SINGAPORE AIRLINES

Annual Report 04/05

The financial year 2004-05 saw Singapore Airlines introduce a range of new products and services, while business processes were reviewed and rationalised. The Group built on the post-SARS recovery with strong revenue growth, to an all time record high.

On 28 June 2004, Singapore Airlines broke its own record of flying the world's longest commercial flight, when the Airline launched a non-stop daily service from Singapore to New York.

Next year, Singapore Airlines is set to make aviation history yet again, when it becomes first to fly the new Airbus A380. With the entry into service of this aircraft, SIA will again redefine air travel and inflight service.

Singapore Airlines is truly on the brink of a new dawn in commercial aviation.

Registered Address
Airline House 25 Airline Road Singapore 819829

Company Secretary
Ms Wun Wen-Na Tel: 6541 4062 Fax: 6542 6832 Email: wenna_wun@singaporeair.com.sg

Investor Relations
Tel: 6541 4885 Fax: 6542 3002 Email: investor_relations@singaporeair.com.sg

Public Affairs
Tel: 6541 5880 Fax: 6545 6083 Email: public_affairs@singaporeair.com.sg

MICA (P) 288/05/2005

Singapore Company Registration Number: 197200078R

www.singaporeair.com

Contents

Statistical Highlights

FINANCIAL STATISTICS [R1]

	2004-05	2003-04	% Change
Group			
Financial Results ($ million)			
Total revenue	12,012.9	9,761.9	+ 23.1
Total expenditure	10,657.4	9,081.5	+ 17.4
Operating profit	1,355.5	680.4	+ 99.2
Profit before taxation	1,829.4	820.9	+ 122.9
Profit attributable to shareholders	1,389.3	849.3	+ 63.6
Share capital	609.1	609.1	–
Distributable reserves			
General reserve	11,263.7	10,282.6	+ 9.5
Foreign currency translation reserve	8.8	19.8	– 55.6
Non-distributable reserves			
Share premium	448.2	447.2	+ 0.2
Capital redemption reserve	64.4	64.4	–
Capital reserve	41.9	32.0	+ 30.9
Shareholders' funds	12,436.1	11,455.1	+ 8.6
Return on shareholders' funds (%) [R2]	11.6	7.7	+ 3.9 points
Total assets	21,839.6	19,990.0	+ 9.3
Total debt	2,403.0	2,273.5	+ 5.7
Total debt equity ratio (times) [R3]	0.19	0.20	– 0.01 times
Value added	5,533.6	4,035.7	+ 37.1
Per Share Data			
Earnings before tax (cents)	150.2	67.4	+ 122.9
Earnings after tax (cents) – basic [R4]	114.0	69.7	+ 63.6
Earnings after tax (cents) – diluted [R5]	113.9	69.7	+ 63.4
Net asset value ($) [R6]	10.21	9.40	+ 8.6
Dividends			
Interim dividend (cents per share)	10.0	–	+ 10.0 cents
Proposed final dividend (cents per share)	30.0	25.0	+ 5.0 cents
Dividend cover (times) [R7]	2.9	2.8	+ 0.1 times
Company			
Financial Results ($ million)			
Total revenue	9,260.1	7,187.6	+ 28.8
Total expenditure	8,536.7	7,037.4	+ 21.3
Operating profit	723.4	150.2	n.m.
Profit before taxation	1,595.9	328.4	n.m.
Profit after taxation	1,309.1	429.3	n.m.
Value added	4,085.5	2,511.6	+ 62.7

[R1] SIA's financial year is from 1 April to 31 March. Throughout this report, all figures are in Singapore Dollars, unless stated otherwise.
[R2] Return on shareholders' funds is profit after taxation and minority interests expressed as a percentage of the average shareholders' funds.
[R3] Total debt equity ratio is total debt divided by shareholders' funds at 31 March.
[R4] Earnings after tax per share (basic) is computed by dividing profit after taxation and minority interests by the weighted average number of ordinary shares in issue.
[R5] Earnings after tax per share (diluted) is computed by dividing profit after taxation and minority interests by the weighted average number of ordinary shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.
[R6] Net asset value per share is computed by dividing shareholders' funds by the number of ordinary shares in issue at 31 March.
[R7] Dividend cover is profit attributable to shareholders divided by total dividend.

Statistical Highlights

OPERATING STATISTICS

	2004-05	2003-04	% Change
SIA			
Passengers carried (thousand)	15,944	13,278	+ 20.1
Revenue passenger-km (million)	77,593.7	64,685.2	+ 20.0
Available seat-km (million)	104,662.3	88,252.7	+ 18.6
Passenger load factor (%)	74.1	73.3	+ 0.8 point
Passenger yield (cents/pkm)	10.1	9.2	+ 9.8
Passenger unit cost (cents/ask)	7.0	6.7	+ 4.5
Passenger breakeven load factor (%)	69.3	72.8	– 3.5 points
SIA Cargo			
Cargo and mail carried (million kg)	1,149.5	1,050.9	+ 9.4
Cargo load (million tonne-km)	7,333.2	6,749.4	+ 8.6
Gross capacity (million tonne-km)	11,544.1	10,156.5	+ 13.7
Cargo load factor (%)	63.5	66.5	– 3.0 points
Cargo yield (cents/ltk)	35.9	33.1	+ 8.5
Cargo unit cost (cents/ctk)	21.3	20.6	+ 3.4
Cargo breakeven load factor (%)	59.3	62.2	– 2.9 points
SIA and SIA Cargo			
Overall load (million tonne-km)	14,796.5	13,033.1	+ 13.5
Overall capacity (million tonne-km)	21,882.5	18,873.8	+ 15.9
Overall load factor (%)	67.6	69.1	– 1.5 points
Overall yield (cents/ltk)	70.8	63.0	+ 12.4
Overall unit cost (cents/ctk)	44.4	42.1	+ 5.5
Overall breakeven load factor (%)	62.7	66.8	– 4.1 points
Employee Productivity (Average) – Company			
Average number of employees	13,572	14,010	– 3.1
Seat capacity per employee (seat-km)	7,711,634	6,299,265	+ 22.4
Passenger load per employee (tonne-km) [R1]	549,904	448,513	+ 22.6
Revenue per employee ($)	682,294	513,034	+ 33.0
Value added per employee ($)	301,024	179,272	+ 67.9
Employee Productivity (Average) – Group			
Average number of employees	28,554	29,734	– 4.0
Revenue per employee ($)	420,708	328,308	+ 28.1
Value added per employee ($)	193,794	135,727	+ 42.8

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

GLOSSARY

SIA

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

SIA Cargo

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

SIA and SIA Cargo

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

Board of Directors

KOH BOON HWEE

Having joined the SIA Board in March 2001, Mr Koh was appointed its Chairman in July that year. Among other board appointments, Mr Koh serves as Chairman of the SIA Engineering Company and the Nanyang Technological University Council; a Director of Agilent Technologies Inc, Four Soft Ltd and Norelco UMS Holdings Limited; Executive Director of MediaRing Limited and Tech Group Asia Limited. He serves on the boards of several private companies, including Temasek Holdings (Private) Limited as a Director; AAC Acoustic Technologies Holdings Ltd and Infiniti Solutions Private Limited as Chairman. He is also a Council Member of the Singapore Business Federation.

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.

CHEW CHOON SENG

Mr Chew is the Chief Executive Officer and was appointed a Director in March 2003. He joined the Company in 1972 and has held senior assignments at head office and overseas. Prior to becoming CEO, he was Senior Executive Vice-President (Administration), overseeing Finance, Treasury, Corporate Planning, Human Resources, and Corporate Affairs.

Mr Chew is Chairman of Singapore Aircraft Leasing Enterprise (SALE), the Airline's leasing associate, and Deputy Chairman of Singapore Airport Terminal Services Ltd., and SIA Engineering Company. He also serves as a Director of Singapore Exchange Ltd, Virgin Atlantic Limited, Virgin Travel Group Limited, Virgin Altantic Airways Limited and is a member of the Board of Governors of the Singapore International Foundation. Mr Chew has a Bachelor of Engineering (First Class Honours) degree from the University of Singapore and a Master of Science in Operations Research and Management Studies from the Imperial College of Science and Technology, University of London.

CHARLES B GOODE

Mr Goode was appointed as a Director of the Board in July 1999. He is Chairman of the Australia and New Zealand Banking Group Ltd., Woodside Petroleum Ltd., Australian United Investment Company Ltd., and Diversified United Investment Ltd. He is also Board Member of the Howard Florey Institute of Experimental Physiology and Medicine, and Chairman of The Ian Potter Foundation, one of Australia's largest private philanthropic foundations.

Mr Goode holds a Bachelor of Commerce (Honours) degree from the University of Melbourne, an MBA from Columbia University and a Doctor of Laws *Honoris Cusa* from University of Melbourne and Monash University. He was made a Companion of the Order of Australia in June 2001.

FOCK SIEW WAH

Mr Fock has served as a Director of SIA since July 2000. He is Chairman of Singapore Airlines Cargo Pte Ltd and Director of both Temasek Holdings (Private) Limited and Tarsus Gate Investments Ltd. Mr Fock is also Senior Advisor of Nuri Holdings (Singapore) Pte Ltd and Special Advisor to Chairman, DBS Bank Ltd. He has also been appointed Senior Advisor to the Board of DBS Bank (Hong Kong) Limited.

Mr Fock's career started in Commercial Banking in DBS. At the time of leaving DBS, he was the Head of the Commercial Banking Division. He was the Regional Head and Senior Vice President and the Senior Banker and Regional Treasurer (Asia Pacific) of JP Morgan. This was followed by his tenure at Overseas Union Bank as President and Chief Executive Officer from 1988 to 1991. Subsequently, Mr Fock was appointed Special Advisor to the Minister of Finance of the Republic of Singapore and was the Chairman of the Land Transport Authority and East West Bank in the United States.

In 1997, Mr Fock was awarded the Meritorious Service Medal by the Government of Singapore.

HO KWON PING

A Director of SIA since July 2000, Mr Ho is Chairman of the Banyan Tree Hotel and Resorts Group, which owns both listed and private companies engaged in the development, ownership and operation of hotels, resorts, spas, residential properties, retail galleries and other lifestyle activities in the region. He is also Chairman of the Wah Chang Group of companies, the Singapore Management University and the MediaCorp Group of companies. He is a Director on the Board of Standard Chartered Bank plc, and a member of the Advisory Board of the London Business School, and INSEAD. Mr Ho graduated with a Bachelor of Arts in Economics from the University of Singapore.

DAVINDER SINGH

Mr Singh, the CEO of Drew and Napier LLC, became Director of SIA in July 2000. A Director of Petra Foods Private Ltd. and Zagro Asia Ltd., Mr Singh is also a Member of Parliament for Bishan-Toa Payaoh GRC. Mr Singh has been a Senior Counsel since 1997 and 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.

SIR BRIAN PITMAN

Sir Brian Pitman, knighted in 1994 for his service to banking, became Director of SIA in July 2003. He is also a Director of Virgin Atlantic Limited, Virgin Travel Group Limited, Virgin Atlantic Airways Limited, ITV plc, Tomkins plc, and The Carphone Warehouse Group plc. He is also Senior Advisor to Morgan Stanley and a Governor of Ashridge Management College. Sir Brian started his career in Lloyds Bank in 1952 and subsequently held a number of managerial positions in the group, leading to his appointment as Chief Executive of Lloyds Bank in 1983 and Group Chief Executive of the Lloyds TSB Group following their merger in

1995. From 1997 to 2001, Sir Brian served as Chairman of the Lloyds TSB Group.

Sir Brian received an honorary doctorate in Science from The City University in 1996 and from the University of Science and Technology, Manchester in 2000. He was the winner of the 1999 Gold Medal of the Institute of Management.

CHIA PEI-YUAN

Mr Chia became Director of SIA in October 2003, having retired in 1996 as Vice Chairman and a Director of Citicorp and Citibank N.A., where he had been responsible for global consumer business. He was also Citibank's senior customer and government contact in Asia. Mr Chia is a Director on the Board of American International Group, Inc. (AIG). He is a member of the Board of Trustees of the SEI Center for Advanced Studies in Management at the Wharton School.

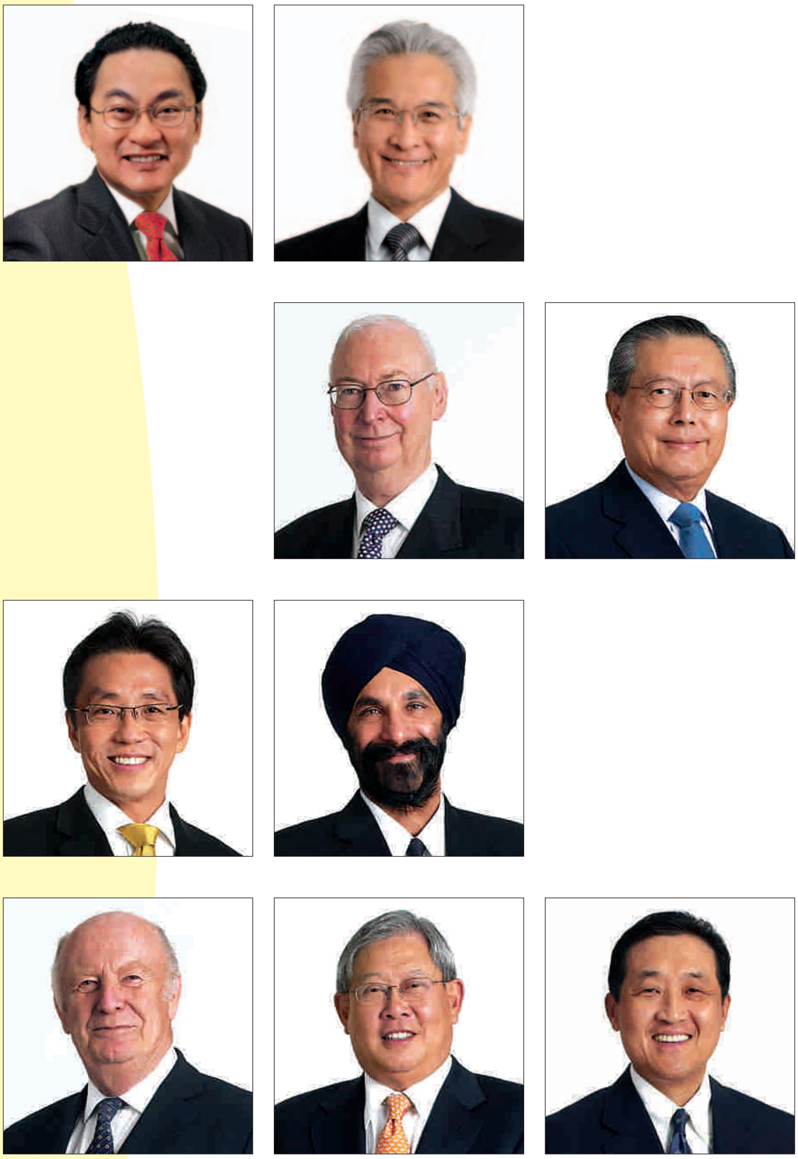
Mr Chia holds a Bachelor of Arts degree in Economics from Tunghai University in Taiwan and an MBA from the Wharton School of the University of Pennsylvania.

STEPHEN LEE CHING YEN

Appointed a Director of SIA in April 2004, Mr Lee is also Managing Director of both Shanghai Commercial and Savings Bank Ltd. (Taiwan) and Great Malaysia Textile Manufacturing Company Pte. Ltd. Mr Lee serves as President of the Singapore National Employers Federation, Chairman of both the Singapore Business Federation and PSA Corporation Limited and a Director of Fraser & Neave Ltd.

Mr Lee was a Nominated Member of Parliament from 1994 to 1997 and Chairman of International Enterprise Singapore from 1995 to 2002. Mr Lee has also served on the Boards of Vertex Venture Holdings Ltd. and Neptune Orient Lines Ltd.

In 1998, Mr Lee was awarded the Public Service Star for his contributions to both the public and private sectors. He holds an MBA from Northwestern University Illinois.



From left to right
Koh Boon Hwee (Chairman); Chew Choon Seng; Charles B Goode; Fock Siew Wah; Ho Kwon Ping; Davinder Singh; Sir Brian Pitman; Chia Pei-Yuan; Stephen Lee Ching Yen

Chairman's Letter to Shareholders

There is no time to bask in the glow of last year's good results. We must look forward, to deal with the challenges that remain, and those that will emerge... Responding to challenges is no longer enough. We have to anticipate them. Better yet, we intend to create new ones of our own for the entire industry. For our people, we need to inculcate that sense of ceaseless change in the way we do business.

The last year has been full of challenges for the Singapore Airlines Group. The aviation landscape in the Singapore market has become intensely more competitive, with many new entrants starting operations. The price of jet fuel – the most significant component of cost in our industry – has risen significantly. Our people have had to respond to these and many other changes occurring across the industry.

Given this backdrop, our financial results for the year are most pleasing. Our people deserve thanks and commendation for this performance. Demand driven by the post-SARS recovery was stronger than many would have anticipated this time a year ago, and this led to good growth in passenger and cargo traffic across our network.

Our network grew during 2004-05, with the addition of new cities in India: Ahmedabad and Amritsar, and the commencement of a non-stop service to Cape Town. Frequencies also increased to many well-established destinations: Amsterdam, Shanghai, Guangzhou, Melbourne, Brisbane, Perth, Auckland, Mumbai, Kolkata, Dacca, Ho Chi Minh City, Hanoi and Surabaya.

The highlight, however, was the commencement of daily non-stop service between Singapore and New York, in June 2004. Using our new Airbus A340-500 ultra long-range aircraft, this flight broke our own world record, set the year before, for the longest commercial non-stop flight. Customers are responding positively to the opportunity to travel between Singapore and the USA non-stop.

LABOUR RELATIONS

I am pleased that the first half of the year saw the resolution of most outstanding matters involved in the Collective Agreements with our five unions. The negotiations were not easy and the intensity of discussions reflected the changes in the landscape in which the Group operates. In the end, the SIA spirit of doing what is best for the Group prevailed. By year's end, all Collective Agreements had been finalised and signed.

In the past year, several functions across the Group were outsourced. These decisions were understandably traumatic for those involved. However, the commitment of management and unions to collectively work together to manage the change-over ensured the outcome for all involved – including the organisation – was a fair one.

We accept the ongoing need to engage our employees and their representatives in the changing nature of our business. Some changes will not be easy, and may involve the need for painful decisions. The Group will continue to make the right decisions, in order to secure the best long-term outcome for the majority of our people.

THE FUTURE

Singapore Airlines is responding strongly to the challenges posed by three new airlines operating from our home base, and many established ones from near and far. We will not surrender market to them. We will fight vigorously for business. We are re-engineering our business to meet any challenge – and any challenger – head-on.

There is no time to bask in the glow of last year's good results. We must look forward, to deal with the challenges that remain, and those that will emerge. That means re-designing our business processes to be more adaptable and customer-driven.

Responding to challenges is no longer enough. We have to anticipate them. Better yet, we intend to create new ones of our own for the entire industry. For our people, we need to inculcate that sense of ceaseless change in the way we do business.

That is what's required of a modern industry leader.

It also requires developing a sustainable business position through careful cost management and planning.

SIA has an enviable track record of profitability in an industry that has been chronically unprofitable. Nevertheless, profitability becomes even more important now as the competitive landscape changes. We have to continue to drive our cost base down – especially against the backdrop of a high fuel-cost environment. Good profits, year after year, count for little if we are not at least earning our cost of capital.

Earning our cost of capital is not only expected by shareholders; it is also the best long-term basis for job security for our employees. The proof of this is evident in watching any number of once-prized US airlines that are now in trouble because they never achieved sustainable business models.

Our growth is dependent on several factors. First and foremost, underpinning it with a solid financial position. Second, continuing to deliver services our customers demand. And third, the ability and freedom to compete.

One area, however, where the pace of change in our industry is not keeping up with the demands of our customers is the archaic system of regulations that restrict airlines' ability to compete on certain routes.

Singapore Airlines stands for free, fair and open competition. We do so, in part, because we know no alternative. We do not seek protection from competition; Singapore openly welcomes airlines from all corners of the globe. This drives us to compete on the world stage, and to deliver world class service.

Singapore Airlines, has for some time, been working hard to access the Trans-Pacific route between Australia and the USA, which remains one of the most protected air routes in the world. Our Australian competitor can currently access markets beyond Singapore. Yet, it ferociously opposes giving SIA the reciprocal right to access the USA market from Australia.

The Australian Government's caution is surprising. There is a free trade environment between Australia and Singapore. Studies conclusively show the benefits of opening market access. Competition will benefit the tourism industry and those benefits will flow to Australian consumers in general and all the players in the tourism business, not just a new airline on the route.

Singapore Airlines will continue to be a leading advocate of liberalisation and the benefits it brings.

This year, our people are readying themselves for major events, with two new aircraft types joining the fleet in calendar year 2006. Singapore Airlines will be the launch customer for the Airbus A380: a very exciting event for everyone in the Group. And at about the same time, we will receive the first of 19 new Boeing 777-300ER aircraft.

While these additions are still a year or more away, preparatory work is on in earnest. With them will come a suite of new products and innovations to keep Singapore Airlines ahead of our competitors. Stay tuned!

Your Board and its management team will continue to lead the organisation through the challenges posed by a competitive market. We will meet those challenges head-on, and remain resolutely focused on delivering the best outcomes possible to our shareholders, our customers and our employees.

I would like to thank my fellow Board members for sharing their commitment and their passion over the last year, and commend our management team and staff for their continuing dedication and support, and the unions for their understanding as we move forward.

Most of all, I want to thank our customers for their loyal support and for caring about Singapore Airlines. We received 50,000 letters from our customers last year; two-thirds of them complimentary. Every letter is read, and feedback is acted upon. Innovative suggestions are welcomed and, where possible, implemented. Constructive criticism leads to corrective action. Most importantly, every one of those letters helps us to understand and anticipate the needs of our customers.

KOH BOON HWEE
Chairman

Corporate Data



Top Management, from left to right
Bey Soo Khiang; Chew Choon Seng; Huang Cheng Eng

Board of Directors
Chairman Koh Boon Hwee
Members Chew Choon Seng
Charles B Goode
Fock Siew Wah
Ho Kwon Ping
Davinder Singh
Sir Brian Pitman
Chia Pei-Yuan
Stephen Lee Ching Yen

Board Executive Committee
Chairman Koh Boon Hwee
Members Chew Choon Seng
Fock Siew Wah

Audit and Risk Committee
Chairman Ho Kwon Ping
Members Chia Pei-Yuan
Stephen Lee Ching Yen

Board Compensation and Organisation Committee
Chairman Koh Boon Hwee
Members Fock Siew Wah
Stephen Lee Ching Yen
Sir Brian Pitman

Board Finance Committee
Chairman Fock Siew Wah
Members Chew Choon Seng
Charles B Goode
Davinder Singh

Board Labour Relations Committee
Chairman Stephen Lee Ching Yen
Members Chew Choon Seng
Koh Boon Hwee

Nominating Committee
Chairman Davinder Singh
Member Charles B Goode

Safety and Reliability Committee
Chairman Koh Boon Hwee
Member Ho Kwon Ping

Company Secretary
Wun Wen-Na

Share Registrar
M&C Services Private Limited
138 Robinson Road
#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

Registered Office
Airline House
25 Airline Road
Singapore 819829

As at 31 March 2005

EXECUTIVE MANAGEMENT

Head Office
Chew Choon Seng
Chief Executive Officer

Bey Soo Khiang
Senior Executive Vice President
Operations and Services

Huang Cheng Eng
Executive Vice President
Marketing and the Regions

Tan Pee Teck
Acting Senior Vice President
Cabin Crew

Teoh Tee Hooi
Senior Vice President
Corporate Services

Mervyn Sirisena
Senior Vice President
Engineering

Goh Choon Phong
Senior Vice President
Finance

Raymund Ng
Senior Vice President
Flight Operations

Loh Meng See
Senior Vice President
Human Resources

Mak Swee Wah
Senior Vice President
Planning

Yap Kim Wah
Senior Vice President
Product and Services

OVERSEAS

Thoeng Tjhoen Onn
Senior Vice President
Europe

Ng Kian Wah
Senior Vice President
North Asia

Teh Ping Choon
Senior Vice President
South East Asia, Japan and Korea

Tan Chik Quee
Senior Vice President
West Asia and Africa

Subhas Menon
Regional Vice President
Americas

Paul Tan Wah Liang
Regional Vice President
South West Pacific

SENIOR MANAGEMENT, MAJOR SUBSIDIARIES

Hwang Teng Aun
President
Singapore Airlines Cargo Pte Ltd

Ng Chin Hwee
President and Chief Executive Officer
Singapore Airport Terminal Services Ltd

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

Mike Barclay
Chief Executive
SilkAir (Singapore) Pte Ltd

FINANCIAL CALENDAR

31 March 2005
Financial Year-End

11 May 2005
Announcement of 2004-05 Annual Results

23 June 2005
Despatch of Summary Financial Statement to Shareholders

6 July 2005
Despatch of Annual Report to Shareholders

28 July 2005
Annual General Meeting

15 August 2005
Payment of 2004-05 Final Dividend
(subject to shareholders' approval at AGM)

27 October 2005
Announcement of 2005-06 First-Half Results

Significant Events

April 04

- A new organisation structure aimed at integrating management of line operations and customer services, as well as the rationalisation of staff functions came into effect.
- SIA signed letter of intent to sell eight B747-400 to two airlines for delivery between 2006 and 2008.

June 04

- The SIA Group posted a net profit of $258.6 million for first quarter of financial year 2004-05; a strong rebound from a loss of $312.3 million for the same quarter in the previous year, during the outbreak of SARS.
- Singapore Airlines broke its own record for the world's longest commercial flight from Singapore to New York. The previous record was set with the launch of daily non-stop services to Los Angeles in February 2004.
- Singapore Airlines started daily flights to Amsterdam using B777-200ER aircraft.
- SilkAir commenced twice weekly flights to Chongqing in China.
- The Group introduced fuel surcharges on all routes to partially offset the impact of higher jet fuel prices.
- Singapore Airlines introduced an enhanced *KrisWorld* with over 400 entertainment choices.

July 04

- A three times weekly B777-200 service to the western Indian city of Ahmedabad was launched. It was the first direct link between Singapore and Gujarat.
- Lim Boon Heng and Edmund Cheng Wai Wing stepped down from the Board of Directors.

August 04

- Singapore Airlines announced an order for up to 31 Boeing B777-300ER aircraft. Deliveries are scheduled between 2006 and 2010.
- SMS check-in services launched in 12 cities.
- SilkAir took delivery of its 11^{th} Airbus aircraft: an Airbus A320.

October 04

- A three times weekly B777-200 service to the north-western Indian gateway of Amritsar was launched. The service is the first to the Punjab.
- Singapore Airlines sold its 6.3 per cent stake in Air New Zealand.
- The three times weekly B747-400 service to Madrid was suspended.

November 04

- The SIA Group posted first-half net profit attributable to shareholders of $616 million. This was a turnaround from the $7 million loss sustained in the SARS-affected first half in financial year 2003-04.
- Capacity increases to meet traditional higher demand during the year end peak period were announced, boosting capacity to India and Australia by 33 per cent and 11 per cent respectively, among others.
- IT infrastructure functions were outsourced to IBM.
- Some revenue accounting functions were outsourced in the Finance Division.
- Singapore Airlines commenced weekly B777-200ER non-stop flights to Cape Town in South Africa. This is the first direct air service between Cape Town and Southeast Asia.

December 04

- The SIA Group swiftly mobilised support for rescue and recovery efforts in regions affected by the devastating tsunami. Within days, relief supplies were flown from around the world to India, Sri Lanka, Thailand, Indonesia and the Maldives. The Group announced a cash donation of $300,000 to the Red Cross Tidal Waves Asia Relief Fund among other measures.

January 05

- The SIA Group announced a third quarter profit of $476 million, further building momentum on its post-SARS recovery.
- Singapore Airlines announced an increase in capacity of 5.1 per cent in Northern Summer season, which took effect from March 2005.

February 05

- A tripartite codeshare agreement was signed by Singapore Airlines, SilkAir and Malaysian Airlines. Singapore Airlines began codesharing with Malaysian Airlines between Singapore and Kota Kinabalu, Kuching and Penang at the end of March 2005.

March 05

- Singapore Airlines became the first airline in the region to introduce *Connexion by Boeing*, an inflight broadband service that provides passengers with real-time, high-speed and secure internet connectivity inflight.

THE YEAR IN REVIEW

This financial year saw Singapore Airlines make steady progress on its recovery from the year before. Singapore Airlines posted an operating profit of $1.36 billion for the year, reinforcing a period of positive growth. A range of new products and services were introduced on the ground and inflight.

The Company also rationalised its organisational structure. Certain IT and finance functions were outsourced and new Collective Agreements were signed with all unions.

The Airline continues to make steady progress towards the entry of the A380 aircraft into commercial service. First to fly the A380, Singapore Airlines is set to usher in a new dawn for aviation with this aircraft: the first totally new commercial aircraft in over a decade.

While the Airline's recovery gathered pace, it was again reminded of the adverse impact of events beyond its control, such as the Indian Ocean tsunami disaster. The Company continues to adapt itself to face similar challenges inherent in the current aviation and tourism industries.

NETWORK

With the SARS pandemic over, Singapore Airlines expanded its network to cater to a global increase in demand for air travel. The highlight of the year was the launch of a daily non-stop A340-500 service between Singapore and New York's Newark airport in June 2004. In launching this service, SIA broke its own record for the world's longest commercial flight.

The year also saw the Company expand its network to India. Three-times-weekly B777-200 services were launched to Ahmedabad and Amritsar. These new flights, coupled with additional flights to Bangalore, Kolkata and Mumbai, as well as the use of larger aircraft to Chennai for the year-end peak, translated to a 40 per cent increase in capacity over the last year.

Services to Australia were also boosted in the period under review. With additional services to Adelaide, Brisbane, Melbourne and Perth, SIA operated 85 times weekly into Australia by the end of the year in review.

In June, Singapore Airlines began daily B777-200ER operations to Amsterdam. In October, the Airline suspended its B747-400 service to Madrid and replaced it with codeshare services using its Star Alliance partners. SIA's services to Europe increased from 66 to 69 times a week.

As part of restructuring the network to South Africa, Singapore Airlines launched a weekly non-stop B777-200ER service to Cape Town, saving customers two and quarter hours of travel time. This service, the first ever direct air link between Cape Town and South East Asia, brings the Airline's weekly frequencies to South Africa to eight. Growth in the Company's network also came from increasing frequencies to Christchurch, Fukuoka and Hanoi to daily.

As at 31 March 2005, SIA's passenger network consisted of 668 weekly flights to 60 destinations in 32 countries.

FLEET

In August 2004, SIA signed a letter of intent to purchase up to 31 Boeing B777-300ER (Extended Range) aircraft. The order – 18 firm and 13 purchase rights – is worth US$7.35 billion at list prices, including the cost of spares and spare engines. This order reinforced SIA's standing as the world's largest customer for the Boeing 777 aircraft series. At year's end, SIA operated 57 B777s and had another 20 on firm order (one of which was subsequently delivered in May 2005, bringing the operating fleet of B777s to 58). The new order will allow the Airline to achieve annual capacity growth rates of between 4 and 6 per cent.

The B777-300ER, powered by General Electric 90-115B engines, is capable of carrying up to 350 passengers over 7,000 nautical miles and will be deployed on SIA's long and medium haul routes. The aircraft was chosen for its higher operating efficiency, commonality with existing fleet and cabin spaciousness.

In the course of the financial year, SIA took delivery of eight aircraft: one B777-200ER, two A340-500s, two B777-200s and three B777-300s.

As the Airline acquired new aircraft, it decommissioned nine B747-400 aircraft from the operating fleet. Between June 2004 and February 2005, three leased B747-400 aircraft were returned to their lessors. Four B747-400 aircraft on lease to Air Pacific and Air Atlanta Icelandic were sold to German bank DVB. A further two B747-400s were traded in.

