# SINGAPORE AIRLINES

## ANNUAL REPORT 2006-07

Celebrating 60 years in 2007

Singapore Airlines achieved a profit attributable to equity holders of $2.13 billion for the financial year 2006-07, up 71.6% from the year before.

The highlight of the year was the launch of the Airline's new generation cabin products, specially designed to enhance the inflight experience in all cabin classes. These new cabin products made their debut on the Boeing 777-300ER; nine of which were delivered during the year.

The Group maintained its disciplined approach towards the management of costs, further rationalising some business processes, to remain lean and effective.

Looking forward, Singapore Airlines will take delivery of the first Airbus A380 in October 2007. This next-generation aircraft will grow capacity on high demand routes, while delivering operational efficiency, environmental improvements and customer benefits.

**Registered Address**
Airline House 25 Airline Road Singapore 819829

**Company Secretary**
Ethel Tan
Tel: 6541 4030 Fax: 6546 7469
Email: tan_ethel@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) 089/05/2007

*Singapore Company Registration Number: 197200078R*

**www.singaporeair.com**

# CONTENTS



# STATISTICAL HIGHLIGHTS

## FINANCIAL STATISTICS [R1]

| | 2006-07 | 2005-06 | % Change |
|---|---|---|---|
| **Group** | | | |
| Financial Results ($ million) | | | |
| Total revenue | 14,494.4 | 13,341.1 | + 8.6 |
| Total expenditure | 13,180.0 | 12,127.8 | + 8.7 |
| Operating profit | 1,314.4 | 1,213.3 | + 8.3 |
| Profit before taxation | 2,284.6 | 1,662.1 | + 37.5 |
| Profit attributable to equity holders of the Company | 2,128.8 | 1,240.7 | + 71.6 |
| Share capital | 1,494.9 | 1,202.6 | + 24.3 |
| Reserves | | | |
| Capital reserve | 44.9 | 40.8 | + 10.0 |
| Foreign currency translation reserve | (59.5) | (30.5) | + 95.1 |
| Share-based compensation reserve | 97.3 | 81.8 | + 18.9 |
| Fair value reserve | (45.5) | 163.6 | n.m. |
| General reserve | 13,567.9 | 12,012.3 | + 13.0 |
| Equity attributable to equity holders of the Company | 15,100.0 | 13,470.6 | + 12.1 |
| Return on equity holders' funds (%) [R2] | 14.9 | 9.6 | + 5.3 points |
| Total assets | 25,992.0 | 23,369.5 | + 11.2 |
| Total debt | 1,879.4 | 2,305.6 | − 18.5 |
| Total debt equity ratio (times) [R3] | 0.12 | 0.17 | − 0.05 times |
| Value added | 6,510.1 | 5,534.0 | + 17.6 |
| Per Share Data | | | |
| Earnings before tax (cents) | 185.2 | 136.3 | + 35.9 |
| Earnings after tax (cents) – basic [R4] | 172.6 | 101.7 | + 69.7 |
| Earnings after tax (cents) – diluted [R5] | 170.8 | 101.3 | + 68.6 |
| Net asset value ($) [R6] | 12.11 | 11.00 | + 10.1 |
| Dividends | | | |
| Interim dividend (cents per share) | 15.0 | 10.0 | + 5.0 cents |
| Proposed final dividend (cents per share) | 35.0 | 35.0 | – |
| Proposed special dividend (cents per share) | 50.0 | – | + 50.0 cents |
| Dividend cover (times) [R7] | 1.7 | 2.3 | − 0.6 times |
| **Company** | | | |
| Financial Results ($ million) | | | |
| Total revenue | 11,343.9 | 10,302.8 | + 10.1 |
| Total expenditure | 10,316.9 | 9,651.8 | + 6.9 |
| Operating profit | 1,027.0 | 651.0 | + 57.8 |
| Profit before taxation | 2,291.1 | 940.8 | + 143.5 |
| Profit after taxation | 2,213.2 | 746.0 | + 196.7 |
| Value added | 5,107.2 | 3,553.2 | + 43.7 |

*R1 Singapore Airlines' financial year is from 1 April to 31 March. Throughout this report, all figures are in Singapore Dollars, unless stated otherwise.*
*R2 Return on equity holders' funds is profit attributable to equity holders of the Company expressed as a percentage of the average equity holders' funds.*
*R3 Total debt equity ratio is total debt divided by equity attributable to equity holders of the Company as at 31 March.*
*R4 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.*
*R5 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, adjusted for the dilutive effect on the exercise of all outstanding share options.*
*R6 Net asset value per share is computed by dividing equity attributable to equity holders of the Company by the number of ordinary shares in issue at 31 March.*
*R7 Dividend cover is profit attributable to equity holders of the Company divided by total dividend.*

# STATISTICAL HIGHLIGHTS

## OPERATING STATISTICS

| | 2006-07 | 2005-06 | % Change |
|---|---|---|---|
| **Singapore Airlines** | | | |
| Passengers carried (thousand) | 18,346 | 16,995 | + 7.9 |
| Revenue passenger-km (million) | 89,148.8 | 82,741.7 | + 7.7 |
| Available seat-km (million) | 112,543.8 | 109,483.7 | + 2.8 |
| Passenger load factor (%) | 79.2 | 75.6 | + 3.6 points |
| Passenger yield (cents/pkm) | 10.9 | 10.6 | + 2.8 |
| Passenger unit cost (cents/ask) | 7.9 | 7.5 | + 5.3 |
| Passenger breakeven load factor (%) | 72.5 | 70.8 | + 1.7 points |
| **SIA Cargo** | | | |
| Cargo and mail carried (million kg) | 1,284.9 | 1,248.5 | + 2.9 |
| Cargo load (million tonne-km) | 7,995.6 | 7,874.4 | + 1.5 |
| Gross capacity (million tonne-km) | 12,889.8 | 12,378.9 | + 4.1 |
| Cargo load factor (%) | 62.0 | 63.6 | − 1.6 points |
| Cargo yield (cents/ltk) | 38.4 | 38.6 | − 0.5 |
| Cargo unit cost (cents/ctk) | 24.5 | 23.5 | + 4.3 |
| Cargo breakeven load factor (%) | 63.8 | 60.9 | + 2.9 points |
| **Singapore Airlines and SIA Cargo** | | | |
| Overall load (million tonne-km) | 16,486.8 | 15,806.8 | + 4.3 |
| Overall capacity (million tonne-km) | 24,009.7 | 23,208.0 | + 3.5 |
| Overall load factor (%) | 68.7 | 68.1 | + 0.6 point |
| Overall yield (cents/ltk) | 77.5 | 74.6 | + 3.9 |
| Overall unit cost (cents/ctk) | 50.0 | 47.7 | + 4.8 |
| Overall breakeven load factor (%) | 64.5 | 63.9 | + 0.6 point |
| **Employee Productivity (Average) – Company** | | | |
| Average number of employees | 13,847 | 13,729 | + 0.9 |
| Seat capacity per employee (seat-km) | 8,127,667 | 7,974,630 | + 1.9 |
| Passenger load per employee (tonne-km) [R1] | 613,211 | 577,784 | + 6.1 |
| Revenue per employee ($) | 819,232 | 750,441 | + 9.2 |
| Value added per employee ($) | 368,831 | 258,810 | + 42.5 |
| **Employee Productivity (Average) – Group** | | | |
| Average number of employees | 29,125 | 28,558 | + 2.0 |
| Revenue per employee ($) | 497,662 | 467,158 | + 6.5 |
| Value added per employee ($) | 223,523 | 193,781 | + 15.3 |

R1 *Passenger load includes excess baggage carried.*

## GLOSSARY

<u>Singapore Airlines</u>

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

<u>SIA Cargo</u>

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

<u>Singapore Airlines and SIA Cargo</u>

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

# BOARD OF DIRECTORS

*From left to right:*
Stephen Lee Ching Yen; Chew Choon Seng; Chia Pei-Yuan;
Euleen Goh Yiu Kiang; David Michael Gonski; Ho Kwon Ping;
James Koh Cher Siang; Sir Brian Pitman; Davinder Singh


SINGAPORE AIRLINES

# BOARD OF DIRECTORS

### STEPHEN LEE CHING YEN
Chairman

Appointed Director on 26 April 2004 and Chairman on 1 January 2006. Mr Lee is the Managing Director of Shanghai Commercial and Savings Bank Ltd. (Taiwan) and GMT Investments Pte Ltd. Mr Lee serves as President of the Singapore National Employers Federation and Chairman of the Singapore Business Federation. Mr Lee was a Nominated Member of Parliament from 1994 to 1997 and Chairman of International Enterprise Singapore from 1995 to 2002. In 2006, Mr Lee was awarded the Distinguished Service Order for his contributions to both the public and private sectors. Age 60.

### CHEW CHOON SENG
Director and Chief Executive Officer

Appointed Director on 5 March 2003, Mr Chew became the Chief Executive Officer on 9 June 2003. He joined the Company in 1972 and has held senior assignments in Finance and in Marketing, at head office and overseas. Mr Chew was also Chairman of the Board of Governors of the International Air Transport Association (IATA) from June 2006 to June 2007. Age 60.

### CHIA PEI-YUAN
Director

Appointed Director on 1 October 2003. Mr Chia retired in 1996 as Vice Chairman and a Director of Citicorp and Citibank N.A., where he had been responsible for global consumer business. He was also Citibank's senior customer and government contact in Asia. Mr Chia is a Senior Advisor to Temasek Holdings (Private) Limited; Senior Fellow of the SEI Center for Advanced Studies in Management at the Wharton Business School and a Trustee Emeritus of the Asia Society. He received an honorary Doctorate in Philosophy from Tunghai University, Taiwan in 2007. Age 68.

### EULEEN GOH YIU KIANG
Director

Appointed Director on 1 September 2006. Since 2005, Ms Goh has been the Chairman of International Enterprise Singapore. She is also the Chairperson of the Financial Industry Competency Standards Committee, since her appointment in 2003. Ms Goh is Advisor to the Singapore Institute of International Affairs and Council member of the Singapore Institute of Banking and Finance. Ms Goh held various senior management positions in Standard Chartered Bank before retiring as Chief Executive Officer in January 2007, after more than 20 years service. She was awarded a Public Service Medal for her contributions to the Financial Services sector in 2006. Age 52.

### DAVID MICHAEL GONSKI
Director

Appointed Director on 9 May 2006. Mr Gonski serves as Chairman of the Investec Banking Group, Coca Cola Amatil Ltd and the Taxation Working Group for the Prime Minister's Business Community Partnership in Australia. He is also Consultant to Morgan Stanley Australia Limited and Chancellor of the University of New South Wales. Mr Gonski was made an Officer of the Order of Australia in 2002 and received the Centenary Medal in 2003. Mr Gonski is a lawyer by training. Age 53.

### HO KWON PING
Director

Appointed Director on 15 July 2000. Currently, Mr Ho is the Executive Chairman of Banyan Tree Holdings Limited, 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 the Chairman of a number of companies and organisations, including MediaCorp Pte Ltd and the Singapore Management University. Some of his other key appointments include board membership of the Singapore – US Business Council, International Advisory Panel of Media Development Authority of Singapore and International Council and East Asia Council of INSEAD. Age 54.

### JAMES KOH CHER SIANG
Director

Appointed Director on 1 August 2005. He was the Commissioner of Inland Revenue and Commissioner of Charities before retiring in June 2005. Mr Koh was also 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. In 2002, Mr Koh was awarded the Meritorious Service Medal for his outstanding contributions to the public sector. Age 61.

### SIR BRIAN PITMAN
Director

Appointed Director on 26 July 2003. Sir Brian Pitman was knighted in 1994 for his service to banking. He is also Senior Advisor to Morgan Stanley International. Sir Brian started his career in Lloyds Bank in 1952, rising to Chief Executive in 1983 and Group Chief Executive of the Lloyds TSB Group, following their merger in 1995. From 1997 to 2001, Sir Brian served as Chairman of the Lloyds TSB Group. Sir Brian received an honorary Doctorate in Science from The City University in 1996, and from the University of Science and Technology, Manchester in 2000. He was the winner of the 1999 Gold Medal of the Institute of Management. Age 75.

