ANNUAL REPORT 05/06

SINGAPORE AIRLINES

During the financial year 2005-06, Singapore Airlines enhanced its products and services, while expanding its route network.

Management-labour relations within the Company were strengthened and people development initiatives were implemented to further improve the skills and competencies of employees.

With preparations for the entry of the new Airbus A380 and Boeing 777-300ER into commercial service well underway, Singapore Airlines is set to make aviation history when it becomes the first Airline in the world to fly the world's largest commercial airliner.

Registered Address
Airline House 25 Airline Road Singapore 819829

Company Secretary
Mr Loh Meng See
Tel: 6541 4700 Fax: 6546 7469
Email: mengsee_loh@singaporeair.com.sg

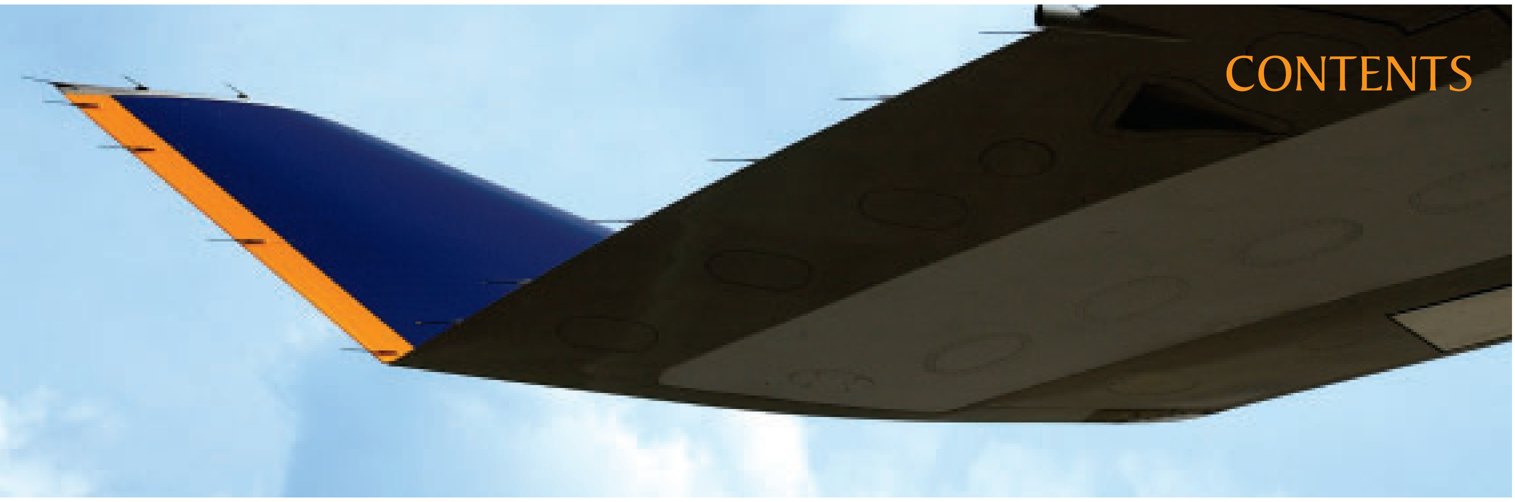
Investor Relations
Tel: 6541 4885 Fax: 6542 9605
Email: investor_relations@singaporeair.com.sg

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

MICA (P) 203/05/2006

Singapore Company Registration Number: 197200078R

www.singaporeair.com



CONTENTS

STATISTICAL HIGHLIGHTS

FINANCIAL STATISTICS[R1]

	2005-06	2004-05 [R2]	% Change
Group			
Financial Results ($ million)			
Total revenue	13,341.1	12,012.9	+ 11.1
Total expenditure	12,127.8	10,695.8	+ 13.4
Operating profit	1,213.3	1,317.1	– 7.9
Profit before taxation	1,662.1	1,791.0	– 7.2
Profit attributable to equity holders of the Company	1,240.7	1,352.4	– 8.3
Share capital	1,202.6	609.1	+ 97.4
Reserves			
Share premium	–	448.2	n.m.
Capital redemption reserve	–	64.4	n.m.
Capital reserve	40.8	41.9	– 2.6
Foreign currency translation reserve	(30.5)	3.1	n.m.
Share-based compensation reserve	81.8	48.4	+ 69.0
Fair value reserve	163.6	–	n.m.
General reserve	12,012.3	11,127.2	+ 8.0
Equity attributable to equity holders of the Company	13,470.6	12,342.3	+ 9.1
Return on equity holders' funds (%) [R3]	9.6	11.4	– 1.8 points
Total assets	23,369.5	21,744.7	+ 7.5
Total debt	2,305.6	2,403.0	– 4.1
Total debt equity ratio (times) [R4]	0.17	0.19	– 0.02 times
Value added	5,534.0	5,533.6	–
Per Share Data			
Earnings before tax (cents)	136.3	147.0	– 7.3
Earnings after tax (cents) - basic [R5]	101.7	111.0	– 8.4
Earnings after tax (cents) - diluted [R6]	101.6	111.0	– 8.5
Net asset value ($) [R7]	11.00	10.13	+ 8.6
Dividends			
Interim dividend (cents per share)	10.0	10.0	–
Proposed final dividend (cents per share)	35.0	30.0	+ 5.0 cents
Dividend cover (times) [R8]	2.3	2.8	– 0.5 times
Company			
Financial Results ($ million)			
Total revenue	10,302.8	9,260.1	+ 11.3
Total expenditure	9,651.8	8,562.2	+ 12.7
Operating profit	651.0	697.9	– 6.7
Profit before taxation	940.8	1,570.4	– 40.1
Profit after taxation	746.0	1,283.6	– 41.9
Value added	3,553.2	4,085.5	– 13.0

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 *Restated to comply with new and revised Financial Reporting Standards.*
R3 *Return on equity holders' funds is profit attributable to equity holders of the Company expressed as a percentage of the average equity holders' funds.*
R4 *Total debt equity ratio is total debt divided by equity attributable to equity holders of the Company as at 31 March.*
R5 *Earnings after tax per share (basic) is computed by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.*
R6 *Earnings after tax per share (diluted) is computed by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.*
R7 *Net asset value per share is computed by dividing equity attributable to equity holders of the Company by the number of ordinary shares in issue at 31 March.*
R8 *Dividend cover is profit attributable to equity holders of the Company divided by total dividend.*

STATISTICAL HIGHLIGHTS

OPERATING STATISTICS

	2005-06	2004-05	% Change
SIA			
Passengers carried (thousand)	16,995	15,944	+ 6.6
Revenue passenger-km (million)	82,741.7	77,593.7	+ 6.6
Available seat-km (million)	109,483.7	104,662.3	+ 4.6
Passenger load factor (%)	75.6	74.1	+ 1.5 points
Passenger yield (cents/pkm)	10.6	10.1	+ 5.0
Passenger unit cost (cents/ask)	7.5	7.0	+ 7.1
Passenger breakeven load factor (%)	70.8	69.3	+ 1.5 points
SIA Cargo			
Cargo and mail carried (million kg)	1,248.5	1,149.5	+ 8.6
Cargo load (million tonne-km)	7,874.4	7,333.2	+ 7.4
Gross capacity (million tonne-km)	12,378.9	11,544.1	+ 7.2
Cargo load factor (%)	63.6	63.5	+ 0.1 point
Cargo yield (cents/ltk)	38.6	35.9	+ 7.5
Cargo unit cost (cents/ctk)	23.5	21.3	+ 10.3
Cargo breakeven load factor (%)	60.9	59.3	+ 1.6 points
SIA and SIA Cargo			
Overall load (million tonne-km)	15,806.8	14,796.5	+ 6.8
Overall capacity (million tonne-km)	23,208.0	21,882.5	+ 6.1
Overall load factor (%)	68.1	67.6	+ 0.5 point
Overall yield (cents/ltk)	74.6	70.8	+ 5.4
Overall unit cost (cents/ctk)	47.7	44.5	+ 7.2
Overall breakeven load factor (%)	63.9	62.9	+ 1.0 point
Employee Productivity (Average) – Company			
Average number of employees	13,729	13,572	+ 1.2
Seat capacity per employee (seat-km)	7,974,630	7,711,634	+ 3.4
Passenger load per employee (tonne-km) [R1]	577,784	549,904	+ 5.1
Revenue per employee ($)	750,441	682,294	+ 10.0
Value added per employee ($)	258,810	301,024	– 14.0
Employee Productivity (Average) – Group			
Average number of employees	28,558	28,554	–
Revenue per employee ($)	467,158	420,708	+ 11.0
Value added per employee ($)	193,781	193,794	–

[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	=	Cargo capacity production (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo and mail load (in tonne-km) expressed as a percentage of gross capacity (in tonne-km)
Cargo yield	=	Cargo and mail revenue from scheduled services divided by cargo load (in tonne-km)
Cargo unit cost	=	Operating expenditure (including bellyhold expenditure to 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

From left to right:
Stephen Lee Ching Yen; Chew Choon Seng; Charles B Goode
Fock Siew Wah; Ho Kwon Ping; Davinder Singh; Sir Brian Pitman;
Chia Pei-Yuan; James Koh Cher Siang; David Michael Gonski

STEPHEN LEE CHING YEN
Mr Lee has been a Director of Singapore Airlines since 26 April 2004 and became its Chairman on 1 January 2006. He is also Managing Director of both Shanghai Commercial and Savings Bank Ltd. (Taiwan) and Great Malaysia Textile Manufacturing Company Private Limited. Mr Lee serves as President of Singapore National Employers Federation, Chairman of both SIA Engineering Company Limited and Singapore Business Federation, Advisor to PSA International Pte Ltd and a Director of Fraser & Neave Limited.

Mr Lee was a Nominated Member of the Singapore Parliament from 1994 to 1997 and Chairman of International Enterprise Singapore from 1995 to 2002. In October 2005, he stepped down as Chairman of PSA Corporation Limited and PSA International Pte Ltd. 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.

CHEW CHOON SENG
Mr Chew has been a Director of Singapore Airlines since 5 March 2003 and became the Chief Executive Officer in June 2003. He joined the Company in 1972 and has held senior assignments in Finance and in Marketing, at head office and overseas.

Mr Chew is Chairman of Singapore Aircraft Leasing Enterprise, the Airline's leasing associate and Deputy Chairman of both Singapore Airport Terminal Services Limited and SIA Engineering Company Limited. He also serves as a Director of Singapore Exchange Limited and Government of Singapore Investment Corporation Private Limited, and is a member of the Board of Governors of Singapore International Foundation. Mr Chew is also Chairman of the Board of Governors of International Air Transport Association. He was Chairman of SMRT Corporation Ltd from March 2000 to July 2003.

Mr Chew has a Bachelor of Engineering (First Class Honours) degree from University of Singapore and a Master of Science in Operations Research and Management Studies from Imperial College of Science and Technology, University of London.

CHARLES B GOODE
Mr Goode has been a Director of Singapore Airlines since 1 July 1999. He is Chairman of Australia and New Zealand Banking Group Ltd., Woodside Petroleum Ltd., Australian United Investment Company Ltd., and Diversified United Investment Ltd. He is Chairman of The Ian Potter Foundation, one of Australia's largest private philanthropic foundations.

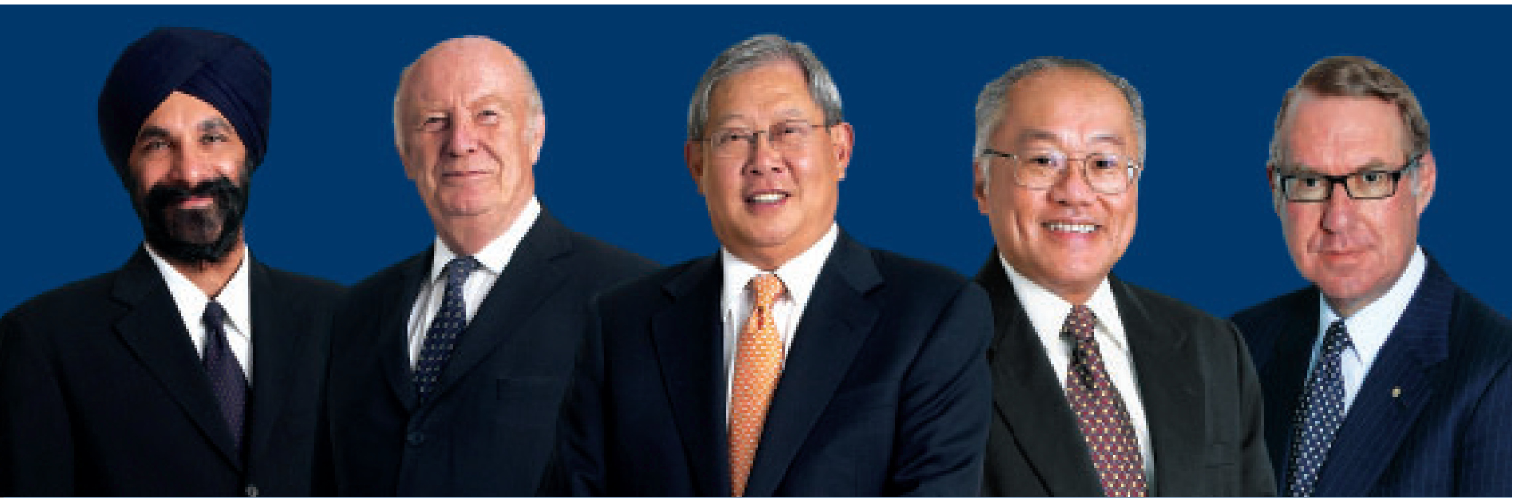
Mr Goode holds a Bachelor of Commerce (Hons) degree from the University of Melbourne, an MBA from Columbia University and a Doctor of Laws Honoris Causa from University of Melbourne and Monash University. He was made a Companion of the Order of Australia in June 2001.

FOCK SIEW WAH
Mr Fock has been a Director of Singapore Airlines since 15 July 2000. He is Chairman of PSA Corporation Limited, PSA International Pte Ltd, Singapore Airlines Cargo Pte Ltd and a Director of Tarsus Gate Investments Ltd. Mr Fock is also Senior Advisor of Nuri Holdings (S) Pte Ltd, Special Advisor to the Board of DBS Bank (Hong Kong) Limited, Special Advisor to Chairman, DBS Bank Ltd and member of the Temasek Advisory Panel. In 2005, Mr Fock stepped down from the Boards of Temasek Holdings (Private) Limited, DBS Bank Ltd, DBS Group Holdings Ltd, DBS Bank (Hong Kong) Limited, Fraser & Neave Limited, Fraser & Neave (Singapore) Pte Limited and Times Publishing 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
Mr Ho has been a Director of Singapore Airlines since 15 July 2000. He is Chairman of 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, Singapore Management University and MediaCorp Pte Ltd. He is a member of the Advisory Board of both London Business School and INSEAD. Mr Ho was Chairman of Thai Wah Public Company Limited, a Director of Standard



Chartered plc and a Board Member of the Singapore Tourism Board.

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, has been a Director of Singapore Airlines since 15 July 2000. He is a Director of Petra Foods Limited and Zagro Asia Limited and former Director of Singapore Technologies Pte Ltd. He was a Member of the Singapore Parliament from August 1998 to April 2006. 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 Laws with Honours from the University of Singapore.

SIR BRIAN PITMAN
Sir Brian, knighted in 1994 for his service to banking, has been a Director of Singapore Airlines since 26 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 was also a Director of Carlton Communications plc.

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 has been a Director of Singapore Airlines since 1 October 2003, having retired in 1996 as Vice Chairman and a Director of Citicorp and Citibank N.A., where he was 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. and a former Director of Baxter International Inc. 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.

JAMES KOH CHER SIANG
Mr Koh has been a Director of Singapore Airlines since 1 August 2005. He was a Trustee of the New Singapore Shares Fund between October 2001 and June 2005, and Chairman of the Public Accountants Board between April 1997 and March 2004. He was also the Commissioner of Inland Revenue and Commissioner of Charities before retiring in June 2005.

Mr Koh is Chairman of Singapore Deposit Insurance Corporation Limited and is the Deputy Chairman of the Housing Development Board and the National Kidney Foundation. He is also a Director of CapitaLand Limited, CapitaLand Hope Foundation, Hotel Plaza Limited, Singapore Cooperation Enterprise and United Overseas Land Limited. He was also a Director of MND Holdings (Private) Limited.

In 2002, Mr Koh was awarded the Meritorious Service Medal for his outstanding contributions to the public sector.

DAVID MICHAEL GONSKI
Mr Gonski was appointed a Director of Singapore Airlines on 9 May 2006. Among other board appointments, Mr Gonski serves as Chairman of Investec Group Australia; Taxation Working Group for the Prime Minister's Business Community Partnership; Coca-Cola Amatil and Australia Council for the Arts; President of the Board of Trustees of Art Gallery of New South Wales; a Director of both ANZ Banking Group Limited and the Westfield Group. He is also Consultant to Morgan Stanley Australia Limited and Chancellor of the University of New South Wales.

Mr Gonski was Chairman of the Brain & Mind Foundation, Chairman of the National Institute of Dramatic Art, Councillor of the Australian Business Arts Foundation, Chairman of Morgan Stanley Australia Limited, Director of ING Australia Limited and Director of John Fairfax Holdings Limited.

Mr Gonski graduated with a Bachelor of Commerce in 1975 and a Bachelor of Law in 1976 from the University of New South Wales. He is also a Fellow of the Australian Society of Certified Practising Accountants and the Australian Institute of Company Directors. He was made an Officer of the Order of Australia in 2002 for service to the community through Australian visual and performing arts organisations, through the development of government policy, and through the promotion of corporate sponsorship for the arts and for charitable organisations and received the Centenary Medal in 2003. Mr Gonski was awarded the University Medal for Law in 1977.

CHAIRMAN'S LETTER TO SHAREHOLDERS

It gives me great pleasure to present the Singapore Airlines Group 2005-06 Annual Report to shareholders.

The industry faced many challenges during the year: some were new; many have tested us before. We met those challenges, and delivered another profitable outcome.

We closed the financial year with a net profit of $1.241 billion. High fuel cost was the biggest impediment to delivering a year-on-year improvement in earnings.

The Board has reviewed the capital adequacy of the Group, and are pleased to recommend a final dividend of 35 cents, which will bring the total for the year to 45 cents – up from last year, when we paid 40 cents.

NETWORK AND FLEET

During the year in review, Singapore Airlines spread its wings further, extending the network to Abu Dhabi, Hyderabad, Karachi, Lahore and Moscow. In addition, frequencies were increased to Adelaide, Bangalore, Beijing, Guangzhou, Ho Chi Minh City, Hong Kong, Kolkata, Penang, Perth and Taipei.

Capacity growth was at a measured pace. This is also the case in the current financial year as we await the delivery of new aircraft.

Singapore Airlines will be the focus of world attention in late 2006, when we become the *First to Fly* the new Airbus A380. Around the same time, we will also receive the first of our new Boeing 777-300ERs. Putting any new aircraft type into service is complex, and involves hundreds of staff across all areas of the Group. Our engineers, flight and cabin crews, ground staff and people in many other areas are working feverishly to be ready, and I can assure you that our customers all over the world will see and experience a suite of products and services which will continue our leadership role at the premium end of the airline industry.

OUR PEOPLE

The year's challenges could not have been managed without the extraordinary team spirit that exists in the Singapore Airlines Group. We are unlike many of our competitors: we have never had Government protection from competition, or underwriting of our business in difficult times. We operate on a commercial basis and our people know that our customers have a choice of airlines. We fight hard for business, and that has made us a better airline.

Recognising this principle means a constant focus to ensure our people are equipped with what they need to serve our customers – in training and in physical resources. It means regular engagement with staff and unions to ensure they're as much part of the future direction of the organisation as management.

The workplace is changing constantly, and I am determined to ensure those changes are well-managed, and our people well-informed, so that they can make positive contributions to the change process. I am heartened to note that the organisation's people and their union leadership willingly embrace this commitment.

We operate on a commercial basis and our people know that our customers have a choice of airlines... Recognising this principle means a constant focus to ensure our people are equipped with what they need to serve our customers – in training and in physical resources. It means regular engagement with staff and unions to ensure they're as much part of the future direction of the organisation as management.

THE BOARD

I wish to thank my predecessor, Koh Boon Hwee, who was Chairman for much of the year in review, for his commitment to Singapore Airlines and his stewardship over the past four years as Chairman.

I would also like to recognise the services of two of our longest-serving Directors, Mr Fock Siew Wah, and Mr Charles Goode AC, as they will step down at the forthcoming Annual General Meeting. Shareholders can be well-pleased with the contributions each has made to the Group.

The process of renewal, however, is an ever-ongoing one. I welcome two new colleagues who joined the Board during the year: Mr James Koh Cher Siang, and Mr David Gonski AO.

Positioning the organisation for its future challenges requires us to source and embrace talent and leadership. We shall continue to do.

FUTURE CHALLENGES

The Group's expenditure on fuel was over $4.2 billion in 2005-06: 35% of total expenditure. To put that in some perspective, it was an increase of about $1.5 billion over the previous year. Before that, the average expenditure on fuel was about $1.8 billion a year for three years.

There is little the Group – indeed, even the industry – can do about the runaway price of fuel. We can strive for savings at the margin, through improvements in flying practices, pursuit of new and more direct flying routes, extension of weight reduction programmes to keep aircraft light, devising more cost-effective hedging programmes, and the like. We will also continue the policy of maintaining a young fleet of aircraft, to benefit from the latest technology in the area of fuel consumption. But even together, these initiatives cannot protect us totally from higher expenditure on fuel.

As a Group, we are conscious that other measures to deal with high fuel prices – such as the imposition of surcharges – are finite before they begin to impact on demand. As you will see from the year's results, demand was robust throughout the network. More people flew on Singapore Airlines services last year than at any time in our past history. However, at some point, the high cost of fuel will have a knock-on effect on the wider economy, so we are cautious about how far we can push the revenue side before surcharges impact negatively on demand.

Singapore Airlines will not stand still, waiting for our competitors to catch up. Facing the challenges of competition will mean we have to change. In such a competitive business, change is a constant.

We will have to continue to restructure our cost base. Productivity improvements will also be required as we bring capacity increases on stream in the next few years. We need to manage these changes with our people. We must involve them in the change process, and communicate the need for change very well. We will use open communication channels to breed a sense of confidence, and improved trust, between management, our people and unions.

The capacity increases provide us an opportunity to seek out new markets, and tap currently growing ones, such as China and India. We intend to make the most of the opportunities that are important to the growth of the Group in coming years. Our eyes must be firmly on the future. We must avoid complacency.

IN CLOSING

In addition to recognising the commitment of our staff to deliver what, in the circumstances, is a very good result, I would like to thank our many loyal customers for their continued support and business over the years. We appreciate they have a choice, and we will never end our quest to not just meet – but exceed – their expectations. We will continue to deliver the highest levels of service and product innovation to ensure their loyalty is never taken for granted.

You – our shareholders – may also be assured of our commitment to continue hard work to deliver a return on your investment. I speak for my colleagues on the Board, as well as management and every staff member in our Group – in committing our effort to ensuring Singapore Airlines remains an attractive investment, as well as the world's premium airline.

STEPHEN LEE CHING YEN
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
(until 31 December 2005)
Stephen Lee Ching Yen
(from 1 January 2006)

Members Chew Choon Seng
Chia Pei-Yuan
Fock Siew Wah
David Michael Gonski
(from 9 May 2006)
Charles B Goode
Ho Kwon Ping
James Koh Cher Siang
(from 1 August 2005)
Sir Brian Pitman
Davinder Singh

BOARD COMMITTEES*

(From 1 April 2005 to 31 March 2006)

Board Executive Committee
Chairman Koh Boon Hwee
(until 31 December 2005)
Stephen Lee Ching Yen
(from 1 March 2006)
Members Chew Choon Seng
Fock Siew Wah

Audit and Risk Committee
Chairman Ho Kwon Ping
Members Chia Pei-Yuan
James Koh Cher Siang
(from 1 September 2005)
Stephen Lee Ching Yen

Board Compensation and Organisation Committee
Chairman Koh Boon Hwee
(until 31 December 2005)
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
(until 31 December 2005)

Nominating Committee
Chairman Davinder Singh
Members Charles B Goode
Ho Kwon Ping
(from 1 September 2005)

Safety and Reliability Committee
Chairman Koh Boon Hwee
(until 31 December 2005)
Members Ho Kwon Ping
James Koh Cher Siang
(from 1 September 2005)

BOARD COMMITTEES*

(From 1 April 2006)

Board Executive Committee
Chairman Stephen Lee Ching Yen
Members Chew Choon Seng
Fock Siew Wah
Charles B Goode
Davinder Singh

Board Audit Committee
Chairman Ho Kwon Ping
Members Chia Pei-Yuan
James Koh Cher Siang
Stephen Lee Ching Yen
(until 18 April 2006)

Board Compensation and Industrial Relations Committee
Chairman Stephen Lee Ching Yen
Members Fock Siew Wah
Sir Brian Pitman

Board Nominating Committee
Chairman Davinder Singh
Members Charles B Goode
Ho Kwon Ping

Board Safety & Risk Committee
Chairman James Koh Cher Siang
Members Chia Pei-Yuan
Sir Brian Pitman

COMPANY SECRETARY

Loh Meng See

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

Kevin Kwok
(appointed in FY2005-06)

REGISTERED OFFICE

Airline House
25 Airline Road
Singapore 819829

* *With effect from 1 April 2006, the seven Board Committees were consolidated into five Board Committees.*

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
Senior Vice President
Cabin Crew

Teoh Tee Hooi
Senior Vice President
Corporate Services

Mervyn Sirisena
Senior Vice President
Engineering

Goh Choon Phong
(until 31 May 2006)
Chan Hon Chew
(from 1 June 2006)
Senior Vice President
Finance

Raymund Ng Teck Heng
(until 31 January 2006)
Gerard Yeap Beng Hock
(from 1 February 2006)
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

Hwang Teng Aun
(from 1 June 2006)
Senior Vice President
Special Projects

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
(until 31 May 2006)
Goh Choon Phong
(from 1 June 2006)
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 2006
Financial Year-End

9 May 2006
Announcement of 2005-06 Annual Results

23 June 2006
Despatch of Summary Financial Statement to Shareholders and Circular to Shareholders

7 July 2006
Despatch of Annual Report to Shareholders

31 July 2006
Annual General Meeting and Extraordinary General Meeting

17 August 2006
Payment of 2005-06 Final Dividend
(subject to shareholders' approval at AGM)

27 October 2006
Announcement of 2006-07 First-Half Results

SIGNIFICANT EVENTS

APRIL 05

- SIA Engineering Company announced two new joint ventures – one with Cebu Pacific Air to offer line maintenance at 14 airports in the Philippines; the other with Parker Aerospace Group to set up an aerospace hydraulic equipment service centre in Singapore.

MAY 05

- Singapore Airlines Cargo signed an agreement with Great Wall Industry Corporation and Dahlia Investments to form a joint-venture cargo airline, The Great Wall Airlines Company Limited, in Shanghai. SIA Cargo holds a 25 percent share in Great Wall Airlines.

JULY 05

- Singapore Airlines became the first airline in the world to introduce live TV on international flights.
- Singapore Airlines Cargo launched a twice-weekly freighter service to Johannesburg, linking South Africa with Europe, USA and Asia.
- Against the backdrop of escalating fuel prices, the Singapore Airlines Group reported a net profit attributable to shareholders of $234.6 million for the first quarter of financial year 2005-06.

AUGUST 05

- SATS announced a $23 million product and service upgrade to set new benchmarks to underscore its position as the premier ground handling and inflight catering company in the region.

SEPTEMBER 05

- Singapore Airlines launched a six-times-weekly direct service between Bangkok and Tokyo.
- Singapore Airlines conducted an Organisational Climate Survey to gather employee feedback.
- Singapore Airlines began codeshare flights with Asiana Airlines between Singapore and Seoul.

OCTOBER 05

- Singapore Airlines commenced a four-times-weekly non-stop service to Hyderabad, and increased frequencies to Bangalore by two to five-times-weekly.

- A three-year Memorandum of Understanding, valued at $15.5 million, was signed with Tourism Australia. The agreement aims to promote tourism and boost visitor arrivals to Australia: a destination served 85 times weekly by Singapore Airlines.

- SilkAir took over from Singapore Airlines the operation of services to Shenzhen and Surabaya.

- The Singapore Airlines Group posted a net profit of $343.2 million in the second quarter of financial year 2005-06.

NOVEMBER 05

- SATS refreshed its brand image by adopting a new corporate identity.

JANUARY 06

- Mr Koh Boon Hwee stepped down as non-executive Chairman and Director of Singapore Airlines Limited. Mr Stephen Lee Ching Yen assumed office as non-executive Chairman.

FEBRUARY 06

- Singapore Airlines resumed a three-times-weekly service to Karachi and Lahore in Pakistan.

- The Singapore Airlines Group posted a net profit of $396.6 million for the third quarter of the financial year 2005-06.

MARCH 06

- Singapore Airlines launched a three-times-weekly service to Moscow, via Dubai.

- Singapore Airlines commenced a three-times-weekly direct service to Abu Dhabi, making it the second destination in the United Arab Emirates to be served by the Airline.

OPERATING REVIEW

"I know it's the standard of service I provide that distinguishes Singapore Airlines from our competitors. Not just once, but every day, every flight."

THE YEAR IN REVIEW

During the 2005-06 financial year, Singapore Airlines continued to grow steadily while adapting to the changes and challenges in the aviation and tourism industry, both globally and in the region.

The Airline earned a net operating profit of $1.21 billion for the year.

During the year, the Airline further developed its products and services, on-ground and inflight. The global route network expanded with the inclusion of new destinations. Other alliance-led initiatives strengthened the presence of the Airline in various international markets.

Major training initiatives and programmes were implemented to develop the competencies of employees.

As First to Fly the A380, the Airline intensified preparations and engaged in promotions, both locally and overseas, for the entry of this new aircraft into commercial service. In addition, preparations for the delivery of the new Boeing 777-300ER aircraft at around the same time were well underway.

NETWORK EXPANSION

Singapore Airlines expanded its network globally to destinations in Asia, South West Pacific, Europe and the Middle East, to meet the growing demand for air travel.

From June 2005, the Airline added more flights between Singapore and Beijing, boosting frequency from twice-daily to three-times-daily.

In September 2005, the Airline launched a six-times-weekly direct service between Bangkok and Tokyo, bringing the total number of weekly flights to cities in Japan to 51.

The Airline also expanded its network to India. A four-times-weekly B777 service was launched to Hyderabad in October 2005. In addition, frequencies to Bangalore increased by two to five-times-weekly. These new flights brought to 46 the number of non-stop weekly flights that the Airline operated to eight cities in India. In addition, SilkAir offers nine weekly flights to two cities in India.

Flights to Shenzhen and Surabaya were transferred from Singapore Airlines to SilkAir. Frequency of flights between Singapore and both cities was therefore increased.

With the launch of a fifth weekly frequency to Adelaide in October 2005, the Airline operated a total of 85 weekly flights to Australia.

OPERATING REVIEW

In February 2006, flights to Pakistan resumed with a three-times-weekly B777 service to Karachi and Lahore.

In March 2006, the Airline extended its network into the Russian Federation for the first time, with the launch of a three-times-weekly B777-200 service to Moscow, via Dubai. Singapore Airlines now flies to Europe 74 times weekly.

In the same month, a three-times-weekly non-stop B777-200 service was inaugurated to Abu Dhabi, complementing the existing 10 weekly flights to Dubai. Singapore Airlines is the only airline to fly between Singapore and Abu Dhabi.

As at March 2006, the Airline operated 669 weekly flights to 62 cities in 34 countries.

FLEET DEVELOPMENT

During the year in review, the Airline took delivery of a Boeing 777-300 while Singapore Airlines Cargo received two new B747-400 freighters. SilkAir took delivery of an Airbus A320 and an A319.

In July 2005, the Airline issued a Request for Proposal to airframe and engine manufacturers for new aircraft. The Airline was still assessing those proposals at the close of the year in review.

During the year in review, leases for each of the following aircraft were extended:

Aircraft Type	Lease Extension	
	Month	**Duration**
B747-400F	June 2005	December 2005 to June 2007
	November 2005	September 2006 to September 2008
B747-400	December 2005	November 2005 to December 2006
	December 2005	October 2006 to October 2007
	March 2006	April 2006 to July 2008

The Airline traded-in an Airbus A310 in November and another in December 2005. Both aircraft were returned from lease.

In December 2005, the Airline sold one B747-400, and two A310s.

The passenger fleet of the Airline, as at 31 March 2006, consisted of 90 aircraft, with an average age of six years and four months. Included among the 90 aircraft are 58 Boeing 777s. Singapore Airlines is still the world's largest operator of the B777 family.

The fleet of Singapore Airlines Cargo, as at 31 March 2006, comprised 16 B747-400 freighters, with an average age of five years and eight months.

The fleet of SilkAir, as at 31 March 2006, comprised five Airbus A319 and seven A320 aircraft, with an average age of four years and three months.

PROMOTING TRAVEL AND TOURISM

As part of ongoing tourism recovery efforts in the region following the Asian tsunami in December 2004, Singapore Airlines collaborated with the Maldives Tourism Promotion Board and the Sri Lanka Tourist Board to sponsor familiarisation trips for the media to the two tsunami-affected countries. A similar programme was initiated for Bali in response to the Bali bomb blasts in October 2005.

Singapore Airlines was awarded the Pacific Asia Travel Association's Grand Award in the marketing category for its tourism recovery efforts.

In October 2005, the Airline signed an A$12 million ($15.5m) three-year Memorandum of Understanding (MoU) with Tourism Australia to jointly promote Australia as a major tourist destination throughout the Airline's international markets, especially in Europe and Asia, and boost visitor arrivals to Australia.