The Company sold and leased back one B777-300 in October 2004 and two B777-200ERs in March 2005.

SIA's passenger fleet, as at 31 March 2005, stood at 89 aircraft. At an average age of five years four months, it is still one of the industry's youngest fleets.

SIA OPERATIONS CONTROL CENTRE

In July 2004, operations co-ordination in SIA was boosted with the establishment of a new SIA Operations Control Centre (SIA OCC). SIA OCC brings together all major decision makers from different operational areas under one roof. The rationale for setting up the OCC is to ensure faster decision making, co-ordination and information dissemination, while ensuring greater focus on the customer in operations decision making. Other added benefits include proactive management and anticipation of events, better support for stations and clear ownership of disruption handling. Backed by state-of-the-art computer systems and highly experienced staff, SIA OCC has quickly established itself as a one-stop operations information and co-ordination centre, which has measurably improved the Airline's operating efficiency.

PROMOTING TRAVEL AND TOURISM

SIA undertook joint promotion activities with various tourism bodies and sponsored familiarisation trips for journalists to experience and highlight new destinations and new services. Since the Indian Ocean tsunami tragedy in December 2004, SIA has worked closely with tourism officials in affected countries to revive tourism.

In March 2005, SIA and the Government of the Australian State of Queensland signed a Memorandum of Understanding (MoU) to boost visitor arrivals through the Brisbane gateway, coinciding with increased frequency. Under this extensive marketing agreement, SIA and Tourism Queensland will collaborate globally to develop and promote Queensland as a major international tourist destination. Singapore Airlines will look to develop more such agreements in the future.

The Airline also expanded the Boarding Pass Privileges Programme. Since its introduction in January 2004, SIA has consistently improved upon the programme to provide customers with value-added benefits from premium partners. Through the Programme, the Airline seeks to increase the value proposition for travelling on Singapore Airlines worldwide. The Programme won the *Pacific Asia Travel Association* 2005 Gold Award.

Advertising and public relations continued to be key pillars in the Airline's marketing efforts. In support of the non-stop A340-500 services to Los Angeles and New York, SIA launched an integrated global advertising, public relations and promotion campaign. This campaign contributed towards generating strong consumer response worldwide. Campaigns to promote the Company's new destinations drew similar responses. In October 2004, a new Global Hostess advertising campaign was launched, featuring the Singapore Girl in a variety of locations.

The integration of sales promotion, public relations, advertising and other commercial activities over the past year, both at head office and local levels across the network, has continued to ensure the Company achieves good value for its marketing expenditure, while reinforcing the Airline's position as a global industry leader.

THE TRANS-PACIFIC ROUTE

The Australia – USA direct air route is one of the most protected in the world. It is currently served by only two airlines – one from Australia, and one from the USA. An independent study shows that competition will lead to cheaper air fares, increase traffic on the route and boost tourism expenditure in Australia by over A$125 million per year.

Singapore Airlines is the largest overseas airline flying to and from Australia, carrying over 2 million passengers a year, and delivering more than one in every eight inbound arrivals to Australia. SIA has been serving Australia for almost 40 years, employs more than 500 Australians and invests hundreds of millions of dollars in the Australian economy each year.

Singapore Airlines seeks only to access routes beyond Australia just as Australian carriers can, and do, access routes beyond Singapore. It's time to level the playing field.

Following the conclusion of a Free Trade Agreement (FTA) between Australia and Singapore in 2003, SIA stepped up its campaign to be granted access to the Australia – USA route. The FTA provides for liberalised trade in goods and services across all industries except aviation. It is regrettable that the one industry that does more to facilitate free trade cannot, itself, take advantage of the benefits of the FTA.

Singapore Airlines hopes that the Australian Government will deliver on its commitment to establish an Open Skies Agreement soon.

PRODUCT AND SERVICE DEVELOPMENT

On The Ground

Silver Kris Lounges

In Singapore, a larger and more well appointed *Silver Kris* First Class Lounge opened its doors in October 2004. The new lounge seats around 170 customers. First Class customers now have a new Business Centre that offers, among other facilities, more internet-ready computers and ethernet ports. With the launch of the *Renowned Restaurants of Singapore* promotion featuring gourmet delights from celebrated Singaporean restaurants, First Class customers have been able to experience tastes of some of Singapore's finest restaurants at the *Silver Kris* Lounge.

Wireless internet access was also made available in all *Silver Kris* Lounges worldwide during the year in review.

Internet Booking and Check-in

In November 2004, SIA introduced an enhanced internet check-in facility that allows customers to check-in online. This service is available at most SIA stations. More recently in March 2005, SIA launched seat selection for Economy Class bookings on the internet through which customers can select their desired seat. This service is available on all SIA operated flights except for those between Singapore and Kuala Lumpur.

Mobile Services

The year in review also saw the Airline enhance its suite of Mobile Services. In August 2004, SIA launched a SMS check-in service. This service will progressively be made available in all SIA stations. The suite of Mobile Services is part of SIA's continuing drive to provide customers with the best and most convenient pre-flight experience.

In The Air

Executive Economy Class

With the entry into service of the Airbus A340-500 aircraft on ultra-long range routes between Singapore and the USA, customers were introduced to a new Executive Economy Class. Designed in a very spacious 2-3-2 configuration, Executive Economy offers the industry's widest economy class seats at 51cm, with an expanded seat pitch of 94cm. The seats also come with a larger 23cm personal monitor and laptop power supply. The A340-500 travel experience also comes with specially-designed inflight passenger corners in both Raffles and Executive Economy cabins, for customers to stretch their legs and help themselves to snacks and non-alcoholic beverages.

Mobile Connectivity

In March 2005, SIA became the first airline in the region to introduce *Connexion by Boeing*, providing customers with real-time, high-speed and secure broadband internet connectivity inflight. With this service, customers with wireless-enabled laptops can stay connected to the internet, send and receive email, and access their corporate networks as if on ground. In addition to internet connectivity, SIA will be the first international airline to beam live TV channels onboard. Live TV will be available for viewing via customers' laptops from third quarter 2005; then later, via the personal inflight entertainment system in all cabins.

Inflight Entertainment

In June 2004, SIA's award-winning inflight entertainment system, *KrisWorld*, became even bigger and better with double the movie and CD selections, more audio categories, more of the latest popular TV programmes, and a wide selection of interactive games. With these new entertainment options, customers have over 400 entertainment choices available to them inflight.

In July 2004, the Airline introduced another innovative first: *Berlitz World Traveler*, on *KrisWorld*. SIA is the first airline in the world to introduce this interactive language learning programme. It was made available on SIA's ultra-long range A340-500 fleet, offering five languages; English, French, Italian, Japanese and Mandarin. The new language learning service is designed to equip customers with a practical grasp of foreign languages through the use of key words and phrases. The service will be introduced progressively to other aircraft offering audio and video on demand capability in the coming months.

In December 2004, a consumer research study was conducted on the video gaming preferences of its young customers. The Airline invited a number of its young customers to trial and provide feedback on more than 100 inflight video games. From their feedback, a new suite of inflight video games will be selected and launched in mid 2005. Conducting consumer-based research is a common approach adopted by SIA to ensure that new products meet or exceed customers' expectations.

In February 2005, the Airline launched an enhanced Live News Text product on the A340-500 fleet. The improved product features a wider range of news and information, ranging from international to sports news, as well as a more user-friendly interface. With this product, customers are able to keep abreast of global developments through real-time news updates from more than 100 news sources, as well as weather updates for over 50 international cities. SIA will progressively launch this product on the rest of its fleet in coming months.

Food and Beverage

SIA's meticulous attention to detail and commitment to excellence also applies to the food and beverage served on flights. SIA is the first airline in the world to exclusively serve second growth Bordeaux wines from its French selection in First Class. First introduced on European flights in mid-2004, it is now available in First Class on all services. The Airline's panel of wine experts, Steven Spurrier from the UK, Anthony Dias Blue from USA and Michael Hill-Smith from Australia, ensure that only the best wines are served. With about $20 million spent on wine purchases each year, the Airline boasts a wine cellar that is both exceptional and diverse.

Aircraft Collectibles

In March 2005, SIA together with Nickelodeon introduced the exclusive SpongeBob SquarePants inflight toys on all SIA flights. Young travellers are given one of the seven exclusively created SpongeBob SquarePants collectibles to keep them entertained during their journey.

KrisFlyer

During the year, the *KrisFlyer* programme was enhanced. Several tie-ups with new partners in the banking, hospitality and telecommunications industries were introduced.

In May 2004, *KrisFlyer* entered into a regional partnership with HSBC's credit-card holders in select Asian countries to convert their credit card rewards points to SIA's *KrisFlyer* frequent flyer miles. In October 2004, PT Bank Internasional Indonesia (BII) and SIA collaborated to offer BII's Gold and Platinum credit card holders the opportunity to convert their Bonus Rupiah into *KrisFlyer* Miles to be redeemed for free flights. This collaboration is a first for the Airline in Indonesia.

From January 2005, *KrisFlyer* members in Australia were able to earn more miles if they used an ANZ Rewards Visa card issued by ANZ Bank. The partnership has also been extended to ANZ's credit card operations in Indonesia and the Philippines, through PT ANZ Panin Bank and Metrobank Card Corporation respectively.

KrisFlyer also welcomed several hotel partners during the year. European chains Sol Meliá and the Accor Group joined in July 2004, while Japan-based Okura Hotels and Resorts joined in September the same year. Langham Hotels International, another luxury hotel group, launched its partnership with *KrisFlyer* in January 2005. At the same time *KrisFlyer* welcomed its first serviced apartment chain – The Ascott Group – to the programme.

The year also saw *KrisFlyer* tying up with 3, Hong Kong's largest mobile network provider. Members visiting Hong Kong stand to benefit from this tie-up, as they will earn three *KrisFlyer* miles for every minute of local or international voice or video calls made with 3's roaming service.

With all these additions, *KrisFlyer* now boasts 87 global partners comprising airlines, hotels, a travel agency, credit cards, telecommunications providers and an insurance company.

To further promote online sales and servicing, *KrisFlyer* offered inducements for members to visit its website at www.*KrisFlyer*.com. Redemption booking costs were reduced by 15 per cent across the board, while some administrative fees were lowered by up to 40 per cent for online transactions.

New features introduced include the Redemption Waitlist Confirmation Alert, such that members will receive a SMS message or email notification as soon as their waitlist is confirmed. The Online Redemption Options is an online function, to help members identify destinations they can go to with their available miles.

Operating Review

AWARDS AND ACCOLADES

SIA continued to collect more awards during the year in review. *Euromoney Magazine* voted SIA the Best Managed Airline. At the *OAG (UK)* Airline of the Year Awards in May 2004, the Airline won again the award for Best Airline from Europe to Far East/Australasia. *OAG* further voted SIA the Best Airline Based in Asia. SIA also won the Best International First Class and the Best Business Class. *Skytrax*, which operates a star ranking system for the airline industry, ranked SIA as one of only three Five Star Airlines.

Conde Nast Traveller (US) presented SIA with its 2004 Readers' Choice Award for Best International Airline: an accolade SIA has won 16 times in the last 17 years. SIA won all airline categories at the *Business Traveller* Asia-Pacific Awards in October 2004: Best Airline, Best Asia-Pacific Airline, Best Frequent Flyer Programme, Best Airline First Class, Best Airline Business Class and Best Airline Economy Class. In November 2004, SIA was nominated, for the 16th consecutive year, by *Business Traveller USA* as Best Overall Airline. *Business Traveller USA* also voted SIA Best Airline for International Travel, as well as having the Best First and Economy Classes. It also presented SIA with the award for Best Trans-Pacific Business Class.

In *Fortune Magazine's* annual ranking of the World's Most Admired Companies, Singapore Airlines was the highest ranking Asian airline in the list. The Group was ranked 28th, an improvement from 32nd in the 2003 rankings. SIA was also ranked 5th in the Transport Companies sector in the 2004 *Financial Times/ Pricewaterhouse Coopers* World's Most Respected Companies Survey. This is an improvement from last year's ranking where SIA was 6th.

In 2005, the Company continued being recognised for its excellent service. SIA was presented with the Best Airline to Asia award at the *Travel Weekly Award 2005*. In the *Singapore International 100* Ranking awards, SIA was ranked first for Outstanding Overall Achievement.

ALLIANCE PARTNERS

Singapore Airlines joined the Star Alliance in April 2000. During the year in review Star Alliance welcomed US Airways and TAP Air Portugal as its latest full members. Star also welcomed three regional members, Blue1, Adria Airways and Croatia Airlines. With these additions, the Star network expanded to cover 139 countries, with access to 759 airports and over 620 airport lounges.

SIA expanded its codeshare services with Lufthansa to 12 new destinations, in Germany, Scandinavia and Spain. With this expansion, SIA operates codeshare services with Lufthansa to 34 destinations.

In June 2004, SIA launched a new codeshare partnership with Austrian Airlines. SIA customers can now fly direct to Vienna three times weekly on Austrian Airlines.

SIA also introduced a new codeshare partnership with All Nippon Airways in August 2004, covering the gateways of Fukuoka, Nagoya, Osaka Kansai and Tokyo Narita.

In March 2005, SIA and Air New Zealand expanded their codeshare agreement. With this, the coverage of domestic cities within New Zealand has increased, and some Trans-Tasman services on Air New Zealand's network included.

Outside of the Star Alliance, SIA expanded its cooperation with Virgin Atlantic Airways by introducing new codeshare services on Virgin's flights between London and Boston, Washington and Miami, in October 2004, in addition to a codeshare service between Manchester and Orlando. The codeshare agreement gives SIA more options for selling into and from Eastern USA.

In February 2005, SIA, SilkAir and Malaysian Airlines (MAS) signed a tripartite codeshare agreement giving travellers more options and connectivity when flying to Sabah, Sarawak and Penang. SIA began codesharing with MAS between Singapore and Kota Kinabalu, Kuching and Penang at the end of March 2005.

IN OUR COMMUNITIES

SIA recognises that its business depends on the support of communities in the regions which it serves. During the year in review, the Company contributed over $3 million in cash and in free and rebated tickets to charities, community development programmes and philanthropic or promotional events.

The Cabin Crew Division also raised $600,000 for charity through the *SIA Cabin Crew Gala Dinner* held in September 2004. The proceeds raised were donated through Community Chest to the Asian Women's Welfare Association and Chao Yang School. This is the fourth time the SIA Cabin Crew Division has organised a gala dinner in aid of charity.

SIA is a keen patron of the local arts community, supporting organisations such as the Singapore Symphony Orchestra, Singapore Chinese Orchestra and the Singapore Lyric Opera. The support has allowed these organisations to showcase their talent around the world. In addition, SIA facilitated their travel to London to take part in the inaugural *Singapore Season Festival*.

Numerous overseas offices also support local charities and communities in their regions, often with staff involvement.

TSUNAMI RELIEF

On 27 December 2004, a day after the tsunami struck countries across Asia, the SIA Group was already putting together initiatives to help with the international effort that was underway to help the victims. Almost immediately, SIA moved the first of hundreds of tonnes of relief supplies to Bangkok, Colombo and Male. The Group also made an immediate cash donation of $300,000 to the Red Cross.

The Group's efforts were focused and practical, working with relief organisations such as the Red Cross and other experts in providing of relief to disaster areas.

The efforts of SIA Group were international. The Group transported essential food and medical supplies, as well as medical personnel from around the world.

With the support of SIA Cargo, more than 400 tonnes of relief supplies in total were uplifted within a couple of weeks. The cargo included urgent medical supplies, milk, bottled water, tents, food supplies and water desalination equipment.

SilkAir partnered the United Nations Association of Singapore for a donation drive onboard all SilkAir flights in January 2005.

Staff of the SIA Group of Companies also contributed to the relief efforts, raising $226,319 and making generous donations in kind.

SIA also began mounting recovery programmes to areas hit by the tsunami such as the Maldives and Phuket, where the lifeblood of the economy is tourism. Attracting tourists to return to the destinations is critical to the recovery of these destinations, and SIA will continue to play a role in supporting these recovery efforts into the future.

Operating Review

OUR PEOPLE

Several measures in the people area were implemented to help the Company face an increasingly competitive environment.

Agreements were reached with the unions to restructure the wage system in line with the recommendations of the Tripartite Committee on Wage Reform. These included paying a higher proportion of wages as variable components and narrowing the ratio between the minimum and maximum of salary ranges. In turn, staff were rewarded with a lump-sum incentive payment and profit sharing bonus linked to the Company's performance. A medical co-payment scheme was also agreed to and implemented from January 2005.

A number of functions across the Group were rationalised, which had an impact on staff numbers. The Company outsourced its IT infrastructure services to IBM. As part of this outsourcing, IBM offered all affected staff employment on comparable terms. Notwithstanding, some staff elected not to accept the offer and left the Group.

As a consequence of technology changes and outsourcing of some processing functions in the Revenue Accounting areas, a number of positions were made redundant.

While these decisions were difficult ones, they were made only after careful consideration. Altogether 95 staff were released and another 101 accepted positions with IBM.

Amid these changes, staff maintained their spirit of generosity and volunteerism. In the wake of the Indian Ocean tsunami tragedy, staff individually and collectively contributed time, effort and money to help the

victims of the tragedy, which further highlighted the spirit of the people who make up the SIA Group.

At the end of the financial year, the staff strength of the SIA Group was 28,146. Of this, 13,713 were employed by the Airline. The Airline employed 6,811 cabin crew and 2,059 pilots of whom 94 were based overseas.

SAFETY, SECURITY AND ENVIRONMENT

Safety

Ensuring safe operations for SIA's customers and crew is the Group's top priority. One of many safety activities this past year focused on preventing accidents through data gathered from our Flight Data Analysis Programme, Hazard Reports, and the mandatory Incident Reports submitted by crew. All lessons learned from data-driven reporting are shared with the crew through the Flight Operations website, as well as newsletters, briefings and ongoing training.

The latest generation Crew Resource Management training is provided to all flight crew, and the benefits are validated during simulator sessions. Flight Operations embarked on an Approach and Landing Accident Reduction Programme by focusing on the need for crew to conduct stabilised approaches at all times.

A Ground Ramp Incident Prevention Programme involving Engineering, Flight Operations, Cabin Crew and Ground Handling Services was launched to promote ramp safety, recognising that accidents on the ramp area can be dangerous, very costly and disruptive.

Security

SIA recognises that customers' security is of paramount importance to airline operations. This is especially so in light of ever present threats to civil aviation worldwide. SIA Security sets a standard of "Zero Lapses" in operations. By working closely with local and international security agencies, appropriate preventive measures have been implemented to counter threats. There is a structured audit programme that provides continuous monitoring of implemented security measures to ensure their effectiveness.

Environment

Major environmental concerns confronting the aviation industry are related to fuel consumption, emissions and noise associated with aircraft operations. SIA's key strategy will continue to be fleet renewal and the adoption of the latest available technology to harness the benefits of reduced greenhouse gas emissions, improved fuel productivity, lowered noise levels and more efficient utilisation of resources.

The Group is active in outlining its measures in various fora, especially involving regulators. Unfortunately some regulatory proposals, if implemented, will have a deleterious impact on the aviation industry. They do not keep pace with technological change and seek to further restrict aircraft operations at some airports, such as London Heathrow.

SIA will continue to engage with regulators, directly and through industry bodies, to ensure its long-term needs are recognised and that the impact of regulatory change is sensible and sustainable.

Details of SIA's environmental activities and performance are shown in its Environmental Report, a copy of which can be viewed from the Company's website: http://www.singaporeair.com

SUBSIDIARIES AND ASSOCIATED COMPANIES

Singapore Airport Terminal Services Ltd (SATS)
The year saw SATS post a net profit of $174 million, a commendable effort given a year of challenges and changes. Domestically, the competitive landscape changed with the entry of two new international players. A new ground handler commenced operations in March 2005. SATS made changes to its organisational structure in the first half of the financial year. It reorganised departments and streamlined senior management levels to improve efficiency and cost effectiveness.

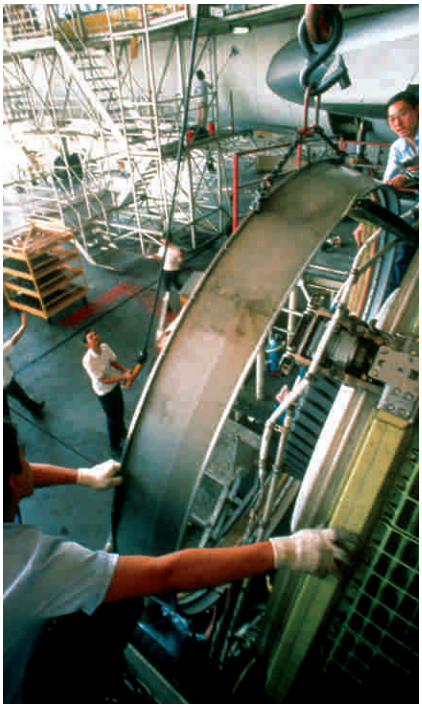
SATS also took steps to restructure its workforce. In September 2004, 1,064 staff positions were outsourced to labour supply companies and another 108 staff were released from employment. The painful decision was necessary for SATS to take on the new competition with a more flexible and efficient cost structure. Though the restructuring exercise incurred a one-time cost of $28 million, SATS expects to derive savings of approximately $20 million a year hereafter.

The year also saw SATS expand its overseas portfolio of businesses. In April 2004, SATS acquired a 49.8 per cent shareholding in PT Jasa Angkasa Semasta TBK (JAS Airport Services) of Indonesia, valued at US$60 million. JAS Airport Services is the market leader for ground and cargo handling services in Indonesia and is present in 12 airports in Indonesia. SATS also doubled its stake in Asia Airfreight Terminal (AAT) in Hong Kong to 49 per cent. The acquisition of a 24.5 per cent stake in AAT from CIAS was valued at $76.5 million. To cope with increasing volumes, AAT recently approved plans for the construction of a second air cargo handling terminal that will add 910,000 tonnes to its total annual capacity.

SATS added Air Zimbabwe, Jetstar Asia, Shandong Airlines, Tiger Airways and Valuair as new clients during the year in review.

SIA Engineering Company (SIAEC)
SIAEC posted a net profit of $175 million, a 25 per cent increase over last year. The year in review also saw the company augment its capacity, capabilities and list of clients.

SIAEC added two new hangers, which increased its capacity by 30 per cent. In May 2004, the company also embarked on a new line of business. The B747-400 passenger-to-freighter conversion programme is part of the company's strategy to offer a complete suite of maintenance, repair and overhaul (MRO) services at its one-



stop Singapore maintenance hub. The first B747-400 conversion will be performed in 2006.

SIAEC also extended its capabilities through strategic joint ventures. The company set up an Aircraft Interior Modifications Centre in Singapore in July 2004, following a joint venture agreement with Jamco Corporation and Jamco America Inc. to provide turnkey solutions for aircraft interior modifications. The joint venture is incorporated in Singapore as Jamco Aero Design and Engineering Private Limited. This Centre will be among the first in the region to offer total solutions for aircraft interior modifications.

The company also signed a MoU with Parker Hannifin Corporation to establish a joint venture to provide MRO of hydro-mechanical components.

A MoU was also signed with Cebu Pacific Air to form a joint venture to provide line maintenance, technical ramp handling services and light maintenance checks at 14 airports in the Philippines.

SIAEC secured new contracts from Air Caledonie International, Air China Cargo, Dubai Air Wing, Japan Airlines Domestic and Virgin Atlantic Airways, thereby expanding its extensive list of heavy maintenance and component overhaul customers. The company also added four new airlines, namely Air Atlanta Icelandic, Cebu Pacific Air, SilkAir and Tiger Airways to its growing list of Fleet Management customers.

Singapore Airlines Cargo

During the year in review Singapore Airlines Cargo posted a net profit of $183.8 million; an improvement on the $175.9 million net profit made the year before.

SIA Cargo expanded its network to China and India through new twice-weekly round-the-world services via Xiamen and Nanjing to Los Angeles, and new twice-weekly operations via Bangalore to Amsterdam. It also commenced a weekly freighter service through Bangkok to Osaka and added a new freighter destination – Nagoya, which is served twice weekly. A second service was added to Adelaide as well.

In August 2004, SIA Cargo took delivery of its 15th Boeing B747-400 freighter. SIA Cargo continues to recruit its own pilots; a total of 37 Captains, 26 First Officers and 49 cadet pilots joined the company.

Vincent van Gogh, Paul Cézanne, Auguste Renoir, Edgar Degas, Claude Monet and Édouard Manet are just some of the famous artists whose works flew with SIA Cargo during the year. Their works were among 90 of the world's most famous and valuable Impressionist masterpieces that were flown from their home at the *Museé d'Orsay* in Paris, to the *National Gallery of Victoria* in Melbourne, Australia, for one of the most successful art exhibitions ever held in Australia. Months of planning, security and logistics by SIA Cargo went into ensuring that the exhibition was possible. The care and attention provided by SIA Cargo was in keeping with these fine works, considered among the world's most precious art treasures.

SIA Cargo's handling of the art works was praised as 'perfect' by the accompanying couriers from the *Museé d'Orsay*, who obviously had the highest expectations of how their precious charges should be handled. Managing such works has enabled Australians to see some of the finest art in the world at no fewer than 20 exhibitions in recent years, all flown in by SIA Cargo. The 2004 exhibition proved the most challenging yet, but was well appreciated by hundreds of thousands of art lovers from Australia and elsewhere.

The company was selected by Formula One to carry its media equipment and Formula One cars for five races. Six charters were operated. NOKIA Corporation also selected SIA Cargo as one of its preferred carriers for its intra-Asia and Asia-South Pacific distribution network.

A Global Forwarder Programme was initiated to strengthen the commercial relationship with multinational forwarders. SIA Cargo also joined Cargo 2000: an industry organisation comprising 18 airlines, 10 global forwarders and 7 industry associates to provide a common platform for service quality and industry standards.

A new revenue accounting system, which provides integrated revenue accounting platform and real-time analysis of sales and revenue performance, was implemented.

Following the Indian Ocean tsunami disaster in December 2004, SIA Cargo carried more than 400 tonnes of relief and medical supplies to the affected countries at no charge.

SIA Cargo continued to receive acknowledgement for its service during the year. It was voted Best Air Cargo Carrier for Asia by the readers of *Cargonews Asia* and Best Air Cargo Carrier by the readers of *Lloyd's Freight Transport Buyer Asia*.

SilkAir

Like its parent company, this was a year of strong growth for SilkAir. The regional airline posted a net profit of $30.6 million for the financial year. This represented a rise of 94.9 per cent over the same period last year. The year also saw SilkAir carrying a record of more than one million customers: the highest ever uplift since its inception in 1989.

Overall the airline turned in an admirable performance for the year in review, despite the emergence of a new generation of start-up carriers in the region. This was, in part, due to judicious efforts to restructure its route network, grow interline sales from its parent airline, enhancements to its product and services as well as through more effective branding and marketing activities to grow both mindshare and marketshare. SilkAir also continued to place strong emphasis on prudent and sustainable cost management.

The year also saw the airline launch services to new destinations to expand the group network. In June 2004, SilkAir commenced twice-weekly services to Chongqing. This service was increased to thrice-weekly in November 2004. A thrice-weekly service to Da Nang followed in January 2005. Following the signing of a tripartite codeshare agreement with Malaysian Airlines and Singapore Airlines, SilkAir launched four-weekly scheduled services to Kuching, in March 2005. SilkAir also operated charter flights to a number of regional destinations including six to Quilin, and two to Darwin during the year.

Following an extensive network review to maximise profitability, the airline suspended its twice-weekly services to Macau in December 2004 and Krabi in February 2005.

Like its parent company, fuel surcharges helped SilkAir to partially offset the high cost of fuel during the year.

SilkAir also increased marketing and branding efforts to cement its position as the region's preferred leisure airline. The launch of its "Where the World Unwinds" advertising campaign, in Singapore, targeting commuters on trains in July 2004, was extended to buses in September 2004. To boost its brand visibility and showcase its network of destinations, the airline, in collaboration with Tradewinds, held its first ever standalone travel fair in March 2005, with more than 150,000 seats and hundreds of packages on offer.

Newly designed uniforms for cabin crew marked just one of the product enhancements for SilkAir in the year. SilkAir became the first Asian airline to offer portable video-on-demand inflight entertainment, with the launch of the *DigEplayer*. This hand-held device was launched on selected flights in January 2005. Overall, the year saw an unprecedented increase in customer compliments for the airline's crew and services.

For its efforts, SilkAir was the only Asian regional carrier to be ranked as one of top ten favourite airlines for short-haul travel by *Conde Nast Traveller* at its Readers' Travel Awards in September 2004. The airline was also voted the Best Regional Airline (Asia and China) at the *TTG* Travel Awards 2004, for the fifth time.

SilkAir joined hands to support the region's relief and recovery efforts following the Indian Ocean tsunami disaster of December 2004. In partnership with the United Nations Association of Singapore, crew, ground staff and SilkAir customers raised close to S$60,000 through the airline's inflight donation drive over a period of seven days.

SilkAir took delivery of its 11th aircraft in August 2004. In October 2004, the airline sold and leased back two A319-100 aircraft. SilkAir's fleet as at 31 March 2005 was made up of seven A320s and four A319s.

Singapore Aircraft Leasing Enterprise (SALE)

The year in review saw the first clear signs of a return to growth in the aircraft leasing sector, with a significant rise in demand for newer aircraft, such as those offered by SALE.

SALE took delivery of nine new Airbus A320 family aircraft during the year, all of which were placed with airlines prior to delivery. SALE also acquired two Boeing B737-700s through purchase and leaseback arrangements with airlines and successfully completed nine aircraft transitions from one airline to another.

Reflecting its emphasis on maintaining a young fleet, SALE also continued to trade aircraft out of its portfolio during the year, completing the sale of one Airbus A319, one Boeing B737-700 and two Boeing B777-200ER aircraft.

In March 2005, SALE announced its first direct order with Boeing for the Next-Generation 737 series. The deal was for 20 firm orders and 20 purchase rights, with deliveries of the aircraft scheduled between the fourth quarter of 2006 and the end of 2009.

At year-end, SALE's portfolio comprised 62 aircraft flying with 29 airlines worldwide. The Company's fleet remains one of the youngest in the leasing industry, with an average age of just 4.6 years.

Singapore Flying College

There has been greater demand for pilots by the SIA Group during the year in review. To cater to this growing demand, Singapore Flying College acquired two more Cessna 172Rs. A further three will join the fleet in 2005. The College has also procured an additional Synthetic Flight Trainer. Singapore Flying College now operates a total of 18 Cessna 172Rs, 6 Beech B58 Barons and 2 Synthetic Flight Trainers in Jandakot.

In April, an engineering facility in Jandakot was opened and is now fully operational. Approval has been obtained from the Civil Aviation Safety Authority of Australia to overhaul piston engines of the aircraft type operated by the College. With the large number of training aircraft, substantial savings can be achieved through the College having in-house capabilities to overhaul its aircraft engines itself.

At the same time a new student accommodation block was opened at the College's Jandakot base. This block increased the accommodation capacity of the College from 80 to 180, thereby providing capability to meet increased demand in the future.

The College also placed an order for a second Learjet 45 full flight simulator during the year, for its advance training facility in Maroochydore, Queensland. An extension will be built into the present operations building to house the simulator.

List of Awards

APRIL 2004
Cost Sector Catering (UK)
Reader Survey Award
Best Airline Food

2004 Pacific Asia Travel Association
(PATA) Gold Awards
"SIA Fabulous Offer" Global Campaign

Skytrax (UK)
Airline of the Year 2004 – Gold Award
for Asia
Best Service

National Consumer Satisfaction Index Survey
by Korea Productivity Center & *Chosun Il bo*,
the major daily newspaper in South Korea
Best Service
(International Airline Service Category)
7th consecutive year since 1998.

