SINGAPORE AIRLINES

Annual Report 02/03

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Contents

Statistical Highlights

FINANCIAL STATISTICS [R1]

	2002-03	2001-02	% Change
Group ($ million)			
Total revenue	10,515.0	9,382.8	+ 12.1
Total expenditure	9,797.9	8,458.2	+ 15.8
Operating profit [R2]	717.1	924.6	– 22.4
Profit before tax	976.8	925.6	+ 5.5
Profit attributable to shareholders	1,064.8	631.7	+ 68.6
Share capital	609.1	609.1	–
Distributable reserves			
General reserve	9,539.1	8,655.2	+ 10.2
Foreign currency translation reserve	41.3	63.8	– 35.3
Non-distributable reserves:			
Share premium	447.2	447.2	–
Capital redemption reserve	64.4	64.4	–
Capital reserve	7.7	6.9	+ 11.6
Shareholders' funds	10,708.8	9,846.6	+ 8.8
Return on shareholders' funds (%) [R3]	10.4	6.4	+ 4.0 points
Total assets	19,184.0	18,580.4	+ 3.2
Net debt [R4]	718.8	656.2	+ 9.5
Net debt equity ratio (times) [R5]	0.07	0.07	–
Value added	4,367.0	3,718.2	+ 17.4
Per Share Data			
Earnings before tax (cents)	80.2	76.0	+ 5.5
Earnings after tax (cents) – basic & diluted [R6]	87.4	51.9	+ 68.4
Net asset value ($) [R7]	8.79	8.08	+ 8.8
Dividends			
Interim dividend (cents per share)	6.0	3.0	+ 3.0 cents
Proposed final dividend (cents per share)	9.0	12.0 [R8]	– 3.0 cents
Dividend cover (times) [R9]	6.4	4.1	+ 2.3 times
Company ($ million) [R10]			
Total revenue	8,047.0	7,694.7	+ 4.6
Total expenditure	7,838.0	7,281.6	+ 7.6
Operating profit [R2]	209.0	413.1	– 49.4
Profit before tax	460.1	740.7	– 37.9
Profit after tax	618.0	567.2	+ 9.0
Value added	2,762.0	2,696.2	+ 2.4

[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] *Operating profit was restated to exclude items such as interest income, dividends from long-term investments and provision for diminution in value of long-term investments. Such items are now shown after operating profit. The change is to better reflect the performance of operating activities. Figures for the previous year were adjusted to allow year-on-year comparisons.*

[R3] *Return on shareholders' funds is the profit after taxation and minority interests expressed as a percentage of the average shareholders' funds.*

[R4] *Net debt is derived by offsetting liquid assets against loan liabilities, and conversely for net liquid assets.*

[R5] *Net debt equity ratio is net debt divided by shareholders' funds at 31 March.*

[R6] *Earnings per share is computed by dividing the profit after taxation and minority interests by the weighted average number of fully paid shares in issue.*

[R7] *Net asset value is computed by dividing shareholders' funds by the number of fully paid shares in issue at 31 March.*

[R8] *Includes 4.0 cents per share tax-exempt dividend.*

[R9] *Dividend cover is profit attributable to shareholders divided by net dividends.*

[R10] *The corporatization of Singapore Airlines Cargo took effect from 1 July 2001. The Company's revenue for financial year 2001-02 includes cargo revenue for the first three months of April to June 2001, and bellyhold revenue from Singapore Airlines Cargo (revenue received from leasing out space in the cargo holds of the parent company's passenger fleet) for the period July 2001 to March 2002.*

OPERATING STATISTICS

	2002-03	2001-02	% Change
Scheduled Passenger Services			
Passenger carried (thousand)	15,326.0	14,765.0	+ 3.8
Revenue passenger-km (million)	74,183.2	69,994.5	+ 6.0
Available seat-km (million)	99,565.9	94,558.5	+ 5.3
Passenger load factor (%)	74.5	74.0	+ 0.5 point
Passenger yield (cents/pkm)	9.1	9.0	+ 1.1
Passenger unit cost (cents/ask)	6.7	6.4	+ 4.7
Passenger breakeven load factor (%)	73.6	71.1	+ 2.5 points
Scheduled Cargo Services			
Cargo and mail carried (million kg)	1,043.2	938.5	+ 11.2
Cargo load (million tonne-km)	6,835.3	5,954.3	+ 14.8
Mail load (million tonne-km)	78.3	85.5	– 8.4
Gross capacity (million tonne-km)	9,927.1	8,950.3	+ 10.9
Cargo load factor (%)	69.6	67.5	+ 2.1 points
Cargo yield (cents/ltk)	34.2	32.2	+ 6.2
Cargo unit cost (cents/ctk)	23.9	23.2	+ 3.0
Cargo breakeven load factor (%)	69.9	72.0	– 2.1 points
Scheduled Passenger and Cargo Services			
Overall load carried (million tonne-km)	14,059.5	12,734.6	+ 10.4
Overall capacity (million tonne-km)	19,773.7	18,305.1	+ 8.0
Overall load factor (%)	71.1	69.6	+ 1.5 points
Overall yield (cents/ltk)	64.5	64.9	– 0.6
Overall unit cost (cents/ctk)	45.5	44.9	+ 1.3
Overall breakeven load factor (%)	70.5	69.2	+ 1.3 points
Employee Productivity – Company			
Average number of employees	14,418	14,205	+ 1.5
Seat capacity per employee (seat-km)	6,905,667	6,656,705	+ 3.7
Passenger load carried per employee (tonne-km) [R1]	495,617	471,300	+ 5.2
Revenue per employee ($)	558,122	541,690	+ 3.0
Value added per employee ($)	191,566	189,806	+ 0.9
Employee Productivity – Group			
Average number of employees	30,243	29,422	+ 2.8
Revenue per employee ($)	347,684	318,904	+ 9.0
Value added per employee ($)	144,397	126,375	+ 14.3

[R1] *Based on average staff strength of passenger operations. Passenger load includes excess baggage carried.*

GLOSSARY

Passenger

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Unit cost	=	Operating expenditure less bellyhold revenue from SIA Cargo divided by available seat-km
Yield	=	Operating passenger revenue from scheduled services divided by passenger-km flown
Breakeven load factor	=	Theoretical load factor at which operating expenditure less bellyhold revenue from SIA Cargo equals operating passenger and excess baggage revenue

Cargo

Load tonne-km	=	Cargo load carried (in tonnes) x distance flown (in km)
Capacity tonne-km	=	Cargo capacity production (in tonnes) x distance flown (in km)
Load factor	=	Cargo load tonne-km expressed as a percentage of cargo capacity tonne-km

Overall

Load tonne-km (ltk)	=	Load carried (in tonnes) x distance flown (in km)
Capacity tonne-km (ctk)	=	Capacity production (in tonnes) x distance flown (in km)
Overall load factor	=	Load tonne-km expressed as a percentage of capacity tonne-km

Board of Directors

KOH BOON HWEE

Mr Koh joined the board of SIA in March 2001 and was appointed Chairman in July of that year. Among other appointments, he is the Chairman of SIA Engineering Company and of the Nanyang Technological University Council, a director of Broadvision Inc, Agilent Technologies Inc, Temasek Holdings (Private) Ltd, and Executive Director of MediaRing Ltd.

Mr Koh holds a degree in Mechanical Engineering (First Class Honours) from the Imperial College of Science and Technology, University of London, and an MBA (Distinction) from the Harvard Business School.

CHEONG CHOONG KONG

Dr Cheong joined SIA in 1974 and served in several management positions before being appointed Managing Director in 1984. He was re-titled Chief Executive Officer in 1996 and became Deputy Chairman the same year. He retired from SIA on 9 June 2003. Prior to his retirement from SIA, he was Chairman of two major SIA subsidiaries – SIA Engineering Company and Singapore Airport Terminal Services. He serves on the Boards of Directors of OCBC Bank and Singapore Press Holdings Ltd, and became Chairman and Executive Director of OCBC Bank from 1 July 2003. He is also the Chairman of the Council of the National University of Singapore.

Dr Cheong graduated with a Bachelor of Science degree with First Class Honours in Mathematics from the University of Adelaide. He went on to earn a Masters of Science and a Ph.D, both in Mathematics, from the Australian National University.

CHARLES B GOODE

Mr Goode, who joined the SIA Board in July 1999, is Chairman of the Australia and New Zealand Banking Group, a position he has held since 1995, and is also Chairman of Woodside Petroleum Ltd. Among his other appointments, Mr Goode is President of the Howard Florey Institute of Experimental Physiology and Medicine, and is Chairman of The Ian Potter Foundation, one of Australia's largest private philanthropic foundations.

Mr Goode graduated with a Bachelor of Commerce with Honours from the University of Melbourne. He also holds a Master of Business Administration from Columbia University, and a Doctor of Laws – Honoris Causa from the University of Melbourne and Monash University. He is a Companion of the Order of Australia.

HO KWON PING

Mr Ho has been a Director of SIA since July 2000. He is Chairman of the Banyan Tree Hotels and Resorts Group, which owns listed and private companies involved in developing and operating hotels, resorts, spas, residential properties, retail galleries and other lifestyle-related activities. He is also Chairman of the Wah Chang Group of companies and the Singapore Management University. He is a director of the main Board of Standard Chartered Bank and the Government of Singapore Investment Corporation, and a member of the Regional Advisory Board of the London Business School.

Mr Ho graduated with a Bachelor of Arts in Economics from the University of Singapore.

EDMUND CHENG WAI WING

Mr Cheng brings great experience in the tourism industry to the SIA Board, having spent nine years as Chairman of the Singapore Tourism Board until 2002. He has been a director of SIA since June 1996 and Chairman of Singapore Airport Terminal Services Ltd from 22 May 2003. His other board appointments include being Chairman of Design Singapore Council, Deputy Chairman of Wing Tai Holdings, The Esplanade Company and National Arts Council, and a director of Clipsal Holdings and SNP Corporation. He is a member of the International Council of the Asia Society.

Top Row from left to right:

Koh Boon Hwee
Chairman

Cheong Choong Kong
Deputy Chairman/CEO

Charles B Goode
Director

Ho Kwon Ping
Director

Edmund Cheng Wai Wing
Director

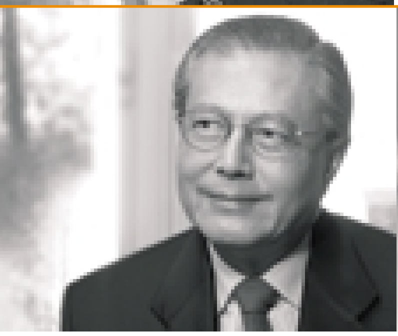
Bottom Row from left to right:

Fock Siew Wah
Director

Lim Boon Heng
Director

Davinder Singh
Director

Chew Choon Seng
Director




Mr Cheng graduated with a Bachelor of Science in Civil Engineering from Northwestern University in the United States. He also holds a Master of Architecture from Carnegie-Mellon University.

FOCK SIEW WAH

Mr Fock who has been a director of SIA since July 2000, began his career with DBS in Commercial Banking and ended as Head of the Commercial Banking Division. He then moved on to JP Morgan where he served for 13 years, eventually becoming a regional head and then Senior Vice President/Regional Treasurer (Asia Pacific). This was followed by his tenure at Overseas Union Bank as President and Chief Executive Officer from 1988 to 1991. He subsequently became Special Advisor to the Minister of Finance of the Republic of Singapore and later, Chairman of East West Bank in the United States. Mr Fock was Chairman of the Land Transport Authority of Singapore from 1995 to 2002. He is currently Deputy Chairman of Fraser and Neave Ltd, and a director of Temasek Holdings (Private) Ltd, DBS Group Holdings Ltd, DBS Bank Ltd, Times Publishing Ltd and Dao Heng Bank Ltd. He is also Senior Advisor to Nuri Holdings Ltd.

LIM BOON HENG

Mr Lim, who began his career with Neptune Orient Lines, is the Secretary-General of the National Trades Union Congress, a post he has held since 1994. He has been a Member of Parliament since 1980 and is currently Minister in the Prime Minister's Office. He has been a Director of SIA since July 1997 and is also Deputy Chairman of the Singapore Labour Foundation.

Mr Lim graduated with a Bachelor of Science with Honours in Naval Architecture from the University of Newcastle-upon-Tyne in Britain.

DAVINDER SINGH

Mr Singh, the CEO of Drew and Napier LLC, became a Director of SIA in July 2000. He is also a director of Singapore Technologies Pte Ltd, Zagro Asia Ltd and Petra Foods Pte Ltd, as well as a Member of Parliament for Bishan-Toa Payoh GRC. Mr Singh has been a Senior Counsel since 1997, when he was one of the first to be so appointed in Singapore.

Mr Singh graduated with a Bachelor of Law with Honours from the University of Singapore.

CHEW CHOON SENG

Mr Chew was appointed as a director of the Board in March 2003, having previously been named as CEO-Designate of SIA. He joined the Company in 1972 and has held a variety of managerial positions, including heading several regional offices and the Divisions of Planning, Marketing, and Finance. He was promoted to Senior Executive Vice-President (Administration) in May 2001 and Chief Executive Officer in June 2003.

Mr Chew is Chairman of SMRT Corporation Ltd and of Singapore Aircraft Leasing Enterprise, SIA's leasing associate. He is also Deputy Chairman of SIA Engineering Company and is a member of the boards of Singapore Airport Terminal Services Ltd, Virgin Atlantic Limited and the Singapore International Foundation. He graduated with a Bachelor of Mechanical Engineering degree (First Class Honours) from the University of Singapore, and a Master of Science in Operational Research and Management Studies from Imperial College, University of London.

It is, therefore, important for SIA management, staff and unions to embrace the realities of the new world, to change our mindsets, and to move forward and do the right things. Together I am confident we will overcome these adversities and emerge stronger.

Running an airline has often been likened to a flight through turbulence, but like passengers on the flight, we usually expect to pass through it unscathed. The turbulence facing the industry in recent years since 9-11, however, is not so benign. It is clear that not all airlines will survive. Worse, there is no visibility about when this period of turbulence will end or how it will end. We thought nothing could be worse than the immediate aftermath of 9-11; we were wrong.

At the start of the financial year, the industry was on a slow and steady climb, following a dramatic plunge in the weeks after 9-11. We were encouraged by the faster-than-expected recovery but were not misled into unjustified optimism: consumer confidence in air travel was still fragile, despite enhanced security at airports and on board airplanes, and business travel was still tentative because of slow economic growth around the world.

Although traffic had begun to return, yields were still depressed and costs remained high, with oil prices rising on expectations of war in Iraq. Despite these trying conditions, we restored nearly all of the services suspended after the 9-11 attacks and expanded route capacity. We also pressed ahead with new products and services and continued building alliances on the cargo side of the business.

Our results for the half-year reflected how well we had capitalized on the early recovery from 9-11. Profit attributable to shareholders was $774 million, an improvement of 474 per cent over the previous year. A tax writeback of $278 million due to a cut in the corporate tax rate contributed significantly to our earnings.

In October, the steady recovery in demand in the first half of the year was shattered by the bomb blasts in Bali. SIA immediately set up extra flights to meet the surge in demand for seats out of Denpasar. Later, the Airline played a key role in attracting tourists back to this perennial hotspot with innovative packages, including special deals for the Singapore market that were so enticing that 11,000 packages were sold in just three weeks.

While Bali was beginning its recovery, the threat of war in Iraq loomed large on the horizon. After the busy December period, the market began to soften, with passenger load factors in February 2003 down to 72 per cent, compared with 77.6 per cent twelve months earlier.

The eventual outbreak of war in March was soon followed by an outbreak of a different sort, that of the Severe Acute Respiratory Syndrome, or SARS. The combined effect was a steep fall in passenger load factors in March to 65.9 per cent. For the month of April, load factors fell further to 49.2 per cent. Consequently, SIA cut its capacity in the first three months of the new financial year by over 30 per cent. However, at the time of preparing this report, Singapore had been removed from the World Health Organization's list of SARS-affected countries and there is some improvement in business confidence.

Stringent cost management was essential to ensure the viability of the Airline. Capital expenditure and non-critical projects were deferred or cancelled; recruitment was frozen; and nearly 300 weekly services in April and May were cut.

Not all facets of the SIA group's operations were equally affected. The cargo transportation subsidiary, Singapore Airlines Cargo, performed well in the first half of the year, but the reduced bellyhold capacity resulting from SIA's frequency cuts had an impact on cargo carriage in March, despite more freighter services being mounted to compensate.

With SARS unlikely to disappear in the near term, the outlook is uncertain. In any event, the airline industry cannot sit on its hands and wait for the recovery. While costs will continue to be strictly controlled, efforts are under way to stimulate demand for travel through incentives and promotions. Even without SARS, it is clear that the airline industry will not be the same going forward.

Some of our competitors in the US are in bankruptcy proceedings. Even those that are not realize that their cost structures must be realigned to match reduced demand. Employees have agreed to massive reductions in payroll costs. These are not temporary reductions. They are permanent, and the ripple effects across the industry will eventually catch up with us.

The European airlines, having observed and learnt from what has happened in the US, are better positioned. In fact, they have responded more aggressively to the cost restructuring necessary to ensure their survival. We like to think of Europe as a place where labour practices are entrenched and intractable. But if you look closely at the discussions that have taken place, it is clear that they have made more progress in work-rule flexibility than in the US.

We must not lull ourselves into thinking that it will be "business as usual". To do so would be irresponsible and would place the future of our Company in jeopardy. It is, therefore, important for SIA management, staff and unions to embrace the realities of the new world, to change our mindsets, and to move forward and do the right things. Together, I am confident we will overcome these adversities and emerge stronger.

On 9 June 2003, Dr Cheong Choong Kong, who has been at the helm of SIA for the past 19 years, retired. His successor, as announced in January this year, is Mr Chew Choon Seng, a veteran of 31 years' experience with the Company. Given the precarious state of the travel and tourism industry at the present time, especially in this region, he might feel that fate could have chosen a kinder moment for him to take over.

From the Company's viewpoint, the circumstances make his appointment all the more suitable. It will provide continuity during a time when the Company must also undertake massive changes in the way we do business. Nobody is better qualified to lead the Airline in such capricious conditions.

I would like to offer special thanks and good wishes for the future to Dr Cheong Choong Kong, for serving SIA with loyalty and distinction for nearly three decades. I know he regrets leaving at such a difficult time for the Airline, but he has played his part in ensuring a smooth succession, and he has built a team that is well equipped to manage the recovery.

In conclusion, I would like to thank the management, staff and unions of the SIA Group for their efforts in coping with the present crisis; and last but not least, I wish to thank my fellow Board members for the value and expertise they have provided, and for the meticulous manner in which they have discharged their duties over the past year.

KOH BOON HWEE
Chairman

Corporate Data

Top Management, from left to right
Bey Soo Khiang
Huang Cheng Eng
Cheong Choong Kong
Michael Tan Jiak Ngee
Chew Choon Seng

BOARD OF DIRECTORS

Chairman
Koh Boon Hwee

Deputy Chairman and Chief Executive Officer
Cheong Choong Kong
(until 9 June 2003)

Members
Edmund Cheng Wai Wing
Fock Siew Wah
Charles B Goode
Ho Kwon Ping
Lim Boon Heng
Davinder Singh
Lim Chee Onn
(until 13 July 2002)
Chew Choon Seng
(from 5 March 2003)

BOARD EXECUTIVE COMMITTEE

Chairman
Koh Boon Hwee

Deputy Chairman and Chief Executive Officer
Cheong Choong Kong
(until 9 June 2003)

Chief Executive Officer
Chew Choon Seng
(from 9 June 2003)

Members
Fock Siew Wah
Lim Chee Onn
(until 13 July 2002)

AUDIT AND RISK COMMITTEE

Chairman
Edmund Cheng Wai Wing

Members
Koh Boon Hwee
Ho Kwon Ping

BOARD FINANCE COMMITTEE

Chairman
Fock Siew Wah

Members
Cheong Choong Kong
(until 9 June 2003)
Chew Choon Seng
(from 9 June 2003)
Charles B Goode
Davinder Singh

SAFETY AND RELIABILITY COMMITTEE

(with effect from 11 February 2003)

Chairman
Koh Boon Hwee

Member
Lim Boon Heng

BOARD COMPENSATION AND ORGANIZATION COMMITTEE

Chairman
Koh Boon Hwee

Members
Cheong Choong Kong
(until 9 June 2003)
Fock Siew Wah
Lim Boon Heng
Lim Chee Onn
(until 13 July 2002)

NOMINATING COMMITTEE

Chairman
Davinder Singh

Members
Edmund Cheng Wai Wing
Charles B Goode

COMPANY SECRETARIES

Mathew Samuel
Foo Kim Boon

REGISTRAR

KPMG
138 Robinson Rd
#17-00
The Corporate Office
Singapore 068906

AUDITORS

Ernst & Young
Certified Public Accountants
10 Collyer Quay
#21-01
Ocean Building
Singapore 049315

AUDIT PARTNER

Fang Ai Lian
(since 2001)

REGISTERED OFFICE

Airline House
25 Airline Road
Singapore 819829

EXECUTIVE MANAGEMENT

HEAD OFFICE

Deputy Chairman and Chief Executive Officer
Cheong Choong Kong
(until 9 June 2003)

Chief Executive Officer
Chew Choon Seng
(from 9 June 2003)

Senior Executive Vice-President (Administration)
Chew Choon Seng
(until 9 June 2003)

Senior Executive Vice-President (Commercial)
Michael Tan Jiak Ngee

Senior Executive Vice-President
(Technical and Human Resources)
Bey Soo Khiang

Executive Vice-President
(Marketing and the Regions)
Huang Cheng Eng

Senior Vice-President
(Cabin Crew)
Sim Kay Wee

Senior Vice-President
(Corporate Affairs)
Mathew Samuel

Senior Vice-President
(Engineering)
Mervyn Sirisena

Senior Vice-President
(Finance and Administration)
Teoh Tee Hooi

Senior Vice-President
(Flight Operations)
Raymund Ng

Senior Vice-President
(Human Resources)
Loh Meng See

Senior Vice-President
(Information Technology)
Goh Choon Phong

Senior Vice-President
(Marketing)
Tan Chik Quee

Senior Vice-President
(Partnerships and International Relations)
Syn Chung Wah

Senior Vice-President
(Product and Services)
Yap Kim Wah

President
Singapore Airlines Cargo Pte Ltd
Hwang Teng Aun

Chief Executive Officer
Singapore Airport Terminal Services Ltd
Prush Nadaisan

Chief Executive
SATS Airport Services Pte Ltd
Karmjit Singh

Chief Executive
SATS Catering Pte Ltd
Joseph Chew Khiam Soon

President & Chief Executive Officer
SIA Engineering Company Ltd
William Tan Seng Koon

Chief Executive
SilkAir (Singapore) Pte Ltd
Subhas Menon

OVERSEAS

Senior Vice-President The Americas
Ng Chin Hwee

Senior Vice-President Europe
Thoeng Tjhoen Onn

Senior Vice-President North Asia
Ng Kian Wah

Senior Vice-President South East Asia
Teh Ping Choon

Senior Vice-President South West Pacific
Mak Swee Wah

Senior Vice-President West Asia and Africa
Paul Tan Wan Liang

Financial Calendar

31 March 2003
Financial year-end

23 May 2003
Announcement of 2002-03
Annual Results

24 June 2003
Despatch of Summary Financial
Statement to Shareholders

8 July 2003
Despatch of Annual Report to
Shareholders

26 July 2003
Annual General Meeting

30 July 2003
Announcement of 2003-04
first quarter results

11 August 2003
Payment of 2002-03
final dividend
(subject to shareholders'
approval at AGM)

24 November 2003
Date of payment of 2003-04
interim dividend (if applicable)

Significant Events

April

- SIA and VISA International launch the Singapore Airlines Splendour Card, offering customers discounts at more than 300 outlets and attractions in Singapore.

- Delivery of seventh B777-200ER aircraft.

May

- First flight by SpaceBed-equipped aircraft operates from Singapore to London.

- SIA and Virgin Investments subscribe for additional shares in Virgin Atlantic, amounting to GBP25 million (S$65.7 million), as working capital and to fund future capital expenditure.

- SIA suspends services to Kathmandu, Lahore and Karachi indefinitely.

- SilkAir launches new service to Krabi in Thailand.

June

- Official opening of SATS Inflight Catering Centre 1 by Minister for Manpower, Dr Lee Boon Yang.

- Delivery of eighth B777-200ER aircraft.

- SIAEC exercises option to acquire additional 10 per cent stake in Rohr Aero Services-Asia Pte Ltd (RASA), increasing SIAEC's stake to 40 per cent.

July

- Singapore Flying College takes delivery of two new Lear 45 training aircraft.

- SIAEC and PT Jasa Angkasa Semesta (PT JAS) sign a Memorandum of Understanding for a JV to provide aircraft line maintenance and technical ramp handling services at Indonesia's major airports.

- SilkAir launches new services to Chengdu and Macau SAR in China.

August

- Thrice-weekly Las Vegas via Hong Kong service starts.
- Trial of inflight email and SMS service launched.
- Delivery of two B777-200ER aircraft, the ninth and tenth of this aircraft type to join SIA's fleet.

October

- The SIA Group announces a profit attributable to shareholders of $774 million for the half year ending 30 September 2002, an increase of 474 per cent over the same period in 2001. The SIA Board declared an interim dividend of 6 cents per share, 3 cents higher than a year earlier.
- Delivery of eighth B777-300 and eleventh B777-200ER aircraft.
- SilkAir launches new service to Hyderabad in India.

November

- KrisFlyer announces new partners – Emirates, Starwood Hotels and Resorts, Taj Hotels Resorts and Palaces and the Saville Hotel Group.
- Delivery of twelfth B777-200ER aircraft.

December

- Singapore Flying College's new branch at Maroochydore, Queensland, which became operational in November 2002, is officially opened.

February

- Delivery of B747-400F freighter, the twelfth in SIA Cargo's fleet.

March

- SIA Board of Directors appoints Mr Chew Choon Seng, Senior Executive Vice-President (Administration) as a Director with immediate effect. Mr Chew had been named as CEO-Designate in January 2003.
- SIA announces plans to suspend 65 services a week in response to softening demand, caused primarily by the war in Iraq.
- SilkAir suspends services to Makassar in Indonesia indefinitely.
- Delivery of SIA's thirteenth and fourteenth B777-200ER aircraft.

Operating Review

PREPARING FOR AN UNCERTAIN FUTURE

SIA continued to grow steadily in terms of fleet size and destinations served during the early part of the year. Recovery from the downturn in demand in the aftermath of the events of September 11 2001 was encouraging, and nearly all of the services suspended at the end of 2001 or the beginning of 2002 were restored. In addition, SIA launched the first-ever direct service between South East Asia and Las Vegas.

The second half was plagued by events beyond the control of the Airline. With the economic slowdown continuing to weaken the travel and tourism industry, consumer demand was further dampened by the bomb attacks in Bali, the worsening situation in Iraq leading to the eventual war, and at the end of the financial year, the sudden and devastating outbreak of the Severe Acute Respiratory Syndrome (SARS) in Asia. As the year in review ended, the outlook for the industry was uncertain.

NETWORK

The highlight of the year in terms of network expansion came with the launch of Las Vegas services in August 2002. The famed entertainment and conference centre, which is also an important gateway to America's southwest, was served by a three-times weekly B777-200ER service, equipped with SIA's new *SpaceBeds,* stopping at Hong Kong en route. With the outbreak of war in the Middle East and SARS, this service was subsequently suspended in April 2003.

In October, SIA's China services received a significant boost with the introduction of a third daily flight to Shanghai. The increase in capacity coincided with the shift of SIA flights from Shanghai's Hong Qiao airport to the new Pudong International Airport, 45 minutes from the city.

Two frequencies were added to Brisbane, increasing the number of weekly services to Australia to 70. Over the traditionally busy December period, supplementary flights to Sydney, Melbourne and Christchurch were also mounted.

As part of a restructuring of services to South Africa, operations to Durban were terminated in January 2003, when B777-200ER aircraft gradually replaced B747-400s, allowing capacity to better match demand. The outcome of this restructuring was a daily non-stop service to Johannesburg (from five times weekly) and three services a week to Cape Town (up from two).

Meanwhile, SIA's services to the Middle East were further enhanced in May 2002, with the addition of three weekly B777 services to Dubai, taking the total to ten. But services to Kathmandu, Lahore and Karachi were suspended early in May 2002 and have not been resumed due to the prevailing uncertain situation.

In the final weeks of the financial year, the outbreak of war in Iraq and the appearance of SARS as a major health concern led SIA to announce a significant reduction in capacity. In terms of available seat kilometers, these cuts amounted to 30 per cent in the first quarter of the new financial year (April to June 2003).

As at March 31, 2002, SIA's passenger network covered 60 cities in 33 countries.

FLEET

During the year, SIA took delivery of nine new aircraft: one B777-300, delivered in October 2002, and eight B777-200ERs, delivered between April 2002 and March 2003. In February 2003, Singapore Airlines Cargo took delivery of its twelfth B747-400 freighter.

In March 2003, SIA completed a sale and leaseback transaction on a B747-400 aircraft with Caspian Leasing Limited, for a six-year lease. This was the sixteenth B747-400 to be involved in a sale and leaseback transaction.

SIA disposed of seven aircraft during the year: two A310-300s and five A340-300Es. As at 31 March 2003, SIA's passenger fleet stood at 96 aircraft, with an average age of five years and 11 months. Nine A310-300s and three A340-300Es remained in the fleet, all of which were retired by June 2003.

On board security was further enhanced with the installation of 'phase 2' bullet-proof cockpit doors, approved by the US Transportation Safety Administration, on all SIA's B747-400, B777 and A340-300E aircraft.

PRODUCT AND SERVICE DEVELOPMENT

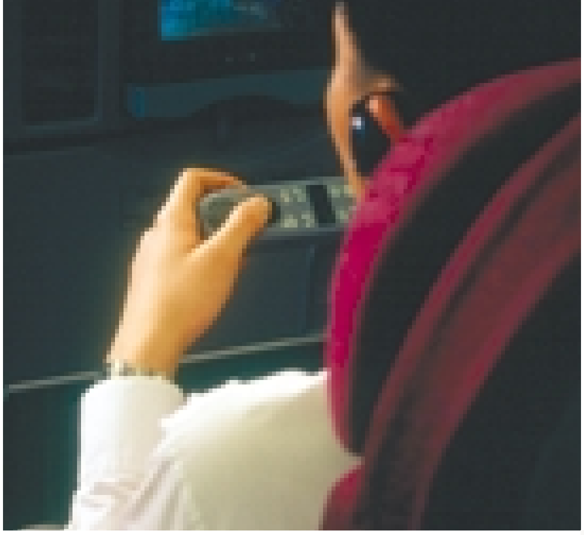
On board

Despite the unpredictable economic climate that prevailed for most of the year and worsened considerably at the end of it, SIA continued to introduce new product and service features, the most significant of them being the eagerly-awaited *SpaceBeds* in Raffles Class and the new-generation *KrisWorld* inflight entertainment system with audio and video-on-demand in all three classes.

Initially unveiled in August 2001, the *SpaceBed* was eventually launched in June 2002 after further refinements had been made, including modifications to reduce the weight of the seat. The *SpaceBed* can be converted in seconds from a snug and welcoming seat to the biggest business class flat-bed in the sky. With both armrests lowered, its width is a generous 27 inches and, when fully extended, its length 78 inches, enough space for almost any sleeping position.

SpaceBeds are being progressively installed on two types of aircraft, the B747-400 and the B777-200ER, both of which are used on long-haul routes. London and Las Vegas were among the first destinations to welcome them. By the end of March 2003, they had been retrofitted on 14 B747-400s and all 14 B777-200ERs. By the third quarter of 2003, they will be installed on another 14 B747-400s, taking the total number of *SpaceBed*-equipped aircraft to 42.

The roominess of the *SpaceBed* is not its only appealing feature: it also comes equipped with the new-generation



KrisWorld inflight entertainment system, complete with a 10.4-inch high-resolution video screen. Based on Matsushita Avionics' latest MAS3000 system, the new *KrisWorld* is being installed in all three classes of SIA's long-haul fleet.

The new system offers passengers a greatly enhanced range of options that extend beyond movies, short features and games, with inflight SMS and email now featured. Utilizing Matsushita's *Inflight Communicator* system, the inflight SMS and email feature was launched in August 2002 on a free trial basis. It allows passengers to send messages of up to 160 characters to email addresses and mobile phone numbers around the world.

The previous features of *KrisWorld* are still available, but with even more choice. Using the audio-video on demand feature, customers in all classes can begin playing movies and music CDs at any time they wish; they can pause, fast-forward or rewind a movie or CD at any time and, in the latter case, create their own playlists. They can also choose from a wide variety of entertainment features such as interactive multi-player games like mahjong, popular Nintendo games, and news around the world from CNN. In total, nearly 200 entertainment options are available.

In December 2002, The Arts Channel was added to the suite of video channels available on *KrisWorld.* With its focus on opera, ballet and musicals, the Arts Channel was launched in style with a feature on the tenth anniversary of *Pavarotti and Friends*, a series of concerts hosted by the legendary Italian tenor that unites a vast range of music genres and artists.

A restricted viewing feature was introduced to *KrisWorld* in January 2003, allowing parents to choose which programs their children can view. The feature, available on aircraft fitted with the MAS3000 system, enables cabin crew to block selected video channels if parents consider the content to be unsuitable for their children. Parents may make their request through SIA's reservations service if the child is travelling alone.

In February, *KrisWorld* became more accessible to passengers from around the world, with the inclusion of four separate language options for the latest Hollywood blockbusters. At the touch of a button, customers on aircraft with the MAS3000 system can pick their language of choice. Language selections, which vary from film to film, include German, French, Italian, Japanese, Spanish, Korean and Mandarin.

SIA's inflight dining has long been among the best in the industry, and in September, its unique *Book the Cook* option for First and Raffles Class passengers was revamped to better suit the tastes and desires of its customers. After extensive research, half the menu options were changed.

New dishes include Japanese and Thai favourites, such as Kyo-Kaiseki and Thai Green Curry Fish Balls Stuffed with Prawns. First Class customers flying out of Singapore are offered a choice of 21 *Book the Cook* dishes, with Raffles Class customers offered 17. Customers flying out of 15 cities are now able to take advantage of *Book the Cook*, with Amsterdam and Dubai the latest to offer this feature.