An MoU was also signed with the South Australia Tourism Commission, in addition to the existing one with the Queensland Government. These agreements are an effective use of limited resources to promote destinations in a targeted and co-operative way.

The Airline expanded its *Boarding Pass Privileges* programme during the year in review. Launched in 2004, the programme is designed to offer customers value-added benefits from the participating partners. While promoting Singapore as an attractive stopover destination, it seeks to enhance Singapore's position as a tourism hub. The programme now includes over 300 local and international partners in the hotel, entertainment, retail and food and beverage industries. Its unique offering earned the Airline a Gold Award in the Marketing, Carrier (International-Air) category at the *Pacific Asia Travel Association Awards 2006* for the second year running.

The Airline teamed up with Singapore Changi Airport to introduce *Transit Singapore*. The programme provides transiting customers with a host of privileges when they utilise the airport's shopping, dining and lifestyle services.

117TH INTERNATIONAL OLYMPIC COMMITTEE MEETING

Singapore Airlines was the Official Airline of the 117th International Olympic Committee (IOC) Meeting. The meeting was held in Singapore in July 2005 to select the host city for the 2012 Summer Olympics.

Singapore Airlines also adapted its expertise in customer service to help train IOC volunteers in a two-hour Hospitality and Customer Services Training session. The training, conceptualised and conducted by cabin crew from the Airline, aimed to provide IOC volunteers with some understanding of customer service, social etiquette, cross-cultural awareness, handling compliments and complaints graciously and grooming.

85 volunteers from the Group also contributed to the success of the IOC Session by helping at the Opening Ceremony. A cabin crew member was assigned to each of the bid cities as flag bearers for their entry into the final session, showcasing the iconic Singapore Girl.

With the announcement of the 2012 host city towards the end of the session, broadcast worldwide to over a billion viewers, Singapore Airlines was able to gain significant brand exposure and play a key role in making the event a highly successful one for Singapore.

OPERATING REVIEW

"Safety, reliability and punctuality are what our customers expect. I'm proud to be part of a team that accepts those responsibilities and takes them seriously."

THE SINGAPORE AIRLINES AIRBUS A380

Preparations are in full swing to welcome the Airbus A380 – the world's first double-deck commercial airliner – into the Singapore Airlines fleet. During the year, Singapore Airlines, First to Fly the A380, participated in numerous high profile milestone events to mark various stages of the A380 development.

In November 2005, the aircraft arrived in Singapore, on its first ever trip outside Europe, as part of the A380 flight test campaign. While in Singapore, compatibility tests were carried out to ensure that ground-handling equipment and airport enhancements developed for the aircraft were adequate.

In February 2006, a test A380 aircraft, in full Singapore Airlines livery for the first time, was featured at the *Asian Aerospace 2006* exhibition.

In Singapore, and at many overseas locations, staff took the opportunity to spread the message that Singapore Airlines would be the First to Fly the superjumbo.

Singapore Airlines in Sydney worked with organisers of the *City to Surf* race in August 2005 to launch a giant A380 balloon at the finish line.

In London, a four-by-four metre, 1:20 scale model of the Singapore Airlines A380 was unveiled inside Heathrow Airport's Terminal 3.

In Germany, the Airline conducted tours to the A380 final assembly line in Hamburg for groups of trade partners and aviation journalists. They were briefed by Airbus executives on the progress of the A380.

A fully interactive A380 website, *singaporeair.com/a380*, was launched to provide information on the development of the aircraft. To date, over 50,000 people have signed up to receive regular updates.

With the first Singapore Airlines A380 undergoing cabin installation in Hamburg, and another five on the final assembly line in Toulouse, hundreds of staff across the organisation are preparing themselves for the challenges that come with being the launch customer of the world's newest aircraft.

OPERATING REVIEW

"There are limits to what we can do with food on an aircraft. But I will push those boundaries to give our customers the best inflight experience."

PRODUCT AND SERVICE DEVELOPMENT

On The Ground

Interline E-ticketing

The use of e-tickets provides significant benefits to customers, while also delivering substantial distribution cost savings to the Airline. The penetration rate for e-tickets has been increasing, and the Airline is well on track to meet IATA's global goal of 100 percent e-ticketing by the end of 2007.

In April 2005, the Airline launched an e-ticketing initiative with United Airlines to provide customers whose itineraries involve flights on both carriers with the convenience of travelling on a single e-ticket for the entire journey. In September 2005, this service was expanded to 11 other Star Alliance partners.

singaporeair.com

During the year in review, the Singapore Airlines website, *singaporeair.com,* was simplified so that customers can complete their online transactions with greater ease. Improvements were made to functions such as fares search, flight booking, online check-in, special meal request, seat selection and redemption booking.

In The Air

Inflight Entertainment

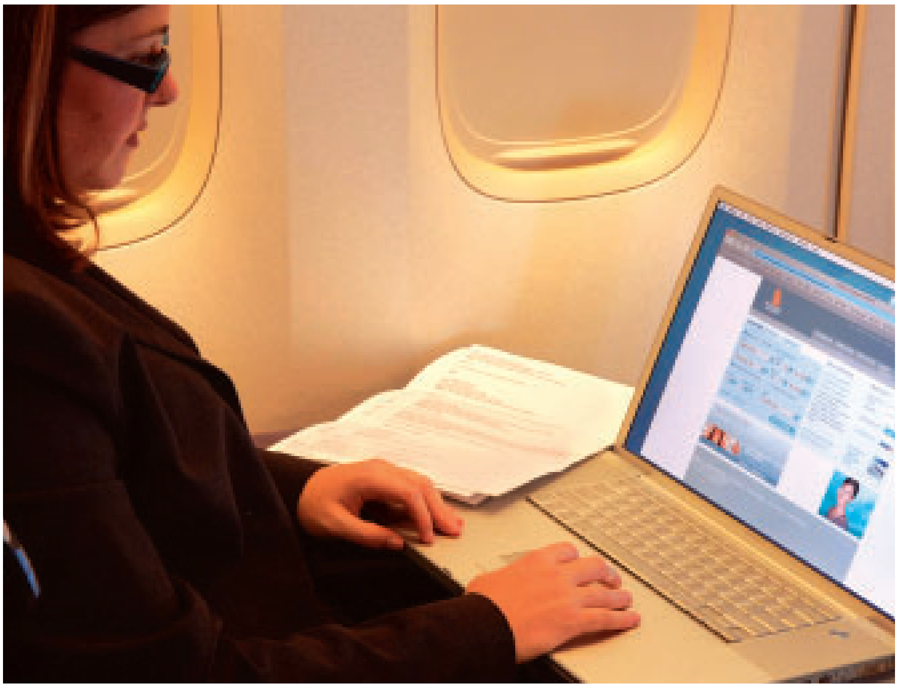
The Airline's award winning inflight entertainment system, *KrisWorld*, was expanded during the year in review to offer customers a selection of over 450 entertainment and information options, including video and audio programmes, games and news. On offer is a selection of 60 movies, up to 100 TV programmes, and 225 music CD albums and audio books.

With the expansion of the video games selection in 2005, the Airline now has the widest selection of inflight games, including a variety of arcade, board, puzzle, leisure and sports games.

In June 2005, *Berlitz® Word Traveler*, an interactive language learning programme, was made available on selected aircraft. It offers quick lessons in 22 languages.

In December 2005, live text news was launched to allow customers access through *KrisWorld* to the latest world, regional, business, technology, entertainment and sports news. The news is obtained from an extensive list of news sources, including Associated Press, Financial Times, the Wall Street Journal and Dow Jones.

OPERATING REVIEW



Mobile Connectivity

In July 2005, Singapore Airlines became the first airline in the world to offer live global TV as part of its inflight wireless broadband internet service, *Connexion By Boeing*SM. Customers can use their internet connection to access live broadcasts from BBC World, CNBC, Eurosportnews and Euronews.

In November 2005, *Connexion By Boeing*SM was launched on flights between Singapore and New York via Frankfurt. The Airline was the first in the region to provide its customers, in all three classes, with real-time, high-speed and secure internet connectivity.

In March 2006, the Airline extended the service to flights between Singapore and Sydney. The product will be launched progressively on routes to other cities in the coming months.

Food And Beverage

During the year in review, Singapore Airlines expanded its meal offerings in all classes, providing customers an even wider selection of food and beverages served onboard.

In May 2005, the Airline launched a Chinese meal concept, 十全食美 (Shí Quán Shí Měi), comprising four appetisers and six entrees, (including a signature soup and dessert) complemented with steamed rice or congee. The meal is specially conceptualised and designed for the Airline's First Class customers by two chefs from the Airline's International Culinary Panel – Yeung Koon Yat from Hong Kong and Sam Leong from Singapore.

In November 2005, the Airline launched, 花ごよみ (Hanagoyomi), a Japanese meal concept comprising an elaborate spread of nine appetisers and entrees presented and served elegantly in traditional Japanese style. The meal was specially created for Business Class customers by International Culinary Panel Chef, Yoshihiro Murata.

In March 2006, the Airline welcomed a new member to its panel of wine experts. Karen MacNeil, a highly acclaimed American wine professional, joins two other wine experts, Steven Spurrier from the United Kingdom and Michael Hill-Smith from Australia, on the Singapore Airlines Wine Panel. Together, the panel ensures that fine and contemporary choices of wines and champagnes from around the world are served inflight.

Amenities

In September 2005, the Airline introduced a new sleeper suit for First Class customers travelling on long-haul flights. Designed by French fashion house, *Givenchy*, the suits allow for maximum comfort and provide for a better fit.

A new *Bvlgari* toiletry kit for First Class customers on long-haul flights was introduced in March 2006. The *Bvlgari White Tea* range comprises a white tea-scented eau de toilette spray, lip balm and hand cream. The ladies' set contains a body lotion, while the men's set offers an aftershave emulsion.

KrisFlyer

During the year in review, a number of new partnerships were introduced in various sectors.

KrisFlyer, the Airline's frequent flyer programme, further increased the selection of partners with the addition of local and international banks in major markets. Collaboration with these partners gives *KrisFlyer* members more ways to earn *KrisFlyer* miles.

From October 2005, PPS Club members in Singapore were given an exclusive opportunity to subscribe or upgrade, to the *American Express Singapore Airlines PPS Club Platinum Credit Card*: a premium benefit with the fastest mileage accrual scheme and many other recognition benefits appropriately reserved for the Airline's premium customers.

KrisFlyer has over 90 global and local non-airline partners including hotels, travel agencies, credit cards, telecommunications providers and insurance companies.

OPERATING REVIEW

AWARDS AND ACCOLADES

Singapore Airlines continued to collect more awards during the year in review.

Readers of the prestigious *Travel+Leisure Magazine (US)* voted Singapore Airlines World's Best International Airline for the 10th consecutive year. SilkAir, was voted number 10 in the same survey, giving the Singapore Airlines Group two of the top 10 airline awards.

At the *Conde Nast Traveler (US) 2005 Business Travel Awards*, the Airline was presented with the World's Best International Airline Award for the 17th consecutive year, and Best Business Class on Transpacific Routes and Best Business Class on Transatlantic Routes. The Airline also came in first in the *Conde Nast Travellers Awards (UK) 2005* for the category of Long Haul Leisure Airline.

At the *Business Traveller Asia-Pacific 2005* awards ceremony, Singapore Airlines was awarded Best Airline for the 14th consecutive year, in addition to clinching titles across all the airline category awards for Best Asia-Pacific Airline, Best Airline Economy Class, Best Airline Business Class, Best Airline First Class and Best Frequent Flyer Programme.

The *Zagat Survey (US) 2005* rated Singapore Airlines the Top Overall Airline, Top Airline for Comfort, Top Airline for Service and Top Airline for Food.

The Airline was also voted Most Preferred Airline in *TIME* magazine's 2005 Readers' Travel Choice Awards for the fifth year running and won the award for the Preferred First/Business Class. *KrisFlyer* was named Best Frequent Flyer Programme.

The Australian Chamber of Commerce in Singapore, and the Australian Government's trade development agency, Austrade, jointly awarded Singapore Airlines as the Singapore company with the most substantial contribution to trade between the two countries.

In March 2006, the Airline was ranked 19th in the Top 20 of the *World's Most Admired Companies* by Fortune Magazine. Singapore Airlines was the only airline on the list, the only Southeast Asian company, and one of only a handful from outside the USA.

A full listing of the Airline's awards can be found on page 31.

ALLIANCE PARTNERS AND CODESHARE SERVICES

Singapore Airlines joined the Star Alliance in April 2000. With the addition of Swiss International Airlines and South African Airways in April 2006, the Star Alliance network expands to 152 countries, with access to 842 airports and over 660 lounges.

The Airline entered into a new codeshare partnership with Asiana Airlines in September 2005, for flights between Singapore and Seoul.

In October 2005, the Airline expanded its presence in Eastern Europe through a codeshare partnership with LOT Polish Airlines. The co-operation provides customers with seamless travel between Singapore and Poland through daily connections at Frankfurt, Amsterdam and Zurich.

Singapore Airlines and SilkAir began codesharing with Malaysian Airlines in April 2005, to Sabah, Sarawak and Penang. The arrangement covers services between Singapore and Kota Kinabalu, Kuching and Penang.

SUPPORTING OUR COMMUNITIES

Singapore Airlines believes in the importance of supporting, and being a good corporate citizen, in the communities it serves.

During the year in review, the Airline contributed over $2 million in cash and travel to charities, community development programmes, philanthropic and promotional events aimed at supporting those causes.

In June 2005, as part of an outreach programme project, the Cabin Crew Club for Community Service initiated a six-month programme to feed as well as to improve the learning and teaching conditions in two schools in Bohol in the Philippines.

The Airline provides educational assistance to communities through local scholarship programmes such as the *Singapore Airlines untuk Pendidikan* in Indonesia, the *Smiling Together* project in Thailand and the Singapore Airlines *Bantay Edkasyon Project* in the Philippines.

The Airline is a supporter of the arts both at home and overseas. For its support to organisations such as Singapore Symphony Orchestra, Singapore Chinese Orchestra and Singapore Lyric Opera, Singapore Airlines was again honoured with the *National Arts Council Distinguished Patron of the Arts Award*. The award recognises private sector support for the development of a vibrant arts scene in Singapore.

In Australia, the Airline was presented the *Partnership of the Year Award* in the Commitment Category by the Australian Business Arts Foundation for its 18 continuous years as a sponsor of Art Exhibition Australia (AEA). AEA curates exhibitions of some of the world's most precious art works for audiences in Australia. Singapore Airlines is the only airline with specialised skills to handle the movement of the works for such exhibitions.

Singapore Airline's support for regions affected by the devastating tsunami in December 2004 continued, with contributions aimed at rebuilding tourism and normalising the economic foundations of those regions.

OPERATING REVIEW

DEVELOPING OUR PEOPLE

The Airline implemented initiatives in human resources management and people development in the review period to strengthen the competencies and capabilities of its people.

A new enterprise learning system was developed to foster and support a continuous learning culture in the Airline.

In addition, a Corporate Learning Centre (CLC) was established to consolidate and promote sharing of the many resources and facilities across the various training departments. The aim is to encourage the spread of best practices, learning opportunities and knowledge across the Airline. CLC will also provide impetus to develop effective e-learning and foster a culture of sharing and learning between staff.

During the financial year in review, the Airline began negotiations for a new set of Profit Sharing Bonus formulae with all five unions in the Singapore Airlines Group. This new Profit Sharing Bonus framework features a gradual de-linking of bonus payout for subsidiary companies from the performance of the Singapore Airlines Group. Part of the payout is to be linked to the individual company's performance, represented by various key performance indicators. The aim is to motivate each individual company to be more cost-competitive, and to expand its third-party business.

In line with the focus on performance and productivity, the Performance Management System was fine-tuned to further improve the employee appraisal process.

The Airline's first Organisational Climate Survey in recent times was conducted in September 2005 to serve as another communication channel for management to identify the needs and concerns of staff. The survey sought views on various issues such as Company image, employee engagement, communication, training and development, organisational change, working relationships, management and supervision, and pay and benefits. Open to all Singapore-based staff to participate on a voluntary basis, the survey received a credible response rate of 57 percent.

With more than half of the respondents having positive views of the areas surveyed, the results tell of an organisation where employees look to the future with optimism and confidence, despite the uncertainties of a rapidly changing business environment. Action plans have been drawn up to address the feedback collected. A number of areas require attention, and work is underway to address them.

By 31 March 2006, the staff strength of Singapore Airlines Group was 28,343; an increase of 0.7 percent over the previous year. 13,770 (48.6 percent) were employed by the Airline, with 6,757 being cabin crew and 2,089 being pilots.

"Our care and commitment to the highest standards of excellence, backed by training and development, means I give my best to keep our fleet well-maintained."

OPERATING REVIEW

SAFETY, SECURITY AND ENVIRONMENT

Safety

With safety of its customers and employees as top priority, Singapore Airlines always aims for the highest and most stringent international safety standards.

Singapore Airlines successfully completed its second International Air Transport Association (IATA) Operational Safety Audit (IOSA) in January 2006. The IOSA audit, covered several key areas, namely organisation management, flight safety, security, emergency management, quality assurance, flight operations, engineering maintenance, ground handling and cargo operations.

The Airline continued to promote and enhance flight safety through partnerships with various safety organisations. The Airline became a member of IATA's Safety Trend Evaluation, Analysis and Data Exchanges System. It gives the Airline access to a repository of flight safety data and analysis to help develop accident prevention strategies.

To promote safe practices on the ground, the Airline initiated a Ground/Ramp Incident Prevention programme. The ground safety record for apron handling improved significantly as a result of this initiative. Accident costs attributed to ground damages fell by 63 percent from $520,000 in FY2004-05 to $190,000 in FY2005-06.

Security

Security is of paramount importance to Singapore Airlines. The Airline works closely with numerous security agencies throughout the world to implement measures to counter security threats. These security measures are, in turn, closely monitored and reviewed regularly through a structured audit programme to ensure effectiveness.

Environment

Following the revision of the Environmental Management System (EMS) ISO 14001:2004 Standard by the International Organisation for Standardisation in November 2004, Flight Operations, SATS Cargo and SATS Maintenance Centre successfully converted their EMS to the revised ISO 14001:2004 Standard.

In December 2005, the Airline's Computer Centre was named an "Energy Smart" building by the Energy Sustainability Unit of the National University of Singapore and the National Environment Agency of the Ministry of the Environment and Water Resources. The award gives recognition to buildings that make efficient use of energy without compromising air quality and comfort of its occupants. The Centre achieved a 10 percent reduction in energy consumption last year.

In March 2006, the Singapore Airlines Environment Committee was established to monitor the environmental performance of the Company and provide counsel to management on emerging environmental issues in the aviation industry.

Details of the Group's environmental activities and performance are shown in its Environmental Report, a copy of which can be viewed from *www.singaporeair.com.*

"I treat our customers with professionalism, care, courtesy and warmth, so that their travel experience with us begins on the ground, even before they board their flights."

OPERATING REVIEW

SUBSIDIARIES AND ASSOCIATED COMPANIES

Singapore Airport Terminal Services Ltd

Singapore Airport Terminal Services (SATS) earned a net profit of $188.6 million for the year, 12.4 percent more than last year.

During the year in review, SATS forged new partnerships in China and the Middle East.

An agreement was signed in February 2006 with Pakistan International Airlines Corporation to provide technical services in the overall management of its Karachi flight kitchen, as well as to form inflight catering joint venture at Karachi, Islamabad, Lahore and other airports in Pakistan.

In the same month, SATS also entered into a two-year partnership with Qatar Aviation Services to upgrade ground handling capabilities at Doha International Airport.

In March 2006, SATS signed a joint venture agreement with China Aviation Qingdao Liuting Airport to set up the Qingdao Airport Cargo Service Co., Ltd. SATS will provide cargo handling services to domestic and international airlines at Qingdao Liuting International Airport in Shandong province, China.

SATS expanded its client list with the addition of Jet Airways in April 2005, Air Sahara in May 2005 and Pakistan International Airlines in June 2005. This brings to 52 its total airline clients. Currently, operations extend to 25 airports in 10 countries throughout the Asia-Pacific region.

During the year, SATS launched a new corporate look and brand promise. In November 2005, a new logo, along with the tagline – *One With You* – was introduced.

In July 2005, SATS launched a $23 million products and services upgrade in Singapore to enhance passenger service, strengthen the air cargo hub and improve the inflight dining experience. The upgrade covered both hardware equipment and skills/service investments.

SIA Engineering Company

SIA Engineering Company (SIAEC) earned a net profit of $230.6 million, 35.3 percent more than last year. The year in review saw SIAEC extend its capabilities and form new partnerships through strategic joint ventures.

During the year, SIAEC prepared to carry out B747-400 Passenger-to-Freighter (PTF) conversions and to service the A380 and the B777-300ER.

A fifth hangar, commissioned in June 2005 to specialise in PTF conversion work, is expected to begin in August 2006. The PTF business is part of SIAEC's strategy to offer a complete suite of maintenance, repair and overhaul services at its one-stop maintenance hub in Singapore.

To gear up for the two new aircraft – A380 and B777-300ER at the end of 2006, engineers and technicians were trained in the structure and systems of the new aircraft types. New equipment was also acquired.

In April 2005, SIAEC announced new joint ventures with Aviation Partnership (Philippines) Corporation and Aerospace Component Engineering Services Private Limited (ACE Services).

Aviation Partnership (Philippines) Corporation was formed with Cebu Pacific Air to offer line maintenance at up to 14 airports in the Philippines. This joint venture is SIAEC's third line maintenance joint venture outside Singapore.

ACE Services was formed with Parker Hannifin Corporation's Parker Aerospace Group to provide MRO services of hydro-mechanical equipment for aircraft such as the Boeing B747-400 and B777, and the Airbus A320, A330 and A340. Its capability qualifies it to support next generation commercial aircraft such as the Airbus A380 and Boeing 787.

It is also the first facility in the region to provide OEM support of Parker components and systems.

Singapore Airlines Cargo

For the financial year ending 31 March 2006, Singapore Airlines Cargo (SIA Cargo) earned a net profit of $135.3 million.

SIA Cargo expanded its network between Europe and South Africa with the commencement of twice-weekly services between Brussels and Johannesburg in July 2005.

In October 2005, SIA Cargo took delivery of a new B747-400 freighter and commenced twice-weekly Delhi-Copenhagen-Chicago services. Another B747-400 freighter which joined the operating fleet in February 2006 was used to put on additional freighter services to USA via China. The operating fleet now comprises 16 B747-400 freighters.

The lease of a B747-400 freighter to Air China was extended for another two years, until September 2008.

In May 2005, SIA Cargo signed an agreement with Great Wall Industry Corporation and Dahlia Investments to form a joint-venture cargo airline in China. The airline, Great Wall Airlines Company Limited, was incorporated in Shanghai. Operations began in June 2006.

During the year in review, SIA Cargo secured several key global accounts with organisers of major international events. A total of eight charter flights were operated for four Formula One races, including two charters carrying racing vehicles and media equipment to Sao Paulo in Brazil.

SIA Cargo was selected by NOKIA Corporation for the second successive year as one of its preferred carriers for its intra-Asia and Asia to South-Pacific distribution. In the first quarter of the year in review, SIA Cargo launched enFORSC, a cargo reservation system with enhanced graphical user interface. The new system would reduce training costs and improve staff productivity.

In October 2005, SIA Cargo became a member of the International Air Transport Association (IATA) Industry Action Group. The group was formed as part of the IATA E-freight initiative, which aims to simplify business processes, reduce business costs and improve efficiency across a global sales network through a paperless environment.

The airline was named Best Air Cargo Carrier (Asia) in the AFSCA *(The Asian Freight and Supply Chain Awards)* for the 12th consecutive year. It also won the title for Best Air Cargo Carrier in the *Asia Logistic Award* for the fourth year running and was voted the winner of the *Quest for Quality Award* by readers of *Logistics Management* for the second year in a row.

OPERATING REVIEW

SilkAir

SilkAir earned a net profit of $20.6 million for the financial year. The airline carried 1.26 million customers; an increase of 20 percent over the previous year.

During the year in review, SilkAir launched services to new destinations. In October 2005, SilkAir took over from Singapore Airlines services between Singapore and Shenzhen and Singapore and Surabaya. The use of the smaller aircraft by SilkAir results in higher frequency of flights thereby giving customers more choices in travel times.

Twice-weekly services to Kota Kinabalu were launched in December 2005.

The airline also operated a series of charter flights to regional destinations, including 14 flights to Haikou and 11 to Nanning. In addition, weekly charters were launched to Christmas Island, Australia.

More personalised service such as plated main course and choice of mealtime was introduced for Business Class passengers on the longer-haul Chinese and Indian sectors.

SilkAir was ranked one of the world's best airlines in the annual *Travel+Leisure 2005 World's Best Award* readers' survey. Clinching the 10th spot in August 2005, it became the only regional carrier to make it to the leading US travel publication's top 10 list. In addition, the airline was voted Best Regional Airline (Asia and China) in October 2005 for the sixth time by members of Asia Pacific's travel trade in the *TTG Asia's Annual Travel Awards 2005*.

In the same month, SilkAir was presented with an award of appreciation from the United Nations Association of Singapore for its tsunami relief efforts.

SilkAir returned one A320 to its lessor in May 2005. The airline took delivery of two new aircraft – one A320 and one A319, in September 2005 and October 2005 respectively. Both new aircraft feature larger luggage bins and modified seat configurations that provide for additional economy class seating.

In March 2006, the airline sold and leased back two A320 aircraft to Allco Finance Group Limited.

SilkAir's fleet, as at 31 March 2006, comprised five Airbus A319 and seven A320 aircraft, with an average age of four years and three months.

Singapore Flying College

To manage the increase in demand for flight training, Singapore Flying College acquired three more Cessna 172Rs during the financial year, bringing the fleet size to 37 aircraft: four Learjet 45, six Beech B58 Barons, 21 Cessna 172Rs and six Cessna 152s.

During the year in review, a Learjet 45 Integrated Procedures Trainer was commissioned. A second simulator arrived at the advance training facility in Maroochydore, Queensland and is undergoing testing and certification.

The Singapore campus of the College achieved ISO 14001 certification for the implementation of the Environmental Management System, while the Jandakot branch was awarded the ISO 9001 certificate for qualities and systems.

Singapore Aircraft Leasing Enterprise

There was a strong recovery in aircraft leasing markets during the last year, following the downturn which began in 2001. As a result, the existing portfolio of Singapore Aircraft Leasing Enterprise (SALE) generated improved returns as new leases were signed, while the quality of the company's customer base was significantly strengthened.

SALE continued to increase the size of its portfolio, taking delivery of 17 new aircraft. These included seven Airbus A320s ordered directly from the manufacturer, and 10 Airbus A319s acquired under purchase and leaseback agreements with airlines. The deliveries brought the total number of aircraft acquired by SALE since it was established in 1993 to 101.

SALE finalised a contract with Boeing in May 2005, covering firm orders for 20 Next-Generation B737-800 aircraft. This order represented a significant diversification of SALE's portfolio. By 31 March 2006, the first nine aircraft from this order had already been placed with airlines, for delivery in 2006 and 2007.

At year-end, the SALE portfolio totalled 79 aircraft, comprising 72 owned by the company and seven managed on behalf of third parties. The aircraft were flying with 32 airlines worldwide. The fleet remains one of the youngest in the leasing business, with an average age of just four years.

LIST OF AWARDS

MAY 2005

2005 Reader's Digest SuperBrands Airline Category
Gold Award (Asia)
Platinum Award (Singapore)

Pacific Asia Travel Association
Gold Award

Asiamoney 2005 Business Travel Poll
Asia's Best Airline

OAG Awards
Best Europe to Asia/Australasia Airline
Best International First Class
Best Airline Based in Asia

Business Traveller Middle East Award 2005
Best Asian Airline Serving the Middle East (4th consecutive year)

JULY 2005

Travel+Leisure Magazine (US)
World's Best International Airline (10th consecutive year)

AUGUST 2005

AB Road (Japan) (travel magazine) Airline Ranking 2005
Best Overall Airline (10th consecutive year)
In-Flight Service (1st)
In-Flight Meal (1st)
Aircraft and Aircraft facilities (1st)
Airline customers want to fly again (1st)

SmartTravelAsia.Com (Hong Kong) Favourite Airline Poll Results, 2005
Best First Class Results

Capital Magazine (Germany)
Intercontinental Airline of the Year 2005

SEPTEMBER 2005

Securities Investors Association (Singapore) SIAS 6th Investors' Choice Awards 2005 Transport/Storage/Communications Category
Most Transparent Company Award 2005
Big Caps (above $1 billion) Category
Most Transparent Company Award 2005

OCTOBER 2005

Commonwealth Magazine (Taiwan) The Most Admired Company 2005 Awards
Winner – Airline Industry Category (8th year)

Asia Risk Magazine (HK) Asia Risk Awards 2005
Corporate Risk Manager of the Year

TTG Asia Travel Awards
Hall of Fame 2005

Travel Inside, Sabre, Swiss Postal Services, JPM Magazines (Switzerland)
Golden Travel Star Award 2005 – SIA Switzerland (12th consecutive year)

Global Finance Magazine (US) Global Finance Award 2005 (Airlines Sector)
Best Airlines Company – Asia
Best Airlines Company – Global

Conde Nast Traveler (US) 2005 Business Travel Awards
World's Best International Airline Award (17th time in 18 consecutive years)

Daily Telegraph
Best Scheduled Airline (2nd consecutive year)

Guardian/Observer /Guardian Unlimited Travel Awards 2005 (UK)
Best Long Haul Airline

Conde Nast Travellers Awards 2005 (UK)
Long Haul Leisure Airline (1st)

Business Traveller Asia-Pacific 2005
Best Airline (14th consecutive year)
Best Asia-Pacific Airline
Best Frequent Flyer Programme
Best Airline First Class
Best Airline Business Class
Best Airline Economy Class

NOVEMBER 2005

Finance Asia Magazine
Airline with the Friendliest Cabin Attendants

Zagat Survey (US) 2005
Top Overall Airline – Rated no. 1
Top Airline for Comfort
Top Airline for Service
Top Airline for Food

International Enterprise Singapore The Singapore Brand Award 2005
Honoured as one of Singapore's Most Valuable Brands

TIME Readers' Travel Choice Awards 2005
Most Preferred Airline
Preferred First/Business Class
Best Frequent Flyer Programme

Business Traveller (China)
Best Airline in the World
Best Asian Airline Serving China

AustCham Business Awards 2005
Business Alliance Award

DECEMBER 2005

Buying Business Travel Magazine (UK) Buying Business Travel Awards 2005
Best Airline to Asia Pacific

International Enterprise Singapore Singapore International 100 Ranking 2006 Outstanding Achievement in the Market Category of The Americas and Europe
Outstanding Overall achievement (Ranked 2nd)

JANUARY 2006

Business Traveller Germany 2006
Best Airline to Asia and the Pacific Area (Overall)
Best Airline for Safety
Best Airline for Cabin Crew
Best Airline for Service on the Ground
Best Airline for Cabin Appearance
Best Airline for Catering

'Lifestyle' Periodical (China) Travel Category
Most Influential Brand in 2006

'Reisrevue' (Dutch Travel Magazine)
Best Long Haul Carrier 2005

FEBRUARY 2006

Dutch Travel News
Best Long Haul Carrier 2005

DestinAsian (leading luxury travel and lifestyle magazine, Jakarta) Readers' Choice Awards
Best Airline
Best First Class
Best Business Class
Best Economy Class
Best Inflight Entertainent
Best Frequent Flyer Programme

Pacific Asia Travel Association Grand Award in Marketing
Gold Award in the Marketing, Carrier (International-Air)

Irish Travel Trade News Awards
Best Airline to Asia & Australasia

MARCH 2006

Grand Travel Award (Sweden)
Intercontinental Airline (Ranked 2nd)

Travel+Leisure
Best International Airline for Value 2006

STATEMENT ON RISK MANAGEMENT

1. ENHANCEMENTS TO THE RISK FRAMEWORK

Building on the emphasis on effective responses in the previous year, Singapore Airlines improved the Risk Management Framework with enhancements to the management of Strategic and Regulatory Risks.

Introduction of Strategic Risks Framework

During the year, Singapore Airlines introduced a Strategic Risks Framework to assist business units in identifying and reporting strategic risks and other long-term issues for senior management's attention. These risks are then taken into account within the Strategic Planning Process.

Review of Risks to Singapore Airlines Reputation

In recognition of the importance of reputation to Singapore Airlines' business, guidance was issued to business units to help in explicit identification and management of various aspects of reputation risk. In the latest Annual Risk Management Review in Jan-Mar 2006, business units actively reviewed their risks for potential impact to the Company's reputation.

Review of Regulatory Compliance

In view of the wide range of laws and regulations with which the Group is expected to comply, a review was initiated to help business units gain more awareness of applicable legislation and stay within the regulatory framework under which they operate. In particular, specific reviews were conducted in relation to fire safety and other workplace safety and health legislation, environmental laws and requirements, as well as business and tax regulations.

2. SIMULATIONS AND TESTS OF RISK CONTROLS

Simulations of Business Continuity Plans were conducted during the year to test the effectiveness of risk controls and handling of business continuity. Independent verification of such tests was performed by Risk Management Department, whose input on improvements were taken into account by business units. Specifically, a world-wide Crisis Response simulation exercise was conducted in November 2005 involving all Singapore Airlines stations across the globe. The exercise tested recall responses, communications systems, functional preparedness and management decision-making under simulated "crisis scenarios".

3. OTHER RISK PROCESSES AND PROGRAMS

Annual Risk Management Review

Singapore Airlines carried out the 4th Annual Risk Management Review from January to March 2006. 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.