MAY 2004
Harvey World Travel NSW
Airline of the Year ('03-'04)

OAG Awards
Best Airline from Europe to Far East/
Australasia
Best Economy Class
Best International First Class
Best Airline Based in Asia

Guardian/Observer Travel Awards (UK)
Best Long Haul Airline

Business Traveller Middle East (Gulf)
Business Traveller Middle East Award 2004
Best Asian Airline serving the Middle East
(3rd consecutive year)

JULY 2004
Aviation Week & Space Technology
Top-Performing Companies Award
(SIA ranked 2nd place)

AUGUST 2004
AB Road (Japan)
Best Airline

Travel & Leisure
World's Best International Airline

SEPTEMBER 2004
Community Chest
2003 Corporate Gold Award

Asiamoney
Overall Best Managed Local Company

Executive Travel – Best in Executive Travel
Best First-Class Service (International)
Best Airline for Flights to Asia Pacific,
Australia, New Zealand

OCTOBER 2004
Conde Nast Traveler (US)
2004 Readers' Choice Awards
World's Best Airline
(16th time in 17 consecutive years)

Reisen Exklusive (Germany)
Best First Class

Travel Inside magazine's (Switzerland)
Golden Travel Star Award 2004
Top in Network/Scheduled Airline category
(11th consecutive year)

TTG Asia Travel Awards
Hall of Fame 2004

Teleos and The KNOW Network
Asian Most Admired Knowledge Enterprise
*(MAKE) Winner (14th place)**

* SIA was ranked in 17th place overall last year
Teleos is an independent knowledge management and intellectual capital research company, administers the MAKE study programme.
The KNOW Network is a Web-based global community of organizations dedicated to networking, benchmarking and sharing best knowledge practices leading to superior organizational performance.

Daily Telegraph
Best Scheduled Airline

Business Traveller UK
Best Cabin Crew

Euromoney
Best Managed Airline

Business Traveller Asia-Pacific
Best Airline
Best Asia-Pacific Airline
Best Frequent Flyer Programme
Best Airline First Class
Best Airline Business Class
Best Airline Economy Class

Conde Nast Traveller UK
Best Business Airline

TIME
Readers' Travel Choice Awards
Preferred Airline
Preferred First/Business Class
Most Popular Airline Frequent Flyer
Programme

NOVEMBER 2004
Travel Magazine Belgium (trade magazine)
Best Scheduled Airline

Business Traveler USA
Best Overall Airline (16th consecutive year)
Best Airline for International Travel
Best First Class
Best Business Class
Best Trans-pacific Business Class

Financial Times/
PricewaterhouseCoopers 2004
Transport Companies Sector
World's Most Respected Company
(SIA ranked 5th place)

Financeasia.com (Hong Kong)
2004 Business Travel Poll
Best Business Class
Best First Class
Best Cabin Crew
Best Food & Beverages
"Most Safe" Airline

DECEMBER 2004
FM (Austrian Travel Trade Magazine)
Best Catering

International Enterprise Singapore
The Singapore Brand Award 2004
Honoured as one of Singapore's 15
Most Valuable Brands

Commonwealth Magazine (Taiwan)
The Most Admired Company 2004 Awards
Winner – Airline Industry Category (7th year)

Travel Weekly China Industry Awards
Best International Airline

SKAL International Istanbul (Turkey)
Best Airline

JANUARY 2005
Reisrevue Netherlands (trade magazine)
Best Scheduled Airline

Global Traveller GT Tested Award
Best Airline in the World 2004

Travel Weekly Award 2005
Best Airline to Asia

www.travelchannel.de (online publication)
Best Airline on Longhaul Services
Best Service on the Ground
Best Service on Board
Safety and Punctuality – Winner
Comfort on Board (SIA ranked 2nd place)

Business Traveller Germany
Best Airline for Safety
Best Airline for Cabin Crew
Best Airline for Service on the Ground
Best Airline for F&B on board
Best Airline to Asia and the Pacific Area

FEBRUARY 2005
Fortune Magazine's
World's Most Admired Companies
(SIA ranked 28th place)
Wanderlust Travel Award 2004 (UK)
Top Major Airline (4th consecutive year)

Singapore International 100 Ranking
Outstanding Overall Achievement
(Ranked 1st)

Statement on Risk Management

1. EMPHASIS ON EFFECTIVENESS OF RISK CONTROLS

Recent events in other countries and other organisations where controls and back-up systems failed, underline the need to ensure that risk reduction measures put in place are effective and regularly maintained. Following the establishment of the risk framework and the implementation of structured risk controls, SIA continued to improve on risk management by reviewing and validating the effectiveness of the risk reduction measures implemented.

2. REVIEW OF EFFECTIVENESS OF RISK CONTROLS

Requirement to Test or Simulate Risk Controls

Within the Risk Management Process, business units are required not only to develop risk prevention and risk mitigation controls, but to review the effectiveness of these controls as well. As part of this review, business units were required to test these controls or to simulate failures to verify that the controls are effective. Risk owners are required to further improve the risk controls if the results show weakness or inadequacy.

Structured Review on Effectiveness

To reinforce the emphasis on effectiveness, the oversight risk committees at various levels reviewed risk controls put in place by risk owners. At the highest level, the Audit & Risk Committee of the Board reviewed controls of various top risks of the Group, while correspondingly, the respective Risk Management Committees reviewed the management of key risks of their Companies, without duplicating the work of the Audit & Risk Committee.

3. ENHANCEMENT OF RISK POLICIES

In addition to ensuring effectiveness of risk reduction measures, SIA also reviewed and updated risk policies and guidelines to make sure that the overall control environment remains relevant and appropriate. These reviews include the following:

Guidelines on Managing Risks of Outsourcing

In view of the increased level of outsourcing, guidelines were issued in relation to managing the risks arising from outsourcing of activities and functions.

Policy for the Rotation of Sensitive Job Positions

This policy was set up to reduce SIA's exposure to risks such as fraud, bribery, collusion with a third party or pilferage by the job holder. In consideration of the many changes in job functions, the policy was updated to ensure relevance in the current circumstances.

Fraud Prevention Policy and Procedures

The Policy and accompanying procedures provide guidance on detection, reporting and investigation for fraud within SIA and the subsidiaries. A review and update is in progress to ensure its effectiveness and to enhance the scope and application.

Corporate Policies on Banking and Borrowing Activities

Corporate policies in relation to banking transactions and borrowing activities were reviewed and updated.

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

Statement on Risk Management

4. RISK PROCESSES AND ACTIVITIES

During the year under review, the following risk related processes and activities were carried out:

a. Annual Re-validation of Control Self Assessment (CSA)

The Departments updated their risks and compliance status in their Annual CSA exercise. The more significant process risks were then escalated for further review under the Annual Risk Management Review.

b. Annual Risk Management Review

SIA carried out their 3rd Risk Management Review from January to March 2005. Risks at company levels were surfaced to each Group Company's Risk Management Committee before being consolidated for review by the Group Risk Management Committee, and ultimately by SIA's Audit & Risk Committee.

c. Senior Management Strategic Review

The Board of Directors and Senior Management carried out a review of SIA's strategy during the 2nd Quarter to ensure alignment of activities and long-term objectives.

5. BOARD OF DIRECTORS' COMMENTS ON THE PRACTICE OF RISK MANAGEMENT IN SIA

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

Corporate Governance Report

For the period 1 April 2004 to 31 March 2005

The Board and Management are committed to increasing shareholder value by creating and maintaining a sound organisational structure, through a process of established corporate governance principles.

This Report sets out the Company's corporate governance processes, with specific reference to the guidelines of the Corporate Governance Code ("the Code"). The Board and Management will continue to uphold the highest standards of corporate governance within the Company and the SIA Group of companies, in accordance with the Code.

The Board's Conduct of its Affairs, Composition and Balance *(Principles 1, 2 and 3)*
Board Committees *(Principles, 4, 7 and 11)*

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

As at 31 March 2005, the Board comprises the following members :

Name of Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as Director	Nature of Appointment
Koh Boon Hwee	Chairman	14 March 2001	29 July 2004	Non-executive/ *Non-Independent*
Charles B Goode	Director	1 July 1999	13 July 2002	Non-executive/ Independent
Ho Kwon Ping	Director	15 July 2000	26 July 2003	Non-executive/ Independent
Fock Siew Wah	Director	15 July 2000	26 July 2003	Non-executive/ *Non-Independent*
Davinder Singh	Director	15 July 2000	29 July 2004	Non-executive/ Independent
Chew Choon Seng	Director	5 March 2003	26 July 2003	*Executive/Non-Independent*
Sir Brian Pitman	Director	26 July 2003	29 July 2004	Non-executive/ Independent
Chia Pei-Yuan	Director	1 October 2003	29 July 2004	Non-executive/ Independent
Stephen Lee Ching Yen	Director	26 April 2004	29 July 2004	Non-executive/ Independent

There is a strong independent element in the Board, with the Nominating Committee considering 6 out of 9 directors to be independent. Mr Koh Boon Hwee and Mr Fock Siew Wah are Temasek's nominees, and Mr Chew Choon Seng is the Chief Executive Officer of the Company.

The Board held a total of 4 Board Meetings in 2004-05. Ad hoc meetings are held as and when required. With the Chairman's approval, Management prepares the detailed agenda of each Board meeting. Board Papers contain both regular items such as reports on its subsidiaries and associated companies, updates on business development, monthly management accounts, and productivity and performance indicators, as well as matters for the decision or information of the Board.

The Directors come from diverse backgrounds and possess varied expertise in finance, legal, industry, business, labour and management fields. Management briefs new Directors on the Company's business and strategic directions. The Company will consider formulating training programmes, if the need arises.

The Chairman, Mr Koh Boon Hwee and the Chief Executive Officer, Mr Chew Choon Seng 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.

The Board has established seven Board Committees to assist in the execution of its responsibilities, namely:

- the Board Executive Committee
- the Audit & Risk Committee
- the Board Finance Committee
- the Board Compensation and Organisation Committee
- the Nominating Committee
- the Safety and Reliability Committee
- the Board Labour Relations 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.

A table setting out the Board Members and their memberships on the various Board Committees can be found on page 39.

Board Executive Committee (ExCo)

The ExCo comprises 3 members, namely, Koh Boon Hwee (Chairman), Chew Choon Seng and Fock Siew Wah. They are authorised to make decisions on routine and operational 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.

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

Board Finance Committee (BFC)

The BFC comprises 4 members, namely, Fock Siew Wah (Chairman), Charles B Goode, Davinder Singh and Chew Choon Seng.

The BFC 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. Meetings are held on a quarterly basis.

Safety and Reliability Committee (SRC)

The SRC comprises of Koh Boon Hwee (Chairman) and Ho Kwon Ping. 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.

Board Labour Relations Committee (BLRC)

Formed on 14 May 2004, the BLRC comprises 3 members, namely Stephen Lee (Chairman), Koh Boon Hwee and Chew Choon Seng.

The functions of the BLRC include improving and enhancing the working relationship between the employee unions; increasing labour flexibility through the review and improvement of workplace practices; overseeing the collective agreement negotiations with the various unions; and reviewing ways to better motivate the workforce through wage restructuring and wage reform.

Board Membership and Performance (*Principles 4 and 5)*

The Nominating Committee's (NC) 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.

The NC comprises 2 independent directors, namely, Davinder Singh (Chairman) and Charles B Goode.

The Company's Articles of Association provide that one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third are required to retire from office. Retiring Directors are selected on the basis of those who have been longest in office since their last election, failing which they shall be selected by agreement or by lot. All re-elections require the approval of the special member, the Minister for Finance (Incorporated).

New Directors are appointed by way of Board Resolution, following which they are subject to election by shareholders at the next Annual General Meeting.

Access to Information *(Principle 6)*

The Directors have separate and independent access to the Company Secretary. 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 Singapore Exchange Securities Trading Limited's (SGX-ST) Listing Manual; communicating with the SGX-ST, the Accounting & Corporate Regulatory Authority, 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. The Company Secretary attends all Board Meetings.

The Directors are provided with Board Papers well in advance before each Board Meeting, to enable them to be properly informed of matters to be discussed and/or approved. Directors have separate and independent access to senior management at all times. Directors can seek independent professional advice if required and in accordance with procedure. Such costs will be borne by the Company.

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

The Board Compensation & Organisation Committee (BCOC) performs the role of the Remuneration Committee, as recommended by the Code. The BCOC comprises 4 members, namely, Koh Boon Hwee (Chairman), Fock Siew Wah, Sir Brian Pitman and Stephen Lee. Sir Brian and Stephen Lee are independent non-executive directors, while the other members are non-executive directors independent of management. Meetings are held on a quarterly basis.

The BCOC annually reviews and approves recommendations on remuneration policies and packages for key executives, and implements and administers the Company's Employee Share Option Plan. It ensures that there are sufficient candidates recruited and/or promoted to leadership positions, which include monitoring the leadership development programme. The BCOC also ensures that talent is tapped and equitably distributed throughout the SIA Group of companies, and encourages closer working relationship and management exchanges within the Group.

The Directors' fees proposed to be paid in 2004-05 is $961,459. Koh Boon Hwee (in respect of all the Board Committees he sits on), Lim Boon Heng and Chew Choon Seng have waived their fees entirely. The total Directors' fees payable will amount to $743,542.

The following table shows the constitution (in percentage terms) of the remuneration of Directors, including those appointed and resigned/retired during the year, in bands of $250,000. The remuneration of Directors as disclosed is computed based on the net fees payable.

			Bonus				Stock options granted during the year	
	Fee %	Salary %	Fixed %	Variable# %	Benefits %	Total %	Number	Exercise price $
Between $1,250,001 to $1,500,000								
Chew Choon Seng	–	59	5	27	9	100	228,000	10.70
Below $250,000								
Koh Boon Hwee	93	–	–	–	7	100	–	–
Edmund Cheng Wai Wing*	100	–	–	–	–	100	–	–
Fock Siew Wah	99	–	–	–	1	100	–	–
Charles B Goode	100	–	–	–	–	100	–	–
Ho Kwon Ping	93	–	–	–	7	100	–	–
Lim Boon Heng*	–	–	–	–	–	–	–	–
Davinder Singh	99	–	–	–	1	100	–	–
Sir Brian Pitman	100	–	–	–	–	100	–	–
Stephen Lee Ching Yen	98	–	–	–	2	100	–	–
Chia Pei-Yuan	100	–	–	–	–	100	–	–

* *Edmund Cheng Wai Wing and Lim Boon Heng retired and resigned from the Company on 29 July 2004 respectively.*
\# *Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2005.*

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 2004-05.

The remuneration of the Company's key executives for 2004-05 is as follows:

			Bonus				Stock options granted during the year	
	Fee %	Salary %	Fixed %	Variable# %	Benefits %	Total %	Number	Exercise price $
Between $750,001 to $1,000,000								
LG Bey Soo Khiang	–	49	4	37	10	100	152,000	10.70
Huang Cheng Eng	–	49	4	37	10	100	135,000	10.70

\# *Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2005.*

Details of the Company's Employee Share Option Plan can be found on page 58 of the Report by the Board of Directors.

Accountability *(Principle 10)*

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

The Company has clear policies and guidelines for dealings in the securities of the Company by Directors and employees, which are in conformity with the SGX-ST Best Practices Guide. The Company prohibits selected employees from trading in its securities for the period commencing 2 weeks from announcement of quarterly results; and a period commencing 1 month from the announcement of year-end results.

Audit & Risk Committee *(Principle 11)*

The Audit & Risk Committee (ARC) comprises of 3 independent members, namely, Ho Kwon Ping (Chairman), Chia Pei-Yuan and Stephen Lee. Four meetings were held during the course of the year.

The ARC's actions in financial year 2004-05, in accordance with its responsibilities and duties under its Charter, included the following:

(a) Financial Reporting

The ARC reviewed with Management the interim and annual financial statements and financial announcements required by 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 ARC 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 ARC 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 ARC 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 ARC reviewed interested person transactions as stipulated in the SGX-ST Listing Manual and the Shareholders' Mandate obtained at the last Annual General Meeting.

The ARC has full access to and co-operation of Management. The ARC also has full discretion to invite any director or executive officer to attend the meetings, and has been given adequate resources to discharge its functions.

During the year, the ARC met with the internal and external auditors without the presence of Management.

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

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

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

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

It is the opinion of the Board that, in the absence of evidence to the contrary, the system of internal controls maintained by the Management and in place throughout the financial year 2004-05, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, 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 judgement in decision-making, human error, losses, fraud or other irregularities.

A dedicated Risk Management Department looks into and manages the Company's risk management policies. The Risk Management Report can be found in page 31 of this Report.

Communication with Shareholders *(Principles 14 and 15)*

The Company believes in prompt disclosure of pertinent information. It values dialogue with both retail and institutional shareholders, and holds media briefings when announcing half-yearly and year-end results. The proceedings are concurrently broadcast live via webcast. Media briefings are also held as and when necessary. Additionally, all financial results as well as price-sensitive information are released through various media which includes press releases and SGXNET releases posted on the Company's website, at www.singaporeair.com. The Company's Investor Relations Department meets with key institutional investors on a regular basis, as well as answers queries from shareholders from time to time.

The Board members always endeavour to attend shareholder meetings where shareholders are given the opportunity to raise questions and clarify issues they may have relating to the resolutions to be passed, with the Board. The Chairmen of the Audit & Risk, Board Finance, Board Compensation & Organisation, Nominating, Safety and Reliability, and Board Labour Relation Committees, or members of the respective committees standing in for them, as well as the external auditors, would be present and available to address questions at these meetings.

Membership of Singapore Airlines Limited Board of Directors and Board Committees

Name	Main Board	Board Executive Committee	Audit & Risk Committee	Board Finance Committee	Board Compensation & Organisation Committee	Nominating Committee	Safety & Reliability Committee	Board Labour Relations Committee
Koh Boon Hwee	Chairman	Chairman			Chairman		Chairman	Member
Chew Choon Seng	Member	Member		Member				Member
Fock Siew Wah	Member	Member		Chairman	Member			
Charles B Goode	Member			Member		Member		
Sir Brian Pitman	Member				Member			
Ho Kwon Ping	Member		Chairman				Member	
Davinder Singh	Member			Member		Chairman		
Chia Pei-Yuan	Member		Member					
Stephen Lee Ching Yen	Member		Member		Member			Chairman

Financials

Financial Review

Highlights of the Group's Performance

- Total revenue $12,013 million (+23.1 per cent)
- Total expenditure $10,657 million (+17.4 per cent)
- Operating profit $1,356 million (+99.2 per cent)
- Profit after taxation $1,442 million (+61.1 per cent)
- Profit attributable to shareholders $1,389 million (+63.6 per cent)
- Basic earnings per share 114.0 cents (+63.6 per cent)
- Shareholders' funds $12,436 million (+8.6 per cent)
- Net asset value $10.21 per share (+8.6 per cent)
- Total debt equity ratio 0.19 times (-0.01 times)

Financial Review

Performance of the Group

Group Earnings

The Group achieved a record operating profit of $1,356 million for the financial year ended 31 March 2005. It nearly doubled the profit earned in 2003-04 in spite of challenges caused by high fuel prices and intensified regional competition posed by new airline entrants. Strong passenger and cargo demand underpinned a 23.1 per cent growth (+$2,251 million) in revenue to $12,013 million, the highest ever. Effective control of costs saw expenditure rise by only 17.4 per cent to $10,657 million from last year.

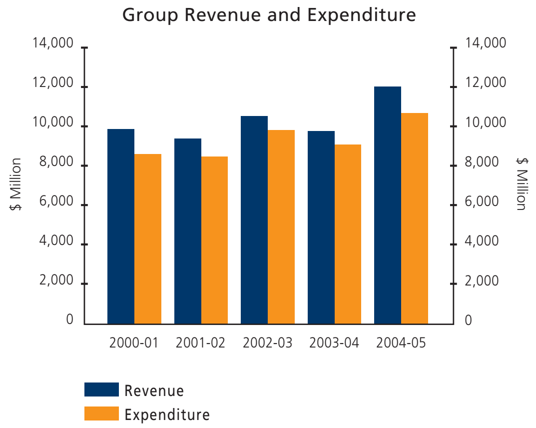
Operating performance improved on the back of a strong rebound in demand (up 20.0 per cent in revenue passenger kilometre) following a reduction in travel the previous year when Severe Acute Respiratory Syndrome (SARS) broke out. Passenger yield improved 9.8 per cent while unit cost rose at a slower 4.5 per cent from last year.

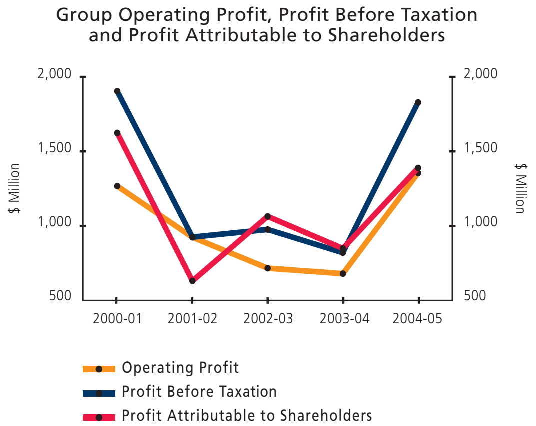
Profit attributable to shareholders improved $540 million to $1,389 million. A strong operating performance, higher contributions from the sale of aircraft, share of profits of associated and joint venture companies, and exceptional items (which include surplus on sale of investment in Air New Zealand, Raffles Holdings and Taikoo, partially offset by expenses relating to staff compensation and restructuring of operations) contributed to the higher earnings. For perspective, 2003-04 profit attributable to shareholders was boosted by a tax write-back of $205 million as a result of a reduction in the Singapore corporate tax rate. No such write-back occurred in 2004-05.

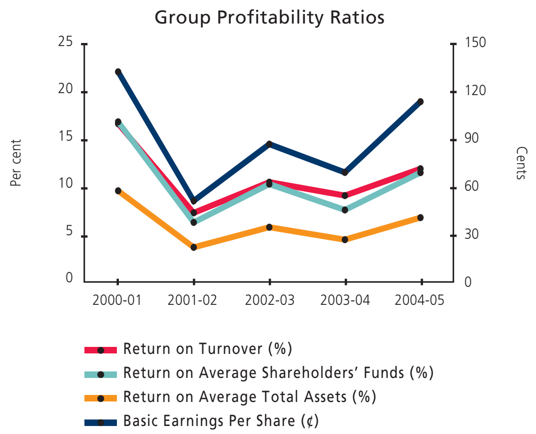
The Group's earnings per share (basic) rose 44.3 cents to 114.0 cents.

Profitability ratios of the Group are as follows:

	2004-05 %	2003-04 %	Change % points
Return on turnover	12.0	9.2	+ 2.8
Return on average total assets	6.9	4.6	+ 2.3
Return on average shareholders' funds	11.6	7.7	+ 3.9







Financial Review

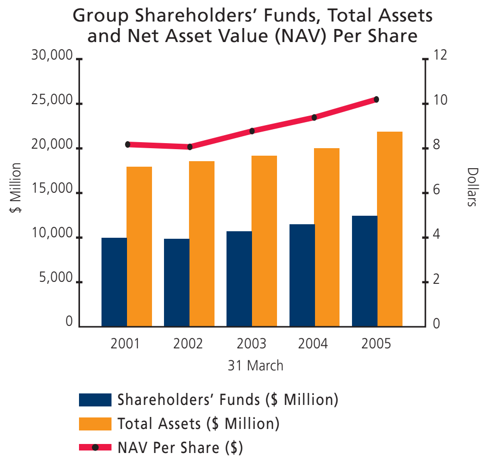
Performance of the Group (continued)

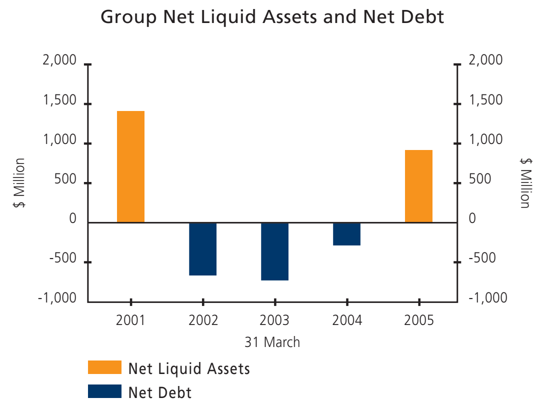
Financial Position of the Group

The Group's total assets stood at $21,840 million as at 31 March 2005, up 9.3 per cent from a year ago. Net asset value per share improved 8.6 per cent to $10.21.

Shareholders' funds of the Group increased 8.6 per cent to $12,436 million as at 31 March 2005.

The Group returned to a net liquid asset [R1] position of $923 million from a net debt position of $277 million a year ago. The turnaround came mainly from a stronger cash position (+$1,322 million), partially offset by the issuance of five-year fixed rate notes in September 2004 by SATS Group (-$200 million). Total debt to equity ratio improved 0.01 times to 0.19 times.

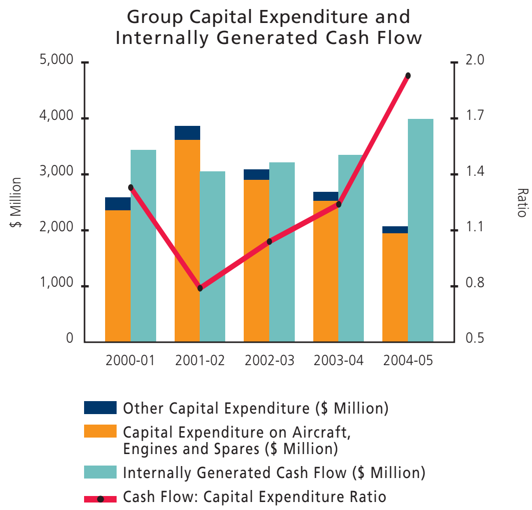




R1 *Net liquid asset is defined as the sum of cash and bank balance (net of bank overdraft), investments in financial instruments, loans to 3rd parties, less finance lease commitments, loans and fixed rate notes issued.*

Capital Expenditure and Cash Flow of the Group

Capital expenditure was $2,068 million, 23.2 per cent lower than the year before. Internally generated cash flow of $3,990 million was 1.93 times capital expenditure. 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 2005 and 2008.



Performance of the Group (continued)

Statement of Value Added and its Distribution ($ million)

	2004-05	2003-04	2002-03	2001-02	2000-01
Total revenue	12,012.9	9,761.9	10,515.0	9,382.8	9,852.2
Less: Purchase of goods and services	(7,030.7)	(5,931.8)	(6,462.4)	(5,709.6)	(5,345.6)
	4,982.2	3,830.1	4,052.6	3,673.2	4,506.6
Add: Interest income	52.7	32.5	33.7	52.0	86.0
Surplus on disposal of aircraft, spares and spare engines	215.2	102.7	144.9	66.0	181.3
Surplus on disposal of other fixed assets	8.7	5.5	1.2	2.9	2.4
Dividends from long-term investments, gross	8.0	3.6	5.2	5.7	7.7
Provision for diminution in value of long-term investments	(0.1)	(1.8)	(9.4)	(1.1)	(20.5)
Amortisation of goodwill on consolidation	(0.1)	(0.1)	–	–	–
Amortisation of deferred gain	1.3	1.6	–	–	–
Share of profits of joint venture companies	12.5	6.4	14.5	20.5	27.0
Share of profits/(losses) of associated companies	203.7	86.3	123.8	(71.3)	81.7
Staff compensation and restructuring of operations	(37.8)	(41.4)	–	–	–
Surplus on liquidation of Abacus Distribution Systems Pte Ltd	–	9.2	–	–	–
Surplus on disposal of Aviation Software Distribution Consultancy India Limited	–	1.1	–	–	–
Provision for diminution in value of Air New Zealand Limited	–	–	–	(266.9)	–
Profit on sale of Equant N.V.	–	–	–	30.2	–
Ex-gratia bonus payment	–	–	–	–	(134.6)
Surplus on disposal of long-term investments	87.3	–	–	4.4	3.0
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
Total value added available for distribution	5,533.6	4,035.7	4,367.0	3,718.2	5,180.7
Applied as follows:					
To employees					
– Salaries and other staff costs	2,418.1	1,969.5	2,245.2	1,779.2	2,093.4
To government					
– Corporation taxes	387.3	130.3	135.3	233.8	242.4
To suppliers of capital					
– Interim and proposed dividends	487.4	304.5	166.6	152.3	321.1
– Finance charges	77.5	65.1	54.7	44.0	37.5
– Minority interests	52.8	46.0	54.5	60.1	37.5
Retained for future capital requirements					
– Depreciation	1,208.6	1,180.2	1,090.3	969.4	1,145.1
– Retained profit [R1]	901.9	340.1	620.4	479.4	1,303.7
Total value added	5,533.6	4,035.7	4,367.0	3,718.2	5,180.7
Value added per $ revenue ($)	0.46	0.41	0.42	0.40	0.53
Value added per $ employment cost ($)	2.29	2.05	1.95	2.09	2.47
Value added per $ investment in fixed assets ($)	0.23	0.17	0.19	0.18	0.28

[R1] *Retained profit excludes tax write-back as a result of the reduction in statutory tax rate of $204.7 million and $277.8 million for 2003-04 and 2002-03 respectively. If tax write-back were included, retained profit for 2003-04 and 2002-03 would be $544.8 million and $898.2 million respectively.*

Value added is a measure of wealth created. The statement above shows the Group's value added from 2000-01 to 2004-05 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.

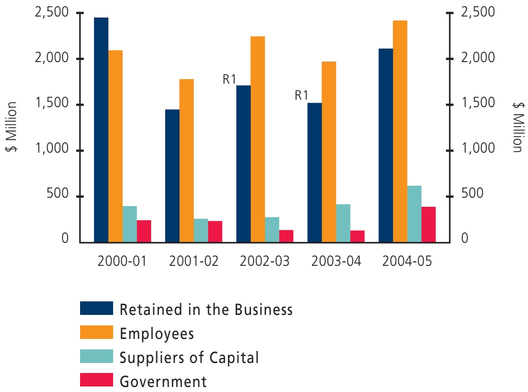
Performance of the Group (continued)

Value Added

Total value added for 2004-05 improved 37.1 per cent (+$1,498 million) to $5,534 million. The increase was mainly attributable to higher revenue (+$2,251 million), higher share of profits of associated and joint venture companies (+$124 million), higher surplus on disposal of aircraft, spares and spare engines (+$113 million) and surplus on sale of long-term investments (+$87 million), partially offset by higher purchase of goods and services (-$1,099 million).

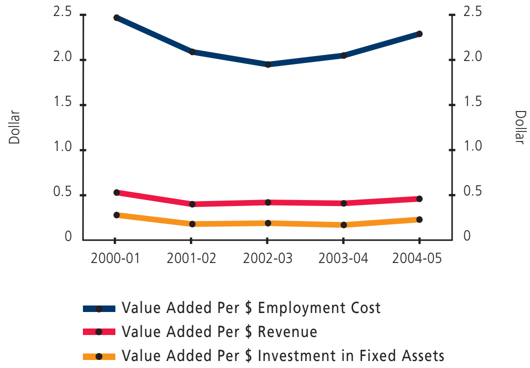
Payroll and other staff cost accounted for 43.7 per cent of the value added, 5.1 percentage points lower than the previous year. $487 million (8.8 per cent) of the value added was for distribution to shareholders, $78 million (1.4 per cent) for finance charges, and $53 million (1.0 per cent) belonged to minority interests. $2,111 million was retained for future capital requirements.