SIA's International Culinary Panel, which creates the *Book the Cook* dishes and many others on the SIA inflight menu, welcomed two new faces in March 2003. In line with SIA's policy of keeping its ideas as fresh as the food it serves, Mathew Moran from Sydney and New York's Alfred Portale joined the panel. At the same time, the panel said a fond farewell to Dietmar Sawyere and David Burke, whose popular signature dishes will continue to be featured on SIA inflight menus.

There were also two significant additions to SIA's renowned wine list. In October 2002, SIA began offering Piper Heidsieck Special Rare Cuvee as its exclusive Raffles Class champagne. In March 2003, SIA began serving 1997 Pichon Lalande, from the commune of Paulliac, in First Class.

SIA also makes sure the appetites of its younger customers are satisfied as well. In June, a tasting session was held to evaluate potential selections for SIA's children's menu. More than a hundred children aged from three to 12 were invited to try a range of dishes such as baby carrots, spaghetti with meatballs, broccoli, fried noodles, chicken nuggets, jello and chocolate brownies. They were asked to fill out a simple scorecard to indicate which dishes they liked best.

On the ground

SIA's website, *www.singaporeair.com*, was further enhanced to provide customers with more on-line capability. They are now able to make multi-stage bookings and create an itinerary that includes stopovers or combines three or more cities.

An interline booking function was also launched. This allows SIA customers to book flights on other airlines, including SIA's Star Alliance partners and Virgin Atlantic. The interline booking function increases SIA's selling network more than five-fold, to more than 450 destinations worldwide.

Other web site enhancements include the ability to redeem *KrisFlyer* miles online and make requests for special dietary, ethnic or religious meals for a forthcoming flight. The SIA destination guide, which features information such as currency exchange rates, time zones and a climate guide, now allows customers to check visa requirements at SIA destinations as well.

In May 2002, a new *Silver Kris* lounge was opened in Terminal 2 of Chiang Kai Shek International Airport in Taipei. At 656 square metres, the new lounge is three times the size of the one it replaced in Terminal 1 and can accommodate over 120 First and Raffles Class customers. The lounge features business workstations, First Class slumberette rooms and shower facilities, and the gourmet cuisine that customers have come to expect from *Silver Kris* lounges around the world.

Customers travelling to Japan, Korea and the USA found it easier to stay in touch from June 2002, when SIA started offering free mobile phone rental to First and Raffles Class passengers travelling to those destinations, and discounted rental for Economy Class passengers.

KrisFlyer

KrisFlyer continued to build and enhance its network of partners throughout the year, adding more value to SIA's frequent flyer programme members. In May 2002, Emirates joined as *KrisFlyer*'s latest airline partner, and in November 2002, *KrisFlyer* welcomed three new hotel partners: Starwood Hotels and Resorts, Taj Resorts, Hotels and Palaces, and the Saville Hotel Group.

For the second year in a row, *KrisFlyer* was voted 'Best Frequent Flyer Programme' by readers of *Business Traveller Asia Pacific* and 'Most Popular Airline Frequent Flyer Programme' in the *TIME Readers' Travel Choice Awards*.

KrisFlyer boasts 69 partners around the world, ranging from airlines, hotels and a travel agency to credit cards, an insurance company and a telecommunications provider. Through Singapore Airlines' international network, *KrisFlyer* now connects members to global airline partners serving 810 destinations worldwide.

PROMOTING TRAVEL AND TOURISM

SIA undertook joint promotion activities with various tourism bodies throughout the region, and sponsored familiarisation trips for journalists to several countries, including Indonesia, the Philippines and Australia. Following the Bali bombing in October 2002, SIA worked closely with tourism officials in Indonesia in an effort to encourage tourists to resume travel to Bali. Major promotions were launched in Singapore and throughout the network, with a total of 25,000 packages sold offering discounted flights and accommodation in Bali.

Earlier in the year, the SIA Splendour Card was launched, offering customers discounts of up to 20 per cent at more than 300 retail outlets, restaurants and entertainment outlets in Singapore. The programme was later extended to include a total of 800 merchants spread through South East Asia and Australia.

The Singapore Stopover Splendour package, initially launched in September 2001, was extended until the end of September 2002 due to its high popularity. The package offered customers a night's hotel accommodation for just US$1, as well as discounts of up to 50 per cent at leading tourist attractions.

SIA extended its relationship with the Singapore Turf club in 2002 by extending its sponsorship of one of the region's premier horse racing events – the $3 million Singapore Airlines International Cup.

It was the first time the event was included in the prestigious World Series Racing Championship, a global event linking the world's top international thoroughbred races in an annual championship. SIA also sponsors the $1 million *KrisFlyer* Sprint, which is run on the same day.

Another sporting event sponsored by SIA was the inaugural Singapore Sevens rugby tournament, held in April 2002 at the Singapore National Stadium, where SIA was the Official Airline.

ALLIANCE MATTERS

This year saw the launch of 'Star Alliance Awards' , a frequent flyer benefit. *KrisFlyer* members can now use a single award level to redeem a seamless itinerary consisting of multiple flights on Star Alliance carriers, including Singapore Airlines.

In September, a significant step was taken towards ensuring a more seamless travel experience with one of SIA's key codeshare and Star Alliance partners, Lufthansa. Customers flying into Frankfurt on SIA flights can check the departure gate for their onward connection to Lufthansa's domestic German network even before they land. The information is displayed on *KrisWorld*.

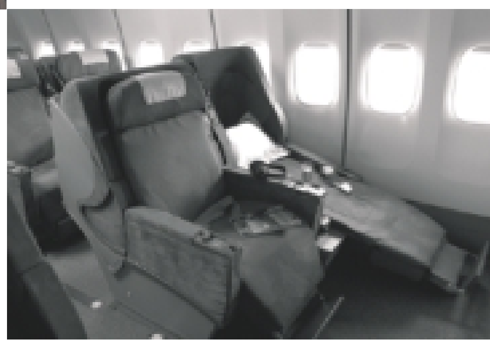
Similarly, Lufthansa passengers connecting to any SIA destination via Singapore can check the gate number of their connecting flight at Changi Airport before they arrive, using the same system that has been in place for SIA flights arriving in Singapore.

COMMUNITY RELATIONS

SIA recognizes that its business is reliant on the support of the communities in which it operates, and the Company is committed to assisting those communities through its community relations programmes.

SIA contributed nearly $900,000 in cash, as well as free and rebated air tickets, to charities, community development programmes, and philanthropic or promotional events.

Two of the biggest regional projects are Siap, an education program in Indonesia, which offers scholarship assistance to students; and Bantay Bata, also an education programme, launched in February 2003 in the Philippines. Bantay Bata provides support for more than 100 abused children, including tuition fees, school supplies and academic-related miscellaneous expenses.



Change of CEO

In January 2003, the Board of Directors announced that Mr Chew Choon Seng would succeed Dr Cheong Choong Kong as Chief Executive Officer on the latter's retirement in June 2003, after 29 years with the Company.

Fifty-six-year-old Mr Chew, who joined SIA in 1972, has moved extensively through different functional areas of the company. His overseas experience includes country management assignments in Japan and Italy, and subsequent regional appointments as Senior Vice-President in charge of the South-West Pacific, the Americas and Europe. He has also headed the Divisions of Planning, Marketing, and Finance. He was promoted to the position of Senior Executive Vice-President (Administration) in May 2001 and in this capacity was responsible for the areas of Corporate Affairs, Finance and Internal Audit.

The SIA Board paid tribute to Dr Cheong, saying that it was deeply appreciative of his service and achievements as CEO, and for his assisting the board in planning a smooth and orderly succession.

Born in Malaysia, Dr Cheong spent six years at the University of Malaya, the last few as an Associate Professor, before joining SIA in 1974. After holding managerial posts in Planning, Personnel and Information Technology, he became Managing Director in 1984. The position was re-titled Chief Executive Officer in 1996, and he became Deputy Chairman the same year. Under his direction, the Company has become an airline industry leader, gaining respect and recognition internationally.

SIA is actively involved in the Singapore community, supporting the lonely elderly poor through the SIA Club Sunday programme, run in conjunction with Lions Befrienders. The Airline also provided air tickets to the arts community for local artistes to travel overseas for performances or competitions under the SIA-NAC Travel Grant Scheme, run in conjunction with the National Arts Council. Supporting the local arts scene is still very much a part of SIA's sponsorship objectives, with the Singapore Symphony Orchestra and Singapore Dance Theatre among the recipients.

Finally, in the area of sport, SIA provided support in the form of air travel to the Football Association of Singapore.

AWARDS AND ACCOLADES

Throughout the year, SIA continued to win awards from publications and places as diverse as the destinations in our worldwide network. Aside from winning numerous airline-related accolades, most of them for customer service and product development, SIA also did well in competition with major multinational corporations in other industries.

Among the Airline's achievements was a place in *Forbes* magazine's annual list of The World's Best Companies, where it also earned a place in the top 10 travel and transport companies. Meanwhile, *Fortune* magazine ranked SIA twenty-first in its list of the World's Most Admired Companies, and the prestigious title of Most Admired Airline.

SIA was also honoured for its prudent financial management. *FinanceAsia* magazine bestowed five awards on SIA, including Best Managed Company, and Most Committed to Shareholder Value, while another five awards were presented by UK-based *Investor Relations* magazine at its annual Asia Awards, including Best Annual Report, Best Communication of Shareholder Value, and the Grand Prix award for Best Overall Investor Relations.

These and all other major awards won by SIA during the year are listed in this report.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Singapore Airlines Cargo

The year in review was the first in which Singapore Airlines Cargo operated as a separate company for the entire period and also saw the company become the second largest international cargo airline, according to official IATA statistics.

The young company strengthened the foundations for strong organisational practices in a number of areas, including information and operational security, risk management, financial controls and responsibility for overseas offices.

Freighter services were expanded significantly, with additional services mounted to Chicago, Dallas-Fort Worth, Brussels, Copenhagen, and Melbourne. The company also announced it would launch thrice-weekly freighter services to Xiamen and Nanjing in China, then on to Chicago, in May 2003.

The services to and beyond Xiamen and Nanjing follow the signing of a new air services agreement between Singapore and China. It is the first time a third-country carrier has been granted rights to operate direct services between China and the US. These services are in addition to four existing weekly freighter services to Shanghai, which now operate to the new Pudong International Airport.

In February, the company took delivery of its twelfth B747-400 freighter, which allows further scope for regular services to the world's key trade destinations. The company has also developed a sale and leaseback program as part of its residual-value risk management strategy. The first sale and leaseback transaction is expected to take place later in 2003.

Singapore Airlines Cargo has continued to build its relationships with other carriers in order to enhance customer value. Along with Lufthansa Cargo and SAS Cargo, it was a founder member of the WOW Alliance, which, in July 2002, welcomed Japan Air Lines (JAL) Cargo as its fourth member.

In a separate commercial tie-up, SIA Cargo signed a Memorandum of Understanding in January 2003 with Cathay Pacific Cargo, JAL Cargo and Qantas Freight to jointly participate in an internet portal for air cargo services. The portal is a joint operation between Singapore's Cargo Community Network (owned 49 per cent by Singapore Airlines Cargo) and Global Logistics system Hong Kong.

In March 2003, for the tenth year in succession, the company won the awards for "Best All Cargo Airline" and "Best Air Cargo Carrier – Asia", at the Asian Freight and Supply Chain Awards. It was also named "Best Airfreight Carrier" at the inaugural Asia Logistics Awards.

At the end of the year in review, Singapore Airlines Cargo offered a network linking 68 cities in 36 countries with a fleet of twelve B747-400 freighters and the bellyhold capacity of SIA's passenger fleet.

SIA Engineering Company (SIAEC)

In June 2002, SIAEC exercised an option to increase its stake in Singapore-based Rohr Aero Services – Asia Pte Ltd (RASA) from 30 per cent to 40 per cent. A joint venture between SIAEC and Goodrich Corporation, RASA provides aerostructure repair and overhaul services to more than 48 airlines in the Asia-Pacific region.

In July 2002, construction started on RASA's new US$13.5 million facility which, at 22,000 square metres, will be twice the size of the existing facility. Its state-of-the-art equipment will include the largest 'Autoclave' heat-treatment machine in Asia.

In July, SIAEC and PT Jasa Angkasa Semesta (PT JAS) signed a Memorandum of Understanding to provide aircraft line maintenance and technical ramp handling services at Indonesia's major airports. PT JAS provides ground-handling and flight operations despatch services to more than 28 international and domestic airlines operating at Indonesia's major airports, including Jakarta, Denpasar, Surabaya and Medan. SIAEC will own 49 per cent of the joint venture and PT JAS, 51 per cent.

New customers for line maintenance included Australian Airlines, Pacific Airlines, Air Macau, Orient Thai, Xiamen Airlines and Gemini Air Cargo. As part of a strategy to develop synergies with aircraft leasing companies, an open-ended contract was signed with Singapore Aircraft Leasing Enterprise in July for the provision of aircraft maintenance, inspection and modification. A similar agreement was signed with Australia-based Ansett Worldwide Aviation Services (AWAS) in November.

The value of such joint ventures to SIAEC is amply illustrated in its contribution to the SIAEC profit. In FY2002/03, SIAEC derived 32.9 per cent of its pre-tax profit from its share of profits of its associate companies.

Singapore Airport Terminal Services (SATS)

It was a year of expansion, acquisition and enhancement for SATS, despite the uncertain international climate. It acquired its sixth operating subsidiary in October 2002, taking a 57.1 per cent stake in Singapore-owned Country Foods and increasing this shareholding to 66.67 per cent in March 2003. The acquisition is SATS' first step toward diversifying revenue streams in non-airline related businesses.

In July, joint venture company Evergreen Air Cargo Services Corporation (EGAC) officially opened its new airfreight terminal at Chiang Kai Shek International Airport, Taiwan. SATS increased its shareholding in EGAC from 20 per cent to 25 per cent in February 2003.

During the year in review, six new airlines were signed up as clients for ground handling and catering services: Hainan Airlines, Xiamen Airlines, Australian Airlines, Swiss Air Lines, Air Macau and Pacific Airlines. SATS also began operating Qantas' Regionalised Load Control Centre at Singapore Changi Airport. This facility controls weight and balance operations for Qantas flights in parts of Europe.

Meanwhile, as part of its drive to maximize the efficiency of its capital assets, SATS conducted a US$237.5 million sale and leaseback program of ground handling and inflight catering equipment. And through the skills of its staff, SATS won a record haul of 552 Excellent Service Awards from the Standards, Productivity and Innovation Board, SPRING Singapore, the largest number ever awarded to the staff of a single organization.

SilkAir

A major event for SilkAir was the re-branding of the airline in February 2003, under the banner of "Where the World Unwinds", to underline its position as the preferred leisure airline of Asia. Seven months earlier, SilkAir had launched its website, with a booking engine allowing customers to purchase their tickets online for the first time.

Four new destinations joined SilkAir's expanding network. In May 2002, it launched a thrice-weekly service to Krabi in Thailand, complementing the 15 weekly flights to nearby Phuket. In July, twice-weekly services were added to Macau, and also to Chengdu, in China. These were followed three months later by a thrice-weekly service to Hyderabad in India. Charter services to Jaipur and Bodh Gaya in India, were inaugurated in December and January, respectively.

In March 2003, services to Makassar (formerly known as Ujung Pandang) in Indonesia were suspended, as the route was not viable.

In line with its expansion plans, SilkAir converted options on four A320 and two A319 aircraft for delivery between 2004 and 2007. By then, SilkAir's fleet will comprise 15 aircraft. One aircraft, an A320 was sold and leased back in May 2002. At the end of the year in review, SilkAir operated 114 scheduled flights a week from Singapore to 25 destinations throughout the region.

Unfortunately, growth had to be reversed at the start of the new 2003/04 financial year. Like its parent, SilkAir was badly affected by the SARS outbreak and was forced to cut capacity, in terms of available seat kilometres, by as much as 24 per cent in May 2003 and an average of 18 per cent over the entire first quarter of the new financial year (April to June 2003).

Singapore Flying College

At the beginning of the year in review, the Singapore Flying College took over the management and operations of advanced training, previously a responsibility of SIA's Flight Crew Training Centre. To accommodate this training, a new branch of the College was set up in Maroochydore, on the Sunshine Coast of Australia. Functional since November 2002, it houses a full flight simulator and operates a fleet of four Learjet 45s, two of them new and two transferred from Singapore.

Singapore Aircraft Leasing Enterprise (SALE)

SALE took delivery of six new aircraft during the year, comprising four A320s from Airbus and two B777-300s from Boeing. These aircraft are now in service with airlines based in Europe, the Middle East, and South America, reflecting the global diversity of the SALE customer base.

In addition to these six aircraft, SALE acquired one B747-400 Freighter and two aircraft in the A320 family in purchase and leaseback arrangements with three carriers. The company also sold three aircraft from its portfolio, generating healthy profits over the original purchase price.

As at 31 March 2003, the company had 23 customers in 17 countries and territories worldwide. Its portfolio stood at 40 wholly-owned, one partially-owned and four managed aircraft, with 26 more on firm order for future delivery. Its fleet is one of the youngest in the leasing industry, with an average age of just five years and seven months.

Action Against SARS

SIA has worked closely with the Civil Aviation Authority of Singapore and the Singapore Ministry of Health, and observed the recommendations of the World Health Organization (WHO), in introducing a number of safety measures to guard against the SARS virus. These measures include the following:

On the ground

- *Displaying notices at check-in counters, requesting passengers to respond to questions recommended by the WHO, to check if the passenger has been exposed to SARS.*
- *Temperature screening of passengers departing from Singapore Changi, using non-intrusive thermal scanners at the airport's immigration points.*
- *Temperature screening of all air crew prior to departure.*
- *Announcements at boarding gates, urging passengers who have symptoms associated with SARS and who have been in contact with a SARS suspect not to board the aircraft, and to inform one of the SIA ground staff immediately.*
- *Non-intrusive temperature screening of passengers arriving in Singapore.*
- *Disinfecting of all aircraft prior to departure from Singapore or any SARS-affected area.*

On board

- *High-efficiency particulate-arresting air filters that trap dust, bacteria and viruses.*
- *Replacement of cabin air every two or three minutes (20 to 30 times an hour).*
- *Health kits for passengers on flights to and from SARS-affected areas, containing surgical masks, antiseptic wipes and a single-use thermometer.*
- *Masks and gloves for crew on flights to and from SARS-affected areas.*
- *Temperature checks for air crew every six hours on long-haul flights.*

OUR PEOPLE

The freeze on recruitment, initiated following the events of September 11, 2001, remained in effect at the beginning of the financial year. Exceptions were made for specialist staff and pilots, and recruitment of cabin crew resumed in June 2002.

As at 31 March 2003, the SIA Group of companies employed 30,680 people around the world. Of these, 14,580 were employed by the Airline itself, and the remainder by its subsidiaries and associated companies. Cabin crew made up the largest single component of the airline's workforce, with 6,891 employed as at the end of the financial year. SIA employed 1,888 pilots in its technical crew workforce.

Staff numbers for the Group represented an increase of 3.6 per cent over the previous year. The increase for the Airline was 2.3 per cent. Cabin crew and technical crew strength increased by 3.7 per cent and 6.3 per cent, respectively.

Salary cuts, implemented in the previous financial year, had been restored to all levels of staff by July 2002. This was made possible by the year's better than expected results.

Employee Self-Service (ESS), an online facility that enables staff to apply for a host of human resource services using personal computers, was launched as part of a new system encompassing a wide range of administrative and organizational functions. Comprehensive training and communication programmes were put in place to educate staff on the features and functionalities of the new system.

ENVIRONMENT

For the second successive year, SIA was included in the Dow Jones Sustainability World Indexes (DJSI World). This survey, launched in 1999 by SAM Sustainable Asset Management and Dow Jones & Company, covers economic, environmental, safety and health dimensions in assessing corporate sustainability. SIA was one of only three airlines selected and the only company from Singapore.

SIA has produced its second Environmental Report, covering environmental activities and performance for the financial year 2002/03. SIA's first report was a winner in the inaugural Singapore Environmental Reporting Awards, organized by the Association of Chartered Certified Accountants. The Best Environmental Report Award was presented in recognition of the Company's efforts to measure and communicate the environmental impact of its trading activities. Copies of this year's report can be obtained on request by writing to:

SIA Safety, Security & Environment Department
Airmail Transit Centre, PO Box 501, Singapore 918101

or by sending an e-mail to:
alex_desilva@singaporeair.com.sg

List of Awards

April 2002
FinanceAsia Magazine (Hong Kong)
Survey of Asia's Best Companies 2002
Best Managed Company
Best At Investor Relations
Strongest Commitment To Enhancing Shareholder Value
Best Financial Management
Company Most Committed To Corporate Governance (Runner-up)

Forbes Magazine (US)
Annual List of The World's Best Companies
Top 500 List
Top Ten – Travel and Transport Firms

Global Finance (US)
Survey of World's Best Business Hotels and Airlines 2002
Best Global Airline
Best Airline Asia Pacific

Travel Inside (Switzerland)
Readers' Poll
Golden Travel Star Award 2002

National Consumer Satisfaction Index Survey (South Korea)
Winner – International Airlines Service Category

May 2002
OAG (UK)
Airline of the Year Awards
Airline of the Year
Best Airline based in Asia
Best Trans-Pacific Airline
Airline with the Best Executive/Business Class

Voyage/Voyages – Elders & Anders (Belgium)
Award of Excellence 2002
Best Airline

Business Traveller (Middle East)
Travel Awards
Best Asian Airline serving the Middle East

The Guardian/Observer (UK)
Travel Awards
Best Leisure Airline

July 2002
Aviation Week & Space Technology (US)
Top-Performing Companies Study
Winner – Large Airline Category

Forbes.com (US)
Best First Class Service Survey
Best In First Class

Travel & Leisure (US)
World's Best Awards
Best Foreign Airline

Reise & Preise (Germany)
Survey
Best Economy Class

Flug Revue (Germany)
Survey
Best Airline For Flights To Asia

Que Choisir (France)
Survey
Winner – Quality Of Services

CommonHealth (Taiwan)
Survey
Airline Most Compliant With Health Standards/ Services
Safest Airline
Lowest Noise Level
Most Diversified Inflight Audio/Video Entertainment

Global Views Monthly (Taiwan)
Survey
Most Trusted Airline

JobStreet.com (Singapore)
The People's Choice Survey 2002
Winner – Top 5 Singapore Companies Category

September 2002
Business Traveller Asia-Pacific
Travel Awards
Best Airline In The World
Best Asia-Pacific Airline
Best First Class
Best Business Class
Best Economy Class
Best Frequent Flyer Programme

Conde Nast Traveler
Business Travel Awards
Best Trans-Pacific Route for Business Class
Best Trans-Atlantic Route for Business Class

Securities Investors Association (Singapore)
The Most Transparent Company Awards
Best In The Transport/Storage/Communication Category

October 2002
International Enterprise Singapore
Singapore Brand Award 2002
Honoured as one of Singapore's Top Brands

TIME
2002 Readers' Travel Choice Awards
Preferred Airline
Most Popular Airline Frequent Flyer Programme

The Daily Telegraph (UK)
5th Telegraph Travel Awards
Best Scheduled Airline

November 2002
Investor Relations Magazine (UK)
Asia Awards 2002
Grand Prix For Best Overall Investor Relations
Best Crisis Management
Best Annual Report
Best Investor Relations By A Singapore Company
Best Communication Of Shareholder Value

TravelWeekly China
Awards
Best International Airline

Conde Nast Traveler (US)
2002 Readers' Choice Awards
Best International Airline

Scottish Passenger Agents Association (UK)
2002 Awards
Best Worldwide Airline

Travel Magazine (Belgium)
Survey
Best Long Haul Airline

Business Travel Magazine (UK)
Best in Business Travel Awards
Best Airline in the World
Best First Class
Best Business Class
Best Airline for International Business Travel
Best Transpac Business Class

Korea Herald (South Korea)
Readers' Best Brand Awards 2002
Best Foreign Airline

December 2002
Asiamoney magazine
Best-Managed Companies survey in 2002
Overall Best Managed Company in Singapore
Best Corporate Strategy
Best Financial Management
Best Operational Efficiency
Best Treatment of Minority Shareholders

Recommend Magazine (US)
Readers' Choice Awards
Number One in Asia/Pacific for Hottest Selling Airline

The Asset Magazine (Hong Kong)
Best in Corporate Governance survey in 2002
Number One Singapore-based Company

January 2003
Corporate Finance magazine (UK)
Deals of the Year for 2002
Best Debut Issue

Global Finance magazine (US)
World's Best Companies in 2002 Awards
Best Airline in Asia

Business Traveller (Germany)
Travel Awards 2001
Best Airline to Far East & Australia
Best Cabin Outfit
Best Catering
Best Crew on Board
Best Staff on Ground

Irish Travel Industry
Best Carrier to Asia/Pacific Rim
(11 years in a row)

February 2003
Onboard Services magazine (US)
Diamond Award 2003
Outstanding Amenities Onboard

Meetings & Incentive Travel magazine (UK)
Best Overseas-based Airline in the Meetings category

March 2003
Fortune Magazine Most Admired Companies 2002
Most Admired Airline
21^{st} Most Admired Company Overall

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Risk Management

INTRODUCTION

Following recent developments in corporate governance, SIA institutionalized its risk management practices in 2002 under a formal risk management framework.

RISK REPORTING STRUCTURE

Within this framework, the risk reporting structure of the Group was formalized by the formation of various Risk Management Committees as follows:

Company Risk Management Committees

Each of the main operating companies established a Risk Management Committee to drive and oversee the practice of risk management within their respective companies.

Group Risk Management Committee

At SIA Group level, a Group Risk Management Committee was formed, chaired by the CEO of SIA, and comprising the chairmen of the company Risk Management Committees as members. The SIA Group Risk Management Committee makes policies on risk management for the SIA Group, and coordinates risk management activities at Group level.

Audit and Risk Committee

The SIA Board Audit Committee was renamed "Audit and Risk Committee" after expanding its scope to include oversight of risk management in the SIA Group. The SIA Group Risk Management Committee reports to the SIA Board Audit and Risk Committee on risk matters.

RISK COMMUNICATION

To improve communication of risks within the organization, SIA adopts the concept that risks may be classed into 4 broad areas, namely:

Strategic (Management) Risk,
Operational Risk,
Financial Risk, and
Regulatory Risk.

The following diagram shows the 4 areas of risk, and the examples of hazards that may result in damage to the Group in one or more of the 4 areas.

RISK AREAS

Strategic Risk
These are risks that threaten the long-term survival and well-being of the Group, and may arise from technological or geo-political changes, inflexible or outmoded business models, ineffective management and planning, or other causes.

Operational Risk
These are risks that affect the activities of the Group. Operational Risks may be of internal or external origin that interfere with the ability of the company to produce or deliver its air transportation services. They include "process" risks such as ineffective systems and human errors, and "resource" risks such as damage or loss of IT capabilities, human resources, physical assets, utilities and infrastructure necessary for on-going operations.

Financial Risk
These are risks that directly impact the finances of the Company, and are broadly classed into Market Risks (such as interest rates, currency and market price risks), Credit Risks (such as risk of default of counter-party or debtors) and Liquidity Risks.

Regulatory Risk
For SIA to maintain its air operator's certificate, which entitles it to carry on its business of air transportation, it has to comply with a host of regulations in Singapore and elsewhere. These regulations deal mainly with safety issues – from airworthiness of aircraft to training of crew to operation of aircraft.

RISK FOCUSED APPROACH

The existing cross-company and cross-divisional committees will continue to focus on specific risk areas. Examples of these are the Air Safety Committee, Group Occupational Safety Health and Environment Committee, Information Security Steering Committee, Fuel Tactical Committee, Revenue Protection Committee, etc. These Committees are chaired by senior management staff, and draw their members from across multiple divisions and departments to leverage on multi-disciplinary experience and expertise.

RISK MANAGEMENT PROCESS

To ensure consistency across the Group, SIA adopts a simplified five-step risk management process adapted from international best practices as shown below:

This process is applied at all levels in the organization, and the objective is to have this process embedded in the everyday work process of all risk owners. Detailed sub-processes for each of the five steps are documented and taught to users.

Oversight of risk management practice and process application is carried out with the assistance of the Internal Audit Department to ensure that the processes remain effective.

ANNUAL RISK MANAGEMENT REVIEW

In December 2002, the Group carried out its first formal Annual Risk Management Review Exercise ("Review Exercise"). The Review Exercise adopted a bottom-up and top-down approach. In the bottom-up approach, the risk management process was applied at Department levels to identify and evaluate the risks that may cause a failure to achieve corporate objectives. The major risks at these levels were then consolidated and reviewed at Division levels before being further raised to the Risk Management Committees at company levels. In this manner, risks that are significant and material are brought to the attention of senior management, while lesser risks are managed at the appropriate Division or Department levels.

The risks of the various companies were then consolidated and reviewed at Group level by the Group Risk Management Committee before being channelled to the SIA Board Audit and Risk Committee and ultimately to the Board.

The results of the Review Exercise did not produce any surprises. The major risks of the Group have been identified and are being monitored closely.

BOARD OF DIRECTORS' COMMENTS ON THE PRACTICE OF RISK MANAGEMENT IN THE GROUP

Having reviewed the risk management practice of the Group, the Board of Directors is satisfied that risk management in the Group is effective and that risks are being satisfactorily addressed.

Corporate Governance

The Company is committed to complying with the Code of Corporate Governance issued by the Corporate Governance Committee in March 2001 so as to ensure greater transparency and protection of shareholders' interests. The Board will continue to uphold the highest standards of corporate governance within the Company and the SIA Group of companies.

1. BOARD OF DIRECTORS

1.1 The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the SIA Group and supervises executive management. To fulfil this role, the Board is responsible for the overall corporate governance of the Company including setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

1.2 To assist in the execution of its responsibilities, the Board has established six Board Committees, namely, the Board Executive Committee, the Audit and Risk Committee, the Board Finance Committee, the Board Compensation and Organization Committee, the Nominating Committee, and the Safety and Reliability Committee. These committees have written mandates and operating procedures, which are reviewed periodically. The Board has also established a framework for the management of the Group including a system of internal controls and a business risk management process.

1.3 The Board members for 2002-03 were:

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
Koh Boon Hwee	Chairman	14 March 2001	14 July 2001	Non-executive/ Non-Independent
Cheong Choong Kong (stepped down on 9 June 2003)	Deputy Chairman	1 August 1984	N.A.	Executive/ Non-Independent
Charles B Goode	Director	1 July 1999	13 July 2002	Non-executive/ Independent
Ho Kwon Ping	Director	15 July 2000	14 July 2001	Non-executive/ Independent
Lim Chee Onn (stepped down on 13 July 2002)	Director	1 June 1996	15 July 2000	Non-executive/ Non-Independent
Edmund Cheng Wai Wing	Director	1 June 1996	14 July 2001	Non-executive/ Independent
Fock Siew Wah	Director	15 July 2000	14 July 2001	Non-executive/ Non-Independent
Lim Boon Heng	Director	12 July 1997	13 July 2002	Non-executive/ Non-Independent
Davinder Singh	Director	15 July 2000	14 July 2001	Non-executive/ Independent
Chew Choon Seng	Director	5 March 2003	N.A.	Executive/ Non-Independent

1.4 In 2002-03, six Board meetings (inclusive of a Special Meeting) were held. The number of meetings attended by each member of the Board is as follows:

Name of Director	Board meetings attended	
Koh Boon Hwee		6
Cheong Choong Kong		6
Charles B Goode	(in person)	3
	(via videoconferencing)	3
Ho Kwon Ping		5
Edmund Cheng Wai Wing		6
Fock Siew Wah		6
Lim Boon Heng		6
Davinder Singh		5
Lim Chee Onn	(Stepped down on 13 July 2002)	1
Chew Choon Seng	(Appointed on 5 March 2003)	

1.5 The Board is issued with detailed Board papers by Management giving the background, explanatory information and justification for each decision and mandate sought by Management, including, where applicable, relevant budgets, forecasts and projections. Information papers are also circulated to the Board to inform the Board of material matters and issues currently being dealt with by Management. As part of good corporate governance, Board papers for decision or discussion at Board meetings are circulated in advance of the meetings for Directors' review and consideration, and key decisions are reserved for decision at Board meetings rather than by circulation to facilitate discussion. The detailed agenda of each Board meeting, prepared by Management and approved by the Chairman, contains 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.

1.6 The Board benefits from the wealth and depth of experience each Director possesses, collectively providing core competencies in finance, legal, industry, business and management. Profiles of the Directors can be found on page 4 of this Report. Newly appointed Directors are briefed by Management to familiarise them with the Company's business and strategic directions. The subject of training to better equip Directors to meet the particular requirements of the Company is being reviewed.

1.7 The Chairman and Chief Executive Officer of the Company are not related to each other. There is division of responsibilities between the Chairman and the Chief Executive Officer, which ensures a balance of power and authority within the Company. These positions are held by Mr Koh Boon Hwee, Dr Cheong Choong Kong (as CEO until 9 June 2003) and Mr Chew Choon Seng (as CEO from 9 June 2003) respectively.

1.8 The Board has separate and independent access to Management and the Company Secretaries at all times. Board procedures also enable Directors to seek independent professional advice at the Company's expense in the furtherance of their duties if required.

1.9 Under Article 82 of the Company's Articles of Association, at each Annual General Meeting (AGM), 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 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 election, failing which they shall be selected by agreement or by lot. They are eligible for re-election under Article 83. All re-elections require the approval of the special member, the Minister for Finance (Incorporated).

1.10 The Directors standing for re-election at the AGM for 2002-03 pursuant to Article 83 are Mr Fock Siew Wah and Mr Ho Kwon Ping. The Nominating Committee has recommended their re-election, after assessing their contribution and performance (including attendance, preparedness, participation and candour). In addition, Mr Chew Choon Seng as newly appointed Director will be standing for re-election at the AGM under Article 89 of the Company's Articles of Association. Dr Cheong Choong Kong retired as a member of the Board on 9 June 2003, which coincided with the expiry of his contract as Chief Executive Officer of the Company.

1.11 The Nominating Committee, having considered his attributes and qualities, has recommended that Sir Brian Pitman be elected as Director at the AGM pursuant to Section 153(6) of the Companies Act.

Sir Brian, 71, is a distinguished banker. He is currently a Senior Adviser to Morgan Stanley, one of the largest financial services firms in the world, and formerly the Group Chief Executive and Chairman of the banking group, Lloyds TSB Group. Sir Brian was President of the British Bankers' Association, and President of the Chartered Institute of Bankers. He is currently a director of three publicly quoted companies in the UK: Carlton Communications Plc, a television company, Tomkins Plc, an engineering company and the Carphone Warehouse Group Plc, a pan-European mobile communications retailer.

