.8 | 12,889.8 | 12,378.9 | 11,544.1 | 10,156.5 | 9,927.1 |
| Cargo load factor | (%) | 63.8 | 64.0 | 63.4 | 59.4 | 62.2 | 62.0 | 63.6 | 63.5 | 66.5 | 69.6 |
| Cargo yield | (cents/ltk) | 34.9 | 36.2 | 32.0 | 38.2 | 38.7 | 38.4 | 38.6 | 35.9 | 36.7 | 34.2 |
| Cargo unit cost | (cents/ctk) | 23.5 | 22.3 | 21.9 | 24.9 | 23.4 | 24.5 | 23.5 | 21.3 | 23.0 | 23.9 |
| Cargo breakeven load factor | (%) | 67.3 | 61.6 | 68.4 | 65.2 | 60.5 | 63.8 | 60.9 | 59.3 | 62.7 | 69.9 |
| **SINGAPORE AIRLINES, SILKAIR AND SIA CARGO** | | | | | | | | | | | |
| Overall load | (million tonne-km) | 15,898.8 | 15,576.3 | 14,853.6 | 16,196.8 | 16,973.8 | 16,765.6 | 16,036.8 | 14,996.5 | 13,189.3 | 14,224.9 |
| Overall capacity | (million tonne-km) | 23,378.6 | 22,515.1 | 21,495.9 | 24,468.5 | 24,572.6 | 24,474.8 | 23,605.5 | 22,267.8 | 19,177.5 | 20,103.4 |
| Overall load factor | (%) | 68.0 | 69.2 | 69.1 | 66.2 | 69.1 | 68.5 | 67.9 | 67.3 | 68.8 | 70.8 |
| Overall yield | (cents/ltk) | 85.5 | 85.5 | 76.1 | 89.8 | 86.0 | 78.4 | 75.4 | 71.5 | 65.6 | 65.3 |
| Overall unit cost | (cents/ctk) | 58.6 | 55.4 | 54.6 | 58.4 | 52.9 | 50.6 | 48.2 | 44.8 | 43.7 | 45.7 |
| Overall breakeven load factor | (%) | 68.5 | 64.8 | 71.7 | 65.0 | 61.5 | 64.5 | 63.9 | 62.7 | 66.6 | 70.0 |

[R1] *Capital disbursements comprised capital expenditure in property, plant and equipment, intangible assets, investments in subsidiary, associated companies and joint venture companies, and additional long-term equity investments.*

[R2] *Seat capacity per employee is available seat capacity divided by Singapore Airlines' average staff strength.*

[R3] *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 2012, Singapore Airlines Group operating fleet consisted of 133 aircraft - 120 passenger aircraft and 13 freighters. 100 and 20 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 2012-13 | Expiry of operating lease 2013-14 | On firm order | On option |
|---|---|---|---|---|---|---|---|---|---|---|
| **Singapore Airlines:** | | | | | | | | | | |
| B747-400 | 1 | | | 1 | 375 | 10 y 5 m | | | | |
| B777-200 | 5 | | | 5 | 288 | 14 y 0 m | | | | |
| B777-200A | 6 | | 1 | 7 | 323 | 10 y 7 m | | | | |
| B777-200R | 9 | | 2 | 11 | 266 | 8 y 9 m | | | | |
| B777-200ER | 6 | | 3 | 9 | 285 | 9 y 5 m | | | | |
| B777-300 | | | 1 | 1 | 332 | 12 y 6 m | 1 | | | |
| B777-300R | 5 | | 2 | 7 | 284 | 8 y 5 m | | 1 | | |
| B777-300ER | 19 | | | 19 | 278 | 4 y 7 m | | | 8 | |
| A340-500 | 5 | | | 5 | 100 | 8 y 1 m | | | | |
| A380-800 | 5 | | 6 | 11 | 471 | 3 y 4 m | | | | 6 |
| A380-800A | 4 | | 1 | 5 | 409 | 5 m | | | 3 | |
| A330-300 | | | 19 | 19 | 285 | 2 y 4 m | | 4 | 15 [R1] | |
| B787-9 [R2] | | | | | | | | | 20 | 20 [R3] |
| A350-900 XWB [R2] | | | | | | | | | 20 | 20 |
| Sub-total | 65 | | 35 | 100 | N.A | 6 y 2 m | 1 | 5 | 66 | 46 |
| **SIA Cargo:** | | | | | | | | | | |
| B747-400F | 6 | 4 | 3 | 13 | N.A. | 11 y 3 m | | 1 [R4] | | |
| **SilkAir:** | | | | | | | | | | |
| A319-100 | 3 | | 3 | 6 | 128 | 6 y 2 m | | | | |
| A320-200 | 8 | | 6 | 14 | 150 | 6 y 4 m | | 1 | 4 | 4 |
| Sub-total | 11 | | 9 | 20 | N.A. | 6 y 3 m | | 1 | 4 | 4 |
| **Total** | **82** | **4** | **47** | **133** | **N.A.** | **6 y 8 m** | **1** | **7** | **70** | **50** |