Group Value Added Distribution

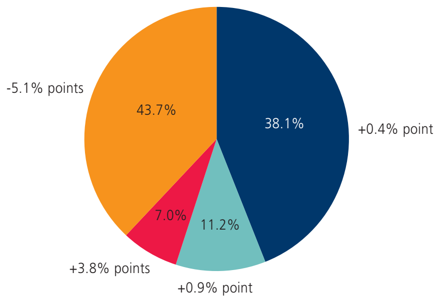


R1 *Excludes write-back of prior year's tax liabilities of $204.7 million and $277.8 million for 2003-04 and 2002-03 respectively arising from reduction in statutory tax rate.*

Group Value Added Productivity Ratios



Group Valued Added Distribution 2004-05



	Total Value Added $million	Distribution %
Retained in the Business	2,111	38.1
Suppliers of Capital	618	11.2
Government	387	7.0
Employees	2,418	43.7

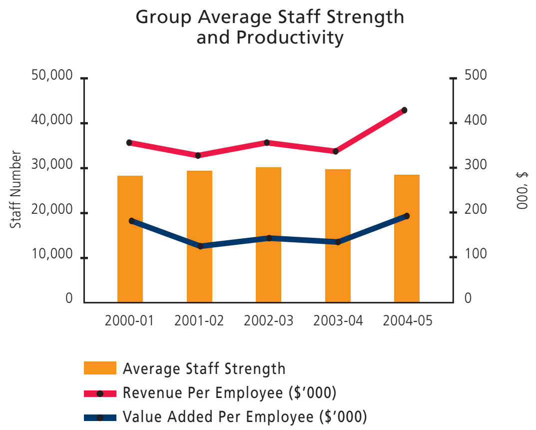
Performance of the Group (continued)

Group Average Staff Strength and Productivity
The Group's average staff strength fell by 1,180 to 28,554 employees. A breakdown is as follows:

	2004-05	2003-04	% Change
SIA	13,572	14,010	– 3.1
SATS Group	8,582	9,447	– 9.2
SIAEC Group	4,663	4,652	+ 0.2
SIA Cargo	819	731	+ 12.0
SilkAir	612	570	+ 7.4
Others	306	324	– 5.6
	28,554	29,734	– 4.0

Average staff productivity are as follows:

	2004-05	2003-04	% Change
Revenue per employee ($)	420,708	328,308	+ 28.1
Value added per employee ($)	193,794	135,727	+ 42.8



Financial Review

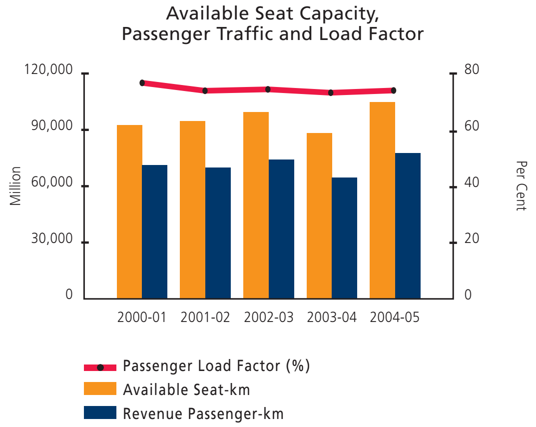
Performance of the Company

Operating Performance

	2004-05	2003-04	% Change
Passengers carried (thousand)	15,944	13,278	+ 20.1
Available seat-km (million)	104,662.3	88,252.7	+ 18.6
Revenue passenger-km (million)	77,593.7	64,685.2	+ 20.0
Passenger load factor (%)	74.1	73.3	+ 0.8 point
Passenger yield (cents/pkm)	10.1	9.2	+ 9.8
Passenger unit cost (cents/ask)	7.0	6.7	+ 4.5
Passenger breakeven load factor (%)	69.3	72.8	– 3.5 points

The improvement in passenger yield was due to higher local currency yield, improved passenger mix, imposition of fuel surcharge from June 2004 and a weaker Singapore dollar (SGD).

The spread between passenger load factor and breakeven load factor widened to 4.8 percentage points in 2004-05 from 0.5 percentage point the year before.



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

	By Route Region [R1] (2004-05 against 2003-04) Passengers carried Change (thousand)	Passenger KM % Change	Available Seat KM % Change
East Asia	+2,056	+ 32.1	+ 29.3
Americas	– 344	+ 19.2	+ 14.2
Europe	+ 410	+ 15.2	+ 12.2
South West Pacific	+ 309	+ 14.2	+ 15.7
West Asia and Africa	+ 235	+ 19.3	+ 24.0
Systemwide	+2,666	+ 20.0	+ 18.6

[R1] *Each route region comprises routes originating from Singapore to final destinations in countries within the region concerned and vice versa. For example, Singapore-Hong Kong-San Francisco-Hong Kong-Singapore route is classified under Americas region. East Asia covers Brunei, Hong Kong SAR, Indonesia, Japan, South Korea, Malaysia, People's Republic of China, Philippines, Thailand, Taiwan and Vietnam. Americas comprises Canada and USA. Europe covers Denmark, England, France, Germany, Greece, Italy, Spain (ceased operation from 31 October 2004), Switzerland and The Netherlands. South West Pacific covers Australia and New Zealand. West Asia and Africa are made up of Bangladesh, India, Maldives, Saudi Arabia, South Africa, Sri Lanka, Turkey, United Arab Emirates, Egypt and Mauritius (ceased operation from 13 April 2003).*

Performance of the Company (continued)

Operating Performance (continued)

	Passenger Load Factor (%) 2004-05	2003-04	Change (% points)
East Asia	67.7	66.3	+ 1.4
Americas	77.3	74.0	+ 3.3
Europe	78.1	76.1	+ 2.0
South West Pacific	77.0	78.0	– 1.0
West Asia and Africa	69.7	72.5	– 2.8
Systemwide	74.1	73.3	+ 0.8

Passenger Load Factor by Route Region

Earnings

	2004-05 $ million	2003-04 $ million	% Change
Revenue	9,260.1	7,187.6	+ 28.8
Expenditure	(8,536.7)	(7,037.4)	+ 21.3
Operating Profit	723.4	150.2	n.m.
Finance charges	(59.7)	(56.4)	+ 5.9
Interest income	50.4	33.1	+ 52.3
Surplus on disposal of aircraft, spares and spare engines	176.7	100.1	+ 76.5
Surplus on disposal of other fixed assets	7.9	4.7	+ 68.1
Dividends from subsidiary and associated companies, gross	636.4	118.9	n.m.
Dividends from long-term investments, gross	2.5	2.5	–
Provision for diminution in value of investments	(11.0)	(8.5)	+ 29.4
Profit before exceptional items	1,526.6	344.6	n.m.
Exceptional items	69.3	(16.2)	n.m.
Profit before taxation	1,595.9	328.4	n.m.
Taxation expense	(286.8)	(63.5)	n.m.
Adjustment for reduction in Singapore statutory tax rate	–	164.4	n.m.
Profit after taxation	1,309.1	429.3	n.m.

n.m. not meaningful

Performance of the Company (continued)

Revenue
The Company's revenue increased 28.8 per cent to $9,260 million as follows:

	2004-05 $ million	2003-04 $ million	% Change
Passenger revenue	7,664.9	5,988.0	+ 28.0
Excess baggage revenue	24.8	21.5	+ 15.3
Non-scheduled services	10.5	12.0	– 12.5
Bellyhold revenue from SIA Cargo	919.1	750.8	+ 22.4
Direct operating revenue	8,619.3	6,772.3	+ 27.3
Indirect operating revenue	640.8	415.3	+ 54.3
Total operating revenue	9,260.1	7,187.6	+ 28.8

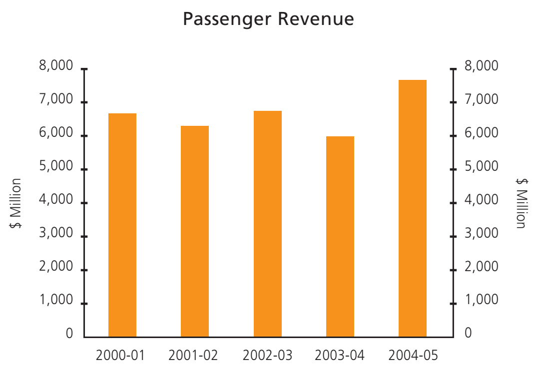
The increase in passenger revenue was the result of:

	$ million	$ million
20.0% increase in passenger traffic:		
18.6% increase in seat capacity	+1,117.4	
0.8% point increase in passenger load factor	+ 84.1	+ 1,201.5
7.6% increase in passenger yield (excluding fuel surcharge):		
Change in passenger mix	+ 96.3	
Weaker SGD	+ 82.8	
Higher local currency yields	+ 296.3	+ 475.4
Increase in revenue		+ 1,676.9

Indirect operating revenue increased 54.3 per cent to $641 million. This was mainly due to imposition of fuel surcharge from June 2004, higher income from lease of aircraft, higher collection of insurance and security charges resulting from more passengers carried, and higher pool revenue from SIA Cargo because of increased bellyhold capacity. SIA's bellyhold revenue increased 22.4 per cent to $919 million due to higher net bellyhold capacity (+21.6%) because of increased passenger operations. (Bellyhold cargo revenue and excess baggage revenue are pooled and shared, with SIA taking 10 per cent and SIA Cargo 90 per cent in accordance with the agreement between the two companies).

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 and seat capacity remain constant	103
1.0% change in passenger yield, if passenger traffic remains constant	77



Performance of the Company (continued)

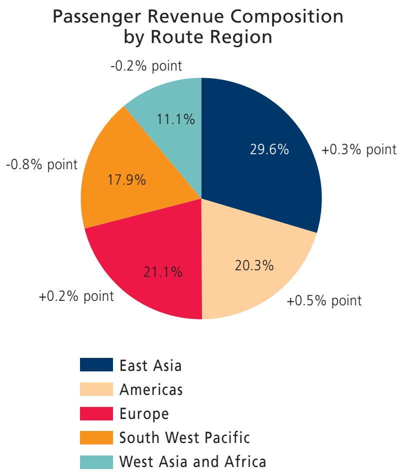
Revenue (continued)

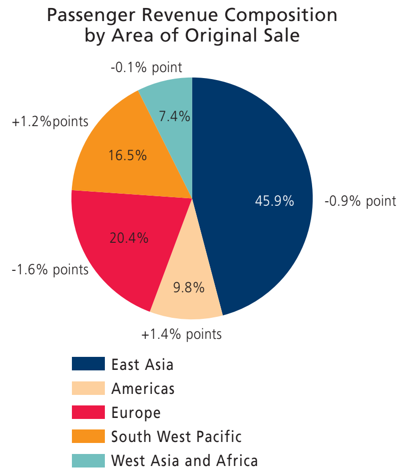
A breakdown of passenger revenue [R1] by route region and area of original sale is shown below:

	By Route Region ($ million)			By Area of Original Sale[R2] ($ million)		
	2004-05	2003-04	% Change	2004-05	2003-04	% Change
East Asia	2,276.0	1,766.0	+ 28.9	3,534.6	2,810.4	+ 25.8
Americas	1,559.4	1,190.4	+ 31.0	751.1	506.3	+ 48.4
Europe	1,621.1	1,254.3	+ 29.2	1,568.9	1,322.8	+ 18.6
South West Pacific	1,379.5	1,122.4	+ 22.9	1,266.4	919.3	+ 37.8
West Asia and Africa	853.7	676.4	+ 26.2	568.7	450.7	+ 26.2
Systemwide	7,689.7	6,009.5	+ 28.0	7,689.7	6,009.5	+ 28.0

R1 *Includes excess baggage revenue.*

R2 *Each area of original sale comprises countries within a region from which the sale is made.*





Performance of the Company (continued)

Expenditure

The Company's expenditure for 2004-05 increased 21.3 per cent from a year ago, to $8,537 million as follows:

	2004-05 $ million	2004-05 %	2003-04 $ million	2003-04 %	Change $ million	Change %
Fuel costs	2,148.1	25.2	1,415.7	20.1	+ 732.4	+ 51.7
Staff costs	1,526.4	17.9	1,226.5	17.4	+ 299.9	+ 24.5
Depreciation	903.5	10.6	928.2	13.2	– 24.7	– 2.7
Aircraft maintenance and overhaul costs	733.4	8.6	760.2	10.8	– 26.8	– 3.5
Handling charges	721.4	8.5	627.7	8.9	+ 93.7	+ 14.9
Sales costs [R1]	669.1	7.8	473.1	6.7	+ 196.0	+ 41.4
Inflight meals and other passenger costs	548.0	6.4	453.0	6.5	+ 95.0	+ 21.0
Airport and overflying charges	506.3	5.9	408.9	5.8	+ 97.4	+ 23.8
Rentals on leased aircraft	307.5	3.6	310.9	4.4	– 3.4	– 1.1
Communication and information technology costs [R2]	120.8	1.4	124.2	1.8	– 3.4	– 2.7
Other costs [R3]	352.2	4.1	309.0	4.4	+ 43.2	+ 14.0
	8,536.7	100.0	7,037.4	100.0	+1,499.3	+ 21.3

[R1] *Sales costs included commissions and incentives payable, frequent flyer programme costs, computer reservation system booking fees, advertising expenses and other sales costs.*

[R2] *Communication and information technology costs were for data transmission and contract service fees, hire of computer equipment, maintenance/rental of software, and information technology contract and professional fees.*

[R3] *Other costs mainly comprised crew expenses, company accommodation costs, exchange loss, comprehensive aviation insurance costs, airport lounge expenses, non-information technology contract and professional fees, expenses incurred to mount non-scheduled services, aircraft licence fees and recoveries.*

A breakdown of fuel cost is shown below:

	2004-05 $ million	2003-04 $ million	Change $ million
Fuel cost (before hedging)	2,451	1,463	+ 988
Fuel hedging (gain)/loss	(303)	(47)	– 256
Fuel cost (net)	2,148	1,416	+ 732

Expenditure on fuel was $732 million higher because of:

	$ million
19.8% increase in volume uplifted from 938.29 M AG to 1,124.27 M AG	+ 290
44.0% increase in weighted average fuel price from 90.25 US¢/AG to 129.95 US¢/AG	+ 771
2.9% weakening of USD against SGD from US$1=S$1.728 to US$1=S$1.678	– 73
	+ 988
Higher hedging gain	– 256
	+ 732

Performance of the Company (continued)

Expenditure (continued)
Staff costs increased $300 million mainly due to higher provision for profit-sharing bonus this year (4 months' salary versus 2.05 months' salary last year).

Depreciation charges decreased $25 million mainly due to (i) impairment charge of aircraft spares and A310-300 fleet in the previous year; (ii) the full year's impact of trade-in of three A340-300, four A310-300 and two B747-400 aircraft, and sale and leaseback of one B747-400 and one B777-300 aircraft last year; and (iii) sale of four B747-400 aircraft, trade-in of two B747-400 and one A310-300 aircraft, and sale and leaseback of two B777-200ER and one B777-300 aircraft during the year. The decrease was partially offset by (i) the commissioning of two B777-200, three B777-300 and two A340-500 aircraft during the year; and (ii) the full year's impact of five B777-200A, one B777-200, one B777-200ER and three A340-500 aircraft commissioned in the previous year.

Aircraft maintenance and overhaul (AMO) costs fell $27 million. The reduction was mainly due to concerted efforts in optimising maintenance work at reduced cost as well as reduced maintenance activities for the A310-300 non-operating aircraft.

Handling costs, at $721 million, was 14.9 per cent more than last year due to the increase in the number of flights operated.

Sales costs increased $196 million from the year before, mainly due to (i) more agents qualifying for higher incentive payments compared to the previous year, when many failed to meet sales targets due to the after-effects of Severe Acute Respiratory Syndrome (SARS); (ii) higher computer reservation systems booking fees as more bookings were made; and (iii) more advertising and sales promotion activities.

Inflight meals and other passenger costs rose $95 million as a result of more passengers carried (+20.1 per cent).

Airport and overflying charges were $97 million higher compared to last year. The increase came from an increase in the number of flights operated and higher rates mainly due to cessation of discount on landing fees at Changi Airport after December 2003.

Rentals on leased aircraft decreased $3 million mainly because of (i) completion of the leases for three B747-400 aircraft during the year; and (ii) a weaker US dollar (USD). The decrease was partially offset by (i) additional sale and leaseback of one B777-300 and two B777-200ER aircraft during the year; (ii) the full year's impact of sale and leaseback of one B747-400 and one B777-300 aircraft last year; and (iii) higher lease rentals for three B747-400 aircraft as structured under the lease agreements.

Communication and information technology costs decreased by $3 million due to lower (i) software and equipment maintenance cost; (ii) data transmission costs; and (iii) hire charges for computer equipment, partially offset by higher information technology professional and contract fees.

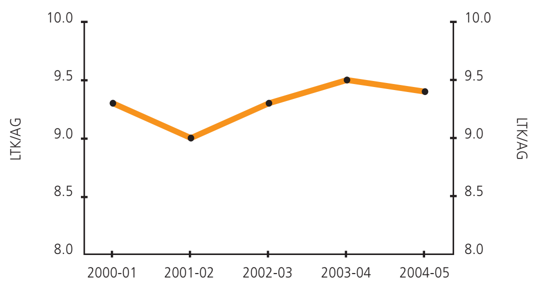
Other costs increased by $43 million. This was largely due to higher foreign exchange hedging and revaluation loss.

Fuel Productivity and Sensitivity Analysis
Fuel productivity as measured by load tonne-km per American gallon (ltk/AG) decreased by 1.3% over the previous year to 9.35 ltk/AG as a result of changes in network and fleet composition.

A change in fuel productivity (passenger aircraft) of 1.0 per cent would impact the Company's annual fuel costs by about $24 million, before accounting for changes in fuel price, USD exchange rate and flying operations.

A change in price of one US cent per American gallon affects the Company's annual fuel costs by about $19 million, before accounting for USD exchange rate movements, and changes in volume of fuel consumed.

Fuel Productivity of Passenger Fleet



Performance of the Company (continued)

Finance Charges
Finance charges increased 5.9 per cent due mainly to higher interest rates on lease liabilities.

Interest income was 52.3 per cent higher due mainly to an increase in income from deposits.

Surplus on Disposal of Aircraft, Spares and Spare Engines
Surplus on the disposal of aircraft, spares and spare engines was $77 million higher than the year before benefiting from a stronger market. During the year, four B747-400 aircraft were sold, two B747-400 and one A310-300 aircraft were traded-in, and two B777-200ER and one B777-300 aircraft were sold and leased back.

Gross Dividends from Subsidiary and Associated Companies
Gross dividends from subsidiary and associated companies increased by $518 million. Higher dividends were received from Singapore Airport Terminal Services (+$331 million), SIA Engineering Company (+$183 million), Virgin Atlantic Limited (+$2 million) and Service Quality Centre (+$1 million). Unlike last year, $3 million was received from Asia Leasing (+$3 million) but no dividend was received from SIA Properties (-$2 million).

Provision for Diminution in Value of Investments
The $11 million provision for diminution in value of investments pertained to investments in Asia Leasing and AeroXchange.

Exceptional Items
Exceptional items comprised surplus on sale of investment in Air New Zealand (+$46 million) and Raffles Holdings (+$32 million), and staff compensation arising from the restructuring of operations (-$9 million).

Taxation
There was a tax charge of $287 million, comprising current tax charge of $77 million and deferred tax provision of $210 million. As at 31 March 2005, the company's deferred taxation account stood at $1,952 million.

Average Staff Strength and Productivity
The Company's average staff strength was 13,572, a decrease of 438 over the previous year. The distribution of employee strength by category and location is as follows:

	2004-05	2003-04	% Change
Category			
Senior staff (administrative and higher ranking officers)	1,265	1,368	– 7.5
Technical crew	1,912	1,873	+ 2.1
Cabin crew	6,637	6,678	– 0.6
Other ground staff	3,758	4,091	– 8.1
	13,572	14,010	– 3.1
Location			
Singapore	11,261	11,545	– 2.5
East Asia	1,001	1,064	– 5.9
Europe	460	508	– 9.4
South West Pacific	364	372	– 2.2
West Asia and Africa	247	259	– 4.6
Americas	239	262	– 8.8
	13,572	14,010	– 3.1

Performance of the Company (continued)

Average Staff Strength and Productivity (continued)

The Company's average staff productivity rates are shown below:

	2004-05	2003-04	% Change
Seat capacity per employee (seat-km)	7,711,634	6,299,265	+ 22.4
Passenger load carried per employee (tonne-km)	549,904	448,513	+ 22.6
Revenue per employee ($)	682,294	513,034	+ 33.0
Value added per employee ($)	301,024	179,272	+ 67.9

Issued Share Capital and Share Options

There was no buyback of the Company's shares during the financial year.

On 1 July 2004, the Company made a sixth grant of share options to employees. Staff accepted 12,879,325 share options to be exercised between 1 July 2005 and 30 June 2014.

During the year, 95,024 share options were exercised by employees. As at 31 March 2005, there were 74,338,615 unexercised employee share options.

Performance of Subsidiary Companies

There were 25 subsidiary companies in the SIA Group as at 31 March 2005. 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 performance review includes intra-Group transactions.

Singapore Airport Terminal Services Group

	2004-05 $ million	2003-04 $ million	% Change
Total revenue	975.7	868.7	+ 12.3
Total expenditure	775.5	677.9	+ 14.4
Operating profit	200.2	190.8	+ 4.9
Profit after taxation	174.1	189.6	– 8.2

SATS Group's operating profit increased $9 million (+4.9 per cent) to $200 million. Profit before tax increased $6 million (+2.6 per cent) to $223 million despite an exceptional item of $29 million for the one-time cost of restructuring exercise in September 2004. Profit attributable to shareholders however, fell $16 million to 174 million mainly because of a $21 million tax write-back in financial year 2003-04.

SATS Group's operating revenue for the current financial year was $976 million, an increase of 12.3 per cent over the last financial year due primarily to higher business volumes, after the outbreak of SARS in the first quarter of the previous financial year.

Revenue from ground handling, which constituted 44.9 per cent of the total SATS Group's revenue, increased 4.8 per cent from $418 million to $438 million because of more flights and higher cargo volume handled in the current financial year. Revenue from inflight catering, which constituted 43.4 per cent of the total SATS Group's revenue, went up 18.6 per cent from $367 million to $423 million because of a 19.3 per cent increase in the volume of inflight meals uplifted compared to the previous financial year. Revenue from aviation security services and other services increased 22.5 per cent and 20.9 per cent respectively.

Operating expenditure increased $98 million (+14.4 per cent) to $776 million for the financial year ended 31 March 2005 mainly from higher staff costs and raw material costs. Staff costs increased $61 million (+16.6 per cent) due to higher profit-sharing bonus in FY2004-05 (+$26 million), higher overtime and allowances due to increase in business volume (+$14 million), service increment from October 2004 (+$5 million), and higher contract labour costs (+$21 million) due to higher workload.

Cost of raw materials increased $24 million or 35.6 per cent to $90 million as a result of higher number of meals produced and higher prices of raw materials as a result of the outbreak of Avian flu and the Bovine Spongiform Encephalopathy (BSE) induced ban on US beef in late 2003. In addition, better quality and more expensive ingredients used by airlines also contributed to the increase in the cost of raw materials.

Performance of Subsidiary Companies (continued)

Singapore Airport Terminal Services Group (continued)
Profit contribution from overseas through associated companies, which represents 20.0 per cent of the SATS Group's profit before tax and exceptional item, increased 49.4 per cent to $51 million for the financial year ended 31 March 2005, mainly from the doubling of equity stake in Asia Airfreight Terminal, and improved profits from the China and Vietnam associated companies.

The SATS Group's shareholders' funds was $1,068 million (-13.0 per cent) as at 31 March 2005. This was after payment of special and final dividends for FY2003-04 of $302 million and $41 million respectively in August 2004, and interim dividend for FY2004-05 of $25 million in November 2004. Return on average shareholders' funds at 15.1 per cent, was 1.3 percentage points lower than FY2003-04.

Basic earnings per share declined 1.9 cents to 17.0 cents, while net asset value per share dropped $0.18 to $1.04.

SIA Engineering Group

	2004-05 $ million	2003-04 $ million	% Change
Total revenue	807.5	678.7	+ 19.0
Total expenditure	702.0	599.8	+ 17.0
Operating profit	105.5	78.9	+ 33.7
Profit after taxation	175.4	140.0	+ 25.3

SIAEC Group's operating profit for the financial year 2004-05 was $106 million, up $27 million (+33.7 per cent) from last year. Revenue was $129 million (+19.0 per cent) higher at $808 million. The increase in revenue came mainly from the Company's core activities of airframe and component overhaul and line maintenance.

Expenditure rose $102 million (+17.0 per cent) to $702 million, primarily due to higher staff costs and material costs. Staff costs rose by $74 million (+25.9 per cent), mainly due to a higher provision for profit-sharing bonus and higher overtime costs. Material costs increased by $22 million (+12.0 per cent) in tandem with higher business volume.

Profit before tax rose 54.4 per cent (+$70 million) boosted by gain on sale of a long-term investment, dividend income received from an investee company and improved performance of SIAEC Group's associated and joint venture companies. Share of profits from associated and joint venture companies, which grew by $27 million (+54.7 per cent), represented 37.9 per cent of SIAEC Group's pre-tax profits.

Shareholders' funds decreased 7.3 per cent to $859 million for the financial year ended 31 March 2005. This was mainly due to the payment of $227 million in August 2004 for the final and special dividends declared in respect of the previous financial year. Net asset per share declined 7.7 cents to 84.4 cents. Return on average shareholders' funds was 19.6 per cent, an increase of 3.7 percentage points from 2003-04. Basic earnings per share rose 23.6 per cent to 17.3 cents.

Singapore Airlines Cargo

	2004-05 $ million	2003-04 [R1] $ million	% Change
Total revenue	2,864.5	2,402.0	+ 19.3
Total expenditure	2,602.0	2,200.4	+ 18.3
Operating profit	262.5	201.6	+ 30.2
Profit after taxation	183.8	175.9	+ 4.5

[R1] *Revenue, expenditure, yield and unit cost for 2003-04 are restated to reflect the change in the basis of reporting cargo revenue. Previously, commissions were computed based on published rates for both gross and net sales, which formed part of cargo revenue. Correspondingly, the commissions were shown as an operating expenditure item under commissions and incentives. In line with industry practice, in FY2004-05, only commissions on gross sales are included as cargo revenue, while net sales are reported net of commissions. This change in reporting is more reflective of the revenue generated and the values that are billed to the agents. This change does not have any impact on the operating profit.*

Performance of Subsidiary Companies (continued)

Singapore Airlines Cargo (continued)
SIA Cargo generated an operating profit of $263 million, 30.2 per cent higher (+$61 million) from a year ago. Higher revenue (+$463 million) from increased loads (+8.6 per cent) and yield improvement (+8.5 per cent), and cost management contributed to the strong operating performance. Profit after taxation was $184 million, after accounting for net interest costs of $20 million and provision for tax of $62 million. Higher provision for tax and nil tax write-back this financial year (there was a $27 million tax write-back due to reduction in the Singapore statutory tax rate last year) diluted the increase in profit after tax (+4.5%).

Expenditure rose 18.3% (+$402 million) more than the 13.7% growth in capacity due mainly to significantly higher fuel costs (+$128 million) and increased staff costs (+$33 million).

Load factor fell to 63.5 per cent (-3.0 percentage points) as load increase fell short of the 13.7% capacity increase. However, breakeven load factor improved by 2.9 percentage points to 59.3 per cent due to the significant yield increase.

Shareholders' funds as at 31 March 2005 stood at $1,787 million, while total assets reached $3,415 million.

During the year, SIA Cargo expanded its operating fleet by one B747-400 freighter to a total of 14 B747-400 freighters.

Capital expenditure for the year of $359 million was primarily for the delivery payment for one B747-400 freighter and progress payments for firm aircraft orders.

SilkAir

	2004-05 $ million	2003-04 $ million	% Change
Total revenue	294.2	226.8	+ 29.7
Total expenditure	270.6	210.8	+ 28.4
Operating profit	23.6	16.0	+ 47.5
Profit after taxation	30.6	15.7	+ 94.9

SilkAir's revenue grew $67 million (+29.7 per cent) to $294 million as a result of increased load (+28.0 per cent) and better yield (+2.1 per cent). The increase in expenditure (+$60 million) was mainly due to higher fuel costs, payroll costs, handling charges, and airport charges. As a result, operating profit improved by 47.5 per cent (+$8 million). Surplus on disposal of aircraft, spares and other fixed assets ($16 million) also contributed to the 94.9 per cent increase in profit after tax.

Unit cost rose 1.5 per cent to 66.7 cents/ctk. Yield improved 2.1 per cent to 134.4 cents/ltk. Consequently, breakeven load factor was slightly better by 0.3 percentage point at 49.6 per cent.

Shareholders' funds was $357 million (+9.4 per cent) at 31 March 2005.

Capital expenditure for the year of $73 million was mainly for delivery payment for one A320 aircraft, and pre-delivery payments for two A320 and two A319 aircraft, scheduled for delivery between 2005 to 2007.

SilkAir's route network spanned 25 cities in 10 Asian countries. During the financial year, SilkAir added 3 new destinations – Chongqing (China), Da Nang (Vietnam), and Kuching (Malaysia), and terminated its service to Macau and Krabi. Flight frequencies to Phuket and China destinations were reduced, and operations to Padang were suspended as a result of the adverse impact of the Asia tsunami. The airline plans to increase flight frequencies to Phuket, Davao, Kochi, Manado and Yangon, and resume its twice-weekly service to Padang in 2005-06.

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 2005.

1 Directors of the Company

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

Koh Boon Hwee – Chairman
Chew Choon Seng – Chief Executive Officer (Executive)
Charles B Goode (Independent)
Chia Pei-Yuan (Independent)
Davinder Singh (Independent)
Fock Siew Wah
Ho Kwon Ping (Independent)
Sir Brian Pitman (Independent)
Stephen Lee Ching Yen (Independent) (appointed on 26 April 2004)

2 Arrangements to Enable Directors to Acquire Shares and Debentures

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

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

The following directors who held office at the end of the financial year have, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in the ordinary shares, share options and debentures of the Company, and of related companies (other than wholly-owned subsidiary companies):

	Direct interest			Deemed interest		
Name of Director	1.4.2004/ date of appointment	31.3.2005	21.4.2005	1.4.2004/ date of appointment	31.3.2005	21.4.2005
Interest in Singapore Airlines Limited						
Ordinary shares of $0.50 each						
Chew Choon Seng	214,000	214,000	214,000	–	–	–
Charles B Goode	–	–	–	50,000	50,000	50,000
Stephen Lee Ching Yen	10,000	10,000	10,000	–	–	–
Options to subscribe for ordinary shares of $0.50 each						
Chew Choon Seng	606,000	834,000	834,000	–	–	–
Interest in SIA Engineering Company Limited						
Ordinary shares of $0.10 each						
Chew Choon Seng	20,000	20,000	20,000	–	–	–
Interest in Singapore Airport Terminal Services Limited						
Ordinary shares of $0.10 each						
Chew Choon Seng	10,000	10,000	10,000	–	–	–

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

	Direct interest			Deemed interest		
Name of Director	1.4.2004/ date of appointment	31.3.2005	21.4.2005	1.4.2004/ date of appointment	31.3.2005	21.4.2005
Interest in Singapore Telecommunications Limited						
Ordinary shares of $0.15 each						
Koh Boon Hwee	31,880	29,603	29,603	1,740	1,620	1,620
Chew Choon Seng	11,880	11,040	11,040	–	–	–
Fock Siew Wah	1,740	1,620	1,620	1,740	1,620	1,620
Charles B Goode	10,660	–	–	288,403	15,420	15,420
Ho Kwon Ping	1,820	1,690	1,690	1,540	1,430	1,430
Davinder Singh	2,020	1,890	1,890	1,540	1,430	1,430
Stephen Lee Ching Yen	200	190	190	–	–	–
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	–	–	–
Interest in Neptune Oriental Lines Limited						
Ordinary shares of $1.00 each						
Stephen Lee Ching Yen	30,000	30,000	30,000	–	–	–

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

4 Directors' Contractual Benefits

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

5 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 Singapore Exchange Securities Trading Limited ("SGX-ST") for the five market days immediately preceding the date of grant.