If elected, Sir Brian would be considered a non-executive independent director.

2. BOARD EXECUTIVE COMMITTEE

2.1 To facilitate day-to-day management and to expedite action on operational matters, a Board Executive Committee (ExCo) deputises for the Board on routine matters, including opening of bank accounts, granting Powers of Attorney, affixing the Company's seal on documents, and authorizing specific officers to sign pertinent documents on behalf of the Company. The other functions of the ExCo include reviewing the overall strategy of the Group and making recommendations to the Board, reviewing and recommending to the Board the annual operating and capital budgets, and reviewing and approving matters relating to the Group's wholly-owned subsidiaries.

2.2 The ExCo does not conduct regular physical meetings. Resolutions are generally passed by circulation.

2.3 The members of the ExCo are:

Chairman	:	Koh Boon Hwee
Deputy Chairman/CEO	:	Cheong Choong Kong (until 9 June 2003)
CEO	:	Chew Choon Seng (from 9 June 2003)
Members	:	Fock Siew Wah
		Lim Chee Onn (until 13 July 2002)

3. AUDIT AND RISK COMMITTEE

3.1 Formerly known as the Audit Committee, it was renamed the Audit and Risk Committee after its scope was expanded to include supervision of risk management in the SIA Group. It comprises three non-executive Directors, two of whom are independent.

3.2 The primary function of the Audit and Risk Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- the financial information which will be provided by the Group to shareholders, government authorities or others;
- the Group's systems of internal controls, including financial, operational, compliance and risk management, that Management and the Board have established; and
- the Group's internal and external auditing, accounting and financial reporting processes.

3.3 The Committee is required by the Company's Audit and Risk Committee Charter to meet at least four times a year, with the internal and external auditors of the Company, including having time for discussion without the presence of Management. For 2002-03, four Committee meetings were held.

3.4 The members of the Committee are:

Chairman	:	Edmund Cheng Wai Wing
Members	:	Koh Boon Hwee
		Ho Kwon Ping

All members were present at the meetings held in 2002-03.

3.5 The Committee's actions in 2002-03, in accordance with its responsibilities and duties under its Charter, included the following :

(a) Financial Reporting

The Committee reviewed with Management the interim and annual financial statements and financial announcements required by Singapore Exchange Securities Trading Limited (SGX-ST) before endorsing to the Board for approval. The reviews focused on changes in accounting policies and practices, major judgmental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with SGX-ST and other legal requirements.

(b) External Audit

The Committee 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; reviewed the external auditor's objectivity and independence from Management and the Company. The appointment of the external auditor and the audit fee were considered, and recommendations made to the Board on the selection of the Company's external auditors.

(c) Internal Audit

The Committee 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 internal audit function.

(d) Risk Management

The Committee reviewed with Management, and the internal and external auditors, the effectiveness of the Company's material controls, including financial, operational and compliance controls, and risk management in safeguarding shareholders' investments and the Company's assets.

(e) Interested Person Transactions

The Committee reviewed interested person transactions as stipulated in the SGX-ST Listing Manual and the Shareholders' Mandate.

(f) Compliance Matters

The Committee reviewed with the Company's legal counsel, compliance matters including corporate securities trading policies.

3.6 The Committee has full access to and the co-operation of the Company's Management. The Committee has the discretion to invite any Director or executive officer to attend any of its meetings, and has adequate resources to discharge its functions.

3.7 The Committee, having reviewed all non-audit services provided by the external auditors to the Company, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

3.8 In the opinion of the Directors, the Company complies with the Code of Corporate Governance on Audit Committees.

4. BOARD FINANCE COMMITTEE

4.1 Formed on 11 August 2000, the Board Finance Committee is tasked to set directions, policies and guidelines pertaining to certain financial matters of the Company. The Committee also acts as the approving body for new initiatives or projects coming within its scope, which includes management of surplus funds, liquidity and financing management, financial risk management, and review of share buy back procedures.

4.2 The Committee holds meetings at quarterly intervals, and comprises the following members:

Chairman	:	Fock Siew Wah
Members	:	Cheong Choong Kong (until 9 June 2003)
		Chew Choon Seng (from 9 June 2003)
		Charles B Goode
		Davinder Singh

All members, save for Mr Chew Choon Seng (who was only appointed on 9 June 2003) were present at the meetings held in 2002-03.

5. BOARD COMPENSATION AND ORGANIZATION COMMITTEE

5.1 The former Board Senior Officers' Committee was renamed the Board Compensation and Organization Committee (BCOC) on 11 September 2002.

5.2 The BCOC annually reviews and approves recommendations on remuneration policies and packages for key executives, as well as oversees labour-management relations. It implements and administers the Company's Employee Share Option Plan. The BCOC also ensures that there are sufficient candidates recruited and/or promoted to leadership positions, which include monitoring the leadership development programme.

5.3 The BCOC held four meetings in 2002-03. The members of the BCOC are:

Chairman	:	Koh Boon Hwee
Members	:	Cheong Choong Kong (until 9 June 2003)
		Fock Siew Wah
		Lim Boon Heng
		Lim Chee Onn (until 13 July 2002)

All the members, save for Mr Lim Boon Heng and Mr Lim Chee Onn (who stepped down on 13 July 2002) were present for the meetings held in 2002-03. Mr Lim Boon Heng attended three of the meetings as he was only appointed to the BCOC on 11 September 2002.

5.4 Although the BCOC consists of non-independent Directors, except for Dr Cheong Choong Kong, all the other members are independent of Management. Matters pertaining to Dr Cheong Choong Kong were discussed without his presence at the meeting.

5.5 The BCOC does not review nor make recommendations to the Board on Directors' remuneration. The Company generally follows the guidelines on directors' remuneration issued by Temasek Holdings (Private) Ltd, which the Board feels is a fair gauge.

6. NOMINATING COMMITTEE

6.1 The Nominating Committee was established on 14 July 2001 and comprises three independent directors. The Nominating Committee's functions include considering and making recommendations to the Board concerning the appointment and re-appointment of directors, and determining the independence of Directors. The Committee also considers candidates to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason.

6.2 The members of the Committee are:

Chairman	:	Davinder Singh
Members	:	Edmund Cheng Wai Wing
		Charles B Goode

6.3 The Board has implemented an annual performance evaluation process to assess the effectiveness of the Board as a whole. The criteria for evaluation were selected based on industry standards, and an independent consulting firm was engaged to facilitate the evaluation process, and analyse and interpret the data.

6.4 The Directors independently evaluated the Board on the selected criteria, and the consulting firm presented its findings to the Chairman of the Board. The Board then reviewed the findings to identify areas for improvement. At the next stage of the evaluation, the Board will use the findings to monitor the effectiveness of contributions by individual Directors.

7. SAFETY AND RELIABILITY COMMITTEE

7.1 Formed on 11 February 2003, the Safety and Reliability Committee (SRC) aims to ensure that the Company has effective systems and processes in place to provide the best practicable management of critical operational safety, and reliability and performance issues.

7.2 The functions of the SRC include ensuring that systems and programmes comply with regulatory requirements and accord with the best practices of the aviation industry; reviewing regular reports on safety and reliability performances; reviewing accident investigation findings and recommendations; and advising Management and reporting to the Board on safety and reliability issues.

7.3 The members of the SRC are:

Chairman	:	Koh Boon Hwee
Member	:	Lim Boon Heng

One meeting was held in 2002-03, after the formation of the SRC. All the members attended the meeting.

8. COMPANY SECRETARIES

8.1 The Directors have separate and independent access to the Company Secretaries. The role of Company Secretary has been defined by the Board to include supervising, monitoring and advising on the compliance by the Company with its Memorandum and Articles of Association, laws and regulations, and the SGX-ST Listing Manual; communicating with the SGX-ST, the Registry of Companies and Businesses, and Shareholders on behalf of the Company; and performing such other duties of a company secretary, as required under laws and regulations or as specified in the SGX-ST Listing Manual, or the Company's Articles of Association, or as required by the Chairman of the Board or the Chairman of any Board Committee or the Directors (or any of them), as the case may be.

9. REMUNERATION REPORT

9.1 The Directors' remuneration for 2002-03 includes directors' fees and allowances of $570,834 ($648,960 in 2001-02, before accounting for a 15 per cent waiver taken by the Directors) and is derived using the following:

Type of Appointment	The Company				
	2002-03 $		2001-02 $		2000-01 $
	Full	50% waived	Full	15% waived	Nil Waived
(i) **Board of Directors**					
– Basic fee	40,000	20,000	40,000	34,000	40,000
– Chairman's allowance	40,000	20,000	40,000	34,000	40,000
– Deputy Chairman's allowance	–	–	–	–	20,000
(ii) **Board Executive Committee**					
– Chairman's allowance	20,000	10,000	20,000	17,000	20,000
– Member's allowance	10,000	5,000	10,000	8,500	10,000
(iii) **Audit and Risk Committee**					
– Chairman's allowance	24,000	12,000	24,000	20,400	20,000
– Member's allowance	12,000	6,000	12,000	10,200	10,000
(iv) **Board Finance Committee**					
– Chairman's allowance	20,000	10,000	20,000	17,000	20,000
– Member's allowance	10,000	5,000	10,000	8,500	10,000
(v) **Board Compensation and Organization Committee**					
– Chairman's allowance	12,000	6,000	–	–	–
– Member's allowance	6,000	3,000	–	–	–
(vi) **Other Board Committees**					
– Chairman's allowance	12,000	6,000	12,000	10,200	20,000
– Member's allowance	6,000	3,000	6,000	5,100	10,000

All the Directors have agreed to waive 50 per cent of their fees in respect of 2002-03 (2001-02: 15 per cent). Four Directors, namely Koh Boon Hwee (in respect of all the Board Committees he sits on), Cheong Choong Kong, Chew Choon Seng and Lim Boon Heng have further agreed to waive their fees entirely. The total Directors' fees payable will amount to $206,167 (2001-02: $462,579).

9.2 The remuneration of Directors is set out below:

	Fee %	Salary %	Bonus Fixed %	Bonus Variable# %	Benefits %	Total %	Stock options granted during the year Number	Stock options granted during the year Exercise Price $
Between $1,750,001 to $2,000,000								
Cheong Choong Kong	2	50	21	11	16	100	228,000	12.82
Between $750,001 to $1,000,000								
Chew Choon Seng *	1	51	5	27	16	100	152,000	12.82
Below $250,000								
Koh Boon Hwee	80	–	–	–	20	100	–	–
Edmund Cheng Wai Wing	88	–	–	–	12	100	–	–
Fock Siew Wah	96	–	–	–	4	100	–	–
Charles B Goode	100	–	–	–	–	100	–	–
Ho Kwon Ping	95	–	–	–	5	100	–	–
Lim Boon Heng	–	–	–	–	–	–	–	–
Davinder Singh	94	–	–	–	6	100	–	–
Lim Chee Onn**	79	–	–	–	21	100	–	–

* Chew Choon Seng was appointed to the Board on 5 March 2003. The disclosure includes remuneration received during the financial year prior to his appointment as director.

** Lim Chee Onn retired from the Board on 13 July 2002.

\# Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2003. In respect of Cheong Choong Kong, it comprises profit-sharing bonus.

The remuneration of Directors as disclosed above is computed based on the net fees payable.

None of the employees of the Company were an immediate family member of any Director or the Chief Executive Officer, and whose remuneration exceeded $150,000 in 2002-03.

9.3 Details of the Company's Employee Share Option Plan can be found on pages 60 and 61 of the Report by the Board of Directors.

9.4 The remuneration of the Company's key executives for 2002-03 is as follows:

	Fee %	Salary %	Bonus Fixed %	Bonus Variable# %	Benefits %	Total %	Stock options granted during the year Number	Stock options granted during the year Exercise Price $
Between $1,000,001 to $1,250,000								
Michael Tan Jiak Ngee	3	51	4	27	15	100	152,000	12.82
Between $750,001 to $1,000,000								
LG Bey Soo Khiang	–	52	5	27	16	100	152,000	12.82
Huang Cheng Eng	–	51	5	28	16	100	114,000	12.82

\# Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2003.

Only the remuneration of the top three key non-director executives are shown above because as at 31 March 2003, there were 15 senior executives who received remuneration from the Company that held the equal rank of Senior Vice-President (SVP). Details of these three key executives can be found in 9.5 below.

9.5 Michael Tan Jiak Ngee

Mr Tan joined SIA's predecessor Malayan Airways in 1960 and in his early years held a variety of management positions in regional offices throughout Asia. In 1975, he was appointed SIA's Assistant Director of Marketing at Head Office and thereafter held a number of senior positions in the commercial area. He became Senior Executive Vice-President (Commercial) in 2001. Concurrently, he is Chairman of Singapore Airlines Cargo Pte Ltd, and is also a Director of Singapore Airport Terminal Services Limited (SATS) and Virgin Atlantic Airways.

Bey Soo Khiang

Prior to joining SIA in 2000, Lt-Gen (NS) Bey was Chief of Air Force from 1992 to 1995 and Chief of Defence Force in the Ministry of Defence from 1995 to 2000. With SIA, he was appointed to his present position of Senior Executive Vice-President (Technical and Human Resources) in April 2002 and is concurrently Chairman of three SIA subsidiaries: SilkAir (Singapore) Private Limited, SATS Airport Services Pte Ltd, and the Singapore Flying College Pte Ltd. He is also a Director of SIA Engineering Company Limited. He holds a Masters Degree (First Class Honours) in Engineering from Cambridge University and a Master of Public Administration from Harvard University.

Huang Cheng Eng

Mr Huang joined SIA in 1974 and served in regional offices in Hong Kong, Taiwan and France. In 1987, he returned to Singapore and managed SIA's cargo business worldwide, later becoming Director of Cargo (1992) and Director of Marketing Planning (1996). He was appointed to his present position of Executive Vice-President (Marketing and the Regions) in 2001, and is concurrently Chairman of SATS Catering Pte Ltd and a Director of Singapore Tourism Board. He holds a Bachelor of Business Administration degree from the University of Hawaii and an MBA from Michigan State University.

10. INTERNAL CONTROLS

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

11. INTERNAL AUDIT

11.1 The Internal Audit Department is an independent function within the Company, which reports to the Audit and Risk Committee directly. The mission of the Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the Group's operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

11.2 The scope of work of the Internal Audit Department is to determine whether the Group's network of risk management, control, and governance processes, as designed and represented by Management, is adequate and functioning in a compliant manner.

11.3 The Internal Audit Department will meet or exceed the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

12. RISK MANAGEMENT

12.1 The Board acknowledges and believes that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

12.2 The Board has thus put in place a formal structure to institutionalize its risk management practices with the formation of the Risk Management Committee in January 2003. Details can be found in page 28 of this Report.

13. COMMUNICATIONS WITH SHAREHOLDERS

13.1 The Company strives to convey to Shareholders pertinent information in a clear, forthcoming, detailed and timely manner and on a regular basis, taking into consideration their views and inputs, and addresses Shareholders' concerns. While the Company's Investor Relations unit (within the Administration Department) communicates with analysts regularly, the Company monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis.

13.2 The Company's Articles of Association currently do not provide for Shareholders voting at General Meetings in absentia through media such as mail, email or fax. The Company will consider implementing the relevant amendment to its Articles of Association if the Board is of the view that there is a demand for the same, and after the Company has evaluated and put in place the necessary security and other measures to facilitate in absentia voting and protect against errors, fraud and other irregularities.

13.3 Chairmen of the ExCo, Audit and Risk, Board Finance, Board Compensation and Organization, Nominating, and Safety and Reliability Committees, or members of the respective committees standing in for them, as well as the external auditors, will be present and available to address questions at General Meetings.

14. SECURITIES TRANSACTIONS

14.1 The Company has clear policies and guidelines for dealings in the securities of the Company by Directors and employees, which are in conformity with the SGX-ST Best Practices Guide.

Financials

Highlights of the Group's Performance

- Total revenue rose 12.1 per cent to $10,515 million
- Total expenditure at $9,798 million (+15.8 per cent)
- Operating profit of $717 million (-22.4 per cent)
- Profit before tax grew to $977 million (+5.5 per cent)
- Tax writeback of $278 million
- Profit attributable to shareholders improved to $1,065 million (+68.6 per cent)
- Earnings per share of 87.4 cents (+68.4 per cent)
- Shareholders' funds $10,709 million (+8.8 per cent)
- Net asset value of $8.79 per share (+8.8 per cent)
- Net debt equity ratio remain unchanged at 0.07 time

Financial Review

Group Earnings

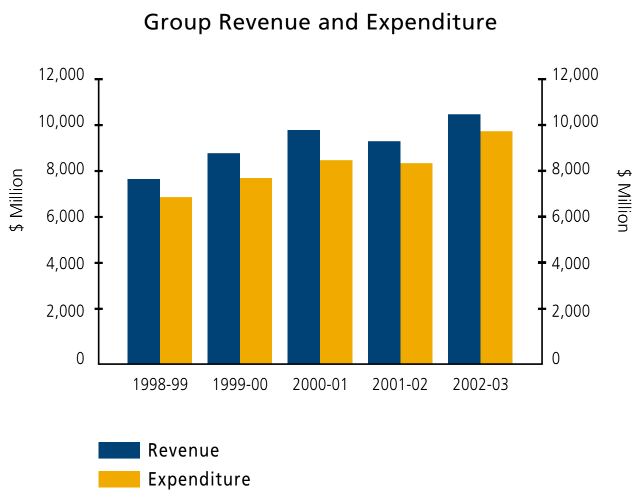
Despite reporting a profit attributable to shareholders of $1,065 million, a 68.6 per cent increase over the previous year, the Group's performance was adversely affected by weak economic conditions and other external events. The combined impact of the October 2002 bomb blasts in Bali, higher fuel prices, and a slowdown in traffic prior to the war in Iraq, resulted in an operating profit of $207.3 million in the second half year, down 56.1% from the corresponding period of the year before. However, the outbreak of SARS in mid March 2003 happened late in the financial year and had little effect on the cumulative results.

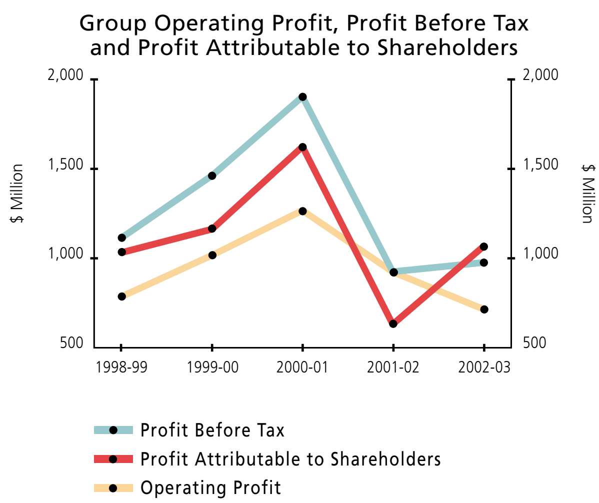
The drop in operating profit was largely the result of lower operating profit by the Company (-$254 million) and two of its major subsidiaries: the SIA Engineering Company group (-$63 million) and the Singapore Airport Terminal Services group (-$37 million). Singapore Airlines Cargo was a notable exception, recording an operating profit of $63 million, compared with last year's $91 million loss.

Although revenue reached an all-time high of $10,515 million, an increase of 12.1 per cent over the previous year, operating costs rose by an even higher margin of 15.8 per cent, pushing the Group's expenditure to $9,798 million. A profit-sharing bonus amounting to $304 million, payable in accordance with the staff's profit sharing plan, accounted for 22.7 percent of the rise in operating costs. No bonus was paid the previous year.

The SIA Group's profit before tax was $977 million, up 5.5 per cent from the previous year. The increase of $51 million was due mainly to a bigger surplus from the sale of aircraft and higher profits from associated companies. A tax writeback of $278 million, arising from a reduction in the corporate tax to 22 per cent, helped to boost profit attributable to shareholders to $1,065 million. Without this writeback, which resulted mainly from the provision for deferred tax in previous years, profit attributable to shareholders would have been $787 million.

The Group's basic earnings per share rose 35.5 cents to 87.4 cents.





Financial Review

Financial Position of the Group

Net asset value per share for the Group was $8.79 at 31 March 2003, an improvement of 8.8 per cent compared to 31 March 2002.

The Group's total assets increased 3.2 per cent to $19,184 million as at 31 March 2003.

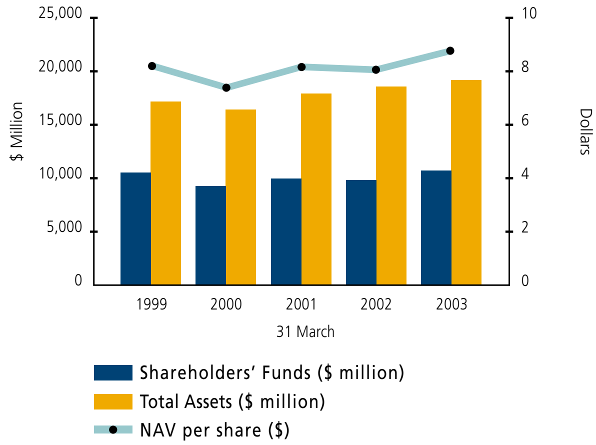
Shareholders' funds of the Group stood at $10,709 million on 31 March 2003, up 8.8 per cent from a year ago.

The net debt of the Group as at 31 March 2003 grew 9.5 per cent from a year ago, to $719 million. his was largely the result of aircraft purchases. The net debt equity ratio remain unchanged at 0.07 time.

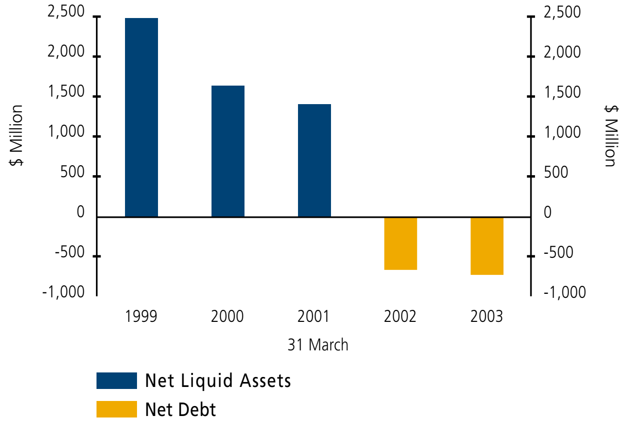
The Group's profitability ratios are as follows:

	2002-03 %	2001-02 %	Change % points
Return on turnover	10.6	7.4	+ 3.2
Return on total assets	5.9	3.8	+ 2.1
Return on average shareholders' funds	10.4	6.4	+ 4.0

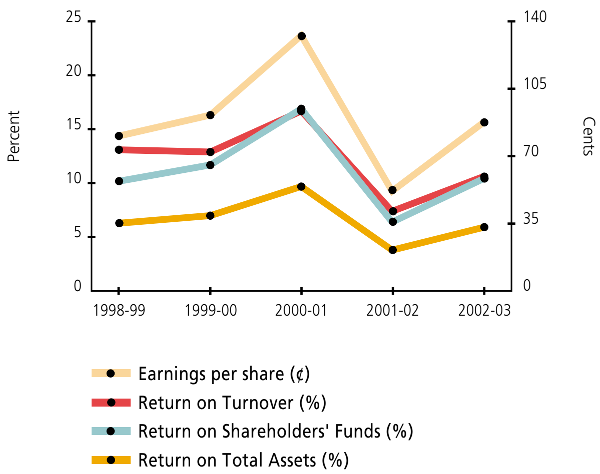
Group Shareholders' Funds, Total Assets and Net Asset Value Per Share



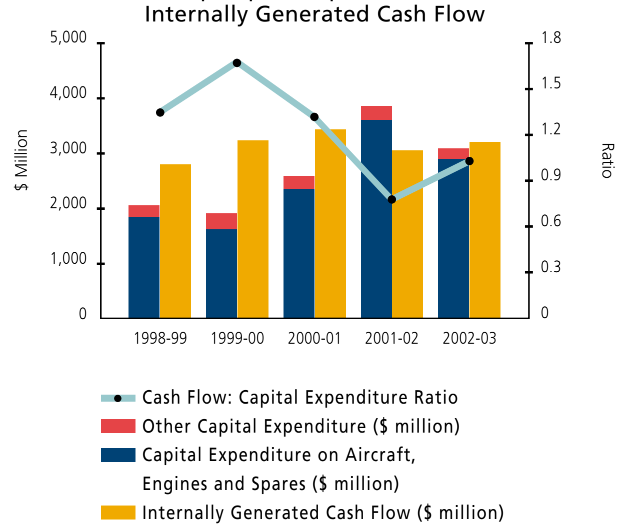
Group Net Liquid Assets and Net Debt



Group Profitability Ratios



Group Capital Expenditure and Internally Generated Cash Flow



Capital Expenditure and Cash Flow of the Group

Capital expenditure by the Group was $3,086 million, 20.1 per cent lower than the previous year. About 94 per cent of the capital spending was on aircraft delivered during the year, together with spare engines and components. In addition, progress payments were made for aircraft scheduled for delivery between 2003 and 2009.

Internally generated cash flow increased by 5.0 per cent to $3,208 million. The financing of capital expenditure from internal resources, as measured by the ratio of internally generated cash flow to capital expenditure, was 1.04 times.

Corporatization of Singapore Airlines Cargo

Until 30 June 2001, the Company earned cargo revenue through uplifting airfreight on its freighter aircraft and bellyhold space in its passenger fleet. On 1 July 2001, the Company's Cargo Division was corporatized as Singapore Airlines Cargo (SIA Cargo) and thereafter the Company earned revenue by leasing out the bellyhold space to its new subsidiary.

Consequently, the Company's revenue in financial year 2001-02 included cargo revenue for the first three months (April to June 2001) and revenue received from leasing space to SIA Cargo for the remaining nine months.

To allow for a meaningful year-on-year comparison of results, financial results for April to June 2001 have been restated in the table below, under Company Results, and table overleaf, under Revenue.

Company Results

	2002-03 $ million	2001-02 $ million (Restated)	Change %
Revenue	8,047.0	7,440.0	+ 8.2
Expenditure	(7,838.0)	(6,976.6)	+ 12.3
Operating profit	209.0	463.4	– 54.9
Finance charges	(52.1)	(46.9)	+ 11.1
Interest income	38.5	60.9	– 36.8
Surplus on disposal of aircraft, spares, and spare engines	138.3	334.8	– 58.7
(Loss)/Surplus on disposal of other fixed assets	(0.8)	0.1	n.m.
Dividends from subsidiary and associated companies	131.5	138.6	– 5.1
Dividends from trade investments	4.1	4.7	– 12.8
Provision for diminution in value of investments	(9.4)	(1.1)	+ 754.5
Gain on sale of long-term investments	–	4.6	–
Profit before tax and exceptional items	459.1	959.1	– 52.1
Exceptional items	1.0	(168.1)[R1]	n.m.
Profit before taxation	460.1	791.0	– 41.8
Taxation	157.9	(186.6)	n.m.
Profit after taxation	618.0	604.4	+ 2.3

n.m. not meaningful

[R1] Exceptional items comprised provision for diminution in value of the investment in Air New Zealand Limited (-$380.6 million), liquidation of Star Kingdom Investment Limited (-$8.6 million), liquidation of Auspice Limited (+$191.4 million), surplus on sale of Equant N.V. shares (+$29.0 million) and transfer of 51 per cent Cargo Community Network Pte Ltd to SIA Cargo Ltd (+$0.7 million).

Financial Review

Revenue

The Company's revenue increased 8.2 per cent to $8,047.0 million.

	2002-03 $ million	2001-02 $ million (Restated)	Change %
Passenger revenue	6,742.9	6,301.1	+ 7.0
Excess baggage revenue	25.9	25.2	+ 2.8
Non-scheduled services	15.6	15.5	+ 0.6
Bellyhold revenue from SIA Cargo	815.4	774.3	+ 5.3
Direct operating revenue	7,599.8	7,116.1	+ 6.8
Indirect operating revenue	447.2	323.9	+ 38.1
Total operating revenue	8,047.0	7,440.0	+ 8.2

Increase in passenger revenue was the result of:

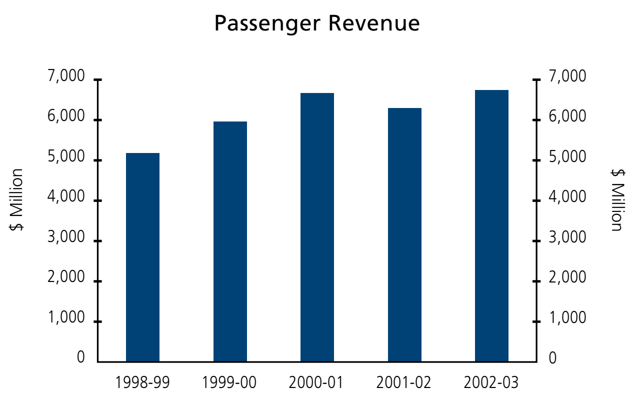
	$ million	$ million
5.3% increase in seat capacity		+ 332
0.5% point increase in load factor		+ 45
1.1% improvement in yield was due to:		
1.7% gain from a weaker SGD	+ 87	
Change in fare mix (more Y and fewer PJ pax)	– 19	
Lower local currency yields	– 3	+ 65
Increase in revenue		+ 442

Net cargo capacity increased by 2.8 per cent over the previous year. SIA's bellyhold revenue rose 5.3 per cent to $815 million, with higher rates being charged to SIA Cargo. The increase in rates reflected SIA's increased operating costs and was in accordance with the agreement between the two companies.

Indirect operating revenue rose 38.1 per cent to $447.2 million. This was due partly to the full-year collection of insurance and security charges, imposed on passengers following September 11, 2001. Higher pool revenue from SIA Cargo also contributed to the increase. (Under an inter-company agreement, bellyhold cargo and excess baggage revenue are pooled and shared, with SIA taking 10 per cent and SIA Cargo 90 per cent.)

The sensitivity of passenger revenue to a 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 remains constant	90
1.0% change in passenger yield, if load carried remains constant	67



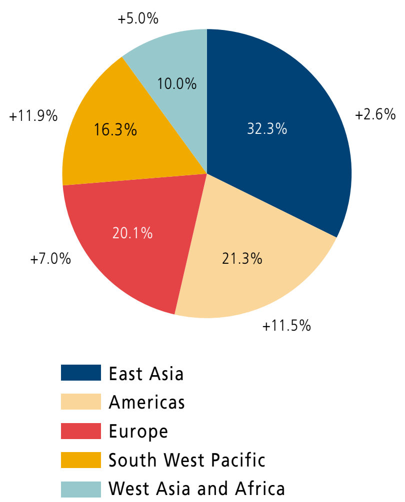
Company Route Performance

A review of the Company's passenger route performance is shown below:

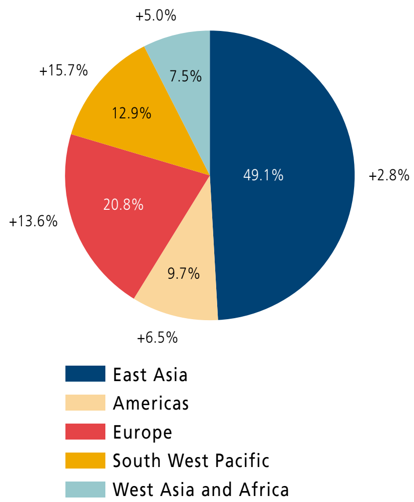
	By Route Region [R1]					
	Passenger Revenue ($ million) [R2]			Passenger Load Factor (%)		
	2002-03	2001-02	Change %	2002-03	2001-02	Change
East Asia	2,179.7	2,124.8	+ 2.6	67.5	68.0	– 0.5 point
Americas	1,445.1	1,296.0	+ 11.5	72.4	73.3	– 0.9 point
Europe	1,363.6	1,274.2	+ 7.0	79.1	78.1	+ 1.0 point
South West Pacific	1,103.3	986.4	+ 11.9	81.7	79.4	+ 2.3 points
West Asia and Africa	677.1	644.9	+ 5.0	74.7	71.4	+ 3.3 points
Systemwide	6,768.8	6,326.3	+ 7.0	74.5	74.0	+ 0.5 point

	Passenger Revenue [R2] by Area of Original Sale ($ million) [R3]		
	2002-03	2001-02	Change %
East Asia	3,324.7	3,234.1	+ 2.8
Americas	653.7	613.8	+ 6.5
Europe	1,410.3	1,241.3	+ 13.6
South West Pacific	873.6	754.9	+ 15.7
West Asia and Africa	506.5	482.2	+ 5.0
Systemwide	6,768.8	6,326.3	+ 7.0

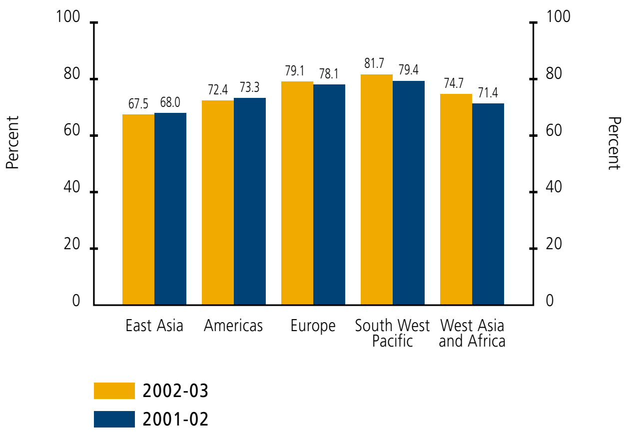
Passenger Revenue Composition by Route Region



Passenger Revenue Composition by Area of Original Sale



Passenger Load Factor by Route Region



Company Route Performance (continued)

	By Route Region [R1] (2002-03 against 2001-02) Revenue Passenger KM Change %		Available Seat KM Change %	
East Asia	+	5.6	+	6.3
Americas [R4]	+	12.3	+	13.7
Europe	+	0.8	–	0.4
South West Pacific	+	5.4	+	2.4
West Asia and Africa	+	6.7	+	2.0
Systemwide	+	6.0	+	5.3

R1 *Passenger revenue by route region is defined as revenue derived from a route originating from Singapore with its final destination in countries covered by the region and vice versa. For example, revenue from SIN-HKG-SFO-HKG-SIN route is classified under Americas region.*

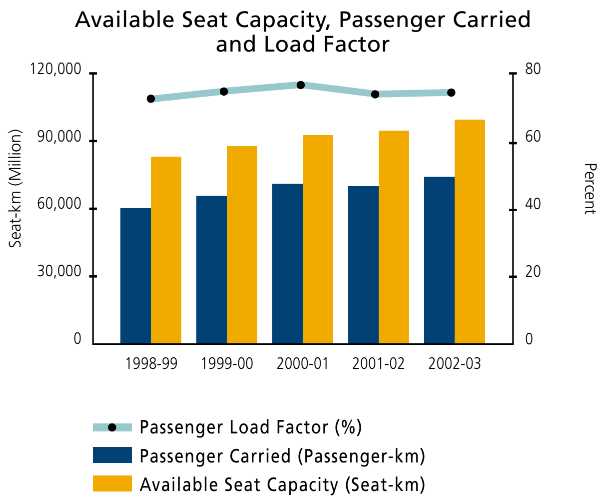
R2 *Includes excess baggage revenue.*

R3 *Passenger revenue by area of original sale is defined as revenue originating in the area from which the sale is made. East Asia covers Brunei, Hong Kong, Indonesia, Japan, Korea, Malaysia, People's Republic of China, Philippines, Singapore, Thailand, Taiwan and Vietnam. Americas comprises Canada and USA. Europe consists of Belgium, Denmark, England, France, Germany, Greece, Italy, Spain, Switzerland and The Netherlands. South West Pacific covers Australia and New Zealand. West Asia and Africa are made up of Bangladesh, India, Maldives, Mauritius, Nepal, Pakistan, Saudi Arabia, South Africa, Sri Lanka, Turkey and United Arab Emirates.*

R4 *The increases in Revenue Passenger KM and Available Seat KM for Americas region were mainly due to services cutbacks post September 11 during the year 2001-02.*

Passenger Capacity, Traffic And Load Factor

	2002-03	2001-02	Change	
Passengers carried (thousand)	15,326	14,765	+	3.8 %
Revenue passenger-km (million)	74,183.2	69,994.5	+	6.0 %
Available seat-km (million)	99,565.9	94,558.5	+	5.3 %
Passenger load factor (%)	74.5	74.0	+	0.5 point



Passenger Yield, Unit Cost and Breakeven Load Factor

	2002-03	2001-02 (Restated)	Change
Yield (¢/pkm)	9.1	9.0	+ 1.1 %
Unit cost (¢/ask)	6.7	6.4 [R1]	+ 4.7 %
Breakeven load factor (%)	73.6	71.1 [R1]	+ 2.5 points

[R1] *Restated to exclude cargo operating costs to allow meaningful year-on-year comparison.*

A weaker SGD contributed to the improvement in passenger yield.