### DAVINDER SINGH
Director

Appointed Director on 15 July 2000. Mr Singh is the CEO of Drew & Napier LLC. 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 has been a practising lawyer for over 20 years. His practice covers areas such as banking and corporate litigation, civil and commercial litigation, intellectual property, defamation, trust, tort and negligence. He has also been appointed as an arbitrator and is an Accredited Mediator with the Singapore Mediation Centre. Age 49.

*Note: More information on the Board of Directors can be found on pages 43 to 44.*

# CHAIRMAN'S LETTER TO SHAREHOLDERS

I am delighted to introduce the Singapore Airlines Group's 2006-07 Annual Report and Summary Financial Statements to shareholders.

2006-07 was an especially good year for Singapore Airlines. A very healthy financial result at the end of the year enabled the Board to review the Group's capital structure and we have recommended returning surplus capital to shareholders by way of a special dividend and a restructure of equity.

**The Year In Review**

During the year, we were able to unlock capital from non-core assets, such as real estate, and divestment of the Group's stake in Singapore Aircraft Leasing Enterprise. We can return capital to shareholders, without compromising the Group's strong financial position and, ensuring we can meet our future capital expenditure requirements.

> The achievement of good results and improvements in the operating performance of the Group required concerted effort from all the staff across the Airline, as well as the subsidiary companies.

The Airline's much anticipated new cabin products were launched in late 2006, to international acclaim. The launch was followed by the delivery of the new Boeing 777-300ER aircraft, and their entry into service. These events reaffirmed Singapore Airlines as a market leader and innovator, delivering on a commitment to ensure we set our own challenges for the competition – not merely respond to theirs.

Flights commenced to Milan and Barcelona – two of Europe's fashion and sporting centres – in July 2006. This service improves access to southern Europe, and has already proved very popular.

However, growth in capacity was constrained during the year, because of further delays to the deliveries of the new Airbus A380s. Our people responded to the challenge by working hard to achieve growth, in revenue and passenger numbers, considerably higher than the additional capacity we were able to add. That meant filling more flights and paying close attention to yield improvement, while still ensuring we responded to the competitive position in the market – especially in South-east Asia.

The achievement of good results and improvements in the operating performance of the Group required concerted effort from all the staff across the Airline, as well as the subsidiary companies. A lot of effort was undertaken during the year to build stronger working relationships between management and the workplace unions. I am particularly proud of the efforts of all who contributed to this result.

One of many attributes that our competitors will find hard to copy or replicate is the bond between management and our people. There is good understanding from our unions, and their leaders and members, of the competitive pressures we must face. And management benefits from the increased engagement of unions in meeting those challenges. A new union-management partnership, developed during the last year, is built on those principles. I am pleased that the Group, and its unions, are playing an active and leading role in the Labour Movement for 2011 programme, and addressing challenges which will strengthen our labour relations and contribution in future years.

## The Environment

On top of constantly facing high fuel prices and other threats, our industry has become a target of the environmental lobby, especially in Europe.

It is an undeniable fact that aircraft emit so-called greenhouse gases, and create noise. However, it is important that the pollution impact be kept in perspective.

The aviation industry must continue to improve its environmental performance. Singapore Airlines will adhere to its policy of maintaining a young and modern fleet of the quietest, and most fuel-efficient, aircraft to ensure we stay at the cutting edge of improvement.

Further, we will push our suppliers – especially aircraft and engine manufacturers – to continue the quest for improvements. And we will work with governments around the world to open more direct flight routes, to reduce fuel consumption and emissions.

Global problems require properly-considered global solutions. That's why we have reservations about regional emissions trading schemes and state-based carbon taxes.

Solutions should not merely dampen demand for travel; and they must recognise efforts of those who quickly integrate new technology, with the environmental benefits that brings.

## In Closing

I would like to thank my fellow directors for their commitment to the Company during the year in review. We bid farewell to two long-serving directors this year – Davinder Singh and Ho Kwon Ping. Messrs Singh and Ho have made solid contributions to the Board over the years, and they will be missed. I thank them for their efforts.

We were fortunate to welcome David Gonski and Euleen Goh to the Board this year, and like all our colleagues, shareholders can be pleased with the determination of the Board to continue to work hard and deliver good returns on your investments.

In addition to recognising the commitment of our staff to delivering a very strong result, I would like to thank our many loyal customers for their continued support and business over this past year. As we roll out new products and services, they will see the evidence that Singapore Airlines will never give up in the constant race to remain the world's premium airline.

**Stephen Lee**
Chairman

# CORPORATE DATA

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

## BOARD OF DIRECTORS

Chairman
**Stephen Lee Ching Yen**

**Chew Choon Seng**

**Chia Pei-Yuan**

**Fock Siew Wah**
*(until 31 July 2006)*

**Euleen Goh Yiu Kiang**
*(from 1 September 2006)*

**David Michael Gonski**
*(from 9 May 2006)*

**Charles B Goode**
*(until 31 July 2006)*

**Ho Kwon Ping**

**James Koh Cher Siang**

**Sir Brian Pitman**

**Davinder Singh**

## BOARD COMMITTEES

### Board Executive Committee

Chairman
**Stephen Lee Ching Yen**

Members
**Chew Choon Seng**

**Fock Siew Wah**
*(until 31 July 2006)*

**Euleen Goh Yiu Kiang**
*(from 1 September 2006)*

**Charles B Goode**
*(until 31 July 2006)*

**James Koh Cher Siang**
*(from 14 August 2006)*

**Davinder Singh**
*(until 13 August 2006)*

### Board Audit Committee

Chairman
**Ho Kwon Ping**

Members
**Chia Pei-Yuan**

**Euleen Goh Yiu Kiang**
*(from 1 September 2006)*

**David Michael Gonski**
*(from 14 August 2006)*

**James Koh Cher Siang**
*(until 13 August 2006)*

**Stephen Lee Ching Yen**
*(until 18 April 2006)*

### Board Compensation and Industrial Relations Committee

Chairman
**Stephen Lee Ching Yen**

Members
**Fock Siew Wah**
*(until 31 July 2006)*

**David Michael Gonski**
*(from 14 August 2006)*

**James Koh Cher Siang**
*(from 14 August 2006)*

**Sir Brian Pitman**

### Board Nominating Committee

Chairman
**Davinder Singh**

Members
**Chia Pei-Yuan**
*(from 14 August 2006)*

**Charles B Goode**
*(until 31 July 2006)*

**Ho Kwon Ping**

### Board Safety and Risk Committee

Chairman
**James Koh Cher Siang**

Members
**Chia Pei-Yuan**
*(until 13 August 2006)*

**Sir Brian Pitman**

**Davinder Singh**
*(from 14 August 2006)*

## COMPANY SECRETARY

**Loh Meng See**
*(until 15 October 2006)*

**Ethel Tan**
*(from 16 October 2006)*

## SHARE REGISTRAR

M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

## AUDITORS

Ernst & Young
Certified Public Accountants
One Raffles Quay
North Tower #18-01
Singapore 048583

## AUDIT PARTNER

Kevin Kwok
*(appointed since FY 2005-06)*

## REGISTERED OFFICE

Airline House
25 Airline Road
Singapore 819829

## EXECUTIVE MANAGEMENT

**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

**Gerard Yeap Beng Hock**
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

**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
*(until 31 March 2007)*
Senior Vice President South East Asia
*(from 1 April 2007)*

**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 Limited

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

**Mike Barclay**
*(until 23 March 2007)*
**Chin Yau Seng**
*(from 26 March 2007)*
Chief Executive
SilkAir (Singapore) Private Limited

## FINANCIAL CALENDAR

**31 March 2007**
Financial Year-End

**11 May 2007**
Announcement of 2006-07 Annual Results

**27 June 2007**
Despatch of Summary Financial Statement to Shareholders

**9 July 2007**
Despatch of Annual Report to Shareholders

**31 July 2007**
Annual General Meeting and Extraordinary General Meeting

**1 August 2007**
Announcement of 2007-08 First Quarter Results

**17 August 2007**
Payment of 2006-07 Final Dividend and Special Dividend (subject to shareholders' approval at AGM)

**31 October 2007**
Announcement of 2007-08 Second Quarter and Half Year Results

# SIGNIFICANT EVENTS

**APRIL 2006**
- The Airline increased interline electronic-ticket partnerships.

**MAY 2006**
- Mr David Gonski AO, was appointed to the Board as an independent, non-executive Director.

**JUNE 2006**
- The Airline sold SIA Building, at 77 Robinson Road, for $343.88 million.
- The Airline and the Indonesian Ministry of Culture and Tourism signed a year-long Memorandum of Understanding to jointly boost and sustain tourism to Indonesia.
- The Airline ordered 20 Boeing 787-9 aircraft worth US$4.52 billion.

**JULY 2006**
- The Airline launched a three-times-weekly service to Milan and Barcelona.
- The Airline ordered 20 Airbus A350 XWB-900 aircraft and another nine A380-800s worth US$7.5 billion. To provide interim capacity until the delivery of the A350 XWB-900s and the B787-9s, the Airline announced an order for 19 Airbus A330-300s on lease from Airbus.

**AUGUST 2006**
- The Airline began codeshare flights with Egypt Air between Singapore and Cairo.
- The Group posted a profit attributable to equity holders of $575 million for the first quarter of the financial year 2006-07.

**SEPTEMBER 2006**
- Ms Euleen Goh Yiu Kiang was appointed to the Board as an independent, non-executive Director.
- The Airline began codeshare flights with South African Airways between Johannesburg and Cape Town, Durban, Port Elizabeth and East London.

**OCTOBER 2006**
- The Airline launched its new suite of cabin products and services including the new First, Business and Economy Class seats, and the next-generation KrisWorld inflight entertainment system.
- The Group posted a profit attributable to equity holders of $293 million for the second quarter of the financial year 2006-07.

**NOVEMBER 2006**
- The Airline took delivery of its first B777-300ER at a ceremonial event in Seattle.

**DECEMBER 2006**
- The Airline outsourced its KrisShop inflight duty-free sales to DFASS Singapore Pte Ltd.
- The Airline divested its 35.5% stake in SALE, as part of a transfer of ownership by the shareholders to Bank of China Limited.
- The Airline B777-300ER entered commercial service on the Singapore-Paris route.
- The Airline extended codeshare services with Virgin Atlantic Airways to include services from London to Los Angeles, San Francisco and Dubai.

**JANUARY 2007**
- The Airline announced plans to outsource some of its reservations call centre functions in Australia, New Zealand, United States and Canada.
- The Airline signed a Letter of Intent with Rolls Royce to provide a comprehensive maintenance package for Trent 800 engines on its fleet of 58 Trent-powered Boeing 777 aircraft.
- The Airline began a market review of its global creative agency.
- The Airline extended codeshare services with Virgin Atlantic Airways to include flights between London and Sydney via Singapore.

**FEBRUARY 2007**
- The Group posted a profit attributable to equity holders of $589 million for the third quarter of the financial year 2006-07.

**MARCH 2007**
- The Airline expanded its suite of mobile services with the introduction of an enhanced mobile flight information service.

## The Year In Review

### Singapore Airlines achieved a profit attributable to equity holders of $2.13 billion for the financial year ending 31 March 2007.

During the year, Singapore Airlines grew its route network by launching new destinations, increasing frequencies on existing routes and expanded codeshare alliances with partner airlines.

The Airline welcomed a new aircraft type – the Boeing 777-300ER (Extended Range) – to its fleet and placed new orders for next-generation aircraft. These new orders will cater to the Airline's regional, medium and long-haul growth while adhering to the Airline's policy of operating a young and modern fleet.

The year in review also marked a significant milestone in the Airline's history with the launch of its new generation cabin products, raising industry standards for premium air travel.

As a drive to become a more productive and cost-effective organisation, the Airline divested its interests in some non-core assets and continued to review business processes to ensure that functions are provided in the most efficient and effective way.

## Network


The Airline expanded its network to Europe by adding a three-times-weekly service to Milan and Barcelona in July 2006.

As part of South African network restructuring, the Airline began a non-stop three-times-weekly service between Singapore and Cape Town in February 2007.

In March 2007, the Airline's three weekly Singapore-Dubai-Cairo service was replaced with direct flights to Cairo three times a week. Singapore Airlines continues to operate 10 times weekly to Dubai.