5 Options on Shares in the Company (continued)

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 Organisation Committee which administers the Plan comprises the following directors:

Koh Boon Hwee – Chairman
Fock Siew Wah
Sir Brian Pitman
Stephen Lee Ching Yen (appointed to the Committee on 14 May 2004)

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 12,879,325 unissued shares of $0.50 each in the Company at an exercise price of $10.70 per share.

At the end of the financial year, options to take up 74,338,615 unissued shares of $0.50 each in the Company were outstanding:

	Number of options to subscribe for unissued ordinary shares of $0.50 each					
Date of grant	Balance at 1.4.2004/later date of grant	Cancelled	Exercised	Balance at 31.3.2005	Exercise price	Exercisable period
28.3.2000	12,842,210	(318,200)	–	12,524,010	$15.34	28.3.2001 – 27.3.2010
3.7.2000	11,640,470	(266,250)	–	11,374,220	$16.65	3.7.2001 – 2.7.2010
2.7.2001	12,890,585	(352,585)	(9,700)	12,528,300	$11.96	2.7.2002 – 1.7.2011
1.7.2002	13,356,527	(397,195)	–	12,959,332	$12.82	1.7.2003 – 30.6.2012
1.7.2003	12,742,035	(358,893)	(85,324)	12,297,818	$10.34	1.7.2004 – 30.6.2013
1.7.2004	12,879,325	(224,390)	–	12,654,935	$10.70	1.7.2005 – 30.6.2014
	76,351,152	(1,917,513)	(95,024)	74,338,615		

5 Options on Shares in the Company (continued)

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

Name of participant	Options granted during financial year under review	Exercise price for options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding at end of financial year under review
Chew Choon Seng	228,000	$10.70	834,000	–	–	834,000

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 16,329,600 unissued shares of $0.10 each in SATS at an exercise price of $2.09 per share.

At the end of the financial year, options to take up 62,756,850 unissued shares of $0.10 each in SATS were outstanding:

	Number of options to subscribe for unissued ordinary shares of $0.10 each					
Date of grant	Balance at 1.4.2004/later date of grant	Cancelled	Exercised	Balance at 31.3.2005	Exercise price*	Exercisable period
28.3.2000	17,487,100	(198,800)	–	17,288,300	$2.20	28.3.2001 – 27.3.2010
3.7.2000	13,500,050	(49,500)	(5,754,100)	7,696,450	$1.80	3.7.2001 – 2.7.2010
2.7.2001	9,039,850	(54,000)	(6,623,900)	2,361,950	$1.24	2.7.2002 – 1.7.2011
1.7.2002	14,818,700	(76,900)	(9,185,750)	5,556,050	$1.60	1.7.2003 – 30.6.2012
1.7.2003	14,065,600	(132,200)	(271,600)	13,661,800	$1.47	1.7.2004 – 30.6.2013
1.7.2004	16,329,600	(137,300)	–	16,192,300	$2.09	1.7.2005 – 30.6.2014
	85,240,900	(648,700)	(21,835,350)	62,756,850		

* At the extraordinary general meeting of SATS held on 20 July 2004, SATS' shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of existing options by SATS Committee administering the Plan, in the event of the declaration of a special dividend. At the same meeting, SATS' shareholders approved the declaration of a special dividend. The said Committee then approved a $0.30 reduction of the exercise prices of the outstanding share options. The exercise prices reflected here are the exercise prices after such adjustment.

(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 15,310,700 unissued shares of $0.10 each in SIAEC at an exercise price of $1.89 per share.

5 Options on Shares in the Company (continued)

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

At the end of the financial year, options to take up 63,709,775 unissued shares of $0.10 each in SIAEC were outstanding:

	Number of options to subscribe for unissued ordinary shares of $0.10 each					
Date of grant	Balance at 1.4.2004/later date of grant	Cancelled	Exercised	Balance at 31.3.2005	Exercise price*	Exercisable period
28.3.2000	14,443,950	(270,400)	(2,588,050)	11,585,500	$1.85	28.3.2001 – 27.3.2010
3.7.2000	13,459,050	(209,600)	(3,831,800)	9,417,650	$1.75	3.7.2001 – 2.7.2010
2.7.2001	11,137,100	(100,300)	(6,245,800)	4,791,000	$1.21	2.7.2002 – 1.7.2011
1.7.2002	16,169,700	(646,500)	(93,400)	15,429,800	$2.18	1.7.2003 – 30.6.2012
1.7.2003	7,427,300	(107,900)	(29,075)	7,290,325	$1.55	1.7.2004 – 30.6.2013
1.7.2004	15,310,700	(115,200)	–	15,195,500	$1.89	1.7.2005 – 30.6.2014
	77,947,800	(1,449,900)	(12,788,125)	63,709,775		

* At the extraordinary general meeting of SIAEC held on 26 July 2004, SIAEC's shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of the existing options by SIAEC Committee administering the Plan, in the event of the declaration of a special dividend. At the same meeting, SIAEC's shareholders approved the declaration of a special dividend. The said Committee then approved a $0.20 reduction of the exercise prices of the outstanding share options. The exercise prices reflected here are the exercise prices after such adjustment.

6 Audit and Risk Committee

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

7 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

CHEW CHOON SENG
Chief Executive Officer

Dated this 11th day of May 2005

Statement by the Directors Pursuant to Section 201(15)

We, Koh Boon Hwee and Chew Choon Seng, being two of the directors of Singapore Airlines Limited, do hereby state that in the opinion of the directors:

(i) the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2005, the changes in equity of the Group and of the Company, the results of the business and the cash flows of the Group 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

CHEW CHOON SENG
Chief Executive Officer

Dated this 11th day of May 2005

Auditors' Report

To the members of Singapore Airlines Limited

We have audited the accompanying financial statements of Singapore Airlines Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 107 for the year ended 31 March 2005. 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 consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2005, changes in equity of the Group and of the Company, the results and cash flows of the Group for the financial year ended on that date; and

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

ERNST & YOUNG
Certified Public Accountants

Dated this 11th day of May 2005
Singapore

Consolidated Profit and Loss Account

For the financial year ended 31 March 2005 (in $ million)

	Notes	The Group 2004-05	The Group 2003-04
REVENUE	4	12,012.9	9,761.9
EXPENDITURE			
Staff costs	5	2,418.1	1,969.5
Fuel costs		2,692.9	1,811.1
Depreciation	17	1,208.6	1,180.2
Provision for impairment of fixed assets		–	28.0
Aircraft maintenance and overhaul costs		597.9	610.7
Commission and incentives		445.2	590.3
Landing, parking and overflying charges		629.8	515.9
Handling charges		570.3	492.6
Rentals on leased aircraft		335.0	353.3
Material costs		293.1	247.7
Inflight meals		245.5	198.1
Advertising and sales costs		257.8	191.0
Insurance expenses		130.1	133.5
Company accommodation and utilities		157.9	150.8
Other passenger costs		118.0	105.6
Crew expenses		108.2	90.1
Other operating expenses		449.0	413.1
		10,657.4	9,081.5
OPERATING PROFIT	6	1,355.5	680.4
Finance charges	7	(77.5)	(65.1)
Interest income	8	52.7	32.5
Surplus on disposal of aircraft, spares and spare engines		215.2	102.7
Surplus on disposal of other fixed assets		8.7	5.5
Dividends from long-term investments, gross		8.0	3.6
Provision for diminution in value of long-term investments	22	(0.1)	(1.8)
Amortisation of goodwill on consolidation	18	(0.1)	(0.1)
Amortisation of deferred gain		1.3	1.6
Share of profits of joint venture companies	21	12.5	6.4
Share of profits of associated companies		203.7	86.3
PROFIT BEFORE EXCEPTIONAL ITEMS		1,779.9	852.0
Exceptional items	9	49.5	(31.1)
PROFIT BEFORE TAXATION		1,829.4	820.9
TAXATION	10		
Taxation expense		(387.3)	(130.3)
Adjustment for reduction in Singapore statutory tax rate		–	204.7
		(387.3)	74.4
PROFIT AFTER TAXATION		1,442.1	895.3
Minority interests		(52.8)	(46.0)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,389.3	849.3
BASIC EARNINGS PER SHARE (CENTS)	11	114.0	69.7
DILUTED EARNINGS PER SHARE (CENTS)	11	113.9	69.7

The notes on pages 70 to 107 form an integral part of these financial statements.

Balance Sheets

At 31 March 2005 (in $ million)

	Notes	The Group 2005	The Group 2004	The Company 2005	The Company 2004
SHARE CAPITAL					
Authorised	13	3,000.0	3,000.0	3,000.0	3,000.0
Issued and fully paid	13	609.1	609.1	609.1	609.1
RESERVES					
Distributable					
General reserve		11,263.7	10,282.6	10,687.7	9,805.0
Foreign currency translation reserve		8.8	19.8	–	–
Non-distributable					
Share premium		448.2	447.2	448.2	447.2
Capital redemption reserve		64.4	64.4	64.4	64.4
Capital reserve		41.9	32.0	–	–
		11,827.0	10,846.0	11,200.3	10,316.6
SHARE CAPITAL AND RESERVES		12,436.1	11,455.1	11,809.4	10,925.7
MINORITY INTERESTS		303.9	304.1	–	–
DEFERRED ACCOUNT	14	414.6	446.7	356.8	391.2
DEFERRED TAXATION	15	2,450.1	2,175.3	1,952.2	1,742.1
LONG-TERM LIABILITIES	16	2,333.3	2,207.2	1,449.5	1,457.0
		17,938.0	16,588.4	15,567.9	14,516.0
Represented by:					
FIXED ASSETS	17				
Aircraft, spares and spare engines		12,292.0	12,122.6	9,484.8	9,316.9
Land and buildings		993.1	1,017.9	316.1	338.9
Others		2,019.4	2,082.4	1,407.2	1,479.9
		15,304.5	15,222.9	11,208.1	11,135.7
GOODWILL ON CONSOLIDATION	18	1.3	1.4	–	–
SUBSIDIARY COMPANIES	19	–	–	1,935.8	1,936.5
ASSOCIATED COMPANIES	20	790.0	517.5	1,716.1	1,722.7
JOINT VENTURE COMPANIES	21	323.6	309.2	151.0	140.3
LONG-TERM INVESTMENTS	22	476.3	475.2	409.2	402.4
CURRENT ASSETS					
Section 44 tax prepayments		221.4	239.8	221.4	239.8
Stocks	23	442.5	403.4	368.8	356.7
Trade debtors	24	1,344.7	1,171.5	859.4	757.3
Amounts owing by associated companies	20	15.8	0.4	12.5	–
Investments	25	79.3	130.2	–	–
Cash and bank balances	26	2,840.2	1,518.5	2,509.1	1,090.6
		4,943.9	3,463.8	3,971.2	2,444.4
Less: **CURRENT LIABILITIES**					
Sales in advance of carriage		1,031.2	999.0	1,003.2	936.8
Deferred revenue		237.9	206.4	237.9	206.4
Current tax payable		156.2	181.7	72.0	105.0
Trade creditors	27	2,380.4	1,921.1	1,763.8	1,309.6
Amounts owing to subsidiary companies – net	19	–	–	722.3	686.8
Finance lease commitments-repayable within one year	16	44.1	41.5	–	–
Loans-repayable within one year	16	25.6	24.8	–	–
Bank overdrafts	28	26.2	27.1	24.3	21.4
		3,901.6	3,401.6	3,823.5	3,266.0
NET CURRENT ASSETS/(LIABILITIES)		1,042.3	62.2	147.7	(821.6)
		17,938.0	16,588.4	15,567.9	14,516.0

The notes on pages 70 to 107 form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 March 2005 (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 2003		609.1	447.2	64.4	7.7	41.3	9,539.1	10,708.8
Currency translation differences		–	–	–	–	(21.5)	–	(21.5)
Share of a joint venture company's capital reserve		–	–	–	1.4	–	–	1.4
Share of an associated company's capital reserve		–	–	–	22.9	–	–	22.9
Gain on dilution of interest in subsidiary companies due to share options exercised		–	–	–	–	–	3.8	3.8
Net gains and losses not recognised in the profit and loss account		–	–	–	24.3	(21.5)	3.8	6.6
Profit attributable to shareholders for the financial year		–	–	–	–	–	849.3	849.3
Dividends	12	–	–	–	–	–	(109.6)	(109.6)
Balance at 31 March 2004		609.1	447.2	64.4	32.0	19.8	10,282.6	11,455.1
Currency translation differences		–	–	–	–	(11.0)	–	(11.0)
Share options exercised	13	*	1.0	–	–	–	–	1.0
Share of a joint venture company's capital reserve	21	–	–	–	0.7	–	–	0.7
Share of an associated company's capital reserve	20	–	–	–	9.2	–	–	9.2
Gain on dilution of interest in subsidiary companies due to share options exercised		–	–	–	–	–	18.2	18.2
Net gains and losses not recognised in the profit and loss account		*	1.0	–	9.9	(11.0)	18.2	18.1
Profit attributable to shareholders for the financial year		–	–	–	–	–	1,389.3	1,389.3
Dividends	12	–	–	–	–	–	(426.4)	(426.4)
Balance at 31 March 2005		609.1	448.2	64.4	41.9	8.8	11,263.7	12,436.1

* *Amount less than $0.1 million*

During the year, 85,324 ordinary shares of $0.50 par value were issued at exercise price of $10.34 each, and 9,700 ordinary shares of $0.50 par value were issued at exercise price of $11.96 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by $47,512 and $950,750 respectively.

The notes on pages 70 to 107 form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 March 2005 (in $ million)

The Company

	Notes	Share capital	Share premium	Capital redemption reserve	General reserve	Total
Balance at 31 March 2003		609.1	447.2	64.4	9,485.3	10,606.0
Profit attibutable to shareholders for the financial year		–	–	–	429.3	429.3
Dividends	12	–	–	–	(109.6)	(109.6)
Balance at 31 March 2004		609.1	447.2	64.4	9,805.0	10,925.7
Share options exercised	13	*	1.0	–	–	1.0
Net gains not recognised in the profit and loss account		*	1.0	–	–	1.0
Profit attributable to shareholders for the financial year		–	–	–	1,309.1	1,309.1
Dividends	12	–	–	–	(426.4)	(426.4)
Balance at 31 March 2005		609.1	448.2	64.4	10,687.7	11,809.4

* *Amount less than $0.1 million*

During the year, 85,324 ordinary shares of $0.50 par value were issued at exercise price of $10.34 each and 9,700 ordinary shares of $0.50 par value were issued at exercise price of $11.96 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by $47,512 and $950,750 respectively.

The notes on pages 70 to 107 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 March 2005 (in $ million)

	Notes	The Group 2004-05	The Group 2003-04
NET CASH PROVIDED BY OPERATING ACTIVITIES	29	2,786.6	1,760.5
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	30	(2,095.2)	(2,258.3)
Proceeds from disposal of aircraft and other fixed assets		1,081.2	1,513.7
Return of capital from associated companies		3.3	–
Return of capital from joint venture companies		–	0.9
Return of capital from long-term investments		13.9	–
Investments in associated companies		(184.1)	(24.6)
Investments in joint venture companies		(10.7)	(21.5)
Disposal of subsidiary company, net of cash disposed		–	(1.4)
Additional long-term investments		(285.7)	–
Additional long-term loans		(1.4)	(1.4)
Repayment of loans by associated companies		0.7	5.5
Repayment of loans		4.1	6.4
Proceeds from sale of long-term investments		349.9	76.8
Dividends received from associated and joint venture companies		55.7	60.5
Dividends received from investments		8.4	3.8
Interest received from investments and deposits		50.0	32.7
Interest received on loans to associated companies		–	0.1
NET CASH USED IN INVESTING ACTIVITIES		(1,009.9)	(606.8)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(426.4)	(109.6)
Dividends paid by subsidiary companies to minority interests		(91.8)	(14.4)
Interest paid		(67.8)	(62.1)
Proceeds from borrowings		202.5	2.8
Repayment of borrowings		(24.4)	(224.7)
Repayment of long-term lease liabilities		(46.1)	(20.3)
Proceeds from exercise of share options		59.3	15.3
NET CASH USED IN FINANCING ACTIVITIES		(394.7)	(413.0)
NET CASH INFLOW		1,382.0	740.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		1,491.4	789.3
Effect of exchange rate changes		(59.4)	(38.6)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		2,814.0	1,491.4
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Fixed deposits	26	2,231.9	1,137.1
Cash and bank	26	608.3	381.4
Bank overdrafts		(26.2)	(27.1)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		2,814.0	1,491.4

The notes on pages 70 to 107 form an integral part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the financial year ended 31 March 2005 (in $ million)

In 2003-04, the Company disposed of its 51% equity interest in Aviation Software Development Consultancy India Limited. This was shown in the statement as a single item. The effects of the individual assets and liabilities and the results for the year are set out below.

	2003-04
Portion of disposal consideration discharged by means of cash	5.3
Fixed assets	0.4
Trade debtors	2.8
Cash and bank balances	6.7
Creditors	(1.8)
Net identifiable assets and liabilities disposed	8.1
Minority interests	(3.9)
Surplus on disposal of subsidiary company	1.1
Cash consideration received	5.3
Less: cash disposed	(6.7)
Net cash outflow	(1.4)
Contributions to the Group for the period April 2003 to February 2004:	
Revenue	6.1
Expenditure	(5.1)
Profit before taxation	1.0

The notes on pages 70 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. There are no significant changes in the nature of these activities during the financial year.

The financial statements for the financial year ended 31 March 2005 were authorised for issue in accordance with a resolution of the directors on 11 May 2005.

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 Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50.

(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 19 to the financial statements.

(c) Subsidiary, associated and joint venture companies

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

A subsidiary company is defined as a company in which the Group, directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors.

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% and not more than 50% of the voting power and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's share of the consolidated results of associated companies and their subsidiary companies, with appropriate adjustments to account for the amortisation 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 associated company in airline business adopts different accounting policies for its treatment of frequent flyer program and aircraft maintenance and overhaul. It is not practicable for such adjustments to be calculated to align these to the Group's policies. Another associated company in hotel ownership and management adopts the accounting policy of revaluing its leasehold land and buildings at fair value on an annual basis. The Group's share of revaluation surplus or deficit is equity accounted for in the Group's capital reserve. This accounting policy is not aligned to the Group's policy due to different asset type. A list of the Group's associated companies is shown in note 20 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 21 to the financial statements.

2 Accounting Policies (continued)

(c) Subsidiary, associated and joint venture companies (continued)
The most recent available audited financial statements of the associated and joint venture companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period.

(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 amortised using the straight-line method over a period of between ten to twenty years. Goodwill is stated at cost less accumulated amortisation and any impairment losses. Amortised goodwill arising from acquisition of associated and joint venture companies is reported net against the share of results of associated and joint venture companies. Amortised goodwill arising from acquisition of subsidiary companies is reported as a separate line item after operating profit.

Goodwill arising from business combinations prior to 1 April 2001 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 monetary 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 monthly into Singapore dollars at the prevailing 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. 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 capitalised at cost 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.

(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.

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)

(g) Depreciation of fixed assets (continued)

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.

During the financial year, the carrying values of consumable aircraft spares were reclassified from fixed assets to stocks to better reflect their utilisation pattern. This does not result in any material financial effect that requires adjustment. The carrying values of these spares as at 31 March 2004 have been reclassified from fixed assets to stocks to conform to current financial year's presentation.

Land and buildings
Buildings on freehold land and leasehold land and buildings are depreciated to nil residual values as follows:

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

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
Other fixed assets are depreciated over 1 to 12 years to nil residual values.

(h) Leased assets

Finance lease – as lessee
Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised 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.

For sale and finance leaseback, differences between sales proceeds and net book values are deferred and amortised over the minimum lease terms.

Operating lease – as lessee
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss accounts on a straight-line basis over the lease term.

Gains or losses arising from sale and operating leaseback of aircraft are determined based on fair values. Differences between sale proceeds and fair values are deferred and amortised over the minimum lease terms.

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

Operating lease – as lessor
Aircraft leased out under operating leases are included under fixed assets and are stated at cost less accumulated depreciation and any impairment in value. Rental income is recognised on a straight–line basis over the lease term.

2 Accounting Policies (continued)

(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 realisable value on a portfolio basis.

(j) Stocks

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

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

(k) Trade debtors

Trade debtors are recognised 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 recognised 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, demand deposits and short-term deposits which are held to maturity are carried at cost.

For the purposes of the Consolidated Cash Flow Statement, 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 recognised 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 utilised.

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 utilised.

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

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged in the same or a different period, directly to equity.

(n) Loans, notes payable and borrowings

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

2 Accounting Policies (continued)

(o) Aircraft maintenance and overhaul costs

The Group recognises aircraft maintenance and overhaul expenses on an incurred basis. For engine overhaul costs covered by "power-by-hour" (fixed rate charged per hour) third-party maintenance agreements, expenses are accrued on the basis of hours flown in accordance to the contractual terms.

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 plans

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 13 to the financial statements.

Defined contribution plans

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 recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

Defined benefit plans

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

(q) Trade creditors

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

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

(r) Derivative Financial Instruments

Gains and losses arising from derivative financial instruments on foreign currencies, interest rates and jet fuel are recognised at dates of maturity.

(s) Revenue

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

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

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

(t) Income from investments

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

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

2 Accounting Policies (continued)

(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, estimated based on expected utilisation of these benefits, is deferred until they are utilised. These are included under "deferred revenue" on the balance sheet. Any remaining unutilised benefits are recognised as revenue upon expiry.

(v) Training and development costs

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

(w) Capitalised loan interest

Borrowing costs incurred to finance progress payments for aircraft and building projects are capitalised until the aircraft are commissioned for operation or the projects are completed. All other borrowing costs are recognised as expenses in the period in which they are incurred. No (2003-04: $0.1 million) borrowing costs were capitalised during the year by the Group.

(x) Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation credited to equity, in which case it is charged to equity. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

(y) Segmental reporting

Business Segment

The Group's businesses are organised and managed separately according to the nature of the services provided. The significant business segments of the Group are airline operations, airport terminal services and engineering services.

Geographical segment

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

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

3 Segment Information (in $ million)

Business segments
The Group's businesses are organised and managed separately according to the nature of the services provided. The following tables present revenue and profit information regarding business segments for the financial years ended 31 March 2005 and 2004 and certain assets and liabilities information of the business segments as at those dates.

	Airline operations		Airport terminal services	
	2004-05	2003-04	2004-05	2003-04
TOTAL REVENUE				
External revenue	11,341.7	9,171.0	397.2	355.5
Inter-segment revenue	55.5	57.8	578.5	513.2
	11,397.2	9,228.8	975.7	868.7
RESULTS				
Segment result	1,055.8	406.3	200.2	190.8
Finance charges	(77.5)	(62.4)	(3.9)	(6.1)
Interest income	48.9	27.0	3.3	5.1
Surplus on disposal of aircraft, spares and spare engines	215.2	102.7	–	–
Surplus/(loss) on disposal of other fixed assets	8.1	4.8	0.2	(0.1)
Dividends from subsidiary and associated companies, gross	637.0	119.2	–	–
Dividends from long-term investments, gross	2.8	2.7	0.6	0.7
Provision for diminution in value of long-term investments	(0.1)	(8.6)	–	–
Amortisation of goodwill on consolidation	–	–	(0.1)	(0.1)
Amortisation of deferred gain	–	–	1.3	1.6
Share of profits of joint venture companies	4.5	3.5	–	–
Share of profits of associated companies	85.7	6.6	50.5	33.7
Exceptional items	69.3	(15.3)	(28.8)	(8.0)
Taxation	(389.5)	75.5	(49.2)	(28.0)
Profit after taxation	1,660.2	662.0	174.1	189.6
Minority interests				
Profit attributable to shareholders				

	2005	2004	2005	2004
OTHER INFORMATION AT 31 MARCH				
Segment assets	18,223.9	17,192.5	1,215.1	1,319.6
Investments in and loans to joint venture and associated companies	451.0	388.7	331.7	141.2
Goodwill on consolidation	–	–	1.3	1.4
Long-term investments	411.3	404.4	50.9	51.5
Amounts owing by associated companies	12.5	–	1.0	0.4
Accrued interest receivable	6.6	3.4	0.3	0.9
Tax prepayments	221.4	239.8	–	–
Total assets	19,326.7	18,228.8	1,600.3	1,515.0
Segment liabilities	4,492.8	4,090.0	191.0	143.4
Long-term liabilities	2,129.0	2,204.2	204.3	3.0
Short-term loans and lease commitments	68.0	64.6	0.9	0.8
Accrued interest payable	18.8	13.3	0.5	–
Tax liabilities	2,434.4	2,189.6	132.7	137.3
Total liabilities	9,143.0	8,561.7	529.4	284.5
Capital expenditure	1,984.4	2,612.6	13.1	33.4

	2004-05	2003-04	2004-05	2003-04
Depreciation	1,107.3	1,081.0	63.2	61.5
Impairment	–	28.0	–	–
Non-cash items other than depreciation and impairment	(116.6)	(148.3)	5.3	3.7

* *Relates to inter-segment transactions eliminated on consolidation. The Group generally accounts for such inter-segment transactions as if these transactions were to third parties at current market prices.*

Engineering services		Others		Total of segments		Elimination*		Consolidated	
2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
195.8	145.9	78.2	89.5	12,012.9	9,761.9	–	–	12,012.9	9,761.9
611.7	532.8	178.4	176.7	1,424.1	1,280.5	(1,424.1)	(1,280.5)	–	–
807.5	678.7	256.6	266.2	13,437.0	11,042.4	(1,424.1)	(1,280.5)	12,012.9	9,761.9
105.5	78.9	18.2	18.2	1,379.7	694.2	(24.2)	(13.8)	1,355.5	680.4
–	–	–	–	(81.4)	(68.5)	3.9	3.4	(77.5)	(65.1)
3.8	3.1	0.7	0.7	56.7	35.9	(4.0)	(3.4)	52.7	32.5
–	–	–	–	215.2	102.7	–	–	215.2	102.7
0.4	0.8	–	–	8.7	5.5	–	–	8.7	5.5
–	–	–	–	637.0	119.2	(637.0)	(119.2)	–	–
4.8	0.4	–	–	8.2	3.8	(0.2)	(0.2)	8.0	3.6
–	–	–	–	(0.1)	(8.6)	–	6.8	(0.1)	(1.8)
–	–	–	–	(0.1)	(0.1)	–	–	(0.1)	(0.1)
–	–	–	–	1.3	1.6	–	–	1.3	1.6
8.0	2.9	–	–	12.5	6.4	–	–	12.5	6.4
67.5	46.0	–	–	203.7	86.3	–	–	203.7	86.3
9.0	(3.2)	–	(1.3)	49.5	(27.8)	–	(3.3)	49.5	(31.1)
(23.6)	11.1	(4.8)	(2.9)	(467.1)	55.7	79.8	18.7	(387.3)	74.4
175.4	140.0	14.1	14.7	2,023.8	1,006.3	(581.7)	(111.0)	1,442.1	895.3
								(52.8)	(46.0)
								1,389.3	849.3
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
752.7	801.1	210.0	206.5	20,401.7	19,519.7	(397.6)	(1,077.7)	20,004.1	18,442.0
333.2	301.1	(1.9)	(3.9)	1,114.0	827.1	(0.4)	(0.4)	1,113.6	826.7
–	–	–	–	1.3	1.4	–	–	1.3	1.4
14.6	19.6	–	–	476.8	475.5	(0.5)	(0.3)	476.3	475.2
–	–	–	–	13.5	0.4	2.3	–	15.8	0.4
–	0.5	0.2	0.2	7.1	5.0	–	(0.5)	7.1	4.5
–	–	–	–	221.4	239.8	–	–	221.4	239.8
1,100.5	1,122.3	208.3	202.8	22,235.8	21,068.9	(396.2)	(1,078.9)	21,839.6	19,990.0
206.0	168.4	55.1	60.2	4,944.9	4,462.0	(873.0)	(874.5)	4,071.9	3,587.5
–	–	–	–	2,333.3	2,207.2	–	–	2,333.3	2,207.2
0.8	0.9	–	–	69.7	66.3	–	–	69.7	66.3
–	–	–	–	19.3	13.3	(0.9)	(0.5)	18.4	12.8
32.8	25.1	6.4	5.0	2,606.3	2,357.0	–	–	2,606.3	2,357.0
239.6	194.4	61.5	65.2	9,973.5	9,105.8	(873.9)	(875.0)	9,099.6	8,230.8
58.4	35.5	12.2	11.1	2,068.1	2,692.6	–	–	2,068.1	2,692.6
2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
24.8	22.9	14.0	14.5	1,209.3	1,179.9	(0.7)	0.3	1,208.6	1,180.2
–	–	–	–	–	28.0	–	–	–	28.0
(0.5)	9.8	–	(0.9)	(111.8)	(135.7)	–	(6.8)	(111.8)	(142.5)

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 2005 and 2004.

	By area of original sale	
	2004-05	2003-04
East Asia	5,217.8	4,452.5
Europe	1,894.6	1,708.6
South West Pacific	1,439.3	1,096.9
Americas	919.2	649.4
West Asia and Africa	833.3	667.7
System-wide	10,304.2	8,575.1
Non-scheduled services and incidental revenue	1,093.0	653.7
	11,397.2	9,228.8

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. Revenue for the Group excludes dividends from subsidiary companies and inter-company transactions.

5 Staff Costs (in $ million)

	The Group	
	2004-05	2003-04
Staff costs (including Executive Director)		
Salary, bonuses and other costs	2,282.1	1,828.2
CPF and other defined contributions	136.0	141.3
	2,418.1	1,969.5

The number of employees of the Group at 31 March 2005 are 28,323 (2004: 28,786).

The Group contributes to several post-employment defined benefit plans for employees at several overseas locations. Employees may contribute in some of these plans and these contributions are matched in varying amounts by the Group. Defined benefit expenses for the Group were $10.0 million for 2004-05 and $7.6 million for 2003-04. As these are not material to the total staff costs of the Group for 2004-05 and 2003-04, additional disclosures of these defined benefit plans are not shown.

6 Operating Profit (in $ million)

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

	The Group 2004-05	The Group 2003-04
Interest income from short-term investments	(0.7)	(0.4)
Dividend income from short-term investments	(0.7)	(0.5)
Surplus on disposal of short-term investments	(1.2)	(2.6)
Income from lease of aircraft	(49.2)	(31.7)
Provision for/(write-back of) diminution in value of short-term investments	0.3	(2.2)
Amortisation of deferred gain on sale and operating leaseback transactions	(120.6)	(131.8)
Professional fees paid to a firm of which a director is a member	*	*
Remuneration for auditors of the Company		
Audit fees	1.4	1.0
Non-audit fees	0.9	1.0
Exchange losses, net	74.2	41.6

* *Amount less than $0.1 million.*

7 Finance Charges (in $ million)

	The Group 2004-05	The Group 2003-04
Interest expense:		
– notes payable	40.8	37.3
– loans	8.0	8.0
– finance lease commitments	27.7	18.3
– others	–	0.3
	76.5	63.9
Commitment fees	1.0	1.2
	77.5	65.1

8 Interest Income (in $ million)

	The Group 2004-05	The Group 2003-04
Fixed deposits	44.1	24.9
Quoted non-equity investments	7.4	5.1
Unquoted non-equity investments	0.2	0.6
Associated companies	0.3	0.1
Others	0.7	1.8
	52.7	32.5

9 Exceptional Items (in $ million)

	The Group 2004-05	The Group 2003-04
Staff compensation and restructuring of operations	(37.8)	(41.4)
Surplus on sale of investment in Air New Zealand Limited	45.7	–
Surplus on sale of investment in Raffles Holdings Ltd	32.6	–
Surplus on sale of investment in Taikoo (Xiamen) Aircraft Engineering Company Limited	9.0	–
Surplus on liquidation of Abacus Distribution Systems Pte Ltd	–	9.2
Surplus on disposal of Aviation Software Development Consultancy India Limited	–	1.1
	49.5	(31.1)

10 Taxation (in $ million)

	The Group 2004-05	2003-04
Current taxation		
Provision for the year	146.6	165.6
Over provision in respect of prior years	(85.8)	(165.4)
Share of joint venture companies' taxation:		
– provision for the year	0.4	0.3
Share of associated companies' taxation:		
– provision for the year	21.2	12.1
Reversal of tax contingency provision no longer required	–	(21.2)
	82.4	(8.6)
Deferred taxation		
Provision/(write-back) for the year	190.9	(5.2)
Under provision in respect of prior years	83.9	134.2
Share of associated companies' taxation:		
– provision for the year	25.8	5.2
– under provision in respect of prior years	4.3	4.7
	304.9	138.9
	387.3	130.3
Adjustment for reduction in Singapore statutory tax rate	–	(204.7)
	387.3	(74.4)

The Group has tax losses of approximately $17.4 million (2004: $17.2 million), unabsorbed capital allowances of $0.6 million (2004: $0.6 million) and other deductible temporary differences of $3.0 million (2004: $ nil) that are available for offset against future taxable profits of the companies in which no deferred tax assets are recognised due to uncertainty of the recoverability. The use of the tax losses and unabsorbed capital allowances are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

On 27 February 2004, the Government announced a 2% points cut in statutory tax rate from Year of Assessment 2005. The financial effect of the reduction in tax rate was reflected in 2003-04 accounts. The aggregate adjustment of the prior year's deferred tax liabilities was $204.7 million for the Group.