Unit cost rose as the increase in operating expenditure exceeded the increase in capacity.

The spread between passenger load factor and breakeven load factor narrowed to 0.9 percentage point in 2002-03 from 2.9 percentage points the year before.

Expenditure

The Company's expenditure during 2002-03 increased 12.3 per cent, to $7,838 million.

Higher staff costs contributed significantly to the increase. The rise in staff costs was due mainly to (i) a provision to pay a profit-sharing bonus, equivalent to 3.23 months' salary, whereas no provision was made the previous year; (ii) an increased provision for a gratuity fund for staff in Japan, which was found to be underfunded by an annual actuarial valuation; (iii) staff strength increase from 14,205 to 14,418; (iv) the payment of service increments to all levels of staff; (v) the restoration of cuts in salary that were imposed after September 11, 2001; and (vi) higher meal and nightstop allowances for crew, arising from an increase in capacity of 5.3 per cent, in terms of available seat kilometres.

Aircraft maintenance and overhaul (AMO) expenses rose $177 million. The increase was mainly attributable to more engine and component overhaul/rectification work done during the year. From 2002-03, the Company started making provisions for AMO costs ($29 million) to meet return conditions of 16 aircraft under sale and leaseback agreements. This provision also added to the AMO costs.

Depreciation charges were $129 million higher as a result of (i) the commissioning of one B777-200A, two B777-200s, eight B777-200ERs and one B777-300 during the year; (ii) the full year's effect of three B747-400s, one B777-200, five B777-200As, six B777-200ERs and two B777-300s, delivered in the previous year; (iii) a provision for impairment in the value of spares for fleet types being phased out, i.e. A310-300 and A340-300; and (iv) a write-down of the remaining carrying value of business class seats replaced by the lie-flat spacebed seats.

Rentals on the lease of aircraft rose $49 million from (i) the full year's impact of the sale and leaseback of one B777-200 and two B747-400s last year; and (ii) higher lease rentals for three B747-400s as structured under the lease agreement. A weaker US Dollar against Singapore Dollar cushioned the increase.

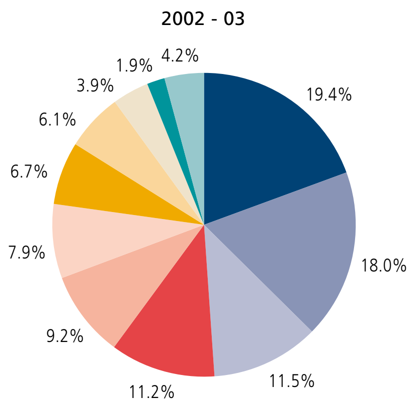
Expenditure (continued)

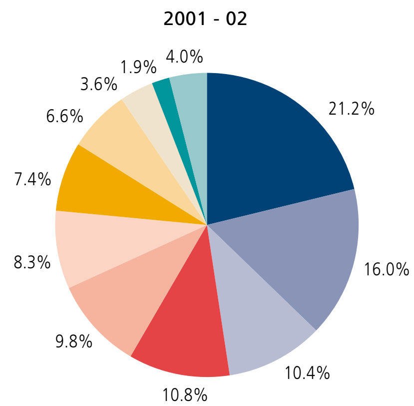
Sales costs increased $45 million as (i) more agents achieved their sales targets in 2002-03 compared to the previous year, when many failed to meet targets due to the after-effects of September 11, 2001; (ii) higher frequent flyer programme costs were incurred after the Company joined new programs (Emirates and Asiana Airlines); and (iii) higher fees were paid to distribution systems. The increase was cushioned by a write-back of provision for doubtful debts.

Expenditure on fuel was $42 million higher because of:

	$ million
9.9% rise in average price from 74.73 US¢/AG in 2001-02 to 82.16 US¢/AG	+ 144
4.2% increase in volume uplifted from 1,034.1 M AG in 2001-02 to 1,077.2 M AG	+ 58
1.6% weakening of USD against SGD from S$1.8030 in 2001-02 to S$1.7749	– 24
	+ 178
Hedging gain compared to a loss in 2001-02	– 136
	+ 42

Company Expenditure Composition





	2002-03 $ million	%	2001-02 $ million (Restated)[R1]	%	Change $ million	%
Fuel costs	1,523.1	19.4	1,481.0	21.2	+ 42.1	+ 2.8
Staff costs	1,409.7	18.0	1,119.6	16.0	+ 290.1	+ 25.9
Aircraft maintenance and overhaul costs	902.8	11.5	725.6	10.4	+ 177.2	+ 24.4
Depreciation charges	882.7	11.2	754.1	10.8	+ 128.7	+ 17.1
Handling charges	719.0	9.2	684.7	9.8	+ 34.3	+ 5.0
Sales costs [R2]	618.5	7.9	573.7	8.3	+ 44.7	+ 7.8
Inflight meal and other passenger costs	521.5	6.7	511.0	7.4	+ 10.5	+ 2.1
Landing and parking fees	478.6	6.1	463.4	6.6	+ 15.2	+ 3.3
Rentals on lease of aircraft	303.1	3.9	253.9	3.6	+ 49.2	+ 19.4
Communication and information technology costs [R3]	150.4	1.9	131.6	1.9	+ 18.8	+ 14.3
Other costs [R4]	328.6	4.2	278.0	4.0	+ 50.6	+ 18.2
	7,838.0	100.0	6,976.6	100.0	+ 861.4	+ 12.3

[R1] The corporatization of SIA Cargo took effect from 1 July 2001. Figures for 2001-02 were restated to exclude cargo operations for April to June 2001.

[R2] Sales costs included commissions and incentives payable, frequent flyer programme costs and advertising expenses.

[R3] Communication and information technology costs were for data transmission and contract service fees, hire of computer equipment, maintenance/rental of software, information technology contract and professional fees.

[R4] Other costs comprised crew expenses, company accommodation costs, loss on exchange, comprehensive aviation insurance, departmental expenses such as airport lounge expenses, non-information technology contract and professional fees and SIA Engineering recharges, expenses on non-scheduled services, aircraft licence and recoveries.

Expenditure (continued)

Enhanced security measures, rate hikes and higher frequencies added $34 million to handling charges.

Communications, information technology and related expenses rose $19 million due to (i) maintenance of software and computer equipment; (ii) IT professional and contract fees; and (iii) data transmission. The increase was cushioned by lower costs for the hire of computer equipment.

Landing, parking and overflight charges were $15 million higher as a result of increase in rates and frequencies.

Inflight meals and other passenger costs rose $11 million as a result of higher passenger carriage (6.0 per cent increase in passenger kilometres) and higher expenses on aircraft amenities and laundry. The increase was offset by new measures to reduce waste.

Other costs increased by $50 million. This was largely due to the increase in comprehensive aviation insurance costs as premium charges for Hull War Risks and Hull/Liability policies rose. Additional cover was also taken for Aviation Third Party War Risks.

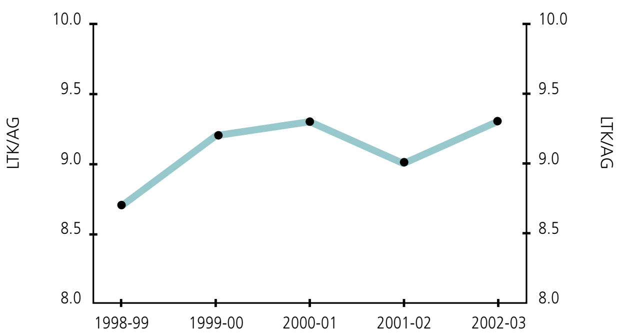
Fuel Productivity and Sensitivity Analysis

Fuel productivity as measured by ltk per American gallon (ltk/AG) increased 2.9 per cent over the previous year to 9.30 ltk/AG. This was partly attributable to the newer fleet of 45 B777 aircraft, with an average age of two years six months. The increase in ltk/AG was also the result of higher loads carried in 2002-03.

A change in fuel productivity (passenger aircraft) of one per cent would impact the Company's annual fuel costs by SGD16.5 million.

A change in fuel price of one US cent per American gallon would affect the Company's annual fuel costs of its passenger operations by SGD19 million, before accounting for US Dollar exchange rate movements and changes in volume of fuel consumed.

Fuel Productivity of Passenger Fleet



Finance Charges
The Company's finance charges increased 11.1 per cent mainly because of the full year impact of the interest charge on the $900 million Bond issue in December 2001. Interest income was 36.8 per cent less after SIA Cargo and SilkAir made partial repayment of loans, and lower interest was earned from deposits.

Surplus/Loss On Disposal Of Aircraft, Spares And Spare Engines
The Company's surplus on the disposal of aircraft, spares and spare engines was $197 million lower than the year before, mainly due to the transfer of nine B744 freighters and six spare engines to SIA Cargo in 2001-02. In 2002-03, a sale and leaseback agreement was completed for one B747-400 aircraft. Two A310-300 and four learjet aircraft were sold, and two A310-300 and five A340-300 aircraft were traded-in.

Gross Dividends From Subsidiaries And Associated Companies
Gross dividends from subsidiaries and associated companies fell by $7 million as Sing-Bi Funds became dormant after paying dividends ($27 million) and returning most of the funds to SIA in 2001-02. Higher dividends were received from SATS (+$9 million), SIAEC (+$9 million), and SilkAir (+$3 million).

Provision for Diminution in Value of Long-Term Investment
The $9 million provision for a diminution in value of long-term investments pertains to investments in the Star Alliance led purchasing portal, AeroXchange Ltd (-$6 million), and convertible preference shares in Air Canada (-$3 million). There was no diminution in the value of other investments as their market values were higher than their carrying values.

Exceptional Item
Net proceeds of $1 million were received on the liquidation of Asian Frequent Flyer Pte Ltd during the year.

Taxation
The provision for current tax was $240 million and writeback of deferred tax $173 million. As at 31 March 2003, the Company had a Section 44 charge balance of $288 million available for set-off against tax liabilities. To make use of this tax prepayment before it expires on 31 December 2007, capital allowance claims have been deferred from Year of Assessment 2003. As at 31 March 2003, the Company's deferred taxation account stood at $1,808 million.

There was a tax writeback of $225 million from the cut in corporate tax rate from 24.5 to 22.0 per cent.

Issued Share Capital and Share Options
There was no buyback of the Company's shares during the period under review.

On 1 July 2002, the Company made a fourth grant of share options to employees. Staff accepted 13,658,152 share options (99.1 per cent of total options offered) to be exercised between 1 July 2003 and 30 June 2012.

In July 2002, the Company issued 1,000 shares upon the exercise of options granted under the Employee Share Option Plan. As at 31 March 2003, there were 51,826,922 unexercised options under the Plan.

PERFORMANCE OF SUBSIDIARY COMPANIES

There were 25 subsidiary companies in the SIA Group as at 31 March 2003. The major subsidiary companies are Singapore Airport Terminal Services Limited (SATS), SIA Engineering Company Limited (SIAEC), Singapore Airlines Cargo Private Limited (SIA Cargo), and SilkAir (Singapore) Private Limited. The following review of their performances excludes adjustments for inter-company transactions.

Singapore Airport Terminal Services Group

	2002-03 $ million	2001-02 $ million	Change %
Total revenue	958.1	895.3	+ 7.0
Total expenditure	729.9	628.6	+ 16.1
Operating profit	228.2	266.7	– 14.4
Profit after tax	214.8	212.8	+ 0.9

The SATS Group's profit after tax for the financial year improved marginally to $214.8 million. Revenue was up $62.8 million: ground handling revenue increased $37.9 million because of more cargo handled; inflight catering revenue was $9.8 million higher than the preceding year as a result of an increase in the number of meals sold; while revenue from other services grew $15.1 million mainly because of additional security services purchased by airlines after September 11, 2001. Expenditure increased 16.1 per cent to $729.9 million, mainly as a result of higher staff costs (+$78.3 million) which increased significantly due to a profit-sharing bonus being provided, based on the profits of the SIA Group. Without this provision, as was the case the year before, operating profit would have increased 7.4 per cent.

Other operating expenditure (excluding staff costs) increased 7.6 percent to $23.0 million because of higher expenditure on (i) insurance (+$5.1 million); (ii) licensing fees (+$4.1 million); and (iii) raw materials (+$3.0 million), the latter as a result of more meals produced. Depreciation charges and building maintenance costs rose $3.6 million and $2.3 million respectively.

Share of profits from overseas operations through associated companies improved $8.6 million to $31.1 million, representing 12.0 per cent of the SATS Group's profit before tax.

Profit before taxation for the SATS Group was $258.1 million, a decline of $29.4 million. However, the SATS Group's profit after tax was 0.9 per cent better because of a $17.8 million tax write-back for financial year 2001-02 from the reduction in Singapore corporate tax rate. The tax write-back was reported earlier in the release of the results for the period.

The SATS Group's shareholders' funds rose $156.5 million (+16.8 per cent) to $1,086.8 million. Return on average shareholders' funds decreased 3.9 percentage points to 21.3 per cent. Earnings per share improved 0.2 cent to 21.5 cents and net asset value per share rose 15.7 cents to $1.09.

SIA Engineering Group

	2002-03 $ million	2001-02 $ million	Change %
Total revenue	878.1	835.6	+ 5.1
Total expenditure	737.1	631.9	+ 16.6
Operating profit	141.0	203.7	– 30.8
Profit after tax	205.3	223.2	– 8.0

The SIAEC Group's revenue grew $42.5 million to $878.1 million. Expenditure increased at a higher rate of 16.6 per cent to $737.1 million, contributed mainly by a provision for a profit-sharing bonus, higher aviation insurance premium and lower recovery of doubtful debts.

The SIAEC Group's operating profit was $141.0 million, a decrease of $62.7 million from the year before.

Profit before tax declined $36.1 million to $216.4 million, mainly due to an increase of $28.7 million in the share of profits from associated companies and joint venture companies. Sixteen associated companies and joint ventures in Singapore, China, Hong Kong, Taiwan and Ireland generated about $2.0 billion in revenue, with 73.0 per cent derived from airlines outside the SIA Group, and employed about 4,300 staff. The SIAEC Group's share of profits of associated companies, which amounted to $71.1 million, was 32.9 per cent of its pre-tax profit.

The SIAEC Group's operating profit and profit after tax were significantly impacted by a $51.2 million provision for a profit-sharing bonus. If there had been no such provision, as was the case the year before, operating profit would have declined 5.6 per cent and profit after tax, aided by a higher profit contribution from associated companies, would have risen by 15.0 per cent.

PERFORMANCE OF SUBSIDIARY COMPANIES (continued)

SIA Engineering Group (continued)

The SIAEC Group's shareholders' funds rose 22.7 per cent to $837.7 million as compared to 31 March 2002. The return on average shareholders' funds was 27.0 per cent, a decrease of 11.2 percentage points from 2001-02. Basic earnings per share was 20.5 cents, a decrease of 8.0 per cent over the year ended 31 March 2002.

Singapore Airlines Cargo

	2002-03 $ million	2001-02 $ million	Change %
Total revenue	2,520.5	2,039.0	+ 23.6
Total expenditure	2,457.6	2,130.0	+ 15.4
Operating profit	62.9	(91.0)	n.m.
Profit after tax	66.6	(93.2)	n.m.

SIA Cargo generated an operating profit of $62.9 million in 2002-03 compared to an operating loss of $91.0 million for the same period last year [R1]. The turnaround in operating performance was a result of a general recovery in world economies and the resultant improvement in loads and yield. Profit after tax was $66.6 million, after accounting for an exceptional $30.1 million tax write-back due to the reduction in corporate tax rate from 24.5 to 22 per cent from Year of Assessment 2003.

Total revenue rose 23.6 per cent to $2,520.5 million. This was primarily attributed to an increase in loads carried (+14.8 per cent) and higher yield (+6.2 per cent). Load factor went up 2.1 percentage points to 69.6 per cent.

Total expenditure increased $327.6 million to $2,457.6 million, mainly from higher fuel costs (+$49.7 million), aircraft maintenance and overhaul costs (+$65.5 million), handling charges (+$41.7 million) and bellyhold costs (+$52.1 million).

Unit cost increased 3.0 per cent to 23.9cts/ctk while the breakeven load factor went down 2.1 percentage points to 69.9 per cent.

During the year under review, SIA Cargo took delivery of one B747-400 freighter, enlarging its fleet to 12 B747-400 freighters. Capacity increased 10.9 per cent to 9,927 million tonne-kilometres.

Shareholders' funds as at 31 March 2003 stood at $1,427.4 million while total assets reached $3,043.6 million.

Capital expenditure was $345.8 million, primarily for the purchase of one B747-400 freighter and progress payments for firm aircraft orders.

[R1] *SIA Cargo was corporatized on 1 July 2001, the figures for April–June 2001 were based on SIA's cargo profit-centre accounts.*

SilkAir

	2002-03 $ million	2001-02 $ million	Change %
Total revenue	254.1	196.8	+ 29.1
Total expenditure	227.0	178.7	+ 27.0
Operating profit	27.1	18.1	+ 49.8
Profit after tax	31.6	17.5	+ 80.6

Expenditure was $48.3 million higher mainly because of higher fuel and oil costs, handling costs and a provision for a profit-sharing bonus.

Profit after tax was $31.6 million, after accounting for surplus from sale of aircraft of $12.0 million.

Unit cost dropped 4.0 per cent to 65.6 cts/ctk and breakeven load factor improved 0.7 percentage point to 45.6 per cent.

Shareholders' funds grew 10.3 per cent to $310.9 million at 31 March 2003.

Capital expenditure was $43.6 million, principally for pre-delivery payments of one A319 and two A320 passenger aircraft, and spare parts.

As at 31 March 2003, SilkAir's route network linked 26 cities in 10 Asian countries.

Statement of Value Added and its Distribution (in $ million)

	2002-03	2001-02	2000-01	1999-00	1998-99
Total revenue [R1]	10,515.0	9,382.8	9,852.2	8,861.4	7,797.0
Less: Purchase of goods and services	(6,462.4)	(5,709.6)	(5,345.6)	(4,784.5)	(4,054.9)
Value added by the Group	4,052.6	3,673.2	4,506.6	4,076.9	3,742.1
Add: Surplus on disposal of aircraft, spares and spare engines	144.9	66.0	181.3	98.4	211.3
Share of profits of joint venture companies	14.5	20.5	27.0	21.0	13.9
Share of profits/(losses) of associated companies	123.8	(71.3)	81.7	33.2	23.1
Provision for diminution in value of Air New Zealand Limited	–	(266.9)	–	–	–
Liquidation of Asian Frequent Flyer Pte Ltd	0.5	–	–	–	–
Recognition of deferred gain on divestment of 51% equity interests in Eagle Services Asia Pte Ltd	–	202.6	–	–	–
Profit on disposal of vendor shares (13% equity interests in SATS and SIAEC)	–	–	440.1	–	–
Profit on sale of investments	–	30.2	–	171.3	–
Surplus on liquidation of Abacus Distribution Systems	–	–	–	–	14.1
Ex-gratia bonus payment	–	–	(134.6)	–	–
Interest income	33.7	52.0	86.0	154.6	95.2
Surplus/(loss) on disposal of other fixed assets	1.2	2.9	2.4	(0.8)	0.2
Dividends from long-term investments, gross	5.2	5.7	7.7	3.6	3.4
Provision for diminution in value of long-term investments	(9.4)	(1.1)	(20.5)	(6.7)	(2.3)
Surplus on disposal of long-term investments	–	4.4	3.0	–	–
Total value added available for distribution	4,367.0	3,718.2	5,180.7	4,551.5	4,101.0
Applied as follows:					
To employees					
– Salaries and other staff costs	2,245.2	1,779.2	2,093.4	1,853.5	1,782.2
To government					
– Corporation taxes	(142.5)	233.8	242.4	296.5	80.3
To suppliers of capital					
– Interim and proposed dividends	166.6	152.3	321.1	295.5	240.6
– Finance charges	54.7	44.0	37.5	28.8	29.5
– Minority interests	54.5	60.1	37.5	3.6	3.3
Retained for future capital requirements					
– Depreciation	1,090.3	969.4	1,145.1	1,205.3	1,172.5
– Retained profit	898.2	479.4	1,303.7	868.3	792.6
Total value added	4,367.0	3,718.2	5,180.7	4,551.5	4,101.0
Value added per $ revenue ($)	0.42	0.40	0.53	0.51	0.53
Value added per $ employment cost ($)	1.95	2.09	2.47	2.46	2.30
Value added per $ investment in fixed assets ($)	0.19	0.18	0.28	0.24	0.23

Value added is a measure of wealth created. The statement above shows the Group's value added from 1998-99 to 2002-03 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.

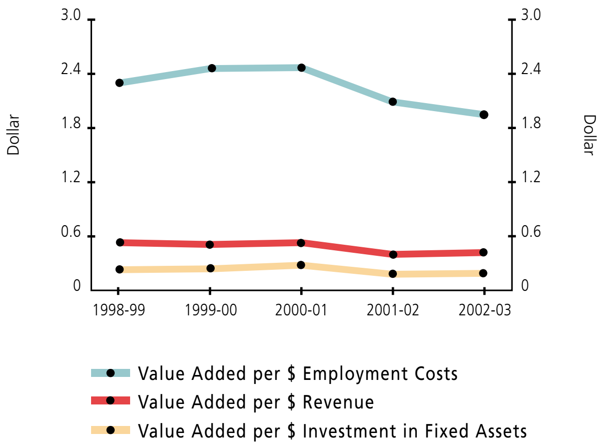
R1 Operating revenue was restated to exclude interest income, dividend from long-term investments, surplus on sale of fixed assets and gain on sale of long-term investments. Such items are now shown after operating profit. The change is to better reflect the performance of operating activities. Figures for the previous years were adjusted to allow year-on-year comparisons.

Value Added

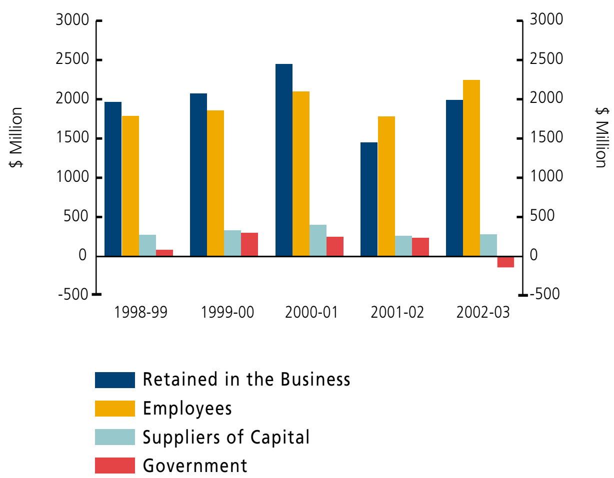
Compared to 2001-02, the total value added of the Group increased by $649 million to $4,367 million in 2002-03. This was mainly attributable to increase in revenue (+$1,132 million), provision for diminution in value of the investment in Air New Zealand Limited in the previous year (+$267 million) and higher share of profits of associated companies (+$195 million), partially offset by higher costs of goods and services purchased (-$753 million) and gain on divestment of 51 per cent equity interests in Eagle Services Asia Pte Ltd in the previous year (-$203 million).

Salaries and other staff costs accounted for $2,245 million (51.4 per cent) of the value added. $167 million (3.8 per cent) was applied on dividends for shareholders, and $55 million paid for finance charges (1.3 per cent). Minority interests' share was $55 million (1.2 per cent). The remaining $1,988 million (45.6 per cent) was retained for future capital requirement. The above was partially offset by the write-back of corporate taxes, at $143 million (3.3 per cent).

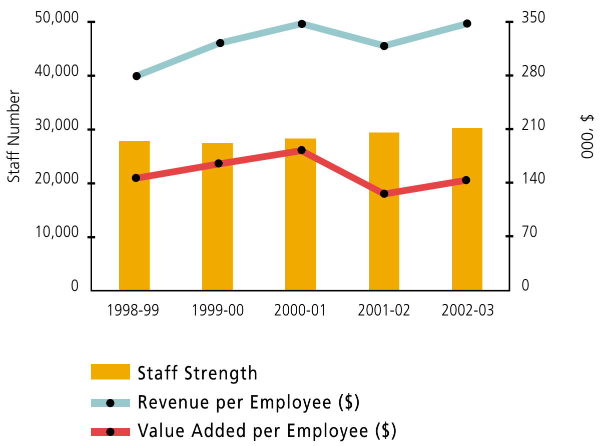
Group Value Added Productivity Ratios



Group Value Added



Group Staff Strength and Productivity



Staff Strength and Productivity

In 2002-03, the Company's average staff strength was 14,418, an increase of 213 over the previous year. The distribution of employee strength by category and location is as follows:

	2002-03	2001-02 (Restated)	% Change
Category			
Senior staff (administrative and higher ranking officers)	1,451	1,332	+ 8.9
Technical crew	1,832	1,711	+ 7.1
Cabin crew	6,768	6,721	+ 0.7
Other ground staff	4,367	4,441	– 1.7
	14,418	14,205	+ 1.5
Location			
Singapore	11,805	11,577	+ 2.0
West Asia and Africa	284	313	– 9.3
Rest of Asia	1,133	1,135	– 0.2
Europe	529	522	+ 1.3
South West Pacific	386	382	+ 1.0
Americas	281	276	+ 1.8
	14,418	14,205	+ 1.5

The Company's staff productivity, measured by the average of changes in seat capacity produced, passenger load carried, revenue earned, and value added per employee, increased 4.0 per cent over 2001-02 as shown below:

	2002-03	2001-02 (Restated)	% Change
Seat capacity per employee (seat-km) [R1]	6,905,667	6,656,705	+ 3.7
Passenger load carried per employee (tonne-km) [R1]	495,617	471,300	+ 5.2
Revenue per employee ($)	558,122	523,759	+ 6.6
Value added per employee ($)	191,566	190,891	+ 0.4
Average productivity increase/decrease			+ 4.0

[R1] *Based on average staff strength of passenger operations. Passenger load includes excess baggage carried.*

In 2002-03, average staff strength of subsidiary companies was 15,825, up 608. Head count increased in SIAEC Group (+331), SATS Group (+100) and Singapore Airlines Cargo (+66).

The Group's staff strength rose by 821 to 30,243 employees. A breakdown is as follows:

	2002-03	2001-02	% Change
SIA Passenger Airline Company	14,418	14,205	+ 1.5
SATS Group	9,327	9,227	+ 1.1
SIA Engineering Group	4,624	4,293	+ 7.7
Singapore Airlines Cargo	698	632	+ 10.4
SilkAir	560	516	+ 8.5
Others	616	549	+ 12.2
	30,243	29,422	+ 2.8

Group revenue per employee was $347,684, up 9.0 per cent, while value added increased to $144,397.

Report by the Board of Directors

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2003.

1 Accounts (in $ million)

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Profit before taxation	976.8	925.6	460.1	740.7
Taxation				
Current	(288.7)	19.7	(240.1)	32.3
Deferred	153.4	(253.5)	172.9	(205.8)
Adjustment for reduction in Singapore corporate tax rate	277.8	–	225.1	–
	142.5	(233.8)	157.9	(173.5)
Profit after taxation	1,119.3	691.8	618.0	567.2
Minority interests	(54.5)	(60.1)	–	–
Profit attributable to shareholders	1,064.8	631.7	618.0	567.2

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been affected by any item, transaction or event of a material and unusual nature apart from the adjustment for reduction in Singapore corporate tax rate as disclosed in note 11 to the financial statements.

2 Transfers to/from Reserves and Provisions

There were no other material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

3 Dividends

The final dividend paid during the financial year in respect of the previous financial year and included in the previous directors' report was $124.7 million (comprising 4.0 cents per share tax exempt dividend and 8.0 cents per share less 22.0% tax).

An interim dividend of 6.0 cents per share, less tax at 22.0%, amounting to $57.0 million, was paid on 21 November 2002. The directors propose that a final tax exempt (one-tier) dividend of 9.0 cents per share, amounting to $109.6 million, be paid for the financial year ended 31 March 2003.

4 Principal Activities

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

The principal activity of the Company consists of passenger air transportation.

5 Directors of the Company

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

Koh Boon Hwee	Chairman
Cheong Choong Kong	Deputy Chairman/Chief Executive Officer (Executive)
Edmund Cheng Wai Wing	(Independent)
Chew Choon Seng	Chief Executive Officer Designate (Executive) (appointed on 5 March 2003)
Fock Siew Wah	
Charles B Goode	(Independent)
Ho Kwon Ping	(Independent)
Lim Boon Heng	
Davinder Singh	(Independent)

5 Directors of the Company (continued)

(b) The following directors who held office at the end of the financial year have, according to the register required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in the ordinary shares, share options and debentures of the Company, and of the subsidiary companies of the Company's holding company:

	Direct Interest			Deemed interest		
Name of Director	1.4.2002/ date of appointment	31.3.2003	21.4.2003	1.4.2002/ date of appointment	31.3.2003	21.4.2003
Interest in Singapore Airlines Limited						
Ordinary shares of $0.50 each						
Cheong Choong Kong	480,800	480,800	480,800	24,000	24,000	24,000
Edmund Cheng Wai Wing	–	–	–	3,000	3,000	3,000
Chew Choon Seng	214,000	214,000	214,000	–	–	–
Charles B Goode	–	–	–	50,000	50,000	50,000
Options to subscribe for ordinary shares of $0.50 each						
Cheong Choong Kong	708,000	936,000	936,000	–	–	–
Chew Choon Seng	454,000	454,000	454,000	–	–	–
Fixed Rate Notes 2011 of $250,000 each						
Cheong Choong Kong	1	1	1	–	–	–
Interest in SIA Engineering Company Limited						
Ordinary shares of $0.10 each						
Cheong Choong Kong	58,000	58,000	58,000	3,000	3,000	3,000
Chew Choon Seng	20,000	20,000	20,000	–	–	–
Interest in Singapore Airport Terminal Services Limited						
Ordinary shares of $0.10 each						
Cheong Choong Kong	56,000	56,000	56,000	3,000	3,000	3,000
Chew Choon Seng	10,000	10,000	10,000	–	–	–
Interest in Singapore Telecommunications Limited						
Ordinary shares of $0.15 each						
Koh Boon Hwee	31,820	31,880	31,880	1,690	1,740	1,740
Cheong Choong Kong	121,690	1,740	1,740	1,690	1,740	1,740
Chew Choon Seng	11,880	11,880	11,880	–	–	–
Fock Siew Wah	1,690	1,740	1,740	1,690	1,740	1,740
Charles B Goode	10,660	10,660	10,660	288,403	288,403	288,403
Ho Kwon Ping	1,750	1,820	1,820	1,490	1,540	1,540
Lim Boon Heng	1,620	1,680	1,680	1,490	1,540	1,540
Davinder Singh	1,950	2,020	2,020	1,490	1,540	1,540
Interest in SNP Corporation Limited						
Ordinary shares of $0.50 each						
Edmund Cheng Wai Wing	–	10,000	10,000	–	–	–
Options to subscribe for ordinary shares of $0.50 each						
Edmund Cheng Wai Wing	10,000	25,000	25,000	–	–	–
Interest in CapitaLand Limited						
Ordinary shares of $1.00 each						
Edmund Cheng Wai Wing	–	–	–	28,000	28,000	28,000
Fixed Rate Notes 2003 of $250,000 each						
Cheong Choong Kong	1	–	–	–	–	–

5 Directors of the Company (continued)

	Direct Interest			Deemed interest		
Name of Director	1.4.2002/ date of appointment	31.3.2003	21.4.2003	1.4.2002/ date of appointment	31.3.2003	21.4.2003
Interest in Raffles Holdings Limited						
Ordinary shares of $0.50 each						
Chew Choon Seng	12,000	12,000	12,000	–	–	–
Interest in SMRT Corporation Limited						
Ordinary shares of $0.10 each						
Chew Choon Seng	50,000	50,000	50,000	–	–	–

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

(c) Since the end of the previous financial year no director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Companies Act, Chapter. 50, except for $0.6 million (2002: $0.9 million) of loans to directors of the Company and its subsidiary companies in accordance with schemes approved by shareholders of the Company and $0.015 million (2001-02: $0.057 million) of professional fees paid by the Group and the Company to a firm of which one director is a member.