Capacity was boosted on routes to key destinations to meet increasing global demand for air travel:

| **Destination** | **Weekly Service** |
|---|---|
| Male, Maldives | 7 up from 5 |
| Ho Chi Minh City, Vietnam | 17 up from 13 |
| Bangalore, India | 7 up from 5 |
| Seoul, Korea | 24 up from 22 |
| Hong Kong | 42 up from 38 |

As at 31 March 2007, the Airline operated 764 weekly flights to 65 destinations in 35 countries.

Taking into account codeshare services with Star Alliance and partner airlines, the route network grew to 144 destinations in 43 countries.


NEW YORK
BARCELONA
SYDNEY
TOKYO

# Fleet

## Following the conclusion of a comprehensive evaluation of proposals from Boeing and Airbus, Singapore Airlines placed orders with both manufacturers to cater for fleet renewal and growth in future years.

During the year in review, nine new Boeing 777-300ER aircraft joined the operating fleet. These deliveries raised the number of Boeing 777 aircraft in the Airline to 67, reaffirming its position as the world's largest operator of the Boeing 777 family.

Five Boeing 747-400s left the operating fleet.

The Airline placed a firm order for 20 new Boeing 787-9s, (with purchase rights for another 20), for delivery between 2011 and 2013. The -9 variant of the popular B787 features a longer range and larger cabin than other models. These aircraft will be used mainly on medium range routes.

In addition, an order was placed for 20 Airbus A350 XWB-900s, (with options for a further 20), for delivery from 2013. The Airline also increased its order for the Airbus A380 jumbo, from 10 to 19 aircraft, with options for a further six.

To cater for capacity growth before the new B787-9s and A350 XWB-900s are available, the Airline will lease 19 A330-300s from Airbus, with deliveries between 2009 and 2011.

At list prices, the orders, excluding options, represent commitments of over US$12 billion, and position Singapore Airlines as a leading customer for new aircraft types being developed and offered by Airbus and Boeing.

Delays to the initial deliveries of the A380s constrained capacity growth during the year in review. The scheduled delivery of the first A380 in December 2006 did not occur, and is delayed to October 2007, with subsequent deliveries similarly late. Singapore Airlines held discussions with Airbus on the impact of these delays on the Airline's growth plans, and in December 2006, agreed on the terms of compensation with Airbus over the delays. The terms of the settlement are confidential between the parties.

The passenger fleet operated by the Airline, as at 31 March 2007, comprised 94 aircraft, with an average age of six years and three months.

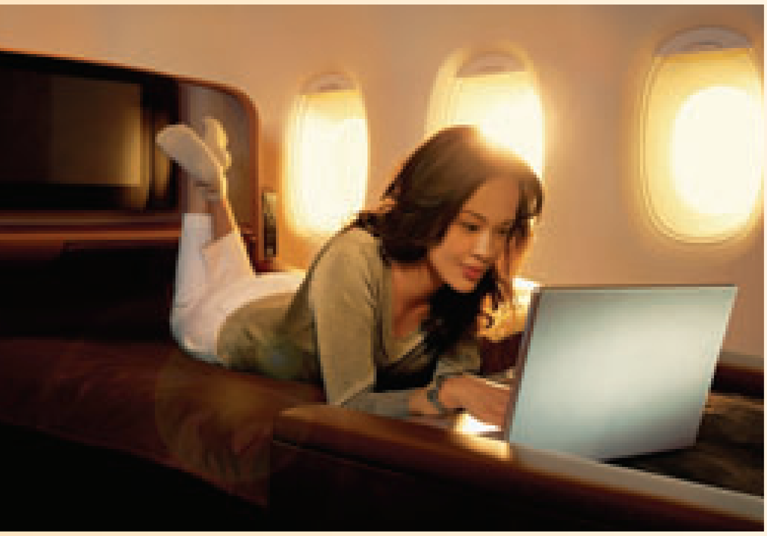
The freighter fleet of Singapore Airlines Cargo, as at 31 March 2007, comprised 14 B747-400 Freighters, with an average age of six years and four months.

SilkAir's fleet, as at 31 March 2007, consisted of eight Airbus A320 and five Airbus A319, with an average age of five years.

Photography by Sim Kok Chwee

## Product And Services

### Singapore Airlines rekindled the romance of travel when it unveiled new cabin products that set new standards in air travel.



The Airline unveiled its new cabin products to the world in October 2006.

The products are featured in the new Boeing 777-300ER aircraft which, by the end of the year in review, were flying to Paris, Milan, Barcelona, Zurich, Frankfurt, San Francisco via Seoul, and Hong Kong. More routes will progressively be added during the coming years.

**The New First Class**

The new First Class offers the most exclusive comforts in the sky. With just eight stately seats in the B777-300ER, customers are guaranteed personal attention as they relax, work, or dine in utmost privacy.

The new First Class offers an individual 58-cm LCD screen and an all-in-one business panel with laptop power supply and USB ports.

The 89-cm wide seat is the largest in the industry, and converts from a seat to the largest full-flat bed in seconds. Cleverly hidden compartments and the absence of overhead stowage bins create a more spacious cabin environment.

## The New Business Class

All Business Class customers now have direct aisle access, thanks to the forward-facing 1-2-1-cabin configuration.

The 76-cm wide Business Class seat has a fixed back shell and comes with well-positioned reading lights, in-seat laptop power supply, and USB ports. A suite of office applications on KrisWorld, viewed on the 39-cm screen, gives the customer his or her very own office in the sky.

Work aside, the seat gives customers the flexibility to relax in their preferred seating and lounging positions, or converts into a fully-flat bed within seconds.

## The New Economy Class

The Airline's new Economy Class product provides new levels of comfort in the main cabin.

The seat is ergonomically designed to enhance comfort. The seat design ensures that space is maximised, so customers enjoy greater legroom where it matters: around the knees.

Finishes are elegant and features are smart, thanks to the use of advanced technology.

Every customer has an individual USB port, and a new LCD monitor to enjoy the Airline's renowned inflight entertainment system, KrisWorld. Discreet reading lights allow customers to enjoy reading without intruding on the person next to them.

## The New KrisWorld

The Airline's new KrisWorld is powered by the latest eX2 inflight entertainment system from Panasonic Avionics. It offers more than 1000 on-demand options.

Customers can choose from an extensive selection of movies, TV programmes, interactive games, audio CDs and learning applications. For the first time, office applications are offered, providing customers the option to work onboard without a laptop.

High-resolution screens, sleek, compact handsets with intuitive controls and external USB ports adorn all three classes. The specially designed anti-noise Phitek headphones is another welcome feature for premium customers.

### Designer Touches

Furnishings in all classes are exclusively designed by Givenchy.

Meals are served to premium customers in fine restaurant-style, with full-table settings and on Givenchy-created bone chinaware and glassware.

There is also a new range of specially selected inflight amenities – Salvatore Ferragamo lotions and perfumes for First Class customers and L'Occitane fragrance and aftershave for Business Class travellers. These additions maintain the Airline's commitment to well-recognised partnerships with leading global brands.

## GROUND SERVICES

Singapore Airlines customers continue to enjoy convenient check-in facilities at their fingertips, as the Airline rolled out a series of technology-driven initiatives.

### Internet Check-in

Customers can now check-in online, choose their preferred seats and print their personal bar-coded boarding pass. Singapore Airlines is the first Asian carrier to have the self-print bar-code boarding pass facility for most of its international flights.

### Automated Check-in Machines

Automated Check-in Machines were installed at Changi Airport's Terminal 2. The system, which is similar to a bank ATM, allows customers to check themselves in, choose their seats and collect their boarding pass at the same time. This user-friendly process greatly reduces waiting time for customers.

### Interline e-tickets

Singapore Airlines is on track to achieving IATA's global goal of 100 percent e-ticketing by mid 2008. As of March 2007, 94 percent of all tickets issued from e-ticket enabled stations were e-tickets, up from 70 percent in April 2006.

More carriers partnered Singapore Airlines in its drive to promote interline e-tickets. Singapore Airlines customers whose journeys involve connections with American Airlines, Air France, British Airways, Continental Airlines, Delta Airlines and Virgin Atlantic Airways, need only one interline e-ticket for the entire trip.

## LOYALTY MARKETING

### KrisFlyer

New Star Alliance members, SWISS International Airlines and South African Airways, were added to KrisFlyer's list of partner carriers. Collaboration with these partners give members of Singapore Airlines' frequent flyer programme more ways to earn KrisFlyer miles. Other new partners include HSBC (India and Philippines), HSBC Philippines Wealth Management, OCBC (Singapore and Malaysia), Diners Club Australia, ICICI Bank, American Express (USA) and New Otani Hotels.

### The PPS Club

The Airline announced changes to its PPS Club in March, to come into effect in September 2007. The changes are designed to maintain the exclusivity of the PPS Club for the Airline's premium customers, and to provide a more equitable criterion for qualification and renewal of membership. The new criterion moves from a sector and mileage-based scheme to one which recognises value of travel in Business and First Class. In future, qualifying members will need to accrue $25,000 of travel in First or Business Class on Singapore Airlines and SilkAir services within a year.

## Awards And Accolades


Singapore Airlines won more trophies during the year in review. Accolades came from airline customers and industry observers, lending strong affirmation to the Airline's customer service, business model and corporate governance.

Singapore Airlines rose to the $17^{th}$ spot on *Fortune Magazine's* 2007 list of World's Most Admired Companies; an improvement of two places from the previous year. Singapore Airlines is also the only airline and the only Southeast Asian company, to make it to the top 50. Among non-American companies, only Toyota and BMW were ranked higher.

The Airline recorded a number of achievements on the local front as well. It topped the list of Singapore's 50 public companies by sales turnover with $13.34 billion in 2006.

The *Securities Investors Association Singapore* voted Singapore Airlines the Most Transparent Company in the Transport/Storage/Communications category for the second year running. The Airline was also named joint winner in the Big Caps category, open only to companies with a capitalisation of at least $1 billion.

Customers and industry experts continued to give the Airline their stamp of approval, as seen from the many notable wins in polls conducted by prestigious magazines worldwide.

For the fifth consecutive year, Singapore Airlines was honoured as an exclusive member of the *TTG Travel Hall of Fame*. The award is given only to companies which have won TTG's Travel Award at least 10 times. Only three other organisations are in the Hall of Fame.

Readers of leading travel magazine, *Travel + Leisure*, voted Singapore Airlines the World's Best International Airline for the $11^{th}$ straight year.

Another of the most prestigious travel magazines, *Conde Nast Traveller*, voted the Airline as the World's Best International Route Airline for the $18^{th}$ time in 19 years.

For the $15^{th}$ year running, readers of *Business Traveller Asia-Pacific* voted Singapore Airlines 'Best Airline'. The Airline topped the list in four other categories: Best Asia-Pacific Airline, Best First Class, Best Business Class and Best Economy Class.

Among many others, Singapore Airlines also got the thumbs up from readers of *Business Traveller Germany*. They voted it the Best Airline to the Far East and the Pacific (Overall), and the best in safety, cabin crew, cabin comfort, cabin appearance and catering categories.

A full list of awards achieved by the Airline during the year in review is shown on page 33. While Singapore Airlines is not in business to win awards, they are an invaluable recognition of the effort of our staff across the world.

## Safety And Security

The safety and security of customers and employees is the Group's top priority. Singapore Airlines maintains strict international safety standards in every aspect of its operations. Singapore Airlines works closely with local and international security agencies to identify and mitigate risks across the business.

Safety and security procedures are constantly reviewed to ensure that they remain relevant and applicable. To ensure the effectiveness of these security measures, the procedures are regularly audited and continuously monitored.

Singapore Airlines is committed to promoting and enhancing flight safety through collaborations with various international safety organisations. The Airline works closely with regulators and industry bodies to review and raise awareness of accident prevention strategies across all areas of the business.

## Supporting Our Communities

During the year in review, Singapore Airlines contributed over $1 million in cash and free and rebated tickets to charities, educational and community development programmes.

In July 2006, as part of on-going relief efforts by the international community for the devastating South Asian earthquake in October 2005, the Airline organised two medical missions, involving teams of volunteer Singapore medical practitioners, to Pakistan. The mission provided treatment to survivors with continuing medical needs, and also to those unable to receive treatment for debilitating conditions because medical resources were diverted to other, more urgent, post-quake injuries.