In 2003-04, SIA Engineering Company Limited ("SIAEC") reversed a tax contingency provision amounting to $21.2 million. The provision was made to cover for potential tax liability that might arise at the time when SIAEC disposed off certain fixed assets from its Engine Overhaul Division to Eagle Services Asia Private Limited ("ESA") and the subsequent divestment of 51% interest in ESA to Pratt & Whitney. Following the closure of this matter in 2003-04, the provision was no longer required.

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

	The Group 2004-05	2003-04
Profit before taxation	1,829.4	820.9
Taxation at statutory tax rate of 20.0%	365.9	164.2
Adjustments		
Income not subject to tax	(27.8)	(13.6)
Expenses not deductible for tax purposes	29.8	27.8
Higher effective tax rates of other countries	18.4	6.2
Under/(over) provision in respect of prior years, net	2.4	(26.5)
Effect of change in statutory tax rate	–	(204.7)
Reversal of tax contingency provision no longer required	–	(21.2)
Income under an incentive scheme	(4.8)	(7.3)
Others	3.4	0.7
Taxation	387.3	(74.4)

11 Earnings Per Share

	The Group	
	2004-05	2003-04
Profit attributable to shareholders (in $ million)	1,389.3	849.3
Weighted average number of ordinary shares in issue used for computing basic earnings per share (in million)	1,218.2	1,218.1
Adjustment for share options (in million)	1.5	1.1
Weighted average number of ordinary shares in issue used for computing diluted earnings per share (in million)	1,219.7	1,219.2
Basic earnings per share (cents)	114.0	69.7
Diluted earnings per share (cents)	113.9	69.7

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 effects of dilutive options.

12 Dividends Paid and Proposed (in $ million)

	The Group and the Company	
	2004-05	2003-04
Dividends paid:		
Final dividend of 25.0 cents per share tax exempt (one-tier) in respect of 2003-04 (2003-04: 9.0 cents per share tax exempt [one-tier] in respect of 2002-03)	304.5	109.6
Interim dividend of 10.0 cents per share tax exempt (one-tier) in respect of current financial year (2003-04: NIL)	121.9	–
	426.4	109.6

The directors propose that a final tax exempt (one-tier) dividend of 30.0 cents per share amounting to $365.5 million (2003-04: $304.5 million) be paid for the financial year ended 31 March 2005.

13 Share Capital (in $ million)

	The Group and the Company 31 March 2005	2004
Authorised 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		
1,218,144,622 of $0.50 each (2003: 1,218,144,622 of $0.50 each)	609.1	609.1
95,024 share options exercised during the year (2003-04: NIL)	@	–
Balance at 31 March		
1,218,239,646 of $0.50 each (2004: 1,218,144,622 of $0.50 each)	609.1	609.1
Special share		
Balance at 1 April		
1 of $0.50 each (2003: 1 of $0.50 each)	#	#
Balance at 31 March		
1 of $0.50 each (2004: 1 of $0.50 each)	#	#
	609.1	609.1

@ *The value was $47,512.*
# *The value is $0.50.*

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

During the financial year, the Company issued 95,024 shares (2003-04: nil) upon exercise of options granted under the Employee Share Option Plan.

There was no buyback of the Company's shares during the financial year, pursuant to the share buyback approved by shareholders.

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 was issued to the Ministry of Finance. The Special Share enjoys all the rights attached to ordinary shares. In addition, pursuant to Article 3A of the Articles of Association, no resolution may be passed on certain matters without prior written approval of the Special Member.

Included in the authorised share capital are 3,000,000,000 non-tradable redeemable cumulative preference shares of $0.50 each, which carry full voting rights ("ASA shares"). When issued, the ASA shares will be partially paid at $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.

13 Share Capital (in $ million) (continued)

Share option plans
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"), which comprise the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, were approved by shareholders on 8 March 2000, 20 March 2000 and 9 February 2000 respectively.

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 respective companies' ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant.

Under the Employee Share Option Schemes, options will vest two years after the date of grant. Under the Senior Executive Share Option Schemes, 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	
	2005	2004	2005	2004	2005	2004
Outstanding at 1 April	63,471,827	51,826,922	68,911,300	61,799,200	62,637,100	60,301,000
Granted	12,879,325	12,922,820	16,329,600	14,168,900	15,310,700	7,526,300
Exercised	(95,024)	–	(21,835,350)	(6,005,475)	(12,788,125)	(4,194,900)
Cancelled	(1,917,513)	(1,277,915)	(648,700)	(1,051,325)	(1,449,900)	(995,300)
Outstanding at 31 March	74,338,615	63,471,827	62,756,850	68,911,300	63,709,775	62,637,100
Exercisable at 31 March	45,929,219	34,383,579	31,574,025	39,256,575	39,073,525	38,252,435

Proceeds received from share options exercised during the year were:

	SIA ESOP		SATS ESOP		SIAEC ESOP	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Aggregate proceeds from shares issued (in thousand $)	998.3	–	37,751.9	9,327.0	20,540.9	5,968.6

Details of share options granted during the financial year:

	SIA ESOP		SATS ESOP		SIAEC ESOP	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Expiry date	30.6.2014	30.6.2013	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Exercise price ($)	10.70	10.34	2.09	1.47	1.89	1.55

13 Share Capital (in $ million) (continued)

Share option plans (continued)

Terms of share options outstanding as at 31 March 2005:

SIA ESOP

Exercisable period	Exercise price	Number outstanding	Number exercisable
28.3.2001 - 27.3.2010	$15.34	1,259,992	1,259,992
28.3.2002 - 27.3.2010	$15.34	8,803,393	8,803,393
28.3.2003 - 27.3.2010	$15.34	1,231,312	1,231,312
28.3.2004 - 27.3.2010	$15.34	1,229,313	1,229,313
3.7.2001 - 2.7.2010	$16.65	1,418,003	1,418,003
3.7.2002 - 2.7.2010	$16.65	7,170,717	7,170,717
3.7.2003 - 2.7.2010	$16.65	1,393,243	1,393,243
3.7.2004 - 2.7.2010	$16.65	1,392,257	1,392,257
2.7.2002 - 1.7.2011	$11.96	1,688,836	1,688,836
2.7.2003 - 1.7.2011	$11.96	7,518,779	7,518,779
2.7.2004 - 1.7.2011	$11.96	1,659,924	1,659,924
2.7.2005 - 1.7.2011	$11.96	1,660,761	–
1.7.2003 - 30.6.2012	$12.82	1,751,211	1,751,211
1.7.2004 - 30.6.2012	$12.82	7,761,429	7,761,429
1.7.2005 - 30.6.2012	$12.82	1,723,226	–
1.7.2006 - 30.6.2012	$12.82	1,723,466	–
1.7.2004 - 30.6.2013	$10.34	1,613,950	1,613,950
1.7.2005 - 30.6.2013	$10.34	7,459,681	–
1.7.2006 - 30.6.2013	$10.34	1,611,933	–
1.7.2007 - 30.6.2013	$10.34	1,612,254	–
1.7.2005 - 30.6.2014	$10.70	1,616,874	36,860
1.7.2006 - 30.6.2014	$10.70	7,936,157	–
1.7.2007 - 30.6.2014	$10.70	1,550,792	–
1.7.2008 - 30.6.2014	$10.70	1,551,112	–
Total number of options outstanding		74,338,615 @	45,929,219

@ The total number of options outstanding includes:

(a) 10,462,788 share options not exercised by employees who have retired or ceased to be employed by the Company or any of the subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Board Compensation and Organisation 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) 131,135 share options not exercised by employees who have completed their fixed term contracts during the financial year. The said options, if unvested, shall immediately vest and be exercisable from the date of cessation of employment to the date falling 1 year from the date of cessation of employment.

13 Share Capital (in $ million) (continued)

Share option plans (continued)

SATS ESOP

Exercisable period	Exercise price*	Number outstanding	Number exercisable
28.3.2001 - 27.3.2010	$2.20	262,900	262,900
28.3.2002 - 27.3.2010	$2.20	16,499,600	16,499,600
28.3.2003 - 27.3.2010	$2.20	262,900	262,900
28.3.2004 - 27.3.2010	$2.20	262,900	262,900
3.7.2001 - 2.7.2010	$1.80	259,300	259,300
3.7.2002 - 2.7.2010	$1.80	6,884,400	6,884,400
3.7.2003 - 2.7.2010	$1.80	274,775	274,775
3.7.2004 - 2.7.2010	$1.80	277,975	277,975
2.7.2002 - 1.7.2011	$1.24	7,500	7,500
2.7.2003 - 1.7.2011	$1.24	1,898,900	1,898,900
2.7.2004 - 1.7.2011	$1.24	10,400	10,400
2.7.2005 - 1.7.2011	$1.24	445,150	–
1.7.2003 - 30.6.2012	$1.60	138,200	138,200
1.7.2004 - 30.6.2012	$1.60	4,469,550	4,469,550
1.7.2005 - 30.6.2012	$1.60	474,150	–
1.7.2006 - 30.6.2012	$1.60	474,150	–
1.7.2004 - 30.6.2013	$1.47	64,725	64,725
1.7.2005 - 30.6.2013	$1.47	12,932,225	–
1.7.2006 - 30.6.2013	$1.47	332,425	–
1.7.2007 - 30.6.2013	$1.47	332,425	–
1.7.2005 - 30.6.2014	$2.09	359,975	–
1.7.2006 - 30.6.2014	$2.09	15,112,375	–
1.7.2007 - 30.6.2014	$2.09	359,975	–
1.7.2008 - 30.6.2014	$2.09	359,975	–
Total number of options outstanding		62,756,850 @	31,574,025

* At the extraordinary general meeting of SATS held on 20 July 2004, SATS' shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of existing options by SATS Committee administering the Plan, in the event of the declaration of a special dividend. At the same meeting, SATS' shareholders approved the declaration of a special dividend. The said Committee then approved a $0.30 reduction of the exercise prices of the outstanding share options. The exercise prices reflected here are the exercise prices after such adjustment.

@ The total number of options outstanding includes 12,860,975 share options not exercised by employees who have retired or ceased to be employed by SATS or any of its 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 Remuneration 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.

13 Share Capital (in $ million) (continued)

Share option plans (continued)

SIAEC ESOP

Exercisable period	Exercise price*	Number outstanding	Number exercisable
28.3.2001 - 27.3.2010	$1.85	298,500	298,500
28.3.2002 - 27.3.2010	$1.85	10,690,000	10,690,000
28.3.2003 - 27.3.2010	$1.85	298,500	298,500
28.3.2004 - 27.3.2010	$1.85	298,500	298,500
3.7.2001 - 2.7.2010	$1.75	502,486	502,486
3.7.2002 - 2.7.2010	$1.75	7,910,188	7,910,188
3.7.2003 - 2.7.2010	$1.75	502,486	502,486
3.7.2004 - 2.7.2010	$1.75	502,490	502,490
2.7.2002 - 1.7.2011	$1.21	446,375	446,375
2.7.2003 - 1.7.2011	$1.21	3,064,925	3,064,925
2.7.2004 - 1.7.2011	$1.21	512,100	512,100
2.7.2005 - 1.7.2011	$1.21	767,600	–
1.7.2003 - 30.6.2012	$2.18	840,700	840,700
1.7.2004 - 30.6.2012	$2.18	12,907,700	12,907,700
1.7.2005 - 30.6.2012	$2.18	840,700	–
1.7.2006 - 30.6.2012	$2.18	840,700	–
1.7.2004 - 30.6.2013	$1.55	298,575	298,575
1.7.2005 - 30.6.2013	$1.55	6,343,250	–
1.7.2006 - 30.6.2013	$1.55	324,250	–
1.7.2007 - 30.6.2013	$1.55	324,250	–
1.7.2005 - 30.6.2014	$1.89	620,125	–
1.7.2006 - 30.6.2014	$1.89	13,335,125	–
1.7.2007 - 30.6.2014	$1.89	620,125	–
1.7.2008 - 30.6.2014	$1.89	620,125	–
Total number of options outstanding		63,709,775 @	39,073,525

* At the extraordinary general meeting of SIAEC held on 26 July 2004, SIAEC's shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of the existing options by SIAEC Committee administering the Plan, in the event of the declaration of a special dividend. At the same meeting, SIAEC's shareholders approved the declaration of a special dividend. The said Committee then approved a $0.20 reduction of the exercise prices of the outstanding share options. The exercise prices reflected here are the exercise prices after such adjustment.

@ The total number of options outstanding includes 4,193,775 share options not exercised by employees who have retired or ceased to be employed by SIAEC or any of its 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 Compensation and HR 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 Deferred Account (in $ million)

	The Group 31 March		The Company 31 March	
	2005	2004	2005	2004
Deferred gain on sale and leaseback transactions				
– operating leases	362.9	391.3	356.8	391.2
– finance leases	51.7	55.4	–	–
	414.6	446.7	356.8	391.2

15 Deferred Taxation (in $ million)

	The Group 31 March 2005	The Group 31 March 2004	The Company 31 March 2005	The Company 31 March 2004
Balance at 1 April	2,175.3	2,251.0	1,742.1	1,807.9
Provision/(written-back) during the year	190.9	(5.2)	125.1	(46.2)
Transfer from a subsidiary company	–	–	0.3	–
Adjustment for reduction in Singapore statutory tax rate	–	(204.7)	–	(164.4)
Under provision in respect of prior years	83.9	134.2	84.7	144.8
Balance at 31 March	2,450.1	2,175.3	1,952.2	1,742.1
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	2,431.4	2,231.8	1,875.0	1,686.9
Other taxable temporary differences	116.1	109.1	109.0	101.0
Gross deferred tax liabilities	2,547.5	2,340.9	1,984.0	1,787.9
Deferred tax assets				
Unabsorbed capital allowances and tax losses	45.1	89.2	–	–
Other deductible temporary differences	52.3	76.4	31.8	45.8
Gross deferred tax assets	97.4	165.6	31.8	45.8
Net deferred tax liabilities	2,450.1	2,175.3	1,952.2	1,742.1

16 Long-Term Liabilities (in $ million)

	The Group 31 March 2005	The Group 31 March 2004	The Company 31 March 2005	The Company 31 March 2004
Notes payable	1,100.0	900.0	900.0	900.0
Repayable within one year	–	–	–	–
Repayable after one year	1,100.0	900.0	900.0	900.0
Loans	167.8	192.2	–	–
Repayable within one year	(25.6)	(24.8)	–	–
Repayable after one year	142.2	167.4	–	–
Finance lease commitments	1,135.2	1,181.3	549.5	557.0
Repayable within one year	(44.1)	(41.5)	–	–
Repayable after one year	1,091.1	1,139.8	549.5	557.0
Total repayable after one year	2,333.3	2,207.2	1,449.5	1,457.0

Notes payable

Notes payable at 31 March 2005 comprise unsecured long-term notes issued by the Company, which bear fixed interest at 4.15% (2003-04: 4.15%) per annum and are repayable on 19 December 2011, and unsecured medium-term notes issued by SATS, which bear fixed interest at 3.0% per annum and are repayable on 2 September 2009.

Loans

Of the Group's $167.8 million (2004: $192.2 million) loans, $161.8 million (2004: $187.5 million) are secured by a first priority mortgage over 1 B747-400 freighter and $2.9 million (2004: $2.9 million) are secured by a first legal mortgage on a building at 22 Senoko Way Singapore 758095. Interest on the loan for the B747-400 freighter is charged at a margin above the London Interbank Offer Rate ("LIBOR") ranging from 1.77% to 3.54% (2003-04: 1.77% to 1.99%) per annum. Interest on the loan for the building ranged from 3.75% to 5.00% (2003-04: 3.50% to 5.00%) per annum in the current year and is repayable over 20 years commencing 10 April 2003. The remaining loan of $3.1 million (2004: $1.8 million) is unsecured with interest rates ranging from 1.37% to 2.57% (2003-04: 0.93% to 2.00%) per annum.

16 Long-Term Liabilities (in $ million)

Loans (continued)

	The Group 31 March 2005	2004
Within one year	25.6	24.8
After one year but not more than five years	57.9	67.2
More than five years	84.3	100.2
	167.8	192.2

Finance leases

The Company has finance leases for 2 B747-400s, which were subsequently sub-leased to Singapore Airlines Cargo Pte Ltd ("SIA Cargo") in 2001-02, as part of Cargo Division's corporatisation. Both finance leases mature in 2007 without any options for renewal. The leases have options for the Company to purchase the aircraft at the end of the lease period of 12.5 years. 1 of the B747-400 leases has an additional purchase option exercisable in the 10.5th year. The Company intends to hold the finance leases until maturity. Sub-leasing is allowed under the lease agreements.

SIA Cargo paid the entire outstanding lease liabilities by issuing ordinary shares at par for cash to the Company. The sub-lease terms and conditions are identical to those under the finance leases held by the Company.

SIA Cargo holds 3 B747-400 freighters under finance leases, which mature between 2015 and 2026, without any options for renewal. 2 leases have options for SIA Cargo to purchase the aircraft at the end of the lease period of 12 years. The other lease has option for SIA Cargo to purchase the aircraft at the end of the 12th or 15th year of the lease period. Sub-leasing is allowed under the lease agreements.

Interest rates on the Company's finance lease commitments are charged at a margin above the LIBOR. These ranged from 1.56% to 2.31% (2003-04: 1.47% to 1.84%) per annum.

Interest rates on SIA Cargo's finance lease commitments are charged at a margin above the LIBOR. These ranged from 1.15% to 3.81% (2003-04: 1.12% to 2.00%) per annum.

Future lease payments under these finance leases are as follows:

	The Group 31 March				The Company 31 March			
	2005		2004		2005		2004	
	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal
Within one year	80.8	44.1	67.5	41.5	13.1	(2.8)	8.3	(1.2)
After one year but not more than five years	864.3	752.8	846.5	747.1	570.5	552.3	578.5	558.2
More than five years	387.6	338.3	445.9	392.7	–	–	–	–
Total future lease payments	1,332.7	1,135.2	1,359.9	1,181.3	583.6	549.5	586.8	557.0
Amounts representing interest	(197.5)		(178.6)	–	(34.1)	–	(29.8)	–
Principal value of long-term commitments under finance leases	1,135.2	1,135.2	1,181.3	1,181.3	549.5	549.5	557.0	557.0

Additionally, at 31 March 2005, there are lease obligations in respect of two aircraft finance lease agreements, which expire over the next 2 years, amounting to $24.8 million (2004: $72.6 million) for the Company. These are covered by funds amounting to $24.8 million (2004: $72.6 million) 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 $24.8 million (2004: $72.6 million) for the unpaid lease commitments at 31 March 2005.

17 Fixed Assets (in $ million)

The Group

	1 April 04					
	As previously reported	Reclassified to stocks	As restated	Additions	Disposals/ Transfers*	31 March 05
Cost						
Aircraft	17,256.5	–	17,256.5	1,834.5	(2,030.5)	17,060.5
Aircraft spares	1,306.1	(449.0)	857.1	63.5	(128.6)	792.0
Aircraft spare engines	461.6	–	461.6	36.5	1.8	499.9
Freehold land and buildings	232.6	–	232.6	–	(3.9)	228.7
Leasehold land and buildings	1,474.6	–	1,474.6	35.7	(4.6)	1,505.7
Plant and equipment	1,138.2	–	1,138.2	37.9	(24.9)	1,151.2
Office and computer equipment	652.5	–	652.5	101.0	(61.3)	692.2
	22,522.1	(449.0)	22,073.1	2,109.1	(2,252.0)	21,930.2
Advance and progress payments	1,557.3	–	1,557.3	1,962.2	(2,003.2)	1,516.3
	24,079.4	(449.0)	23,630.4	4,071.3	(4,255.2)	23,446.5
Accumulated depreciation and impairment						
Aircraft	5,672.2	–	5,672.2	923.1	(1,279.2)	5,316.1
Aircraft spares	710.9	(107.1)	603.8	45.2	(119.4)	529.6
Aircraft spare engines	176.6	–	176.6	24.9	13.2	214.7
Freehold land and buildings	127.8	–	127.8	6.2	(3.6)	130.4
Leasehold land and buildings	561.5	–	561.5	50.0	(0.6)	610.9
Plant and equipment	774.9	–	774.9	86.0	(23.6)	837.3
Office and computer equipment	490.7	–	490.7	73.2	(60.9)	503.0
	8,514.6	(107.1)	8,407.5	1,208.6	(1,474.1)	8,142.0
Net book value	15,564.8	(341.9)	15,222.9			15,304.5

	Depreciation		Net Book Value	
	2004-05	2003-04	31 March 05	31 March 04
Aircraft	923.1	868.7	11,744.4	11,584.3
Aircraft spares	45.2	66.8	262.4	253.3
Aircraft spare engines	24.9	24.4	285.2	285.0
Freehold land and buildings	6.2	6.2	98.3	104.8
Leasehold land and buildings	50.0	49.0	894.8	913.1
Plant and equipment	86.0	91.5	313.9	363.3
Office and computer equipment	73.2	73.6	189.2	161.8
	1,208.6	1,180.2	13,788.2	13,665.6
Advance and progress payments			1,516.3	1,557.3
			15,304.5	15,222.9

* During the financial year, a subsidiary company has reclassified aircraft rotable spares with cost of $8.5 million and impairment provision of $3.0 million from stocks to fixed assets due to a change in the intended use of the assets.

17 Fixed Assets (in $ million) (continued)

The Company

	1 April 04					
	As previously reported	Reclassified to stocks	As restated	Additions	Disposals/ Transfers	31 March 05
Cost						
Aircraft	13,592.8	–	13,592.8	1,471.7	(1,743.5)	13,321.0
Aircraft spares	1,232.9	(429.7)	803.2	42.2	(106.6)	738.8
Aircraft spare engines	392.1	–	392.1	32.8	(4.4)	420.5
Freehold land and buildings	236.5	–	236.5	–	(4.0)	232.5
Leasehold land and buildings	537.7	–	537.7	–	(1.0)	536.7
Plant and equipment	400.3	–	400.3	5.4	(3.3)	402.4
Office and computer equipment	525.1	–	525.1	55.8	(49.6)	531.3
	16,917.4	(429.7)	16,487.7	1,607.9	(1,912.4)	16,183.2
Advance and progress payments	1,224.8	–	1,224.8	1,518.2	(1,556.0)	1,187.0
	18,142.2	(429.7)	17,712.5	3,126.1	(3,468.4)	17,370.2
Accumulated depreciation and impairment						
Aircraft	4,752.7	–	4,752.7	723.4	(1,155.3)	4,320.8
Aircraft spares	676.7	(99.2)	577.5	40.7	(110.3)	507.9
Aircraft spare engines	141.0	–	141.0	21.0	4.8	166.8
Freehold land and buildings	127.2	–	127.2	6.2	(3.6)	129.8
Leasehold land and buildings	308.1	–	308.1	15.8	(0.6)	323.3
Plant and equipment	268.6	–	268.6	41.2	(2.2)	307.6
Office and computer equipment	401.7	–	401.7	55.2	(51.0)	405.9
	6,676.0	(99.2)	6,576.8	903.5	(1,318.2)	6,162.1
Net book value	11,466.2	(330.5)	11,135.7			11,208.1

	Depreciation		Net Book Value	
	2004-05	2003-04	31 March 05	31 March 04
Aircraft	723.4	690.4	9,000.2	8,840.1
Aircraft spares	40.7	61.7	230.9	225.7
Aircraft spare engines	21.0	20.9	253.7	251.1
Freehold land and buildings	6.2	6.2	102.7	109.3
Leasehold land and buildings	15.8	15.8	213.4	229.6
Plant and equipment	41.2	46.5	94.8	131.7
Office and computer equipment	55.2	58.8	125.4	123.4
	903.5	900.3	10,021.1	9,910.9
Advance and progress payments			1,187.0	1,224.8
			11,208.1	11,135.7

	The Group 31 March	
	2005	2004
Net book value of fixed assets acquired under finance leases:		
– aircraft	903.5	967.4
– plant and equipment	114.5	137.4
	1,018.0	1,104.8

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

18 Goodwill on Consolidation (in $ million)

	The Group 31 March 2005	2004
Cost		
Balance at 1 April and 31 March	1.5	1.5
Accumulated amortisation		
Balance at 1 April	0.1	*
Amortisation charge for the year	0.1	0.1
Balance at 31 March	0.2	0.1
Net carrying amount	1.3	1.4

* *Amount less than $0.1 million.*

In 2002-03, SATS acquired 66.7% equity interest in Country Foods Pte Ltd at a cost of $6.0 million. Goodwill on acquisition of $1.5 million was capitalised and amortised over a period of 20 years.

19 Subsidiary Companies (in $ million)

	The Company 31 March 2005	2004
Investment in subsidiary companies (at cost)		
Quoted equity investments	##	##
Unquoted equity investments	1,772.4	1,772.4
	1,772.4	1,772.4
Impairment loss	(16.6)	(16.6)
	1,755.8	1,755.8
Loans to subsidiary companies	180.0	180.7
	1,935.8	1,936.5
Funds from subsidiary companies	(758.8)	(698.9)
Amounts owing by subsidiary companies	244.3	219.8
Amounts owing to subsidiary companies	(207.8)	(207.7)
Amounts owing to subsidiary companies, net	(722.3)	(686.8)
Market value of quoted equity investments	3,854.1	3,279.9

The value is $2.

In 2003-04, the Company provided $6.8 million impairment loss against the cost of investment in one of its wholly owned subsidiary company, SIA Properties (Pte) Ltd ("SIAP"). Its business undertaking (which primarily provided intra-Group services) was transferred to the Company on 1 April 2004. The financial impact of the transfer was not material.

In 2003-04, the Company disposed of its 51% equity interest in Aviation Software Development Consultancy India Limited for a consideration of $5.3 million (INR140.3 million). The surplus on disposal of the subsidiary company was reported as exceptional item (refer to note 9 to the financial statements).

Loans to subsidiary companies are unsecured and have repayment terms of up to 10 years. Interest on loans to subsidiary companies are computed using LIBOR, Singapore Interbank Bid Offer Rate ("SIBOR") and SGD Swap-Offer Rates, and applying agreed margins. The interest rates ranged from 0.81% to 3.37% (2003-04: 0.71% to 1.99%) per annum for SGD loans, and 1.56% to 3.19% (2003-04: 1.47% to 1.76%) per annum for USD loans.

Funds from subsidiary companies are unsecured and have varying repayment terms. Interest on funds from subsidiary companies are computed using prevailing market rates which ranged from 0.38% to 2.01% (2003-04: 0.25% to 0.90%) per annum for Singapore Dollar funds, from 0.97% to 2.89% (2003-04: 0.93% to 1.40%) per annum for US Dollar funds, from 2.10% to 2.11% (2003-04: nil) per annum for Euro Dollar funds and from 4.70% to 4.90% (2003-04: nil) for UK Sterling Pound funds.

19 Subsidiary Companies (in $ million) (continued)

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

The subsidiary companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2005	Cost (in $ million) 2004	Percentage of equity held by the Group 2005	Percentage of equity held by the Group 2004
Singapore Airport Terminal Services Limited	Investment holding	Singapore	#	#	84.6	86.5
SATS Airport Services Pte Ltd	Airport ground handling services	- do -	16.50	16.50	84.6	86.5
SATS Catering Pte Ltd	Inflight catering services	- do -	14.00	14.00	84.6	86.5
SATS Security Services Pte Ltd	Aviation security services	- do -	3.00	3.00	84.6	86.5
Aero Laundry & Linen Services Pte Ltd	Providing and selling laundry and linen services	- do -	2.52	2.52	84.6	86.5
Asia-Pacific Star Pte Ltd	Dormant	- do -	##	##	84.6	86.5
Aerolog Express Pte Ltd	Air cargo delivery services	- do -	1.26	1.26	59.3	60.5
Country Foods Pte Ltd	Manufacturing of chilled, frozen and processed foods	- do -	6.00	6.00	56.4	57.7
Ready Fresh Pte Ltd*	Dormant	- do -	@	–	28.8	–
SIA Engineering Company Limited	Engineering services	- do -	#	#	85.5	86.6
Singapore Jamco Pte Ltd	Manufacturing aircraft cabin equipment and refurbishment of aircraft galley	- do -	3.82	3.82	55.6	56.3
SIAEC Services Pte Ltd^	Investment holding	- do -	–	1.46	–	86.6
SIAEC Global Pte Ltd	Investment holding	- do -	##	##	85.5	86.6
Singapore Airlines Cargo Pte Ltd	Air cargo transportation	- do -	1,405.00	1,405.00	100.0	100.0
SilkAir (Singapore) Private Limited	Air transportation	- do -	240.00	240.00	100.0	100.0
Tradewinds Tours & Travel Private Limited	Tour wholesaling	- do -	4.00	4.00	100.0	100.0
Singapore Aviation and General Insurance Company (Pte) Limited	Aviation insurance	- do -	20.00	20.00	100.0	100.0
SIA Properties (Pte) Ltd	Inactive	- do -	24.00	24.00	100.0	100.0
Singapore Flying College Pte Ltd	Training of pilots	- do -	70.95	70.95	100.0	100.0
Sing-Bi Funds Private Limited	Inactive	- do -	0.01	0.01	100.0	100.0
Singapore Airport Duty-Free Emporium (Private) Limited	Inactive	- do -	11.73	11.73	96.3	96.8
Abacus Travel Systems Pte Ltd	Marketing of Abacus reservations systems	- do -	2.44	2.44	61.0	61.0
Cargo Community Network Pte Ltd	Provision and marketing of Cargo Community Systems	- do -	3.77	3.77	51.0	51.0
Singapore Airlines (Mauritius) Ltd**	Aircraft leasing	Mauritius	###	###	100.0	100.0
SIA (Mauritius) Ltd***	Pilot recruitment	- do -	#	#	100.0	100.0

All the Singapore-incorporated subsidiary companies are audited by Ernst & Young, Singapore.