Whistle-Blowing Program

As a further enhancement to internal risk control processes, Internal Audit Department introduced and implemented the "Policy on Reporting Wrongdoing" across the Singapore Airlines Group. Under this "Whistle-blowing" policy, all forms of "wrong-doings" can be reported to an investigation unit, with the "whistle-blower" being provided confidentiality protection. "Wrong-doings" can include fraud, theft, abuse of authority, breach of regulations or non-compliance with corporate policy such as improper banking or financial transactions.

Banking Transaction Procedures

Lenders to Singapore Airlines are to note that all bank transactions undertaken by any Group Company must be properly authorized, 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 authorized.

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

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

CORPORATE GOVERNANCE REPORT

For the period 1 April 2005 to 31 March 2006

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 Code of Corporate Governance issued by the Ministry of Finance in Singapore in 2001 ("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 2006, the Board comprises the following members:

Name of Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as Director	Nature of Appointment
Stephen Lee Ching Yen* *(Appointed Chairman on 1 January 2006)*	Chairman	26 April 2004	29 July 2004	Non-executive/ Non-Independent
Charles B Goode	Director	1 July 1999	28 July 2005	Non-executive/ Independent
Ho Kwon Ping	Director	15 July 2000	26 July 2003	Non-executive/ Independent
Fock Siew Wah	Director	15 July 2000	28 July 2005	Non-executive/ Non-Independent
Davinder Singh	Director	15 July 2000	29 July 2004	Non-executive/ Independent
Chew Choon Seng	Director	5 March 2003	28 July 2005	Executive/ Non-Independent
Sir Brian Pitman	Director	26 July 2003	28 July 2005	Non-executive/ Independent
Chia Pei-Yuan	Director	1 October 2003	29 July 2004	Non-executive/ Independent
James Koh Cher Siang	Director	1 August 2005	N.A.	Non-executive/ Independent

** Mr Stephen Lee replaced Mr Koh Boon Hwee as Chairman on 1 January 2006. Mr Koh who has been a Director since 14 March 2001 stepped down from the Board on 31 December 2005. Mr Koh was a non-executive and non-independent Director.*

There is a strong independent element in the Board, with the Nominating Committee considering six out of nine Directors to be independent. Mr Stephen Lee and Mr Fock Siew Wah are members of the Advisory Panel of the Company's substantial shareholder, Temasek Holdings (Private) Limited ("Temasek"). Mr Chew Choon Seng is the Chief Executive Officer of the Company. Although Mr Chia Pei-Yuan is a Corporate Advisor to Temasek, the Nominating Committee views him as independent as he advises Temasek on matters concerning financial institutions in Asia only and has demonstrated a manifest ability to exercise strong independent judgement in deliberations in the interests of the Company.

The Board held a total of four Board Meetings in 2005-06. Ad hoc meetings are held as and when required. In consultation with the Chairman, 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 conducts training programmes for new Directors where considered appropriate.

The Chairman, Mr Stephen Lee 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 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 for the year in review can be found on page 40.

Board Executive Committee (ExCo)

The ExCo comprised Mr Stephen Lee (as Chairman from 1 March 2006), Mr Chew Choon Seng and Mr Fock Siew Wah. Mr Koh Boon Hwee was Chairman of the Committee until 31 December 2005 when he stepped down from the Committee. The ExCo is 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 authorising 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.

Board Finance Committee (BFC)

The BFC comprised Mr Fock Siew Wah (Chairman), Mr Charles B Goode, Mr Davinder Singh and Mr Chew Choon Seng.

The BFC is tasked to set directions, policies and guidelines pertaining to certain financial matters of the Company, including management of surplus funds, liquidity management, financing and financial risk management. The Committee acts as the approving body for projects relating to these matters. The Committee also reviews share buy-back procedures.

Safety and Reliability Committee (SRC)

The SRC comprised Mr Ho Kwon Ping and Mr James Koh Cher Siang (appointed on 1 September 2005). Mr Koh Boon Hwee was Chairman of the Committee until 31 December 2005 when he stepped down from the Committee. The functions of the SRC include ensuring that systems and programmes in the Company 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)

The BLRC comprised Mr Stephen Lee (Chairman) and Mr Chew Choon Seng. Mr Koh Boon Hwee was a member of the Committee until 31 December 2005 when he stepped down from the Committee.

The functions of the BLRC include improving and enhancing the working relationship with the company's 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 (NC)'s functions include considering and making recommendations to the Board concerning the appointment and re-appointment of Directors, and determining the independence of the Directors.

The NC comprised 3 independent Directors, namely, Mr Davinder Singh (Chairman), Mr Charles B Goode and Mr Ho Kwon Ping (appointed on 1 September 2005).

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 may be 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 the 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 (SGX-ST)'s 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, and 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, 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. 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 comprised Mr Fock Siew Wah, Sir Brian Pitman and Mr Stephen Lee. Mr Koh Boon Hwee was Chairman of the Committee until 31 December 2005 when he stepped down from the Committee. All members of the Committee are non-executive directors.

The BCOC annually reviews and approves recommendations on remuneration policies and packages for key executives, and implements and administers the Company's Restricted Share Plan and Performance Share Plan for key senior management and senior executives based on performance, and 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 2005-06 is $965,833. Mr Koh Boon Hwee will waive his fees in respect of all the Board Committees he sat on and Mr Chew Choon Seng's fees will be retained by the Company. The total Directors' fees payable will amount to $795,833 and is derived using the following rates:

Basic Retainer	Board Member	$50,000
Allowances	Board Chairman	$50,000
	Chairman of Audit & Risk Committee, Board Executive Committee, Board Finance Committee	$35,000
	Chairman of other Board Committees, Member of Audit & Risk Committee	$25,000
	Member of other Board Committees	$15,000

The following table shows the constitution (in percentage terms) of the remuneration of Directors, including those appointed and resigned/retired during the year. 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 $
Below $250,000								
Stephen Lee Ching Yen	91	–	–	–	9	100	–	–
Koh Boon Hwee*	91	–	–	–	9	100	–	–
Fock Siew Wah	99	–	–	–	1	100	–	–
Charles B Goode	100	–	–	–	–	100	–	–
Ho Kwon Ping	98	–	–	–	2	100	–	–
Davinder Singh	100	–	–	–	–	100	–	–
Sir Brian Pitman	100	–	–	–	–	100	–	–
Chia Pei-Yuan	100	–	–	–	–	100	–	–
James Koh Cher Siang	100	–	–	–	–	100	–	–
Between $2,750,001 to $3,000,000								
Chew Choon Seng	–	34	3	58	5	100	240,000	11.28

** Mr Koh Boon Hwee stepped down from the Board on 31 December 2005.*
 # Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2006. Director's fees were retained by the Company.

None of the employees of the Company were an immediate family member of any Director or the Chief Executive Officer for the period 1 April 2005 to 31 March 2006.

The remuneration of the Company's key executives for 2005-06 is as follows:

	Fee	Salary	Bonus		Benefits	Total	Stock options granted during the year	
			Fixed	Variable#			Number	Exercise price
	%	%	%	%	%	%		$
Between $1,250,001 to $1,500,000								
Bey Soo Khiang	–	35	3	55	7	100	152,000	11.28
Between $1,000,001 to $1,250,000								
Huang Cheng Eng	–	38	3	52	7	100	135,000	11.28

 # Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2006.

Details of the Company's Employee Share Option Plan can be found on page 62 of the Report by the Board of Directors.

In addition to the Company's Employee Share Option Plan, the Company had introduced two new share plans, the SIA Restricted Share Plan (RSP) and the SIA Performance Share Plan (PSP), which were approved by shareholders at the Extraordinary General Meeting of the Company held on 28 July 2005. These plans were introduced with a view to further strengthening the Company's competitiveness in attracting and retaining talented key senior management and senior executives. The RSP and PSP aim to more directly align the interests of key senior management and senior executives with the interests of Shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior management and senior executives. These plans contemplate the award of fully paid Shares, when and after pre-determined performance or service conditions are accomplished. Non-executive Directors of the Group are not eligible to participate in the RSP and PSP.

The RSP serves as an additional motivational tool to recruit and retain talented senior executives as well as to reward for Company and individual performance. In addition, it enhances the Group's overall compensation packages, strengthening the Group's ability to attract and retain high performing talent. The PSP is targeted at a select group of key senior management who shoulder the responsibility for the Company's performance and who are able to drive the growth of the Company through innovation, creativity and superior performance. Awards under the PSP are performance-based, with performance targets to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets based on criteria such as total shareholders' return, economic value added, market share, market ranking or return on sales.

Awards granted under the RSP, which is intended to apply to a broader base of senior executives, will vest only after the satisfactory completion of time-based service conditions, that is, after the participant has served the Group for a specified number of years (time-based restricted awards) or, where the award is performance-based (performance-based restricted awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the RSP, and the length of the vesting period(s) in respect of each award will be determined on a case-by-case basis. SIA intends to award performance-based restricted awards to ensure that the earning of Shares under the RSP is aligned with the pay-for-performance principle. The use of time-based restricted awards will only be made on a case-by-case basis where business needs justify such awards. Awards granted under the PSP differ from that of the RSP in that an extended vesting period is usually (though not always) imposed for performance-based restricted awards granted under the RSP beyond the performance target completion date, that is, they also incorporate a time-based service condition as well, to encourage participants to continue serving the Group beyond the achievement date of the pre-determined performance targets.

The selection of a participant and the number of Shares which he would be awarded under the RSP will be determined at the absolute discretion of the BCOC, which will take into account criteria such as his rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his contribution to the success and development of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

Under the RSP and the PSP, the BCOC has the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the BCOC has the right to make reference to the audited results of the Company or the Group to take into account such factors as the BCOC may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the BCOC decides that a changed performance target would be a fairer measure of performance.

The aggregate number of Shares which may be issued pursuant to awards granted under the RSP or the PSP, when added to the number of new shares issued and issuable in respect of all options granted under the Company's Employee Share Option Plan, and all awards under the RSP and PSP, shall not exceed 13% of the total number of issued ordinary shares in the capital of the Company on the day preceding the relevant date of award.

There have been no awards under the RSP or the PSP since the adoption of the RSP and PSP.

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 of two weeks prior to the announcement of quarterly results; and a period of one month prior to the announcement of year-end results.

Audit & Risk Committee *(Principle 11)*

The Audit & Risk Committee (ARC) comprised Mr Ho Kwon Ping (Chairman), Mr Chia Pei-Yuan, Mr Stephen Lee and Mr James Koh Cher Siang (appointed on 1 September 2005). Mr Ho, Mr Chia and Mr Koh are independent Directors, while Mr Lee is a non-independent Director. Four meetings were held during the course of the year.

The ARC's actions in financial year 2005-06, 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; and reviewed the external auditor's objectivity and independence from Management and the Company. The appointment of the external auditor and the audit fee were considered, and recommendations made to the Board on the selection of the Company's external auditors.

(c) Internal Audit
The 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's guidelines on Audit Committees.

Internal Controls; Internal Audit *(Principles 12 and 13)*
The Internal Audit Department (IAD) is an independent department that reports directly to the Audit & Risk Committee. The IAD assists the Committee and the Board by performing regular evaluations of 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 meets or exceeds 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 2005-06, 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 32 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 various Board Committees or members of the Board Committees standing in for them, as well as the external auditors, would be present and available to address questions at these meetings.

MEMBERSHIP OF SINGAPORE AIRLINES LIMITED BOARD OF DIRECTORS AND BOARD COMMITTEES

For the period 1 April 2005 to 31 March 2006

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
Stephen Lee Ching Yen	Chairman *(from 1 January 2006)*	Chairman *(from 1 March 2006)*	Member	–	Member	–	–	Chairman
Koh Boon Hwee *(Stepped down on 31 December 2005)*	Chairman *(until 31 December 2005)*	Chairman *(until 31 December 2005)*	–	–	Chairman *(until 31 December 2005)*	–	Chairman *(until 31 December 2005)*	Member *(until 31 December 2005)*
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 *(from 1 September 2005)*	Member	–
Davinder Singh	Member	–	–	Member	–	Chairman	–	–
Chia Pei-Yuan	Member	–	Member	–	–	–	–	–
James Koh Cher Siang *(Appointed on 1 August 2005)*	Member	–	Member *(from 1 September 2005)*	–	–	–	Member *(from 1 September 2005)*	–

FINANCIALS

FINANCIAL REVIEW

Highlights of the Group's Performance

- Total revenue $13,341 million (+11.1 per cent)
- Total expenditure $12,128 million (+13.4 per cent)
- Operating profit $1,213 million (-7.9 per cent)
- Profit after taxation $1,310 million (-6.7 per cent)
- Profit attributable to equity holders of the Company $1,241 million (-8.3 per cent)
- Basic earnings per share 101.7 cents (-8.4 per cent)
- Equity attributable to equity holders of the Company $13,471 million (+9.1 per cent)
- Net asset value $11.00 per share (+8.6 per cent)
- Total debt equity ratio 0.17 times (-0.02 times)

FINANCIAL REVIEW

Performance of the Group

Group Earnings

The Group achieved an operating profit of $1,213 million for the financial year ended 31 March 2006. In comparison with 2004-05, the operating profit dipped by $104 million (-7.9 per cent) from $1,317 million predominantly due to higher jet fuel prices. Despite the runaway fuel prices, the Group was also able to curb the rise in expenditure through collective efforts towards improved cost management, efficiency and productivity. Excluding fuel, Group expenditure was actually lower by 1.4 per cent.

On the revenue front, passenger and cargo demand was robust, producing record revenue for the Group of $13,341 million for the financial year, which was $1,328 million (+11.1 per cent) higher than in 2004-05. The strong demand in 2005-06 was underpinned by the growth in carriage and yields for passenger and cargo operations. Passenger yield improved 5.0 per cent while cargo yield was up 7.5 per cent year-on-year.

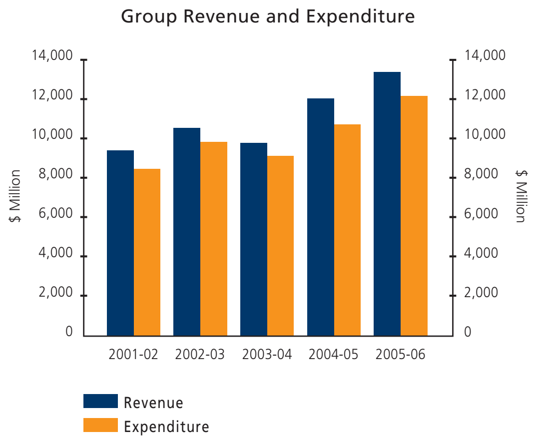
Profit attributable to equity holders of the Company dipped by $112 million (-8.3 per cent) to $1,241 million. A lower operating profit plus lower contributions from the sale of aircraft, spares and spare engines and the absence of exceptional items (2004-05 profit was boosted by the surplus on sale of investments in Air New Zealand, Raffles Holdings and Taikoo) resulted in lower earnings.

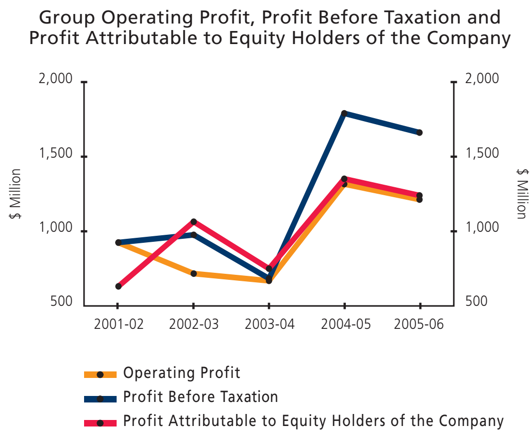
The Group's earnings per share (basic) decreased 9.3 cents to 101.7 cents.

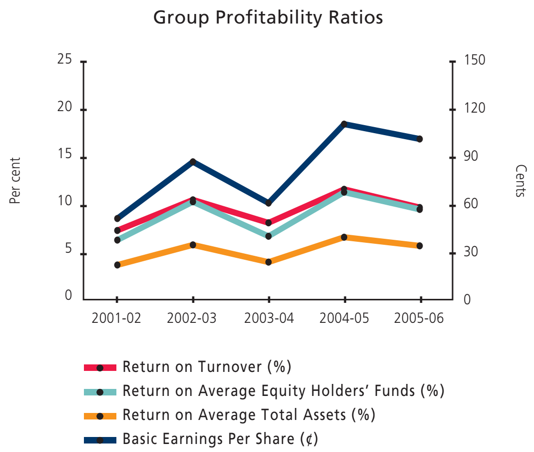
Profitability ratios of the Group are as follows:

	2005-06 %	2004-05 [R1] %	%	Change points
Return on turnover	9.8	11.7	–	1.9
Return on average total assets	5.8	6.7	–	0.9
Return on average equity holders' funds	9.6	11.4	–	1.8

[R1] *Financial results for 2004-05 have been restated to account for share options to employees in compliance with Financial Reporting Standards (FRS) 102. Previously, share options to employees were not charged to the profit and loss account.*







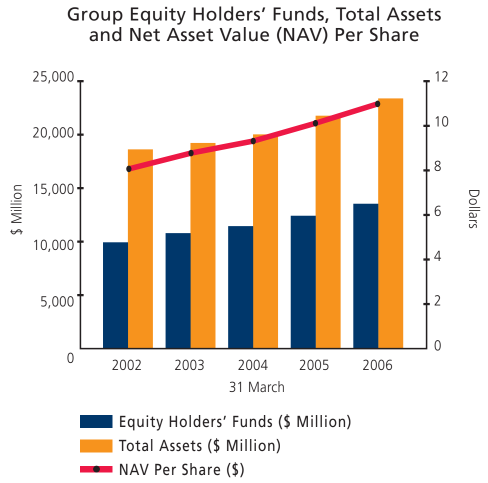
Performance of the Group (continued)

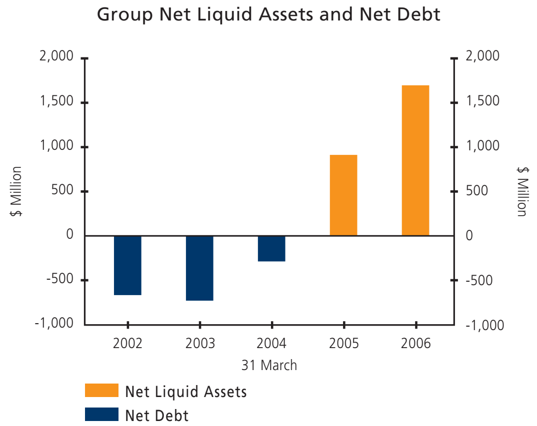
Financial Position of the Group

The Group's total assets stood at $23,370 million as at 31 March 2006, up 7.5 per cent from a year ago. Net asset value per share improved 8.6 per cent to $11.00.

Equity holders' funds increased 9.1 per cent to $13,471 million as at 31 March 2006.

The Group improved its net liquid asset [R1] position from $923 million a year ago to $1,706 million as at 31 March 2006. This stronger cash position (+$783 million) was brought about largely by increased cash and bank balances in the Group (+$311 million) and increased funds held with external managers (+$367 million). Total debt to equity ratio improved 0.02 times to 0.17 times.

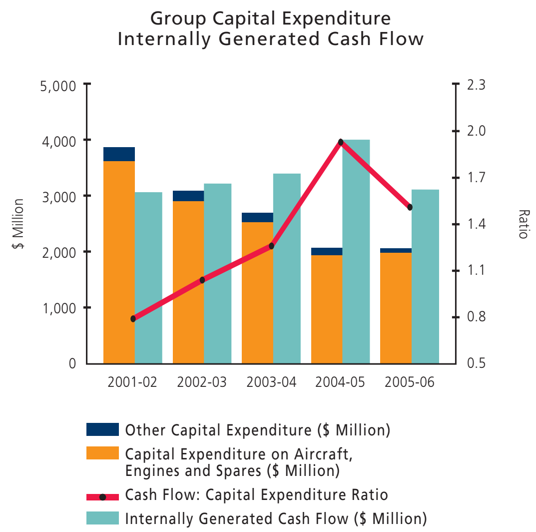




[R1] *Net liquid asset is defined as the sum of cash and bank balances (net of bank overdrafts), investments, loans to third parties, and net of finance lease commitments, loans and fixed rate notes issued.*

Capital Expenditure and Cash Flow of the Group

Capital expenditure was $2,059 million, 0.4 per cent lower than the year before. Internally generated cash flow of $3,101 million was 1.51 times capital expenditure. About 96 per cent of the capital spending was on aircraft, together with spare engines and components. In addition, progress payments were made for aircraft scheduled for delivery between 2006 and 2009.



Performance of the Group (continued)

Statements of Value Added and its Distribution ($ million)

	2005-06	2004-05	2003-04	2002-03	2001-02
Total revenue	13,341.1	12,012.9	9,761.9	10,515.0	9,382.8
Less: Purchase of goods and services	(8,352.2)	(7,030.7)	(5,931.8)	(6,462.4)	(5,709.6)
	4,988.9	4,982.2	3,830.1	4,052.6	3,673.2
Add: Interest income	96.7	52.7	32.5	33.7	52.0
Surplus on disposal of aircraft, spares and spare engines	115.7	215.2	102.7	144.9	66.0
Surplus on disposal of other fixed assets	11.9	8.7	5.5	1.2	2.9
Dividends from long-term investments, gross	24.6	8.0	3.6	5.2	5.7
Impairment of long-term investments	(1.0)	(0.1)	(1.8)	(9.4)	(1.1)
Amortisation of goodwill on consolidation	–	(0.1)	(0.1)	–	–
Amortisation of deferred gain	1.4	1.3	1.6	–	–
Share of profits of joint venture companies	40.6	12.5	6.4	14.5	20.5
Share of profits/(losses) of associated companies	255.2	203.7	(39.0)	123.8	(71.3)
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)
Surplus on disposal of Equant N.V.	–	–	–	–	30.2
Surplus on disposal of long-term investments	–	–	–	–	4.4
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	–	–	–
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
Total value added available for distribution	5,534.0	5,533.6	3,910.4	4,367.0	3,718.2
Applied as follows:					
To employees					
– Salaries and other staff costs	2,481.1	2,456.5	1,981.0	2,245.2	1,779.2
To government					
– Corporation taxes	352.6	387.3	130.3	135.3	233.8
To suppliers of capital					
– Interim and proposed dividends	550.5	487.4	304.5	166.6	152.3
– Finance charges	96.3	77.5	65.1	54.7	44.0
– Minority interests	68.8	51.3	46.0	54.5	60.1
Retained for future capital requirements					
– Depreciation	1,294.5	1,208.6	1,180.2	1,090.3	969.4
– Retained profit [R1]	690.2	865.0	203.3	620.4	479.4
Total value added	5,534.0	5,533.6	3,910.4	4,367.0	3,718.2
Value added per $ revenue ($)	0.41	0.46	0.40	0.42	0.40
Value added per $ employment cost ($)	2.23	2.25	1.97	1.95	2.09
Value added per $ investment in fixed assets ($)	0.24	0.24	0.16	0.19	0.18

[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-backs were included, retained profit for 2003-04 and 2002-03 would be $408.0 million and $898.2 million respectively.*

Value added is a measure of wealth created. The statements above show the Group's value added from 2001-02 to 2005-06 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.

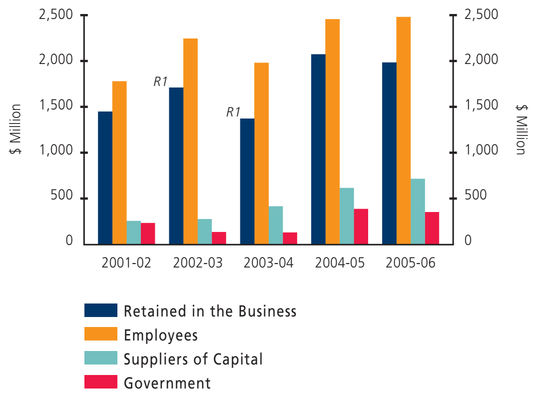
Performance of the Group (continued)

Value Added

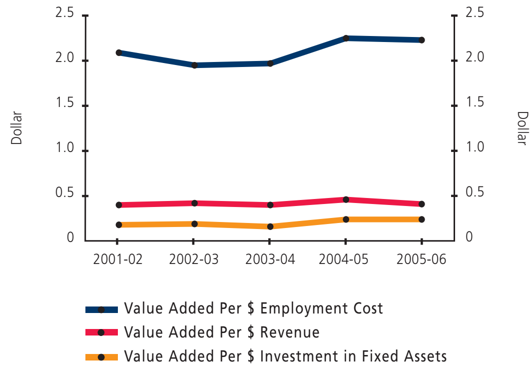
Total value added for 2005-06 improved marginally to $5,534 million.

Payroll and other staff cost accounted for 44.8 per cent of the value added, 0.4 percentage point higher than the previous year. $551 million (10.0 per cent) of the value added was for distribution to equity holders, $96 million (1.7 per cent) for finance charges, and $69 million (1.2 per cent) belonged to minority interests. $1,985 million was retained for future capital requirements.

Group Value Added Distribution

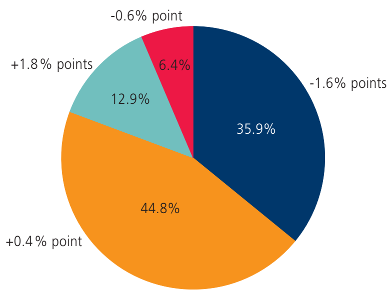


Group Value Added Productivity Ratios



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 Valued Added Distribution 2005-06



	Total Value Added Amount $million	Distribution %
Employees	2,481.1	44.8
Retained in the Business	1,984.7	35.9
Suppliers of Capital	715.6	12.9
Government	352.6	6.4

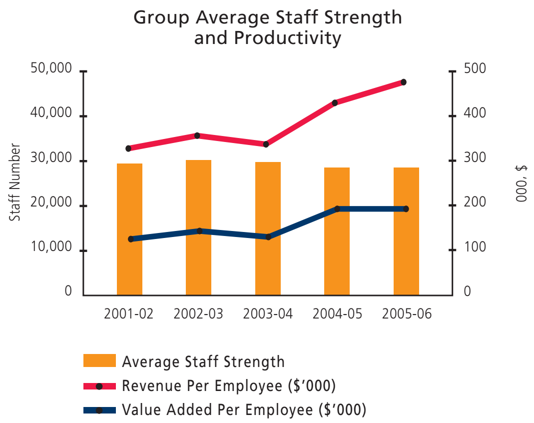
Performance of the Group (continued)

Group Average Staff Strength and Productivity
The Group's average staff strength increased by four to 28,558 employees. A breakdown is as follows:

	2005-06	2004-05	% Change
SIA	13,729	13,572	+ 1.2
SATS Group	7,740	8,582	– 9.8
SIAEC Group	5,133	4,663	+ 10.1
SIA Cargo	987	819	+ 20.5
SilkAir	682	612	+ 11.4
Others	287	306	– 6.2
	28,558	28,554	–

Average staff productivity is as follows:

	2005-06	2004-05	% Change
Revenue per employee ($)	467,158	420,708	+ 11.0
Value added per employee ($)	193,781	193,794	–



Performance of the Company

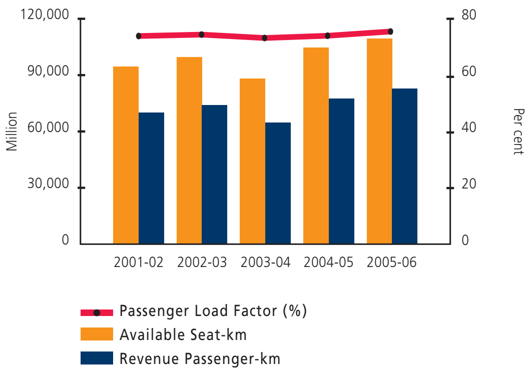
Operating Performance

	2005-06	2004-05	% Change
Passengers carried (thousand)	16,995	15,944	+ 6.6
Available seat-km (million)	109,483.7	104,662.3	+ 4.6
Revenue passenger-km (million)	82,741.7	77,593.7	+ 6.6
Passenger load factor (%)	75.6	74.1	+ 1.5 points
Passenger yield (¢/pkm)	10.6	10.1	+ 5.0
Passenger unit cost (¢/ask)	7.5	7.0	+ 7.1
Passenger breakeven load factor (%)	70.8	69.3	+ 1.5 points

The improvement in passenger yield was due to higher fuel surcharge and improved passenger mix, offset by lower local currency yields and a stronger Singapore dollar (SGD).

The spread between passenger load factor and breakeven load factor remained at 4.8 percentage points.

Available Seat Capacity, Passenger Traffic and Load Factor



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

	By Route Region [R1] (2005-06 against 2004-05) Passengers Carried Change (thousand)	Revenue Passenger KM % Change	Available Seat KM % Change
East Asia	+ 524	+ 8.5	+ 3.7
Americas	+ 34	+ 3.9	– 0.5
Europe	+ 54	+ 3.6	+ 2.9
South West Pacific	+ 250	+ 9.3	+ 11.2
West Asia and Africa	+ 189	+ 10.4	+ 9.2
Systemwide	+ 1,051	+ 6.6	+ 4.6

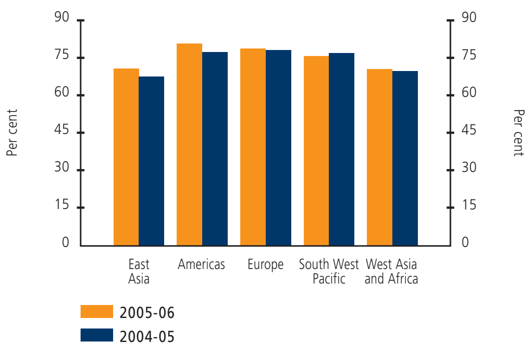
[R1] *Each route region comprises routes originating from Singapore to final destinations in countries within the region concerned and vice versa. For example, Singapore-Hong Kong-San Francisco-Hong Kong-Singapore route is classified under Americas region. East Asia covers Brunei, Hong Kong SAR, Indonesia, Japan, South Korea, Malaysia, People's Republic of China, Philippines, Thailand, Taiwan and Vietnam. Americas comprises Canada and USA. Europe consists of Denmark, England, France, Germany, Greece, Italy, Russia, Spain (ceased operation from 30 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, Pakistan, Saudi Arabia, South Africa, Sri Lanka, Turkey, United Arab Emirates and Egypt.*

Performance of the Company (continued)

Operating Performance (continued)

	Passenger Load Factor (%) 2005-06	2004-05		Change points
	2005-06	2004-05	%	Change points
East Asia	70.8	67.7	+	3.1
Americas	80.7	77.3	+	3.4
Europe	78.7	78.1	+	0.6
South West Pacific	75.7	77.0	–	1.3
West Asia and Africa	70.5	69.7	+	0.8
Systemwide	75.6	74.1	+	1.5

Passenger Load Factor by Route Region



Earnings

	2005-06 $ million	2004-05 [R1] $ million	%	Change
Revenue	10,302.8	9,260.1	+	11.3
Expenditure	(9,651.8)	(8,562.2)	+	12.7
Operating profit	651.0	697.9	–	6.7
Finance charges	(82.8)	(59.7)	+	38.7
Interest income	92.2	50.4	+	82.9
Surplus on disposal of aircraft, spares and spare engines	58.1	176.7	–	67.1
Surplus on disposal of other fixed assets	10.3	7.9	+	30.4
Dividends from subsidiary and associated companies, gross	201.9	636.4	–	68.3
Dividends from long-term investments, gross	11.1	2.5		n.m.
Impairment of long-term investments	(1.0)	(11.0)	–	90.9
Profit before exceptional items	940.8	1,501.1	–	37.3
Exceptional items	–	69.3		n.m.
Profit before taxation	940.8	1,570.4	–	40.1
Taxation expense	(194.8)	(286.8)	–	32.1
Profit after taxation	746.0	1,283.6	–	41.9

[R1] *Financial results for 2004-05 have been restated to account for share options to employees in compliance with Financial Reporting Standard (FRS) 102. Previously, share options to employees were not charged to the profit and loss account.*

n.m. not meaningful

Performance of the Company (continued)

Revenue

The Company's revenue increased 11.3 per cent to $10,303 million as follows:

	2005-06 $ million	2004-05 $ million	% Change
Passenger revenue	8,021.9	7,664.9	+ 4.7
Excess baggage revenue	22.8	24.8	– 8.1
Non-scheduled services	11.6	10.5	+ 10.5
Bellyhold revenue from SIA Cargo	1,130.8	919.1	+ 23.0
Direct operating revenue	9,187.1	8,619.3	+ 6.6
Indirect operating revenue	1,115.7	640.8	+ 74.1
Total operating revenue	10,302.8	9,260.1	+ 11.3

The increase in passenger revenue was the result of:

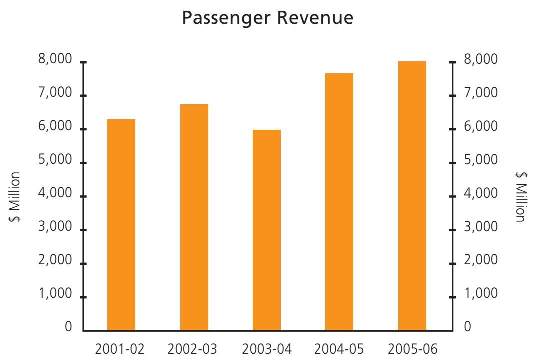
	$ million	$ million
<u>6.6% increase in passenger traffic:</u>		
4.6% increase in seat capacity	+ 350.2	
1.5% points increase in passenger load factor	+ 152.2	+ 502.4
<u>2.0% decrease in passenger yield (excluding fuel surcharge):</u>		
Change in passenger mix	+ 154.9	
Stronger SGD	– 46.9	
Lower local currency yields	– 253.4	– 145.4
Increase in revenue		+ 357.0

SIA's bellyhold revenue increased 23.0 per cent to $1,131 million due to higher net bellyhold capacity (+7.1%) because of increased passenger operations and recovery of higher fuel cost from SIA Cargo.