Through the year, volunteers from the Cabin Crew Club for Community Care organised community projects aimed to improve the learning and teaching facilities in orphanages and schools in Cambodia and Bohol in Philippines.

Singapore Airlines was once again awarded the Distinguished Patron of the Arts Award for its contributions to local arts groups, such as Singapore Symphonic Orchestra, Singapore Chinese Orchestra and Singapore Lyric Opera.

Through its overseas offices, the Airline also supported various local charities and communities through donations and community work carried out by Airline staff.

## Developing Our People


The year in review saw significant progress in the Group's continuing efforts to improve relations between unions and management, with the launch of the Singapore Airlines Group Union-Management Partnership initiatives on 2 April 2007.

Under the Partnership, the Group and unions affirm their commitment to be both pro-workers and pro-business as they work together to bring the Group to greater heights. Union, management and the NTUC came together in two workshops held in February and March 2007 to identify initiatives that they could jointly undertake to improve the Group's competitiveness as well as staff employability and welfare. There was open sharing of information and frank exchange of views on important as well as sensitive subjects at the workshops.

For the Airline, initiatives being considered for implementation include support for re-employment of older workers whenever possible; enhancing worker employability through skills training and upgrading; enhancing career management of cabin crew; moving towards best sourcing for functions already out-sourced; managing medical costs as well as considering the introduction of co-payment and portability for hospitalisation benefits; and putting in place workplace health programmes to improve work-life balance. Committed to work collaboratively in a problem-solving approach, the partners have also agreed to continue discussing and finding solutions for other challenges and issues that have not been identified or resolved as yet.

Earlier during the year, companies in the Group took a step towards the implementation of a performance-based rewards system with the payment of the profit-sharing bonus for financial year 2005-06 according to new agreements with unions. Under the new three-year agreements, bonuses payable to staff will progressively be linked to company-specific key performance indicators. This is different from the past where the bonuses for all employees in the Group were based entirely on the Group's performance for the year.

The Company continued its relentless efforts to drive productivity higher and foster a vibrant workplace culture through developing and investing in employees.

Staff from Cabin Crew, Flight Operations and Marketing are better equipped to serve customers and perform their duties with the introduction of W@VES (Workplace @ Virtually Everywhere, Seamlessly) in January 2007. This is the first phase of the project to roll out the new one-stop virtual work environment in the Company. The online portal allows staff to have accurate and up-to-date information relevant to their job functions at their fingertips. For example, cabin crew and pilots are alerted of their next flight duty when they log on to the portal. Links to all the essential information related to that flight are displayed on the same page to facilitate the preparation for the flight with greater ease. In addition, staff can also download the information onto mobile hand-held devices for reference at a later time.

The Singapore Airlines Group Sports Club was officially opened on 6 May 2006. The $24 million structure, built on a site near the Singapore Airlines Training Centre, houses some of the best sports facilities for staff to embrace a healthy lifestyle and work-life balance. Participation in sports and recreational activities organised by the Club also provides opportunities for interaction and networking in an informal and relaxed setting.

A follow-up to the Singapore Airlines Organisational Climate Survey, first done in 2005, was carried out during the year in review. The extensive survey seeks to assess if there has been an improvement in the overall employee engagement level and seeks feedback from Singapore-based staff and those posted overseas on topics such as job satisfaction, work relationships, training and development.

The Airline's efforts in promoting career opportunities in the Company received positive affirmation from two independent surveys. Students from local universities named the Airline 'Employer of Choice', in a survey conducted by Sweden-based research agency, Universum Communications, as part of a worldwide Ideal Employer survey. Singapore Airlines was also voted employer of choice in a survey of fresh local graduates by Jobs Factory, a campus recruitment specialist in Singapore.

As at 31 March 2007, the staff strength of Singapore Airlines Group was 29,457, an increase of 2.3 percent over the previous year. 13,942 (47.3 percent) were employed by the Airline, with 6,914 as cabin crew and 2,174 as pilots.

## Environment

### Aviation contributes just two percent of greenhouse gas emissions. Yet the industry contributes over eight percent of world Gross Domestic Product and employs some five million people globally.

Developing a sustainable aviation industry is a key challenge for airlines, aircraft and engine manufacturers, among others. As the world confronts topical issues like climate change, there has been an increasing focus on aviation's contribution to greenhouse gas emissions.

The debate has become emotional in Europe – even somewhat irrational. It is important to keep in context that aviation contributes just two percent of greenhouse gas emissions. Yet the industry contributes over eight percent of world Gross Domestic Product and employs some five million people globally. When its multiplier impact on other industries is added, that number rises to 29 million.

Over 2 billion people fly each year, and the engine-room for global growth is centred around the emerging economies in Asia, where wealth creation and improved living standards are allowing people to access air travel who have never had the opportunity to do so in the past.

Proposed measures that are aimed at curtailing growth in the aviation industry, and justified on the basis of 'sustainability' are misguided. Carbon taxes are simply a revenue grab from government: customers must be rightly concerned about where the money goes. While Singapore Airlines is keeping an open mind on the question of carbon offsets, more work needs to be done to prove that these programmes are, in fact, effective. Customers will want more transparency and visibility of results.

Further, offsets do nothing to lessen an organisation's carbon footprint: they are a cosmetic way to make people feel less guilty. Singapore Airlines is concerned that the quest for environmental improvement may get lost in the race to make people feel better about what they do.

Instead of proposing taxes, Governments need to do more to improve air traffic management flows around the world. Alone, this measure could reduce emissions from aviation by almost one-eighth. The long-debated concept of a single sky in Europe is a key example: Europe remains governed by 32 air traffic management providers, with flight paths zig-zagging across the continent. The United States has one.

Singapore Airlines remains committed to improving its environmental performance, year on year, year after year. The Airline adheres to its policy of operating a young and modern fleet of aircraft; among the most environmentally efficient in the world.

For example, the new Airbus A380, on a flight of 5000 kilometres, will reduce emissions on a per-passenger basis by some 76 percent over the first long-haul jet in the Singapore Airlines fleet: the Boeing 707. A 76 percent improvement in emissions in a 40 year time-frame shows that each generation of technology is making quantifiable improvements on the last.


In addition, the A380 will have a noise footprint at 90 decibels, more than 50 times smaller than the B707.

Singapore Airlines has established a Fuel Conservation Committee, bringing together technical staff from around the Group with a view to pursuing a quest to reduce fuel consumption. Every opportunity is taken to reduce weight on aircraft, improve flying practices and develop efficiencies, which reduce fuel consumption and emissions.

During the year, the Airline led a number of IATA working groups in the region which pursued airspace reforms, by opening more direct flight paths. The benefits of these reforms do not accrue to Singapore Airlines alone, but to the entire industry. Airspace reforms over the congested Bay of Bengal, India, Pakistan and North Pacific airspace corridors are estimated to reduce aviation emissions by over 1,000 tonnes of carbon dioxide, and 137 tonnes of nitrous oxide, per annum.

Dealing with other environmental issues, Singapore Airlines has in place a comprehensive environmental action plan that includes an integrated waste management programme for handling of hazardous substances and reducing wastes.

The use of water-saving devices, such as flow restrictors and self-closing taps, are widely used as one of the measures taken by the Group to conserve water. The most recent water conservation project involves the use of non-chemical water treatment for 10 cooling towers. This project is expected to yield savings of approximately 14,000 cubic metres a year.

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

## Singapore Airlines Turns 60

The Airline's beginnings were humble. The Singapore Airlines story traces back to 1947, with the birth of Malayan Airways Limited. On 1 May 1947, a tiny Airspeed Consul took off from Singapore's Kallang Airport, on the first of three flights a week to Kuala Lumpur, Ipoh and Penang.

Providing customers with inflight refreshments was unheard of then, but in a sign of greater things to come, customers on Malayan Airways were offered light snacks and a choice of hot and cold drinks.

Alcoholic beverages were served by a lone hostess. Little would these hostesses have guessed that they would become the forerunners of today's global icon, the Singapore Girl.

But it was the political developments in the 1960s which allowed Singapore Airlines to spread its wings. In 1966, Malayan Airways was renamed Malaysia-Singapore Airlines, following the formation of the Federation of Malaysia three years earlier and Singapore's independence in 1965. Singapore Airlines came into its own in 1972.

Since then, the Singapore Girl has become just one of the many hallmarks of Singapore Airlines. Throughout the course of the Airline's history, Singapore Airlines has consistently set standards for others to follow. The Airline was the first to offer free headsets, choice of meals and free drinks in Economy Class, provide inflight entertainment across all classes, and involve a panel of international chefs in the creation of inflight meals.

Singapore Airlines was the first to fly non-stop between London and Singapore; the first to fly direct across the North Pacific between Hong Kong and San Francisco; and the first to operate the world's longest non-stop commercial flights between Singapore and Los Angeles, then Singapore and New York.

Today, the Airline has spread its wings far beyond its first three destinations in 1947. The Airline's global route network spans 65 destinations in 35 countries. Singapore Airlines has over 20 subsidiaries, and has direct shareholdings in many other companies.

Singapore Airlines continues to score stellar financial performances in a highly competitive industry, proving that sometimes, the best way for a company to stamp its corporate footprint on the world, is simply to be a great way to fly.


Champagne
Cuvée Dom Pérignon
Vintage 1995

# Subsidiaries


### Singapore Airport Terminal Services Ltd

Singapore Airport Terminal Services (SATS) Group earned a profit attributable to equity holders of $178 million in the year in review.

SATS remained strong in the face of strong local competition. It secured many contract renewals as well as attracted new clients at Singapore Changi Airport. During the year, Malaysia Airlines outsourced its passenger handling services in Terminal 2 to SATS. SATS was also engaged to handle Cebu Pacific operations at the Budget Terminal.

The year in review also saw the launch of the refurbished SATS Premier Club in Changi Airport's Terminal 1, and the installation of 14 Auto Check-in Machines at Terminal 2.

Expansion into the region continued, with significant contract wins in India and China.

SATS, in partnership with Air India, won the cargo and ground handling franchises at the upcoming new Bangalore International Airport. Taj-SATS Air Catering, a SATS associated company, was awarded the inflight catering franchise as well.

In China, SATS associated companies, Beijing Aviation Ground Services and Beijing Airport Inflight Kitchen, extended their reach to eight regional airports in China.

### SIA Engineering Company

SIA Engineering Company (SIAEC) Group earned a profit attributable to equity holders of $242 million in the financial year ending 31 March 2007.

In July 2006, SIAEC signed a memorandum of understanding with the Wadia Group of India to form a Joint Venture Company to offer maintenance, repair and overhaul services in India.

SIAEC has commenced the construction of Hangar 6 at Singapore Changi Airport. The hangar, which will be operational in 2008, will be specially equipped to handle the A380, providing SIAEC the opportunity to build its capabilities to service this new aircraft.

In August 2006, SIAEC became the second company in the world to enter the B747-400 Passenger-to-Freighter (PTF) conversion business. In January 2007, it successfully completed its first B747-400 PTF conversion for Hong Kong's Dragonair Cargo, making it one of the first PTF conversions in the world to be completed.

Through the year, the company continued to secure new customers for its airframe, component, line maintenance and fleet management programme business.

## Singapore Airlines Cargo

Singapore Airlines Cargo (SIA Cargo) made a profit of $31 million during the year in review.

In May 2006, SIA Cargo expanded its network to China with the commencement of twice-weekly services to Tianjin. The carrier further expanded its reach to the African continent by launching a freighter service to the capital of Kenya, Nairobi, in March 2007.


During the year in review, SIA Cargo secured several key global accounts with organisers of major international events. A total of 14 charter flights were operated for four Formula One races, including three charters carrying racing vehicles and media equipment in and out of Sao Paulo, Brazil. Five charter flights carrying motor bicycles were also operated for MotoGrand Prix races in Japan, Malaysia and Doha.

SIA Cargo was also selected by NOKIA Corporation for the third successive year as one of its preferred carriers for its intra-Asia and Asia to South-Pacific and Middle-East distribution.

In 2006, SIA Cargo was one of the first few airlines in the world to participate in the IATA e-freight project. It aims to improve efficiency across the logistics supply chain through a paperfree environment. As a member of the IATA e-freight Industry Action Group, the airline together with four other airlines is working on a pilot programme in implementing e-freight by end 2007. The countries involved in the pilot programme are Singapore, Hong Kong, Canada, UK and the Netherlands.