*N.A. not applicable*

*[R1] The A330-300 aircraft on order are on operating leases.*

*[R2] The standard seat configuration will be finalised at a later date.*

*[R3] The B787-9 aircraft are on purchase rights.*

*[R4] The aircraft is on finance lease.*

# Group Corporate Structure

31 March 2012

**SINGAPORE AIRLINES LIMITED**

- **79.3%** SIA Engineering Company Limited
  - **100%** Aircraft Maintenance Services Australia Pty Ltd
  - **100%** NexGen Network (1) Holding Pte Ltd
  - **100%** NexGen Network (2) Holding Pte Ltd
  - **100%** SIAEC Global Pte Ltd
  - **100%** SIA Engineering (USA), Inc.
  - **65%** SIA Engineering (Philippines) Corporation
  - **65%** Singapore Jamco Pte Ltd
  - **51%** Aerospace Component Engineering Services Pte Limited
  - **51%** Aviation Partnership (Philippines) Corporation
  - **50%** International Engine Component Overhaul Pte Ltd
  - **50%** Singapore Aero Engine Services Pte Ltd
  - **49%** Combustor Airmotive Services Pte Ltd
  - **49%** Eagle Services Asia Private Limited
  - **49%** Fuel Accessory Service Technologies Pte Ltd
  - **49%** PT JAS Aero - Engineering Services
  - **49%** PWA International Limited
  - **49%** Safran Electronics Asia Pte Ltd
  - **49%** Southern Airports Aircraft Maintenance Services Company Limited
  - **47.1%** Pan Asia Pacific Aviation Services Ltd
  - **45%** Jamco Aero Design & Engineering Pte Ltd
  - **42.5%** Panasonic Avionic Services Singapore Private Limited
  - **40%** Goodrich Aerostructures Service Asia Pte Ltd
  - **40%** Messier Services Asia Private Limited
  - **39.2%** Asian Surface Technologies Pte Ltd
  - **33.3%** International Aerospace Tubes - Asia Pte Ltd
  - **24.5%** Asian Compressor Technology Services Co Ltd
  - **24.5%** Turbine Coating Services Private Limited
- **100%** SilkAir (Singapore) Private Limited
  - **100%** Tradewinds Tours & Travel Private Limited
  - **5%** Abacus Travel Systems Pte Ltd
- **56%** Abacus Travel Systems Pte Ltd
- **100%** Singapore Aviation and General Insurance Company (Pte) Limited
- **100%** Scoot Pte. Ltd.
- **100%** SIA Properties (Pte) Ltd
  - **20%** PT Purosani Sri Persada
- **100%** Singapore Flying College Pte Ltd
- **100%** Sing-Bi Funds Private Limited
- **100%** Singapore Airlines Cargo Pte Ltd
  - **51%** Cargo Community Network Pte Ltd
    - **100%** Cargo Community (Shanghai) Co Ltd
  - **25%** Great Wall Airlines Company Limited
- **100%** SIA (Mauritius) Ltd
- **76%** Singapore Airport Duty-Free Emporium (Private) Limited
- **49%** Virgin Atlantic Limited
- **32.7%** Tiger Airways Holdings Limited
- **20%** Ritz-Carlton, Millenia Singapore Properties Private Limited