6 Audit And Risk Committee

At the date of this report, the Audit and Risk Committee comprises three members, two of whom are independent non-executive directors. The members of the Audit and Risk Committee at the date of this report are:

Edmund Cheng Wai Wing	Chairman (Independent)
Ho Kwon Ping	(Independent)
Koh Boon Hwee	

The Committee holds quarterly meetings with the internal auditors and the external auditors of the Company. Its functions include the following:

(a) review of the audit plans of the internal auditors and external auditors of the Company, the results of their examination of the Company's system of internal accounting controls and the co-operation given by the Company's officers to the internal and external auditors;

(b) review of the financial statements of the Group and the Company and the auditors' report thereon before their submission to the Board of Directors;

(c) nomination of the external auditors for re-appointment; and

(d) review of interested persons transactions and the opinion of the Independent Financial Advisor on the adequacy of the Company's methods/procedures for future interested persons transactions.

7 Share Capital and Debentures

In July 2002, the Company issued 1,000 ordinary shares of $0.50 par value at an exercise price of $11.96 each pursuant to the Employee Share Option Plan.

During the financial year, Singapore Flying College Pte Ltd issued 62,949 preference shares of $1.00 at a premium of $999 each to the Company for cash and to acquire fixed assets.

8 Acquisition/Disposal of Subsidiary Companies

On 2 August 2002, SIA Engineering Company Limited incorporated a wholly-owned subsidiary company, SIAEC Global Pte Ltd, with a paid-up capital of $2.00.

On 28 October 2002, Singapore Airport Terminal Services Limited ("SATS") acquired the following company:

Name of company	Cost of investment	Net tangible assets	Interest acquired
Country Foods Pte Ltd	$4,000,000	$2,661,000	57.1%

Subsequent to the initial acquisition of Country Foods Pte Ltd, SATS subscribed for additional 1,142,858 ordinary shares of $1 each at a premium of $0.75 per share to increase its interest from 57.1% to 66.7%. Total cost of acquisition was $6.0 million cash and the net tangible assets acquired was $4.5 million.

Star Kingdom Investment Limited was liquidated on 31 October 2002.

9 Options on Shares in the Company

The Singapore Airlines Limited Employee Share Option Plan ("the Plan"), which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, was approved by shareholders on 8 March 2000.

Under the Plan, all options to be issued will have a term no longer than 10 years from the date of grant. The exercise price of the option will be the average of the closing prices of the Company's ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant.

Under the Employee Share Option Scheme, options will vest two years after the date of grant. Under the Senior Executive Share Option Scheme, options will vest:

(a) one year after the date of grant for 25% of the ordinary shares subject to the options;

(b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;

(c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and

(d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

At the date of this report, the Board Compensation and Organizational Committee administering the Plan comprises the following directors:

Koh Boon Hwee	Chairman
Cheong Choong Kong	
Fock Siew Wah	
Lim Boon Heng	(appointed to the Committee on 11 September 2002)

Cheong Choong Kong did not participate in any deliberation or decision in respect of options granted to him.

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

No employee has received 5% or more of the total number of options available under the Plan.

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.

During the financial year, in consideration of the payment of $1.00 for each offer accepted, offers of options were granted pursuant to the Plan in respect of 13,787,922 unissued shares of $0.50 each in the Company at an exercise price of $12.82 per share.

9 Options on Shares in the Company (continued)

At the end of the financial year, options to take up 51,826,922 unissued shares of $0.50 each in the Company were outstanding:

Date of grant	Number of unissued ordinary shares of $0.50 each: Balance at 1.4.2002/ Date of grant	Cancelled	Exercised	Balance at 31.3.2003	Exercise price	Exercisable period
28.3.2000	13,310,630	(184,200)	–	13,126,430	$15.34	28.3.2001 – 27.3.2010
3.7.2000	11,973,150	(104,800)	–	11,868,350	$16.65	3.7.2001 – 2.7.2010
2.7.2001	13,286,140	(111,150)	(1,000)	13,173,990	$11.96	2.7.2002 – 1.7.2011
1.7.2002	13,787,922	(129,770)	–	13,658,152	$12.82	1.7.2003 – 30.6.2012
	52,357,842	(529,920)	(1,000)	51,826,922		

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

Name of participant	Options granted during financial year under review	Exercise price for options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding at end of financial year under review
Cheong Choong Kong	228,000	$12.82	936,000	–	–	936,000
Chew Choon Seng	152,000	$12.82	454,000	–	–	454,000

10 Options on Shares in Subsidiary Companies

The particulars of options on shares in subsidiary companies are as follows:

(a) Singapore Airport Terminal Services Limited ("SATS")

The Singapore Airport Terminal Services Limited Employee Share Option Plan ("SATS ESOP"), which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, was approved on 20 March 2000.

The basis upon which an option may be exercised is identical to that of the Plan implemented by the Company.

During the financial year, in consideration of the payment of $1.00 for each offer accepted, offers of options were granted pursuant to the SATS ESOP in respect of 15,239,500 unissued shares of $0.10 each in SATS at an exercise price of $1.90 per share.

At the end of the financial year, options to take up 61,799,200 unissued shares of $0.10 each in SATS were outstanding:

Date of grant	Number of unissued ordinary shares of $0.10 each: Balance at 1.4.2002/ Date of grant	Cancelled	Exercised	Balance at 31.3.2003	Exercise price	Exercisable period
28.3.2000	18,150,000	(312,800)	–	17,837,200	$2.50	28.3.2001 – 27.3.2010
3.7.2000	13,917,300	(137,300)	–	13,780,000	$2.10	3.7.2001 – 2.7.2010
2.7.2001	15,243,400	(162,600)	–	15,080,800	$1.54	2.7.2002 – 1.7.2011
1.7.2002	15,239,500	(138,300)	–	15,101,200	$1.90	1.7.2003 – 30.6.2012
	62,550,200	(751,000)	–	61,799,200		

10 Options on Shares in Subsidiary Companies (continued)

(b) SIA Engineering Company Limited ("SIAEC")

The SIA Engineering Company Limited Employee Share Option Plan ("SIAEC ESOP"), which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, was approved on 9 February 2000.

The basis upon which an option may be exercised is identical to that of the Plan implemented by the Company.

During the financial year, in consideration of the payment of $1.00 for each offer accepted, offers of options were granted pursuant to the SIAEC ESOP in respect of 16,594,800 unissued shares of $0.10 each in SIAEC at an exercise price of $2.38 per share.

At the end of the financial year, options to take up 60,301,000 unissued shares of $0.10 each in SIAEC were outstanding:

	Number of unissued ordinary shares of $0.10 each					
Date of grant	Balance at 1.4.2002/ Date of grant	Cancelled	Exercised	Balance at 31.3.2003	Exercise price	Exercisable period
28.3.2000	15,079,650	(158,200)	(216,700)	14,704,750	$2.05	28.3.2001 – 27.3.2010
3.7.2000	14,067,750	(133,000)	(207,100)	13,727,650	$1.95	3.7.2001 – 2.7.2010
2.7.2001	15,431,000	(80,800)	(13,200)	15,337,000	$1.41	2.7.2002 – 1.7.2011
1.7.2002	16,594,800	(63,200)	–	16,531,600	$2.38	1.7.2003 – 30.6.2012
	61,173,200	(435,200)	(437,000)	60,301,000		

11 Other Statutory Information

(a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realize their book values in the ordinary course of business were written-down to an amount which they might be expected so to realize.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written-off for bad debts or provision for doubtful debts in the Group inadequate to any substantial extent; and

(ii) the values attributed to current assets in the consolidated financial statements misleading.

(c) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

(d) At the date of this report:

(i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person; and

(ii) there are no material contingent liabilities which have arisen since the end of the financial year.

11 Other Statutory Information (continued)

(e) No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.

(f) In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

12 Subsequent Events

(a) On 3 April 2003, five Pratt and Whitney 4056 engines were sold to UT Finance Corporation.

(b) SIA retired the last three aircraft in its A340-300 fleet by mid-April 2003. The Company took delivery of one new A340-300 and B777-200A aircraft on 29 April and 1 May 2003, respectively. On 8 May 2003, the A340-300 aircraft was traded-in to Boeing.

(c) With most of the SARS-affected countries being in the East Asia region, the impact on SIA services was severe, and the Airline took swift action to manage its costs. This included a 30% reduction in capacity, in terms of available seat kilometers, for the period April to June 2003. Operations to six destinations – Brussels, Chicago, Las Vegas, Hiroshima, Kaohsiung and Mauritius – were terminated, while those to Fukuoka, Jeddah, Guangzhou and Madrid were suspended. The launch of a thrice-weekly Bangalore service has been deferred.

(d) SilkAir, the SIA Group's regional airline, announced cutbacks in capacity of 24 per cent.

13 Auditors

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

On behalf of the Board,

KOH BOON HWEE
Chairman

CHEONG CHOONG KONG
Deputy Chairman/Chief Executive Officer

Dated this 21st day of May 2003

Statement by the Directors Pursuant to Section 201(15)

We, Koh Boon Hwee and Cheong Choong Kong, being two of the directors of Singapore Airlines Limited, do hereby state that in the opinion of the directors:

(i) the accompanying financial statements set out on pages 66 to 107 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 2003, the results of the business, the changes in equity and the cash flows of the Group and 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,

KOH BOON HWEE
Chairman

CHEONG CHOONG KONG
Deputy Chairman/Chief Executive Officer

Dated this 21st day of May 2003

Auditors' Report

To the members of Singapore Airlines Limited

We have audited the financial statements of Singapore Airlines Limited and its subsidiary companies set out on pages 66 to 107. These financial statements comprise the balance sheets of the Company and of the Group as at 31 March 2003 and the profit and loss accounts, statements of changes in equity and cash flow statements of the Company and of the Group for the financial year ended 31 March 2003, and notes thereto. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act ("Act") and Singapore Statements of Accounting Standard and give a true and fair view of:

   (i) the state of affairs of the Company and the Group as at 31 March 2003, and the results, changes in equity and cash flows of the Company and the Group for the financial year ended on that date; and

   (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;

(b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of those subsidiary companies audited by our associated firms and that audited by another firm are stated in note 20 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

Dated this 21st day of May 2003
Singapore

Profit and Loss Accounts

For the financial year ended 31 March 2003 (in $ million)

	Notes	The Group 2002-03	The Group 2001-02	The Company 2002-03	The Company 2001-02
REVENUE	4	10,515.0	9,382.8	8,047.0	7,694.7
EXPENDITURE					
Staff costs	5	2,245.2	1,779.2	1,409.7	1,128.9
Fuel costs		1,864.6	1,763.9	1,523.1	1,540.9
Depreciation	18	1,090.3	969.4	840.1	779.7
Provision for impairment of fixed assets	18	43.2	1.8	42.6	–
Aircraft maintenance and overhaul costs		780.9	560.8	902.8	745.1
Commission and incentives		675.5	585.0	400.0	411.9
Landing, parking and overflying charges		576.1	531.6	478.6	477.0
Handling charges		521.1	548.2	719.0	756.5
Rentals on lease of aircraft		358.5	314.1	303.1	270.1
Material costs		312.7	314.1	–	–
Inflight meals		218.0	217.8	387.3	388.0
Advertising and sales costs		208.6	191.2	218.5	213.7
Insurance expenses		179.0	99.8	121.1	79.0
Company accommodation and utilities		135.4	140.7	82.6	90.4
Other passenger costs		130.7	120.1	134.2	123.4
Crew expenses		98.9	100.4	99.2	100.7
Other operating expenses		359.2	220.1	176.1	176.3
		9,797.9	8,458.2	7,838.0	7,281.6
OPERATING PROFIT	6	717.1	924.6	209.0	413.1
Finance charges	7	(54.7)	(44.0)	(52.1)	(46.9)
Interest income	8	33.7	52.0	38.5	60.9
Surplus on disposal of aircraft, spares and spare engines		144.9	66.0	138.3	334.8
Surplus/(loss) on disposal of other fixed assets		1.2	2.9	(0.8)	0.1
Dividends from subsidiary and associated companies, gross	9	–	–	131.5	138.6
Dividends from long-term investments, gross		5.2	5.7	4.1	4.7
Provision for diminution in value of long-term investments		(9.4)	(1.1)	(9.4)	(1.1)
Surplus on disposal of long-term investments		–	4.4	–	4.6
Share of profits of joint venture companies		14.5	20.5	–	–
Share of profits/(losses) of associated companies		123.8	(71.3)	–	–
PROFIT BEFORE EXCEPTIONAL ITEMS		976.3	959.7	459.1	908.8
Exceptional items	10	0.5	(34.1)	1.0	(168.1)
PROFIT BEFORE TAXATION		976.8	925.6	460.1	740.7
TAXATION	11				
Current		(288.7)	19.7	(240.1)	32.3
Deferred		153.4	(253.5)	172.9	(205.8)
Adjustment for reduction in Singapore corporate tax rate		277.8	–	225.1	–
		142.5	(233.8)	157.9	(173.5)
PROFIT AFTER TAXATION		1,119.3	691.8	618.0	567.2
Minority interests		(54.5)	(60.1)	–	–
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,064.8	631.7	618.0	567.2
BASIC EARNINGS PER SHARE (CENTS)	12	87.4	51.9	50.7	46.6
DILUTED EARNINGS PER SHARE (CENTS)	12	87.4	51.9	50.7	46.6

The notes on pages 72 to 107 form an integral part of these financial statements.

Balance Sheets

At 31 March 2003 (in $ million)

	Notes	The Group 2003	The Group 2002	The Company 2003	The Company 2002
SHARE CAPITAL					
Authorized	14	3,000.0	3,000.0	3,000.0	3,000.0
Issued and fully paid	14	609.1	609.1	609.1	609.1
RESERVES					
Distributable					
General reserve		9,539.1	8,655.2	9,485.3	9,049.0
Foreign currency translation reserve		41.3	63.8	–	–
Non-distributable					
Share premium		447.2	447.2	447.2	447.2
Capital redemption reserve		64.4	64.4	64.4	64.4
Capital reserve		7.7	6.9	–	–
		10,099.7	9,237.5	9,996.9	9,560.6
SHARE CAPITAL AND RESERVES		10,708.8	9,846.6	10,606.0	10,169.7
MINORITY INTERESTS		267.5	228.7	–	–
DEFERRED ACCOUNT	15	523.1	591.9	462.7	562.2
DEFERRED TAXATION	16	2,251.0	2,664.5	1,807.9	2,205.9
LONG-TERM LIABILITIES	17	1,879.6	1,928.9	1,483.9	1,506.8
		15,630.0	15,260.6	14,360.5	14,444.6
Represented by:					
FIXED ASSETS					
Aircraft, spares and spare engines	18	11,723.6	10,798.3	9,345.6	8,538.2
Land and buildings		1,057.5	1,107.4	360.9	383.0
Others		2,624.9	2,537.2	1,951.6	1,980.0
		15,406.0	14,442.9	11,658.1	10,901.2
GOODWILL ON CONSOLIDATION	19	1.5	–	–	–
SUBSIDIARY COMPANIES	20	–	–	2,291.0	2,393.7
ASSOCIATED COMPANIES	21	500.7	385.5	1,721.8	1,687.4
JOINT VENTURE COMPANIES	22	296.4	277.1	118.8	107.9
LONG-TERM INVESTMENTS	23	569.6	590.4	489.4	502.9
CURRENT ASSETS					
Trade debtors	24	1,071.9	1,344.9	651.9	895.7
Stocks	25	80.8	67.0	29.0	29.6
Investments	26	148.3	34.2	–	–
Amounts owing by associated companies – net	21	–	0.3	–	–
Amounts owing by joint venture companies	22	1.0	–	–	–
Section 44 tax prepayments		287.9	346.5	287.9	346.5
Cash and bank balances	27	819.9	1,091.6	428.7	854.9
		2,409.8	2,884.5	1,397.5	2,126.7
Less: **CURRENT LIABILITIES**					
Loans – repayable within one year	17	224.7	221.6	–	220.0
Finance lease commitments – repayable within one year	17	13.0	42.3	–	–
Bank overdrafts – unsecured		30.6	56.8	29.1	48.4
Trade creditors		1,928.3	1,769.9	1,207.0	1,166.4
Amounts owing to subsidiary companies – net	20	–	–	844.3	759.2
Amounts owing to associated companies – net	21	19.5	–	20.0	–
Sales in advance of carriage		849.6	887.7	798.6	824.5
Deferred revenue		205.3	196.5	205.3	196.5
Current tax payable		283.0	145.0	211.8	60.2
		3,554.0	3,319.8	3,316.1	3,275.2
NET CURRENT LIABILITIES		(1,144.2)	(435.3)	(1,918.6)	(1,148.5)
		15,630.0	15,260.6	14,360.5	14,444.6

The notes on pages 72 to 107 form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 March 2003 (in $ million)

The Group

	Notes	Share capital	Share premium	Capital redemption reserve	Capital reserve	Foreign currency translation reserve	General reserve	Total
Balance at 31 March 2001		1,220.2	447.2	62.3	6.9	40.8	8,260.3	10,037.7
Currency translation differences		–	–	–	–	23.0	–	23.0
Share buyback	14	(2.1)	–	2.1	–	–	(25.3)	(25.3)
Capital reduction	14	(609.0)	–	–	–	–	–	(609.0)
Dividends received from share buyback		–	–	–	–	–	0.3	0.3
Net gains and losses not recognized in the profit and loss account		(611.1)	–	2.1	–	23.0	(25.0)	(611.0)
Profit attributable to shareholders for the financial year		–	–	–	–	–	631.7	631.7
Dividends	13	–	–	–	–	–	(211.8)	(211.8)
Balance at 31 March 2002		609.1	447.2	64.4	6.9	63.8	8,655.2	9,846.6
Currency translation differences		–	–	–	–	(22.5)	–	(22.5)
Share options exercised	14	*	*	–	–	–	–	–
Share of joint venture company's capital reserve		–	–	–	0.8	–	–	0.8
Gain on dilution of interest in a subsidiary company due to share options exercised		–	–	–	–	–	0.8	0.8
Net gains and losses not recognized in the profit and loss account		–	–	–	0.8	(22.5)	0.8	(20.9)
Profit attributable to shareholders for the financial year		–	–	–	–	–	1,064.8	1,064.8
Dividends	13	–	–	–	–	–	(181.7)	(181.7)
Balance at 31 March 2003		609.1	447.2	64.4	7.7	41.3	9,539.1	10,708.8

* *1,000 ordinary shares of $0.50 par value issued at exercise price of $11.96 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by $500 and $11,460 respectively.*

The notes on pages 72 to 107 form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 March 2003 (in $ million)

The Company

	Notes	Share capital	Share premium	Capital redemption reserve	General reserve	Total
Balance at 31 March 2001		1,220.2	447.2	62.3	8,718.6	10,448.3
Share buyback	14	(2.1)	–	2.1	(25.3)	(25.3)
Capital reduction	14	(609.0)	–	–	–	(609.0)
Dividends received from share buyback		–	–	–	0.3	0.3
Net gains and losses not recognized in the profit and loss account		(611.1)	–	2.1	(25.0)	(634.0)
Profit attributable to shareholders for the financial year		–	–	–	567.2	567.2
Dividends	13	–	–	–	(211.8)	(211.8)
Balance at 31 March 2002		609.1	447.2	64.4	9,049.0	10,169.7
Share options exercised	14	*	*	–	–	–
Net gains and losses not recognized in the profit and loss account		–	–	–	–	–
Profit attributable to shareholders for the financial year		–	–	–	618.0	618.0
Dividends	13	–	–	–	(181.7)	(181.7)
Balance at 31 March 2003		609.1	447.2	64.4	9,485.3	10,606.0

* *1,000 ordinary shares of $0.50 par value issued at exercise price of $11.96 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by $500 and $11,460 respectively.*

The notes on pages 72 to 107 form an integral part of these financial statements.

Cash Flow Statements

For the financial year ended 31 March 2003 (in $ million)

	Notes	The Group 2002-03	The Group 2001-02	The Company 2002-03	The Company 2001-02
Net Cash provided by Operating Activities	28	1,818.1	1,380.4	1,236.1	571.3
Cash Flow from Investing Activities					
Capital expenditure	29	(3,039.3)	(3,532.4)	(2,578.7)	(2,882.2)
Proceeds from disposal of aircraft and other fixed assets		1,279.5	1,601.8	1,164.2	1,302.0
Return on capital from associated companies		–	5.4	–	–
Return on capital from joint venture companies		0.9	–	–	–
Return on capital from long-term investments		2.8	–	2.3	–
Investments in associated companies		(16.8)	(37.9)	–	–
Investments in joint venture companies		(18.9)	(13.6)	(10.9)	–
Investments in subsidiary companies by minority interests		–	0.6	–	–
Investments in subsidiary companies		–	(0.6)	(7.0)	–
Acquisition of subsidiary companies, net of cash acquired		(2.1)	–	–	–
Additional long-term investments		(169.6)	(3.6)	(169.6)	(3.5)
Additional long-term loans		(0.8)	(1.1)	–	–
Loans to associated companies		–	(0.1)	–	–
Loans to subsidiary companies		–	–	(34.3)	(313.2)
Repayment of loans by subsidiary companies		–	–	190.3	624.7
Repayment of loans by associated companies		6.0	1.4	–	–
Repayment of loans		6.3	2.7	–	–
Proceeds from liquidation of subsidiary companies		–	–	–	191.4
Proceeds from sale of long-term investments		154.1	32.9	154.1	31.4
Proceeds from disposal of associated companies		1.0	6.1	1.0	8.8
Dividends from subsidiary and associated companies		36.1	31.2	98.3	106.2
Dividends received from investments		4.5	5.8	3.4	4.2
Interest received from investments and deposits		32.3	70.6	37.7	69.9
Interest received from associated companies		0.3	–	–	–
Net Cash used in Investing Activities		(1,723.7)	(1,830.8)	(1,149.2)	(860.3)
Cash Flow from Financing Activities					
Dividends paid		(181.7)	(211.8)	(181.7)	(211.8)
Dividends paid by subsidiary companies to minority interests		(17.9)	(16.0)	–	–
Interest expense paid		(51.1)	(22.3)	(47.4)	(25.1)
Proceeds from borrowings		219.8	1,119.1	–	1,120.0
Repayment of borrowings		(220.0)	–	(220.0)	–
(Decrease)/increase in long-term lease liabilities		(57.9)	2.1	(17.0)	2.1
Proceeds from exercise of share options		0.9	–	–	–
Capital reduction		–	(609.0)	–	(609.0)
Share buyback		–	(25.3)	–	(25.3)
Dividends received from share buyback		–	0.3	–	0.3
Net Cash (used in)/provided by Financing Activities		(307.9)	237.1	(466.1)	251.2
Net Cash Outflow		(213.5)	(213.3)	(379.2)	(37.8)
Cash and Cash Equivalents at beginning of Financial Year		1,034.8	1,244.9	806.5	841.1
Effect of exchange rate changes		(32.0)	3.2	(27.7)	3.2
Cash and Cash Equivalents at end of Financial Year		789.3	1,034.8	399.6	806.5
Analysis of Cash and Cash Equivalents					
Fixed deposits	27	528.2	531.5	306.2	438.0
Cash and bank	27	291.7	560.1	122.5	416.9
Bank overdrafts – unsecured		(30.6)	(56.8)	(29.1)	(48.4)
Cash and Cash Equivalents at end of Financial Year		789.3	1,034.8	399.6	806.5

The notes on pages 72 to 107 form an integral part of these financial statements.

For the financial year ended 31 March 2003 (in $ million) (continued)

The acquisition of 57.1% equity interest in Country Foods Pte Ltd ("CF") by Singapore Airport Terminal Services Limited ("SATS") has been shown in the statement as a single item. The effects on the individual assets and liabilities are set out below.

	2002-03
Fixed assets	2.9
Stocks	0.5
Trade debtors	2.0
Cash and bank balances	1.9
Creditors	(2.6)
Net identifiable assets and liabilities acquired	4.7
Goodwill on acquisition	1.3
Minority interest	(2.0)
Cash consideration paid	4.0
Less:	
Cash acquired	(1.9)
Net cash outflow	2.1

Subsequent acquisition of an additional 9.6% equity interest was by subscription of new shares in CF. The additional investment of $2.0 million into the subsidiary has no impact on the Group’s cash flow statement.

The notes on pages 72 to 107 form an integral part of these financial statements.

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 a subsidiary company of Temasek Holdings (Private) Limited, incorporated in the Republic of Singapore.

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

The principal activities of the Group consist of passenger and cargo air transportation, airport terminal services, 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 2003 were authorized for issue in accordance with a resolution of the directors on 21 May 2003.

2 Accounting Policies

The main accounting policies of the Group, which have been consistently applied except where indicated otherwise, are described in the following paragraphs.

(a) Basis of accounting

The financial statements of the Group and of the Company, which are expressed in Singapore dollars, are prepared under the historical cost convention and in accordance with Singapore Statements of Accounting Standard ("SAS") and applicable requirements of the Companies Act, Cap. 50.

Change in accounting policy

<u>SAS 20 The Effects of Changes in Foreign Exchange Rates</u>

The revised SAS 20 came into effect on 1 April 2002. Accordingly, the financial results of foreign subsidiary, associated and joint venture companies are now translated into Singapore dollars at the annual average exchange rates. Previously, such results were translated at exchange rates prevailing at the balance sheet date. The change in accounting policy was applied prospectively because the financial effect of adopting the revised SAS 20 was not significant.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies for the financial year ended 31 March. A list of the Group's subsidiary companies is shown in note 20 to the financial statements.

(c) Subsidiary, associated and joint venture companies

Shares in subsidiary, associated and joint venture companies are stated at cost, less provision for impairment in value.

An associated company is defined as a company, not being a subsidiary company or joint venture company, in which the Group has a long-term interest of not less than 20% in the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's share of the results of associated companies, with appropriate adjustments to account for the amortization of goodwill, is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves is added to the value of investments in associated companies shown on the consolidated balance sheet. An assocate in airline business adopts different accounting policies for its treatment of frequent flyer programmes and aircraft maintenance and overhaul. It is not practicable for such adjustments to be calculated to align these to the Group's policies. A list of the Group's associated companies is shown in note 21 to the financial statements.

A joint venture company is defined as a company, not being a subsidiary company, in which the Group has a long-term interest of not more than 50% in the equity and has joint control of the company's commercial and financial affairs.

The Group's share of the consolidated results of the joint venture companies and their subsidiary companies are included in the consolidated financial statements under the equity method on the same basis as associated companies. A list of the Group's joint venture companies is shown in note 22 to the financial statements.

(d) Goodwill

When subsidiary companies or interests in associated and joint venture companies are acquired, any excess of the consideration over the fair value of the net assets as at the date of acquisition represents goodwill. Goodwill arising from business combinations on or after 1 April 2001 is amortized using the straight-line method over a period not exceeding twenty years.

2 Accounting Policies (continued)

(d) Goodwill (continued)

Goodwill arising from business combinations prior to that date has been written-off against Group reserves in the financial year in which it arose. When determining goodwill, assets and liabilities of the acquired interest are translated using the exchange rate at the date of acquisition if the financial statements of the acquired interest are not denominated in Singapore dollars.

(e) Foreign currencies

Foreign currency transactions are converted into Singapore dollars at exchange rates which approximate bank rates prevailing at dates of transactions, after taking into account the effect of forward currency contracts which expired during the financial year.

All foreign currency monetary assets and liabilities are translated into Singapore dollars using year-end exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Gains and losses arising from conversion of current assets and liabilities are dealt with in the profit and loss account.

For the purposes of the Group financial statements, the net assets of the foreign subsidiary, associated and joint venture companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date. The financial results of foreign subsidiary, associated and joint venture companies are translated into Singapore dollars at the annual average exchange rates. The resulting gains or losses on exchange are taken to foreign currency translation reserve.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. The cost of an asset 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, with subsequent expenditure stated at cost. 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 additions, improvements and renewal is capitalized and expenditure for maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and if the carrying values exceed their recoverable amounts, assets are written-down. In determining the recoverable amount for fixed asset, the higher of the net selling price and the value in use of the fixed asset is considered.

(g) Depreciation of fixed assets

Fixed assets 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 and residual values are reviewed annually in the light of experience and changing circumstances.

Aircraft fleet

The Group depreciates its new passenger aircraft, spares and spare engines over 15 years to 10% residual values.

For used passenger aircraft, the Group depreciates them over the remaining life (15 years less age of aircraft) to 10% residual values.

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

Land and buildings

Buildings on freehold land and leasehold land and buildings are amortized 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.
Leased premises	– according to lease period or 5 years whichever is the shorter.

Flight training equipment

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

Other fixed assets

These are depreciated over 1 to 12 years to nil residual values.

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.

2 Accounting Policies (continued)

(h) Leased assets

As lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalized at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets and the corresponding lease commitments are included under liabilities. 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 accounts. Depreciation on the relevant assets is charged to the profit and loss accounts.

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 recognized as an expense in the profit and loss accounts on a straight-line basis over the lease term.

Gains arising from sale and operating leaseback of aircraft are determined based on fair values. Sale proceeds in excess of fair values are deferred and amortized over the minimum lease terms.

Major improvements and modifications to leased aircraft due to operational requirements are capitalized and depreciated over the lease-term period.

(i) Investments

Investments held on a long-term basis are stated at cost and provisions are made for diminution in value which is considered to be permanent. Short-term investments are stated at the lower of cost and net realizable value on a portfolio basis.

(j) Stocks

Stocks are stated at the lower of cost and net realizable value. Cost is determined on either a first-in-first-out or weighted average basis depending on the nature of the stocks. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Work-in-progress is stated at cost plus estimated attributable profit.

(k) Trade debtors

Trade debtors are recognized and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts owing by subsidiary, associated and joint venture companies are recognized and carried at cost less provisions for any uncollectible amounts.

(l) Cash and bank balances

Cash and bank balances are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash on hand and in banks, demand deposits and short-term deposits which are held to maturity are carried at cost.

For the purposes of the Cash Flow Statements, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

(m) Deferred taxation

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

Additionally the Group's deferred tax liabilities include all taxable temporary differences associated with investments in subsidiary, associated and joint venture companies, except 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 tax assets are recognized for all deductible temporary differences and, carry forward of unused tax assets and losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and, carry forward of unused tax assets and losses, can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

2 Accounting Policies (continued)

(n) Loans and borrowings

Loans, notes payable and other borrowings are recognized at cost.

(o) Aircraft maintenance and overhaul costs

The Company recognizes aircraft maintenance and overhaul expenses on an incurred basis.

Aircraft maintenance and overhaul expenses incurred to meet contractual return conditions for sale and leaseback aircraft are accrued equally over the remaining lease terms.

(p) Employee Benefits

Equity compensation plan

The Group has in place the Singapore Airlines Limited Employee Share Option Plan, the Singapore Airport Terminal Services 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. There are no charges to the profit and loss account upon the grant or exercise of the options. The exercise price approximates the market value of the shares at the date of grant. Details of the plans are disclosed in Note 14 to the financial statements.

Defined contribution plan

As required by law, the companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). Certain of the Group's companies and overseas stations outside Singapore make contributions to their respective countries' pension schemes. Such contributions are recognized as compensation expenses in the same period as the employment that gave rise to the contributions.

Defined benefit plan

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

(q) Trade creditors

Trade creditors and amounts owing to subsidiary and associated companies are carried at cost.

(r) Forward contracts

Gains and losses arising from forward contracts on foreign currencies and jet fuel are recognized at dates of maturity.

(s) Revenue

Passenger and cargo sales are recognized 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 and recognized as revenue if unused after two years.

Revenue from the provision of airport terminal services is recognized upon services rendered.

Revenue from engine overhaul, repair and maintenance of aircraft is recognized based on the percentage of completion of the projects.

(t) Income from investments

Dividend income from investments is recognized when the shareholders' right to receive the payment is established.

Interest income from investments and fixed deposits is recognized on an accrual basis.

(u) 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 estimated and deferred until they are utilized. These are included under "Deferred revenue" on the balance sheet. Such unutilized benefits are recognized as revenue upon expiry.

(v) 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.

(w) Capitalized loan interest

Borrowing costs incurred to finance progress payments for aircraft and building projects are capitalized until the aircraft are commissioned for operation or the projects are completed. All other borrowing costs are recognized as expenses in the period in which they are incurred. $2.9 million (2001-02: $1.3 million) of the Company's borrowing costs were capitalized during the year.

3 Segment Information (in $ million)

Business segments

The Group's businesses are organized and managed separately according to the nature of the services provided. The following tables present revenue and profit information regarding business segments for the financial years ended 31 March 2003 and 2002 and certain assets and liabilities information of the business segments as at those dates.