Indirect operating revenue increased 74.1 per cent to $1,116 million. This was mainly due to higher fuel surcharge, higher collection of insurance and security charges resulting from more passengers carried, partially offset by lower income from lease of aircraft.

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	106
1.0% change in passenger yield, if passenger traffic remains constant	80



Performance of the Company (continued)

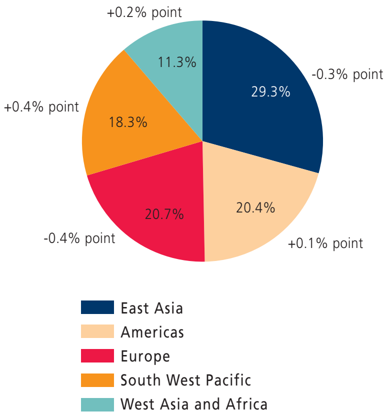
Revenue (continued)
A breakdown of passenger revenue [R1] by route region and area of original sale is shown below:

	By Route Region ($ million) 2005-06	2004-05	% Change		By Area of Original Sale [R2] ($ million) 2005-06	2004-05	% Change	
East Asia	2,356.5	2,276.0	+	3.5	3,701.6	3,534.6	+	4.7
Americas	1,637.9	1,559.4	+	5.0	808.5	751.1	+	7.6
Europe	1,667.1	1,621.1	+	2.8	1,565.5	1,568.9	-	0.2
South West Pacific	1,473.4	1,379.5	+	6.8	1,371.3	1,266.4	+	8.3
West Asia and Africa	909.8	853.7	+	6.6	597.8	568.7	+	5.1
Systemwide	8,044.7	7,689.7	+	4.6	8,044.7	7,689.7	+	4.6

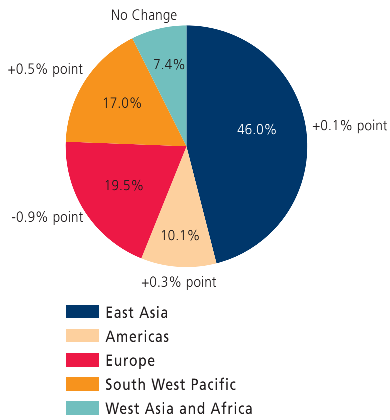
[R1] *Includes excess baggage revenue.*

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

Passenger Revenue Composition by Route Region



Passenger Revenue Composition by Area of Original Sale



Performance of the Company (continued)

Expenditure

The Company's expenditure for 2005-06 increased 12.7 per cent from a year ago, to $9,652 million as follows:

	2005-06		2004-05 [R1]		Change	
	$ million	%	$ million	%	$ million	%
Fuel cost	3,368.1	34.9	2,148.1	25.1	+ 1,220.0	+ 56.8
Staff costs	1,570.4	16.3	1,551.9	18.1	+ 18.5	+ 1.2
Depreciation [R2]	959.4	9.9	903.5	10.6	+ 55.9	+ 6.2
Handling charges	732.9	7.6	721.4	8.4	+ 11.5	+ 1.6
Sales costs [R3]	643.4	6.7	669.1	7.8	- 25.7	- 3.8
Inflight meals and other passenger costs	556.3	5.8	548.0	6.4	+ 8.3	+ 1.5
Airport and overflying charges	520.4	5.4	506.3	5.9	+ 14.1	+ 2.8
Aircraft maintenance and overhaul costs	453.4	4.7	733.4	8.6	– 280.0	– 38.2
Rentals on leased aircraft	296.6	3.0	307.5	3.6	– 10.9	– 3.5
Communication and information technology costs [R4]	115.0	1.2	120.8	1.4	– 5.8	– 4.8
Other costs [R5]	435.9	4.5	352.2	4.1	+ 83.7	+ 23.8
	9,651.8	100.0	8,562.2	100.0	+ 1,089.6	+ 12.7

R1 *Financial results for 2004-05 have been restated to account for share options to employees in compliance with Financial Reporting Standard (FRS) 102. Previously, share options to employees were not charged to the profit and loss account.*

R2 *Depreciation included impairment of fixed assets and amortisation of intangible assets (application software).*

R3 *Sales costs included commissions and incentives payable, frequent flyer programme costs, computer reservation system booking fees, advertising expenses and other sales costs.*

R4 *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.*

R5 *Other costs mainly comprised crew expenses, company accommodation costs, foreign exchange hedging and revaluation 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:

	2005-06 $ million	2004-05 $ million	Change $ million
Fuel cost (before hedging)	3,535	2,451	+ 1,084
Fuel hedging gain	(167)	(303)	+ 136
Fuel cost (net)	3,368	2,148	+ 1,220

Performance of the Company (continued)

Expenditure (continued)
Expenditure on fuel was $1,220 million higher because of:

	$ million
4.3% increase in volume uplifted from 1,124.27 M AG to 1,172.15 M AG	+ 101
39.7% increase in weighted average fuel price from 129.95 US¢/AG to 181.58 US¢/AG	+ 1,022
1.0% weakening of USD against SGD from US$1=S$1.678 to US$1=S$1.661	– 39
	+ 1,084
Lower hedging gain	+ 136
	+ 1,220

Staff costs increased $18 million mainly due to (i) higher average staff strength (+157) and (ii) higher allowances for crew (such as meal and nightstop allowances), arising from an increase in capacity of 4.6 per cent, in terms of available seat kilometres, partially offset by (iii) lower provision for profit-sharing bonus this year.

Depreciation charges increased $56 million mainly due to (i) the commissioning of one B777-300 aircraft during the year; (ii) the full year's impact of three B777-300, two B777-200 and two A340-500 aircraft commissioned in the previous year; (iii) capitalisation of expenditure for heavy maintenance visits on aircraft and engine overhauls (prior to the current financial year, such costs have been charged to the profit and loss account on an incurred basis); and (iv) impairment charge of A310-300 fleet during the year. The increase was partially offset by (i) full year's impact of 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 last year; (ii) sale of one B747-400 and two A310-300 aircraft, and trade-in of one B747-400 and two A310-300 aircraft during the year.

Handling costs, at $733 million, was 1.6 per cent more than last year due to the increase in the number of flights operated, partially offset by lower handling rates.

Sales costs decreased $26 million from the year before, mainly due to a reduction in agency commission rates and introduction of more stringent and productive incentives schemes which led to reduced incentive payouts.

Inflight meals and other passenger costs rose $8 million as a result of more passengers carried (+6.6 per cent), partially offset by lower inflight meal rates.

Airport and overflying charges were $14 million higher compared to last year due to an increase in the number of flights operated.

Aircraft maintenance and overhaul costs fell $280 million due mainly to implementation of new Financial Reporting Standard (FRS) 16 effective from 1 April 2005 which requires the expenditure relating to heavy maintenance visits on aircraft and engine overhauls to be capitalised. Prior to the current financial year, such costs have been charged to profit and loss account on an incurred basis.

Performance of the Company (continued)

Expenditure (continued)
Rentals on leased aircraft decreased $11 million mainly because of (i) completion of the leases for three B747-400 aircraft in the previous year; (ii) extension of lease at lower rates for three B747-400 aircraft; (iii) net decrease in rental for two B747-400 aircraft as structured under the lease agreements; and (iv) a weaker US Dollar (USD) against Singapore Dollar (SGD). The decrease was partially offset by the full year's impact of sale and leaseback of one B777-300 and two B777-200ER aircraft last year.

Communication and information technology costs decreased by $6 million due to lower software and equipment maintenance cost and hire charges for computer equipment, partially offset by higher information technology professional and contract fees.

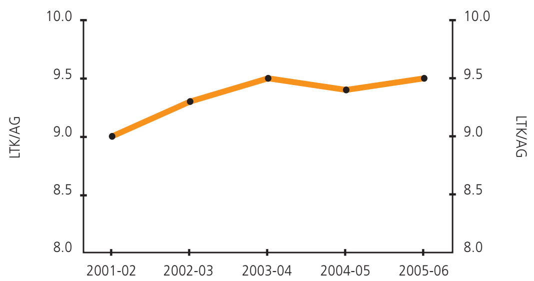
Other costs increased by $84 million. This was largely due to higher foreign exchange hedging and revaluation loss.

Fuel Productivity and Sensitivity Analysis
Fuel productivity as measured by load tonne-km per American gallon (ltk/AG) increased by 1.8 per cent over the previous year to 9.52 ltk/AG as a result of increased network efficiency as reflected by higher load factors.

A change in fuel productivity (passenger aircraft) of 1.0 per cent would impact the Company's annual fuel costs by about $34 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 38.7 per cent due mainly to higher interest rates on lease liabilities and higher interest rates on surplus funds from subsidiary companies.

Interest income was 82.9 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 $119 million lower than the year before due mainly to fewer disposals this year. During the year, one B747-400 and two A310-300 aircraft were sold and one B747-400 and two A310-300 aircraft were traded-in.

Gross Dividends from Subsidiary and Associated Companies
Gross dividends from subsidiary and associated companies decreased by $435 million mainly due to lower dividends received from Singapore Airport Terminal Services (-$305 million), SIA Engineering Company (-$148 million), and Virgin Atlantic Limited (-$1 million).

Impairment of Long-term Investments
The $1 million impairment of long-term investments pertained to investments in AeroXchange.

Taxation
There was a tax charge of $195 million, comprising current tax of $213 million and write back of deferred tax of $18 million. As at 31 March 2006, the Company's deferred taxation account stood at $1,951 million.

Average Staff Strength and Productivity
The Company's average staff strength was 13,729, an increase of 157 over the previous year. The distribution of employee strength by category and location is as follows:

	2005-06	2004-05	% Change
Category			
Senior staff (administrative and higher ranking officers)	1,284	1,265	+ 1.5
Technical crew	2,024	1,912	+ 5.9
Cabin crew	6,784	6,637	+ 2.2
Other ground staff	3,637	3,758	– 3.2
	13,729	13,572	+ 1.2
Location			
Singapore	11,452	11,261	+ 1.7
East Asia	974	1,001	– 2.7
Europe	435	460	– 5.4
South West Pacific	370	364	+ 1.6
West Asia and Africa	256	247	+ 3.6
Americas	242	239	+ 1.3
	13,729	13,572	+ 1.2

Performance of the Company (continued)

Average Staff Strength and Productivity (continued)
The Company's average staff productivity rates are shown below:

	2005-06	2004-05	% Change
Seat capacity per employee (seat-km)	7,974,630	7,711,634	+ 3.4
Passenger load carried per employee (tonne-km)	577,784	549,904	+ 5.1
Revenue per employee ($)	750,441	682,294	+ 10.0
Value added per employee ($)	258,810	301,024	– 14.0

Issued Share Capital and Share Options
There was no buyback of the Company's shares during the financial year.

On 1 July 2005, the Company made a seventh grant of share options to employees. Staff accepted 13,293,461 share options to be exercised between 1 July 2006 and 30 June 2015.

During the year, 6,465,104 share options were exercised by employees. As at 31 March 2006, there were 79,196,566 unexercised employee share options.

Performance of Subsidiary Companies

There were 25 subsidiary companies in the SIA Group as at 31 March 2006. 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 (SilkAir). The following performance review includes intra-group transactions.

Singapore Airport Terminal Services Group

	2005-06 $ million	2004-05 [R1] $ million	% Change
Total revenue	932.0	975.7	– 4.5
Total expenditure	747.9	781.5	– 4.3
Operating profit	184.1	194.2	– 5.2
Profit after taxation	189.2	168.1	+ 12.6

[R1] *Financial results for 2004-05 have been restated to account for share options to employees in compliance with Financial Reporting Standards (FRS) 102. Previously, share options to employees were not charged to the profit and loss account.*

SATS Group's operating profit decreased $10 million (-5.2 per cent) to $184 million. Profit after tax however increased $21 million to $189 million mainly because of an increase in share of profits of associated companies of $7 million (after tax) and the $29 million exceptional item in the previous financial year which arose from the restructuring exercise last year.

SATS Group's operating revenue for the current financial year was $932 million, a decrease of 4.5 per cent over the last financial year due primarily to lower rates in the increasingly competitive environment.

Performance of Subsidiary Companies (continued)

Singapore Airport Terminal Services Group (continued)
Revenue from ground handling, which constituted 46.5 per cent of SATS Group's total revenue, decreased 1.2 per cent from $438 million to $433 million because of the increased pressure on rates in the current financial year. Revenue from inflight catering, which constituted 42.5 per cent of SATS Group's total revenue, went down 6.3 per cent from $423 million to $396 million due to the loss of Emirates Airlines account with effect from February 2005 as well as due to lower rates. Revenue from aviation security services decreased 19.2 per cent and revenue from other services increased 5.1 per cent.

Operating expenditure decreased $34 million (-4.3 per cent) to $748 million for the financial year ended 31 March 2006 mainly due to lower staff costs. Staff costs decreased $25 million (-5.8 per cent) mainly due to savings from restructuring conducted in the last financial year, lower provision for profit-sharing bonus in 2005-06, lower overtime and allowances in the current year and a one-time payout of $7 milllion last year due to the renewal of the Collective Agreement.

Operating profit decreased 5.2 per cent (-$10 million) to $184 million.

Profit contribution from overseas through associated companies, which represents 23.3 per cent of SATS Group's profit before tax and exceptional item, increased 13.5 per cent to $57 million for the financial year ended 31 March 2006, mainly from the doubling of equity stake in Asia Airfreight Terminal, and improved profits from the India associated company TAJ SATS Air Catering.

As at 31 March 2006, SATS Group's equity holders' funds was $1,206 million (+13.3 per cent). The increase was mainly attributable to the profit after tax for the year (+$189 million) and share options exercised (+$28 million). This increase was partially offset by dividend payments of $50 million and $33 million in August 2005 and November 2005 respectively. Return on average equity holders' funds at 16.7 per cent, was 2.0 percentage points lower than 2004-05.

Basic earnings per share improved 1.7 cents to 18.2 cents, while net asset value per share increased $0.12 to $1.15.

SIA Engineering Group

	2005-06 $ million	2004-05 [R1] $ million	% Change
Total revenue	959.1	807.5	+ 18.8
Total expenditure	824.4	706.7	+ 16.7
Operating profit	134.7	100.8	+ 33.6
Profit after taxation	230.4	170.7	+ 35.0

[R1] *Financial results for 2004-05 have been restated to account for share options to employees in compliance with Financial Reporting Standards (FRS) 102. Previously, share options to employees were not charged to the profit and loss account.*

SIAEC Group's operating profit for 2005-06 was $135 million, up $34 million (+33.6 per cent) from last year. Revenue grew by $152 million (+18.8 per cent) to $959 million, mainly due to higher workload and fleet management revenue. The commissioning of two new hangars in 2005 provided additional capacity. Airframe and component overhaul and line maintenance contributed 64 per cent and 31 per cent respectively to the Group's revenue. Revenue contributed by fleet management work increased to 5 per cent due to new contracts secured and revenue recognition of $12 million on completion of contracts.

Expenditure rose $118 million (+16.7 per cent) to $824 million, helped by the write-back of a prior year provision of $9 million that was no longer required. Material, subcontract and overtime costs rose in line with higher workload. A provision for doubtful debts of $6 million and a foreign exchange loss of $1 million were incurred compared to a write-back of provision for doubtful debts of $5 million and an exchange gain of $1 million last year.

Performance of Subsidiary Companies (continued)

SIA Engineering Group (continued)
Share of profits from associated and joint venture companies grew by $30 million (+39.9 per cent) to $106 million, representing 40.1 per cent of the Group's profit before tax.

Profit before tax rose 35.5 per cent (+$69 million) to $263 million.

Equity attributable to equity holders of the Company increased 21.0 per cent to $1,039 million for the financial year ended 31 March 2006. This was mainly due to the profit attributable to equity holders of the Company of $231 million for 2005-06, share options exercised during the year of $36 million and share-based payment made amounting to $7 million. This was partially offset by payment of dividends in 2005-06 amounting $87 million.

Net asset value per share increased 15.8 cents to 100.2 cents. Return on average equity holders' funds was 24.3 per cent, an increase of 5.2 percentage points from 2004-05. Basic earnings per share rose 33.2 per cent to 22.5 cents.

Singapore Airlines Cargo

	2005-06 $ million	2004-05 [R1] $ million	% Change
Total revenue	3,244.6	2,864.5	+ 13.3
Total expenditure	3,070.8	2,603.2	+ 18.0
Operating profit	173.8	261.3	– 33.5
Profit after taxation	135.3	182.5	– 25.9

[R1] *Financial results for 2004-05 have been restated to account for share options to employees in compliance with Financial Reporting Standards (FRS) 102. Previously, share options to employees were not charged to the profit and loss account.*

SIA Cargo generated an operating profit of $174 million, 33.5 per cent lower (-$87 million) from a year ago. Higher revenue (+$380 million) is attributed to increased loads (+7.4 per cent) and higher fuel surcharge collected. Profit after taxation was $135 million, after accounting for net interest costs of $25 million and provision for tax of $40 million.

Expenditure rose 18.0 per cent (+$468 million) more than the 7.2 per cent growth in capacity, due mainly to higher fuel costs (+$289 million) and bellyhold costs (+$212 million), partially offset by a reduction in the bellyhold pool cost (-$40 million) and aircraft maintenance and overhaul costs (-$57 million).

Yield increased by 7.5 per cent while load factor saw a slight improvement of 0.1 percentage point to 63.6 per cent.

Equity holders' funds as at 31 March 2006 stood at $1,927 million, while total assets reached $3,614 million.

During the year, SIA Cargo expanded its operating fleet by two B747-400 freighters to a total of 16 B747-400 freighters.

Capital expenditure for the year of $448 million was primarily for the delivery payment for two B747-400 freighters.

Performance of Subsidiary Companies (continued)

SilkAir

	2005-06 $ million	2004-05 [R1] $ million	% Change
Total revenue	344.7	295.5	+ 16.6
Total expenditure	331.6	272.6	+ 21.6
Operating profit	13.1	22.9	– 42.8
Profit after taxation	20.6	30.0	– 31.3

[R1] *Financial results for 2004-05 have been restated to account for share options to employees in compliance with Financial Reporting Standards (FRS) 102. Previously, share options to employees were not charged to the profit and loss account.*

SilkAir's revenue grew $49 million (+16.6 per cent) to $345 million as a result of increased load (+15.0 per cent) and better yield (+3.2 per cent). The increase in expenditure (+$59 million) was principally due to higher fuel costs, with increases also incurred for handling charges, depreciation of aircraft, aircraft and maintenance overhaul expenses and inflight meals. These increases were partially offset by lower aircraft license and insurance costs. As a result, operating profit declined by 42.8 per cent (-$10 million). Lower tax expense (-$6 million) partially offset by lower surplus on disposal of aircraft, spares and other fixed assets (-$5 million) resulted in a smaller decline of 31.3 per cent in profit after tax.

Unit cost rose 8.5 per cent to 72.6 cents/ctk while yield improved 3.2 per cent to 138.7 cents/ltk. Consequently, breakeven load factor deteriorated by 2.5 percentage points to 52.3 per cent.

Equity holders' funds was $378 million (+6.2 per cent) at 31 March 2006.

Capital expenditure for the year of $114 million was mainly for delivery payment for one A320 and one A319 aircraft, and pre-delivery payments for two A320 and one A319 aircraft, scheduled for delivery between 2006 and 2007.

SilkAir's route network spanned 26 cities in 10 Asian countries. During the financial year, SilkAir added three new destinations – Shenzhen (China), Surabaya (Indonesia), and Kota Kinabalu (Malaysia), and terminated its services to Padang, Hyderabad and Fuzhou.

The airline plans to increase frequencies to Medan (from 11 times weekly to twice daily), Phuket (from three times daily to four times daily), Xiamen (from daily to nine times weekly), and one additional flight weekly to Chengdu, Chongqing, Shenzhen, Langkawi and Phnom Penh.

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 2006.

1 Directors of the Company

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

Stephen Lee Ching Yen – Chairman (appointed as Chairman on 1 January 2006)
Chew Choon Seng – Chief Executive Officer (Executive)
Chia Pei-Yuan (Independent)
Fock Siew Wah
Charles B Goode (Independent)
Ho Kwon Ping (Independent)
James Koh Cher Siang (appointed on 1 August 2005) (Independent)
Sir Brian Pitman (Independent)
Davinder Singh (Independent)
David Michael Gonski (appointed on 9 May 2006) (Independent)

Mr Stephen Lee Ching Yen was elected by the Board in October 2005 to succeed Mr Koh Boon Hwee on Mr Koh's retirement as Chairman at the end of 2005.

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 (ESOP), the SIA Restricted Share Plan (RSP) and the SIA Performance Share Plan (PSP). The RSP and PSP were approved by shareholders at the Extraordinary General Meeting of the Company held on 28 July 2005. Non-executive Directors are not eligible to participate in the Plans. There have been no awards under the RSP and PSP since their adoption. Please see section 5 of this Report for options granted under ESOP.

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	1.4.2005/ date of appointment	31.3.2006	21.4.2006	1.4.2005/ date of appointment	31.3.2006	21.4.2006
Interest in Singapore Airlines Limited						
Ordinary shares						
Stephen Lee Ching Yen	10,000	10,000	10,000	–	–	–
Chew Choon Seng	214,000	214,000	214,000	–	–	–
Charles B Goode	–	–	–	50,000	50,000	50,000
James Koh Cher Siang	4,000	4,000	4,000	–	–	–
Options to subscribe for ordinary shares						
Chew Choon Seng	834,000	1,074,000	1,074,000	–	–	–

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

	Direct interest			Deemed interest		
Name of Director	1.4.2005/ date of appointment	31.3.2006	21.4.2006	1.4.2005/ date of appointment	31.3.2006	21.4.2006
Interest in SIA Engineering Company Limited						
Ordinary shares						
Chew Choon Seng	20,000	20,000	20,000	–	–	–
Interest in Singapore Airport Terminal Services Limited						
Ordinary shares						
Chew Choon Seng	10,000	10,000	10,000	–	–	–
Interest in Singapore Telecommunications Limited						
Ordinary shares						
Stephen Lee Ching Yen	190	190	190	–	–	–
Chew Choon Seng	11,040	11,040	11,040	–	–	–
Charles B Goode	–	–	–	15,420	15,420	15,420
Davinder Singh	1,890	1,890	1,890	1,430	1,430	1,430
Fock Siew Wah	1,620	1,620	1,620	1,620	1,620	1,620
Ho Kwon Ping	1,690	1,690	1,690	1,430	1,430	1,430
James Koh Cher Siang	9,662	9,662	9,662	–	–	–
Interest in SMRT Corporation Limited						
Ordinary shares						
Chew Choon Seng	50,000	50,000	50,000	–	–	–
James Koh Cher Siang	5,000	5,000	5,000	–	–	–
Interest in Neptune Orient Lines Limited						
Ordinary shares						
Stephen Lee Ching Yen	30,000	30,000	30,000	–	–	–
James Koh Cher Siang	6,632	6,632	6,632	–	–	–
Interest in Mapletree Logistics Trust						
Units						
James Koh Cher Siang	3,000	3,000	3,000	–	–	–
Interest in SP AusNet						
Ordinary shares						
James Koh Cher Siang	–	4,000	4,000	–	–	–
Interest in SembCorp Industries Ltd						
Ordinary shares						
James Koh Cher Siang	1,194	1,194	1,194	–	–	–

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.

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.

With effect from 1 April 2006, the Board of Directors of the Company has consolidated the Board Compensation & Organisation Committee together with the Board Labour Relations Committee to form the Board Compensation & Industrial Relations Committee. At the date of this report, the Board Compensation & Industrial Relations Committee which administers the Plan comprises the following directors:

Stephen Lee Ching Yen – Chairman
Fock Siew Wah
Sir Brian Pitman

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

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

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

During the financial year, in consideration of the payment of $1.00 for each offer accepted, offers of options were granted pursuant to the Plan in respect of 13,293,461 unissued shares in the Company at an exercise price of $11.28 per share.

5 Options on Shares in the Company (continued)

At the end of the financial year, options to take up 79,196,566 unissued shares in the Company were outstanding:

Date of grant	Number of options to subscribe for unissued ordinary shares: Balance at 1.4.2005/later date of grant	Cancelled	Exercised	Balance at 31.3.2006	Exercise price	Exercisable period
28.3.2000	12,524,010	(672,400)	–	11,851,610	$15.34	28.3.2001 – 27.3.2010
3.7.2000	11,374,220	(359,050)	–	11,015,170	$16.65	3.7.2001 – 2.7.2010
2.7.2001	12,528,300	(193,040)	(2,056,990)	10,278,270	$11.96	2.7.2002 – 1.7.2011
1.7.2002	12,959,332	(203,750)	(914,059)	11,841,523	$12.82	1.7.2003 – 30.6.2012
1.7.2003	12,297,818	(152,446)	(3,069,343)	9,076,029	$10.34	1.7.2004 – 30.6.2013
1.7.2004	12,654,935	(269,925)	(412,172)	11,972,838	$10.70	1.7.2005 – 30.6.2014
1.7.2005	13,293,461	(119,795)	(12,540)	13,161,126	$11.28	1.7.2006 – 30.6.2015
	87,632,076	(1,970,406)	(6,465,104)	79,196,566		

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	240,000	$11.28	1,074,000	–	–	1,074,000

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 15,865,800 unissued shares in SATS at an exercise price of $2.27 per share.

5 Options on Shares in the Company (continued)

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

At the end of the financial year, options to take up 59,863,300 unissued shares in SATS were outstanding:

	Number of options to subscribe for unissued ordinary shares					
Date of grant	Balance at 1.4.2005/later date of grant	Cancelled	Exercised	Balance at 31.3.2006	Exercise price	Exercisable period
28.3.2000	17,288,300	(232,800)	(899,100)	16,156,400	$2.20	28.3.2001 – 27.3.2010
3.7.2000	7,696,450	(92,900)	(3,091,200)	4,512,350	$1.80	3.7.2001 – 2.7.2010
2.7.2001	2,361,950	(13,100)	(995,950)	1,352,900	$1.24	2.7.2002 – 1.7.2011
1.7.2002	5,556,050	(22,100)	(2,456,100)	3,077,850	$1.60	1.7.2003 – 30.6.2012
1.7.2003	13,661,800	(26,000)	(10,578,150)	3,057,650	$1.47	1.7.2004 – 30.6.2013
1.7.2004	16,192,300	(164,200)	(33,150)	15,994,950	$2.09	1.7.2005 – 30.6.2014
1.7.2005	15,865,800	(154,600)	–	15,711,200	$2.27	1.7.2006 – 30.6.2015
	78,622,650	(705,700)	(18,053,650)	59,863,300		

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

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

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

During the financial year, in consideration of the payment of $1.00 for each offer accepted, offers of options were granted pursuant to the SIAEC ESOP in respect of 16,313,700 unissued shares in SIAEC at an exercise price of $2.45 per share.

At the end of the financial year, options to take up 60,225,575 unissued shares in SIAEC were outstanding:

	Number of options to subscribe for unissued ordinary shares					
Date of grant	Balance at 1.4.2005/later date of grant	Cancelled	Exercised	Balance at 31.3.2006	Exercise price	Exercisable period
28.3.2000	11,585,500	(45,600)	(5,501,500)	6,038,400	$1.85	28.3.2001 – 27.3.2010
3.7.2000	9,417,650	(22,800)	(4,386,700)	5,008,150	$1.75	3.7.2001 – 2.7.2010
2.7.2001	4,791,000	–	(1,621,350)	3,169,650	$1.21	2.7.2002 – 1.7.2011
1.7.2002	15,429,800	(40,900)	(4,338,925)	11,049,975	$2.18	1.7.2003 – 30.6.2012
1.7.2003	7,290,325	(18,250)	(3,460,450)	3,811,625	$1.55	1.7.2004 – 30.6.2013
1.7.2004	15,195,500	(166,500)	(72,125)	14,956,875	$1.89	1.7.2005 – 30.6.2014
1.7.2005	16,313,700	(122,800)	–	16,190,900	$2.45	1.7.2006 – 30.6.2015
	80,023,475	(416,850)	(19,381,050)	60,225,575		

6 Board Audit Committee

The Board Audit 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,

STEPHEN LEE CHING YEN
Chairman

CHEW CHOON SENG
Chief Executive Officer

Dated this 9th day of May 2006

REPORT BY THE BOARD OF DIRECTORS

STATEMENT BY THE DIRECTORS PURSUANT TO SECTION 201(15)

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

(i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity, and consolidated cash flow statements 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 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

STEPHEN LEE CHING YEN
Chairman

CHEW CHOON SENG
Chief Executive Officer

Dated this 9th day of May 2006

AUDITORS' REPORT

AUDITORS' REPORT TO THE MEMBERS OF SINGAPORE AIRLINES LIMITED

We have audited the accompanying financial statements of Singapore Airlines Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 68 to 135 for the year ended 31 March 2006. 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,

(i) 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 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

ERNST & YOUNG
Certified Public Accountants

Dated this 9th day of May 2006
Singapore

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the financial year ended 31 March 2006 (in $ million)

	Notes	The Group 2005-06	2004-05 [R1]
REVENUE		13,341.1	12,012.9
EXPENDITURE			
Staff costs	5	2,481.1	2,456.5
Fuel costs		4,240.3	2,692.9
Depreciation	18	1,227.7	1,165.8
Impairment of fixed assets	18	12.1	–
Amortisation of intangible assets	19	54.7	42.8
Aircraft maintenance and overhaul costs		319.3	597.9
Commission and incentives		441.6	445.2
Landing, parking and overflying charges		652.9	629.8
Handling charges		593.3	570.3
Rentals on leased aircraft		338.0	335.0
Material costs		315.2	293.1
Inflight meals		247.5	245.5
Advertising and sales costs		243.4	257.8
Insurance expenses		114.6	130.1
Company accommodation and utilities		158.1	157.9
Other passenger costs		122.5	118.0
Crew expenses		117.1	108.2
Other operating expenses		448.4	449.0
		12,127.8	10,695.8
OPERATING PROFIT	6	1,213.3	1,317.1
Finance charges	7	(96.3)	(77.5)
Interest income	8	96.7	52.7
Surplus on disposal of aircraft, spares and spare engines		115.7	215.2
Surplus on disposal of other fixed assets		11.9	8.7
Dividends from long-term investments, gross		24.6	8.0
Impairment of long-term investments	23	(1.0)	(0.1)
Amortisation of goodwill on consolidation	19	–	(0.1)
Amortisation of deferred gain		1.4	1.3
Share of profits of joint venture companies	22	40.6	12.5
Share of profits of associated companies	21	255.2	203.7
PROFIT BEFORE EXCEPTIONAL ITEMS		1,662.1	1,741.5
Exceptional items	9	–	49.5
PROFIT BEFORE TAXATION		1,662.1	1,791.0
TAXATION	10	(352.6)	(387.3)
PROFIT FOR THE YEAR		1,309.5	1,403.7
PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		1,240.7	1,352.4
MINORITY INTERESTS		68.8	51.3
		1,309.5	1,403.7
BASIC EARNINGS PER SHARE (CENTS)	11	101.7	111.0
DILUTED EARNINGS PER SHARE (CENTS)	11	101.6	111.0

[R1] 2004-05 figures have been restated for the effect of adopting FRS 102 [see Note 3(d)].

The notes on pages 75 to 135 form an integral part of these financial statements.

BALANCE SHEETS

At 31 March 2006 (in $ million)

	Notes	The Group 2006	The Group 2005[R1]	The Company 2006	The Company 2005[R1]
SHARE CAPITAL	13	1,202.6	609.1	1,202.6	609.1
RESERVES					
Share premium		–	448.2	–	448.2
Capital redemption reserve		–	64.4	–	64.4
Capital reserve		40.8	41.9	–	–
Foreign currency translation reserve		(30.5)	3.1	–	–
Share-based compensation reserve	14 (a)	81.8	48.4	63.1	37.1
Fair value reserve	14 (b)	163.6	–	35.6	–
General reserve		12,012.3	11,127.2	10,943.3	10,653.5
		12,268.0	11,733.2	11,042.0	11,203.2
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		13,470.6	12,342.3	12,244.6	11,812.3
MINORITY INTERESTS		396.3	302.8	–	–
TOTAL EQUITY		13,866.9	12,645.1	12,244.6	11,812.3
DEFERRED ACCOUNT	15	349.6	414.6	254.9	356.8
DEFERRED TAXATION	16	2,486.1	2,450.1	1,950.5	1,952.2
LONG-TERM LIABILITIES	17	1,824.4	2,333.3	1,022.3	1,449.5
		18,527.0	17,843.1	15,472.3	15,570.8
Represented by:					
FIXED ASSETS	18				
Aircraft, spares and spare engines		12,208.4	12,292.0	9,150.9	9,484.8
Land and buildings		972.1	993.1	297.0	316.1
Others		2,344.2	1,876.6	2,046.5	1,318.9
		15,524.7	15,161.7	11,494.4	11,119.8
INTANGIBLE ASSETS	19	121.7	144.1	77.2	88.3
SUBSIDIARY COMPANIES	20	–	–	1,938.4	1,935.8
ASSOCIATED COMPANIES	21	996.3	695.1	1,722.2	1,716.1
JOINT VENTURE COMPANIES	22	362.6	323.6	159.1	151.0
LONG-TERM INVESTMENTS	23	425.9	476.3	401.5	409.2
CURRENT ASSETS					
Section 44 tax prepayments		166.2	221.4	166.2	221.4
Stocks	24	517.5	442.5	458.5	368.8
Trade debtors	25	1,610.8	1,344.7	1,055.0	859.4
Amounts owing by subsidiary companies	20	–	–	230.9	247.2
Amounts owing by associated companies	21	3.7	15.8	–	12.5
Loan-receivable within one year	23	42.0	–	–	–
Investments	26	446.5	79.3	346.1	–
Cash and bank balances	27	3,151.6	2,840.2	2,765.1	2,509.1
		5,938.3	4,943.9	5,021.8	4,218.4
Less: **CURRENT LIABILITIES**					
Sales in advance of carriage		1,191.6	1,031.2	1,164.4	1,003.2
Deferred revenue		309.9	237.9	309.9	237.9
Current tax payable		303.2	156.2	199.3	72.0
Trade creditors	28	2,546.2	2,380.4	1,798.2	1,763.8
Amounts owing to subsidiary companies	20	–	–	1,442.0	966.6
Finance lease commitments-repayable within one year	17	464.6	44.1	419.5	–
Loans-repayable within one year	17	16.6	25.6	–	–
Bank overdrafts	29	10.4	26.2	9.0	24.3
		4,842.5	3,901.6	5,342.3	4,067.8
NET CURRENT ASSETS/(LIABILITIES)		1,095.8	1,042.3	(320.5)	150.6
		18,527.0	17,843.1	15,472.3	15,570.8

[R1] 2005 figures have been restated for the effect of changes in accounting policies (see Note 3).