# Information On Shareholdings

as at 29 May 2012

| | |
|---|---|
| No. of Issued Shares: | 1,199,851,019 |
| No. of Issued Shares (excluding Treasury Shares): | 1,173,313,672 |
| No./Percentage of Treasury Shares: | 26,537,347 (2.21%) |
| Class of Shares: | Ordinary shares<br>One Special share held by the Minister for Finance |
| Voting Rights (excluding Treasury shares): | 1 vote per share |

| Range of shareholdings | Number of shareholders | %* | Number of shares | %* |
|---|---|---|---|---|
| 1 - 999 | 4,252 | 9.43 | 2,087,692 | 0.18 |
| 1,000 - 10,000 | 37,712 | 83.66 | 101,020,524 | 8.61 |
| 10,001 - 1,000,000 | 3,092 | 6.86 | 95,379,533 | 8.13 |
| 1,000,001 and above | 21 | 0.05 | 974,825,923 | 83.08 |
| **Total** | 45,077 | 100.00 | 1,173,313,672 | 100.00 |

# Information On Shareholdings

as at 29 May 2012

## Twenty largest shareholders

| | Name | Number of shares | %* |
|---|---|---|---|
| 1 | Temasek Holdings (Private) Limited | 657,306,600 | 56.02 |
| 2 | DBS Nominees Pte Ltd | 86,146,295 | 7.34 |
| 3 | Citibank Nominees Singapore Pte Ltd | 81,920,304 | 6.98 |
| 4 | HSBC (Singapore) Nominees Pte Ltd | 31,228,810 | 2.66 |
| 5 | DBSN Services Pte Ltd | 30,883,490 | 2.63 |
| 6 | United Overseas Bank Nominees Pte Ltd | 25,250,704 | 2.15 |
| 7 | BNP Paribas Securities Services | 19,609,447 | 1.67 |
| 8 | Raffles Nominees Pte Ltd | 11,695,834 | 1.00 |
| 9 | DBS Vickers Securities (S) Pte Ltd | 5,409,677 | 0.46 |
| 10 | Bank of Singapore Nominees Pte Ltd | 4,414,717 | 0.38 |
| 11 | Merrill Lynch (Singapore) Pte Ltd | 2,634,371 | 0.23 |
| 12 | Tan Leng Yeow | 2,493,000 | 0.21 |
| 13 | OCBC Nominees Singapore Private Limited | 2,303,640 | 0.20 |
| 14 | DB Nominees (S) Pte Ltd | 2,233,285 | 0.19 |
| 15 | Estate of Chang Shyh Jin, Deceased | 2,007,940 | 0.17 |
| 16 | BNP Paribas Nominees Singapore Pte Ltd | 1,949,594 | 0.17 |
| 17 | ABN AMRO Nominees Singapore Pte Ltd | 1,851,934 | 0.16 |
| 18 | UOB Kay Hian Pte Ltd | 1,671,695 | 0.14 |
| 19 | Phillip Securities Pte Ltd | 1,418,264 | 0.12 |
| 20 | OCBC Securities Private Ltd | 1,310,852 | 0.11 |
| | **Total** | 973,740,453 | 82.99 |

## Substantial shareholder (as shown in the Register of Substantial Shareholders)

| | Number of Shares | | | |
|---|---|---|---|---|
| Substantial shareholder | Direct Interest | %* | Deemed Interest** | %* |
| Temasek Holdings (Private) Limited | 657,306,600 | 56.02 | 727,924 | 0.06 |