	Airline operations		Airport terminal services	
	2002-03	2001-02	2002-03	2001-02
Total Revenue				
External revenue	9,861.1	8,768.7	386.8	372.8
Inter-segment revenue	55.7	56.1	571.3	522.5
	9,916.8	8,824.8	958.1	895.3
Results				
Segment result	341.0	428.3	229.1	265.7
Finance charges	(55.7)	(45.1)	(5.8)	(5.9)
Interest income	39.1	52.9	3.8	4.0
Surplus on disposal of aircraft, spares and spare engines	150.4	65.0	–	–
(Loss)/surplus on disposal of other fixed assets	(0.8)	0.1	0.1	1.0
Dividends from subsidiary and associated companies, gross	130.5	138.8	–	–
Dividends from long-term investments, gross	4.9	6.1	0.7	0.6
Provision for diminution in value of long-term investments	(9.4)	(1.1)	–	–
Surplus on disposal of long-term investments	–	4.6	–	–
Share of profits/(losses) of joint venture companies	12.7	24.2	–	–
Share of profits/(losses) of associated companies	26.1	(138.4)	30.2	22.1
Exceptional items	0.5	(236.7)	–	–
Taxation	176.3	(159.6)	(43.3)	(74.7)
Profit after taxation	815.6	139.1	214.8	212.8
Minority interests				
Profit attributable to shareholders				
	2003	2002	2003	2002
Other Information at 31 March				
Segment assets	15,845.2	15,831.7	1,458.6	1,279.6
Investments in and loans to joint venture and associated companies	357.6	278.6	138.6	130.8
Goodwill on consolidation	–	–	1.5	–
Long-term investments	491.6	505.6	53.9	55.9
Accrued interest receivable	3.7	4.2	0.8	0.5
Tax prepayments	287.9	346.5	–	–
Total assets	16,986.0	16,966.6	1,653.4	1,466.8
Segment liabilities	3,951.8	4,112.1	167.1	122.8
Long-term liabilities	1,878.7	1,727.4	0.9	201.5
Short-term loans and lease commitments	36.1	262.1	200.6	0.8
Amounts owing to associated companies	20.0	–	–	–
Accrued interest payable	13.8	28.0	–	–
Tax liabilities	2,348.8	2,596.8	149.1	162.9
Total liabilities	8,249.2	8,726.4	517.7	488.0
Capital expenditure	2,980.4	3,733.9	21.2	80.7
	2002-03	2001-02	2002-03	2001-02
Depreciation	1,033.1	888.7	60.4	56.8
Impairment	43.2	1.7	–	–
Non-cash items other than depreciation and impairment	(146.1)	115.5	2.5	0.4

* *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.*

\# *Relates to the recognition of deferred gain on divestment of 51% equity interest in Eagle Services Asia Private Limited.*

Engineering services		Others		Total of segments		Elimination*		Consolidated	
2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
170.6	142.4	96.5	98.9	10,515.0	9,382.8	-	-	10,515.0	9,382.8
707.5	693.2	196.2	188.4	1,530.7	1,460.2	(1,530.7)	(1,460.2)	-	–
878.1	835.6	292.7	287.3	12,045.7	10,843.0	(1,530.7)	(1,460.2)	10,515.0	9,382.8
140.9	203.7	14.3	26.8	725.3	924.5	(8.2)	0.1	717.1	924.6
–	–	–	(1.9)	(61.5)	(52.9)	6.8	8.9	(54.7)	(44.0)
3.8	5.7	1.0	2.4	47.7	65.0	(14.0)	(13.0)	33.7	52.0
–	–	1.9	–	152.3	65.0	(7.4)	1.0	144.9	66.0
0.5	1.8	–	–	(0.2)	2.9	1.4	–	1.2	2.9
–	–	–	–	130.5	138.8	(130.5)	(138.8)	–	–
0.4	–	–	–	6.0	6.7	(0.8)	(1.0)	5.2	5.7
–	–	–	–	(9.4)	(1.1)	–	–	(9.4)	(1.1)
–	–	–	–	–	4.6	–	(0.2)	–	4.4
1.8	(3.7)	–	–	14.5	20.5	–	–	14.5	20.5
67.5	45.0	–	–	123.8	(71.3)	–	–	123.8	(71.3)
–	–	–	202.6#	0.5	(34.1)	–	–	0.5	(34.1)
(11.1)	(29.3)	(2.1)	(4.1)	119.8	(267.7)	22.7	33.9	142.5	(233.8)
203.8	223.2	15.1	225.8	1,249.3	800.9	(130.0)	(109.1)	1,119.3	691.8
								(54.5)	(60.1)
								1,064.8	631.7
2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
762.9	622.2	200.0	171.7	18,266.7	17,905.2	(743.5)	(929.0)	17,523.2	16,976.2
305.0	257.2	–	0.1	801.2	666.7	(4.1)	(4.1)	797.1	662.6
–	–	–	–	1.5	–	–	–	1.5	–
24.5	29.3	–	–	570.0	590.8	(0.4)	(0.4)	569.6	590.4
0.3	0.2	0.3	0.3	5.1	5.2	(0.4)	(0.5)	4.7	4.7
–	–	–	–	287.9	346.5	–	–	287.9	346.5
1,092.7	908.9	200.3	172.1	19,932.4	19,514.4	(748.4)	(934.0)	19,184.0	18,580.4
221.2	181.7	45.8	74.6	4,385.9	4,491.2	(863.3)	(1,016.4)	3,522.6	3,474.8
–	–	–	–	1,879.6	1,928.9	–	–	1,879.6	1,928.9
1.0	1.0	–	–	237.7	263.9	–	–	237.7	263.9
–	–	–	–	20.0	–	–	–	20.0	–
–	–	–	–	13.8	28.0	–	–	13.8	28.0
30.8	41.6	5.3	8.2	2,534.0	2,809.5	–	–	2,534.0	2,809.5
253.0	224.3	51.1	82.8	9,071.0	9,521.5	(863.3)	(1,016.4)	8,207.7	8,505.1
28.8	47.2	86.0	3.2	3,116.4	3,865.0	(30.1)	(2.1)	3,086.3	3,862.9
2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
23.0	21.2	11.9	3.4	1,128.4	970.1	(38.1)	(0.7)	1,090.3	969.4
–	–	–	0.1	43.2	1.8	–	–	43.2	1.8
5.9	1.1	–	(1.5)	(137.7)	115.5	–	–	(137.7)	115.5

3 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 2003 and 2002. Revenue information on other operations, which consist principally of airport terminal services and engineering services, are derived in Singapore.

	By area of original sale	
	2002-03	2001-02
East Asia	4,929.9	4,589.5
Europe	1,807.6	1,578.9
South West Pacific	1,037.7	883.1
Americas	804.7	750.5
West Asia and Africa	722.2	655.1
System-wide	9,302.1	8,457.1
Non-scheduled services and incidental revenue	614.7	367.7
	9,916.8	8,824.8

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

4 Revenue (in $ million)

Revenue earned is generated principally from the carriage of passengers, cargo and mail, the rendering of airport terminal services, engineering services, training of pilots, air charters and tour wholesaling and related activities. It excludes dividends from subsidiary companies, and in respect of the Group, inter-company transactions.

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
External customers	10,515.0	9,382.8	7,096.9	7,054.7
Subsidiary companies	–	–	950.1	640.0
	10,515.0	9,382.8	8,047.0	7,694.7

5 Staff Costs (in $ million)

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Staff costs (including Executive Directors)				
Salary, bonuses and other costs	2,091.0	1,629.2	1,330.9	1,046.9
CPF and other defined contributions	154.2	150.0	78.8	82.0
	2,245.2	1,779.2	1,409.7	1,128.9

	2003	2002	2003	2002
Number of employees at 31 March	30,881	29,515	14,580	14,254

The Company contributes to several post-employment defined benefit plans for certain employees at several overseas locations. Employees may contribute in some of these plans and these contributions are matched in varying amounts by the Company. Defined benefit expenses for the Company were $26.3 million for 2002-03 and $4.1 million for 2001-02. As these are not material to the total staff costs of the Company for 2002-03 and 2001-02 respectively, additional disclosures of these defined benefit plans are not shown.

6 Operating Profit (in $ million)

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

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Interest income from short-term investments	(0.4)	(6.5)	–	–
Dividend income from short-term investments	(0.5)	(0.4)	–	–
Loss/(surplus) on disposal of short-term investments	0.9	(3.6)	–	–
Income from lease of aircraft	(7.3)	(27.9)	(7.3)	(27.9)
Provision for/(write-back of) diminution in value of short-term investments	2.1	(1.1)	–	–
Amortization of deferred gain on sale and leaseback transactions	(134.7)	(121.2)	(133.1)	(121.0)
Remuneration for directors of the Company	2.3	2.2	2.3	2.2
Professional fees paid to a firm of which a director is a member	–	0.1	–	0.1
Remuneration for auditors of the Company				
Audit fees	1.0	0.8	0.4	0.4
Non-audit fees	1.4	1.2	0.5	0.6
Exchange losses/(gains), net	7.5	(3.2)	11.8	(6.1)

7 Finance Charges (in $ million)

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Interest expense:				
– notes payable	31.2	8.8	31.2	8.8
– loans	6.2	5.2	0.4	5.2
– finance leases	16.3	23.9	12.8	23.6
– subsidiary companies	–	–	6.8	9.2
– others	0.1	6.0	–	–
	53.8	43.9	51.2	46.8
Commitment fees	0.9	0.1	0.9	0.1
	54.7	44.0	52.1	46.9

8 Interest Income (in $ million)

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Fixed deposits	22.4	29.5	18.8	26.1
Quoted non-equity investments	6.9	13.4	6.9	14.6
Unquoted non-equity investments	0.9	4.9	0.9	3.0
Subsidiary companies	–	–	9.5	14.4
Associated companies	1.1	0.6	0.8	–
Others	2.4	3.6	1.6	2.8
	33.7	52.0	38.5	60.9

9 Dividends from Subsidiary and Associated Companies, Gross (in $ million)

	The Company	
	2002-03	2001-02
Subsidiary companies		
– quoted	104.4	87.0
– unquoted	17.2	40.1
	121.6	127.1
Associated companies		
– unquoted	9.9	11.5
	131.5	138.6

10 Exceptional Items (in $ million)

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Surplus on liquidation of Asian Frequent Flyer Pte Ltd	0.5	–	1.0	–
Provision for diminution in value of investment in Air New Zealand Limited	–	(266.9)	–	(380.6)
Recognition of deferred gain on divestment of Eagle Services Asia Private Limited	–	202.6	–	–
Surplus on disposal of investments in Equant N.V.	–	30.2	–	29.0
Surplus on disposal of investment in Cargo Community Network Pte Ltd	–	–	–	0.7
Surplus on liquidation of Auspice Limited	–	–	–	191.4
Loss on liquidation of Star Kingdom Investment Limited	–	–	–	(8.6)
	0.5	(34.1)	1.0	(168.1)

11 Taxation (in $ million)

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Current taxation				
Provision for the year	199.0	94.7	152.1	40.4
Under/(over) provision in respect of prior years	79.9	(75.3)	88.0	(72.7)
Share of joint venture companies taxation for the year	3.0	3.0	–	–
Share of associated companies taxation:				
– provision/(write-back) for the year	21.2	(42.1)	–	–
– over provision in respect of prior years	(14.4)	–	–	–
	288.7	(19.7)	240.1	(32.3)
Deferred taxation				
(Write-back)/provision for the year	(9.4)	206.5	(36.3)	188.1
(Over)/under provision in respect of prior years	(132.2)	17.7	(136.6)	17.7
Share of associated companies (over)/under provision in respect of prior years	(11.8)	29.3	–	–
	(153.4)	253.5	(172.9)	205.8
	135.3	233.8	67.2	173.5
Adjustment for reduction in Singapore corporate tax rate	(277.8)	–	(225.1)	–
	(142.5)	233.8	(157.9)	173.5

On 3 May 2002, the Government announced a reduction in the corporate tax rate from 24.5% to 22.0% with effect from Year of Assessment 2003. In accordance with SAS 12 (2001) Income Taxes, and SAS 10 (2000) Events After the Balance Sheet Date, this was considered a non-adjusting subsequent event for the financial year ended 31 March 2002, and accordingly the tax expense for that year was computed at 24.5%. The financial effect of the reduction in tax rate is reflected in the current financial year. The aggregate adjustments in 2002-03 of the prior year's current and deferred taxation charges are $277.8 million and $225.1 million for the Group and the Company respectively.

A reconciliation between taxation and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 March is as follows:

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Profit before taxation	976.8	925.6	460.1	740.7
Taxation at statutory tax rate of 22.0% (2001-02: 24.5%)	214.9	226.8	101.2	181.5
Adjustments				
Income not subject to tax	(37.2)	(117.6)	(5.0)	(55.0)
Expenses not deductible for tax purposes	27.2	162.2	10.6	101.0
Higher/(lower) effective tax rates of other countries	9.7	(2.2)	9.0	6.3
Over provision in respect of prior years, net	(78.5)	(28.3)	(48.6)	(55.0)
Effect of change in statutory tax rate	(277.8)	–	(225.1)	–
Others	(0.8)	(7.1)	–	(5.3)
Taxation	(142.5)	233.8	(157.9)	173.5

12 Earnings Per Share

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Profit attributable to shareholders (in $ million)	1,064.8	631.7	618.0	567.2
Weighted average number of ordinary shares in issue used for computing basic earnings per share (in million)	1,218.1	1,218.1	1,218.1	1,218.1
Adjustment for share options (in million)	–	–	–	–
Weighted average number of ordinary shares in issue used for computing diluted earnings per share (in million)	1,218.1	1,218.1	1,218.1	1,218.1
Basic earnings per share (cents)	87.4	51.9	50.7	46.6
Diluted earnings per share (cents)	87.4	51.9	50.7	46.6

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect on the exercise of all outstanding share options granted to employees. This dilutive effect is computed based on the difference between the number of shares under option and the number of shares that could have been issued at fair values.

13 Dividends Paid and Proposed (in $ million)

	The Group		The Company	
	2002-03	2001-02	2002-03	2001-02
Dividends paid:				
Final dividend of 4.0 cents per share tax exempt and 8.0 cents per share less 22.0% tax in respect of previous financial year (2001-02: 20.0 cents per share less 24.5% tax)	124.7	184.2	124.7	184.2
Interim dividend of 6.0 cents per share less 22.0% tax (2001-02: 3.0 cents per share less 24.5% tax)	57.0	27.6	57.0	27.6
	181.7	211.8	181.7	211.8

The directors propose that a final tax exempt (one-tier) dividend of 9.0 cents per share amounting to $109.6 million (2001-02: $124.7 million), be paid for the financial year ended 31 March 2003.

14 Share Capital (in $ million)

	The Group and the Company 31 March	
	2003	2002
Authorized share capital		
Ordinary shares		
3,000,000,000 ordinary shares of $0.50 each	1,500.0	1,500.0
Special share		
1 special share of $0.50 each	#	#
Preference shares		
3,000,000,000 redeemable cumulative preference shares of $0.50 each	1,500.0	1,500.0
	3,000.0	3,000.0
Issued and fully paid share capital		
Ordinary shares		
Balance at 1 April		
1,218,143,622 of $0.50 each (2001: 1,220,197,622 of $1 each)	609.1	1,220.2
1,000 (2001-02: Nil) share options exercised during the year	@	–
Nil (2001-02: 2,054,000) shares repurchased for cancellation during the year	–	(2.1)
Capital reduction to reduce par value from $1 each to $0.50 each	–	(609.0)
Balance at 31 March		
1,218,144,622 of $0.50 each (2002: 1,218,143,622 of $0.50 each)	609.1	609.1
Special share		
Balance at 1 April		
1 of $0.50 each (2001: 1 of $1 each)	#	*
Capital reduction to reduce par value from $1 each to $0.50 each	–	#
Balance at 31 March		
1 of $0.50 each (2002: 1 of $0.50 each)	#	#
	609.1	609.1

@ *The value is $500.*
# *The value is $0.50.*
* *The value is $1.*

In July 2002, the Company issued 1,000 shares upon exercise of options granted under the Employee Share Option Plan.

Pursuant to the share buyback scheme approved by shareholders, the Company purchased 2,054,000 ordinary shares in 2001-02 at an average price of $12.48, amounting to a total cost, including brokerage, of $25.3 million. There was no buyback of the Company's shares during the financial year.

In the previous financial year, pursuant to the capital reduction approved by shareholders and sanction of the High Court of Singapore, the Company reduced the par value of each issued ordinary share and the Special Share from $1.00 to $0.50. As a result, $609.0 million was returned to the shareholders. The authorized share capital was also reduced to $3,000 million divided into 3,000,000,000 ordinary shares of $0.50 each, one Special Share of $0.50 and 3,000,000,000 redeemable cumulative preference shares of $0.50 each.

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 of $0.50 each ($1.00 each prior to the capital reduction) was issued to the Minister for Finance (Incorporated). 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.

14 Share Capital (in $ million) (continued)

Included in the authorized share capital are 3,000,000,000 non-tradable redeemable cumulative preference shares of $0.50 each ($1.00 each prior to the capital reduction), which carry full voting rights ("ASA shares"). When issued, the ASA shares will be partially paid to $0.01 each and will carry equal voting rights as those of ordinary shares, whether partially paid or otherwise. 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.

Share option plans

Under the Singapore Airlines Limited Employee Share Option Plan ("SIA ESOP"), the Singapore Airport Terminal Services Limited Employee Share Option Plan ("SATS ESOP") and the SIA Engineering Company Limited Employee Share Option Plan ("SIAEC ESOP"), the Group grant options to senior executives and all other employees. Options are granted for a term no longer than 10 years from the date of grant. The exercise price of the options will be the average of the closing prices of the Company's ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant.

Under the Employee Share Option Scheme, options will vest two years after the date of grant. Under the Senior Executive Share Option Scheme, options will vest:

(a) one year after the date of grant for 25% of the ordinary shares subject to the options;

(b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;

(c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and

(d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

Information with respect to the number of options granted under the respective Employee Share Option Plans is as follows:

	SIA ESOP		SATS ESOP		SIAEC ESOP	
	2003	2002	2003	2002	2003	2002
Outstanding at 1 April	38,569,920	25,668,300	47,310,700	32,452,600	44,578,400	29,339,600
Granted	13,787,922	13,348,840	15,239,500	15,350,200	16,594,800	15,516,700
Exercised*	(1,000)	–	–	–	(437,000)	–
Cancelled	(529,920)	(447,220)	(751,000)	(492,100)	(435,200)	(277,900)
Outstanding at 31 March	51,826,922	38,569,920	61,799,200	47,310,700	60,301,000	44,578,400
Exercisable at 31 March	22,641,036	12,210,541	31,095,500	17,959,200	27,867,861	14,997,511

* Considerations received from share options exercised during the year was:

	SIA ESOP		SIAEC ESOP	
	2002-03	2001-02	2002-03	2001-02
Aggregate proceeds from shares issued (in thousand $)	12.0	–	866.7	–

Details of share options granted during the financial year:

	SIA ESOP		SATS ESOP		SIAEC ESOP	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
Expiry Date	30.6.2012	1.7.2011	30.6.2012	1.7.2011	30.6.2012	1.7.2011
Exercise price	$12.82	$11.96	$1.90	$1.54	$2.38	$1.41

14 Share Capital (in $ million) (continued)

Terms of share options outstanding as at 31 March 2003:

SIA ESOP

Exercisable period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	$15.34	1,316,107	1,316,107
28.3.2002 – 27.3.2010	$15.34	9,254,148	9,254,148
28.3.2003 – 27.3.2010	$15.34	1,279,087	1,279,087
28.3.2004 – 27.3.2010	$15.34	1,277,088	–
3.7.2001 – 2.7.2010	$16.65	1,502,930	1,502,930
3.7.2002 – 2.7.2010	$16.65	7,438,745	7,438,745
3.7.2003 – 2.7.2010	$16.65	1,463,330	–
3.7.2004 – 2.7.2010	$16.65	1,463,345	–
2.7.2002 – 1.7.2011	$11.96	1,808,979	1,808,979
2.7.2003 – 1.7.2011	$11.96	7,863,198	–
2.7.2004 – 1.7.2011	$11.96	1,750,796	–
2.7.2005 – 1.7.2011	$11.96	1,751,017	–
1.7.2003 – 30.6.2012	$12.82	1,877,390	41,040
1.7.2004 – 30.6.2012	$12.82	8,155,609	–
1.7.2005 – 30.6.2012	$12.82	1,812,451	–
1.7.2006 – 30.6.2012	$12.82	1,812,702	–
Total number of options issued		@ 51,826,922	22,641,036

@ The total number of options outstanding includes:

(a) 2,043,705 share options not exercised by departed 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 Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier; and

(b) 144,350 share options not exercised by departed employees who have completed their fixed term contracts during the financial year. The said options, if unvested yet, shall immediately vest and be exercisable from the date of cessation of employment to the date falling 1 year from the date of cessation of employment.

SATS ESOP

Exercisable period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	$2.50	275,150	275,150
28.3.2002 – 27.3.2010	$2.50	17,011,750	17,011,750
28.3.2003 – 27.3.2010	$2.50	275,150	275,150
28.3.2004 – 27.3.2010	$2.50	275,150	–
3.7.2001 – 2.7.2010	$2.10	356,350	356,350
3.7.2002 – 2.7.2010	$2.10	12,710,950	12,710,950
3.7.2003 – 2.7.2010	$2.10	356,350	–
3.7.2004 – 2.7.2010	$2.10	356,350	–
2.7.2002 – 1.7.2011	$1.54	466,150	466,150
2.7.2003 – 1.7.2011	$1.54	13,682,350	–
2.7.2004 – 1.7.2011	$1.54	466,150	–
2.7.2005 – 1.7.2011	$1.54	466,150	–
1.7.2003 – 30.6.2012	$1.90	499,500	–
1.7.2004 – 30.6.2012	$1.90	13,602,700	–
1.7.2005 – 30.6.2012	$1.90	499,500	–
1.7.2006 – 30.6.2012	$1.90	499,500	–
Total number of options issued		@ 61,799,200	31,095,500

@ The total number of options outstanding includes 1,532,150 share options not exercised by departed 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 Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier.

14 Share Capital (in $ million) (continued)

SIAEC ESOP

Exercisable period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	$2.05	322,012	322,012
28.3.2002 – 27.3.2010	$2.05	13,738,713	13,738,713
28.3.2003 – 27.3.2010	$2.05	322,012	322,012
28.3.2004 – 27.3.2010	$2.05	322,013	–
3.7.2001 – 2.7.2010	$1.95	569,086	569,086
3.7.2002 – 2.7.2010	$1.95	12,034,788	12,034,788
3.7.2003 – 2.7.2010	$1.95	561,888	–
3.7.2004 – 2.7.2010	$1.95	561,888	–
2.7.2002 – 1.7.2011	$1.41	815,750	815,750
2.7.2003 – 1.7.2011	$1.41	12,976,150	–
2.7.2004 – 1.7.2011	$1.41	772,550	–
2.7.2005 – 1.7.2011	$1.41	772,550	–
1.7.2003 – 30.6.2012	$2.38	984,425	65,500
1.7.2004 – 30.6.2012	$2.38	13,709,325	–
1.7.2005 – 30.6.2012	$2.38	918,925	–
1.7.2006 – 30.6.2012	$2.38	918,925	–
Total number of options issued		@ 60,301,000	27,867,861

@ The total number of options outstanding includes:

(a) 3,794,950 share options not exercised by departed 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 Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier; and

(b) 119,900 share options not exercised by departed employees who have completed their fixed term contracts during the financial year. The said options, if unvested yet, shall immediately vest and be exercisable from the date of cessation of employment to the date falling 1 year from the date of cessation of employment.

15 Deferred Account (in $ million)

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Deferred gain on sale and leaseback transactions				
– operating leases	463.7	562.2	462.7	562.2
– finance leases	59.4	29.7	–	–
	523.1	591.9	462.7	562.2

16 Deferred Taxation (in $ million)

	The Group 31 March 2003	2002	The Company 31 March 2003	2002
Balance at 1 April	2,664.5	2,440.3	2,205.9	2,309.6
(Written-back)/provided during the year	(9.4)	206.5	(36.3)	188.1
Adjustment for reduction in Singapore corporate tax rate	(271.9)	–	(225.1)	–
Transferred to Singapore Airlines Cargo Pte Ltd	–	–	–	(309.5)
(Over)/under provision in respect of prior years	(132.2)	17.7	(136.6)	17.7
Balance at 31 March	2,251.0	2,664.5	1,807.9	2,205.9
The deferred taxation arises as a result of:				
Deferred tax liabilities				
An excess of net book value over tax written down value of fixed assets	2,341.1	2,769.2	1,773.5	2,257.0
Other taxable temporary differences	127.0	131.1	107.0	116.4
Gross deferred tax liabilities	2,468.1	2,900.3	1,880.5	2,373.4
Deferred tax assets				
Unabsorbed capital allowances and tax losses	117.8	119.5	–	53.8
Other deductible temporary differences	99.3	116.3	72.6	113.7
Gross deferred tax assets	217.1	235.8	72.6	167.5
Net deferred tax liabilities	2,251.0	2,664.5	1,807.9	2,205.9

17 Long-Term Liabilities (in $ million)

	The Group 31 March 2003	2002	The Company 31 March 2003	2002
Notes payable	1,100.0	1,100.0	900.0	900.0
Repayable within one year	(200.0)	–	–	–
Repayable after one year	900.0	1,100.0	900.0	900.0
Loans	222.9	223.1	–	220.0
Repayable within one year	(24.7)	(221.6)	–	(220.0)
Repayable after one year	198.2	1.5	–	–
Finance lease commitments	794.4	869.7	583.9	606.8
Repayable within one year	(13.0)	(42.3)	–	–
Repayable after one year	781.4	827.4	583.9	606.8
	1,879.6	1,928.9	1,483.9	1,506.8

Notes payable
Notes payable comprise unsecured long-term notes issued by the Company, which bear fixed interest at 4.15% (2001-02: 4.15%) per annum and are repayable on 19 December 2011, and unsecured medium-term notes issued by SATS, which bear effective interest at 2.94% (2001-02: 2.94%) per annum and are repayable on 29 March 2004.

17 Long-Term Liabilities (in $ million) (continued)

The amounts payable by and debts payable to in respect of the Company and SATS at the balance sheet date are as follows:

Company

	Amounts payable by 31 March		Debts payable to 31 March	
	2003	2002	2003	2002
Not later than two years	2,532.3	2,448.3	1,226.1	1,566.9
Later than two years but not later than five years	586.3	467.9	45.8	55.0
Later than five years but not later than ten years	900.0	1,041.3	137.2	170.7
	4,018.6	3,957.5	1,409.1	1,792.6

SATS

	Amounts payable by 31 March		Debts payable to 31 March	
	2003	2002	2003	2002
Not later than two years	244.4	242.2	35.2	47.6
Later than two years but not later than five years	46.0	48.0	50.4	54.2
	290.4	290.2	85.6	101.8

Loans

Of the Group's $222.9 million loans, $220.5 million is secured by a first priority mortgage over 1 B747-400 freighter. Interest on the loan is charged at a margin above the floating rate linked to London Interbank Offer Rate ("LIBOR") at 1.99% per annum. The remaining loan of $2.4 million is unsecured with interest rates ranging from 1.06% to 2.07% (2001-02: 1.16% to 3.60%) per annum.

Finance leases

The Company holds 2 B747-400s under finance leases which mature in 2007 without any options for renewal. Both leases have options for the Company to purchase the aircraft at the end of the lease period of 12.5 years. One of the B747-400 leases has an additional purchase option exercisable in the 10.5th year. The Company intends to hold the aircraft until the end of the lease periods. Sub-leasing is allowed under the lease agreements.

In 2001-02, as part of Cargo Division's corporatization, SIA sub-leased both aircraft to Singapore Airlines Cargo Pte Ltd ("SIA Cargo") under identical terms and conditions. SIA Cargo paid the entire outstanding lease liabilities by issuing ordinary shares at par for cash to SIA.

Additionally, SIA Cargo has 1 B747-400 under a finance lease which matures in 2026, without any options for renewal. The lease has options for SIA Cargo to purchase the aircraft exercisable between the lease period of 12 years and 15 years and SIA Cargo intends to exercise that option. Sub-leasing is allowed under the lease agreement.

17 Long-Term Liabilities (in $ million) (continued)

During the year, SATS and two of its wholly-owned subsidiary companies entered into a lease agreement whereby the subsidiary companies sold and leased back certain fixed ground support equipment with net book value of $159.7 million. The gain arising from this sale and leaseback transaction is deferred and amortized over the lease period of 18 years commencing October 2002. Under the terms of the agreement, the subsidiary companies prepaid an amount which is equivalent to the present value of their future lease obligations. SATS has guaranteed the repayment of these future lease obligations, and accordingly has become the primary obligor under the lease agreement.

Interest rates on the Company's finance lease commitments are charged at a margin above the LIBOR. These ranged from 1.74% to 1.84% (2001-02: 2.28% to 2.38%) per annum.

Interest on SIA Cargo's finance lease commitment is charged at a margin above the LIBOR. This ranged from 2.00% to 4.56% (2001-02: 2.75% to 5.78%) per annum.

Future lease payments under these finance leases are as follows:

	The Group 31 March				The Company 31 March			
	2003		2002		2003		2002	
	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal
Within one year	28.6	13.0	63.1	42.3	8.5	(2.4)	11.5	(2.4)
After one year but not more than five years	715.6	646.6	630.6	527.4	620.5	586.3	523.4	468.2
More than five years	156.4	134.8	340.0	300.0	–	–	143.4	141.0
Total future lease payments	900.6	794.4	1,033.7	869.7	629.0	583.9	678.3	606.8
Amounts representing interest	(106.2)	–	(164.0)	–	(45.1)	–	(71.5)	–
Principal value of long-term commitments under finance leases	794.4	794.4	869.7	869.7	583.9	583.9	606.8	606.8

Additionally, at 31 March 2003, there are lease obligations in respect of three aircraft finance lease agreements, which expire over the next 1 to 3 years, amounting to $135.4 million (2002: $359.4 million) for the Company. These are covered by funds amounting to $135.4 million (2002: $360.7 million) for the Company placed with financial institutions under defeasance and other arrangements which have not been included in these financial statements. There are no restrictions on the use of the aircraft.

The Company continues to remain the primary obligor under these lease agreements. There are contingent liabilities (secured) amounting to $135.4 million (2002: $359.4 million) for the unpaid lease commitments at 31 March 2003.

18 Fixed assets (in $ million)

The Group

	1 April 02	Additions	Disposals/ Transfers	Provision for impairment	31 March 03
Cost					
Aircraft	15,332.8	2,422.9	(1,339.2)	–	16,416.5
Aircraft spares	1,388.7	394.3	(342.0)	–	1,441.0
Aircraft spare engines	539.5	24.4	(20.9)	–	543.0
Freehold land and buildings	234.2	–	(0.3)	–	233.9
Leasehold land and buildings	1,456.4	4.7	(0.5)	–	1,460.6
Plant and equipment	1,032.4	84.2	(19.5)	–	1,097.1
Office and computer equipment	556.4	89.5	(21.4)	–	624.5
	20,540.4	3,020.0	(1,743.8)	–	21,816.6
Advance and progress payments	1,992.8	2,601.0	(2,534.7)	–	2,059.1
	22,533.2	5,621.0	(4,278.5)	–	23,875.7
Accumulated depreciation and impairment					
Aircraft	5,610.5	787.3	(676.4)	–	5,721.4
Aircraft spares	666.7	73.5	(36.4)	43.2	747.0
Aircraft spare engines	185.5	27.3	(4.3)	–	208.5
Freehold land and buildings	117.0	6.2	(0.3)	–	122.9
Leasehold land and buildings	466.2	48.0	(0.1)	–	514.1
Plant and equipment	650.7	82.4	(15.4)	–	717.7
Office and computer equipment	393.7	65.6	(21.2)	–	438.1
	8,090.3	1,090.3	(754.1)	43.2	8,469.7
Net book value	14,442.9				15,406.0

	Depreciation		Net Book Value	
	2002-03	2001-02	31 March 03	31 March 02
Aircraft	787.3	691.1	10,695.1	9,722.3
Aircraft spares	73.5	74.7	694.0	722.0
Aircraft spare engines	27.3	28.7	334.5	354.0
Freehold land and buildings	6.2	6.3	111.0	117.2
Leasehold land and buildings	48.0	47.0	946.5	990.2
Plant and equipment	82.4	75.0	379.4	381.7
Office and computer equipment	65.6	46.6	186.4	162.7
	1,090.3	969.4	13,346.9	12,450.1
Advance and progress payments			2,059.1	1,992.8
			15,406.0	14,442.9

18 Fixed assets (in $ million) (continued)

The Company

	1 April 02	Additions	Disposals/ Transfers	Provision for impairment	31 March 03
Cost					
Aircraft	12,542.3	2,138.9	(1,306.9)	–	13,374.3
Aircraft spares	1,332.4	387.4	(349.9)	–	1,369.9
Aircraft spare engines	479.1	16.2	(21.8)	–	473.5
Freehold land and buildings	238.0	–	(0.2)	–	237.8
Leasehold land and buildings	539.2	–	–	–	539.2
Plant and equipment	329.1	57.8	(21.8)	–	365.1
Office and computer equipment	444.6	74.6	(14.6)	–	504.6
	15,904.7	2,674.9	(1,715.2)	–	16,864.4
Advance and progress payments	1,746.4	2,201.8	(2,262.7)	–	1,685.5
	17,651.1	4,876.7	(3,977.9)	–	18,549.9
Accumulated depreciation and impairment					
Aircraft	5,014.9	635.1	(668.9)	–	4,981.1
Aircraft spares	644.7	70.2	(42.9)	42.6	714.6
Aircraft spare engines	156.0	23.9	(3.5)	–	176.4
Freehold land and buildings	116.2	6.3	(0.2)	–	122.3
Leasehold land and buildings	278.0	15.8	–	–	293.8
Plant and equipment	217.5	36.3	(10.8)	–	243.0
Office and computer equipment	322.6	52.5	(14.5)	–	360.6
	6,749.9	840.1	(740.8)	42.6	6,891.8
Net book value	10,901.2				11,658.1

	Depreciation		Net Book Value	
	2002-03	2001-02	31 March 03	31 March 02
Aircraft	635.1	591.7	8,393.2	7,527.4
Aircraft spares	70.2	70.3	655.3	687.7
Aircraft spare engines	23.9	26.5	297.1	323.1
Freehold land and buildings	6.3	6.2	115.5	121.8
Leasehold land and buildings	15.8	15.8	245.4	261.2
Plant and equipment	36.3	34.1	122.1	111.6
Office and computer equipment	52.5	35.1	144.0	122.0
	840.1	779.7	9,972.6	9,154.8
Advance and progress payments			1,685.5	1,746.4
			11,658.1	10,901.2

18 Fixed assets (in $ million) (continued)

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Net book value of fixed assets acquired under finance leases:				
– aircraft	456.4	485.9	–	–
– plant and equipment	159.7	–	–	–
	616.1	485.9	–	–

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

The provision for impairment represents the write-down of certain spares to recoverable amount due to the related fleet types being phased out. The estimated recoverable amount was determined based on references to average tender prices for the year and various bids submitted.

19 Goodwill on Consolidation (in $ million)

	The Company 31 March	
	2003	2002
Cost		
Balance at 1 April	–	–
Acquisitions through business combinations	1.5	–
Balance at 31 March	1.5	–
Accumulated amortization		
Balance at 1 April	–	–
Amortization charge for the year	*	–
Balance at 31 March	*	–
Net carrying amount	1.5	–

* *Amount less than $0.1 million.*

On 28 October 2002, SATS acquired 57.1% equity interest in CF at a cost of $4.0 million. Goodwill on acquisition of $1.3 million was capitalized and amortized over a period of 20 years. On 21 March 2003, SATS increased its shareholding in CF to 66.7% by subscribing an additional 1,142,858 new ordinary shares for $2.0 million in cash. Goodwill arising from the additional 9.6% equity interest was $0.2 million.