The notes on pages 75 to 135 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2006 (in $ million)

The Group

	Notes	Share capital	Share premium	Capital redemption reserve	Capital reserve	Foreign currency translation reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total	Minority interests	Total equity
		Attributable to Equity Holders of the Company										
Balance at 31 March 2005, as previously reported		609.1	448.2	64.4	41.9	8.8	–	–	11,263.7	12,436.1	303.9	12,740.0
Effects of adopting												
– FRS 21		–	–	–	–	(5.7)	–	–	–	(5.7)	(1.1)	(6.8)
– FRS 28		–	–	–	–	–	–	–	(87.8)	(87.8)	–	(87.8)
– FRS 102	14 (a)	–	–	–	–	–	48.4	–	(48.4)	–	–	–
– FRS 103		–	–	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Balance at 31 March 2005, as restated		609.1	448.2	64.4	41.9	3.1	48.4	–	11,127.2	12,342.3	302.8	12,645.1
Effects of adopting												
– FRS 28	14 (b)	–	–	–	–	–	–	(44.6)	69.7	25.1	–	25.1
– FRS 39	14 (b)	–	–	–	–	–	–	176.4	36.9	213.3	0.8	214.1
Balance at 1 April 2005, as restated		609.1	448.2	64.4	41.9	3.1	48.4	131.8	11,233.8	12,580.7	303.6	12,884.3
Transfer to share capital	13	512.6	(448.2)	(64.4)	–	–	–	–	–	–	–	–
		1,121.7	–	–	41.9	3.1	48.4	131.8	11,233.8	12,580.7	303.6	12,884.3
Currency translation differences		–	–	–	–	(33.6)	–	–	–	(33.6)	(1.3)	(34.9)
Net fair value changes on available-for-sale assets	14 (b)	–	–	–	–	–	–	5.9	–	5.9	–	5.9
Net fair value changes on cash flow hedges	14 (b)	–	–	–	–	–	–	(137.1)	–	(137.1)	–	(137.1)
Share of joint venture and associated companies' fair value reserve	14 (b)	–	–	–	–	–	–	163.0	–	163.0	–	163.0
Share of joint venture and associated companies' capital reserve	21, 22	–	–	–	(1.1)	–	–	–	–	(1.1)	–	(1.1)
Surplus on dilution of interest in subsidiary companies due to share options exercised		–	–	–	–	–	–	–	25.4	25.4	41.9	67.3
Net income and expense not recognised in the profit and loss account		–	–	–	(1.1)	(33.6)	--	31.8	25.4	22.5	40.6	63.1
Profit for the financial year		–	–	–	–	–	–	–	1,240.7	1,240.7	68.8	1,309.5
Net income and expense recognised for the financial year		–	–	–	(1.1)	(33.6)	–	31.8	1,266.1	1,263.2	109.4	1,372.6
Issuance of share capital by subsidiary companies		–	–	–	–	–	–	–	–	–	12.0	12.0
Share-based payment	14 (a)	–	–	–	–	–	45.9	–	–	45.9	2.2	48.1
Share options exercised	13, 14 (a)	80.9	–	–	–	–	(12.5)	–	–	68.4	–	68.4
Dividends	12	–	–	–	–	–	–	–	(487.6)	(487.6)	(30.9)	(518.5)
Balance at 31 March 2006		1,202.6	–	–	40.8	(30.5)	81.8	163.6	12,012.3	13,470.6	396.3	13,866.9

The notes on pages 75 to 135 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2006 (in $ million)

The Group

	Notes	Share capital	Share premium	Capital redemption reserve	Capital reserve	Foreign currency translation reserve	Share-based compensation reserve	General reserve	Total	Minority interests	Total equity
		Attributable to Equity Holders of the Company									
Balance at 31 March 2004, as previously reported		609.1	447.2	64.4	32.0	19.8	–	10,282.6	11,455.1	304.1	11,759.2
Effects of adopting											
– FRS 28		–	–	–	–	–	–	(87.8)	(87.8)	–	(87.8)
– FRS 102	14 (a)	–	–	–	–	–	11.5	(11.5)	–	–	–
Balance at 31 March 2004, as restated		609.1	447.2	64.4	32.0	19.8	11.5	10,183.3	11,367.3	304.1	11,671.4
Effects of adopting											
– FRS 21		–	–	–	–	(5.7)	–	–	(5.7)	(1.1)	(6.8)
– FRS 103		–	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
		609.1	447.2	64.4	32.0	14.1	11.5	10,183.0	11,361.3	303.0	11,664.3
Currency translation differences		–	–	–	–	(11.0)	–	–	(11.0)	(1.4)	(12.4)
Share of joint venture and associated companies' capital reserve		–	–	–	9.9	–	–	–	9.9	–	9.9
Surplus on dilution of interest in subsidiary companies due to share options exercised		–	–	–	–	–	–	18.2	18.2	40.2	58.4
Net income and expense not recognised in the profit and loss account		–	–	–	9.9	(11.0)	–	18.2	17.1	38.8	55.9
Profit for the financial year		–	–	–	–	–	–	1,352.4	1,352.4	51.3	1,403.7
Net income and expense recognised for the financial year		–	–	–	9.9	(11.0)	–	1,370.6	1,369.5	90.1	1,459.6
Share-based payment	14 (a)	–	–	–	–	–	36.9	–	36.9	1.5	38.4
Share options exercised	13	*	1.0	–	–	–	–	–	1.0	–	1.0
Dividends	12	–	–	–	–	–	–	(426.4)	(426.4)	(91.8)	(518.2)
Balance at 31 March 2005		609.1	448.2	64.4	41.9	3.1	48.4	11,127.2	12,342.3	302.8	12,645.1

* *Amount less than $0.1 million.*

The notes on pages 75 to 135 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2006 (in $ million)

The Company

	Notes	Share capital	Share premium	Capital redemption reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total equity
Balance at 31 March 2005, as previously reported		609.1	448.2	64.4	–	–	10,687.7	11,809.4
Effect of adopting								
– FRS 102	14 (a)	–	–	–	37.1	–	(34.2)	2.9
Balance at 31 March 2005, as restated		609.1	448.2	64.4	37.1	–	10,653.5	11,812.3
Effect of adopting								
– FRS 39	14 (b)	–	–	–	–	151.7	31.4	183.1
Balance at 1 April 2005, as restated		609.1	448.2	64.4	37.1	151.7	10,684.9	11,995.4
Transfer to share capital	13	512.6	(448.2)	(64.4)	–	–	–	–
		1,121.7	–	–	37.1	151.7	10,684.9	11,995.4
Net fair value changes on available-for-sale assets	14 (b)	–	–	–	–	4.5	–	4.5
Net fair value changes on cash flow hedges	14 (b)	–	–	–	–	(120.6)	–	(120.6)
Net expense not recognised in the profit and loss account		–	–	–	–	(116.1)	–	(116.1)
Profit for the financial year		–	–	–	–	–	746.0	746.0
Net income and expense recognised for the financial year		–	–	–	–	(116.1)	746.0	629.9
Share-based payment	14 (a)	–	–	–	34.1	–	–	34.1
Share options exercised	13, 14 (a)	80.9	–	–	(8.1)	–	–	72.8
Dividends	12	–	–	–	–	–	(487.6)	(487.6)
Balance at 31 March 2006		1,202.6	–	–	63.1	35.6	10,943.3	12,244.6

The notes on pages 75 to 135 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2006 (in $ million)

The Company

	Notes	Share capital	Share premium	Capital redemption reserve	Share-based compensation reserve	General reserve	Total equity
Balance at 31 March 2004, as previously reported		609.1	447.2	64.4	–	9,805.0	10,925.7
Effect of adopting							
– FRS 102	14 (a)	–	–	–	9.4	(8.7)	0.7
Balance at 31 March 2004, as restated		609.1	447.2	64.4	9.4	9,796.3	10,926.4
Profit for the financial year		–	–	–	–	1,283.6	1,283.6
Net income recognised for the financial year		–	–	–	–	1,283.6	1,283.6
Share-based payment	14 (a)	–	–	–	27.7	–	27.7
Share options exercised	13	*	1.0	–	–	–	1.0
Dividends	12	–	–	–	–	(426.4)	(426.4)
Balance at 31 March 2005		609.1	448.2	64.4	37.1	10,653.5	11,812.3

* *Amount less than $0.1 million.*

The notes on pages 75 to 135 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

For the financial year ended 31 March 2006 (in $ million)

	Notes	The Group 2005-06	2004-05 [R1]
NET CASH PROVIDED BY OPERATING ACTIVITIES	30	2,309.6	2,786.6
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	31	(2,058.8)	(2,095.2)
Purchase of intangible assets – application software		(32.4)	–
Proceeds from disposal of aircraft and other fixed assets		629.7	1,081.2
Return of capital from associated companies		3.3	3.3
Return of capital from long-term investments		–	13.9
Investments in associated companies		(27.1)	(184.1)
Investments in joint venture companies		(8.2)	(10.7)
Additional long-term investments		(91.6)	(285.7)
Additional long-term loans		–	(1.4)
Repayment of loans by associated companies		–	0.7
Repayment of loans		–	4.1
Proceeds from disposal of long-term investments		90.5	349.9
Dividends received from associated and joint venture companies		91.2	55.7
Dividends received from investments		25.4	8.4
Interest received from investments and deposits		89.5	50.0
NET CASH USED IN INVESTING ACTIVITIES		(1,288.5)	(1,009.9)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(487.6)	(426.4)
Dividends paid by subsidiary companies to minority interests		(30.9)	(91.8)
Interest paid		(90.4)	(67.8)
Proceeds from borrowings		0.5	202.5
Repayment of borrowings		(25.1)	(24.4)
Repayment of long-term lease liabilities		(59.3)	(46.1)
Proceeds from issuance of share capital by subsidiary companies to minority interests		12.0	–
Proceeds from exercise of share options		135.9	59.3
NET CASH USED IN FINANCING ACTIVITIES		(544.9)	(394.7)
NET CASH INFLOW		476.2	1,382.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		2,814.0	1,491.4
Effect of exchange rate changes		(149.0)	(59.4)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		3,141.2	2,814.0
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Fixed deposits	27	2,451.9	2,231.9
Cash and bank	27	699.7	608.3
Bank overdrafts		(10.4)	(26.2)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		3,141.2	2,814.0

[R1] *2004-05 figures have been restated for the effect of adopting FRS 102 [see Note 3(d)].*

The notes on pages 75 to 135 form an integral part of these financial statements.

1 General

Singapore Airlines Limited ("the Company") is a limited liability company incorporated in the Republic of Singapore which is also the place of domicile. The Company is a subsidiary company of Temasek Holdings (Private) Limited, incorporated in the Republic of Singapore.

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

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

The financial statements for the financial year ended 31 March 2006 were authorised for issue in accordance with a resolution of the Board of Directors on 9 May 2006.

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 (SGD or $), are prepared under the historical cost convention except as disclosed in the accounting policies below, and in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50.

(b) Changes in accounting policies

On 1 April 2005, the Group and the Company adopted all new or revised FRS that are applicable in the current financial year. The 2004-05 financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRS. Those FRS with significant financial impact are disclosed in Note 3.

(c) Significant accounting estimates

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

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

(i) Impairment of fixed assets – aircraft fleet

Impairment is recognised when events and circumstances indicate that the aircraft may be impaired and the carrying amounts of the aircraft exceed the recoverable amounts. In determining the recoverable amounts of the aircraft, certain estimates regarding the current fair market value of the aircraft are made. The current fair market value is determined based on desktop valuations from an independent appraisal for fleet with similar operational lives.

(ii) Depreciation of fixed assets – aircraft fleet

Aircraft are depreciated on a straight-line basis at rates which are calculated to write-down their cost to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the fleet are made by the Company based on past experience and these are in line with the industry. The operational lives and residual values are reviewed on an annual basis.

2 Accounting Policies (continued)

(c) Significant accounting estimates (continued)

(iii) Passenger revenue recognition

Passenger sales are recognised as operating revenue when the transportation is provided. The value of unused tickets is included as sales in advance of carriage in the balance sheet and recognised in revenue at the end of two years. This is estimated based on historical trends and experiences of the Company whereby ticket uplift occurs mainly within the first two years.

(iv) Frequent flyer programme

The Company operates a frequent flyer programme called "KrisFlyer" that provides travel awards to programme members based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferment of the revenue is estimated based on historical trends of breakage and redemption, which is then used to project the expected utilisation of these benefits. Any remaining unutilised benefits are recognised as revenue upon expiry.

(d) Consolidation

The consolidated financial statements comprise the separate financial statements of the Company and its subsidiaries as at the balance sheet date. Consistent accounting policies are applied for like transactions and events in similar circumstances. A list of the Group's subsidiary companies is shown in Note 20 to the financial statements.

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

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

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2 (f)(i) below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2 Accounting Policies (continued)

(e) Subsidiary, associated and joint venture companies

In the Company's separate 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 investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. A list of the Group's associated companies is shown in Note 21 to the financial statements.

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

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

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

(f) Intangible assets

(i) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's business or the Group's geographical reporting segment.

2 Accounting Policies (continued)

(f) Intangible assets (continued)

(i) Goodwill (continued)

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 SGD.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

(ii) Computer software

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised using the straight-line method over their estimated useful lives of 1 – 5 years.

(g) Foreign currencies

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

Foreign currency transactions are converted into SGD at exchange rates which approximate bank rates prevailing at dates of transactions, 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 SGD 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 taken to 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 SGD 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 SGD at the prevailing exchange rates. The resulting gains or losses on exchange are taken to foreign currency translation reserve.

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

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

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

2 Accounting Policies (continued)

(h) 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 heavy maintenance visits on aircraft and engine overhauls, is capitalised at cost. Expenditure for engine overhaul costs covered by "power-by-hour" is capitalised by hours flown when the engine overhaul is carried out. Expenditure for other 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.

(i) 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, and adjusted as appropriate at each balance sheet date.

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.

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.

Major inspection costs relating to heavy maintenance visits and engine overhauls are capitalised and depreciated over 4 – 6 years. Prior to the current financial year, such costs have been charged to the profit and loss account on an incurred basis.

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 – 12 years to nil residual values.

(j) 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 account. Depreciation on the relevant assets is charged to the profit and loss account.

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

2 Accounting Policies (continued)

(j) Leased assets (continued)

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

Gains or losses arising from sale and operating leaseback of aircraft are determined based on fair values. Differences between sales proceeds and fair values are 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.

(k) 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.

(l) Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit and loss, loans and receivables, or available-for-sale assets, as appropriate. Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs. The Group determines the classifications of its financial assets after initial recognition, and where appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

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

Assets in this category are classified as current assets.

Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Receivables are included in trade debtors on the balance sheet [Note 2(n)].

2 Accounting Policies (continued)

(l) Financial assets (continued)

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

The fair value of quoted investments is generally determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions or reference to the current market value of another instrument (which is substantially the same). For investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost.

(m) Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

(i) The contractual rights to receive cash flows from the asset have expired;
(ii) The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through arrangement"; or
(iii) The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the assets, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

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

2 Accounting Policies (continued)

(m) Derecognition of financial assets and liabilities (continued)

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(n) Trade debtors

Trade debtors, including amounts owing by subsidiary, associated and joint venture companies, are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2(l).

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

(o) 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 are classified and accounted for as loans and receivables under FRS 39.

For the purposes of the Consolidated Cash Flow Statements, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts. The accounting policy for this category of financial assets is stated in Note 2(l).

(p) 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. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

(q) Loans, notes payable and borrowings

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

2 Accounting Policies (continued)

(r) Aircraft maintenance and overhaul costs

The Group recognises aircraft maintenance and overhaul expenses (except heavy maintenance visits and engine overhaul expenses) on an incurred basis. For engine rectification 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.

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

(s) 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. 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.

Equity-settled transactions

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The Group has taken advantage of the transitional provisions of FRS 102 in respect of equity-settled awards and has applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on or before 1 January 2005.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not recognised for the award is recognised immediately.

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.

(t) Trade creditors

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

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

2 Accounting Policies (continued)

(u) Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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.

(v) Revenue

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.

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

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

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

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

(w) Income from investments

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

Interest income from investments and fixed deposits is recognised on a time proportion basis using the effective interest method.

(x) Frequent flyer programme

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

(y) 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.

(z) 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. $5.5 million (2004-05: $5.5 million) borrowing costs were capitalised during the year by the Group.

2 Accounting Policies (continued)

(aa) Impairment of non-financial and financial assets

The carrying amounts of the Group's non-financial 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.

The Group also assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an amortisation account. The amount of the loss shall be recognised in the profit and loss account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed. Any subsequent reversals of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated realisable amount. Such impairment losses are not reversed in subsequent periods.

Available-for-sale financial assets

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

(ab) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, interest rate swap contracts, jet fuel options and jet fuel swap contracts to hedge its risks associated with foreign currency, interest rate and jet fuel price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

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

The 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 sheet 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.

2 Accounting Policies (continued)

(ab) Derivative financial instruments and hedging (continued)

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

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the fair value reserve (Note 14), while the ineffective portion is recognised in the profit and loss account.

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

Fair value hedges

For fair value hedges, the gain or loss on the hedging instrument is taken directly to profit and loss account.

(ac) Segmental reporting

Business segment

The Group's businesses are organised and managed separately accordingly 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 consists 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.

(ad) FRS and INT FRS not yet effective

The Group has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 April 2006. The Group's assessment of those standards and interpretations that are relevant to the Group is set out below:

FRS 107: Financial Instruments: Disclosure

This standard, effective for annual financial periods beginning on or after 1 January 2007, requires quantitative disclosures of nature and extent of risks arising from financial instruments in addition to the disclosures currently required under FRS 32. Adoption of this standard will result in additional disclosures in the financial statements.

2 Accounting Policies (continued)

(ad) FRS and INT FRS not yet effective (continued)

INT FRS 104: Determining whether an arrangement contains a lease
This interpretation, effective for annual financial periods beginning on or after 1 January 2006, requires the determination of whether an arrangement is, or contains a lease, to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group expects that the adoption of the interpretation above is not expected to have a significant impact on the financial statements in the period of initial application.

FRS 40: Investment Property
This standard shall be applied in the recognition, measurement and disclosure of investment property. Among other things, this standard applies to the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease.

The Group expects that the adoption of the interpretation above is not expected to have a significant impact on the financial statements in the period of initial application.

3 Significant Financial Impact of New and Revised Financial Reporting Standards

The adoption of the new and revised Financial Reporting Standards did not have any significant financial impact to the Group except as discussed below:

Effect of changes to the Profit and Loss Account for the year ended 31 March 2006.

	Increase/(decrease)		
	Profit before tax $ million	Profit after tax [R1] $ million	Basic and Diluted Earnings per share Cents
FRS 16	379.9	303.9	24.9
FRS 28	37.2	26.1	2.1
FRS 39	(3.7)	(3.0)	(0.2)
FRS 102	(48.1)	(48.1)	(3.9)
	365.3	278.9	22.9

[R1] *The profit after tax refers to the profit for the financial year 2005-06.*

(a) FRS 16: Property, Plant and Equipment

FRS 16 has been revised to require major inspection costs to be capitalised. Accordingly, the portion of aircraft maintenance and overhaul costs relating to heavy maintenance visits and engine overhauls are now capitalised and depreciated over 4 – 6 years. Prior to FY2005-06, such costs have been charged to the profit and loss account on an incurred basis.

The revised treatment is applied prospectively and accordingly, the current financial year's aircraft maintenance and overhaul costs of the Group is lower by $462.2 million and depreciation expenses has been increased by $82.3 million. As a result, the profit after tax of the Group for the financial year is higher by $303.9 million, and the basic and diluted earnings per share are both higher by 24.9 cents.

3 Significant Financial Impact of New and Revised Financial Reporting Standards (continued)

(b) FRS 28: Investments in Associates

FRS 28 requires appropriate adjustments to be made to the associated companies' financial statements to align them to the Group's accounting policies for reporting like transactions and other events in similar circumstances. The alignment of the different accounting policies has resulted in:

	Increased/(decreased) by $ million
Profit for the financial year	26.1
Fair value reserve as at 1 April 2005	(44.6)
General reserve as at 31 March 2004	(87.8)
General reserve as at 31 March 2005	(87.8)
General reserve as at 1 April 2005	(18.1)
Associated companies as at 31 March 2004	(87.8)
Associated companies as at 31 March 2005	(87.8)
Associated companies as at 1 April 2005	(62.7)

The impact on both the Group's basic and diluted earnings per share is an increase of 2.1 cents.

(c) FRS 39: Financial Instruments: Recognition and Measurement

FRS 39 sets out the new requirement for the recognition, derecognition and measurement of the Group's financial instruments and hedge accounting. The adoption of FRS 39 has resulted in the Group recognising available-for-sale investments and all derivative financial instruments as assets or liabilities at fair value.

In accordance with the transitional provisions of FRS 39, the comparative financial statements for FY2004-05 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 April 2005.

	Increased by $ million
General reserve	36.9
Fair value reserve	176.4
Minority interests	0.8
Deferred tax	53.5
Trade debtors	310.3
Trade creditors	42.7

Profit for the financial year decreased by $3.0 million and the impact on both the Group's basic and diluted earnings per share is a decrease of 0.2 cent.

(d) FRS 102: Share-based Payments

FRS 102 requires the Group to recognise an expense in the profit and loss account with a corresponding increase in equity for share options granted after 22 November 2002 and not vested by 1 April 2005. The total amount to be recognised as an expense in the profit and loss account is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the profit and loss account and a corresponding adjustment to equity over the remaining vesting period.

3 Significant Financial Impact of New and Revised Financial Reporting Standards (continued)

(d) FRS 102: Share-based Payments (continued)

The application of FRS 102 is retrospective and accordingly, the comparative financial statements are restated and the financial impact on the Group is as follows:

	Increased/(decreased) by $ million
Profit for the financial year 2004-05	(38.4)
Profit for the financial year 2005-06	(48.1)
General reserve as at 31 March 2004	(11.5)
General reserve as at 31 March 2005	(48.4)
Share-based compensation reserve as at 31 March 2004	11.5
Share-based compensation reserve as at 31 March 2005	48.4

	Decreased by Cents
Basic and diluted earnings per share for 2004-05	(3.2)
Basic and diluted earnings per share for 2005-06	(3.9)

(e) FRS 103: Business Combinations; FRS 36: Impairment of Assets; FRS 38: Intangible Assets and FRS 21: The Effects of Changes in Foreign Exchange Rates

The new accounting standard FRS 103: Business Combinations has resulted in consequential amendments to two other accounting standards, FRS 36: Impairment of Assets and FRS 38: Intangible Assets.

Under FRS 103, goodwill acquired in a business combination is no longer subject to amortisation to the profit and loss account. Instead, it is subject to impairment review annually or whenever there is an indication that the goodwill is impaired as required by the revised FRS 36. Any impairment loss is charged to the profit and loss account and subsequent reversal is not allowed.

The Group adopted FRS 103 with effect from 1 April 2005, including the provisions related to the limited retrospective application of this standard. Accordingly, the general reserve as at 31 March 2005 has been restated to reflect a decrease of $0.3 million.

Previously, goodwill was amortised using the straight-line method over a period of between 10 and 20 years. No goodwill amortisation was recorded for the financial year 2005-06 (2004-05: $6.8 million). The intangible amortisation recorded during the financial year was $7.7 million (2004-05: nil).

The Group changed its accounting policy to adopt FRS 21 with effect from 1 April 2005. As a result of the adoption of revised FRS 21, any goodwill arising on the acquisition of foreign subsidiary and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are now treated as assets and liabilities of the foreign operation and translated at the closing rate accordingly. The application of FRS 21 is retrospective.

Accordingly, the comparative financial statements are restated and the financial impact on the Group is as follows:

	Decreased by $ million
Associated companies as at 31 March 2005	(7.1)
Foreign currency translation reserve as at 31 March 2005	(5.7)
Minority interest as at 31 March 2005	(1.1)
General reserve as at 31 March 2005	(0.3)

4 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 2006 and 2005 and certain assets and liabilities information of the business segments as at those dates.

	Airline operations		Airport terminal services	
	2005-06	2004-05	2005-06	2004-05
TOTAL REVENUE				
External revenue	12,659.1	11,341.7	371.6	397.2
Inter-segment revenue	43.8	55.5	560.4	578.5
	12,702.9	11,397.2	932.0	975.7
RESULTS				
Segment result	891.3	1,028.3	184.1	194.2
Finance charges	(103.0)	(77.5)	(6.3)	(3.9)
Interest income	90.1	48.9	9.3	3.3
Surplus on disposal of aircraft, spares and spare engines	90.3	215.2	–	–
Surplus on disposal of other fixed assets	10.3	8.1	(0.3)	0.2
Dividends from subsidiary and associated companies, gross	204.6	637.0	–	–
Dividends from long-term investments, gross	12.3	2.8	0.6	0.6
Impairment of long-term investments	(1.0)	(0.1)	–	–
Amortisation of goodwill on consolidation	–	–	–	(0.1)
Amortisation of deferred gain	–	–	1.4	1.3
Share of profits of joint venture companies	20.7	4.5	–	–
Share of profits of associated companies	112.2	85.7	57.3	50.5
Exceptional items	–	69.3	–	(28.8)
Taxation	(280.9)	(389.5)	(56.9)	(49.2)
Profit for the financial year	1,046.9	1,632.7	189.2	168.1
Attributable to:				
Equity Holders of the Company				
Minority interests				

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

	Engineering services		Others		Total of segments		Elimination*		Consolidated	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
	238.4	195.8	72.0	78.2	13,341.1	12,012.9	–	–	13,341.1	12,012.9
	720.7	611.7	169.1	178.4	1,494.0	1,424.1	(1,494.0)	(1,424.1)	–	–
	959.1	807.5	241.1	256.6	14,835.1	13,437.0	(1,494.0)	(1,424.1)	13,341.1	12,012.9
	134.7	100.8	21.1	18.0	1,231.2	1,341.3	(17.9)	(24.2)	1,213.3	1,317.1
	–	–	–	–	(109.3)	(81.4)	13.0	3.9	(96.3)	(77.5)
	9.2	3.8	1.1	0.7	109.7	56.7	(13.0)	(4.0)	96.7	52.7
	–	–	–	–	90.3	215.2	25.4	–	115.7	215.2
	1.9	0.4	–	–	11.9	8.7	–	–	11.9	8.7
	–	–	–	–	204.6	637.0	(204.6)	(637.0)	–	–
	11.9	4.8	–	–	24.8	8.2	(0.2)	(0.2)	24.6	8.0
	–	–	–	–	(1.0)	(0.1)	–	–	(1.0)	(0.1)
	–	–	–	–	–	(0.1)	–	–	–	(0.1)
	–	–	–	–	1.4	1.3	–	–	1.4	1.3
	19.9	8.0	–	–	40.6	12.5	–	–	40.6	12.5
	85.7	67.5	–	–	255.2	203.7	–	–	255.2	203.7
	–	9.0	–	–	–	49.5	–	–	–	49.5
	(32.9)	(23.6)	(5.6)	(4.8)	(376.3)	(467.1)	23.7	79.8	(352.6)	(387.3)
	230.4	170.7	16.6	13.9	1,483.1	1,985.4	(173.6)	(581.7)	1,309.5	1,403.7
									1,240.7	1,352.4
									68.8	51.3
									1,309.5	1,403.7

4 Segment Information (in $ million) (continued)

Business Segments

	Airline operations 2006	Airline operations 2005	Airport terminal services 2006	Airport terminal services 2005
OTHER INFORMATION AT 31 MARCH				
Segment assets	19,258.7	18,223.9	1,365.6	1,215.1
Investments in and loans to joint venture and associated companies	638.6	356.1	345.9	331.7
Goodwill on consolidation	–	–	1.3	1.3
Long-term investments	403.6	411.3	7.9	50.9
Amounts owing by associated companies	3.0	12.5	0.3	1.0
Accrued interest receivable	14.3	6.6	0.3	0.3
Tax prepayments	166.2	221.4	–	–
Total assets	20,484.4	19,231.8	1,721.3	1,600.3
Segment liabilities	4,211.3	4,492.8	178.5	191.0
Long-term liabilities	1,618.5	2,129.0	203.9	204.3
Short-term loans and lease commitments	479.3	68.0	0.8	0.9
Accrued interest payable	18.9	18.8	0.5	0.5
Tax liabilities	2,602.6	2,434.4	128.8	132.7
Total liabilities	8,930.6	9,143.0	512.5	529.4
Capital expenditure	1,988.7	1,984.4	13.0	13.1
	2005-06	2004-05	2005-06	2004-05
Depreciation	1,132.0	1,075.0	58.1	57.5
Impairment of fixed assets	9.9	–	–	–
Amortisation of intangible assets	40.1	32.3	7.1	5.7
Non-cash items other than depreciation, impairment of fixed assets and amortisation of intangible assets	(154.6)	(116.6)	5.2	5.3

* *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 2006	Engineering services 2005	Others 2006	Others 2005	Total of segments 2006	Total of segments 2005	Elimination* 2006	Elimination* 2005	Consolidated 2006	Consolidated 2005
941.9	752.7	201.4	210.0	21,767.6	20,401.7	(369.0)	(397.6)	21,398.6	20,004.1
371.2	333.2	11.2	(1.9)	1,366.9	1,019.1	(8.0)	(0.4)	1,358.9	1,018.7
–	–	–	–	1.3	1.3	–	–	1.3	1.3
14.6	14.6	–	–	426.1	476.8	(0.2)	(0.5)	425.9	476.3
–	–	–	–	3.3	13.5	0.4	2.3	3.7	15.8
–	–	0.3	0.2	14.9	7.1	–	–	14.9	7.1
–	–	–	–	166.2	221.4	–	–	166.2	221.4
1,327.7	1,100.5	212.9	208.3	23,746.3	22,140.9	(376.8)	(396.2)	23,369.5	21,744.7
224.2	206.0	54.5	55.1	4,668.5	4,944.9	(280.1)	(873.0)	4,388.4	4,071.9
2.0	–	–	–	1,824.4	2,333.3	–	–	1,824.4	2,333.3
1.0	0.8	–	–	481.1	69.7	–	–	481.1	69.7
–	–	–	–	19.4	19.3	–	(0.9)	19.4	18.4
47.5	32.8	8.5	6.4	2,787.4	2,606.3	1.9	–	2,789.3	2,606.3
274.7	239.6	63.0	61.5	9,780.8	9,973.5	(278.2)	(873.9)	9,502.6	9,099.6
39.6	58.4	17.5	12.2	2,058.8	2,068.1	–	–	2,058.8	2,068.1
2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
24.5	20.5	13.1	13.5	1,227.7	1,166.5	–	(0.7)	1,227.7	1,165.8
2.2	–	–	–	12.1	–	–	–	12.1	–
7.0	4.3	0.5	0.5	54.7	42.8	–	–	54.7	42.8
(1.1)	(0.5)	(1.1)	–	(151.6)	(111.8)	–	–	(151.6)	(111.8)

4 Segment Information (in $ million) (continued)

Geographical Segments

The following table presents revenue information on airline operations by geographical areas for the financial years ended 31 March 2006 and 2005.

	By area of original sale 2005-06	2004-05
East Asia	5,554.5	5,217.8
Europe	1,882.4	1,894.6
South West Pacific	1,535.4	1,439.3
Americas	991.0	919.2
West Asia and Africa	896.2	833.3
System-wide	10,859.5	10,304.2
Non-scheduled services and incidental revenue	1,843.4	1,093.0
	12,702.9	11,397.2

5 Staff Costs (in $ million)

	The Group 2005-06	2004-05 [R1]
Staff costs (including Executive Director)		
Salary, bonuses and other costs	2,290.9	2,282.1
CPF and other defined contributions	142.1	136.0
Share-based compensation expenses	48.1	38.4
	2,481.1	2,456.5

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 $21.2 million for 2005-06 and $10.0 million for 2004-05. As these are not material to the total staff costs of the Group for 2005-06 and 2004-05, additional disclosures of these defined benefit plans are not shown. Disclosures relating to share-based compensation expense are in Note 13.