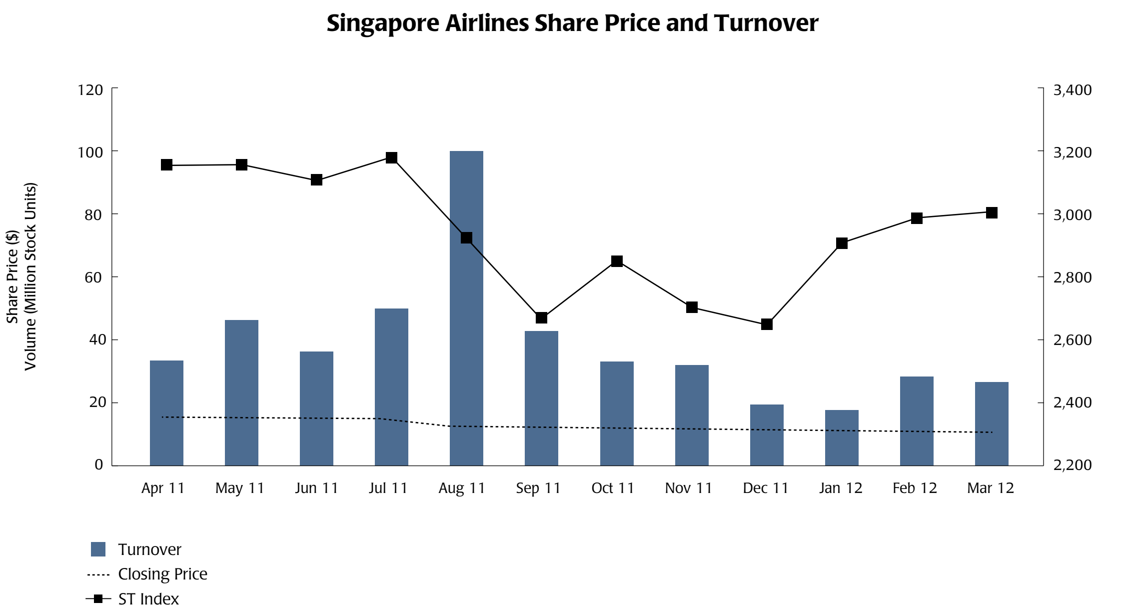
* *Based on 1,173,313,671 ordinary shares issued as at 29 May 2012 (this is based on 1,199,851,018 shares in issue as at 29 May 2012, excluding the 26,537,347 shares held in Treasury as at 29 May 2012).*

** *Deemed interest means interest determined pursuant to Section 7 of the Companies Act.*

## Shareholdings held by the public

Based on the information available to the Company as at 29 May 2012, 43.88 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




| **Share Price ($)** | **2011-12** | **2010-11** |
|---|---|---|
| High | 14.77 | 16.50 |
| Low | 10.05 | 13.00 |
| Closing | 10.77 | 13.68 |
| **Market Value Ratios** [R1] | | |
| Price/Earnings | 38.06 | 14.97 |
| Price/Book value | 0.98 | 1.15 |
| Price/Cash earnings [R2] | 6.53 | 5.82 |

[R1] *Based on closing price on 31 March and Group numbers.*

[R2] *Cash earnings is defined as profit attributable to owners of the Parent 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 Fortieth 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 Thursday, 26 July 2012 at 2.00 p.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 2012 and the Auditors' Report thereon.

2. To declare a final dividend of 10 cents per ordinary share for the year ended 31 March 2012.

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) Dr William Fung Kwok Lun
   (b) Mrs Christina Ong
   (c) Dr Helmut Gunter Wilhelm Panke

4. To re-elect Mr Jackson Peter Tai, a Director who is retiring in accordance with Article 89 of the Company's Articles of Association and who, being eligible, offers himself for re-election.