*Subsidiaries* *(continued)*

SIA Cargo was awarded the prestigious 'Best Air Cargo Carrier – Asia' award for the thirteenth time at the *2006 Asian Freight & Supply Chain Awards*. The carrier also received the 'Top Airline For Outstanding Service' award for the second consecutive year at the *Federation of Asia-Pacific Aircargo Associations* award ceremony.

The operating fleet of SIA Cargo, as at 31 March 2007 comprised 14 B747-400 Freighters, with an average age of six years and four months.

### SilkAir

SilkAir performed well during the year in review, generating a profit of $20 million despite rising fuel costs and a highly competitive environment. The airline grew capacity on its existing network by 17 percent.

Despite strong competition on many routes, the airline registered a record uplift of 1.6 million customers during the year, up 28 percent from the previous financial year. Revenue reached a record $428 million.

These achievements were the result of sales and marketing initiatives, as well as efforts to increase aircraft utilisation and deploy capacity effectively to tap growth opportunities.

SilkAir's charter revenue registered good growth, increasing 125 percent over the previous year, as a result of charters to Christmas Island in Australia, Guiyang and Nanning in China as well as Udon Thani in Thailand.

SilkAir continued to focus on delivering value to customers with new products and refreshed services, while striving to keep its cost base in check.

SilkAir was voted 'Best Regional Airline' for the seventh time in 2006 by readers of Asia Pacific's leading travel publication *TTG Asia*. It was also the only regional airline to be featured in the top ten of *Travel + Leisure's* 'World's Best Airlines' list for the second consecutive year.

SilkAir took delivery of its 13th aircraft in June 2006. In December 2006, it placed an order for 11 Airbus A320-family aircraft, as well as options for another nine. The new orders will cater to the airline's fleet replacement and growth needs between 2009 and 2012.

# List Of Awards

**MARCH 2007**
Travel News (Sweden)
- *Grand Travel Award 2007*
- *Best Intercontinental Airline 2007*

**FEBRUARY 2007**
Asiamoney (Hong Kong) 2007 Travel Poll
- *Asia's Best Airline (11th consecutive year)*
  - *Asia's' Best Airline for First Class*
  - *Asia's Best Airline for Business Class*
  - *Asia's Best Airline for Economy Class*
  - *Asia's Best Websites for Online Booking*
  - *Asia's Best Online Check-in Facilities*

DestinAsian
Readers' Choice Awards
- *Best Overall Airline – Asia Pacific Region*
- *Best Airline in Premium Class Travel*
- *Best Economy Class*
- *Best In-flight Entertainment*
- *Best Frequent Flyer Programme*

**JANUARY 2007**
www.travelchannel.de (Germany)
- *Airline of the Year*
  *– Long haul (4th consecutive year)*
- *Best Service on the Ground*
- *Best Service Onboard*

CEI Asia Pacific Industry Survey 2007
- *Best Airline (2nd consecutive year)*

Travel Magazine (Belgium) 2006
- *Best Scheduled Carrier*

Business Traveller USA 2007
- *Best Overall Airline in the World (16th consecutive year)*
- *Best Airline for International Travel*
- *Best Economy Class in the World*
- *Best Business Class Cuisine/Menu*

Luxury Travel and Style Magazine (Australia)
- *Gold List*
- *Best First Class Airline (2nd consecutive year)*

Armbrust Aviation Group (US)
Aviation Fuel Department
- *Top Asia/Pacific Airline*

Business Traveller Germany 2007
- *Best Airline to the Far East and the Pacific (Overall)*
  - *Safety*
  - *Cabin Crew*
  - *Cabin Appearance*
  - *Cabin Comfort*
  - *Catering*

'Reisrevue' (Netherlands Trade Publication)
- *Best Scheduled Airline 2006*

**NOVEMBER 2006**
Express TravelWorld
Galileo-Express TravelWorld Awards 2006
- *Best East Bound Airline from India*

Business Traveller (China)
(2nd consecutive year)
- *Best Airline in the World*
- *Best Asian Airline Serving China*

Conde Nast Traveler (USA)
2006 Business Travel Awards
- *World's Best International Route Airline (18 out of 19 years)*

**OCTOBER 2006**
Aral Schlemmer Atlas (Germany)
- *Airline of the Year (2nd consecutive year)*

Commonwealth Magazine (Taiwan)
The Most Admired Company Awards
- *Winner – Airline Industry Category (9 out of 12 years)*

Travel Inside (Switzerland)
- *Gold Award – Swiss Travel Star (13th consecutive year)*

TTG Annual Travel Awards
- *Travel Hall of Fame (5th consecutive year)*

Asian Wall Street Journal Award 2006
*Singapore's Most Admired Company*

International Enterprise Singapore
The Singapore Brand Award 2006
- *One of Singapore's 15 Most Valuable Brands*

TIME
Readers' Travel Choice Awards 2006
- *Most Preferred Airline*
- *Best First/Business Class (Runner-Up)*

**SEPTEMBER 2006**
ExecutiveTravel Magazine (USA)
Executive Travel Leading Edge Awards
- *Best Foreign Airline*
- *Best First Class Service (International)*

Business Traveller Asia-Pacific
Awards 2006
- *Best Airline (15th consecutive year)*
- *Best Asia-Pacific Airline*
- *Best First Class*
- *Best Business Class*
- *Best Economy Class*

SmartTravel Asia, Best in Travel 2006
- *World's Best Cabin Service*

Securities Investors Association (Singapore)
SIAS 7th Investors' Choice Awards 2006
(2nd consecutive year)
Transport/Storage/Communications Category
- *Most Transparent Company Award 2006*

Big Caps (above $1 billion) Category
- *Most Transparent Company Award 2006*

**JULY 2006**
Reise & Preise Travel Magazine (Germany)
- *Best Airline on Long Haul Flights – Economy Class (4th consecutive year)*
  - *Service on Board*
  - *Inflight Entertainment*
  - *Catering*
  - *Beverage Service*

Capital Magazine (Germany)
- *Intercontinental Airline of the Year (6th consecutive year)*
  - *Service*
  - *Cabin Comfort*
  - *Catering*

Travel+Leisure Magazine (USA)
- *World's Best International Airline (11th consecutive year)*

**JUNE 2006**
Business Traveller Middle East Awards
- *Best Asian Airline Serving the Middle East (5th consecutive year)*

**MAY 2006**
Asian Banking & Finance Magazine
Asian Banking & Finance Travel Awards
- *Best Airline for Travel in Asia*

CAAS
Changi Airline Awards
*Top 10 Airlines by Passenger Carriage 2005*

Fortune Magazine
*Top 20 World's Most Admired Companies*

**APRIL 2006**
Reader's Digest Trusted Brands
*Platinum Award – Airline Category (Singapore) (7th consecutive year)*

National Consumer Services
Index Survey (South Korea)
*Best International Airline (9th consecutive year)*

Conferences Exhibitions Incentives
Asia Pacific
Survey 2006
*Best Airline for CEI Sector*

# STATEMENT ON RISK MANAGEMENT

## 1. BOARD EMPHASIS ON RISK MANAGEMENT

Since 2002, Singapore Airlines has implemented a formalized Risk Management Framework to assist business units in identifying and reporting risks across the Group. This Framework is an important and integral part of the overall management and governance structure. To give greater focus to the Board's commitment to corporate-wide risk management, the oversight of risk management was moved from the Audit Committee to the Board Safety and Risk Committee (previously known as the Board Safety & Reliability Committee). The written terms of reference of the Board Safety and Risk Committee was revised to reflect the enhanced focus on risk management.

## 2. ENHANCEMENTS TO THE RISK MANAGEMENT PROCESS

**Training**

As part of the effort to embed risk management across the organization, the company commenced a program to train all ground staff, starting with the operational business units. The training sessions and workshops allowed staff at all levels to better understand the risk management process as well as the risk issues and concerns.

**Communications**

An intranet site was launched to facilitate communication and accessibility of information on risk management throughout the organization.

## 3. ONGOING RISK REVIEWS AND IMPROVEMENTS

**Annual Risk Management Review**

The Group carried out the 5th Annual Risk Review, in addition to a strategic risks review pursuant to the Strategic Risks Framework introduced last year. These risks surfaced were consolidated and reviewed by the Group Risk Management Committee before being surfaced to SIA Board Safety and Risk Committee.

**Information Security and Handling**

A review of Information Security Risks was carried out, with particular attention to the Group's "Information Handling Procedures".

**Improving Self-assessment of Compliance**

To enhance the discipline of self-assessment of controls over process risks, a dedicated "CSA Unit" was created to drive the "controls self-assessment" program to ensure that company policies and procedures are complied with.

## 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 2006 to 31 March 2007

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

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

## The Board's Conduct of Affairs, Board Composition and Guidance, Chairman and Chief Executive Officer (Principles 1 to 3)

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

As at 31 March 2007, the Board comprises the following members:

| Name of Director | Position held on the Board | Date of first appointment to the Board | Date of last re-election as Director | Nature of Appointment |
|---|---|---|---|---|
| Stephen Lee Ching Yen | Chairman | 26 April 2004 | 29 July 2004 | Non-executive/Non-Independent |
| Chew Choon Seng | Director | 5 March 2003 | 28 July 2005 | Executive/Non-Independent |
| Chia Pei-Yuan | Director | 1 October 2003 | 31 July 2006 | Non-executive/Independent |
| Euleen Goh Yiu Kiang | Director | 1 September 2006 | N.A. | Non-executive/Independent |
| David Michael Gonski | Director | 9 May 2006 | 31 July 2006 | Non-executive/Independent |
| Ho Kwon Ping | Director | 15 July 2000 | 31 July 2006 | Non-executive/Independent |
| James Koh Cher Siang | Director | 1 August 2005 | 31 July 2006 | Non-executive/Independent |
| Sir Brian Pitman | Director | 26 July 2003 | 31 July 2006 | Non-executive/Independent |
| Davinder Singh | Director | 15 July 2000 | 31 July 2006 | Non-executive/Independent |

*Note: Mr Charles B Goode and Mr Fock Siew Wah stepped down after the last AGM on 31 July 2006.*

The Board currently comprises 9 Directors. The size and composition of the Board are reviewed from time to time, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is appropriate to facilitate effective decision-making, and that the Board has an appropriate balance of independent Directors. The Directors come from diverse backgrounds with varied expertise in finance, legal, industry, business, labour and management fields. Their profiles are found on pages 6 to 7 of this Report.

There is a strong independent element in the Board, with the Nominating Committee considering 7 out of 9 directors to be independent. Mr Stephen Lee is a member of the Advisory Panel of the Company's substantial shareholder, Temasek Holdings (Private) Limited ("Temasek"). Mr Chew Choon Seng is the Chief Executive Officer ("CEO") of the Company. Although Mr Chia Pei-Yuan is a Senior Advisor to Temasek, the Nominating Committee considers him to be independent, as he advises Temasek only on matters concerning financial institutions in Asia. All Directors have demonstrated objectivity in their deliberations in the interests of the Company.

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

The Chairman, Mr Stephen Lee and the CEO, Mr Chew Choon Seng, are not related to each other. There is appropriate division of responsibilities between the Chairman and the CEO, which ensures a balance of power and authority within the Company. The Chairman leads the Board and is responsible for its workings and proceedings, while the CEO is responsible for implementing the Company's business strategies and policies, and the conduct of its business.

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

In 2006, the Board consolidated its various Board Committees into 5 Committees to assist the Board in the execution of its responsibilities, namely:

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

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

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

### *Board Executive Committee (ExCo)*

The ExCo comprised Mr Stephen Lee (Chairman), Mr Chew Choon Seng, Mr James Koh (appointed on 14 August 2006 in place of Mr Davinder Singh, who served until 13 August 2006), Ms Euleen Goh (appointed on 1 September 2006), Mr Charles B Goode (until 31 July 2006) and Mr Fock Siew Wah (until 31 July 2006).

The ExCo oversees the execution by Management of the overall strategy, policies, directions and guidelines set by the Board for the SIA Group. The Exco also reviews and makes recommendations to the Board on the annual operating and capital budgets and matters relating to the Group's wholly-owned subsidiaries. The ExCo is authorised to approve transactions beyond a designated materiality threshold, 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.