[R1] *2004-05 figures have been restated for the effects of adopting FRS 102 [see Note 3(d)].*

6 Operating Profit (in $ million)

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

	The Group 2005-06	2004-05
Interest income from short-term investments	(0.7)	(0.7)
Dividend income from short-term investments	(0.8)	(0.7)
Surplus on disposal of short-term investments	(3.7)	(1.2)
Income from lease of aircraft	(31.6)	(49.2)
Impairment of short-term investments	–	0.3
Amortisation of deferred gain on sale and operating leaseback transactions	(103.5)	(120.6)
Professional fees paid to a firm of which a director is a member	*	*
Remuneration for auditors of the Company		
Audit fees	1.5	1.4
Non-audit fees	0.8	0.9
Exchange losses, net	163.2	74.2

* *Amount less than $0.1 million.*

7 Finance Charges (in $ million)

	The Group 2005-06	The Group 2004-05
Interest expenses:		
– notes payable	43.4	40.8
– loans	0.3	8.0
– finance lease commitments	52.0	27.7
	95.7	76.5
Commitment fees	0.6	1.0
	96.3	77.5

8 Interest Income (in $ million)

	The Group 2005-06	The Group 2004-05
Fixed deposits	80.8	44.1
Quoted non-equity investments	15.6	7.4
Unquoted non-equity investments	–	0.2
Associated companies	–	0.3
Others	0.3	0.7
	96.7	52.7

9 Exceptional Items (in $ million)

	The Group 2005-06	The Group 2004-05
Staff compensation and restructuring of operations	–	(37.8)
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
	–	49.5

10 Taxation (in $ million)

	The Group 2005-06	The Group 2004-05
Current taxation		
Provision for the year	193.3	146.6
Under/(over) provision in respect of prior years	78.7	(85.8)
Share of joint venture companies' taxation	(0.8)	0.4
Share of associated companies' taxation	62.3	21.2
Reversal of tax contingency provision no longer required	4.0	–
	337.5	82.4
Deferred taxation		
Movement in temporary differences	122.4	190.9
(Over)/under provision in respect of prior years	(107.3)	83.9
Share of associated companies' taxation	–	30.1
	15.1	304.9
	352.6	387.3

The Group has tax losses of approximately $14.7 million (2005: $17.0 million) that are available for offset against future taxable profits of the companies in which no deferred tax assets are recognised due to uncertainty of its recoverability. The use of the tax losses 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.

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 2005-06	The Group 2004-05 [R1]
Profit before taxation	1,662.1	1,791.0
Taxation at statutory tax rate of 20.0%	332.4	358.2
Adjustments		
Income not subject to tax	(44.4)	(27.8)
Expenses not deductible for tax purposes	69.4	37.5
Higher effective tax rates of other countries	26.3	18.4
(Over)/under provision in respect of prior years, net	(28.6)	2.4
Income under an incentive scheme	(3.7)	(4.8)
Reversal of tax contingency provision no longer required	4.0	–
Others	(2.8)	3.4
Taxation	352.6	387.3

[R1] *2004-05 figures have been restated for the effect of adopting FRS 102 [see Note 3(d)].*

11 Earnings Per Share

	The Group 2005-06	The Group 2004-05 [R1]
Profit attributable to equity holders of the Company (in $ million)	1,240.7	1,352.4
Weighted average number of ordinary shares in issue used for computing basic earnings per share (in million)	1,219.5	1,218.2
Adjustment for share options (in million)	2.1	–
Weighted average number of ordinary shares in issue used for computing diluted earnings per share (in million)	1,221.6	1,218.2
Basic earnings per share (cents)	101.7	111.0
Diluted earnings per share (cents)	101.6	111.0

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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.

47.9 million (2004-05: 87.6 million) of the share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous years presented.

[R1] *2004-05 figures have been restated for the effect of adopting FRS 102 [see Note 3(d)].*

12 Dividends Paid and Proposed (in $ million)

	The Group and the Company 2005-06	The Group and the Company 2004-05
Dividends paid:		
Final dividend of 30.0 cents per share tax exempt (one-tier) in respect of 2004-05 (2004-05: 25.0 cents per share tax exempt [one-tier] in respect of 2003-04)	365.7	304.5
Interim dividend of 10.0 cents per share tax exempt (one-tier) in respect of current financial year (2004-05: 10.0 cents per share tax exempt [one-tier] in respect of 2004-05)	121.9	121.9
	487.6	426.4

The directors propose that a final tax exempt (one-tier) dividend of 35.0 cents per share (2004-05: 30.0 cents per share) amounting to $428.6 million (2004-05: $365.7 million) be paid for the financial year ended 31 March 2006.

13 Share Capital (in $ million)

	The Group and the Company 2006	2005
Issued and fully paid share capital		
Ordinary shares		
Balance at 1 April		
1,218,239,646 shares (2004: 1,218,144,622 shares)	609.1	609.1
Transfer of share premium to share capital	448.2	–
Transfer of capital redemption reserve to share capital	64.4	–
6,465,104 share options exercised during the year (2004-05: 95,024)	80.9	@
Balance at 31 March		
1,224,704,750 shares (2005: 1,218,239,646 shares)	1,202.6	609.1
Special share		
Balance at 1 April		
1 (2004: 1)	#	#
Balance at 31 March		
1 (2005: 1)	#	#
	1,202.6	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.

On 30 January 2006, in accordance with the Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" were abolished and on that date, the shares of the Company ceased to have a par value. In addition, the amounts standing in the share premium and capital redemption reserve had become part of the Company's share capital.

During the financial year, the Company issued 6,465,104 shares (2004-05: 95,024) 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 was issued to the Ministry of Finance. The Special Share enjoys all the rights attached to ordinary shares. In addition, pursuant to Article 3A of the Articles of Association, no resolution may be passed on certain matters without prior written approval of the Special Member.

The Company can also issue non-tradeable redeemable cumulative preference shares, which carry full voting rights ("ASA shares"). When issued, the ASA shares will be paid at $0.01 each and will carry equal voting rights as those of ordinary shares. These shares will be issued only when the directors determine that the Company's operating rights under any of the ASAs are threatened by reason of the nationality of the majority shareholders.

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.

There are no cash settlement alternatives.

13 Share Capital (in $ million) (continued)

Share option plans (continued)
Information with respect to the number of options granted under the respective Employee Share Option Plans is as follows:

SIA ESOP

Date of grant	Number of options to subscribe for unissued ordinary shares: Balance at 1.4.2005/later date of grant	Cancelled	Exercised	Balance at 31.3.2006	Exercise price	Exercisable period
28.3.2000	12,524,010	(672,400)	–	11,851,610	$15.34	28.3.2001 – 27.3.2010
3.7.2000	11,374,220	(359,050)	–	11,015,170	$16.65	3.7.2001 – 2.7.2010
2.7.2001	12,528,300	(193,040)	(2,056,990)	10,278,270	$11.96	2.7.2002 – 1.7.2011
1.7.2002	12,959,332	(203,750)	(914,059)	11,841,523	$12.82	1.7.2003 – 30.6.2012
1.7.2003	12,297,818	(152,446)	(3,069,343)	9,076,029	$10.34	1.7.2004 – 30.6.2013
1.7.2004	12,654,935	(269,925)	(412,172)	11,972,838	$10.70	1.7.2005 – 30.6.2014
1.7.2005	13,293,461	(119,795)	(12,540)	13,161,126	$11.28	1.7.2006 – 30.6.2015
	87,632,076	(1,970,406)	(6,465,104)	79,196,566		

The weighted average fair value of options granted during the year was $2.77 (2004-05: $3.33).
The weighted average share price for options exercised during the year was $12.14 (2004-05: $11.11).

SATS ESOP

Date of grant	Number of options to subscribe for unissued ordinary shares: Balance at 1.4.2005/later date of grant	Cancelled	Exercised	Balance at 31.3.2006	Exercise price	Exercisable period
28.3.2000	17,288,300	(232,800)	(899,100)	16,156,400	$2.20	28.3.2001 – 27.3.2010
3.7.2000	7,696,450	(92,900)	(3,091,200)	4,512,350	$1.80	3.7.2001 – 2.7.2010
2.7.2001	2,361,950	(13,100)	(995,950)	1,352,900	$1.24	2.7.2002 – 1.7.2011
1.7.2002	5,556,050	(22,100)	(2,456,100)	3,077,850	$1.60	1.7.2003 – 30.6.2012
1.7.2003	13,661,800	(26,000)	(10,578,150)	3,057,650	$1.47	1.7.2004 – 30.6.2013
1.7.2004	16,192,300	(164,200)	(33,150)	15,994,950	$2.09	1.7.2005 – 30.6.2014
1.7.2005	15,865,800	(154,600)	–	15,711,200	$2.27	1.7.2006 – 30.6.2015
	78,622,650	(705,700)	(18,053,650)	59,863,300		

The weighted average fair value of options granted during the year was $0.48 (2004-05: $0.49).
The weighted average share price for options exercised during the year was $2.30 (2004-05: $2.08).

13 Share Capital (in $ million) (continued)

Share option plans (continued)

SIAEC ESOP

	Number of options to subscribe for unissued ordinary shares					
Date of grant	Balance at 1.4.2005/later date of grant	Cancelled	Exercised	Balance at 31.3.2006	Exercise price	Exercisable period
28.3.2000	11,585,500	(45,600)	(5,501,500)	6,038,400	$1.85	28.3.2001 – 27.3.2010
3.7.2000	9,417,650	(22,800)	(4,386,700)	5,008,150	$1.75	3.7.2001 – 2.7.2010
2.7.2001	4,791,000	–	(1,621,350)	3,169,650	$1.21	2.7.2002 – 1.7.2011
1.7.2002	15,429,800	(40,900)	(4,338,925)	11,049,975	$2.18	1.7.2003 – 30.6.2012
1.7.2003	7,290,325	(18,250)	(3,460,450)	3,811,625	$1.55	1.7.2004 – 30.6.2013
1.7.2004	15,195,500	(166,500)	(72,125)	14,956,875	$1.89	1.7.2005 – 30.6.2014
1.7.2005	16,313,700	(122,800)	–	16,190,900	$2.45	1.7.2006 – 30.6.2015
	80,023,475	(416,850)	(19,381,050)	60,225,575		

The weighted average fair value of options granted during the year was $0.49 (2004-05: $0.53).
The weighted average share price for options exercised during the year was $2.58 (2004-05: $2.10).

13 Share Capital (in $ million) (continued)

Share option plans (continued)

Fair values of SIA, SATS and SIAEC ESOP

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted each year under the SIA, SATS and SIAEC ESOP. The estimate of the fair value of the services received is measured based on a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the July 2005 and July 2004 grants:

SIA ESOP	July 2005 Grant	July 2004 Grant
Expected dividend yield (%)	Management's forecast in line with dividend policy	
Expected volatility (%)	31.58 – 33.33	34.46 – 35.71
Risk-free interest rate (%)	2.29 – 2.44	2.63 – 3.08
Expected life of options (years)	5.5 – 7.0	5.5 – 7.0
Exercise price ($)	11.28	10.70
Share price at date of grant ($)	11.20	11.20

SATS ESOP	July 2005 Grant	July 2004 Grant
Expected dividend yield (%)	Management's forecast in line with dividend policy	
Expected volatility (%)	26.0	25.6
Risk-free interest rate (%)	2.29 – 2.44	2.63 – 3.08
Expected life of options (years)	5.5 – 7.0	5.5 – 7.0
Exercise price ($)	2.27	2.09*
Share price at date of grant ($)	2.30	2.38

* *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 the 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.*

SIAEC ESOP	July 2005 Grant	July 2004 Grant
Expected dividend yield (%)	Management's forecast in line with dividend policy	
Expected volatility (%)	25.9	27.92
Risk-free interest rate (%)	2.29 – 2.44	2.63 – 3.08
Expected life of options (years)	5.5 – 7.0	5.5 – 7.0
Exercise price ($)	2.45	1.89 #
Share price at date of grant ($)	2.41	1.89

At the extraordinary general meeting of SIAEC held on 26 July 2004, the SIAEC's shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of existing options by the 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 expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value.

13 Share Capital (in $ million) (continued)

Share option plans (continued)
Terms of share options outstanding as at 31 March 2006:

SIA ESOP

Exercisable period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	$15.34	1,152,997	1,152,997
28.3.2002 – 27.3.2010	$15.34	8,450,138	8,450,138
28.3.2003 – 27.3.2010	$15.34	1,125,237	1,125,237
28.3.2004 – 27.3.2010	$15.34	1,123,238	1,123,238
3.7.2001 – 2.7.2010	$16.65	1,359,341	1,359,341
3.7.2002 – 2.7.2010	$16.65	6,987,054	6,987,054
3.7.2003 – 2.7.2010	$16.65	1,334,381	1,334,381
3.7.2004 – 2.7.2010	$16.65	1,334,394	1,334,394
2.7.2002 – 1.7.2011	$11.96	1,371,667	1,371,667
2.7.2003 – 1.7.2011	$11.96	6,067,507	6,067,507
2.7.2004 – 1.7.2011	$11.96	1,408,973	1,408,973
2.7.2005 – 1.7.2011	$11.96	1,430,123	1,430,123
1.7.2003 – 30.6.2012	$12.82	1,587,884	1,587,884
1.7.2004 – 30.6.2012	$12.82	6,989,699	6,989,699
1.7.2005 – 30.6.2012	$12.82	1,584,507	1,584,507
1.7.2006 – 30.6.2012	$12.82	1,679,433	–
1.7.2004 – 30.6.2013	$10.34	1,124,034	1,124,034
1.7.2005 – 30.6.2013	$10.34	4,804,807	4,804,807
1.7.2006 – 30.6.2013	$10.34	1,573,436	–
1.7.2007 – 30.6.2013	$10.34	1,573,752	–
1.7.2005 – 30.6.2014	$10.70	1,214,896	1,214,896
1.7.2006 – 30.6.2014	$10.70	7,737,548	–
1.7.2007 – 30.6.2014	$10.70	1,510,039	–
1.7.2008 – 30.6.2014	$10.70	1,510,355	–
1.7.2006 – 30.6.2015	$11.28	1,723,908	21,280
1.7.2007 – 30.6.2015	$11.28	8,092,606	–
1.7.2008 – 30.6.2015	$11.28	1,672,142	–
1.7.2009 – 30.6.2015	$11.28	1,672,470	–
Total number of options outstanding		79,196,566 @	50,472,157

@ *The total number of options outstanding includes:*

(a) *10,713,029 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 Industrial Relations Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of five years from the date of retirement or cessation of employment, whichever is earlier; and*

(b) *175,265 share options not exercised by employees who have completed their fixed term contracts during the financial year. The said options, if unvested, shall immediately vest and be exercisable from the date of cessation of employment to the date falling one year from the date of cessation of employment.*

13 Share Capital (in $ million) (continued)

Share option plans (continued)

Terms of share options outstanding as at 31 March 2006:

SATS ESOP

Exercisable period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	$2.20	245,550	245,550
28.3.2002 – 27.3.2010	$2.20	15,419,750	15,419,750
28.3.2003 – 27.3.2010	$2.20	245,550	245,550
28.3.2004 – 27.3.2010	$2.20	245,550	245,550
3.7.2001 – 2.7.2010	$1.80	232,475	232,475
3.7.2002 – 2.7.2010	$1.80	3,808,025	3,808,025
3.7.2003 – 2.7.2010	$1.80	235,625	235,625
3.7.2004 – 2.7.2010	$1.80	236,225	236,225
2.7.2002 – 1.7.2011	$1.24	7,500	7,500
2.7.2003 – 1.7.2011	$1.24	1,166,400	1,166,400
2.7.2004 – 1.7.2011	$1.24	8,500	8,500
2.7.2005 – 1.7.2011	$1.24	170,500	170,500
1.7.2003 – 30.6.2012	$1.60	61,450	61,450
1.7.2004 – 30.6.2012	$1.60	2,274,950	2,274,950
1.7.2005 – 30.6.2012	$1.60	267,300	267,300
1.7.2006 – 30.6.2012	$1.60	474,150	–
1.7.2004 – 30.6.2013	$1.47	39,200	39,200
1.7.2005 – 30.6.2013	$1.47	2,353,600	2,353,600
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	328,475	328,475
1.7.2006 – 30.6.2014	$2.09	14,952,825	–
1.7.2007 – 30.6.2014	$2.09	356,825	–
1.7.2008 – 30.6.2014	$2.09	356,825	–
1.7.2006 – 30.6.2015	$2.27	392,550	–
1.7.2007 – 30.6.2015	$2.27	14,533,550	–
1.7.2008 – 30.6.2015	$2.27	392,550	–
1.7.2009 – 30.6.2015	$2.27	392,550	–
Total number of options outstanding		59,863,300 @	27,346,625

@ *The total number of options outstanding includes 7,585,700 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 five 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	199,425	199,425
28.3.2002 – 27.3.2010	$1.85	5,400,125	5,400,125
28.3.2003 – 27.3.2010	$1.85	219,175	219,175
28.3.2004 – 27.3.2010	$1.85	219,675	219,675
3.7.2001 – 2.7.2010	$1.75	323,111	323,111
3.7.2002 – 2.7.2010	$1.75	4,038,813	4,038,813
3.7.2003 – 2.7.2010	$1.75	323,111	323,111
3.7.2004 – 2.7.2010	$1.75	323,115	323,115
2.7.2002 – 1.7.2011	$1.21	378,300	378,300
2.7.2003 – 1.7.2011	$1.21	1,798,150	1,798,150
2.7.2004 – 1.7.2011	$1.21	445,400	445,400
2.7.2005 – 1.7.2011	$1.21	547,800	547,800
1.7.2003 – 30.6.2012	$2.18	780,550	780,550
1.7.2004 – 30.6.2012	$2.18	8,622,550	8,622,550
1.7.2005 – 30.6.2012	$2.18	810,675	810,675
1.7.2006 – 30.6.2012	$2.18	836,200	–
1.7.2004 – 30.6.2013	$1.55	268,200	268,200
1.7.2005 – 30.6.2013	$1.55	2,898,175	2,898,175
1.7.2006 – 30.6.2013	$1.55	322,625	–
1.7.2007 – 30.6.2013	$1.55	322,625	–
1.7.2005 – 30.6.2014	$1.89	548,000	548,000
1.7.2006 – 30.6.2014	$1.89	13,175,625	–
1.7.2007 – 30.6.2014	$1.89	616,625	–
1.7.2008 – 30.6.2014	$1.89	616,625	–
1.7.2006 – 30.6.2015	$2.45	677,125	–
1.7.2007 – 30.6.2015	$2.45	14,159,525	–
1.7.2008 – 30.6.2015	$2.45	677,125	–
1.7.2009 – 30.6.2015	$2.45	677,125	–
Total number of options outstanding		60,225,575 @	28,144,350

@ *The total number of options outstanding includes 4,018,475 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 five years from the date of retirement or cessation of employment, whichever is earlier.*

14 Other Reserves (in $ million)

(a) Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Balance at 1 April as previously reported	–	–	–	–
Effect of adopting FRS 102	48.4	11.5	37.1	9.4
Opening balance at 1 April as restated	48.4	11.5	37.1	9.4
Grant of equity-settled share options	45.9	36.9	34.1	27.7
Exercise of share options	(12.5)	–	(8.1)	–
Balance at 31 March	81.8	48.4	63.1	37.1

(b) Fair value reserve

Fair value reserve records the cumulative fair value changes of available-for-sale financial assets and the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

Fair value changes of available-for-sale financial assets:

	The Group 31 March 2006	The Company 31 March 2006
Balance at 1 April as previously reported	–	–
Effect of adopting FRS 39	3.2	0.5
Opening balance at 1 April as restated	3.2	0.5
Net gain on fair value changes	5.9	4.5
Balance at 31 March	9.1	5.0
Net gain on fair value changes	5.9	4.5

Fair value changes of derivative financial instruments designated as hedging instruments in cash flow hedges:

	The Group 31 March 2006	The Company 31 March 2006
Balance at 1 April as previously reported	–	–
Effect of adopting FRS 39	173.2	151.2
Effect of adopting FRS 28	(44.6)	–
Opening balance at 1 April as restated	128.6	151.2
Net gain/(loss) on fair value changes	25.9	(120.6)
Balance at 31 March	154.5	30.6
Net gain on fair value changes	85.2	60.7
Share of joint venture and associated companies' net gain on fair value reserve	163.0	–
Recognised in the profit and loss account on occurrence of:		
Fuel hedging contracts	(211.7)	(166.5)
Foreign currency contracts	(6.3)	(2.8)
Interest rate swap contracts	(1.5)	(12.0)
Cross currency swap contracts	(2.8)	–
	25.9	(120.6)

15 Deferred Account (in $ million)

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Deferred gain on sale and leaseback transactions				
– operating leases	301.7	362.9	254.9	356.8
– finance leases	47.9	51.7	–	–
	349.6	414.6	254.9	356.8

16 Deferred Taxation (in $ million)

	The Group				The Company	
	Consolidated balance sheet 31 March		Consolidated profit and loss		Balance sheet 31 March	
	2006	2005	2005-06	2004-05	2006	2005
The deferred taxation arises as a result of:						
Deferred tax liabilities						
Differences in depreciation	2,436.1	2,431.4	4.6	199.6	1,860.6	1,875.0
Revaluation of jet fuel swap/option contracts to fair value	2.3	–	–	–	1.8	–
Revaluation of forward currency contracts to fair value	4.4	–	–	–	3.5	–
Revaluation of interest rate swap contracts to fair value	2.3	–	–	–	2.3	–
Revaluation of available-for-sale financial assets to fair value	2.3	–	–	–	1.3	–
Other temporary differences	108.3	116.1	(10.5)	7.0	99.3	109.0
Gross deferred tax liabilities	2,555.7	2,547.5	(5.9)	206.6	1,968.8	1,984.0
Deferred tax assets						
Unabsorbed capital allowances and tax losses	(24.7)	(45.1)	19.7	44.1	–	–
Other deferred tax assets	(44.9)	(52.3)	1.3	24.1	(18.3)	(31.8)
Gross deferred tax assets	(69.6)	(97.4)	21.0	68.2	(18.3)	(31.8)
Net deferred tax liabilities	2,486.1	2,450.1			1,950.5	1,952.2
Deferred tax charged to profit and loss			15.1	274.8		
Deferred tax charged to equity	20.9	–			8.9	–

17 Long-Term Liabilities (in $ million)

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Notes payable	1,100.0	1,100.0	900.0	900.0
Repayable within one year	–	–	–	–
Repayable after one year	1,100.0	1,100.0	900.0	900.0
Loans	140.7	167.8	–	–
Repayable within one year	(16.6)	(25.6)	–	–
Repayable after one year	124.1	142.2	–	–
Finance lease commitments	1,064.9	1,135.2	541.8	549.5
Repayable within one year	(464.6)	(44.1)	(419.5)	–
Repayable after one year	600.3	1,091.1	122.3	549.5
Total repayable after one year	1,824.4	2,333.3	1,022.3	1,449.5

Notes payable

Notes payable at 31 March 2006 comprise unsecured long-term notes issued by the Company, which bear fixed interest at 4.15% (2004-05: 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. The fair value of notes payable amounted to $1,112.1 million (2004-05: $1,139.5 million) for the Group, and $909.9 million (2004-05: $935.7 million) for the Company.

Loans

Of the Group's $140.7 million (2005: $167.8 million) loans, $135.3 million (2005: $161.8 million) are secured by a first priority mortgage over one B747-400 freighter and $3.1 million (2005: $2.9 million) are secured by a first legal mortgage on a building at 22 Senoko Way, Singapore 758044. Interest on the loan for the B747-400 freighter is charged at a margin above the London Interbank Offer Rate ("LIBOR") ranging from 3.54% to 5.05% (2004-05: 1.77% to 3.03%) per annum. Interest on the loan for the building ranged from 4.00% to 5.00% (2004-05: 3.75% to 5.00%) per annum in the current year and is repayable over 20 years commencing 10 April 2003. The remaining loan of $2.3 million (2005: $3.1 million) is unsecured with interest rates ranging from 2.30% to 4.42% (2004-05: 1.37% to 2.57%) per annum.

	The Group 31 March 2006	The Group 31 March 2005
Not later than one year	16.6	25.6
Later than one year but not later than five years	56.0	57.9
Later than five years	68.1	84.3
	140.7	167.8

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

Finance leases

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

The SIAEC Group has a lease agreement for a building for a lease term of 30 years from August 2005. The initial down payment of 20% for the building of $2.4 million is payable by instalment over a period of 24 months, at an interest rate of 2% per annum.

Interest rates on the Company's finance lease commitments are charged at a margin above the LIBOR. These ranged from 3.19% to 5.18% (2004-05: 1.56% to 2.31%) per annum.

Interest rates on SIA Cargo's finance lease commitments are charged at a margin above the LIBOR. These ranged from 2.88% to 4.74% (2004-05: 1.15% to 2.65%) per annum.

Future lease payments under these finance leases are as follows:

	The Group 31 March				The Company 31 March			
	2006		2005		2006		2005	
	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal
Within one year	512.4	464.6	80.8	44.1	441.7	419.5	13.1	(2.8)
After one year but not more than five years	417.0	331.3	864.3	752.8	122.3	122.3	570.5	552.3
More than five years	304.5	269.0	387.6	338.3	–	–	–	–
Total future lease payments	1,233.9	1,064.9	1,332.7	1,135.2	564.0	541.8	583.6	549.5
Amounts representing interest	(169.0)	–	(197.5)	–	(22.2)	–	(34.1)	–
Principal value of long-term commitments under finance leases	1,064.9	1,064.9	1,135.2	1,135.2	541.8	541.8	549.5	549.5

18 Fixed Assets (in $ million)

The Group

	1 April 05	Additions	Disposals/ Transfers	Impairment	31 March 06
Cost					
Aircraft	17,060.5	1,378.8	(1,307.2)	–	17,132.1
Aircraft spares	792.0	55.9	(46.9)	–	801.0
Aircraft spare engines	499.9	12.7	(63.3)	–	449.3
Freehold land and buildings	228.7	–	(6.8)	–	221.9
Leasehold land and buildings	1,505.7	39.3	(5.8)	–	1,539.2
Plant and equipment	1,151.2	51.2	(31.8)	–	1,170.6
Office and computer equipment	390.5	20.4	(20.3)	–	390.6
	21,628.5	1,558.3	(1,482.1)	–	21,704.7
Advance and progress payments	1,516.3	1,534.8	(1,034.3)	–	2,016.8
	23,144.8	3,093.1	(2,516.4)	–	23,721.5
Accumulated depreciation and impairment					
Aircraft	5,316.1	1,016.3	(895.8)	9.9	5,446.5
Aircraft spares	529.6	21.3	(34.3)	2.2	518.8
Aircraft spare engines	214.7	29.2	(35.2)	–	208.7
Freehold land and buildings	130.4	6.2	(4.9)	–	131.7
Leasehold land and buildings	610.9	51.3	(4.9)	–	657.3
Plant and equipment	837.3	79.1	(30.8)	–	885.6
Office and computer equipment	344.1	24.3	(20.2)	–	348.2
	7,983.1	1,227.7	(1,026.1)	12.1	8,196.8
Net book value	15,161.7				15,524.7

	1 April 04	Additions	Disposals/ Transfers	31 March 05
Cost				
Aircraft	17,256.5	1,834.5	(2,030.5)	17,060.5
Aircraft spares	857.1	63.5	(128.6)	792.0
Aircraft spare engines	461.6	36.5	1.8	499.9
Freehold land and buildings	232.6	–	(3.9)	228.7
Leasehold land and buildings	1,474.6	35.7	(4.6)	1,505.7
Plant and equipment	1,138.2	37.9	(24.9)	1,151.2
Office and computer equipment	350.8	101.0	(61.3)	390.5
	21,771.4	2,109.1	(2,252.0)	21,628.5
Advance and progress payments	1,557.3	1,962.2	(2,003.2)	1,516.3
	23,328.7	4,071.3	(4,255.2)	23,144.8
Accumulated depreciation and impairment				
Aircraft	5,672.2	923.1	(1,279.2)	5,316.1
Aircraft spares	603.8	45.2	(119.4)	529.6
Aircraft spare engines	176.6	24.9	13.2	214.7
Freehold land and buildings	127.8	6.2	(3.6)	130.4
Leasehold land and buildings	561.5	50.0	(0.6)	610.9
Plant and equipment	774.9	86.0	(23.6)	837.3
Office and computer equipment	374.6	30.4	(60.9)	344.1
	8,291.4	1,165.8	(1,474.1)	7,983.1
Net book value	15,037.3			15,161.7

18 Fixed Assets (in $ million) (continued)

The Group (continued)

	Net Book Value 31 March 06	Net Book Value 31 March 05
Aircraft	11,685.6	11,744.4
Aircraft spares	282.2	262.4
Aircraft spare engines	240.6	285.2
Freehold land and buildings	90.2	98.3
Leasehold land and buildings	881.9	894.8
Plant and equipment	285.0	313.9
Office and computer equipment	42.4	46.4
	13,507.9	13,645.4
Advance and progress payments	2,016.8	1,516.3
	15,524.7	15,161.7

The Company

	1 April 05	Additions	Disposals/ Transfers	Impairment	31 March 06
Cost					
Aircraft	13,321.0	600.6	(789.1)	–	13,132.5
Aircraft spares	738.8	39.5	(39.5)	–	738.8
Aircraft spare engines	420.5	5.8	(40.1)	–	386.2
Freehold land and buildings	232.5	–	(6.8)	–	225.7
Leasehold land and buildings	536.7	5.5	(5.4)	–	536.8
Plant and equipment	402.4	7.0	(9.3)	–	400.1
Office and computer equipment	322.4	5.2	(15.4)	–	312.2
	15,974.3	663.6	(905.6)	–	15,732.3
Advance and progress payments	1,187.0	1,037.7	(269.3)	–	1,955.4
	17,161.3	1,701.3	(1,174.9)	–	17,687.7
Accumulated depreciation and impairment					
Aircraft	4,320.8	796.8	(689.6)	9.9	4,437.9
Aircraft spares	507.9	15.0	(32.1)	–	490.8
Aircraft spare engines	166.8	26.8	(15.7)	–	177.9
Freehold land and buildings	129.8	6.2	(4.9)	–	131.1
Leasehold land and buildings	323.3	15.7	(4.6)	–	334.4
Plant and equipment	307.6	33.5	(9.2)	–	331.9
Office and computer equipment	285.3	19.4	(15.4)	–	289.3
	6,041.5	913.4	(771.5)	9.9	6,193.3
Net book value	11,119.8				11,494.4

18 Fixed Assets (in $ million) (continued)

The Company (continued)

	1 April 04	Additions	Disposals/ Transfers	31 March 05
Cost				
Aircraft	13,592.8	1,471.7	(1,743.5)	13,321.0
Aircraft spares	803.2	42.2	(106.6)	738.8
Aircraft spare engines	392.1	32.8	(4.4)	420.5
Freehold land and buildings	236.5	–	(4.0)	232.5
Leasehold land and buildings	537.7	–	(1.0)	536.7
Plant and equipment	400.3	5.4	(3.3)	402.4
Office and computer equipment	316.2	55.8	(49.6)	322.4
	16,278.8	1,607.9	(1,912.4)	15,974.3
Advance and progress payments	1,224.8	1,518.2	(1,556.0)	1,187.0
	17,503.6	3,126.1	(3,468.4)	17,161.3
Accumulated depreciation and impairment				
Aircraft	4,752.7	723.4	(1,155.3)	4,320.8
Aircraft spares	577.5	40.7	(110.3)	507.9
Aircraft spare engines	141.0	21.0	4.8	166.8
Freehold land and buildings	127.2	6.2	(3.6)	129.8
Leasehold land and buildings	308.1	15.8	(0.6)	323.3
Plant and equipment	268.6	41.2	(2.2)	307.6
Office and computer equipment	310.2	26.1	(51.0)	285.3
	6,485.3	874.4	(1,318.2)	6,041.5
Net book value	11,018.3			11,119.8

	Net Book Value 31 March 06	31 March 05
Aircraft	8,694.6	9,000.2
Aircraft spares	248.0	230.9
Aircraft spare engines	208.3	253.7
Freehold land and buildings	94.6	102.7
Leasehold land and buildings	202.4	213.4
Plant and equipment	68.2	94.8
Office and computer equipment	22.9	37.1
	9,539.0	9,932.8
Advance and progress payments	1,955.4	1,187.0
	11,494.4	11,119.8

18 Fixed Assets (in $ million) (continued)

In accordance with the revised FRS 38: Intangible assets, the Group and the Company has reclassified cost and accumulated depreciation of computer software from fixed assets to intangible assets (Note 19) as summarised below:

	The Group	The Company
Cost as at 31 March 2005	301.7	208.9
Accumulated depreciation as at 31 March 2005	(158.9)	(120.6)
Depreciation for 2004-05	42.8	29.1

	The Group 31 March 2006	2005
Net book value of fixed assets acquired under finance leases:		
– aircraft	838.1	903.5
– plant and equipment	93.4	114.5
– factory building	2.4	–
	933.9	1,018.0

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

<u>Assets pledged as security</u>

In addition to assets held under finance leases, the following assets are mortgaged under bank loans:

	The Group 31 March 2006	2005
Net book value of:		
– aircraft	213.7	227.3
– building	5.4	5.5

19 Intangible Assets (in $ million)

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Goodwill arising on consolidation	1.3	1.3	–	–
Computer software	120.4	142.8	77.2	88.3
	121.7	144.1	77.2	88.3

Goodwill arising on consolidation

	The Group 31 March 2006	The Group 31 March 2005
Balance at 1 April	1.3	1.4
Amortisation	–	(0.1)
Balance at 31 March	1.3	1.3
Cost	1.3	1.5
Accumulated amortisation	–	(0.2)
	1.3	1.3

In 2002-03, SATS acquired 66.7% equity interest in Country Foods Pte Ltd at a cost of $6.0 million. Goodwill on acquisition of $1.5 million was capitalised and amortised in financial years 2003-04 ($0.1 million) and 2004-05 ($0.1 million).