20 Subsidiary Companies (in $ million)

	The Company 31 March 2003	2002
Investment in subsidiary companies (at cost)		
Quoted equity investments	##	##
Unquoted equity investments	1,773.2	1,710.3
	1,773.2	1,710.3
Impairment loss	(9.8)	(9.8)
	1,763.4	1,700.5
Loans to subsidiary companies	527.6	693.2
	2,291.0	2,393.7
Funds from subsidiary companies	(784.4)	(712.1)
Amounts owing by subsidiary companies	222.5	196.5
Amounts owing to subsidiary companies	(282.4)	(243.6)
Amounts owing to subsidiary companies, net	(844.3)	(759.2)
Market value of quoted equity investments	2,827.4	3,506.1

The value is $2.

During the financial year, Singapore Flying College Pte Ltd issued 62,949 preference shares of $1.00 at a premium of $999 each to the Company for cash and to acquire fixed assets.

Star Kingdom Investment Limited was liquidated on 31 October 2002.

Loans to subsidiary companies are unsecured and have repayment terms of up to 10 years. Interest on loans to subsidiary companies is computed using LIBOR, Singapore Interbank Bid Offer Rate ("SIBOR") and SGD Swap-Offer Rates, and applying agreed margins. The interest rates range from 1.04% to 2.55% (2001-02: 1.21% to 5.77%).

Funds from subsidiary companies are unsecured and have varying repayment terms. Interest on funds from subsidiary companies is computed using prevailing market rates which range from 0.13% to 1.51% (2001-02: 0.22% to 3.73%) per annum for SGD funds, and from 1.18% to 1.94% (2001-02: 1.70% to 5.25%) per annum for USD funds.

Amounts owing to/by subsidiary companies are unsecured, trade-related, interest-free and have no fixed terms of repayments.

20 Subsidiary Companies (in $ million) (continued)

The subsidiary companies at 31 March 2003 were:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2003	Cost (in $ million) 2002	Percentage of equity held by the Group 2003	Percentage of equity held by the Group 2002
Singapore Airport Terminal Services Limited	Investment holding company	Singapore	#	#	87	87
SATS Airport Services Pte Ltd	Airport ground handling services	– do –	16.50	16.50	87	87
SATS Catering Pte Ltd	Inflight aviation catering services	– do –	14.00	14.00	87	87
SATS Security Services Private Limited	Security services	– do –	3.00	3.00	87	87
Aero Laundry & Linen Services Private Limited	Laundry and linen services	– do –	2.52	2.52	87	87
Asia-Pacific Star Private Limited	Dormant company	– do –	##	##	87	87
Aerolog Express Pte Ltd	Air cargo delivery services	– do –	1.26	1.26	61	61
Country Foods Pte Ltd	Manufacturing and sale of processed food	– do –	6.00	–	58	–
SIA Engineering Company Limited	Engineering services	– do –	#	#	87	87
Singapore Jamco Private Limited	Manufacture of aircraft cabin equipment	– do –	3.82	3.82	57	57
SIAEC Services Pte Ltd	Investment holding company	– do –	1.46	1.46	87	87
SIAEC Global Pte Ltd	Investment holding company	– do –	##	–	87	–
Singapore Airlines Cargo Pte Ltd	Air cargo transportation	– do –	1,405.00	1,405.00	100	100
SilkAir (Singapore) Private Limited	Air transportation	– do –	240.00	240.00	100	100
Tradewinds Tours & Travel Private Limited	Tour wholesaling	– do –	4.00	4.00	100	100
Singapore Aviation and General Insurance Company (Pte) Limited	Aviation insurance	– do –	20.00	20.00	100	100
SIA Properties (Pte) Ltd	Provision of building management	– do –	24.00	24.00	100	100
Singapore Flying College Pte Ltd	Training of pilots	– do –	70.95	8.00	100	100
Sing-Bi Funds Private Limited	Dormant company	– do –	0.01	0.01	100	100
Singapore Airport Duty-Free Emporium (Private) Limited	Dormant company	– do –	11.73	11.73	97	97
Abacus Travel Systems Pte Ltd	Marketing of Abacus reservations systems	– do –	2.44	2.44	61	61
Cargo Community Network Pte Ltd	Provision and marketing of Cargo Community Systems	– do –	3.77	3.77	51	51
Star Kingdom Investment Limited*	Liquidated	Hong Kong	–	–	–	–
Singapore Airlines (Mauritius) Ltd*	Aircraft Leasing	Mauritius	###	###	100	100
SIA (Mauritius) Ltd**	Pilot recruitment	– do –	#	#	100	100
Aviation Software Development Consultancy India Limited@	Airline software development	India	0.82	0.82	51	51

All the Singapore-incorporated subsidiary companies are audited by Ernst & Young, Singapore.
* *Audited by associated firms of Ernst & Young, Singapore.*
** *Not required to be audited in country of incorporation.*
@ *Audited by another firm.*
\# *The value is $1.*
\## *The value is $2.*
\### *The value is $3.*

21 Associated Companies (in $ million)

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Share of net tangible assets of associated companies at acquisition date	371.2	324.2		
Goodwill on acquisition of associated companies	1,626.2	1,621.6		
Unquoted investments at cost	1,997.4	1,945.8	1,724.1	1,689.6
Impairment loss	(25.6)	(25.6)	(9.4)	(9.4)
	1,971.8	1,920.2	1,714.7	1,680.2
Goodwill written-off to reserves	(1,613.0)	(1,613.0)	–	–
Accumulated amortization of goodwill on acquisition	(6.3)	(5.1)	–	–
Currency realignment	9.7	20.8	–	–
Share of post acquisition reserves	125.5	43.0	–	–
	487.7	365.9	1,714.7	1,680.2
Loans to associated companies	23.1	29.5	7.1	7.2
Write-down of loans	(10.1)	(9.9)	–	–
	13.0	19.6	7.1	7.2
	500.7	385.5	1,721.8	1,687.4
Amounts owing by associated companies	0.5	0.3	–	–
Amounts owing to associated companies	(20.0)	–	(20.0)	–
Amounts owing (to)/by associated companies, net	(19.5)	0.3	(20.0)	–

The Company acquired additional shares in Virgin Atlantic Limited ("VAL") for $33.7 million (GBP12.3 million). These were financed by waiver of preference dividends of $13.7 million during the year, and a cash payment of $20.0 million paid on 29 April 2003. There was no change in the Company's 49.0% equity stake in VAL.

Asian Frequent Flyer Pte Ltd was liquidated on 23 October 2002.

On 27 February 2003, SATS acquired an additional 5.0% equity interest in Evergreen Air Cargo Services Corporation for a consideration of $3.1 million. Goodwill arising from the additional equity interest amounted to $0.4 million, and the total equity interest held by SATS is 25.0%.

On 24 June 2002, SIA Engineering Company Limited ("SIAEC") exercised its option to acquire an additional 10.0% equity interest in Rohr Aero Services-Asia Pte Ltd for $10.1 million. This brings the total equity interest held by SIAEC to 40.0%. Goodwill arising from the additional equity interest, amounting to $4.2 million was capitalized and amortized over a period of 10 years.

During the financial year, SIAEC and International Aerospace Tubes incorporated a company, International Aerospace Tubes Asia Pte Ltd ("IAT-Asia Pte Ltd"). SIAEC injected $3.6 million for its 33.3% equity interest in IAT-Asia Pte Ltd.

Loans to associated companies are unsecured and bear interest at prevailing market rates.

Amounts owing by associated companies are unsecured, trade-related, interest-free and have no fixed terms of repayments.

21 Associated Companies (in $ million) (continued)

The associated companies at 31 March 2003 were:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2003	2002	Percentage of equity held by the Group 2003	2002
Service Quality (SQ) Centre Pte Ltd	Quality service training	Singapore	#	#	50	50
Virgin Atlantic Limited *	Air transportation	UK	1,682.06	1,648.39	49	49
Asian Frequent Flyer Pte Ltd	Liquidated	Singapore	–	0.05	–	33.3
Asia Leasing Limited	Aircraft leasing	Bermuda	10.88	10.88	21	21
RCMS Properties Private Limited	Hotel ownership and management	Singapore	31.16	30.30	20	20
Aviserv Limited	Inflight catering services	Pakistan	3.31	3.31	43	43
TAJ SATS Air Catering Limited	Inflight catering services	India	31.26	31.26	43	43
SERVAIR-SATS Holding Company Pte Ltd	Investment holding company	Singapore	0.51	0.51	43	43
Beijing Airport Inflight Kitchen Limited	Inflight catering services	People's Republic of China	13.88	13.88	35	35
Beijing Aviation Ground Services Company Limited	Ground handling services	– do –	5.71	5.71	35	35
Maldives Inflight Catering Private Limited	Inflight catering services	Maldives	0.29	0.29	30	30
Taj Madras Flight Kitchen Limited	Inflight catering services	India	1.90	1.90	26	26
Tan Son Nhat Cargo Services Ltd	Ground handling services	Vietnam	1.96	1.96	26	26
Asia Airfreight Terminal Co Ltd	Ground handling services	Hong Kong	16.16	16.16	21	21
Evergreen Air Cargo Services Corporation	Ground handling services	Taiwan	15.92	12.81	22	17
Evergreen Airline Services Corporation	Ground handling services	– do –	5.23	4.89	17	17
MacroAsia-Eurest Catering Services Inc.	Inflight catering services	Philippines	2.03	2.03	17	17

21 Associated Companies (in $ million) (continued)

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2003	Cost (in $ million) 2002	Percentage of equity held by the Group 2003	Percentage of equity held by the Group 2002
Combustor Airmotive Services Pte Ltd	Servicing of aircraft engines and sale of aircraft engines and parts	Singapore	3.01	3.01	43	43
Eagle Services Asia Private Limited	Repair and overhaul of aircraft engines	– do –	71.59	71.59	43	43
PWA International Limited	Re-manufacture of aircraft turbine engine cases, component thereof and related parts	Ireland	6.22	6.22	43	43
Fuel Accessory Service Technologies Pte Ltd	Repair and overhaul engine fuel components and accessories	Singapore	5.07	5.07	43	43
Pan Asia Pacific Aviation Services Limited	Operation of aircraft maintenance activities	Hong Kong	5.37	5.37	41	41
Messier Services Asia Pte Ltd	Repair and overhaul of landing gear	Singapore	13.97	13.97	35	35
Rohr Aero Services-Asia Pte Ltd	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	– do –	37.23	27.18	35	26
Asian Surface Technologies Pte Ltd	Fan blade repair and coating services	– do –	6.38	6.38	25	25
Asian Compressor Technology Services Company Limited	Repair of aircraft engines and compressors	Taiwan	4.10	4.10	21	21
Turbine Coating Services Pte Ltd	Perform PW4000 turbine airfoil repair	Singapore	5.67	5.67	21	21
International Aerospace Tubes Asia Pte Ltd	Repair aerospace tube, ducts and manifolds	– do –	3.58	–	29	–
PT Purosani Sri Persada	Hotel ownership and management	Indonesia	5.80	5.80	20	20
PT Pantai Indah Tateli	Hotel ownership and management	– do –	7.10	7.10	20	20

* *Audited by KPMG LLP United Kingdom*
\# *The value is $1.*

22 Joint Venture Companies (in $ million)

	The Group 31 March 2003	2002	The Company 31 March 2003	2002
Investment in joint venture companies (unquoted, at cost)	176.4	158.4	118.8	107.9
Share of post acquisition reserves				
– general reserve	88.2	76.7	–	–
– foreign currency translation reserve	24.1	35.1	–	–
– capital reserve	7.7	6.9	–	–
	296.4	277.1	118.8	107.9
Amounts owing by joint venture companies	1.0	–	–	–

Amounts owing by joint venture companies are unsecured, trade-related, interest free and have no fixed terms of repayments.

The Group's share of the consolidated results of joint venture companies is as follows:

	The Group 2002-03	2001-02
Profit before taxation	14.5	20.5
Taxation	(3.0)	(3.0)
	11.5	17.5

The Group's share of the consolidated assets and liabilities of the joint venture companies comprises:

	The Group 31 March 2003	2002
Fixed and other non-current assets	1,342.8	1,185.8
Current assets	126.4	85.0
Current liabilities	(224.1)	(257.7)
Long-term liabilities	(948.7)	(736.0)
	296.4	277.1

The joint venture companies at 31 March 2003 were:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2003	2002	Percentage of equity held by the Group 2003	2002
Singapore Aircraft Leasing Enterprise Pte Ltd	Aircraft leasing	Singapore	118.86	107.92	35.5	35.5
International Engine Component Overhaul Pte Ltd	Repair of aircraft components	– do –	11.01	11.97	44.0	44.0
Singapore Aero Engine Services Private Limited	Repair and maintain Trent aero engines	– do –	46.53	38.52	44.0	44.0

During the financial year, additional capital contributed in accordance with the joint venture agreements by the Company in Singapore Aircraft Leasing Enterprise Pte Ltd and by SIAEC in Singapore Aero Engine Services Private Limited was $10.9 million and $8.0 million respectively.

During the financial year, International Engine Component Overhaul Pte Ltd returned $0.9 million to SIAEC pursuant to a capital reduction exercise.

23 Long-Term Investments (in $ million)

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Quoted investments at cost				
Equity investments	51.4	51.4	432.0	432.0
Provision for diminution	–	–	(380.6)	(380.6)
	51.4	51.4	51.4	51.4
Non-equity investments	372.7	375.6	372.7	375.6
	424.1	427.0	424.1	427.0
Unquoted investments at cost				
Trade investments	76.1	76.0	48.8	48.2
Non-equity investments	42.4	44.2	42.4	44.2
	118.5	120.2	91.2	92.4
Provision for diminution	(25.9)	(16.5)	(25.9)	(16.5)
	92.6	103.7	65.3	75.9
Long-term loans	52.9	59.7	–	–
	569.6	590.4	489.4	502.9
Market value of quoted investments				
Equity investments	118.1	95.0	118.1	95.0
Non-equity investments	374.2	372.7	374.2	372.7
	492.3	467.7	492.3	467.7

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Analysis of provision for diminution in value of quoted and unquoted investments				
Balance at 1 April	16.5	15.4	397.1	15.4
Provided during the year	9.4	1.1	9.4	381.7
Balance at 31 March	25.9	16.5	406.5	397.1

In financial year 2001-02, Air New Zealand Limited ("Air NZ") announced the completion of its recapitalization package, where 2,166,666,667 new ordinary shares and 1,279,866,438 new convertible preference shares were issued to the Government of New Zealand at NZ$0.27 per share and NZ$0.24 per share respectively. With the issuance of the new ordinary and preference shares to the Government of New Zealand, the Company's equity interest in Air NZ was diluted from 25.0% to 6.47%. Accordingly, the Group reclassified the net carrying amount of the Air NZ investment from associated company to long-term investments.

Non-equity investments of $415.1 million (2002: $419.8 million) for the Group and the Company relate to interest-bearing investments with an effective annual interest rate of 1.93% (2001-02: 4.21%).

The Group's long-term loans comprise:

(a) Loan to August Skyfreighter 1994 Trust of $46.0 million (2002: $48.0 million) is unsecured and bears interest between 1.74% and 2.30% (2001-02: 2.28% to 4.23%) per annum. The loan is repayable on 28 March 2007;

(b) Loan to Taikoo (Xiamen) Aircraft Engineering Company Limited of US$0.5 million (2002: US$0.5 million) is unsecured, interest free and is expected to be repayable in 2003-04, subject to further review with the investee company; and

(c) Shareholders' loan to Hong Kong Aero Engine Services Limited of US$3.6 million (2002: US$6.0 million of which US$1.3 million is interest free and US$4.7 million is interest bearing). The loan is unsecured and bears interest between 1.88% and 2.75% (2001-02: 2.38% and 6.20%) per annum. There is no fixed repayment term, and it is not expected to be repayable within the next 12 months.

24 Trade Debtors (in $ million)

Trade debtors are stated after deducting provision for doubtful debts. An analysis of the provision for doubtful debts is as follows:

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Balance at 1 April	84.8	91.7	60.3	59.8
(Written-back)/provided during the year	(6.5)	(6.9)	(12.3)	0.5
Balance at 31 March	78.3	84.8	48.0	60.3
Bad debts written-off directly to profit and loss account	4.2	–	5.7	0.9

Loans to directors of the Company and its subsidiary companies in accordance with schemes approved by shareholders of the Company amounted to $0.6 million (2002: $0.9 million).

25 Stocks (in $ million)

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Technical stocks and stores	22.9	20.4	7.1	7.1
Catering and general stocks	30.8	29.7	21.9	22.5
Work-in-progress	27.1	16.9	–	–
	80.8	67.0	29.0	29.6

Stocks are stated after deducting provision for stock obsolescence. An analysis of the provision for stock obsolescence is as follows:

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Balance at 1 April	3.2	1.4	–	–
Provided during the year	1.7	1.9	–	–
Provision utilized during the year	–	(0.1)	–	–
Balance at 31 March	4.9	3.2	–	–
Stocks written-off directly to profit and loss account	–	–	–	–
Stocks are stated at:				
Cost	58.2	56.8	29.0	29.6
Net realizable value	22.6	10.2	–	–
	80.8	67.0	29.0	29.6

26 Investments (in $ million)

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Quoted investments at cost				
Government securities	2.8	2.4	–	–
Equity investments	16.4	18.9	–	–
Non-equity investments	14.1	13.6	–	–
	33.3	34.9	–	–
Unquoted investments at cost				
Non-equity investments	117.8	–	–	–
	151.1	34.9	–	–
Provision for diminution				
Equity investments	(2.1)	–	–	–
Non-equity investments, quoted	(0.7)	(0.7)	–	–
	(2.8)	(0.7)	–	–
	148.3	34.2	–	–
Market value of quoted investments				
Government securities	2.8	2.4	–	–
Equity investments	14.3	21.9	–	–
Non-equity investments	13.5	13.1	–	–
	30.6	37.4	–	–

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Analysis of provision for diminution in value of quoted investments				
Balance at 1 April	0.7	1.8	–	–
Provided/(written-back) during the year	2.1	(1.1)	–	–
Balance at 31 March	2.8	0.7	–	–

27 Cash and Bank Balances (in $ million)

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Fixed deposits	528.2	531.5	306.2	438.0
Cash and bank	291.7	560.1	122.5	416.9
	819.9	1,091.6	428.7	854.9

28 Cash Flow from Operating Activities (in $ million)

	The Group 2002-03	The Group 2001-02	The Company 2002-03	The Company 2001-02
Operating profit	717.1	924.6	209.0	413.1
Adjustments for:				
Depreciation of fixed assets	1,090.3	969.4	840.1	779.7
Provision for impairment of fixed assets	43.2	1.8	42.6	–
Income from short-term investments	(0.9)	(6.9)	–	–
Exchange differences	15.0	(0.8)	30.8	(9.4)
Write-down of loan to associated companies	0.2	–	–	–
Amortization of deferred gain on sale and leaseback transactions	(134.7)	(121.2)	(133.1)	(121.0)
Operating profit before working capital changes	1,730.2	1,766.9	989.4	1,062.4
Increase/(decrease) in creditors	49.7	(766.0)	(55.6)	(813.1)
(Increase)/decrease in short term investments	(114.1)	477.2	–	–
(Decrease)/increase in sales in advance of carriage	(38.1)	34.0	(25.9)	59.7
Decrease/(increase) in debtors	270.1	(117.6)	238.5	185.4
(Increase)/decrease in stocks	(13.3)	(12.6)	0.6	(3.1)
Increase in amounts owing to subsidiary and associated companies	–	–	85.2	47.6
Increase in deferred revenue	8.8	39.0	8.8	39.0
(Increase)/decrease in amounts owing by subsidiary, associated and joint venture companies	(1.2)	0.2	–	–
Cash generated from operations	1,892.1	1,421.1	1,241.0	577.9
Income taxes paid	(74.0)	(40.7)	(4.9)	(6.6)
Net cash provided by operating activities	1,818.1	1,380.4	1,236.1	571.3

29 Analysis of Capital Expenditure Cash Flow (in $ million)

	The Group 2002-03	The Group 2001-02	The Company 2002-03	The Company 2001-02
Purchase of fixed assets	3,086.3	3,862.9	2,614.0	2,882.2
Less: Assets acquired under credit terms	(44.1)	(330.5)	(35.3)	–
Less: Assets of subsidiary company acquired	(2.9)	–	–	–
Cash invested in capital expenditure	3,039.3	3,532.4	2,578.7	2,882.2

30 Capital and Other Commitments (in $ million)

The following commitments for capital expenditure have not been provided for in the financial statements:

	The Group 31 March 2003	The Group 31 March 2002	The Company 31 March 2003	The Company 31 March 2002
Authorized and contracted for	11,946.3	16,267.0	10,209.9	14,501.8
Authorized but not contracted for	296.7	672.0	5.9	4.7
	12,243.0	16,939.0	10,215.8	14,506.5

The Group's share of capital expenditure commitments of a joint venture company:

	The Group 31 March 2003	The Group 31 March 2002
Authorized and contracted for	713.5	1,021.2

The commitments relate principally to the acquisition of aircraft fleet and related equipment.

30 Capital and Other Commitments (in $ million) (continued)

Operating lease commitments

The Company has 16 B747-400s, 1 B777-200 and 3 CFM-56 engines under operating leases with fixed rental rates. The lease terms range from 4 to 10 years for the B747-400 and B777-200 aircraft, and 3 to 3.5 years for the CFM-56 engines. In 11 of the aircraft lease agreements, the Company holds options to extend the leases for a further maximum period of 2 years. None of the operating agreements confer on the Company an option to purchase the related aircraft or engines. Sub-leasing is allowed under all the lease arrangements.

SilkAir (Singapore) Private Limited ("SilkAir") has 1 A320-232 aircraft under operating lease with fixed rental rates. The lease term is two years. It holds the option to extend the lease for a further maximum period of 2 years, which is not likely to be exercised. There is no option to purchase the aircraft.

Future lease payments under non-cancellable operating leases are as follows:

Aircraft

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Within one year	429.4	445.4	424.0	445.4
After one year but not more than five years	1,060.7	1,315.6	1,059.8	1,315.6
More than five years	202.1	325.9	202.1	325.9
	1,692.2	2,086.9	1,685.9	2,086.9

Property and equipment

	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Within one year	11.3	10.0	7.1	7.2
After one year but not more than five years	17.3	21.3	5.8	10.5
More than five years	38.6	41.6	–	–
	67.2	72.9	12.9	17.7

31 Contingent Liabilities (in $ million)

Flight SQ006

On 31 October 2000, Flight SQ006 crashed on the runway at the Chiang Kai-Shek International Airport, Taipei en route to Los Angeles. There were 83 fatalities among the 179 passengers and crew members aboard the Boeing 747 aircraft. On 26 April 2002, the Taiwan Aviation Safety Council released its final investigation report on the accident. Whilst the full implications of these conclusions and recommendations are still being deliberated, the Company is currently a defendant in a number of lawsuits relating to the crash. It maintains substantial insurance coverage which is sufficient to cover the claims arising from the crash. Accordingly, it believes that the resolution of these claims will have no material impact on its financial position. There has been no change to this position since the last financial year.

Flight MI 185

The 6 remaining claims resulting from SilkAir MI 185 crash on 19 December 1997 were settled during the financial year, without any financial impact on the Company. It was fully covered by insurance.

There are contingent liabilities in respect of guarantees given by the Group and the Company at 31 March 2003 amounting to $72.9 million (2002: $125.2 million) and $33.6 million (2002: $52.8 million) respectively.

32 Financial Instruments (in $ million)

(a) Financial risk management objectives and policies

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.

Financial risk management policies are periodically reviewed and approved by the Board Finance Committee ("BFC").

(b) Jet fuel price risk

The Group's earnings are affected by changes in the price of jet fuel. The Group manages this fuel price risk by using swaps and options contracts and hedging up to 24 months forward. A change in price of one US cent per American gallon of jet fuel affects the Group's annual fuel costs by US$13.1 million. This is before accounting for US Dollar ("USD") exchange rate movements and changes in volume of fuel consumed.

(c) 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 2003 these accounted for 78.4% of total revenue (79.3% in 2001-02) and 51.2% of total operating expenses (53.5% in 2001-02). The Group's largest exposures are from USD, UK Sterling Pound, Japanese Yen, Euro, Swiss Franc, Australian Dollar, New Zealand Dollar, Indian Rupee, Hong Kong Dollar, Taiwan Dollar, Chinese Yuan, Korean Won, Thai Baht and Malaysian Ringgit. The Group generates a surplus in all of these currencies, and a deficit in USD. The deficit in USD is attributable to capital expenditure, leasing costs and fuel 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 to hedge a portion of its future foreign exchange exposure.

(d) 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's interest-bearing financial liabilities with maturities above one year have predominantly fixed rates of interest or are hedged by matching interest-bearing financial assets. In the latter case, interest rate swaps are used to convert interest income into the same floating interest rate basis as interest expense.

At 31 March 2003, the Group had interest rate swap agreements in place with notional amounts ranging from $50.8 million to $70.2 million whereby it pays a fixed rate of interest and receives a variable rate linked to LIBOR. These swaps are used to protect a portion of long-term liabilities from exposure to fluctuations in interest rates.

The Group's short-term deposits and other interest-bearing financial assets and liabilities are predominantly denominated in SGD and USD.

(e) Market price risk

The Group owned $454.6 million (2002: $461.2 million) in quoted equity and non-equity investments at 31 March 2003. The estimated market value of these investments was $522.9 million (2002: $505.1 million) at 31 March 2003.

The market risk associated with these investments is the potential loss resulting from a decrease in market prices.

(f) Counterparty risk

Surplus funds are invested in interest-bearing bank deposits and other high quality short-term liquid investments. Counterparty risks are managed by limiting aggregated exposure on all outstanding financial instruments to any individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising in the event of non-performance by counterparties.

32 Financial Instruments (in $ million) (continued)

(g) Liquidity risk

At 31 March 2003, the Group had at its disposal cash and short-term deposits amounting to $819.9 million (2002: $1,091.6 million). In addition, the Group has available short-term credit facilities of about $1,550.0 million (2002: $1,700.0 million).

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. Any shortfall can be met by aircraft financing via structured leases, bank borrowings or public market funding. Because of 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.

(h) Derivative financial instruments

The Group's policy on the use of derivatives is not to trade in them but to use these instruments as hedges against specific exposures.

As part of its management of treasury risks, the Group has entered into a number of forward foreign exchange contracts to cover a portion of the surplus position in a variety of currencies. The Group uses forward contracts purely as a hedging tool. It does not take positions in currencies with a view to make speculative gains from currency movements. Similarly, the Group enters into interest rate swaps to manage interest rate risks on its financial assets and liabilities, with the prior approval of the BFC or Boards of Subsidiaries. Other treasury derivative instruments are considered on their merits as valid and appropriate risk management tools and require the BFC's approval before adoption.

The Group's strategy for managing the risk on fuel price, as defined by BFC, 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.

As derivatives are used for the purpose of risk management, they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenues or costs being hedged. Moreover, counterparty credit risk is generally restricted to any hedging gain from time to time, and not the principal amount hedged. Therefore the possibility of material loss arising in the event of non-performance by a counterparty is considered to be unlikely.

The Group has a number of foreign exchange contracts outstanding as of 31 March 2003 that have been entered into as a hedge of forecast sales denominated in UK Sterling Pound, Japanese Yen, Euro, Swiss Franc, Australian Dollar, New Zealand Dollar, Indian Rupee, Hong Kong Dollar, Taiwan Dollar, Chinese Yuan, Korean Won, Thai Baht, Philippines Peso and Canadian Dollar. The foreign exchange contracts provide for the Group to sell these 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 had outstanding forward transactions to hedge foreign currencies and jet fuel purchases as follows:

	The Group 31 March	
	2003	2002
Foreign currency contracts		
6 months or less	524.4	268.6
Over 6 months to 24 months	363.0	314.4
	887.4	583.0
Jet fuel swap/option contracts		
6 months or less	399.5	304.3
Over 6 months to 24 months	233.9	176.8
	633.4	481.1
(Losses)/gains not recognized in financial statements	(33.4)	14.4

32 Financial Instruments (in $ million) (continued)

(i) Net fair values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the Group and Company balance sheets are presented as follows:

	Total carrying amount on Balance Sheet 31 March 2003	Total carrying amount on Balance Sheet 31 March 2002	Aggregate net fair value 31 March 2003	Aggregate net fair value 31 March 2002
Group				
Financial Assets				
Long-term investments	569.6	590.4	637.8	631.1
Short-term investments	148.3	34.2	148.4	37.4
Financial Liabilities				
Notes payable	1,100.0	1,100.0	1,197.8	1,086.2
Derivative financial instruments				
Foreign currency contracts	*	*	(31.1)	(3.4)
Jet fuel swap contracts	*	*	9.2	17.6
Jet fuel options contracts	*	*	(11.5)	0.2

	Total carrying amount on Balance Sheet 31 March 2003	Total carrying amount on Balance Sheet 31 March 2002	Aggregate net fair value 31 March 2003	Aggregate net fair value 31 March 2002
Company				
Financial Assets				
Long-term investments	489.4	502.9	557.6	543.6
Financial Liabilities				
Notes payable	900.0	900.0	994.5	884.9
Derivative financial instruments				
Foreign currency contracts	*	*	(31.1)	(3.4)
Jet fuel swap contracts	*	*	7.6	14.4
Jet fuel options contracts	*	*	(9.4)	0.2

* *No balance sheet carrying amounts are shown as these are commitments as at year end.*

The fair value of quoted investments is generally determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. For investments where there is no quoted market price, fair value is based on either acquisition cost or the attributable net assets of those corporations.

The fair value of loans and borrowings is estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

The fair value of forward currency contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of jet fuel swap and option contracts is determined by reference to current forward prices for contracts with similar maturity profiles.

The carrying amounts of the following financial assets and liabilities approximate their fair values due to their short-term nature: cash and bank balances, bank overdrafts – unsecured, amounts owing by/to subsidiary, associated and joint venture companies, loans, finance lease commitments, trade debtors and creditors.

33 Related Party Transactions (in $ million)

The followings are transactions entered into by the Group with related parties, on normal commercial terms:

	The Group	
	2002-03	2001-02
Purchases of services from associated companies	321.8	296.4
Services rendered to associated companies	(1.8)	(1.1)
Purchases of services from joint venture companies	8.6	12.7
Commission received from a joint venture company	(2.3)	(1.7)
Services rendered to joint venture companies	(4.9)	–

34 Subsequent Events

(a) On 3 April 2003, five Pratt and Whitney 4056 engines were sold to UT Finance Corporation.

(b) SIA retired the last three aircraft in its A340-300 fleet by mid-April 2003. The Company took delivery of one new A340-300 and B777-200A aircraft on 29 April and 1 May 2003, respectively. On 8 May 2003, the A340-300 aircraft was traded-in to Boeing.

(c) With most of the SARS-affected countries being in the East Asia region, the impact on SIA services was severe, and the Airline took swift action to manage its costs. This included a 30% reduction in capacity, in terms of available seat kilometers, for the period April to June 2003. Operations to six destinations – Brussels, Chicago, Las Vegas, Hiroshima, Kaohsiung and Mauritius – were terminated, while those to Fukuoka, Jeddah, Guangzhou and Madrid were suspended. The launch of a thrice-weekly Bangalore service has been deferred.

(d) SilkAir, the SIA Group's regional airline, announced cutbacks in capacity of 24 per cent.

35 Comparative Figures

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

The corporatization of SIA Cargo took effect from 1 July 2001. The Company's revenue for 2001-02 includes cargo revenue for the first 3 months of April to June 2001, and bellyhold revenue from SIA Cargo for the period July 2001 to March 2002.

Additional Infomation Required by the Singapore Exchange Securities Trading Limited

1 Interested Persons Transactions (in $ million)

Interested persons transactions carried out during the financial year pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX) by the Group are as follows:

	Aggregate value of all transactions excluding transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual 2002-03 $ million	Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual 2002-03 $ million
<u>Singapore Telecommunications Ltd</u>		
Singapore Telecommunications Ltd	–	0.2
Singapore Post Pte Ltd	–	0.2
National Computer Systems Pte Ltd	–	0.9
G3 Worldwide Mail Pte Ltd	–	1.4
Radiance Communications Pte Ltd #	–	2.6
<u>Keppel Telecommunications & Transportation Ltd</u>		
Radiance Communications Pte Ltd #	–	2.6
Asia Airfreight Terminal Company Ltd	–	21.1
Neptune Orient Lines Ltd	–	1.5
<u>Raffles Holdings Ltd</u>		
Raffles International Ltd	–	0.3
Hotel International AG	–	0.4
Keppel Electric Pte Ltd	–	0.7
MediaCorp TV Singapore Pte Ltd	–	0.4
Total interested persons transactions	–	32.3

Note: All the above interested persons transactions were done on normal commercial terms.

\# *The value of this transaction with Radiance Communications Pte Ltd is aggregated with both Singapore Telecommunications Ltd (SingTel) and Keppel Telecommunications & Transportation Ltd (Keppel T&T) because Radiance is owned by both SingTel and Keppel T&T.*

2 Material Contracts

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving interests of the Chief Executive Officer, directors or controlling shareholders and no such material contracts subsist at the end of the financial year.