* *Not required to be audited as the company was incorporated on 7 June 2004.*
** *Audited by associated firms of Ernst & Young, Singapore.*
*** *Not required to be audited in country of incorporation.*
^ *During the financial year, SIAEC Services Pte Ltd commenced filing for liquidation.*
\# *The value is $1*
\## *The value is $2*
\### *The value is $3*
@ *The value is $51*

20 Associated Companies (in $ million)

	The Group 31 March 2005	The Group 31 March 2004	The Company 31 March 2005	The Company 31 March 2004
Share of net tangible assets of associated companies at acquisition date	409.7	375.7	–	–
Goodwill on acquisition of associated companies	1,768.0	1,626.2	–	–
Unquoted investments at cost	2,177.7	2,001.9	1,729.9	1,725.0
Impairment loss	(18.5)	(25.6)	(20.3)	(9.4)
	2,159.2	1,976.3	1,709.6	1,715.6
Goodwill written-off to reserves	(1,613.0)	(1,613.0)	–	–
Accumulated amortisation of goodwill on acquisition	(14.5)	(7.6)	–	–
Currency realignment	(6.3)	0.9	–	–
Share of post acquisition reserves				
– general reserve	226.0	130.8	–	–
– capital reserve	32.1	22.9	–	–
	783.5	510.3	1,709.6	1,715.6
Loans to associated companies	12.0	17.8	6.5	7.1
Write-down of loans	(5.5)	(10.6)	–	–
	6.5	7.2	6.5	7.1
	790.0	517.5	1,716.1	1,722.7
Amounts owing by associated companies	15.8	0.4	12.5	–

During the financial year:

1. The Company's associated company, RCMS Properties Private Limited, recorded a revaluation surplus of $46.1 million from its annual revaluation exercise of its land and building. The Company's share of the revaluation surplus of $9.2 million at 31 March 2005 is included under the Group's share of post-acquisition capital reserve (refer to Statement of Changes in Equity – The Group for the financial year ended 31 March 2005).

2. The Company injected an additional $4.9 million in Tiger Airways Pte Ltd ("Tiger Airways"). There was no change in the Company's 49.0% equity stake in Tiger Airways.

3. The Company provided $10.9 million impairment on its investment in Asia Leasing Limited. The impairment was reversed out from the Group as the share of post acquisition reserve is equity accounted in the Group's accounts.

4. SATS acquired an additional 24.5% equity interest in Asia Airfreight Terminal Company Limited from Changi International Airport Services Pte Ltd for a consideration of $76.5 million. This brings the total equity interest held by SATS to 49.0%. Goodwill arising from the additional equity interest, amounting to $41.5 million was capitalised and amortised over a period of 20 years.

5. TAJ SATS Air Catering refunded $3.3 million as return on shareholders' funds to SATS on 8 September 2004.

6. SATS purchased approximately 49.8% of the ground and cargo handling business of PT Jasa Angkasa Semesta TBK from Devro Group Limited for US$61.3 million (S$104.0 million). Goodwill arising from the acquisition of $100.3 million was capitalised and amortised over a period of 20 years.

7. SIAEC, Jamco Corporation and Jamco America, Inc. incorporated a company, Jamco Aero Design & Engineering Private Limited ("JADE"). SIAEC injected $0.8 million for its 45.0% equity interest in JADE.

8. SIAP has sold its entire 20% shareholding in the Indonesian company PT Pantai Indah Tateli ("PTPIT") to Pacific Link Asset Management Co Ltd for a consideration of US$1.20. PTPIT was incorporated to build and operate a hotel in Manado, North Sulawesi. As the hotel has not been in operation, SIAP has written down the book value of its stake in PTPIT to zero prior to the disposal.

20 Associated Companies (in $ million) (continued)

Loans to associated companies are unsecured and have no fixed terms of repayments. The loans are interest-free, except for $0.3 million at 31 March 2004, which bear interest between 9.50% to 11.46% per annum.

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

The associated companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2005	2004	Percentage of equity held by the Group 2005	2004
Service Quality (SQ) Centre Pte Ltd	Quality service training	Singapore	#	#	50.0	50.0
Virgin Atlantic Limited*	Air transportation	UK	1,682.06	1,682.06	49.0	49.0
Tiger Airways Pte Ltd @	Air transportation	Singapore	5.80	0.90	49.0	49.0
Asia Leasing Limited	Aircraft leasing	Bermuda	10.88	10.88	21.0	21.0
RCMS Properties Private Limited	Hotel ownership and management	Singapore	31.16	31.16	20.0	20.0
AVISERV Ltd	Inflight catering services	Pakistan	3.31	3.31	41.5	42.4
TAJ SATS Air Catering Limited**	Catering services	India	27.97	31.26	41.5	42.4
SERVAIR-SATS Holding Company Pte Ltd	Investment holding company	Singapore	0.51	0.51	41.5	42.4
PT Jasa Angkasa Semesta TBK	Ground and cargo handling services	Indonesia	103.98	–	42.1	–
Beijing Airport Inflight Kitchen Ltd	Inflight catering services	People's Republic of China	13.88	13.88	33.9	34.6
Beijing Aviation Ground Services Co Ltd	Airport ground handling services	- do -	5.71	5.71	33.9	34.6
Maldives Inflight Catering Private Limited	Inflight catering services	Maldives	0.29	0.29	29.6	30.3
Taj Madras Flight Kitchen Limited	Inflight catering services	India	1.90	1.90	25.4	25.9
Tan Son Nhat Cargo Services Ltd @@	Airport ground handling services	Vietnam	1.96	1.96	25.4	25.9
Asia Airfreight Terminal Co Ltd ^	Air cargo handling services	Hong Kong	92.66	16.16	41.5	21.2
Evergreen Air Cargo Services Corporation	Air cargo handling services	Taiwan	15.92	15.92	21.2	21.6
Evergreen Airline Services Corporation	Airport handling	- do -	5.23	5.23	16.9	17.3
MacroAsia-Eurest Catering Services Inc.	Inflight catering services	Philippines	2.03	2.03	16.9	17.3
Mid-East Airport Services	Dormant	Singapore	#	#	50.0	50.0
Combustor Airmotive Services Pte Ltd	Servicing of aircraft engines and sale of aircraft engines and parts	- do -	3.01	3.01	41.9	42.4

20 Associated Companies (in $ million) (continued)

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2005	2004	Percentage of equity held by the Group 2005	2004
Eagle Services Asia Private Limited ^^	Repair and overhaul of aircraft	Singapore	71.59	71.59	41.9	42.4
PWA International Limited	Re-manufacture of aircraft turbine engine cases, component thereof and related parts	Ireland	6.22	6.22	41.9	42.4
Fuel Accessory Service Technologies Pte Ltd	Repair and overhaul of engine fuel components and accessories	Singapore	5.07	5.07	41.9	42.4
Jamco Aero Design & Engineering Private Limited	Provide turnkey solutions for aircraft interior modifications	- do -	0.77	–	38.5	–
Pan Asia Pacific Aviation Services Ltd	Operation of aircraft maintenance facilities	Hong Kong	5.37	5.37	40.2	40.8
Messier Services Asia Private Limited	Repair and overhaul of Boeing and Airbus series landing gears	Singapore	13.97	13.97	34.2	34.6
Rohr Aero Services-Asia Pte Ltd @	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	- do -	37.23	37.23	34.2	34.6
Asian Surface Technologies Pte Ltd	Repair of aircraft fan blades and supply of wear-resistance coating	- do -	6.38	6.38	24.8	25.1
Asian Compressor Technology Services Co Ltd	Research and development, manufacture and repair of aircraft engines and compressors	Taiwan	4.10	4.10	20.9	21.2
Turbine Coating Services Private Ltd	Repair of PW4000 turbine airfoils	Singapore	5.67	5.67	20.9	21.2
International Aerospace Tubes Asia Pte Ltd	Repair of tubes, ducts and manifolds for aircraft engines and airframe application	- do -	3.58	3.58	28.5	28.9
PT JAS Aero-Engineering Services	Operation of aircraft maintenance facilities	Indonesia	3.67	3.67	41.9	42.4
PT Purosani Sri Persada	Hotel ownership and management	- do -	5.80	5.80	20.0	20.0
PT Pantai Indah Tateli	Hotel ownership and management	- do -	–	7.10	–	20.0

@ Audited by Ernst & Young, Singapore
@@ Audited by associated firms of Ernst & Young, Singapore
** Audited by KPMG LLP United Kingdom*
*** Audited by S.B.Billimoria & Co*
^ Audited by Pricewaterhouse Coopers, Hong Kong
^^ Audited by Pricewaterhouse Coopers, Singapore
 # The value is $1

21 Joint Venture Companies (in $ million)

	The Group 31 March 2005	The Group 31 March 2004	The Company 31 March 2005	The Company 31 March 2004
Investment in joint venture companies (unquoted, at cost)	207.6	196.9	151.0	140.3
Share of post acquisition reserves				
– general reserve	102.4	94.3	–	–
– foreign currency translation reserve	3.8	8.9	–	–
– capital reserve	9.8	9.1	–	–
	323.6	309.2	151.0	140.3

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

	The Group 2004-05	The Group 2003-04
Profit before taxation	12.5	6.4
Taxation	(0.4)	(0.3)
	12.1	6.1

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

	The Group 31 March 2005	The Group 31 March 2004
Fixed and other non-current assets	1,475.0	1,456.5
Current assets	180.5	148.1
Current liabilities	(189.9)	(223.6)
Long-term liabilities	(1,142.0)	(1,071.8)
	323.6	309.2

The joint venture companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2005	Cost (in $ million) 2004	Percentage of equity held by the Group 2005	Percentage of equity held by the Group 2004
Singapore Aircraft Leasing Enterprise Pte Ltd*	Aircraft leasing	Singapore	150.98	140.28	35.5	35.5
International Engine Component Overhaul Pte Ltd	Repair of aircraft components	- do -	10.07	10.07	42.8	43.3
Singapore Aero Engine Services Private Limited	Repair and maintain Trent aero engines	- do -	46.53	46.53	42.8	43.3

* *Audited by Ernst & Young, Singapore.*

During the financial year, the Company contributed an additional capital of $10.7 million in Singapore Aircraft Leasing Enterprise Pte Ltd in accordance with the joint venture agreement.

22 Long-Term Investments (in $ million)

	The Group 31 March 2005	The Group 31 March 2004	The Company 31 March 2005	The Company 31 March 2004
Quoted investments at cost				
Equity investments	–	51.4	–	432.0
Provision for diminution	–	–	–	(380.6)
	–	51.4	–	51.4
Non-equity investments	389.8	291.3	389.8	291.3
	389.8	342.7	389.8	342.7
Unquoted investments at cost				
Trade investments	71.6	74.3	47.2	47.2
Non-equity investments	–	40.2	–	40.2
	71.6	114.5	47.2	87.4
Provision for diminution	(27.8)	(27.7)	(27.8)	(27.7)
	43.8	86.8	19.4	59.7
Long-term loans	42.7	45.7	–	–
	476.3	475.2	409.2	402.4
Market value of quoted investments				
Equity investments	–	131.5	–	131.5
Non-equity investments	390.4	297.0	390.4	297.0
	390.4	428.5	390.4	428.5
Analysis of provision for diminution in value of quoted and unquoted investments				
Balance at 1 April	27.7	25.9	408.3	406.5
Provided during the year	0.1	1.8	0.1	1.8
Provision written off during the year	–	–	(380.6)	–
Balance at 31 March	27.8	27.7	27.8	408.3

Non-equity investments of $389.8 million (2004: $331.5 million) for the Group and the Company relate to interest-bearing investments with an effective annual interest rate of 1.71% (2003-04: 1.75%).

The Group's long-term loans comprise:-

(a) Loan to August Skyfreighter 1994 Trust of $42.7 million (2004: $43.5 million) is unsecured and bears interest between 1.56% and 3.19% (2003-04: 1.47% to 1.74%) per annum. The loan is repayable on 28 March 2007; and

(b) Shareholders' loan to Hong Kong Aero Engine Services Limited of US$1.3 million was repaid during the financial year.

In October 2004, the Company completed its placement of 37,833,309 (after share consolidation of five to one ratio) ordinary shares in Air New Zealand at a price of NZ$1.63 per share, representing a 3% discount on the previous closing price. The proceed from disposal of the entire 6.47% equity interest in Air New Zealand was $68.5 million. Surplus on disposal of the investment was $45.7 million (refer to note 9 to the financial statements).

In May 2004, the Company received $13.9 million capital distribution from Raffles Hotels Limited as part of its capital reduction exercise from par value of $0.50 per share to $0.32 per share. On 3 March 2005, the Company disposed of its entire shareholding in Raffles Hotels Limited for $47.3 million. Surplus on disposal of the investment was $32.6 million (refer to note 9 to the financial statements).

On 15 October 2004, SIAEC disposed of its entire 5% equity interest in Taikoo (Xiamen) Aircraft Engineering Company Limited to Hong Kong Aircraft Engineering Company Limited for a total cash consideration of $11.7 million (US$7.5 million). Surplus on disposal of the investment was $9.0 million (refer to note 9 to the financial statements).

23 Stocks (in $ million)

	The Group 31 March 2005	2004	The Company 31 March 2005	2004
Technical stocks and stores	375.0	363.7	350.4	337.4
Catering and general stocks	26.9	27.1	18.4	19.3
Work-in-progress	40.6	12.6	–	–
	442.5	403.4	368.8	356.7

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

	The Group 31 March 2005	2004	The Company 31 March 2005	2004
Balance at 1 April	7.5	4.9	1.0	–
Provided during the year	13.1	3.0	10.2	1.0
Provision utilised during the year	(0.3)	(0.4)	–	–
Amounts reclassified to fixed assets	(3.0)	–	–	–
Balance at 31 March	17.3	7.5	11.2	1.0
Stocks written-off directly to profit and loss account	0.1	–	–	–
Stocks are stated at:				
Cost	55.3	33.4	19.0	17.0
Net realisable value	387.2	370.0	349.8	339.7
	442.5	403.4	368.8	356.7

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 2005	2004	The Company 31 March 2005	2004
Balance at 1 April	62.0	78.3	37.9	48.0
Provided/(written-back) during the year	2.8	(16.3)	4.5	(10.1)
Written-off during the year	(0.6)	–	–	–
Balance at 31 March	64.2	62.0	42.4	37.9
Bad debts written-off directly to profit and loss account, net of debts recovered	2.1	1.2	2.3	1.7

Loans to directors of the Company and its subsidiary companies in accordance with schemes approved by shareholders of the Company amounted to $0.1 million (2004: $0.3 million).

25 Investments (in $ million)

	The Group 31 March 2005	The Group 31 March 2004
Quoted investments at cost		
Government securities	6.9	4.6
Equity investments	21.3	16.8
Non-equity investments	14.3	14.6
	42.5	36.0
Unquoted investments at cost		
Non-equity investments	37.7	94.8
	80.2	130.8
Provision for diminution		
Government securities	(0.1)	–
Non-equity investments, quoted	(0.8)	(0.6)
	(0.9)	(0.6)
	79.3	130.2
Market value of quoted investments		
Government securities	6.8	4.6
Equity investments	24.7	20.5
Non-equity investments	13.5	14.0
	45.0	39.1
Analysis of provision for diminution in value of quoted investments:		
Balance at 1 April	0.6	2.8
Provided/(written-back) during the year	0.3	(2.2)
Balance at 31 March	0.9	0.6

26 Cash and Bank Balances (in $ million)

	The Group 31 March 2005	The Group 31 March 2004	The Company 31 March 2005	The Company 31 March 2004
Fixed deposits	2,231.9	1,137.1	2,049.1	918.3
Cash and bank	608.3	381.4	460.0	172.3
	2,840.2	1,518.5	2,509.1	1,090.6

27 Trade Creditors (in $ million)

Included in trade creditors is provision for warranty claims. An analysis of provision for warranty claims is as follows:

	The Group 31 March 2005	2004
Balance at 1 April	2.1	1.1
Provided during the year	1.0	1.4
Provision utilised during the year	(0.3)	(0.4)
Balance at 31 March	2.8	2.1

28 Bank Overdrafts (in $ million)

$0.8 million (2004: $2.3 million) of the Group's bank overdrafts are secured by a first legal mortgage over a building at 22 Senoko Way Singapore 758095. Interest is charged at a rate of 5.25% (2003-04: 3.50% to 3.75%) per annum in the current financial year.

29 Cash Flow from Operating Activities (in $ million)

	The Group 2004-05	2003-04
Profit before taxation	1,829.4	820.9
Adjustments for:-		
Depreciation of fixed assets	1,208.6	1,180.2
Provision for impairment of fixed assets	–	28.0
Income from short-term investments	(1.4)	(0.9)
Exchange differences	56.3	2.0
Write-down of loan to associated companies	–	0.5
Amortisation of deferred gain on sale and operating leaseback transactions	(120.6)	(131.8)
Finance charges	77.5	65.1
Interest income	(52.7)	(32.5)
Surplus on disposal of aircraft, spares and spare engines	(215.2)	(102.7)
Surplus on disposal of other fixed assets	(8.7)	(5.5)
Dividends from long-term investments	(8.0)	(3.6)
Provision for diminution in value of long-term investments	0.1	1.8
Amortisation of goodwill on consolidation	0.1	0.1
Amortisation of deferred gain	(1.3)	(1.6)
Share of profits of joint venture companies	(12.5)	(6.4)
Share of profits of associated companies	(203.7)	(86.3)
Surplus on sale of investment in Air New Zealand Limited	(45.7)	–
Surplus on sale of investment in Raffles Holdings Ltd	(32.6)	–
Surplus on sale of investment in Taikoo (Xiamen) Aircraft Engineering Company Limited	(9.0)	–
Surplus on liquidation of Abacus Distribution Systems Pte Ltd	–	(9.2)
Surplus on disposal of Aviation Software Development Consultancy India Limited	–	(1.1)
Operating profit before working capital changes	2,460.6	1,717.0
Increase in creditors	487.8	9.9
Decrease in short-term investments	50.9	18.1
Increase in sales in advance of carriage	32.2	149.4
Increase in debtors	(167.9)	(104.6)
(Increase)/decrease in stocks	(39.1)	19.3
Increase in deferred revenue	31.5	1.1
(Increase)/decrease in amounts owing by associated and joint venture companies	(2.7)	1.1
Cash generated from operations	2,853.3	1,811.3
Income taxes paid	(66.7)	(50.8)
Net cash provided by operating activities	2,786.6	1,760.5

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

	The Group 2004-05	The Group 2003-04
Assets acquired under credit terms at 1 April	29.8	44.1
Additions to fixed assets	4,071.3	5,637.6
Less : Progress payments transferred to fixed assets	(2,003.2)	(2,945.0)
Purchase of fixed assets	2,068.1	2,692.6
Less: Assets acquired under finance lease	–	(448.6)
Less: Assets acquired under credit terms at 31 March	(2.7)	(29.8)
Cash invested in capital expenditure	2,095.2	2,258.3

31 Capital and Other Commitments (in $ million)

(a) Capital expenditure commitments

The Group and the Company have commitments for capital expenditures. Such commitments aggregated $12,855.0 million (2004: $8,041.8 million) for the Group and $11,551.5 million (2004: $6,662.8 million) for the Company.

In addition, the Group's share of joint venture companies' commitments for capital expenditures totalled $664.5 million (2004: $483.9 million).

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

(b) Operating lease commitments

As lessee

Aircraft

The Company has 13 B747-400s, 3 B777-200s and 2 B777-300s under operating leases with fixed rental rates. The original lease terms range from 5 to 11 years. In 10 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 lease agreements confer on the Company an option to purchase the related aircraft. Sub-leasing is allowed under all the lease arrangements.

SIA Cargo has 1 B747-400F aircraft under operating lease with fixed rental rates. The lease term is 10 years with no option for renewal. Sub-leasing is allowed under the lease arrangement.

SilkAir (Singapore) Private Limited ("SilkAir") has 1 A320-232 and 2 A319-132s under operating lease with fixed rental rates. The A320-232 will be returned at the end of April 2005. The lease term for the 2 A319-132s is 5.5 years. It holds the option to extend the lease for a further period of one year. There is no option to purchase these aircraft.

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

	The Group 31 March 2005	The Group 31 March 2004	The Company 31 March 2005	The Company 31 March 2004
Within one year	404.2	418.4	383.0	414.0
After one year but not more than five years	886.7	859.4	803.9	859.0
More than five years	449.4	192.8	394.5	192.8
	1,740.3	1,470.6	1,581.4	1,465.8

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

(b) Operating lease commitments (continued)

Property and equipment
The Group has entered into operating lease agreements for office and computer equipment and leasehold land and buildings. These non-cancellable leases have lease terms of between 1 to 30 years.

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

	The Group 31 March		The Company 31 March	
	2005	2004	2005	2004
Within one year	7.4	14.9	4.3	11.1
After one year but not more than five years	34.7	20.7	23.8	7.3
More than five years	29.8	39.2	–	–
	71.9	74.8	28.1	18.4

As lessor

Aircraft
The Group has entered into commercial aircraft leases. These non-cancellable leases have remaining lease terms of between 8 months and 3 years. The lease rental is fixed throughout the lease term.

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

	The Group 31 March		The Company 31 March	
	2005	2004	2005	2004
Within one year	34.7	62.5	20.8	48.4
After one year but not more than five years	35.7	116.4	29.9	95.7
	70.4	178.9	50.7	144.1

(c) Other commitments

In 2002-03, SATS and two of its wholly-owned subsidiary companies entered into a lease agreement with a United States lessor, 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 amortised over the lease period of 18 years commencing October 2002. Under the terms of the agreement, the subsidiary companies prepaid to the lessor 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.

The Company has an outstanding commitment to subscribe for shares in a joint venture company amounting to US$27.1 million.

32 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. A substantial majority of claims against the Company have been settled and finalised, however, the Company is currently a defendant in a small number of lawsuits commenced by passengers or their next of kin relating to the crash. It maintains substantial insurance coverage and the Company has received professional advice that this cover will be sufficient to cover all the claims (settled and pending) arising from the crash. Accordingly, the Company believes that the resolution of the claims arising from the crash will have no material impact on its financial position.

32 Contingent Liabilities (in $ million) (continued)

Others
There are contingent liabilities in respect of insurance and performance bonds, and bank guarantees given by the Group and the Company at 31 March 2005 amounting to $56.4 million (2004: $64.8 million) and $22.8 million (2004: $28.1 million) respectively.

33 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 swap and option 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$14 million, assuming no change 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 2005, these accounted for 68% of total revenue (2003-04: 70%) and 64% of total operating expenses (2003-04: 51%). The Group's largest exposures are from USD, Euro, UK Sterling Pound, Swiss Franc, Australian Dollar, New Zealand Dollar, Japanese Yen, Indian Rupee, Hong Kong Dollar, Chinese Yuan, Korean Won and Malaysian Ringgit. The Group generates a surplus in all of these currencies, with the exception of USD. The deficit in USD is attributable to capital expenditure, fuel costs and aircraft leasing costs – all conventionally denominated and payable in USD.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for USD and SGD. The Group also uses forward foreign currency contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell currencies at predetermined forward rates, buying either USD or SGD depending on forecast requirements, with settlement dates that range from one month up to one year.

(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 majority of the Group's interest-bearing financial liabilities with maturities above one year have fixed rates of interest or are hedged by matching interest-bearing financial assets. Interest rate swaps are used to convert a portion of floating interest rate obligations in respect of other financial liabilities into fixed interest rate obligations.

(e) Market price risk
The Group owned $431.4 million (2004: $378.1 million) in quoted equity and non-equity investments at 31 March 2005. The estimated market value of these investments was $435.4 million (2004: $467.6 million) at 31 March 2005.

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.

33 Financial Instruments (in $ million) (continued)

(g) Liquidity risk

At 31 March 2005, the Group had at its disposal cash and short-term deposits amounting to $2,840.2 million (2004: $1,518.5 million). In addition, the Group had available short-term credit facilities of about $1,417.1 million (2004: $1,565.8 million). The Group also has Medium Term Note Programmes under which it may issue notes up to $1,500 million (2004: $1,500 million). Under these Programmes, notes issued by the Company may have maturities as may be agreed with the relevant financial institutions, and notes issued by one of its subsidiary companies may have maturities between one month and ten years.

The Group's holdings of cash and short-term deposits, together with committed funding facilities and net cash flow from operations, are expected to be sufficient to cover the cost of all firm aircraft deliveries due in the next financial year. It is expected that any shortfall would be met by bank borrowings or public market funding. Due to the necessity to plan aircraft orders well in advance of delivery, it is not economical for the Group to have committed funding in place at present for all outstanding orders, many of which relate to aircraft which will not be delivered for several years. The Group's policies in this regard are in line with the funding policies of other major airlines.

(h) Derivative financial instruments

The Group's policy is to use derivatives to hedge 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 costs 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 they 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.

33 Financial Instruments (in $ million) (continued)

(h) Derivative financial instruments (continued)

The Group had outstanding financial instruments to hedge foreign currencies, interest rates and jet fuel purchases as follows:

	The Group 31 March 2005	2004
Foreign currency contracts		
6 months or less	486.7	249.3
Over 6 months to 24 months	462.9	231.8
Over 24 months	412.6	–
	1,362.2	481.1
Jet fuel swap/option contracts		
6 months or less	615.1	358.9
Over 6 months to 24 months	301.2	258.1
	916.3	617.0
Interest rate swap contracts		
6 months or less	40.4	61.3
Over 6 months to 24 months	398.1	867.8
Over 24 months	506.0	–
	944.5	929.1
Gains not recognised in financial statements	216.1	106.9

(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		Aggregate net fair value 31 March	
	2005	2004	2005	2004
Group				
Financial Assets				
Long-term investments	476.3	475.2	476.9	561.0
Short-term investments	79.3	130.2	82.7	133.9
Financial Liabilities				
Notes payable	1,100.0	900.0	1,139.5	935.7
Derivative financial instruments				
Foreign currency contracts	*	*	(37.3)	(22.5)
Jet fuel swap contracts	*	*	46.7	78.9
Jet fuel options contracts	*	*	267.5	22.6
Interest rate swap contracts	*	*	21.7	27.9

33 Financial Instruments (in $ million) (continued)

(i) Net fair values (continued)

	Total carrying amount on Balance Sheet 31 March		Aggregate net fair value 31 March	
	2005	2004	2005	2004
Company				
Financial Assets				
Long-term investments	409.2	402.4	409.8	488.2
Financial Liabilities				
Notes payable	900.0	900.0	940.4	935.7
Derivative financial instruments				
Foreign currency contracts	*	*	(23.8)	(22.5)
Jet fuel swap contracts	*	*	36.8	63.0
Jet fuel options contracts	*	*	209.1	18.0
Interest rate swap contracts	*	*	26.8	46.6

* *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. It is not practicable to determine, with sufficient reliability without incurring excessive costs, the fair value of unquoted investments as they do not have quoted market prices in an active market nor are other methods of reasonably estimating the fair values readily available. As such, the fair value of these investments is based on either acquisition cost or the attributable net assets of those companies.

The carrying values of the long-term lease commitments approximate their fair values as they are based on LIBOR.

The fair value of forward currency contracts is determined by reference to current forward prices for contracts with similar maturity profiles. The fair value of interest rate contracts is calculated using rates assuming these contracts are liquidated at balance date. The fair value of jet fuel swap contracts is determined by reference to market values for similar instruments. The fair value of jet fuel option contracts is determined by reference to available market information and option valuation methodology.

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

34 Related Party Transactions (in $ million)

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the financial statements, these were the following significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the financial year:

	The Group	
	2004-05	2003-04
Purchases of services from associated companies	40.6	288.6
Services rendered to associated companies	(24.7)	(21.2)
Purchases of services from joint venture companies	0.1	104.1
Services rendered to joint venture companies	(5.5)	(24.8)

34 Related Party Transactions (in $ million) (continued)

Directors' and key executives' remuneration of the Company

	The Company 2004-05	2003-04
Directors		
Salary, bonuses and other costs	2.3	3.2
CPF and other defined contributions	*	*
	2.3	3.2
Key executives (excluding executive directors)		
Salary, bonuses and other costs	1.8	2.1
CPF and other defined contributions	*	*
	1.8	2.1

* *Amount less than $0.1 million*

Share options granted to and exercised by directors and key executives of the Company are as follows:

Name of participant	Options granted during financial year under review	Exercise price for options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding at end of financial year under review
Chew Choon Seng	228,000	$10.70	834,000	–	–	834,000
LG Bey Soo Khiang	152,000	$10.70	570,000	–	–	570,000
Huang Cheng Eng	135,000	$10.70	582,000	–	–	582,000

35 Subsequent Events

On 6 May 2005, the Company added a B777-300 to its operating fleet, bringing the B777 fleet size to 58 aircraft.

On 22 April 2005, as a result of the rising cost of jet fuel, the Company and SilkAir announced increases to the fuel surcharge on passenger tickets from May 2005 onwards.

SIAEC signed two joint venture agreements in April 2005. A joint venture with Cebu Pacific Air, known as Aviation Partnership (Philippines) Corporation, will offer line maintenance services at 14 airports in the Philippines. The other joint venture, to be named Aerospace Component Engineering Services Pte Ltd (ACE Services), is with Parker Hannifin Corporation's Parker Aerospace Group. ACE Services will be incorporated in Singapore and will provide maintenance, repair, and overhaul (MRO) services of hydro-mechanical equipment for aircraft such as the Boeing B747-400 and B777, and the Airbus A320, A330 and A340. SIAEC will hold a 51% stake in both joint ventures.

Additional Information Required by the Singapore Exchange Securities Trading Limited

1 Interested Persons Transactions (in $ million)

Interested persons transactions carried out during the financial year by the Group (excluding SIA Engineering Company Limited and Singapore Airport Terminal Services Limited, their subsidiary, associated and joint venture companies in which they have control), are as follows:

	Aggregate value of all transactions (excluding transactions less than $100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual) 2004-05 $ million	Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,000) 2004-05 $ million
Singapore Petroleum Company Ltd	–	319.8
Keppel Telecommunications & Transportation Ltd Group		
Asia Airfreight Terminal Company Ltd	–	20.5
Temasek Holdings (Private) Limited Group		
Temasek Tower Limited	–	2.3
Senoko Energy Supply Pte Ltd	–	3.5
Trusted Hub Ltd	–	0.2
PT Bank Internasional Indonesia	–	0.2
Keppel Corporation Ltd Group		
Keppel Engineering Pte Ltd	–	4.5
Singapore Post Ltd Group		
G3 Worldwide Mail (S) Pte Ltd	–	2.5
Singapore Post Ltd	–	0.9
SembCorp Logistics Ltd Group		
Singapore Technologies Logistics Pte Ltd	–	1.4
Raffles Holdings Ltd Group		
Raffles International Ltd	–	0.3
Hotel International AG	–	0.2
MCH Services (Sydney) Pte Ltd	–	0.8
Singapore Telecommunications Ltd Group		
NCS Communications Engineering Pte Ltd	–	0.4
Singapore Telecommunications Ltd	–	0.2
National Computer Systems Pte Ltd	–	0.1
Singapore Technologies Engineering Ltd Group		
ST Aerospace Engineering Pte Ltd	–	0.3
Starhub Ltd	–	0.2
SembCorp Industries Ltd Group		
The Singapore Mint	–	0.1
SNP Corporation Ltd Group		
SNP SPrint Pte Ltd	–	0.1
The Ascott Group Ltd Group		
Hemliner Real Estate (Beijing) Co Ltd	–	0.1
Total interested persons transactions	–	358.6

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

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 still subsist at the end of the financial year.