Computer software

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Balance at 1 April	142.8	185.6	88.3	117.4
Additions	32.4	–	25.1	–
Disposals	(0.1)	–	(0.1)	–
Amortisation	(54.7)	(42.8)	(36.1)	(29.1)
Balance at 31 March	120.4	142.8	77.2	88.3
Cost	328.7	301.7	230.7	208.9
Accumulated amortisation	(208.3)	(158.9)	(153.5)	(120.6)
Net book value	120.4	142.8	77.2	88.3

20 Subsidiary Companies (in $ million)

	The Company 31 March 2006	2005
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	182.6	180.0
	1,938.4	1,935.8
Funds from subsidiary companies	(1,220.9)	(758.8)
Amounts owing to subsidiary companies	(221.1)	(207.8)
	(1,442.0)	(966.6)
Amounts owing by subsidiary companies	230.9	247.2
Market value of quoted equity investments	4,750.2	3,854.1

The value is $2.

During the financial year:

1. SIAEC and Parker Hannifin Corporation's Parker Aerospace Group incorporated a company, Aerospace Component Engineering Services ("ACES"). SIAEC injected $7.2 million for its 51% equity interest in ACES.

2. SIAEC and Cebu Pacific Air incorporated Aviation Partnership (Philippines) Corporation ("APPC"). SIAEC injected $2.7 million for its 51% equity interest in APPC.

3. Cargo Community Network ("CCN") incorporated Cargo Community (Shanghai) Co Ltd ("CCS"). CCN injected $0.03 million as part of its initial capital injection.

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 4.84% (2004-05: 0.81% to 3.37%) per annum for SGD loans, and 1.56% to 5.05% (2004-05: 1.56% to 3.19%) 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 1.06% to 3.31% (2004-05: 0.38% to 2.01%) per annum for Singapore Dollar funds, from 2.63% to 4.72% (2004-05: 0.97% to 2.89%) per annum for US Dollar funds, from 5.41% to 5.51% (2004-05: nil) per annum for Australian Dollar funds, 1.98% per annum for Euro funds (2004-05: 2.10% to 2.11%) and 4.61% per annum for UK Sterling Pound funds (2004-05: 4.70% to 4.90%).

Amounts owing to/by subsidiary companies are unsecured, trade-related, interest-free and are repayable on demand.

20 Subsidiary Companies (in $ million) (continued)

The subsidiary companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2006	Cost (in $ million) 2005	Percentage of equity held by the Group 2006	Percentage of equity held by the Group 2005
Singapore Airport Terminal Services Limited	Investment holding	Singapore	#	#	83.2	84.6
SATS Catering Pte Ltd	Inflight catering services	- do -	14.00	14.00	83.2	84.6
SATS Airport Services Pte Ltd	Airport ground handling services	- do -	16.50	16.50	83.2	84.6
SATS Security Services Pte Ltd	Aviation security services	- do -	3.00	3.00	83.2	84.6
Aero Laundry & Linen Services Pte Ltd	Providing and selling laundry and linen services	- do -	2.52	2.52	83.2	84.6
Asia-Pacific Star Pte Ltd	Dormant	- do -	##	##	83.2	84.6
Aerolog Express Pte Ltd	Air cargo delivery services	- do -	1.26	1.26	58.2	59.3
Country Foods Pte Ltd	Manufacturing of chilled, frozen and processed foods	- do -	6.00	6.00	55.5	56.4
SIA Engineering Company Limited	Engineering services	- do -	#	#	83.9	85.5
SIAEC Global Pte Ltd	Investment holding	- do -	##	##	83.9	85.5
Singapore Jamco Pte Ltd	Manufacturing aircraft cabin equipment and refurbishment of aircraft galley	- do -	3.82	3.82	54.5	55.6
Aviation Partnership (Philippines) Corporation*	Providing aircraft maintenance services, including technical and non-technical handling at the airport	Philippines	2.76	–	42.8	–
Aerospace Component Engineering Services	Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft	Singapore	9.74	–	42.8	–
Ready Fresh Pte Ltd**	Dormant	- do -	–	@	–	28.8
Singapore Airlines Cargo Pte Ltd	Air cargo transportation	- do -	1,405.00	1,405.00	100.0	100.0
Cargo Community Network Pte Ltd	Provision and marketing of Cargo Community Systems	- do -	3.77	3.77	51.0	51.0
Cargo Community (Shanghai) Co Ltd	Marketing and support of portal services for the air cargo industry	People's Republic of China	0.03	–	51.0	–
SilkAir (Singapore) Private Limited	Air transportation	Singapore	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	96.0	96.3
Abacus Travel Systems Pte Ltd	Marketing of Abacus reservations systems	- do -	2.44	2.44	61.0	61.0
Singapore Airlines (Mauritius) Ltd^	Aircraft leasing	Mauritius	–	###	–	100.0
SIA (Mauritius) Ltd***	Pilot recruitment	- do -	#	#	100.0	100.0

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

* *Audited by SGV & Co., formerly known as Ernst & Young, Philippines.*
** *Ready Fresh Pte Ltd was liquidated on 8 March 2006.*
*** *Not required to be audited in country of incorporation.*
\# *The value is $1.*
\## *The value is $2.*
\### *The value is $3.*
@ *The value is $51.*
^ *Liquidated during the year.*

21 Associated Companies (in $ million)

	The Group 31 March 2006	The Group 31 March 2005 [R1]	The Company 31 March 2006	The Company 31 March 2005
Share of net assets of associated companies at acquisition date	431.0	409.7	–	–
Goodwill on acquisition of associated companies	1,759.6	1,753.5	–	–
Unquoted investments at cost	2,190.6	2,163.2	1,736.0	1,729.9
Impairment loss	(18.5)	(18.5)	(20.3)	(20.3)
	2,172.1	2,144.7	1,715.7	1,709.6
Goodwill written-off to reserves	(1,613.0)	(1,613.0)	–	–
Accumulated amortisation of intangible assets	(14.8)	(7.1)	–	–
Currency realignment	(29.0)	(6.3)	–	–
Share of post-acquisition reserves				
– general reserve	325.1	138.2	–	–
– fair value reserve	115.6	–	–	–
– capital reserve	30.5	32.1	–	–
	986.5	688.6	1,715.7	1,709.6
Loans to associated companies	15.1	12.0	6.5	6.5
Write-down of loans	(5.3)	(5.5)	–	–
	9.8	6.5	6.5	6.5
	996.3	695.1	1,722.2	1,716.1
Amounts owing by associated companies	3.7	15.8	–	12.5

Intangible assets
The intangible assets arose from the acquisition of associated companies and the Group has engaged an independent third party to perform a fair valuation of these separately identified intangible assets. The useful life of these intangible assets was determined to be five years and the assets will be amortised on a straight-line basis over the useful life. The amortisation is included in the line of "share of profits of associated companies" in the consolidated profit and loss account.

[R1] *2005 figures have been restated for the effect of changes in accounting policies (see Note 3).*

21 Associated Companies (in $ million) (continued)

During the financial year:

1. The Company's associated company, RCMS Properties Private Limited, recorded a revaluation loss of $8.5 million from its annual revaluation exercise of its land and building. The Company's share of the revaluation loss of $1.6 million at 31 March 2006 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 2006).

2. The Company injected an additional $6.1 million in Tiger Airways Pte Ltd ("Tiger Airways"). There was no change in the Company's 49.0% equity stake in Tiger Airways.

3. TAJ SATS Air Catering refunded $3.3 million as return of shareholders' funds to SATS on 21 July 2005.

4. SIA Cargo, China Great Wall Industry Corporation and Dahlia Investments incorporated a company, Great Wall Airlines Company Limited ("GWAC"). SIA Cargo injected $19.3 million for its 25% equity interest in GWAC.

5. SATS injected an additional $1.5 million to PT Jasa Angkasa Semesta TBK as part of the clause under the sales and purchase agreement which require SATS to pay an additional amount should the net debt of PT Jasa Angkasa Semesta TBK falls below US$6.5 million.

6. Mid-East Airport Services Pte Ltd has been placed under members' voluntary liquidation since 2 February 2006, and is currently undergoing liquidation.

Loans to associated companies are unsecured and have no foreseeable terms of repayments. Accordingly, the fair value of the loan is not determinable as the timing of future cash flows arising from the loans cannot be estimated reliably. The loans are interest-free, except for $3.2 million at 31 March 2006 (2005: $0.3 million), which bear interest at 3.0% per annum (2004-05: 9.5% to 11.46%).

Amounts owing by associated companies are unsecured, trade-related, interest-free and are repayable on demand.

The associated companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2006	2005	Percentage of equity held by the Group 2006	2005
Service Quality (SQ) Centre Pte Ltd @	Quality service training	Singapore	#	#	50.0	50.0
Virgin Atlantic Limited* ++	Air transportation	United Kingdom	1,682.06	1,682.06	49.0	49.0
Tiger Airways Pte Ltd @	Air transportation	Singapore	11.93	5.80	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	40.8	41.5
TAJ SATS Air Catering Limited **	Catering services	India	24.65	27.97	40.8	41.5
SERVAIR-SATS Holding Company Pte Ltd +	Investment holding company	Singapore	0.51	0.51	40.8	41.5
PT Jasa Angkasa Semesta TBK+	Ground and cargo handling services	Indonesia	105.53	103.98	41.4	42.1
Beijing Airport Inflight Kitchen Ltd +	Inflight catering services	People's Republic of China	13.88	13.88	33.3	33.9
Beijing Aviation Ground Services Co Ltd+	Airport ground handling services	- do -	5.71	5.71	33.3	33.9
Maldives Inflight Catering Private Limited	Inflight catering services	Maldives	0.29	0.29	29.1	29.6
Taj Madras Flight Kitchen Limited	Inflight catering services	India	1.90	1.90	25.0	25.4

21 Associated Companies (in $ million) (continued)

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2006	Cost (in $ million) 2005	Percentage of equity held by the Group 2006	Percentage of equity held by the Group 2005
Tan Son Nhat Cargo Services Ltd @@ +	Airport ground handling services	Vietnam	1.96	1.96	25.0	25.4
Asia Airfreight Terminal Co Ltd ^	Air cargo handling services	Hong Kong	92.66	92.66	40.8	41.5
Evergreen Air Cargo Services Corporation +	Air cargo handling services	Taiwan	15.92	15.92	20.8	21.2
Evergreen Airline Services Corporation +	Airport handling	- do -	5.23	5.23	16.6	16.9
MacroAsia-Eurest Catering Services Inc. +	Inflight catering services	Philippines	2.03	2.03	16.6	16.9
Mid-East Airport Services	Dormant	Singapore	#	#	41.6	50.0
Combustor Airmotive Services Pte Ltd +	Servicing of aircraft engines and sale of aircraft engines and parts	- do -	3.01	3.01	41.1	41.9
Eagle Services Asia Private Limited ^^ +	Repair and overhaul of aircraft engines	- do -	71.59	71.59	41.1	41.9
PWA International Limited +	Re-manufacture of aircraft turbine engine cases, component thereof and related parts	Ireland	6.22	6.22	41.1	41.9
Fuel Accessory Service Technologies Pte Ltd +	Repair and overhaul of engine fuel components and accessories	Singapore	5.07	5.07	41.1	41.9
Jamco Aero Design & Engineering Private Limited	Provide turnkey solutions for aircraft interior modifications	- do -	0.77	0.77	37.8	38.5
Pan Asia Pacific Aviation Services Ltd	Operation of aircraft maintenance facilities	Hong Kong	5.37	5.37	39.5	40.2
Messier Services Asia Private Limited +	Repair and overhaul of Boeing and Airbus series landing gears	Singapore	13.97	13.97	33.6	34.2
Goodwich Aerostructures Service Centre – Asia Pte Ltd (previously known as Rohr Aero Services-Asia Pte Ltd) @ +	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	- do -	37.23	37.23	33.6	34.2
Asian Surface Technologies Pte Ltd +	Repair of aircraft fan blades and supply of wear-resistance coating	- do -	6.38	6.38	24.3	24.8
Asian Compressor Technology Services Co Ltd +	Research and development, manufacture and repair of aircraft engines and compressors	Taiwan	4.10	4.10	20.6	20.9
Turbine Coating Services Private Ltd	Repair of PW4000 turbine airfoils	Singapore	5.67	5.67	20.6	20.9
International Aerospace Tubes Asia Pte Ltd +	Repair of tubes, ducts and manifolds for aircraft engines and airframe application	- do -	5.29	3.58	27.9	28.5
PT JAS Aero-Engineering Services +	Operation of aircraft maintenance facilities	Indonesia	3.67	3.67	41.1	41.9
PT Purosani Sri Persada	Hotel ownership and management	- do -	5.80	5.80	20.0	20.0
Great Wall Airlines Company Limited +	Air cargo transportation	People's Republic of China	19.30	–	25.0	–

@ 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.
+ Financial year end 31 December.
++ Financial year end 28 February.

21 Associated Companies (in $ million) (continued)

The summarised financial information of the associates are as follows:

	The Group 31 March 2006	2005
Assets and liabilities		
Current assets	2,727.2	2,699.6
Non-current assets	3,195.1	1,667.4
	5,922.3	4,367.0
Current liabilities	(2,266.7)	(748.2)
Non-current liabilities	(1,968.6)	(939.3)
	(4,235.3)	(1,687.5)
	2005-06	**2004-05**
Results		
Revenue	7,578.1	6,666.1
Profit for the period	482.4	379.9

22 Joint Venture Companies (in $ million)

	The Group 31 March		The Company 31 March	
	2006	2005	2006	2005
Investment in joint venture companies (unquoted, at cost)	215.8	207.6	159.1	151.0
Share of post-acquisition reserves				
– general reserve	136.1	102.4	–	–
– foreign currency translation reserve	(2.4)	3.8	–	–
– fair value reserve	2.8	–	–	–
– capital reserve	10.3	9.8	–	–
	362.6	323.6	159.1	151.0

22 Joint Venture Companies (in $ million) (continued)

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

	The Group 31 March 2006	The Group 31 March 2005
Assets and liabilities		
Current assets	204.2	180.5
Non-current assets	1,771.9	1,475.0
	1,976.1	1,655.5
Current liabilities	(225.1)	(189.9)
Non-current liabilities	(1,388.4)	(1,142.0)
	(1,613.5)	(1,331.9)

	2005-06	2004-05
Results		
Revenue	299.9	208.1
Expenses	(259.3)	(195.6)
	40.6	12.5

The joint venture companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2006	Cost (in $ million) 2005	Percentage of equity held by the Group 2006	Percentage of equity held by the Group 2005
Singapore Aircraft Leasing Enterprise Pte Ltd*	Aircraft leasing	Singapore	159.14	150.98	35.5	35.5
International Engine Component Overhaul Pte Ltd*	Repair of aircraft components	- do -	10.07	10.07	42.0	42.8
Singapore Aero Engine Services Private Limited*	Repair and maintain Trent aero engines	- do -	46.53	46.53	42.0	42.8

* *Audited by Ernst & Young, Singapore.*

During the financial year, the Company contributed an additional capital of $8.2 million in Singapore Aircraft Leasing Enterprise Pte Ltd in accordance with the joint venture agreement.

23 Long-Term Investments (in $ million)

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Quoted investments				
Equity investments	14.6	–	–	–
Unquoted investments				
Equity investments	37.8	71.6	28.0	47.2
Non-equity investments	382.4	389.8	382.4	389.8
	420.2	461.4	410.4	437.0
Impairment loss	(8.9)	(27.8)	(8.9)	(27.8)
	411.3	433.6	401.5	409.2
Long-term loans	–	42.7	–	–
	425.9	476.3	401.5	409.2
Analysis of impairment loss for quoted and unquoted investments				
Balance at 1 April	27.8	27.7	27.8	408.3
Charged during the year	1.0	0.1	1.0	0.1
Written-off during the year	(19.9)	–	(19.9)	(380.6)
Balance at 31 March	8.9	27.8	8.9	27.8

Non-equity investments of $382.4 million (2005: $389.8 million) for the Group and the Company relate to interest-bearing investments with an effective annual interest rate of 3.97% (2004-05: 1.71%).

During the financial year, the Group and the Company recorded an impairment loss in the profit and loss account of $1.0 million (2004-05: $0.1 million) pertaining to unquoted equity investments.

In the previous financial year, the Group's long-term loans comprise a loan to August Skyfreighter 1994 Trust of $42.7 million. The loan is repayable on 28 March 2007, and has been reclassified as loan receivable within one year. As at 31 March 2006, the Group's loan receivable within one year of $42.0 million is unsecured and bears interest between 3.19% to 5.05% (2004-05: 1.56% to 3.19%) per annum.

24 Stocks (in $ million)

	The Group 31 March 2006	2005	The Company 31 March 2006	2005
Technical stocks and stores	472.8	375.0	441.5	350.4
Catering and general stocks	26.1	26.9	17.0	18.4
Work-in-progress	18.6	40.6	–	–
Total inventories at lower of cost and net realisable value	517.5	442.5	458.5	368.8

During the financial year, the Group wrote down $1.1 million (2004-05: $13.2 million) of stocks which are recognised as expense in the profit and loss account.

25 Trade Debtors (in $ million)

Trade debtors are stated after impairment losses. An analysis of the impairment losses is as follows:

	The Group 31 March 2006	2005	The Company 31 March 2006	2005
Balance at 1 April	64.2	62.0	42.4	37.9
Effect of adopting FRS 39	(47.7)	–	(39.1)	–
Balance at 1 April, as restated	16.5	62.0	3.3	37.9
Charged during the year	5.0	2.8	2.9	4.5
Written-off during the year	(0.6)	(0.6)	–	–
Balance at 31 March	20.9	64.2	6.2	42.4
Bad debts written-off directly to profit and loss account, net of debts recovered	1.8	2.1	1.5	2.3

As at 31 March 2006, the composition of trade debtors held in foreign currencies by the Group is as follows: USD – 22.2% (2005: 24.3%), EUR – 6.2% (2005: 7.5%) and JPY – 5.8% (2005: 6.1%).

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 (2005: $0.1 million).

26 Investments (in $ million)

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Available-for-sale investments				
Quoted investments				
Government securities	13.1	6.8	–	–
Equity investments	28.2	21.3	–	–
Non-equity investments	356.3	13.5	346.1	–
	397.6	41.6	346.1	–
Unquoted investments				
Non-equity investments	48.9	37.7	–	–
	48.9	37.7	–	–
	446.5	79.3	346.1	–

Available-for-sale investments are stated at their fair values with effect from 1 April 2005, in accordance with FRS 39. Prior to 1 April 2005, these investments were stated at cost.

27 Cash and Bank Balances (in $ million)

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Fixed deposits	2,451.9	2,231.9	2,256.0	2,049.1
Cash and bank	699.7	608.3	509.1	460.0
	3,151.6	2,840.2	2,765.1	2,509.1

As at 31 March 2006, the composition of cash and bank balances held in foreign currencies by the Group is as follows: USD – 21.8% (2005: 21.7%), EUR – 13.6% (2005: 21.1%) and JPY – 13.2% (2005: 13.3%).

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 1.38% to 4.71% (2004-05: 0.28% to 2.20%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits is 3.6% (2004-05: 2.5%) per annum.

28 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 2006	2005
Balance at 1 April	2.8	2.1
Provision during the year	0.5	1.0
Provision utilised during the year	(0.3)	(0.3)
Balance at 31 March	3.0	2.8

As at 31 March 2006, 18.9% of trade creditors (2005: 16.3%) were held in USD by the Group.

29 Bank Overdrafts (in $ million)

$0.4 million (2005: $0.8 million) of the Group's bank overdrafts are secured by a first legal mortgage over a building at 22 Senoko Way, Singapore 758044. Interest is charged at a rate of 3.95% (2004-05: 5.25%) per annum in the current financial year.

As at 31 March 2006, the composition of bank overdraft held in foreign currencies by the Group is as follows:
USD – 22.3% (2005: 28.1%) and EUR – 20.5% (2005: 26.1%).

30 Cash Flow from Operating Activities (in $ million)

	The Group	
	2005-06	2004-05 [R1]
Profit before taxation	1,662.1	1,791.0
Adjustments for:		
Depreciation	1,227.7	1,165.8
Impairment of fixed assets	12.1	–
Amortisation of intangible assets	54.7	42.9
Income from short-term investments	(1.5)	(1.4)
Share-based compensation expense	48.1	38.4
Exchange differences	133.2	56.3
Amortisation of deferred gain on sale and operating leaseback transactions	(103.5)	(120.6)
Finance charges	96.3	77.5
Interest income	(96.7)	(52.7)
Surplus on disposal of aircraft, spares and spare engines	(115.7)	(215.2)
Surplus on disposal of other fixed assets	(11.9)	(8.7)
Dividends from long-term investments, gross	(24.6)	(8.0)
Impairment of long-term investments	1.0	0.1
Amortisation of deferred gain	(1.4)	(1.3)
Share of profits of joint venture companies	(40.6)	(12.5)
Share of profits of associated companies	(255.2)	(203.7)
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)
Operating profit before working capital changes	2,584.1	2,460.6
Increase in creditors	137.7	487.8
(Increase)/decrease in short-term investments	(355.6)	50.9
Increase in sales in advance of carriage	160.4	32.2
Increase in debtors	(155.4)	(167.9)
Increase in stocks	(75.0)	(39.1)
Increase in deferred revenue	72.0	31.5
Decrease/(increase) in amounts owing by associated and joint venture companies	12.1	(2.7)
Cash generated from operations	2,380.3	2,853.3
Income taxes paid	(70.7)	(66.7)
Net cash provided by operating activities	2,309.6	2,786.6

R1 *2004-05 figures have been restated for the effect of adopting FRS 102 [see Note 3(d)].*

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

	The Group 2005-06	The Group 2004-05
Assets acquired under credit terms at 1 April	2.7	29.8
Additions to fixed assets	3,093.1	4,071.3
Less : Progress payments transferred to fixed assets	(1,034.3)	(2,003.2)
Purchase of fixed assets	2,058.8	2,068.1
Less: Assets acquired under credit terms at 31 March	(2.7)	(2.7)
Cash invested in capital expenditure	2,058.8	2,095.2

32 Capital and Other Commitments (in $ million)

(a) Capital expenditure commitments

The Group and the Company have commitments for capital expenditures. Such commitments aggregated $8,971.5 million (2005: $12,855.0 million) for the Group and $8,205.7 million (2005: $11,551.5 million) for the Company.

In addition, the Group's share of joint venture companies' commitments for capital expenditures totalled $682.7 million (2005: $234.9 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 B747-400, three B777-200 and two B777-300 aircraft under operating leases with fixed rental rates. The original lease terms range from 4.7 to 10.5 years. In 13 of the aircraft lease agreements, the Company holds options to extend the leases for a further maximum period of two 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.

Singapore Airlines Cargo Pte Ltd ("SIA Cargo") has three B747-400F aircraft under operating lease with fixed rental rates. The lease terms range from 10 to 11 years. In one of the aircraft lease agreements, SIA Cargo holds the option to extend the lease for a further maximum period of two years. For the other agreement, there is no option for renewal. Sub-leasing is allowed under all the lease arrangements.

SilkAir (Singapore) Private Limited ("SilkAir") has two A320-232 and two A319-132 aircraft under operating lease with fixed rental rates. The lease term for the two A319-132 aircraft is five-and-a-half years, which SilkAir holds an option to extend the lease for one year, and the lease term for the two A320-232 aircraft is four and four-and-a-half years respectively, which SilkAir holds an option to extend the leases for four years. None of the operating lease arrangements confer on SilkAir the option to purchase the related aircraft. Sub-leasing is allowed under all the lease arrangements.

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

(b) Operating lease commitments (continued)

As lessee (continued)
Future lease payments under non-cancellable operating leases are as follows:

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Not later than one year	380.9	404.2	312.2	383.0
Later than one year but not later than five years	888.3	886.7	635.5	803.9
Later than five years	485.4	449.4	285.0	394.5
	1,754.6	1,740.3	1,232.7	1,581.4

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 18 years.

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

	The Group 31 March 2006	The Group 31 March 2005
Not later than one year	1.9	3.1
Later than one year but not later than five years	5.6	10.9
Later than five years	23.7	29.8
	31.2	43.8

As lessor

Aircraft
The Group has entered into commercial aircraft leases. These non-cancellable leases have remaining lease terms of between one month and two-and-a-half 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 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Not later than one year	14.4	34.7	0.8	20.8
Later than one year but not later than five years	19.3	35.7	–	29.9
	33.7	70.4	0.8	50.7

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

(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 $93.4 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$21.1 million.

33 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. Most of the lawsuits commenced against the Company by passengers or their next-of-kin relating to the crash have been settled. The Company is also currently defending lawsuits commenced by crew members or their next-of-kin. The Company maintains substantial insurance coverage and the Company has received professional advice that this cover will be sufficient to cover the claims 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.

Investigations by competition authorities

Singapore Airlines Cargo Pte Ltd ("SIA Cargo"), a wholly-owned subsidiary of the Company, is one of several airlines cooperating with investigations by competition authorities in the US, EU, Switzerland and New Zealand regarding whether surcharges, rates and other similar competitive aspects of air cargo service were lawfully determined. No charges have been pressed or decisions made against the Company and SIA Cargo as of today.

After the investigations commenced, class-action civil suits were filed in the US by external parties against the airlines named in the press as being allegedly subject to the investigations, including the Company and SIA Cargo. As at 31 March 2006, there were 38 suits against the Company and 26 suits against SIA Cargo. None of the cases has been tried.

As the investigations by the competition authorities are still ongoing and the class-action civil suits have neither been tried nor have damages been quantified, it is premature to make a determination regarding whether the investigations or civil suits can be regarded as contingent liabilities and therefore, no provision has been made in the accounts.

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 2006 amounting to $58.9 million (2005: $56.4 million) and $22.6 million (2005: $22.8 million) respectively.

34 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. The Group's policy is to use derivatives to hedge specific exposures.

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

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

(a) Jet fuel price risk

The Group's earnings are affected by changes in the price of jet fuel. The Group's strategy for managing the risk on fuel price, as defined by BEC, aims to provide the Group with protection against sudden and significant increases in jet fuel prices. In meeting these objectives, the fuel risk management programme allows for the judicious use of approved instruments such as swaps and options with approved counterparties and within approved credit limits.

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$14.7 million, assuming no change in volume of fuel consumed.

(b) Foreign currency risk

The Group is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenues and expenses. For the financial year ended 31 March 2006, these accounted for 65% of total revenue (2004-05: 68%) and 69% of total operating expenses (2004-05: 64%). 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. 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.

(c) Interest rate risk

The Group's earnings are also affected by changes in interest rates due to the impact such changes have on interest income and expense from short-term deposits and other interest-bearing financial assets and liabilities. The Group enters into interest rate swaps to manage interest rate costs on its financial assets and liabilities, with the prior approval of the BEC or Boards of Subsidiaries. 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.

(d) Market price risk

The Group owned $412.2 million (2005: $41.6 million) in quoted equity and non-equity investments at 31 March 2006.

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

34 Financial Risk Management Objectives and Policies (continued)

(e) 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.

(f) Liquidity risk

At 31 March 2006, the Group had at its disposal, cash and short-term deposits amounting to $3,151.6 million (2005: $2,840.2 million). In addition, the Group had available short-term credit facilities of about $1,449.1 million (2005: $1,417.1 million). The Group also has Medium Term Note Programmes under which it may issue notes up to $1,500 million (2005: $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.

35 Financial Instruments (in $ million)

(a) Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair value

The Group and Company have carried all investment securities that are classified as available-for-sale financial assets and all derivative instruments at their fair values as required by FRS 39.

The fair value of jet fuel swap and jet fuel option contracts are determined by reference to available market information and the Black-Scholes option valuation model. As the Group hedges its jet fuel requirements in Mean of Platts Singapore ("MOPS") and that the majority of the Group's fuel uplifts are in MOPS, the MOPS price (as at 31 March 2006: USD79.54/BBL) is used as the input for market fuel price to the Black-Scholes option valuation model. Consequently, the annualised volatility (2005-06: 26.36%) of the jet fuel swap and jet fuel option contracts is also estimated with daily MOPS price. The continuously compounded risk-free rate estimated as average of the past 12 months SGS benchmark issues' one-year yield (2005-06: 2.4%) was also applied to each individual jet fuel swap and jet fuel option contracts to derive their estimated fair values as at 31 March 2006.

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 sheet date.

Financial instruments whose carrying amounts approximate fair value

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

35 Financial Instruments (in $ million) (continued)

(b) Interest rate risk

The following tables set out the carrying amount, by earlier of contractual repricing or maturity dates, of the Group's and Company's financial instruments that are exposed to interest rate risk:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2006							
Group							
Fixed rate							
Bonds	382.4	–	–	–	–	–	382.4
Bank overdrafts	0.4	–	–	–	–	–	0.4
Notes payable	–	–	–	200.0	–	900.0	1,100.0
Obligations under finance leases*	434.3	138.2	17.1	18.4	19.8	68.4	696.2
Floating rate							
Obligations under finance leases	366.7	2.0	–	–	–	–	368.7
Cash and bank balances	3,151.6	–	–	–	–	–	3,151.6
Bank overdrafts	10.0	–	–	–	–	–	10.0
Loans	140.7	–	–	–	–	–	140.7
Company							
Fixed rate							
Bonds	382.4	–	–	–	–	–	382.4
Notes payable	–	–	–	–	–	900.0	900.0
Funds from subsidiaries	1,220.9	–	–	–	–	–	1,220.9
Obligations under finance leases*	419.5	122.3	–	–	–	–	541.8
Floating rate							
Cash and bank balances	2,765.1	–	–	–	–	–	2,765.1
Bank overdrafts	9.0	–	–	–	–	–	9.0
2005							
Group							
Fixed rate							
Bonds	88.6	301.2	–	–	–	–	389.8
Bank overdrafts	0.8	–	–	–	–	–	0.8
Notes payable	–	–	–	–	200.0	900.0	1,100.0
Obligations under finance leases*	–	422.8	126.7	–	–	–	549.5
Floating rate							
Obligations under finance leases	585.7	–	–	–	–	–	585.7
Cash and bank balances	2,840.2	–	–	–	–	–	2,840.2
Bank overdrafts	25.4	–	–	–	–	–	25.4
Loans	167.8	–	–	–	–	–	167.8
Company							
Fixed rate							
Bonds	88.6	301.2	–	–	–	–	389.8
Notes payable	–	–	–	–	–	900.0	900.0
Funds from subsidiaries	758.8	–	–	–	–	–	758.8
Obligations under finance leases*	–	422.8	126.7	–	–	–	549.5
Floating rate							
Cash and bank balances	2,509.1	–	–	–	–	–	2,509.1
Bank overdrafts	24.3	–	–	–	–	–	24.3

* *The Group and Company have entered into interest rate swap agreements to swap the floating rate lease liabilities into fixed rate.*

35 Financial Instruments (in $ million) (continued)

(c) Derivative financial instruments and hedging activities

Derivative financial instruments included in the balance sheets are as follows:

	The Group 31 March 2006	The Group 31 March 2005	The Company 31 March 2006	The Company 31 March 2005
Assets*				
Forward currency contracts	27.7	–	21.4	–
Jet fuel swap and option contracts	56.7	–	44.5	–
Interest rate swap contracts	15.4	–	11.5	–
	99.8	–	77.4	–
Liabilities#				
Forward currency contracts	5.3	–	3.6	–
Jet fuel swap contracts	5.4	–	4.3	–
Cross currency contracts	18.5	–	–	–
Interest rate swap contracts	2.9	–	–	–
	32.1	–	7.9	–

* *Included under trade debtors.*

\# *Included under trade creditors.*

Cash flow hedges

The Group entered into jet fuel swaps and options in order to hedge the financial risk related to the price of the fuel. The Group has applied cash flow hedge accounting to these derivatives as they are considered to be highly effective hedging instruments. A net fair value gain of $82.2 million, with a related deferred tax charge of $34.5 million, was included in the fair value reserve [Note 14(b)] in respect of these contracts.

The cash flows arising from these derivatives are expected to occur and enter into the determination of profit or loss during the next three financial years as follows: $55.0 million, $24.5 million and $2.7 million.

35 Financial Instruments (in $ million) (continued)

(c) Derivative financial instruments and hedging activities (continued)

Cash flow hedges (continued)
The Group had outstanding financial instruments to hedge expected future purchases in USD:

	Foreign currency contracts maturing in April 2006 – March 2007 (in $ million)					
	Group			Company		
Currency	Foreign currency amount sold	USD purchased	Effective rate	Foreign currency amount sold	USD purchased	Effective rate
AUD	212.8	156.2	0.73	191.3	140.4	0.73
CHF	31.2	24.9	0.80	24.6	19.6	0.80
CNY	15.0	1.9	0.13	9.6	1.2	0.13
EUR	60.8	74.8	1.23	44.2	54.3	1.23
GBP	45.3	80.2	1.77	39.9	70.7	1.77
INR	2,732.0	59.9	0.02	1,736.7	38.1	0.02
JPY	11,050.0	99.7	0.009	8,057.3	72.7	0.009
KRW	41,040.0	40.9	0.001	28,227.6	28.1	0.001
NZD	82.3	54.0	0.66	58.0	37.5	0.66
TWD	671.0	21.5	0.03	316.2	10.1	0.03

The cash flow hedges of the expected future purchases in USD in the next 12 months were assessed to be highly effective and at 31 March 2006, a net fair value gain of $60.6 million, with a related deferred tax charge of $22.8 million, was included in the fair value reserve [Note 14(b)] in respect of these contracts.

As at 31 March 2006, the Company had the following interest rate swaps:

	Interest rate		
Notional amount of interest rate swap contracts	Receivable	Payable	Maturity
USD 130 million	8.5%	6M LIBOR + 45 bps	3 February 2007
USD 78 million	8.5%	6M LIBOR + 35 bps	28 March 2007
USD 5 million	6M LIBOR + 36 bps	5.0%	6 March 2007

The cash flow hedges of the interest rate contracts were assessed to be highly effective and at 31 March 2006, a net fair value gain of $12.0 million, with a related deferred tax charge of $2.3 million, was included in the fair value reserve [Note 14(b)] in respect of these contracts.