In August 2006, the ExCo assumed the functions of the previous Board Finance Committee, namely, 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 ExCo also acts as the approving body for projects relating to these matters. In addition, the ExCo also reviews share buy back procedures and functions as the Company's Share Buy Back Committee.

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

The SRC comprised Mr James Koh (Chairman), Sir Brian Pitman and Mr Davinder Singh (appointed on 14 August 2006 in place of Mr Chia Pei-Yuan, who served until 13 August 2006). The functions of the SRC include ensuring that systems and programmes in the Group comply with regulatory requirements and accord with the best practices of the aviation industry; reviewing regular reports on safety performances; reviewing accident investigation findings and recommendations; and advising Management and reporting to the Board on safety issues.

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

### *Board Nominating Committee (NC)*

The NC comprised 3 independent Directors, namely, Mr Davinder Singh (Chairman), Mr Ho Kwon Ping, Mr Chia Pei-Yuan (appointed on 14 August 2006) and Mr Charles B Goode (until 31 July 2006). Mr Singh is not associated with a substantial shareholder.

***Board Nominating Committee (NC) (continued)***

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

The Company's Articles of Association provide that one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third are required to retire from office. Retiring Directors are selected on the basis of those who have been longest in office since their last re-election, failing which they shall be selected by agreement or by lot. New Directors appointed in the year are subject to retirement and re-election by shareholders at the next Annual General Meeting after their appointment. All new appointments and re-elections require the approval of the Special Member, the Minister for Finance (Incorporated).

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

The BCIRC comprised Mr Stephen Lee (Chairman), Sir Brian Pitman, Mr James Koh (appointed on 14 August 2006), Mr David Michael Gonski (appointed on 14 August 2006) and Mr Fock Siew Wah (until 31 July 2006). All members of the Committee are non-executive directors. Although Mr Stephen Lee is not considered independent under the Code of Corporate Governance, by virtue of his position as a member of the Temasek Advisory Panel; the Nominating Committee is of the view that Mr Lee, being a non-executive Chairman, is able to discern independently and detach himself from the Management in deciding on remuneration issues.

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

The BCIRC also ensures that there are sufficient candidates recruited and/or promoted to leadership positions, which include monitoring the leadership development programme. The BCIRC 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 BCIRC also seeks to drive the building of mutual trust and confidence between Management and the unions. It directs the improvement of work practices to increase labour flexibility and optimize the usage of manpower, and oversees the development of a performance-linked reward system. A strong management-union partnership will be mutually beneficial resulting in greater competitiveness for the Company.

## Access to Information (Principle 6)

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. Board Papers contain both regular items such as reports on its subsidiaries and associated companies, updates on business development, monthly management accounts, and productivity and performance indicators, as well as matters for the decision or information of the Board.

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

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

The Board is proposing an increase in the retainers to be paid to Directors and Committee members, to bring the current fee structure in line with the market rate for Directors of large global companies with international Directors. In addition, the Board is proposing that attendance fees be paid for all Directors to compensate them for the time and opportunity costs incurred, particularly for foreign Directors, to attend Board meetings.

| | | Current S$ | New S$ |
|---|---|---|---|
| Board Retainers | Board Member | 50,000 | 80,000 |
| | Chairman | 100,000 | 160,000 |
| Committee Retainers | Chairman of Executive Committee and Audit Committee | 35,000 | 50,000 |
| | Chairman of other Board Committee, Member of Executive Committee and Audit Committee* | 25,000 | 35,000 |
| | Member of other Board Committee | 15,000 | 20,000 |
| Attendance fees | Home-based | – | 1,000 |
| | In-region | 5,000 | 6,000 |
| | Out-region | 5,000 | 12,000 |

* *The new retainer for ExCo members is proposed to be the same as the retainer for AC members, in recognition of the volume of transactions requiring the ExCo's deliberation throughout the year.*

The net Directors' fees proposed to be paid in 2006-07 is S$1,319,304 [FY 05-06: S$930,833]. Mr Chew Choon Seng's fees will be retained by the Company.

The following table shows the composition (in percentage terms) of the remuneration of Directors, including those appointed and resigned/retired during the year.

| | | | Bonus | | | | Stock options granted during the year | | Performance and Restricted Shares granted during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Fee % | Salary % | Fixed % | Variable# % | Benefits % | Total % | Number | Exercise price $ | Number |
| **Below $250,000** | | | | | | | | | |
| Stephen Lee Ching Yen | 99 | – | – | – | 1 | 100 | – | – | – |
| Chia Pei-Yuan | 99 | – | – | – | 1 | 100 | – | – | – |
| Euleen Goh Yiu Kiang | 100 | – | – | – | 0 | 100 | – | – | – |
| David Michael Gonski | 100 | – | – | – | 0 | 100 | – | – | – |
| Ho Kwon Ping | 93 | – | – | – | 7 | 100 | – | – | – |
| James Koh Cher Siang | 100 | – | – | – | 0 | 100 | – | – | – |
| Sir Brian Pitman | 100 | – | – | – | 0 | 100 | – | – | – |
| Davinder Singh | 99 | – | – | – | 1 | 100 | – | – | – |
| Charles B Goode* | 97 | – | – | – | 3 | 100 | – | – | – |
| Fock Siew Wah* | 98 | – | – | – | 2 | 100 | – | – | – |
| **Between $2,750,001 to $3,000,000** | | | | | | | | | |
| Chew Choon Seng# | – | 42 | 4 | 50 | 4 | 100 | 120,000 | 12.60 | 27,000 PSP<br>30,000 RSP |

* *Mr Charles B Goode and Mr Fock Siew Wah stepped down from the Board after the last AGM on 31 July 2006.*
\# *Includes EVA-based incentive payment and profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2007. Shares awarded under the PSP and RSP are subject to performance targets and other terms and conditions being met under the respective share plans. Director's fees were retained by the Company.*

No employee of the Group who is an immediate family member of a Director was paid a remuneration that exceeded $150,000 during the financial year ended 31 March 2007.

| | | | Bonus | | | | Stock options granted during the year | | Performance and Restricted Shares granted during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Fee % | Salary % | Fixed % | Variable # % | Benefits % | Total % | Number | Exercise price $ | Number |
| **Between $1,000,001 to $1,250,000** | | | | | | | | | |
| Bey Soo Khiang # | – | 45 | 4 | 42 | 9 | 100 | 40,000 | 12.60 | 13,500 PSP<br>10,000 RSP |
| **Between $750,001 to $1,000,000** | | | | | | | | | |
| Huang Cheng Eng # | – | 45 | 4 | 42 | 9 | 100 | 30,000 | 12.60 | 10,000 PSP<br>7,500 RSP |

\# *Includes EVA-based incentive payment and profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2007. Shares awarded under the PSP and RSP are subject to performance targets and other terms and conditions being met under the respective share plans.*

## Long-Term Share Incentives

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

The ESOP was introduced in 2000 with the objective of promoting unity and team spirit through a sense of share ownership. In 2005, the Company enlisted an external consultant to review its share-based incentives. The PSP and RSP, which were approved by shareholders at the Extraordinary General Meeting of the Company held on 28 July 2005, were introduced with a view to further strengthening the Company's competitiveness in attracting and retaining talented key senior management and senior executives. The PSP and RSP aim to more directly align the interests of key senior management and senior executives with the interests of Shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior management and senior executives. These plans contemplate the award of fully paid Shares, when and after pre-determined performance or service conditions are met. Non-executive Directors of the Group are not eligible to participate in the PSP and RSP.

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

The 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. 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.  Consistent with the Company's philosophy on adopting a pay-for-performance principle, awards that had been granted under the RSP are contingent on performance targets based on criteria such as EBITDAR margin and staff productivity to be achieved over a two-year performance period. An extended vesting period is imposed beyond the performance target completion date, that is, a time-based service condition is imposed 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 PSP or RSP will be determined at the absolute discretion of the BCIRC which will take into account criteria such as his rank, job performance, 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. The BCIRC has the discretion to review and amend performance conditions and target(s) where it feels appropriate and as relevant to the business conditions.

The total aggregate number of Shares which may be issued pursuant to awards granted under the PSP or the RSP, 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 PSP and RSP, 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.

Details of the Company's PSP, RSP and ESOP can be found on pages 66 to 69 of the Report by the Board of Directors.

### Accountability (Principle 10)

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

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

### Board Audit Committee (Principle 11)

The Board Audit Committee (AC) comprised Mr Ho Kwon Ping (Chairman), Mr Chia Pei-Yuan, Mr David Michael Gonski (appointed on 14 August 2006 to replace Mr James Koh, who served until 13 August 2006), Ms Euleen Goh (appointed on 1 September 2006) and Mr Stephen Lee (until 18 April 2006). All the current AC members are independent Directors.

The AC's activities for financial year 2006-07, in accordance with its responsibilities and duties under its Charter, included the following:

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

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

**(c) Internal Audit**
The AC reviewed the scope of internal audit work and its audit programmes; reviewed the major findings during the year and Management's responses thereto; and ensured the adequacy of the internal audit function.

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

**(e) Interested Person Transactions**
The AC reviewed interested person transactions to ensure compliance with the SGX-ST Listing Manual and the Shareholders' Mandate obtained at the last Annual General Meeting.

**(f) Whistle-Blowing**

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

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

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

In the opinion of the Directors, the Company complies with the Code's guidelines on Audit Committees.

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

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

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

It is the opinion of the Board that, in the absence of evidence to the contrary, the system of internal controls maintained by Management and in place throughout the financial year 2006-07, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, business and compliance risks. The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor 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 34 of this Report.

## Communication with Shareholders (Principles 14 and 15)

The Company believes in prompt disclosure of pertinent information. It values dialogue with shareholders, and holds analyst and media briefings when announcing half-yearly and year-end results. The proceedings are concurrently broadcasted 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 posted on the Company's website at www.singaporeair.com, and disclosure via SGXNET. The Company's Investor Relations Department meets with 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. Minutes of shareholders' meetings are available on request by registered shareholders.

## Banking Transaction Procedures

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

# MEMBERSHIP AND ATTENDANCE OF SINGAPORE AIRLINES LIMITED BOARD OF DIRECTORS AND BOARD COMMITTEE MEMBERS

For the period 1 April 2006 to 31 March 2007

| Name of Director | Board | | Board Executive Committee | | Board Audit Committee | | Board Compensation and Industrial Relations Committee | | Board Safety and Risk Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No.of meetings held | No.of meetings attended | No.of meetings held | No.of meetings attended | No.of meetings held | No.of meetings attended | No.of meetings held | No.of meetings attended | No.of meetings held | No.of meetings attended |
| Stephen Lee Ching Yen | 4 | 4 | 5 | 5 | –* | – (Note 1) | 3 | 3 | – | – |
| Chew Choon Seng | 4 | 4 | 5 | 5 | – | – | – | – | – | – |
| Chia Pei-Yuan | 4 | 3 | – | – | 4 | 3 | – | – | 2* | 1 (Note 2) |
| Euleen Goh Yiu Kiang (Note 4) | 2* | 2 | 3* | 3 | 2* | 1 | – | – | – | – |
| David Michael Gonski (Note 5) | 4* | 4 | – | – | 2* | 2 (Note 3) | 2* | 2 (Note 3) | – | – |
| Ho Kwon Ping | 4 | 3 | – | – | 4 | 3 | – | – | – | – |
| James Koh Cher Siang | 4 | 4 | 3* | 3 (Note 3) | 2* | 2 (Note 2) | 2* | 2 (Note 3) | 4 | 4 |
| Sir Brian Pitman | 4 | 4 | – | – | – | – | 3 | 3 | 4 | 4 |
| Davinder Singh | 4 | 4 | 2* | 2 (Note 2) | – | – | – | – | 2* | 2 (Note 3) |
| Charles B Goode (Note 6) | 1* | 1 | 2* | 1 | – | – | – | – | – | – |
| Fock Siew Wah (Note 6) | 1* | 1 | 2* | 1 | – | – | 1* | – | – | – |

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

**Notes**

1 *Served on Board Audit Committee until 18 April 2006*
2 *Served on Committee from 1 April to 13 August 2006*
3 *Appointed to Committee on 14 August 2006*
4 *Appointed to the Board on 1 September 2006*
5 *Appointed to the Board on 9 May 2006*
6 *Stepped down from the Board after AGM on 31 July 2006*
7 *The Nominating Committee did not hold any physical meeting but conducted all its deliberations via written or verbal communication*