Half-Yearly Results of the Group

		First half	Second half	Total
TOTAL REVENUE				
2002-03	($ million)	5,228.9	5,286.1	10,515.0
	(%)	49.7	50.3	100.0
2001-02	($ million)	4,731.6	4,651.2	9,382.8
	(%)	50.4	49.6	100.0
TOTAL EXPENDITURE				
2002-03	($ million)	4,719.1	5,078.8	9,797.9
	(%)	48.2	51.8	100.0
2001-02	($ million)	4,279.6	4,178.6	8,458.2
	(%)	50.6	49.4	100.0
OPERATING PROFIT [R1]				
2002-03	($ million)	509.8	207.3	717.1
	(%)	71.1	28.9	100.0
2001-02	($ million)	452.0	472.6	924.6
	(%)	48.9	51.1	100.0
PROFIT BEFORE TAX				
2002-03	($ million)	656.4	320.4	976.8
	(%)	67.2	32.8	100.0
2001-02	($ million)	288.0	637.6	925.6
	(%)	31.1	68.9	100.0
PROFIT ATTRIBUTABLE TO SHAREHOLDERS				
2002-03	($ million)	773.5	291.3	1,064.8
	(%)	72.6	27.4	100.0
2001-02	($ million)	134.8	496.9	631.7
	(%)	21.3	78.7	100.0
EARNINGS (AFTER TAX) PER SHARE				
2002-03	(cents)	63.5	23.9	87.4
	(%)	72.7	27.3	100.0
2001-02	(cents)	11.1	40.8	51.9
	(%)	21.4	78.6	100.0

[R1] *Operating profit was restated to exclude items such as interest income, dividends from long-term investments and provision for diminution in value of long-term investments. Such items are now shown after operating profit. The change is to better reflect the performance of operating activities. Figures for the previous year were adjusted to allow year-on-year comparisons.*

Five-Year Financial Summary of the Group

	2002-03	2001-02	2000-01	1999-00	1998-99
PROFIT AND LOSS ACCOUNTS ($ million)					
Total revenue	10,515.0	9,382.8	9,852.2	8,861.4	7,797.0
Total expenditure	(9,797.9)	(8,458.2)	(8,584.1)	(7,843.3)	(7,009.6)
Operating profit [R1]	717.1	924.6	1,268.1	1,018.1	787.4
Finance charges	(54.7)	(44.0)	(37.5)	(28.8)	(29.5)
Interest income	33.7	52.0	86.0	154.6	95.2
Surplus on disposal of aircraft, spares and spare engines	144.9	66.0	181.3	98.4	211.3
Surplus/(loss) on disposal of other fixed assets	1.2	2.9	2.4	(0.8)	0.2
Dividend income from long-term investments, gross	5.2	5.7	7.7	3.6	3.4
Surplus on disposal of long-term investment	–	4.4	3.0	–	–
Provision for diminution in value of long term investments	(9.4)	(1.1)	(20.5)	(6.7)	(2.3)
Share of profits of joint venture companies	14.5	20.5	27.0	21.0	13.9
Share of profits/(losses) of associated companies	123.8	(71.3)	81.7	33.2	23.1
Profit before tax and exceptional item	976.3	959.7	1,599.2	1,292.6	1,102.7
Liquidation of Asian Frequent Flyer Pte Ltd	0.5	–	–	–	–
Gain on sale of long term investments	–	30.2	–	171.3	–
Provision for diminution in value of investment in Air New Zealand Limited	–	(266.9)	–	–	–
Recognition of deferred gain on divestment of 51% equity interests in Eagle Services Asia Private Limited	–	202.6	–	–	–
Profit on disposal of vendor shares (13% equity interests in SATS and SIAEC)	–	–	440.1	–	–
Ex-gratia bonus payment	–	–	(134.6)	–	–
Surplus on liquidation of Abacus Distribution Systems	–	–	–	–	14.1
Profit before tax	976.8	925.6	1,904.7	1,463.9	1,116.8
Profit attributable to shareholders	1,064.8	631.7	1,624.8	1,163.8	1,033.2
BALANCE SHEET ($ million)					
Share capital	609.1	609.1	1,220.2	1,250.5	1,282.5
Distributable reserves					
General reserve	9,539.1	8,655.2	8,215.2	7,501.4	8,790.6
Foreign currency translation reserve	41.3	63.8	40.8	30.3	31.2
Non-distributable reserves					
Share premium	447.2	447.2	447.2	447.2	447.2
Capital redemption reserve	64.4	64.4	62.3	32.0	–
Capital reserve	7.7	6.9	6.9	6.9	6.3
Shareholders' funds	10,708.8	9,846.6	9,992.6	9,268.3	10,557.8
Minority interests	267.5	228.7	184.5	19.6	18.3
Deferred account	523.1	591.9	733.4	709.3	578.2
Deferred taxation	2,251.0	2,664.5	2,425.6	2,333.2	2,247.2
Fixed assets	15,406.0	14,442.9	12,863.0	11,882.0	11,666.8
Goodwill on consolidation	1.5	–	–	–	–
Associated companies	500.7	385.5	715.4	305.7	223.0
Joint venture companies	296.4	277.1	239.0	188.2	152.8
Long-term investments	569.6	590.4	556.0	537.8	943.7
Current assets	2,409.8	2,884.5	3,538.5	3,504.2	4,181.4
Total assets	19,184.0	18,580.4	17,911.9	16,417.9	17,167.7
Long-term liabilities	1,879.6	1,928.9	795.5	566.5	565.6
Current liabilities	3,554.0	3,319.8	3,780.3	3,521.0	3,200.6
Total liabilities	5,433.6	5,248.7	4,575.8	4,087.5	3,766.2
Net (debt)/liquid assets	(718.8)	(656.2)	1,417.8	1,647.1	2,493.0
Net debt equity ratio (times)	0.07	0.07	–	–	–

Five-Year Financial Summary of the Group

	2002-03	2001-02	2000-01	1999-00	1998-99
CASH FLOW STATEMENTS ($ million)					
Cash flow from operations	1,892.1	1,421.1	2,644.7	2,429.0	1,772.9
Internally generated cash flow [R2]	3,207.7	3,054.1	3,438.7	3,239.3	2,798.1
Capital expenditure	3,086.3	3,862.9	2,589.0	1,911.5	2,053.1
PER SHARE DATA					
Earnings before tax (cents)	80.2	76.0	155.5	115.0	87.1
Earnings after tax (cents) – basic	87.4	51.9	132.7	91.4	80.6
– diluted	87.4	51.9	132.6	91.4	80.6
Cash earnings ($) [R3]	1.77	1.31	2.26	1.86	1.72
Net asset value ($)	8.79	8.08	8.19	7.41	8.23
SHARE PRICE [R4]					
High	14.40	14.90	19.20	20.80	13.60
Low	8.55	7.00	12.90	12.40	6.40
Closing	8.75	14.40	13.60	16.00	12.50
DIVIDENDS					
Gross dividends (cents per share)	15.0	15.0 [R5]	35.0	30.0 [R6]	25.0 [R7]
Dividend cover (times)	6.4	4.1	5.1	3.9	4.3
PROFITABILITY RATIOS (%)					
Return on shareholders' funds	10.4	6.4	16.9	11.7	10.2
Return on total assets	5.9	3.8	9.7	7.0	6.3
Return on turnover	10.6	7.4	16.7	12.9	13.1
PRODUCTIVITY AND EMPLOYEE DATA					
Value added ($ million)	4,367.0	3,718.2	5,180.7	4,551.5	4,101.0
Value added per employee ($)	144,397	126,375	182,831	165,431	146,958
Revenue per employee ($)	347,684	318,904	347,692	322,080	279,402
Average employee strength	30,243	29,422	28,336	27,513	27,906
US$/S$ exchange rate as at 31 March	1.7640	1.8405	1.8029	1.7185	1.7295

[R1] *Operating profit was restated to better reflect the performance of operating activities. Non-operating items are now shown after operating profit. Previous year's figures have been adjusted to allow year-on-year comparison.*

[R2] *Internally generated cash flow comprised cash generated from operations, dividends from associated companies, and proceeds from sale of aircraft and other fixed assets.*

[R3] *Cash earnings is defined as profit after tax and minority interests plus depreciation.*

[R4] *SIA local shares and SIA foreign shares were merged (following approval of the merger by shareholders at the Company's extraordinary general meeting) on 11 September 1999. For comparison, share prices for 1998-99 were that of SIA foreign share.*

[R5] *Includes 4.0 cents per share tax-exempt dividend.*

[R6] *Includes 4.75 cents per share tax-exempt dividend.*

[R7] *Includes 1.0 cent per share tax-exempt dividend.*

Ten-Year Statistical Record

		2002-03	2001-02	2000-01
SIA PASSENGER COMPANY				
FINANCIAL [R1]				
Total revenue	($ million)	8,047.0	7,694.7	9,125.8
Total expenditure	($ million)	7,838.0	7,281.6	8,222.5
Operating profit [R2]	($ million)	209.0	413.1	903.3
Profit before tax	($ million)	460.1	740.7	1,607.2
Profit after tax	($ million)	618.0	567.2	1,422.2
Internally generated cash flow [R3]	($ million)	2,503.5	1,986.1	2,968.2
Capital disbursements	($ million)	2,766.2	2,885.7	2,777.7
Passenger – yield	(cts/pkm)	9.1	9.0	9.4
– unit cost	(cts/ask)	6.7	6.4	–
– breakeven load factor	(%)	73.6	71.1	–
PASSENGER FLEET				
Aircraft	(number)	96	92	84
Average age	(months)	71	69	70
PASSENGER PRODUCTION				
Destination cities	(number)	60	64	67
Distance flown	(million km)	296.2	288.4	289.1
Time flown	(hours)	384,652	368,204	366,784
Passenger capacity	(million seat-km)	99,565.9	94,558.5	92,648.0
TRAFFIC				
Passengers carried	('000)	15,326	14,765	15,002
Passengers carried	(million pax-km)	74,183.2	69,994.5	71,118.4
Passenger load factor	(%)	74.5	74.0	76.8
STAFF [R1]				
Average strength		14,418	14,205	14,254
Overall capacity per employee	(tonne-km)	–	–	1,265,189
Overall load carried per employee	(tonne-km)	–	–	910,993
Seat capacity per employee [R4]	(seat-km)	6,905,667	6,656,705	–
Passenger load carried per employee [R5]	(tonne-km)	495,617	471,300	–
Revenue per employee	($)	558,122	541,690	647,516
Value added per employee	($)	191,566	189,806	284,369
SIA PASSENGER AND SIA CARGO COMPANY				
Cargo and mail carried	(million kg)	1,043.2	938.5	975.4
Cargo load	(million tonne-km)	6,835.3	5,954.3	6,075.2
Mail load	(million tonne-km)	78.3	85.5	92.4
Gross capacity	(million tonne-km)	9,927.1	8,950.3	8,876.1
Cargo load factor	(%)	69.6	67.5	69.5
Cargo yield	(cts/ltk)	34.2	32.2	–
Cargo unit cost	(cts/ctk)	23.9	23.2	–
Cargo breakeven load factor	(%)	69.9	72.0	–
Overall load carried	(million tonne-km)	14,059.5	12,734.6	12,985.3
Overall capacity	(million tonne-km)	19,773.7	18,305.1	18,034.0
Overall load factor	(%)	71.1	69.6	72.0
Overall yield	(cts/ltk)	67.1	64.9	67.9
Overall unit cost	(cts/ctk)	45.4	44.4	45.4
Overall breakeven load factor	(%)	67.7	68.4	66.9

[R1] *SIA Cargo was corporatized on 1 July 2001. Statistics for 2000-01 and prior years show the combined results of both passenger and cargo operations.*

[R2] *Operating profit was restated to better reflect the performance of operating activities. Non-operating items are now shown after operating profit. Previous year's figures have been adjusted to allow year-on-year comparisons.*

[R3] *Internally generated cash flow comprised cash generated from operations, dividends from subsidiaries and associated companies, and proceeds from sale of aircraft and other fixed assets.*

[R4] *Seat capacity per employee is available seat capacity divided by average staff strength of passenger operations.*

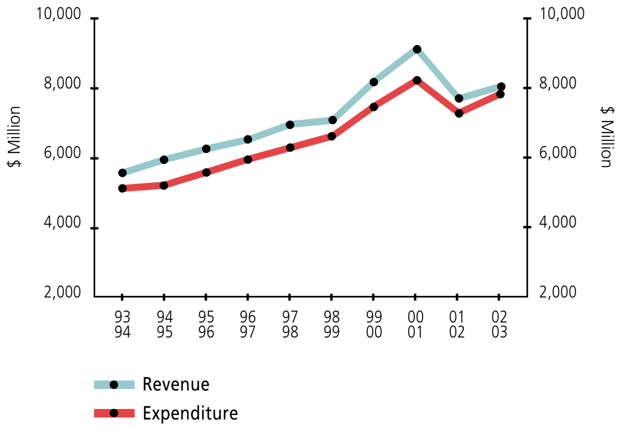
[R5] *Passenger load carried per employee is defined as passenger load and excess baggage carried divided by average staff strength of passenger operations.*

Ten-Year Statistical Record

1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
8,200.7	7,072.0	6,953.5	6,517.1	6,248.2	5,938.8	5,555.3
7,485.9	6,616.5	6,284.0	5,953.8	5,575.6	5,205.5	5,111.3
714.8	455.5	669.5	563.3	672.6	733.3	444.0
1,641.5	882.3	1,032.3	933.8	903.3	950.5	733.0
1,267.1	813.7	919.5	901.8	875.9	939.0	722.6
2,816.5	2,859.1	2,846.8	2,163.8	1,779.2	1,942.3	1,695.5
3,303.7	1,850.4	1,934.0	2,365.9	1,395.1	1,790.7	1,835.4
9.1	8.6	9.5	9.0	9.4	9.9	10.1
–	–	–	–	–	–	–
–	–	–	–	–	–	–
84	82	80	73	65	63	59
62	57	62	63	68	60	60
69	68	73	72	73	71	69
280.6	258.9	240.3	223.1	203.5	185.4	174.4
351,560	334,172	311,388	293,565	267,680	241,058	221,662
87,728.3	83,191.7	77,219.3	73,507.3	68,529.4	64,074.0	59,290.4
13,782	12,777	11,957	12,022	11,057	10,082	9,468
65,718.4	60,299.9	54,441.2	54,692.5	50,045.4	45,414.2	42,328.3
74.9	72.5	70.5	74.4	73.0	70.9	71.4
13,720	13,690	13,506	13,258	12,966	12,557	12,363
1,233,032	1,143,302	1,076,107	1,018,336	962,618	889,329	821,451
877,434	786,377	743,196	717,454	668,055	620,315	570,962
–	–	–	–	–	–	–
–	–	–	–	–	–	–
607,966	526,859	524,012	500,649	490,591	481,365	457,462
291,494	228,254	236,828	221,044	210,319	215,091	195,276
905.1	768.5	735.9	674.2	603.8	550.5	483.4
5,668.2	4,919.1	4,760.9	4,249.4	3,820.1	3,389.4	2,973.4
107.2	106.6	98.2	99.2	89.4	72.7	64.3
8,244.4	7,403.6	6,908.6	6,203.9	5,585.1	4,773.6	4,231.3
70.1	67.9	70.3	70.1	70.0	72.5	71.8
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
12,038.4	10,765.5	10,037.6	9,512.0	8,662.0	7,789.3	7,058.8
16,917.2	15,651.8	14,533.9	13,501.1	12,481.3	11,167.3	10,155.6
71.2	68.8	69.1	70.5	69.4	69.8	69.5
66.0	63.7	67.2	66.5	69.7	73.6	76.0
43.7	42.6	43.8	43.8	43.6	46.0	49.8
66.2	66.9	65.2	65.9	62.6	62.5	65.5

Ten-Year Charts

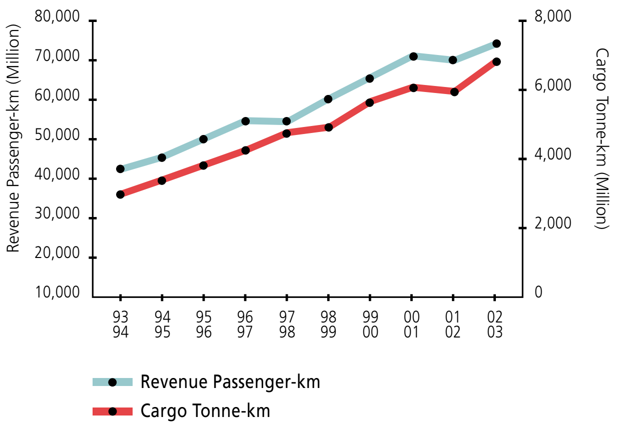
Company Revenue and Expenditure [R1]



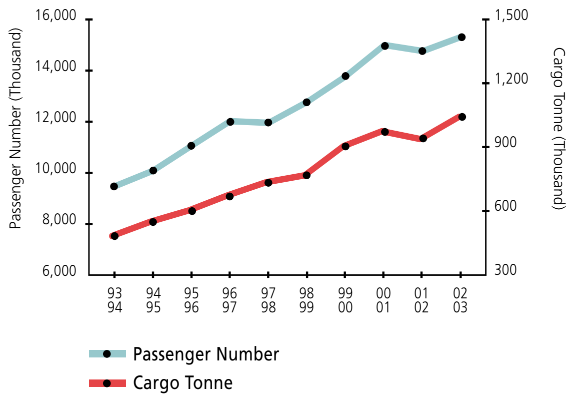
Company Profit Before and After Tax [R1]

R1 *SIA Cargo was corporatized on 1 July 2001. Company revenue, expenditure, profit before and after tax in these charts for 2000-01 and prior years show the combined results of both passenger and cargo operations.*

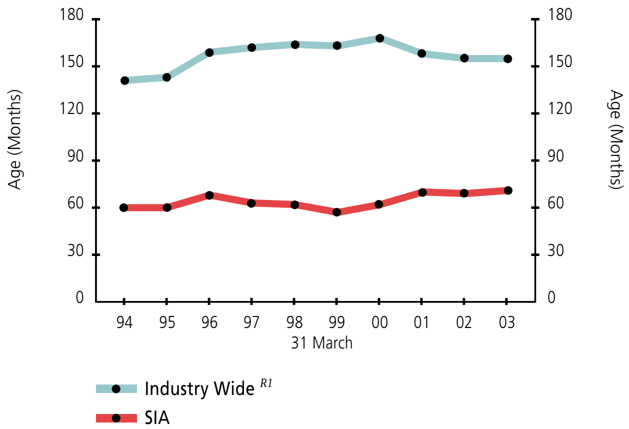
Passenger and Cargo Carried



Passenger and Cargo Carried



Average Fleet Age: SIA and Industry Wide



Average age of SIA passenger fleet: 5 years 11 months
(As at 31 March 2003)

R1 *Source: Avsoft Information Systems, Ruby, England*

The Group Fleet Profile

As at 31 March 2003, SIA Group operating fleet consisted of 117 aircraft – 105 passenger aircraft and 12 freighters. Ninety-six and nine of the passenger aircraft were operated by SIA and SilkAir respectively.

	Number as at 31 March 2003									
		Leased				Average age in	Expiry of operating lease			
Aircraft type	Owned	Finance	Operating	Total	Seats in standard configuration	years (y) and months (m)	2003-04	2004-05	On firm order	On option
Aircraft operated by SIA:										
B747-400	23		16	39	375	8y 11m	1	3		9
B777-200	10		1	11	288	3y 11m			14 [R1]	22 [R1]
B777-200A	12			12	323	2y 10m				
B777-200ER	14			14	285	11m				
B777-300	8			8	332	3y				
A310-300 [R2]	8	1		9	183	10y 4m				
A340-300 [R2]	3			3	265	4y 5m			2 [R3]	
A340-500 [R4]									5	5
A380-800 [R4]									10	15
Sub-total	78	1	17	96	N.A.	5y 11m	1	3	31	51
Aircraft operated by SIA Cargo:										
B747-400F	9	3		12	N.A.	4y 11m			5	9 [R5]
Aircraft operated by SilkAir:										
A319-312	4			4	118	2y 8m			2	2
A320-232	4		1	5	142	3y 5m	1		5	
Sub-total	8		1	9	N.A.	3y 1m	1		7	2
Total	95	4	18	117	N.A.	5y 7m	2	3	43	62

N.A. not applicable

[R1] *This is applicable to all B777 aircraft fleet. The aircraft on option are exclusive of the 10 assigned to Singapore Aircraft Leasing Enterprise.*

[R2] *SIA retired the last three aircraft in its A340-300 fleet in mid-April 2003, and the remainder of the A310-300 fleet, comprising nine aircraft, in June 2003.*

[R3] *The two A343-300s on firm order will be traded in upon delivery.*

[R4] *The standard seat configuration for A340-500 and A380-800 aircraft fleet is to be finalized at a later date.*

[R5] *There are options for nine generic B747-400 aircraft (either passenger or freighter).*

Group Corporate Structure

at 31 March 2003

Singapore Airlines Limited

- 87% Singapore Airport Terminal Services Limited
- 100% SilkAir (Singapore) Private Limited
  - 100% Tradewinds Tours & Travel Private Limited
  - 5% Abacus Travel Systems Pte Ltd
- 56% Abacus Travel Systems Pte Ltd
- 87% SIA Engineering Company Limited
- 100% Singapore Airlines (Mauritius) Ltd
- 100% Singapore Aviation and General Insurance Company (Pte) Limited
- 100% SIA Properties (Pte) Ltd
  - 20% PT Purosani Sri Persada
  - 20% PT Pantai Indah Tateli
- 100% Singapore Flying College Pte Ltd
- 100% Sing-Bi Funds Private Limited
- 100% Singapore Airlines Cargo Private Limited
  - 51% Cargo Community Network Pte Ltd
- 100% SIA (Mauritius) Ltd
- 76% Singapore Airport Duty-Free Emporium (Private) Limited
- 51% Aviation Software Development Consultancy India Ltd
- 50% Service Quality (SQ) Centre Pte Ltd
- 49% Virgin Atlantic Limited
- 35.5% Singapore Aircraft Leasing Enterprise Pte Ltd
- 21% Asia Leasing Limited
- 20% Ritz-Carlton, Millenia Singapore Properties Private Limited

100% SATS Catering Pte Ltd

100% SATS Airport Services Pte Ltd

100% SATS Security Services Private Limited

100% Aero Laundry & Linen Services Private Limited

100% Asia-Pacific Star Pte Ltd

70% Aerolog Express Pte Ltd

66.7% Country Foods Pte Ltd

49% Servair-SATS Holding Company Pte Ltd

49% Aviserv Ltd

49% Taj SATS Air Catering Ltd

35% Maldives Inflight Catering Private Limited

40% Beijing Airport Inflight Kitchen Limited

40% Beijing Aviation Ground Services Company Ltd

30% Tan Son Nhat Cargo Services Ltd

30% Taj-Madras Flight Kitchen Private Limited

25% Evergreen Air Cargo Services Corporation

24.5% Asia Airfreight Terminal Company Ltd

20% Evergreen Airline Services Corporation

20% MacroAsia-Eurest Catering Services Inc.

24% Singapore Airport Duty-Free Emporium (Private) Limited

100% SIAEC Global Pte Ltd

65% Singapore Jamco Private Limited

50% International Engine Component Overhaul Pte Ltd

50% Singapore Aero Engine Services Pte Ltd

49% Pratt & Whitney Airmotive International Ltd

49% Fuel Accessory Service Technologies Pte Ltd

49% Combustor Airmotive Services Pte Limited

47.1% Pan Asia Pacific Aviation Services Limited

40% Messier Services Asia Pte Ltd

40% Rohr Aero Services-Asia Pte Ltd

33.3% IAT - Asia Pte Ltd

29% Asian Surface Technologies Pte Ltd

24.5% Asian Compressor Technology Services Company Ltd

24.5% Turbine Coating Services Pte Ltd

100% SIAEC Services Pte Ltd

1% Eagle Services Asia Private Limited

48% Eagle Services Asia Private Limited

Notes

1) Only subsidiary and associate companies, in which equity interest is at least 20%, are listed.

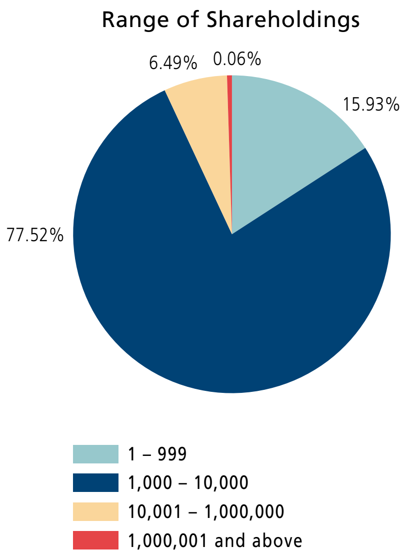
Information on Shareholdings

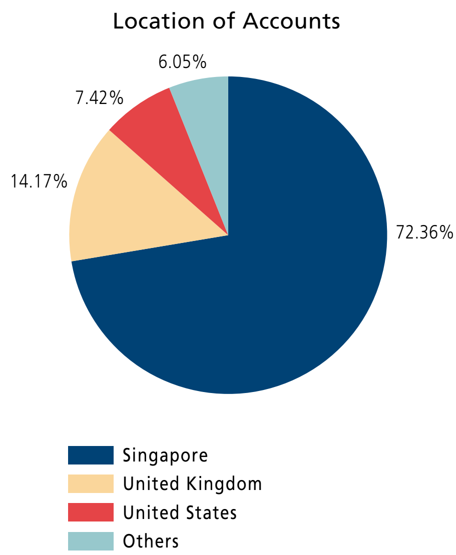
as at 29 May 2003

Authorised share capital:	S$3,000,000,000.50
Issued and fully paid capital:	S$609,072,311.50
Class of shares:	a) 3,000,000,000 ordinary shares of par value of S$0.50 each
	b) One special share of par value of S$0.50 each
	c) 3,000,000,000 Air Services Agreements (ASA) shares of par value S$0.50 each
Voting Rights:	1 vote per share

Range of shareholdings	Number of shareholders	%	Number of shares	%
1 – 999	4,417	15.93	1,634,517	0.13
1,000 – 10,000	21,494	77.52	53,821,977	4.42
10,001 – 1,000,000	1,801	6.49	72,538,047	5.96
1,000,001 and above	16	0.06	1,090,150,082	89.49
Total	27,728	100.00	1,218,144,623	100.00

Location of accounts	Number of shares	%	Number of accounts	%
Singapore	881,471,642	72.36	27,780	92.89
United Kingdom	172,630,403	14.17	145	0.48
United States	90,387,012	7.42	200	0.67
Others	73,655,566	6.05	1,783	5.96
Total	1,218,144,623	100.00	29,908	100.00





Information on Shareholdings

as at 29 May 2003

Major Shareholders	Number of shares	%
1) Temasek Holdings (Private) Limited	691,451,172	56.76
2) Raffles Nominees Pte Ltd	138,233,298	11.35
3) DBS Nominees Pte Ltd	103,163,701	8.47
4) HSBC (Singapore) Nominees Pte Ltd	44,419,799	3.65
5) Citibank Nominees Singapore Pte Ltd	41,961,826	3.44
6) DB Nominees (S) Pte Ltd	24,130,937	1.98
7) United Overseas Bank Nominees Pte Ltd	21,890,687	1.80
8) Oversea-Chinese Bank Nominees Pte Ltd	6,917,092	0.57
9) Morgan Stanley Asia (Singapore) Securities Pte Ltd	6,661,881	0.55
10) Chang Shyh Jin	3,929,000	0.32
11) Kay Hian James Capel Pte Ltd	1,705,700	0.14
12) National University of Singapore	1,329,000	0.11
13) HSBC Investment Bank PLC	1,163,693	0.09
14) Phillip Securities Pte Ltd	1,078,728	0.09
15) Ko Teck Siang	1,070,000	0.09
16) DBS Securities Singapore Pte Ltd	1,043,568	0.09
17) BNP Nominees Singapore Pte Ltd	887,900	0.07
18) Singapore Newspapers Services Pte Ltd	873,000	0.07
19) Overseas Union Bank Nominees Pte Ltd	767,400	0.06
20) OCBC Securities Private Ltd	705,620	0.06
Total	1,093,384,002	89.76

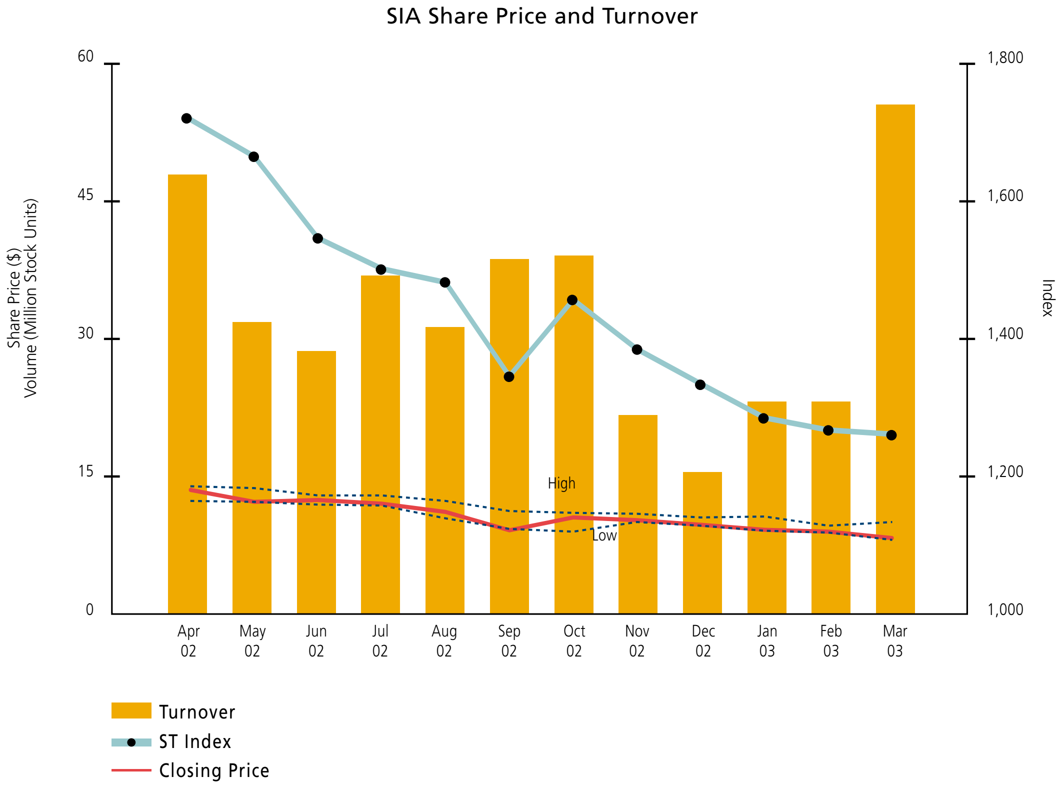
Substantial Shareholder (as shown in the Register of Substantial Shareholders)	Number of shares	%
Temasek Holdings (Private) Limited	692,355,172*	56.83

* *Includes shares in which the substantial shareholder is deemed to have an interest.*

Shareholdings held by the public

Based on the information available to the Company as at 29 May 2003, 43.10 per cent 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



	The Group	
	2002-03	2001-02
Share Price ($)		
Highest closing price	14.40	14.90
Lowest closing price	8.55	7.00
31 March closing price	8.75	14.40
Market Value Ratios [R1]		
Price/Earnings	10.01	27.75
Price/Book value	1.00	1.78
Price/Cash earnings [R2]	4.95	10.99

[R1] *Based on closing price on 31 March.*

[R2] *Cash earnings is defined as profit after tax and minority interests plus depreciation.*

Singapore Airlines Limited
(Incorporated in the Republic of Singapore)

Notice of Annual General Meeting

Notice is hereby given that the Thirty-First Annual General Meeting of the Company will be held at the Mandarin Court, 4th Floor, Grand Tower, Meritus Mandarin, 333 Orchard Road, Singapore 238867 on Saturday, 26 July 2003 at 10.00 a.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 March 2003 and the Auditors' Report thereon.

2. To declare a final tax exempt dividend of 9.0 cents per $0.50 ordinary share for the year ended 31 March 2003.

3. To pass the following resolution pursuant to Section 153(6) of the Companies Act, Chapter 50:

   "That pursuant to Section 153(6) of the Companies Act, Chapter 50, Sir Brian Pitman be and is hereby appointed as a Director of the Company to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company."

4. To re-elect the following Directors who are retiring by rotation in accordance with Article 83 of the Company's Articles of Association:

   (a) Mr. Fock Siew Wah
   (b) Mr. Ho Kwon Ping

5. To re-elect Mr. Chew Choon Seng who retires in accordance with Article 89 of the Company's Articles of Association.

6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

7. To approve Directors' Fees of $571,000 (FY2001/2002: $560,000).

8. To transact any other business.

Closure of Books

NOTICE IS HEREBY GIVEN that the Transfer Books and the Register of Members of the Company will be closed from 1 August 2003 to 4 August 2003 (both dates inclusive) for the preparation of dividend warrants. Duly completed transfers received by the Share Registrars, KPMG, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 up to 5 p.m. on 31 July 2003 (the "Books Closure Date") will be registered to determine shareholders' entitlements to the final dividend, subject to the approval of shareholders to the final dividend at the Thirty-First Annual General Meeting to be held on 26 July 2003. Subject as aforesaid, shareholders whose Securities Account with The Central Depository (Pte) Limited ("CDP") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Books Closure Date will be entitled to the final dividend.

The said final dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such shareholders in accordance with its practice.

The final dividend, if so approved by shareholders, will be paid on 11 August 2003.

By Order of the Board

Mathew Samuel
Foo Kim Boon
Company Secretaries
24 June 2003
Singapore

Explanatory note

1. Ordinary Resolution No. 3 is to appoint Sir Brian Pitman to the Board. Sir Brian, 71, is a distinguished banker. He is currently a Senior Adviser to Morgan Stanley, one of the largest financial services firms in the world, and formerly the Group Chief Executive and Chairman of the banking group, Lloyds TSB Group. Sir Brian was President of the British Bankers' Association, and President of the Chartered Institute of Bankers. He is currently a director of three publicly quoted companies in the UK: Carlton Communications Plc, a television company; Tomkins Plc, an engineering company and the Carphone Warehouse Group Plc, a pan-European mobile communications retailer. The Nominating Committee, having considered his attributes and qualities, recommends his election.

2. In relation to Ordinary Resolution No. 4, Mr Fock Siew Wah will upon re-election continue to serve as Chairman of the Board Finance Committee and member of the Board Executive and Board Compensation and Organisation Committees. Mr Ho Kwon Ping will upon re-election continue to serve as member of the Audit & Risk Committee. Mr Fock is considered as a non-independent Director. Mr Ho is considered as an independent Director. Please refer to the sections on Board of Directors and Corporate Governance for further details on Mr Fock and Mr Ho.

3. In relation to Ordinary Resolution No. 5, Mr Chew Choon Seng is the Chief Executive Officer of the Company and will upon re-election continue to serve as a member of the Board Executive and Board Finance Committees. Mr Chew is considered as a non-independent Director. Please refer to the section on Board of Directors and Corporate Governance for further details on Mr Chew.

4. Ordinary Resolution No. 7 is to approve the payment of Directors' Fees of $571,000 (FY2001/2002: $560,000 inclusive of a waiver of 15% by the Directors) for the year ended 31 March 2003, for services rendered by Directors on the Board as well as on various Board Committees. All the Directors will waive 50% of their fees for services rendered on the Board as well as the various Board Committees for the year ended 31 March 2003. Mr Koh Boon Hwee (in respect of the Board Committees he sits on), Mr Cheong Choong Kong, Mr Chew Choon Seng and Mr Lim Boon Heng will further waive all their fees entirely. The Directors have agreed to these waivers to underline the difficult operating conditions the Company is facing.

Notes

1. 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.

2. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at Airline House, 25 Airline Road, Singapore 819829, not less than 48 hours before the time appointed for the Meeting.

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