The cash flow hedges of some of the cross currency swaps were assessed to be highly effective and at 31 March 2006, a net fair value loss of $0.3 million, with a related deferred tax charge of $0.1 million, was included in the fair value reserve [Note 14(b)] in respect of these contracts.

36 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 that prevail in arm's length transactions during the financial year:

	The Group		The Company	
	2005-06	2004-05	2005-06	2004-05
Purchases of services from associated companies	235.3	40.6	225.0	38.9
Services rendered to associated companies	(28.9)	(24.7)	(22.3)	(16.7)
Purchases of services from joint venture companies	143.2	0.1	143.2	0.1
Services rendered to joint venture companies	(85.2)	(5.5)	(78.2)	(0.9)

Directors' and key executives' remuneration of the Company

	The Company	
	2005-06	2004-05
Directors		
Salary, bonuses and other costs	3.6	2.3
CPF and other defined contributions	*	*
Share–based compensation expense	0.5	0.4
	4.1	2.7
Key executives (excluding executive directors)		
Salary, bonuses and other costs	2.4	1.8
CPF and other defined contributions	*	*
Share-based compensation expense	0.7	0.5
	3.1	2.3

* *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	240,000	$11.28	1,074,000	–	–	1,074,000
LG Bey Soo Khiang	152,000	$11.28	722,000	114,000	–	608,000
Huang Cheng Eng	135,000	$11.28	717,000	90,750	–	626,250

37 Subsequent Events

On 26 April 2006, the Company announced an increase of the fuel surcharge on tickets sold from 15 May 2006. The adjustments will offer partial relief of higher operating costs arising from persistently high price of jet fuel, which is hovering around US$90 per barrel, as compared to US$80 per barrel when the surcharge was last revised in September 2005.

The Company had, on 2 May 2006, announced that it has sold, then leased back, on an operating lease basis, three Boeing 777-300 aircraft. The aircraft are each leased to the Company for approximately seven-and-a-half years, including options to extend.

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) 2005-06 $ 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) 2005-06 $ million
Singapore Petroleum Company Ltd	–	468.9
Keppel Telecommunications & Transportation Ltd Group		
Asia Airfreight Terminal Company Ltd	–	21.5
Temasek Holdings (Private) Limited Group		
Senoko Energy Supply Pte Ltd	–	3.5
Trusted Hub Ltd	–	0.6
PT Bank Internasional Indonesia	–	0.4
PT Bank Danamon Indonesia	–	0.1
MediaCorp Press Ltd	–	0.2
Great Wall Airlines Company Ltd	–	210.7
GreenDot Internet Services Pte Ltd	–	4.9
Tiger Airways Pte Ltd	–	0.1
Dahlia Investments Pte Ltd	50.4	–
SembCorp Logistics Ltd Group		
Singapore Technologies Logistics Pte Ltd	–	1.2
Singapore Telecommunications Ltd Group		
Singapore Telecommunications Ltd	–	0.3
Singapore Technologies Engineering Ltd Group		
ST Aerospace Engineering Pte Ltd	–	0.4
SNP Corporation Ltd Group		
SNP SPrint Pte Ltd	–	0.1
Total interested persons transactions	50.4	712.9

Note: All the above interested persons transactions were carried out 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						
2005-06	($ million)	3,044.4	3,350.3	3,557.0	3,389.4	13,341.1
2004-05	($ million)	2,724.9	3,053.9	3,201.9	3,032.2	12,012.9
TOTAL EXPENDITURE						
2005-06	($ million)	2,791.3	3,019.7	3,182.3	3,134.5	12,127.8
2004-05	($ million)	2,421.8	2,734.2	2,789.6	2,750.3	10,695.8
OPERATING PROFIT						
2005-06	($ million)	253.1	330.6	374.7	254.9	1,213.3
2004-05	($ million)	303.1	319.7	412.3	281.9	1,317.1
PROFIT BEFORE TAXATION						
2005-06	($ million)	306.3	464.3	538.7	352.8	1,662.1
2004-05	($ million)	333.9	435.0	598.4	423.7	1,791.0
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
2005-06	($ million)	234.6	343.2	396.6	266.3	1,240.7
2004-05	($ million)	254.7	346.4	464.6	286.7	1,352.4
EARNINGS (AFTER TAXATION) PER SHARE – BASIC						
2005-06	(cents)	19.3	28.2	32.5	21.8	101.7
2004-05	(cents)	20.9	28.4	38.1	23.5	111.0

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

	2005-06	2004-05	2003-04	2002-03	2001-02
PROFIT AND LOSS ACCOUNT ($ million)					
Total revenue	13,341.1	12,012.9	9,761.9	10,515.0	9,382.8
Total expenditure	(12,127.8)	(10,695.8)	(9,093.0)	(9,797.9)	(8,458.2)
Operating profit	1,213.3	1,317.1	668.9	717.1	924.6
Finance charges	(96.3)	(77.5)	(65.1)	(54.7)	(44.0)
Interest income	96.7	52.7	32.5	33.7	52.0
Surplus on disposal of aircraft, spares and spare engines	115.7	215.2	102.7	144.9	66.0
Surplus on disposal of other fixed assets	11.9	8.7	5.5	1.2	2.9
Dividend from long-term investments, gross	24.6	8.0	3.6	5.2	5.7
Impairment of long-term investments	(1.0)	(0.1)	(1.8)	(9.4)	(1.1)
Surplus on disposal of long-term investments	–	–	–	–	4.4
Amortisation of goodwill on consolidation	–	(0.1)	(0.1)	–	–
Amortisation of deferred gain	1.4	1.3	1.6	–	–
Share of profits of joint venture companies	40.6	12.5	6.4	14.5	20.5
Share of profits/(losses) of associated companies	255.2	203.7	(39.0)	123.8	(71.3)
Profit before exceptional items	1,662.1	1,741.5	715.2	976.3	959.7
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	–
Surplus 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 before taxation	1,662.1	1,791.0	684.1	976.8	925.6
Profit attributable to equity holders of the Company	1,240.7	1,352.4	750.0	1,064.8	631.7
BALANCE SHEET ($ million)					
Share capital	1,202.6	609.1	609.1	609.1	609.1
Reserves					
Share premium	–	448.2	447.2	447.2	447.2
Capital redemption reserve	–	64.4	64.4	64.4	64.4
Capital reserve	40.8	41.9	32.0	7.7	6.9
Foreign currency translation reserve	(30.5)	3.1	19.8	41.3	63.8
Share-based compensation reserve	81.8	48.4	11.5	–	–
Fair value reserve	163.6	–	–	–	–
General reserve	12,012.3	11,127.2	10,183.3	9,539.1	8,655.2
Equity attributable to equity holders of the Company	13,470.6	12,342.3	11,367.3	10,708.8	9,846.6
Minority interests	396.3	302.8	304.1	267.5	228.7
Deferred account	349.6	414.6	446.7	523.1	591.9
Deferred taxation	2,486.1	2,450.1	2,175.3	2,251.0	2,664.5
Fixed assets	15,524.7	15,161.7	15,222.9	15,406.0	14,442.9
Intangible assets [R1]	121.7	144.1	1.4	1.5	–
Associated companies	996.3	695.1	429.7	500.7	385.5
Joint venture companies	362.6	323.6	309.2	296.4	277.1
Long-term investments	425.9	476.3	475.2	569.6	590.4
Current assets	5,938.3	4,943.9	3,463.8	2,409.8	2,884.5
Total assets	23,369.5	21,744.7	19,902.2	19,184.0	18,580.4
Long-term liabilities	1,824.4	2,333.3	2,207.2	1,879.6	1,928.9
Current liabilities	4,842.5	3,901.6	3,401.6	3,554.0	3,319.8
Total liabilities	6,666.9	6,234.9	5,608.8	5,433.6	5,248.7

[R1] *In accordance with the revised FRS 38: Intangible Assets, the Group has reclassified the net book value of computer software from fixed assets to intangible assets for 2004-05. The comparatives for 2001-02 to 2003-04 have not been restated.*

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

	2005-06	2004-05	2003-04	2002-03	2001-02
CASH FLOW ($ million)					
Cash flow from operations	2,380.3	2,853.3	1,811.3	1,892.1	1,421.1
Internally generated cash flow [R1]	3,101.2	3,990.2	3,385.5	3,207.7	3,054.1
Capital expenditure	2,058.8	2,068.1	2,692.6	3,086.3	3,862.9
PER SHARE DATA					
Earnings before tax (cents)	136.3	147.0	56.2	80.2	76.0
Earnings after tax (cents) – basic	101.7	111.0	61.6	87.4	51.9
– diluted	101.6	111.0	61.6	87.4	51.9
Cash earnings ($) [R2]	2.08	2.10	1.61	1.77	1.31
Net asset value ($)	11.00	10.13	9.33	8.79	8.08
SHARE PRICE ($)					
High	14.90	12.70	12.90	14.40	14.90
Low	11.10	9.40	8.25	8.55	7.00
Closing	14.00	11.90	11.00	8.75	14.40
DIVIDENDS					
Gross dividends (cents per share)	45.0	40.0	25.0	15.0	15.0 [R3]
Dividend cover (times)	2.3	2.8	2.5	6.4	4.1
PROFITABILITY RATIOS (%)					
Return on equity holders' funds [R4]	9.6	11.4	6.8	10.4	6.4
Return on total assets [R5]	5.8	6.7	4.1	5.9	3.8
Return on turnover [R6]	9.8	11.7	8.2	10.6	7.4
PRODUCTIVITY AND EMPLOYEE DATA					
Value added ($ million)	5,534.0	5,533.6	3,898.9	4,367.0	3,718.2
Value added per employee ($) [R7]	193,781	193,794	131,126	144,397	126,375
Revenue per employee ($) [R7]	467,158	420,708	328,308	347,684	318,904
Average employee strength	28,558	28,554	29,734	30,243	29,422
S$ per US$ exchange rate as at 31 March	1.6181	1.6496	1.6759	1.7640	1.8405

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 attributable to equity holders of the Company plus depreciation and amortisation.*

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

R4 *Return on equity holders' funds is the profit attributable to equity holders of the Company expressed as a percentage of the average equity holders' funds.*

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

		2005-06	2004-05	2003-04
SIA				
FINANCIAL [R1]				
Total revenue	($ million)	10,302.8	9,260.1	7,187.6
Total expenditure	($ million)	9,651.8	8,562.2	7,046.1
Operating profit	($ million)	651.0	697.9	141.5
Profit before taxation	($ million)	940.8	1,570.4	319.7
Profit after taxation	($ million)	746.0	1,283.6	420.6
Capital disbursements [R2]	($ million)	1,433.5	1,608.9	2,051.3
Passenger – yield	(cents/pkm)	10.6	10.1	9.2
– unit cost	(cents/ask)	7.5	7.0	6.7
– breakeven load factor	(%)	70.8	69.3	72.8
OPERATING PASSENGER FLEET				
Aircraft	(numbers)	90	89	85
Average age	(months)	76	64	60
PASSENGER PRODUCTION				
Destination cities	(numbers)	62	59	56
Distance flown	(million km)	341.8	325.4	266.7
Time flown	(hours)	441,510	419,925	342,715
Available seat-km	(million)	109,483.7	104,662.3	88,252.7
TRAFFIC				
Passengers carried	('000)	16,995	15,944	13,278
Revenue passenger-km	(million)	82,741.7	77,593.7	64,685.2
Passenger load factor	(%)	75.6	74.1	73.3
STAFF				
Average strength	(numbers)	13,729	13,572	14,010
Seat capacity per employee [R3]	(seat-km)	7,974,630	7,711,634	6,299,265
Passenger load carried per employee [R4]	(tonne-km)	577,784	549,904	448,513
Revenue per employee	($)	750,441	682,294	513,034
Value added per employee	($)	258,810	301,024	179,272
SIA CARGO				
Cargo and mail carried	(million kg)	1,248.5	1,149.5	1,050.9
Cargo load	(million tonne-km)	7,874.4	7,333.2	6,749.4
Gross capacity	(million tonne-km)	12,378.9	11,544.1	10,156.5
Cargo load factor	(%)	63.6	63.5	66.5
Cargo yield	(cents/ltk)	38.6	35.9	36.7
Cargo unit cost	(cents/ctk)	23.5	21.3	23.0
Cargo breakeven load factor	(%)	60.9	59.3	62.7
SIA AND SIA CARGO				
Overall load	(million tonne-km)	15,806.8	14,796.5	13,033.1
Overall capacity	(million tonne-km)	23,208.0	21,882.5	18,873.8
Overall load factor	(%)	68.1	67.6	69.1
Overall yield	(cents/ltk)	74.6	70.8	65.0
Overall unit cost	(cents/ctk)	47.7	44.5	43.4
Overall breakeven load factor	(%)	63.9	62.9	66.8

[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.*

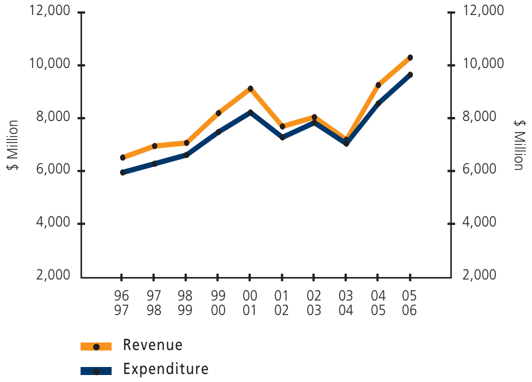
[R4] *Passenger load carried per employee is defined as passenger load and excess baggage carried divided by SIA average staff strength.*

TEN-YEAR STATISTICAL RECORD

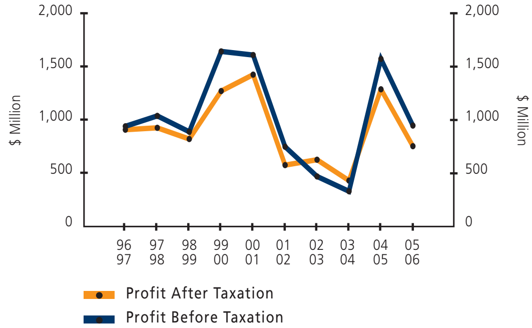
2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
8,047.0	7,694.7	9,125.8	8,200.7	7,072.0	6,953.5	6,517.1
7,838.0	7,281.6	8,222.5	7,485.9	6,616.5	6,284.0	5,953.8
209.0	413.1	903.3	714.8	455.5	669.5	563.3
460.1	740.7	1,607.2	1,641.5	882.3	1,032.3	933.8
618.0	567.2	1,422.2	1,267.1	813.7	919.5	901.8
2,766.2	2,885.7	2,777.7	3,303.7	1,850.4	1,934.0	2,365.9
9.1	9.0	9.4	9.1	8.6	9.5	9.0
6.7	6.4	–	–	–	–	–
73.6	71.1	–	–	–	–	–
96	92	84	84	82	80	73
71	69	70	62	57	62	63
60	64	67	69	68	73	72
296.2	288.4	289.1	280.6	258.9	240.3	223.1
384,652	368,204	366,784	351,560	334,172	311,388	293,565
99,565.9	94,558.5	92,648.0	87,728.3	83,191.7	77,219.3	73,507.3
15,326	14,765	15,002	13,782	12,777	11,957	12,022
74,183.2	69,994.5	71,118.4	65,718.4	60,299.9	54,441.2	54,692.5
74.5	74.0	76.8	74.9	72.5	70.5	74.4
14,418	14,205	14,254	13,720	13,690	13,506	13,258
6,905,667	6,656,705	–	–	–	–	–
495,617	471,300	–	–	–	–	–
558,122	541,690	647,516	607,966	526,859	524,012	500,649
191,566	189,806	284,369	291,494	228,254	236,828	221,044
1,043.2	938.5	975.4	905.1	768.5	735.9	674.2
6,913.6	6,039.8	6,167.6	5,775.4	5,025.7	4,859.1	4,348.6
9,927.1	8,950.3	8,876.1	8,244.4	7,403.6	6,908.6	6,203.9
69.6	67.5	69.5	70.1	67.9	70.3	70.1
34.2	32.2	–	–	–	–	–
23.9	23.2	–	–	–	–	–
69.9	72.0	–	–	–	–	–
14,059.5	12,734.6	12,985.3	12,038.4	10,765.5	10,037.6	9,512.0
19,773.7	18,305.1	18,034.0	16,917.2	15,651.8	14,533.9	13,501.1
71.1	69.6	72.0	71.2	68.8	69.1	70.5
64.5	64.9	67.9	66.0	63.7	67.2	66.5
45.5	44.9	45.4	43.7	42.6	43.8	43.8
70.5	69.2	66.9	66.2	66.9	65.2	65.9

TEN-YEAR CHARTS

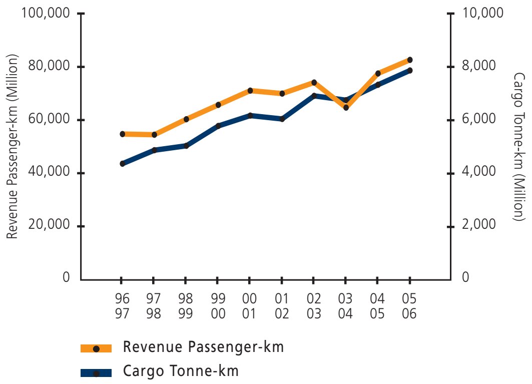
Company Revenue and Expenditure [R1]



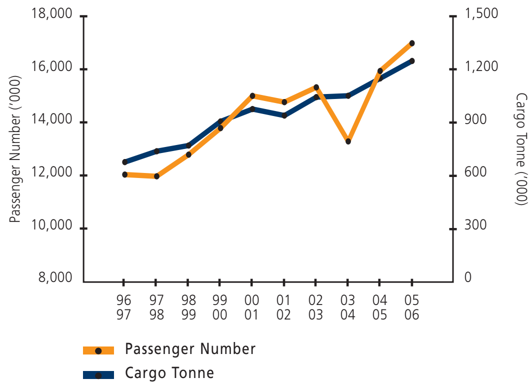
Company Profit Before and After Taxation [R1]



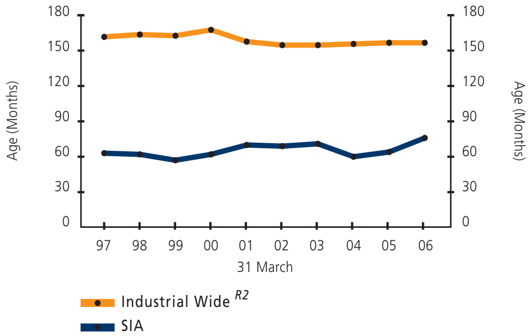
SIA and SIA Cargo Passenger
and Cargo Load



SIA and SIA Cargo Passenger
and Cargo Carried



Average Operating Fleet Age:
SIA and Industry Wide



Average age of SIA passenger fleet: 6 years 4 months
(as at 31 Mar 2006).

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).*

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

THE GROUP FLEET PROFILE

As at 31 March 2006, SIA Group operating fleet consisted of 118 aircraft – 102 passenger aircraft and 16 freighters. 90 and 12 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
							2006-07	2007-08		
SIA:										
B747-400	14		13	27	375	10 y 5 m	1	5		
B777-200	13		1	14	288	5 y 10 m				
B777-200A	17			17	323	4 y 11 m				
B777-200ER	13		2	15	285	3 y 10 m				
B777-300	10		2	12	332	4 y 5 m				
B777-300ER [R1]									19	13
A340-500	5			5	181	2 y 1 m				
A380-800 [R1]									10	15
Sub-total	72		18	90	N.A.	6 y 4 m	1	5	29	28
SIA Cargo:										
B747-400F [R2]	8	5	3	16	N.A.	5 y 8 m			3	
SilkAir:										
A319-312	3		2	5	118	4 y 7 m			1	2
A320-232	5		2	7	142	4 y 1 m			2	
Sub-total	8		4	12	N.A.	4 y 3 m			3	2
Total	**88**	**5**	**25**	**118**	**N.A.**	**6 y 0 m**	**1**	**5**	**35**	**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.*

[R2] *Orders for three B747-400 passenger-to-freighter conversion from SIA to SIA Cargo.*

GROUP CORPORATE STRUCTURE

At 31 March 2006

Singapore Airlines Limited

- 83.2% Singapore Airport Terminal Services Limited
- 100% SilkAir (Singapore) Private Limited
  - 100% Tradewinds Tours & Travel Private Limited
  - 5% Abacus Travel Systems Pte Ltd
- 56% Abacus Travel Systems Pte Ltd
- 83.9% SIA Engineering Company Limited
- 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 Private Limited
  - 51% Cargo Community Network Pte Ltd
  - 25% Great Wall Airlines Company Limited
- 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% Ritz-Carlton, Millenia Singapore Properties Private Limited

Notes

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

GROUP CORPORATE STRUCTURE

At 31 March 2006

100% Cargo Community (Shanghai) Co. Ltd

100% SIAEC Global Pte Ltd

65% Singapore Jamco Private Limited

51% Aviation Partnership (Phillipines) Corporation

51% Aerospace Component Engineering Services Pte Ltd

50% International Engine Component Overhaul Pte Ltd

50% Singapore Aero Engine Services Pte Ltd

49% Pratt & Whitney Airmotive International Ltd

49% Fuel Accessory Services Technologies Pte Ltd

49% Combustor Airmotive Services Pte Ltd

49% Eagle Services Asia Private Limited

49% PT JAS Aero - Engineering Services

47.1% Pan Asia Pacific Aviation Services Limited

45% Jamco Aero Design & Engineering Private Limited

40% Messier Services Asia Pte Ltd

40% Goodrich Aerostructures Service Center-Asia Pte Ltd (previously known as 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 Company Ltd

24.5% Turbine Coating Services Pte Ltd

100% SATS Catering Pte Ltd

100% SATS Airport Services Pte Ltd

100% SATS Security Services Private Limited

100% Aero Laundry & Linen Services Private Limited

100% Asia-Pacific Star Pte Ltd

70% Aerolog Express Pte Ltd

66.7% Country Foods Pte Ltd

50% Mid-East Airport Services Pte Ltd

49.8% PT Jasa Angkasa Semesta Tbk

49% Servair-SATS Holding Company Pte Ltd

49% Aviserv Ltd

49% Taj SATS Air Catering Ltd

49% Asia Airfreight Terminal Company Ltd

40% Beijing Airport Inflight Kitchen Limited

40% Beijing Aviation Ground Services Company Ltd

35% Maldives Inflight Catering Pte Limited

30% Tan Son Nhat Cargo Services Ltd

30% Taj Madras Flight Kitchen Private Limited

25% Evergreen Air Cargo Services Corporation

24% Singapore Airport Duty-Free Emporium

20% Evergreen Airline Services Corporation

20% MacroAsia-Eurest Catering Services Inc.

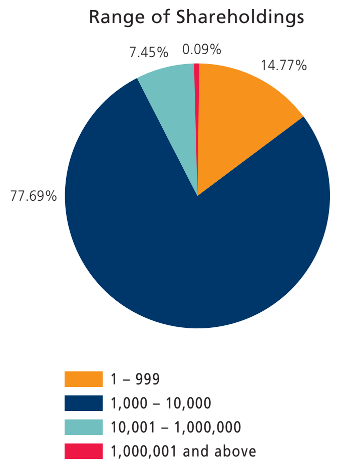
INFORMATION ON SHAREHOLDINGS

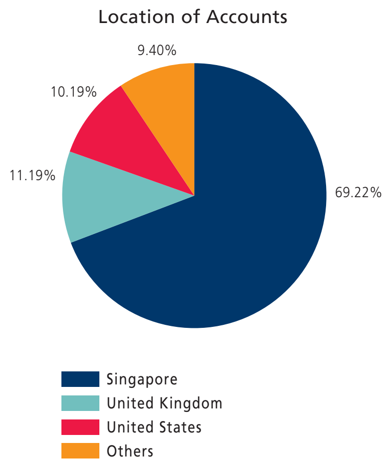
As at 30 May 2006

No. of Shares in Issue	1,225,771,659
Class of Shares	Ordinary shares
	One special share held by the Minister for Finance (Incorporated)
Voting Rights	1 vote per share

Range of shareholdings	Number of shareholders	%	Number of shares	%
1 – 999	3,184	14.77	1,252,996	0.10
1,000 – 10,000	16,747	77.69	42,983,455	3.51
10,001 – 1,000,000	1,605	7.45	65,175,696	5.32
1,000,001 and above	19	0.09	1,116,359,512	91.07
Total	**21,555**	**100.00**	**1,225,771,659**	**100.00**

Location of accounts	Number of shares	%	Number of accounts	%
Singapore	848,459,409	69.22	21,205	92.01
United Kingdom	137,100,598	11.19	144	0.62
United States	124,932,188	10.19	214	0.93
Others	115,279,464	9.40	1,483	6.44
Total	**1,225,771,659**	**100.00**	**23,046**	**100.00**





INFORMATION ON SHAREHOLDINGS

As at 30 May 2006

	Major shareholders	Number of shares	%
1	Temasek Holdings (Private) Limited	691,451,172	56.41
2	DBS Nominees Pte Ltd	141,679,531	11.56
3	HSBC (Singapore) Nominees Pte Ltd	93,578,745	7.63
4	DBSN Services Pte Ltd	68,170,115	5.56
5	Citibank Nominees Singapore Pte Ltd	46,456,909	3.79
6	Raffles Nominees Pte Ltd	26,473,360	2.16
7	United Overseas Bank Nominees Pte Ltd	22,629,653	1.85
8	Morgan Stanley Asia (Singapore) Pte	4,353,964	0.36
9	Chang Shyh Jin	4,208,000	0.34
10	Merrill Lynch (S'pore) Pte Ltd	3,107,705	0.25
11	DB Nominees (S) Pte Ltd	2,463,596	0.20
12	Western Properties Pte Ltd	2,118,000	0.17
13	UOB Kay Hian Pte Ltd	1,879,980	0.15
14	OCBC Nominees Singapore Private Limited	1,780,660	0.15
15	Oversea-Chinese Bank Nominees Pte Ltd	1,356,200	0.11
16	Tan Leng Yeow	1,302,000	0.11
17	National University of Singapore	1,200,000	0.10
18	BNP Paribas Nominees Singapore Pte Ltd	1,079,922	0.09
19	Ko Teck Siang Pte Ltd	1,070,000	0.09
20	Citigroup GM Sing Secs Pte Ltd	748,000	0.06
Total		1,117,107,512	91.14

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

	Number of shares	%
Temasek Holdings (Private) Limited	694,595,628*	56.67

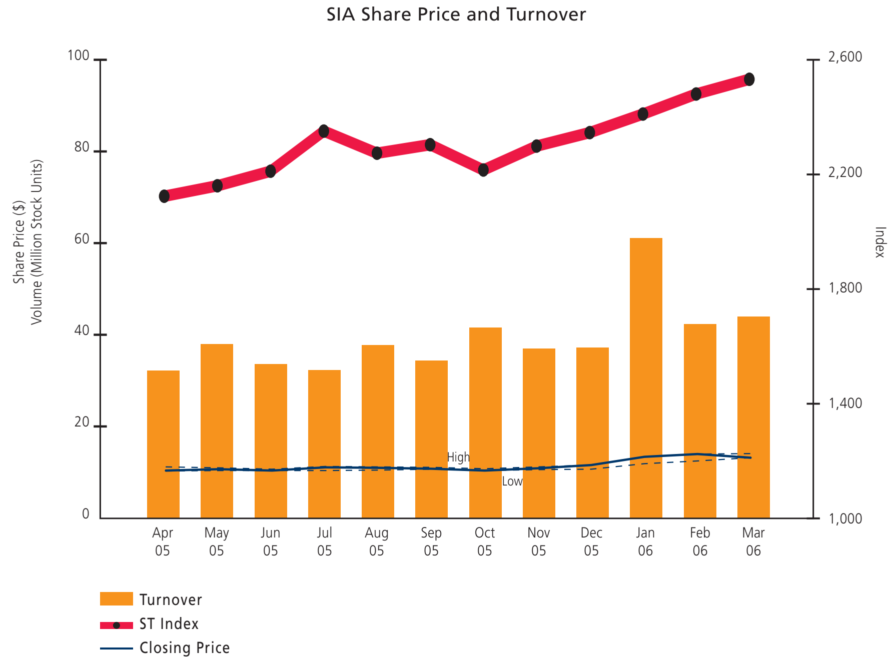
* *Includes shares in which the substantial shareholder is deemed to have an interest.*

Shareholdings held by the public

Based on the information available to the Company as at 30 May 2006, 43.31 percent of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

SHARE PRICE AND TURNOVER

As at 31 March 2006



	2005-06	2004-05
Share Price ($)		
Highest closing price	14.90	12.70
Lowest closing price	11.10	9.40
31 March closing price	14.00	11.90
Market Value Ratios [R1]		
Price/Earnings	13.77	10.72
Price/Book value	1.27	1.17
Price/Cash earnings [R2]	6.73	5.67

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

[R2] *Cash earnings is defined as profit attributable to equity holders of the Company plus depreciation and amortisation.*

NOTICE OF ANNUAL GENERAL MEETING

Singapore Airlines Limited

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

Notice is hereby given that the Thirty-Fourth 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 Monday, 31 July 2006 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 2006 and the Auditors' Report thereon.

2. To declare a final tax exempt (one-tier) dividend of 35 cents per ordinary share for the year ended 31 March 2006.

3. To re-appoint Sir Brian Pitman, a Director who will retire under Section 153(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 82 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   (a) Mr Chia Pei-Yuan
   (b) Mr Ho Kwon Ping
   (c) Mr Davinder Singh

5. To re-elect the following Directors who are retiring in accordance with Article 89 of the Company's Articles of Association and who being eligible, offer themselves for re-election:

   (a) Mr James Koh Cher Siang
   (b) Mr David Michael Gonski

6. To approve Directors' Fees of $966,000 (FY2004/2005: $962,000).

7. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

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

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

Special Business (continued)

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

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

(ii) any subsequent 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.

8.2 That the Directors be and are hereby authorised to :

(a) offer and grant options in accordance with the provisions of the SIA Employee Share Option Plan ("Share Option Plan") and/or to grant awards in accordance with the provisions of the SIA Performance Share Plan ("Performance Share Plan") and/or the SIA Restricted Share Plan ("Restricted Share Plan") (the Share Option Plan, the Performance Share Plan and the Restricted Share Plan, together the "Share Plans"); and

(b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Share Option Plan and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Share Plan,

provided always that the aggregate number of ordinary shares to be issued pursuant to the Share Plans shall not exceed 13 percent of the total number of issued ordinary shares in the capital of the Company from time to time.

9. 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-Fourth Annual General Meeting to be held on 31 July 2006, the Transfer Books and the Register of Members of the Company will be closed on 7 August 2006 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 4 August 2006 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 4 August 2006 will be entitled to the final dividend.

The final dividend, if so approved by shareholders, will be paid on 17 August 2006.

By Order of the Board

Loh Meng See
Company Secretary
23 June 2006
Singapore

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 & Industrial Relations and Board Safety & Risk Committees. Sir Brian Pitman 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 Sir Brian Pitman.

2. In relation to Ordinary Resolution No. 4, Mr Chia Pei-Yuan will, upon re-election, continue to serve as a member of the Board Audit and Board Safety & Risk Committees. Mr Ho Kwon Ping will, upon re-election, continue to serve as Chairman of the Board Audit Committee and member of the Board Nominating Committee. Mr Davinder Singh will, upon re-election, continue to serve as Chairman of the Board Nominating Committee and member of the Board Executive Committee. Mr Chia, Mr Ho and Mr Singh are considered as independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Chia, Mr Ho and Mr Singh respectively.

3. In relation to Ordinary Resolution No. 5, Article 89 of the Company's Articles of Association permits the Directors to appoint any person approved in writing by the Special Member to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election. Mr James Koh Cher Siang & Mr David Michael Gonski were appointed on 1 August 2005 and 9 May 2006 respectively and are seeking re-election at the forthcoming Thirty-Fourth Annual General Meeting. Mr James Koh Cher Siang will upon re-election continue to serve as Chairman of the Board Safety & Risk Committee and as member of the Board Audit Committee. Mr Koh and Mr Gonski are considered as independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Koh and Mr Gonski respectively.

4. Ordinary Resolution No. 6 is to approve the payment of Directors' Fees of $966,000 (FY2004/05: $962,000) for the year ended 31 March 2006, for services rendered by Directors on the Board as well as on various Board Committees. The fee structure (disclosed in the Corporate Governance Report in the Annual Report) remains the same as FY2004/05.

5. Ordinary Resolution No. 8.1, if passed, will empower Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, from the date of the above Meeting until the date of the next Annual General Meeting. The number of shares which the Directors may issue under this Resolution will not exceed 50 per cent of the issued shares in the capital of the Company with a sub-limit of 10 per cent for issues other than on a pro rata basis. The 10 per cent sub-limit for non-pro rata issues is lower than the 20 per cent sub-limit allowed under the Listing Manual of the Singapore Exchange Securities Trading Limited and the Articles of Association of the Company. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares.

6. Ordinary Resolution No. 8.2, if passed, will empower the Directors to offer and grant options and/or awards and to allot and issue ordinary shares in the capital of the Company pursuant to the SIA Employee Share Option Plan, the SIA Performance Share Plan and the SIA Restricted Share Plan. The SIA Employee Share Option Plan was adopted at the Extraordinary General Meeting of the Company held on 8 March 2000 and modified at the Extraordinary General Meetings of the Company held on 14 July 2001 and 26 July 2003 respectively. The SIA Performance Share Plan and the SIA Restricted Share Plan were adopted at the Extraordinary General Meeting of the Company held on 28 July 2005.

Notes

1. *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.*

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Cover: A380 photography by Sim Kok Chwee

First to Fly A380

SINGAPORE AIRLINES