# FURTHER INFORMATION ON BOARD OF DIRECTORS

## STEPHEN LEE CHING YEN

**Academic and Professional Qualifications:**

- Master of Business Administration
  Northwestern University, Illinois

**Current Directorships**

| *Company* | *Title* |
|---|---|
| 1. SIA Engineering Company Limited | Chairman |
| 2. Singapore Business Federation | Chairman |
| 3. GMT Investments Pte Ltd | Managing Director |
| 4. Shanghai Commercial & Savings Bank Ltd, TWN | Managing Director |
| 5. Baosteel Group Corporation, Shanghai | Director |
| 6. Fraser & Neave Ltd | Director |
| 7. G2000 Apparel (S) Pte Ltd | Director |
| 8. Kidney Dialysis Foundation | Director |
| 9. Singapore Labour Foundation | Director |
| 10. Shanghai Commercial & Savings Bank Ltd, Hong Kong | Director |
| 11. Chinese Development Assistant Council | Board Member |
| 12. Dr Goh Keng Swee Scholarship Fund | Board Member |
| 13. National Wages Council | Member |

**Directorships for the past 3 years**

| *Company* | *Title* |
|---|---|
| 1. PSA Corporation Limited | Chairman |
| 2. PSA International Pte Ltd | Advisor & Chairman |

## CHEW CHOON SENG

**Academic and Professional Qualifications:**

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

**Current Directorships**

| *Company* | *Title* |
|---|---|
| 1. SIA Engineering Company Limited | Deputy Chairman |
| 2. Singapore Airport Terminal Services Limited | Deputy Chairman |
| 3. Government of Singapore Investment Corporation Pte Ltd | Director |
| 4. Singapore Exchange Ltd | Director |

**Directorships for the past 3 years**

| *Company* | *Title* |
|---|---|
| 1. International Air Transport Association | Chairman Board of Governors |
| 2. Singapore Aircraft Leasing Enterprise Pte Ltd | Chairman |
| 3. Singapore International Foundation | Member Board of Governors |
| 4. Virgin Atlantic Limited | Director |
| 5. Virgin Atlantic Airways Limited | Director |
| 6. Virgin Travel Group Limited | Director |

## CHIA PEI-YUAN

**Academic and Professional Qualifications:**

- Bachelor of Arts in Economics, Tunghai University, Taiwan
- Master of Business Administration, University of Pennsylvania
- Honorary Doctorate of Philosophy, Tunghai University, Taiwan

**Current Directorships**

| *Company* | *Title* |
|---|---|
| 1. Chia Family Foundation, Inc. | Chairman |

**Directorships for the past 3 years**

| *Company* | *Title* |
|---|---|
| 1. American International Group, Inc. | Director |
| 2. Baxter International, Inc. | Director |

## EULEEN GOH YIU KIANG

**Academic and Professional Qualifications:**

Member of:-

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

**Current Directorships**

| *Company* | *Title* |
|---|---|
| 1. International Enterprise Singapore | Chairman |
| 2. MediaCorp Pte Ltd | Director |
| 3. MOH Holdings Pte Ltd | Director |
| 4. Singapore Chinese Girls' School | Director |
| 5. Singapore Exchange Limited | Director |
| 6. Standard Chartered Bank Malaysia Berhad | Director |
| 7. Standard Chartered Bank Thailand pcl | Director |
| 8. Northlight School | Chairperson Board of Governors |
| 9. The Institute of Banking & Finance | Council Member |

**Directorships for the past 3 years**

| *Company* | *Title* |
|---|---|
| 1. Chartered Corporate Services Singapore Limited | Director |
| 2. Raffles Nominees (Pte) Limited | Director |
| 3. S C Learning Pte Ltd | Director |
| 4. Scope International (M) Sdn Bhd | Director |
| 5. Scope International Private Limited | Director |
| 6. Singapore International Chamber of Commerce | Director |
| 7. Standard Chartered (1996) Limited | Director |
| 8. Standard Chartered (2000) Limited | Director |
| 9. Standard Chartered International Trade Products Limited | Director |
| 10. Council on Corporate Disclosure & Governance | Member |
| 11. The Association of Banks in Singapore | Council Member |
| 12. National Heritage Board | Board Member |

## DAVID MICHAEL GONSKI

**Academic and Professional Qualifications:**

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

**Current Directorships**

| *Company* | *Title* |
|---|---|
| 1. Coca-Cola Amatil Limited | Chairman |
| 2. Investec Bank (Australia) Limited | Chairman |
| 3. Investec Wentworth Pty Limited | Chairman |
| 4. Taxation Working Group for the Prime Minister's Business Community Partnership | Chairman |
| 5. UNSW Foundation Limited | Chairman |

| | | |
|---|---|---|
| 6. | Sydney Grammar School | President/Chairman Board of Trustees |
| 7. | Australian Securities Exchange Ltd | Director |
| 8. | The Westfield Group | Director |
| 9. | The University of New South Wales (UNSW) | Chancellor |

**Directorships for the past 3 years**

| | *Company* | *Title* |
|---|---|---|
| 1. | Brain & Mind Foundation | Chairman |
| 2. | National Institute of Dramatic Art | Chairman |
| 3. | Australia Council for the Arts | Chairman |
| 4. | HPM Industries Pty Limited | Chairman |
| 5. | Art Gallery of New South Wales Trust | President |
| 6. | ANZ Banking Group Limited | Director |
| 7. | ING Australia Limited | Director |
| 8. | John Fairfax Holdings Limited | Director |
| 9. | UNSW Asia | Director |
| 10. | The Takeovers Panel | Director/Member |

## HO KWON PING

**Academic and Professional Qualifications:**

– Bachelor of Arts in Economics, University of Singapore
– Honorary Doctorate of Business Administration in Hospitality Management Johnson & Wales University, United States of America

**Current Directorships**

| | *Company* | *Title* |
|---|---|---|
| 1. | Banyan Tree Holdings Limited | Executive Chairman |
| 2. | Banyan Tree Hotels & Resorts Pte Ltd | Chairman |
| 3. | Laguna Resorts & Hotels Public Company Limited | Chairman |
| 4. | MediaCorp Pte Ltd | Chairman |
| 5. | Singapore Management University | Chairman |
| 6. | Thai Wah Food Products Public Company Limited | Chairman |
| 7. | Tropical Resorts Limited | Chairman |
| 8. | Air Seychelles | Director |
| 9. | Asia Tapioca Products Co Ltd | Director |
| 10. | Banyan Tree Adventures Pte Ltd | Director |
| 11. | Bibace Investments Ltd | Director |
| 12. | Chang Fung Company Limited | Director |
| 13. | Felicity Investments Ltd | Director |
| 14. | Freesia Investments Ltd | Director |
| 15. | KAP Holdings Ltd | Director |
| 16. | Laguna Beach Club Limited | Director |
| 17. | Li-Ho Holdings (Private) Limited | Director |
| 18. | Mae Samat Land Limited | Director |
| 19. | Maypole Ltd | Director |
| 20. | Recourse Investments Ltd | Director |
| 21. | Rowan Company Limited | Director |
| 22. | Tay Ninh Tapioca Company Limited | Director |
| 23. | Tropical Resorts Management Co Ltd | Director |
| 24. | Wah-Chang Offshore (Hong Kong) Company Limited | Director |

**Directorships for the past 3 years**

| | *Company* | *Title* |
|---|---|---|
| 1. | Banyan Tree Spas Pte Ltd | Director |
| 2. | Chateray Limited | Director |
| 3. | International Commercial Development Company Limited | Director |
| 4. | MediaCorp Entertainment Pte Ltd | Director |
| 5. | MediaCorp News Pte Ltd | Director |
| 6. | MediaCorp Press Ltd | Director |
| 7. | MediaCorp Publishing Pte Ltd | Director |
| 8. | MediaCorp Radio Singapore Pte Ltd | Director |
| 9. | MediaCorp Studios Pte Ltd | Director |
| 10. | MediaCorp Technologies Pte Ltd | Director |
| 11. | MediaCorp TV Holdings Pte Ltd | Director |
| 12. | MediaCorp TV Singapore Pte Ltd | Director |
| 13. | MediaCorp TV12 Singapore Pte Ltd | Director |
| 14. | Sin-Hai Offshore Company Limited | Director |
| 15. | Standard Chartered Plc | Director |
| 16. | Tapioca Development Corporation Limited | Director |
| 17. | Thai Wah Group Planner Company Limited | Director |
| 18. | Singapore Tourism Board | Board Member |

## JAMES KOH CHER SIANG

**Academic and Professional Qualifications:**

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

**Current Directorships**

| | *Company* | *Title* |
|---|---|---|
| 1. | Singapore Deposit Insurance Corporation Limited | Chairman |
| 2. | Housing & Development Board | Deputy Chairman |
| 3. | National Kidney Foundation | Deputy Chairman |
| 4. | CapitaLand Limited | Director |
| 5. | CapitaLand Hope Foundation | Director |
| 6. | Hotel Plaza Limited | Director |
| 7. | Singapore Cooperation Enterprise | Director |
| 8. | United Overseas Land Limited | Director |

## SIR BRIAN PITMAN

**Academic and Professional Qualifications:**

– Fellow Chartered Institute of Bankers

**Current Directorships**

| | *Company* | *Title* |
|---|---|---|
| 1. | ITV plc | Director |
| 2. | The Carphone Warehouse Group plc | Director |
| 3. | Tomkins plc | Director |
| 4. | Virgin Atlantic Limited | Director |
| 5. | Virgin Atlantic Airways Limited | Director |
| 6. | Virgin Travel Group Limited | Director |

## DAVINDER SINGH

**Academic and Professional Qualifications:**

– Bachelor of Laws (Hons), University of Singapore

**Current Directorships**

| | *Company* | *Title* |
|---|---|---|
| 1. | Freshfields Drew & Napier Pte Ltd | Managing Director |
| 2. | Drew & Napier LLC | CEO & Director |
| 3. | DrewCorp Services Pte Ltd | Director |
| 4. | Petra Foods Limited | Director |

**Directorships for the past 3 years**

| | *Company* | *Title* |
|---|---|---|
| 1. | Singapore Technologies Pte Ltd | Director |
| 2. | Zagro Asia Limited | Director |

# FINANCIALS



**Highlights of the Group's Performance**

- Total revenue $14,494 million (+8.6 per cent)
- Total expenditure $13,180 million (+8.7 per cent)
- Operating profit $1,314 million (+8.3 per cent)
- Profit after taxation $2,202 million (+68.2 per cent)
- Profit attributable to equity holders of the Company $2,129 million (+71.6 per cent)
- Basic earnings per share 172.6 cents (+69.7 per cent)
- Equity attributable to equity holders of the Company $15,100 million (+12.1 per cent)
- Net asset value $12.11 per share (+10.1 per cent)
- Total debt equity ratio 0.12 times (-0.05 times)

## Performance of the Group

**Group Earnings**

The Group achieved an operating profit of $1,314 million for the financial year ended 31 March 2007. This was $101 million (+8.3 per cent) more than the previous financial year, credited to strong performance by the Company, which turned in a record operating profit of $1,027 million, up by $376 million (+57.8 per cent).

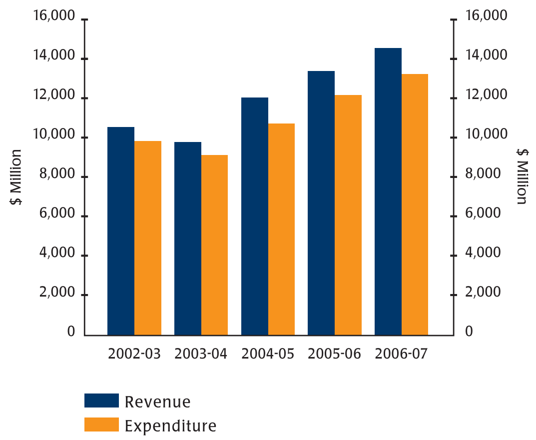
Robust passenger demand produced record revenue of $14,494 million for the Group, up $1,153 million (+8.6 per cent) on the year before. The number of passengers carried for the full year at 18.346 million was the highest achieved in the Company's history. Underpinned by the strong growth in carriage for passenger operations, passenger yield improved 2.8 per cent.