Quarterly Results of the Group

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
TOTAL REVENUE						
2004-05	($ million)	2,724.9	3,053.9	3,201.9	3,032.2	12,012.9
2003-04	($ million)	1,653.4	2,518.1	2,764.4	2,826.0	9,761.9
TOTAL EXPENDITURE						
2004-05	($ million)	2,417.8	2,722.8	2,778.1	2,738.8	10,657.4
2003-04	($ million)	2,030.7	2,203.3	2,291.2	2,556.3	9,081.5
OPERATING (LOSS)/PROFIT						
2004-05	($ million)	307.1	331.1	423.8	293.4	1,355.5
2003-04	($ million)	(377.3)	314.8	473.2	269.7	680.4
PROFIT/(LOSS) BEFORE TAXATION						
2004-05	($ million)	337.9	446.4	609.9	435.2	1,829.4
2003-04	($ million)	(391.3)	391.8	506.6	313.8	820.9
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS						
2004-05	($ million)	258.6	357.3	475.6	297.8	1,389.3
2003-04	($ million)	(312.3)	305.8	377.9	477.9	849.3
EARNINGS/(LOSS) (AFTER TAXATION) PER SHARE – BASIC						
2004-05	(cents)	21.2	29.3	39.0	24.4	114.0
2003-04	(cents)	(25.6)	25.1	31.0	39.2	69.7

Five-Year Financial Summary of the Group

	2004-05	2003-04	2002-03	2001-02	2000-01
PROFIT AND LOSS ACCOUNT ($ million)					
Total revenue	12,012.9	9,761.9	10,515.0	9,382.8	9,852.2
Total expenditure	(10,657.4)	(9,081.5)	(9,797.9)	(8,458.2)	(8,584.1)
Operating profit	1,355.5	680.4	717.1	924.6	1,268.1
Finance charges	(77.5)	(65.1)	(54.7)	(44.0)	(37.5)
Interest income	52.7	32.5	33.7	52.0	86.0
Surplus on disposal of aircraft, spares and spare engines	215.2	102.7	144.9	66.0	181.3
Surplus on disposal of other fixed assets	8.7	5.5	1.2	2.9	2.4
Dividend from long-term investments, gross	8.0	3.6	5.2	5.7	7.7
Provision for diminution in value of long-term investments	(0.1)	(1.8)	(9.4)	(1.1)	(20.5)
Surplus on disposal of long-term investments	–	–	–	4.4	3.0
Amortisation of goodwill on consolidation	(0.1)	(0.1)	–	–	–
Amortisation of deferred gain	1.3	1.6	–	–	–
Share of profits of joint venture companies	12.5	6.4	14.5	20.5	27.0
Share of profits/(losses) of associated companies	203.7	86.3	123.8	(71.3)	81.7
Profit before exceptional items	1,779.9	852.0	976.3	959.7	1,599.2
Surplus on sale of investment in Air New Zealand Limited	45.7	–	–	–	–
Surplus on sale of investment in Raffles Holdings Ltd	32.6	–	–	–	–
Surplus on sale of investment in Taikoo	9.0	–	–	–	–
Surplus on liquidation of Abacus Distribution Systems Pte Ltd	–	9.2	–	–	–
Surplus on disposal of Aviation Software Development Consultancy India Limited	–	1.1	–	–	–
Staff compensation and restructuring of operations	(37.8)	(41.4)	–	–	–
Surplus on liquidation of Asian Frequent Flyer Pte Ltd	–	–	0.5	–	–
Gain on sale of long-term investments	–	–	–	30.2	–
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)
Profit before taxation	1,829.4	820.9	976.8	925.6	1,904.7
Profit attributable to shareholders	1,389.3	849.3	1,064.8	631.7	1,624.8
BALANCE SHEET ($ million)					
Share capital	609.1	609.1	609.1	609.1	1,220.2
Distributable reserves					
General reserve	11,263.7	10,282.6	9,539.1	8,655.2	8,215.2
Foreign currency translation reserve	8.8	19.8	41.3	63.8	40.8
Non-distributable reserves					
Share premium	448.2	447.2	447.2	447.2	447.2
Capital redemption reserve	64.4	64.4	64.4	64.4	62.3
Capital reserve	41.9	32.0	7.7	6.9	6.9
Shareholders' funds	12,436.1	11,455.1	10,708.8	9,846.6	9,992.6
Minority interests	303.9	304.1	267.5	228.7	184.5
Deferred account	414.6	446.7	523.1	591.9	733.4
Deferred taxation	2,450.1	2,175.3	2,251.0	2,664.5	2,425.6
Fixed assets	15,304.5	15,222.9	15,406.0	14,442.9	12,863.0
Goodwill on consolidation	1.3	1.4	1.5	–	–
Associated companies	790.0	517.5	500.7	385.5	715.4
Joint venture companies	323.6	309.2	296.4	277.1	239.0
Long-term investments	476.3	475.2	569.6	590.4	556.0
Current assets	4,943.9	3,463.8	2,409.8	2,884.5	3,538.5
Total assets	21,839.6	19,990.0	19,184.0	18,580.4	17,911.9
Long-term liabilities	2,333.3	2,207.2	1,879.6	1,928.9	795.5
Current liabilities	3,901.6	3,401.6	3,554.0	3,319.8	3,780.3
Total liabilities	6,234.9	5,608.8	5,433.6	5,248.7	4,575.8

Five-Year Financial Summary of the Group

		2004-05	2003-04	2002-03	2001-02	2000-01
CASH FLOW ($ million)						
Cash flow from operations		2,853.3	1,811.3	1,892.1	1,421.1	2,644.7
Internally generated cash flow [R1]		3,990.2	3,385.5	3,207.7	3,054.1	3,438.7
Capital expenditure		2,068.1	2,692.6	3,086.3	3,862.9	2,589.0
PER SHARE DATA						
Earnings before tax (cents)		150.2	67.4	80.2	76.0	155.5
Earnings after tax (cents)	– basic	114.0	69.7	87.4	51.9	132.7
	– diluted	113.9	69.7	87.4	51.9	132.6
Cash earnings ($) [R2]		2.13	1.67	1.77	1.31	2.26
Net asset value ($)		10.21	9.40	8.79	8.08	8.19
SHARE PRICE ($)						
High		12.70	12.90	14.40	14.90	19.20
Low		9.40	8.25	8.55	7.00	12.90
Closing		11.90	11.00	8.75	14.40	13.60
DIVIDENDS						
Gross dividends (cents per share)		40.0	25.0	15.0	15.0 [R3]	35.0
Dividend cover (times)		2.9	2.8	6.4	4.1	5.1
PROFITABILITY RATIOS (%)						
Return on shareholders' funds [R4]		11.6	7.7	10.4	6.4	16.9
Return on total assets [R5]		6.9	4.6	5.9	3.8	9.7
Return on turnover [R6]		12.0	9.2	10.6	7.4	16.7
PRODUCTIVITY AND EMPLOYEE DATA						
Value added ($ million)		5,533.6	4,035.7	4,367.0	3,718.2	5,180.7
Value added per employee ($) [R7]		193,794	135,727	144,397	126,375	182,831
Revenue per employee ($) [R7]		420,708	328,308	347,684	318,904	347,692
Average employee strength		28,554	29,734	30,243	29,422	28,336
S$ per US$ exchange rate as at 31 March		1.6496	1.6759	1.7640	1.8405	1.8029

[R1] *Internally generated cash flow comprises cash generated from operations, dividends from joint venture and associated companies, and proceeds from sale of aircraft and other fixed assets.*

[R2] *Cash earnings is defined as profit after tax and minority interests plus depreciation.*

[R3] *Includes 4.0 cents per share tax-exempt dividend.*

[R4] *Return on shareholders' funds is the profit after taxation and minority interests expressed as a percentage of the average shareholders' funds.*

[R5] *Return on total assets is the profit after tax expressed as a percentage of the average total assets.*

[R6] *Return on turnover is the profit after tax expressed as a percentage of the total revenue.*

[R7] *Based on average staff strength.*

Ten-Year Statistical Record

		2004-05	2003-04	2002-03
SIA				
FINANCIAL [R1]				
Total revenue	($ million)	9,260.1	7,187.6	8,047.0
Total expenditure	($ million)	8,536.7	7,037.4	7,838.0
Operating profit	($ million)	723.4	150.2	209.0
Profit before taxation	($ million)	1,595.9	328.4	460.1
Profit after taxation	($ million)	1,309.1	429.3	618.0
Capital disbursements [R2]	($ million)	1,608.9	2,051.3	2,766.2
Passenger – yield	(cents/pkm)	10.1	9.2	9.1
– unit cost	(cents/ask)	7.0	6.7	6.7
– breakeven load factor	(%)	69.3	72.8	73.6
OPERATING PASSENGER FLEET				
Aircraft	(numbers)	89	85	96
Average age	(months)	64	60	71
PASSENGER PRODUCTION				
Destination cities	(numbers)	59	56	60
Distance flown	(million km)	325.4	266.7	296.2
Time flown	(hours)	419,925	342,715	384,652
Available seat-km	(million)	104,662.3	88,252.7	99,565.9
TRAFFIC				
Passengers carried	('000)	15,944	13,278	15,326
Revenue passenger-km	(million)	77,593.7	64,685.2	74,183.2
Passenger load factor	(%)	74.1	73.3	74.5
STAFF				
Average strength	(numbers)	13,572	14,010	14,418
Seat capacity per employee [R3]	(seat-km)	7,711,634	6,299,265	6,905,667
Passenger load carried per employee [R4]	(tonne-km)	549,904	448,513	495,617
Revenue per employee	($)	682,294	513,034	558,122
Value added per employee	($)	301,024	179,272	191,566
SIA CARGO				
Cargo and mail carried	(million kg)	1,149.5	1,050.9	1,043.2
Cargo load	(million tonne-km)	7,333.2	6,749.4	6,913.6
Gross capacity	(million tonne-km)	11,544.1	10,156.5	9,927.1
Cargo load factor	(%)	63.5	66.5	69.6
Cargo yield	(cents/ltk)	35.9	33.1	34.2
Cargo unit cost	(cents/ctk)	21.3	20.6	23.9
Cargo breakeven load factor	(%)	59.3	62.2	69.9
SIA AND SIA CARGO				
Overall load	(million tonne-km)	14,796.5	13,033.1	14,059.5
Overall capacity	(million tonne-km)	21,882.5	18,873.8	19,773.7
Overall load factor	(%)	67.6	69.1	71.1
Overall yield	(cents/ltk)	70.8	63.0	64.5
Overall unit cost	(cents/ctk)	44.4	42.1	45.5
Overall breakeven load factor	(%)	62.7	66.8	70.5

[R1] *SIA Cargo was corporatised on 1 July 2001. Statistics for 2000-01 and prior years show the combined numbers of both passenger and cargo operations. Statistics for 2001-02 includes cargo operations for the first three months only (April to June 2001).*

[R2] *Capital disbursements comprised capital expenditure, investments in joint venture, subsidiary and associated companies, and additional long-term investments.*

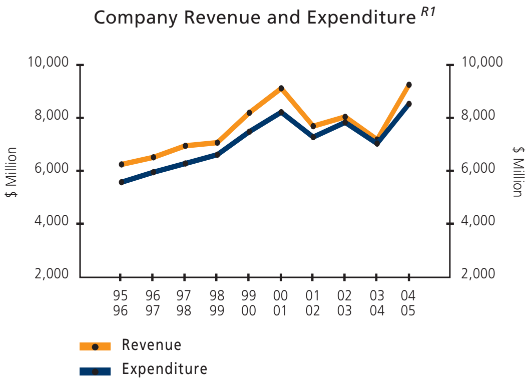
[R3] *Seat capacity per employee is available seat capacity divided by SIA average staff strength.*

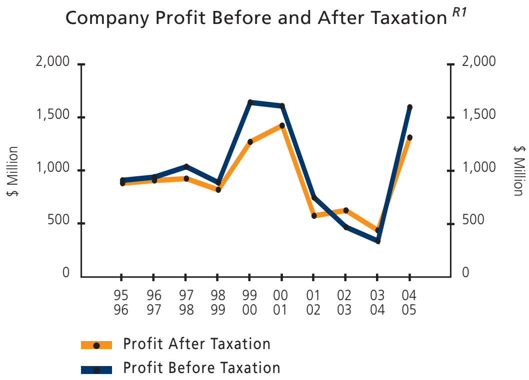
[R4] *Passenger load carried per employee is defined as passenger load and excess baggage carried divided by SIA average staff strength.*

Ten-Year Statistical Record

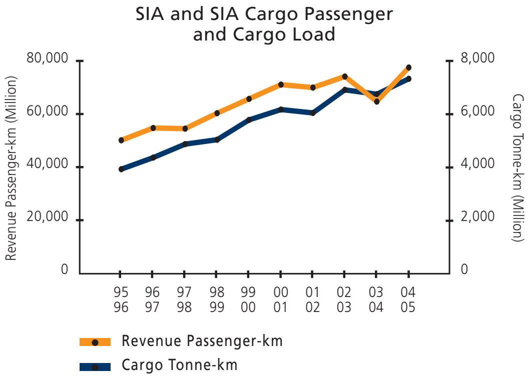
2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
7,694.7	9,125.8	8,200.7	7,072.0	6,953.5	6,517.1	6,248.2
7,281.6	8,222.5	7,485.9	6,616.5	6,284.0	5,953.8	5,575.6
413.1	903.3	714.8	455.5	669.5	563.3	672.6
740.7	1,607.2	1,641.5	882.3	1,032.3	933.8	903.3
567.2	1,422.2	1,267.1	813.7	919.5	901.8	875.9
2,885.7	2,777.7	3,303.7	1,850.4	1,934.0	2,365.9	1,395.1
9.0	9.4	9.1	8.6	9.5	9.0	9.4
6.4	–	–	–	–	–	–
71.1	–	–	–	–	–	–
92	84	84	82	80	73	65
69	70	62	57	62	63	68
64	67	69	68	73	72	73
288.4	289.1	280.6	258.9	240.3	223.1	203.5
368,204	366,784	351,560	334,172	311,388	293,565	267,680
94,558.5	92,648.0	87,728.3	83,191.7	77,219.3	73,507.3	68,529.4
14,765	15,002	13,782	12,777	11,957	12,022	11,057
69,994.5	71,118.4	65,718.4	60,299.9	54,441.2	54,692.5	50,045.4
74.0	76.8	74.9	72.5	70.5	74.4	73.0
14,205	14,254	13,720	13,690	13,506	13,258	12,966
6,656,705	–	–	–	–	–	–
471,300	–	–	–	–	–	–
541,690	647,516	607,966	526,859	524,012	500,649	490,591
189,806	284,369	291,494	228,254	236,828	221,044	210,319
938.5	975.4	905.1	768.5	735.9	674.2	603.8
6,039.8	6,167.6	5,775.4	5,025.7	4,859.1	4,348.6	3,909.5
8,950.3	8,876.1	8,244.4	7,403.6	6,908.6	6,203.9	5,585.1
67.5	69.5	70.1	67.9	70.3	70.1	70.0
32.2	–	–	–	–	–	–
23.2	–	–	–	–	–	–
72.0	–	–	–	–	–	–
12,734.6	12,985.3	12,038.4	10,765.5	10,037.6	9,512.0	8,662.0
18,305.1	18,034.0	16,917.2	15,651.8	14,533.9	13,501.1	12,481.3
69.6	72.0	71.2	68.8	69.1	70.5	69.4
64.9	67.9	66.0	63.7	67.2	66.5	69.7
44.9	45.4	43.7	42.6	43.8	43.8	43.6
69.2	66.9	66.2	66.9	65.2	65.9	62.6

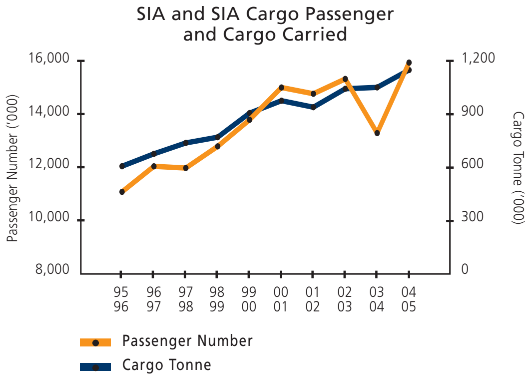
Ten-Year Charts

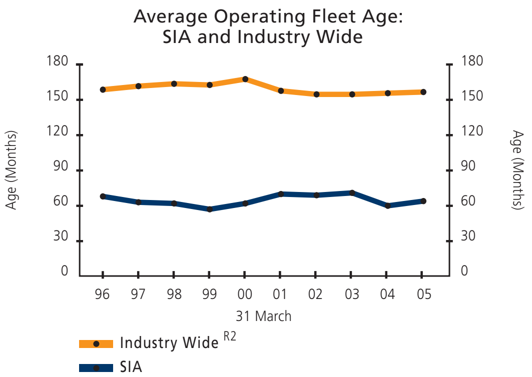




R1 *SIA cargo was corporatised on 1 July 2001. Company revenue, expenditure, profit before and after taxation in these charts for 2000-01 and prior years show the combined results of both passenger and cargo operations. The numbers for 2001-02 include cargo operations for the first three months only (April to June 2001).*







Average age of SIA passenger fleet: 5 years 4 months (as at 31 March 2005).

R2 *Source: Avsoft Information Systems, Ruby, England.*

The Group Fleet Profile

As at 31 March 2005, SIA Group operating fleet consisted of 114 aircraft – 100 passenger aircraft and 14 freighters. 89 and 11 of the passenger aircraft were operated by SIA and SilkAir respectively.

Aircraft type	Owned	Finance lease	Operating lease	Total	Seats in standard configuration	Average age in years (y) and months (m)	Expiry of operating lease		On firm order	On option
							2005-06	2006-07		
SIA:										
B747-400	14		13	27	375	9y 5m		6		
B777-200	13		1	14	288	4y 10m				
B777-200A	17			17	323	3y 11m				
B777-200ER	13		2	15	285	2y 10m				
B777-300	9		2	11	332	3y 8m			1	
B777-300ER [R1]									19	13
A340-500	5			5	181	1y 1m				
A380-800 [R1]									10	15
Sub-total	71		18	89	N.A	5y 4m		6	30	28
SIA Cargo:										
B747-400F	8	5	1	14	N.A.	5y 5m			2	
SilkAir:										
A319-312	2		2	4	118	4y 8m			2	2
A320-232	6		1	7	142	4y 1m	1		3	
Sub-total	8		3	11	N.A.	4y 4m	1		5	2
Total	**87**	**5**	**22**	**114**	**N.A.**	**5y 3m**	**1**	**6**	**37**	**30**

N.A. not applicable

R1 *The standard seat configuration for the B777-300ER and A380-800 aircraft fleet is to be finalised at a later date.*

Group Corporate Structure

At 31 March 2005

Singapore Airlines Limited

- 84.6% Singapore Airport Terminal Services Limited
- 100% SilkAir (Singapore) Private Limited
  - 100% Tradewinds Tours & Travel Private Limited
- 56% Abacus Travel Systems Pte Ltd
  - 5% Abacus Travel Systems Pte Ltd
- 85.5% 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
- 100% Singapore Flying College Pte Ltd
- 100% Sing-Bi Funds Private Limited
- 100% Singapore Airlines Cargo Pte Ltd
  - 51% Cargo Community Network Pte Ltd
- 100% SIA (Mauritius) Ltd
- 76% Singapore Airport Duty-Free Emporium (Private) Limited
- 50% Service Quality (SQ) Centre Pte Ltd
- 49% Virgin Atlantic Limited
- 49% Tiger Airways Pte Ltd
- 35.5% Singapore Aircraft Leasing Enterprise Pte Ltd
- 21% Asia Leasing Limited
- 20% RCMS Properties Private Limited

Notes

1) *Only subsidiary and associated companies, in which equity interest is at least 20%, are listed.*

2) *SIAEC Services Pte Ltd is in voluntary liquidation as at 31.3.2005. SIAEC Services Pte Ltd's 1% holdings in Eagle Services Asia Private Limited will be transferred to SIA Engineering Company Limited as part of the liquidation process.*

100% SIAEC Global Pte Ltd

65% Singapore Jamco Pte Ltd

50% International Engine Component Overhaul Pte Ltd

50% Singapore Aero Engine Services Private Limited

49% PWA International Limited

49% Fuel Accessory Service Technologies Pte Ltd

49% Combustor Airmotive Services Pte Ltd

47.1% Pan Asia Pacific Aviation Services Ltd

40% Messier Services Asia Private Limited

40% Rohr Aero Services-Asia Pte Ltd

33.3% International Aerospace Tubes Asia Pte Ltd

29% Asian Surface Technologies Pte Ltd

24.5% Asian Compressor Technology Services Co Ltd

24.5% Turbine Coating Services Private Ltd

100% SIAEC Services Pte Ltd

1% Eagle Services Asia Private Limited

48% Eagle Services Asia Private Limited

49% PT JAS Aero - Engineering Services

45% Jamco Aero Design & Engineering Private Limited

100% SATS Catering Pte Ltd

100% SATS Airport Services Pte Ltd

100% SATS Security Services Pte Ltd

100% Aero Laundry & Linen Services Pte Ltd

100% Asia-Pacific Star Pte Ltd

70% Aerolog Express Pte Ltd

66.7% Country Foods Pte Ltd

51% Ready Fresh Pte Ltd

49% SERVAIR-SATS Holding Company Pte Ltd

49% AVISERV Ltd

49% TAJ SATS Air Catering Limited

35% Maldives Inflight Catering Private Limited

40% Beijing Airport Inflight Kitchen Ltd

40% Beijing Aviation Ground Services Co Ltd

30% Tan Son Nhat Cargo Services Ltd

30% Taj Madras Flight Kitchen Limited

25% Evergreen Air Cargo Services Corporation

49% Asia Airfreight Terminal Co Ltd

20% Evergreen Airline Services Corporation

20% MacroAsia-Eurest Catering Services Inc.

24% Singapore Airport Duty-Free Emporium (Private) Limited

50% Mid-East Airport Services

49.8% PT Jasa Angkasa Semesta TBK

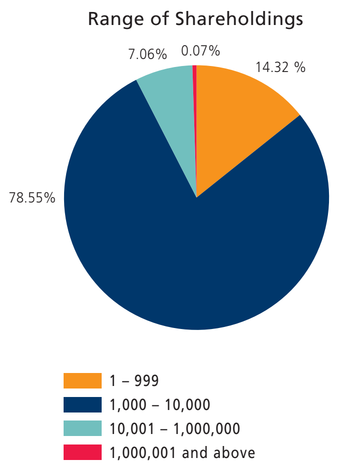
Information on Shareholdings

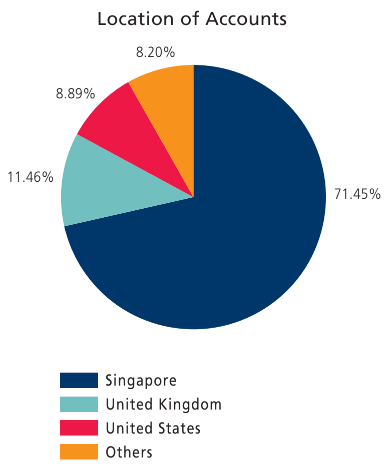
As at 26 May 2005

Authorised share capital	S$3,000,000,000.50
Issued and fully paid capital	S$609,124,973.50
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 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	3,471	14.32	1,277,863	0.11
1,000 – 10,000	19,039	78.55	48,636,368	3.99
10,001 – 1,000,000	1,710	7.06	71,173,461	5.84
1,000,001 and above	18	0.07	1,097,162,255	90.06
Total	**24,238**	**100.00**	**1,218,249,947**	**100.00**

Location of accounts	Number of shares	%	Number of accounts	%
Singapore	870,424,629	71.45	24,038	92.36
United Kingdom	139,590,513	11.46	142	0.54
United States	108,260,302	8.89	200	0.77
Others	99,974,503	8.20	1,647	6.33
Total	**1,218,249,947**	**100.00**	**26,027**	**100.00**





Information on Shareholdings

As at 26 May 2005

	Major shareholders	Number of shares	%
1	Temasek Holdings (Private) Limited	691,451,172	56.76
2	DBS Nominees Pte Ltd	121,736,473	9.99
3	Raffles Nominees Pte Ltd	106,018,091	8.70
4	HSBC (Singapore) Nominees Pte Ltd	75,554,264	6.20
5	Citibank Nominees Singapore Pte Ltd	51,750,486	4.25
6	United Overseas Bank Nominees Pte Ltd	17,396,025	1.43
7	DB Nominees (S) Pte Ltd	6,223,411	0.51
8	Merrill Lynch (S'pore) Pte Ltd	4,469,497	0.37
9	Morgan Stanley Asia (Singapore) Pte	4,317,000	0.35
10	Chang Shyh Jin	4,208,000	0.35
11	BNP Paribas Nominees Singapore Pte Ltd	2,705,372	0.22
12	UOB Kay Hian Pte Ltd	2,530,900	0.21
13	Western Properties Pte Ltd	2,118,000	0.17
14	OCBC Nominees Singapore Private Limited	2,089,800	0.17
15	National University of Singapore	1,329,000	0.11
16	Macquarie Securities (S) Pte Ltd	1,147,764	0.09
17	Ko Teck Siang Pte Ltd	1,070,000	0.09
18	Tan Leng Yeow	1,047,000	0.09
19	Oversea-Chinese Bank Nominees Pte Ltd	980,200	0.08
20	Phillip Securities Pte Ltd	874,545	0.07
Total		1,099,017,000	90.21

Substantial shareholder (as shown in the Register of Substantial Shareholders)

	Number of shares	%
Temasek Holdings (Private) Limited	694,772,778*	57.03

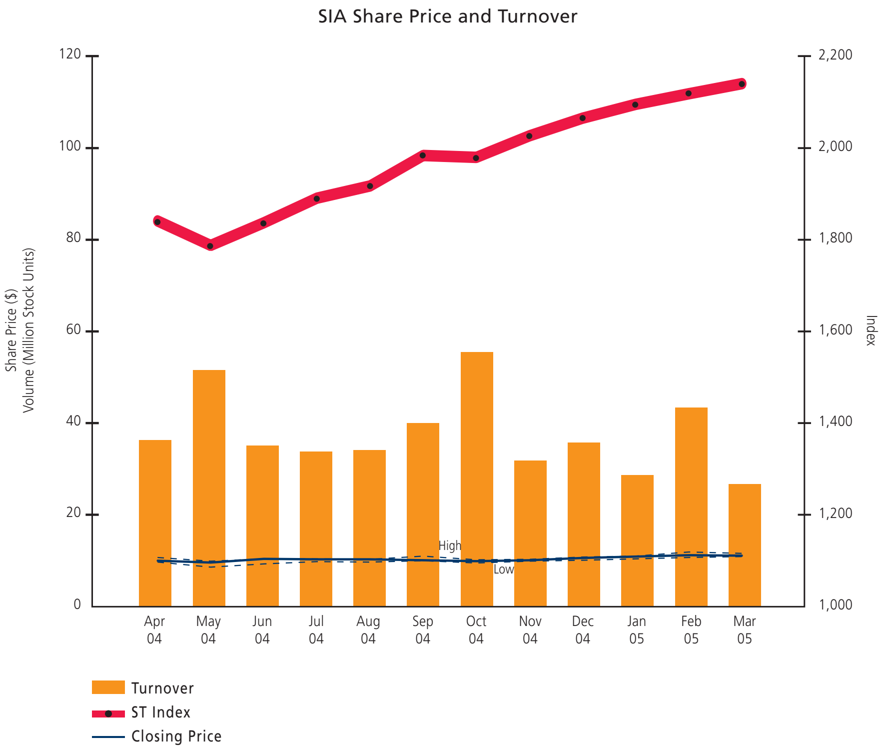
* *Includes shares in which the substantial shareholder is deemed to have an interest.*

Shareholdings held by the public

Based on the information available to the Company as at 26 May 2005, 42.95 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

At 31 March 2005



	2004-05	2003-04
Share Price ($)		
Highest closing price	12.70	12.90
Lowest closing price	9.40	8.25
31 March closing price	11.90	11.00
Market Value Ratios [R1]		
Price/Earnings	10.43	15.78
Price/Book value	1.17	1.17
Price/Cash earnings [R2]	5.58	6.60

[R1] *Based on closing price on 31 March and Group numbers.*

[R2] *Cash earnings is defined as profit after tax and minority interests plus depreciation.*

Singapore Airlines Limited

Co Regn No. 197200078R
(Incorporated in the Republic of Singapore)

Notice of Annual General Meeting

Notice is hereby given that the Thirty-Third 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 Thursday, 28 July 2005 at 2.15 p.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 March 2005 and the Auditors' Report thereon.

2. To declare a final tax exempt dividend of 30.0 cents per S$0.50 ordinary share for the year ended 31 March 2005.

3. To re-appoint Sir Brian Pitman, a Director who will retire under Section153(6) of the Companies Act, Cap 50, to hold 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 and who, being eligible, offer themselves for re-election:

   (a) Mr Fock Siew Wah

   (b) Mr Charles B Goode

   (c) Mr Chew Choon Seng

5. To approve Directors' Fees of S$962,000 (FY2003/2004 : S$629,000).

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 consider and if thought fit, approve, with or without modification, the following resolutions as Ordinary Resolutions:

7.1 That pursuant to Section 161 of the Companies Act, Cap 50, authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7.2 That the Directors be and are hereby authorised to offer and grant Options (as defined in the SIA Employee Share Option Plan) in accordance with the rules of the SIA Employee Share Option Plan (the "Plan") and to allot and issue from time to time such number of ordinary shares of S$0.50 each in the capital of the Company as may be required to be issued pursuant to the exercise of Options under the Plan provided always that the aggregate number of ordinary shares to be issued pursuant to the Plan shall not exceed 13 per cent of the issued ordinary share capital of the Company from time to time.

8. To transact any other business

Closure of Books

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders to the final dividend being obtained at the Thirty-Third Annual General Meeting to be held on 28 July 2005, the Transfer Books and the Register of Members of the Company will be closed on 4 August 2005 for the preparation of dividend warrants.

Duly completed and stamped transfers (together with all relevant documents of or evidencing title) received by the Share Registrar, M&C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 up to 5 p.m. on 3 August 2005 will be registered to determine shareholders' entitlements to the final dividend. Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 3 August 2005 will be entitled to the final dividend.

The final dividend, if so approved by shareholders, will be paid on 15 August 2005.

By Order of the Board

Wun Wen-Na
Company Secretary
23 June 2005
Singapore

Notice of Annual General Meeting

Explanatory note

1. In relation to Ordinary Resolution No. 3, Sir Brian Pitman will, upon re-appointment, continue to serve as a member of the Board Compensation & Organisation Committee. Sir Brian Pitman is considered as an independent Director.

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 & Organisation Committees. Mr Charles B Goode will, upon re-election, continue to serve as member of the Board Finance and Nominating Committees. Mr Chew Choon Seng will, upon re-election, continue to serve as member of Board Executive, Board Finance, and Board Labour Relations Committees. Mr Fock and Mr Chew are considered as non-independent Directors. Mr Goode is considered as an independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Fock, Mr Goode and Mr Chew respectively.

3. Ordinary Resolution No. 5 is to approve the payment of Directors' Fees of S$962,000 (FY2003/04: S$629,000) for the year ended 31 March 2005, for services rendered by Directors on the Board as well as on various Board Committees. The basic retainer fee for Directors and the allowances for Chairmen and members of the various Board Committees have been increased, in line with market practice and commensurate with their duties and responsibilities, to address the need for the Company to pay competitive and equitable remuneration in order to attract and retain Directors with the necessary capabilities and desired attributes to serve on the Board and add value to the Company and its shareholders. Prior to this proposed increase, the basic retainer fee for Directors had been maintained at S$40,000 since FY2000-01. For FY2001-02 and FY2002-03, Directors voluntarily waived 15% and 50% of their fees (respectively) due to the general economic downturn, the events of 11 September 2001 and the outbreak of SARS.

4. Ordinary Resolution No. 7.1, if passed, will empower Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, from the date of the above Meeting until the date of the next Annual General Meeting. The number of shares which the Directors may issue under this Resolution will not exceed 50 per cent of the issued share capital of the Company with a sub-limit of 10 per cent for issues other than on a pro rata basis. For the purpose of determining the aggregate number of shares which may be issued, the percentage of share capital shall be based on the Company's issued share capital at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares.

5. Ordinary Resolution No. 7.2, if passed, will empower the Directors to offer and grant options in accordance with the provisions of the SIA Employee Share Option Plan (the "Plan") and to allot and issue ordinary shares under the Plan. The Plan was approved at the Extraordinary General Meeting of the Company held on 8 March 2000 and modified at the Extraordinary General Meetings on 14 July 2001 and 26 July 2003 respectively.

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 Robinson Road Post Office P O Box 3911, Singapore 905911 not less than 48 hours before the time fixed for holding the Meeting.*

This page has been intentionally left blank.

SINGAPORE AIRLINES