5. To approve Directors' emoluments of up to $1,650,000 for the financial year ending 31 March 2013 (FY 2011/2012: up to $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 and/or the SIA Restricted Share Plan; and

(b) allot and issue from time to time such number of fully paid ordinary shares as may be required to be issued pursuant to the vesting of awards under the SIA Performance Share Plan and/or the SIA Restricted Share Plan,

provided that the maximum number of new ordinary shares under awards to be granted pursuant to the SIA Performance Share Plan and the SIA 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, (excluding new ordinary shares arising from any adjustments made from time to time pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan) shall not exceed 8,832,924 ordinary shares, which represents 0.75 per cent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company as at 31 March 2012.

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 Fortieth Annual General Meeting to be held on 26 July 2012, the Transfer Books and the Register of Members of the Company will be closed on 2 August 2012 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 1 August 2012 will be registered to determine shareholders' entitlements to the final dividend. Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 1 August 2012 will be entitled to the final dividend.

The final dividend, if so approved by shareholders, will be paid on 15 August 2012.

By Order of the Board

Ethel Tan (Mrs)
Company Secretary
27 June 2012
Singapore

# Notice Of Annual General Meeting

### *Explanatory notes*

1. In relation to Ordinary Resolution Nos. 3(a), 3(b) and 3(c), Dr William Fung Kwok Lun will, upon re-election, continue to serve as a member of the Board Audit 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. Dr Helmut Gunter Wilhelm Panke will, upon re-election, continue to serve as Chairman of the Board Safety and Risk Committee and a member of the Board Compensation and Industrial Relations Committee. Dr Fung, Mrs Ong and Dr Panke 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 Fung, Mrs Ong and Dr Panke, respectively.

2. In relation to Ordinary Resolution No. 4, 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. Mr Jackson Peter Tai was appointed on 1 September 2011 and is seeking re-election at the forthcoming Fortieth Annual General Meeting. Mr Tai will, upon re-election, continue to serve as a member of the Board Audit Committee and Board Compensation and Industrial Relations Committee. Mr Tai is considered an independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Tai.

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 2012-13. Directors' fees are computed based on the anticipated number of Board and Committee meetings for Financial Year 2012-13, assuming full attendance by all of the non-executive Directors. 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. The amount also includes transport and travel benefits to be provided to the non-executive Directors. 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 Goh Choon Phong, 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. 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 ("**Shares**") pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan provided that the maximum number of new 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 (excluding new ordinary shares arising from any adjustments made from time to time pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan) shall not exceed 8,832,924 Shares, which represents 0.75 per cent of the total number of issued Shares (excluding treasury shares) as at 31 March 2012.

# Notice Of Annual General Meeting

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. The SIA Employee Share Option Plan was adopted at the Extraordinary General Meeting of the Company held 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. The last grant of options made under the SIA Employee Share Option Plan was on 1 July 2008 and these options are exercisable up to 30 June 2018.

As at 29 May 2012, the latest practicable date prior to the printing of this Notice (the "**Latest Practicable Date**"):

(a) 64,923,712 Shares, representing approximately 5.53 per cent of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, have been allotted and issued pursuant to the exercise of options under the SIA Employee Share Option Plan and the vesting of awards under the SIA Performance Share Plan and the SIA Restricted Share Plan since the inception of the respective plans;

(b) 36,922,922 Shares, representing approximately 3.15 per cent of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, are comprised in outstanding and unexercised options granted under the SIA Employee Share Option Plan; and

(c) 2,402,906 Shares, representing approximately 0.20 per cent of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, are comprised in outstanding awards granted under the SIA Performance Share Plan and the SIA Restricted Share Plan.

The maximum number of new Shares which may be issued under the SIA Employee Share Option Plan, the SIA Performance Share Plan and the SIA Restricted Share Plan is limited to 13 per cent of the total number of issued Shares (excluding treasury shares), as determined in accordance with the respective plans.

## 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.*

SINGAPORE AIRLINES

A STAR ALLIANCE MEMBER

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Ethel Tan
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Email: ethel_tan@singaporeair.com.sg

**Investor Relations**
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Singapore Company Registration Number
197200078R

**www.singaporeair.com**