However, Group expenditure also increased, rising $1,052 million (+8.7 per cent) to $13,180 million, led by higher fuel cost. Expenditure on fuel was up $676 million (+16.0 per cent) to $4,917 million, mainly due to increase in the price of jet fuel. Fuel accounted for 37.3 per cent of the Group expenditure, up 2.3 percentage points from a year ago. Despite higher fuel prices, the Group was able to curb the rise in expenditure through collective efforts towards improved cost management, efficiency and productivity. Excluding fuel, the increase in Group expenditure was at a slower rate than revenue; higher by $376 million (+4.8 per cent).

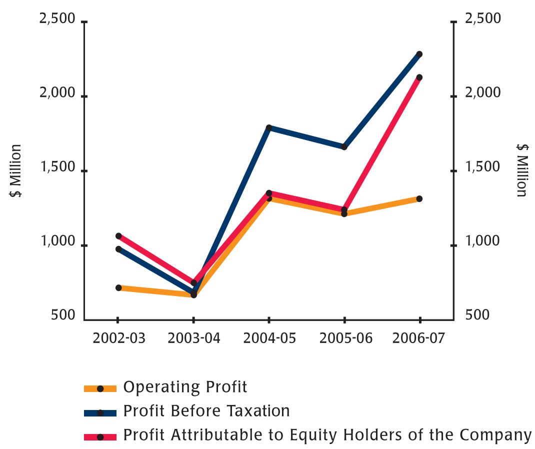
For the financial year, the Group posted a profit attributable to equity holders of the Company of $2,129 million, up $888 million (+71.6 per cent) from last year. This was driven by exceptional gains of $421 million (sale of SIA Building and sale of investment in Singapore Aircraft Leasing Enterprise), tax write-back of $247 million due to reduction in statutory tax rate from 20 per cent to 18 per cent and higher operating profit.

The Group's earnings per share (basic) increased 69.7 per cent to 172.6 cents, in line with the growth in profit attributable to equity holders of the Company of 71.6 per cent.

Group Revenue and Expenditure




Group Operating Profit, Profit Before Taxation and Profit Attributable to Equity Holders of the Company

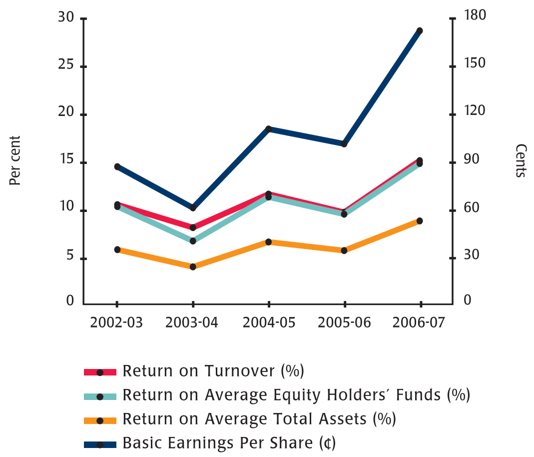


## Performance of the Group (continued)

**Group Earnings (continued)**
Profitability ratios of the Group are as follows:

| | 2006-07 % | 2005-06 % | Change % points |
|---|---|---|---|
| Return on turnover | 15.2 | 9.8 | + 5.4 |
| Return on average total assets | 8.9 | 5.8 | + 3.1 |
| Return on average equity holders' funds | 14.9 | 9.6 | + 5.3 |

Group Profitability Ratios



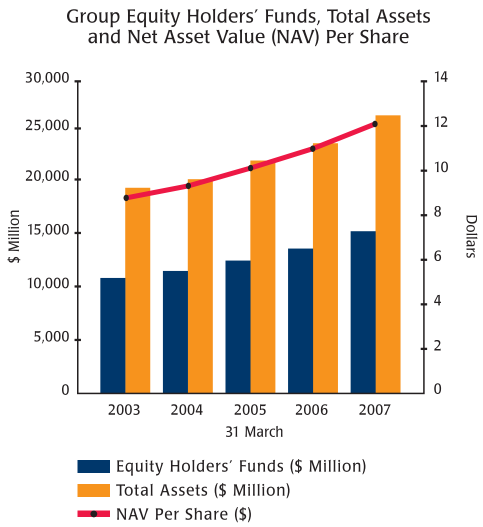

**Financial Position of the Group**
The Group's total assets stood at $25,992 million as at 31 March 2007, up 11.2 per cent from a year ago. Net asset value per share improved 10.1 per cent to $12.11.

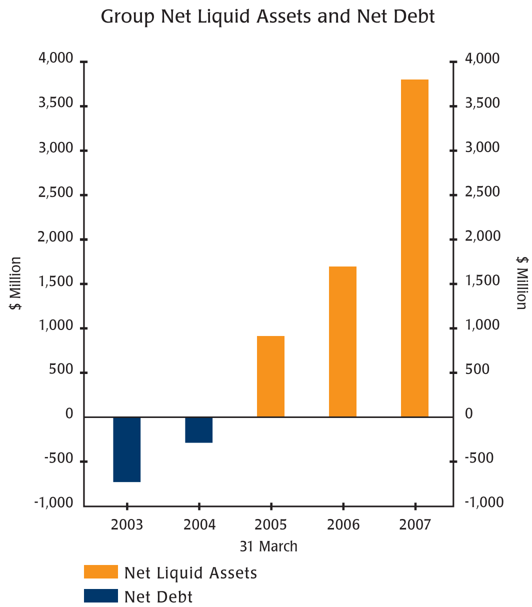
Equity holders' funds increased 12.1 per cent to $15,100 million as at 31 March 2007, mainly attributable to profit for the financial year, partially offset by payment of final dividend of 35 cents per share in respect of financial year 2005-06 and interim dividend of 15 cents per share in respect of financial year 2006-07.

## Performance of the Group (continued)

**Financial Position of the Group (continued)**
The Group improved its net liquid assets[R1] position from $1,706 million a year ago to $3,810 million as at 31 March 2007. This stronger liquidity position (+$2,104 million) was brought about largely by increased cash and bank balances in the Group (+$1,966 million), as a result of stronger operations and monetisation of the Group's non-core assets. Total debt to equity ratio improved 0.05 times to 0.12 times.

For the financial year ended 31 March 2007, the Board recommends a total distribution of 100 cents per share (+122.2 per cent), representing a dividend cover of 1.7 times, 0.6 times lower compared to the previous financial year. The total distribution of 100 cents per share comprised 15 cents interim dividend paid on 23 November 2006, a recommended final dividend of 35 cents per share (tax exempt one-tier) and a recommended special dividend of 50 cents per share (tax exempt one-tier).

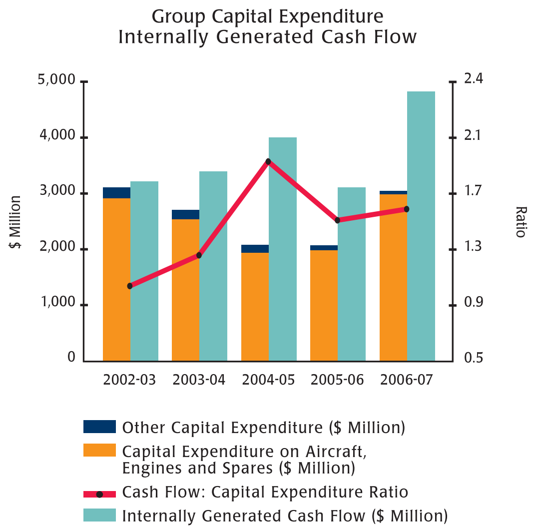



R1 *Net liquid assets is defined as the sum of cash and bank balances (net of bank overdrafts), investments, loans to third parties, and net of finance lease commitments, loans and fixed rate notes issued.*

## Performance of the Group (continued)

**Capital Expenditure and Cash Flow of the Group**
Capital expenditure was $3,027 million, 47.0 per cent higher than the year before. Internally generated cash flow of $4,823 million (+55.5 per cent) was 1.59 times capital expenditure. The increase in internally generated cash flow was driven primarily by higher proceeds from disposal of aircraft and other assets and higher cash generated from operations. About 98 per cent of the capital spending was on aircraft, together with spare engines and components.



### Performance of the Group (continued)

**Statements of Value Added and its Distribution ($ million)**

| | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 |
|---|---|---|---|---|---|
| Total revenue | 14,494.4 | 13,341.1 | 12,012.9 | 9,761.9 | 10,515.0 |
| Less: Purchase of goods and services | (9,078.6) | (8,352.2) | (7,030.7) | (5,931.8) | (6,462.4) |
| | 5,415.8 | 4,988.9 | 4,982.2 | 3,830.1 | 4,052.6 |
| Add: Interest income | 181.8 | 96.7 | 52.7 | 32.5 | 33.7 |
| Surplus on disposal of aircraft, spares and spare engines | 237.9 | 115.7 | 215.2 | 102.7 | 144.9 |
| Dividends from long-term investments, gross | 38.8 | 24.6 | 8.0 | 3.6 | 5.2 |
| Other non-operating items | 77.9 | 12.3 | 9.8 | 5.2 | (8.2) |
| Share of profits of joint venture companies | 57.9 | 40.6 | 12.5 | 6.4 | 14.5 |
| Share of profits/(losses) of associated companies | 79.0 | 255.2 | 203.7 | (39.0) | 123.8 |
| Surplus on sale of SIA Building | 223.3 | – | – | – | – |
| Surplus on sale of investment in Singapore Aircraft Leasing Enterprise Pte Ltd | 197.7 | – | – | – | – |
| Staff compensation and restructuring of operations | – | – | (37.8) | (41.4) | – |
| Surplus on sale of investment in Air New Zealand Limited | – | – | 45.7 | – | – |
| Surplus on sale of investment in Raffles Holdings Ltd | – | – | 32.6 | – | – |
| Surplus on sale of investment in Taikoo (Xiamen) Aircraft Engineering Company Limited | – | – | 9.0 | – | – |
| Surplus on liquidation of Abacus Distribution Systems Pte Ltd | – | – | – | 9.2 | – |
| Surplus on disposal of Aviation Software Development Consultancy India Limited | – | – | – | 1.1 | – |
| Surplus on liquidation of Asian Frequent Flyer Pte Ltd | – | – | – | – | 0.5 |
| Total value added available for distribution | 6,510.1 | 5,534.0 | 5,533.6 | 3,910.4 | 4,367.0 |
| Applied as follows: | | | | | |
| To employees | | | | | |
| – Salaries and other staff costs | 2,727.4 | 2,481.1 | 2,456.5 | 1,981.0 | 2,245.2 |
| To government | | | | | |
| – Corporation taxes | 328.9 | 352.6 | 387.3 | 130.3 | 135.3 |
| To suppliers of capital | | | | | |
| – Interim and proposed dividends | 1,245.2 | 550.5 | 487.4 | 304.5 | 166.6 |
| – Finance charges | 124.1 | 96.3 | 77.5 | 65.1 | 54.7 |
| – Minority interests | 73.6 | 68.8 | 51.3 | 46.0 | 54.5 |
| Retained for future capital requirements | | | | | |
| – Depreciation | 1,374.0 | 1,294.5 | 1,208.6 | 1,180.2 | 1,090.3 |
| – Retained profit [R1] | 636.9 | 690.2 | 865.0 | 203.3 | 620.4 |
| Total value added | 6,510.1 | 5,534.0 | 5,533.6 | 3,910.4 | 4,367.0 |
| Value added per $ revenue ($) | 0.45 | 0.41 | 0.46 | 0.40 | 0.42 |
| Value added per $ employment cost ($) | 2.39 | 2.23 | 2.25 | 1.97 | 1.95 |
| Value added per $ investment in fixed assets ($) | 0.27 | 0.23 | 0.24 | 0.16 | 0.19 |

R1 *Retained profit excludes tax write-back as a result of the reduction in statutory tax rate of $246.7 million, $204.7 million and $277.8 million for 2006-07, 2003-04 and 2002-03 respectively. If tax write-back were included, retained profit for 2006-07, 2003-04 and 2002-03 would be $883.6 million, $408.0 million and $898.2 million respectively.*

*Value added is a measure of wealth created. The statement above shows the Group's value added from 2002-03 to 2006-07 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.*

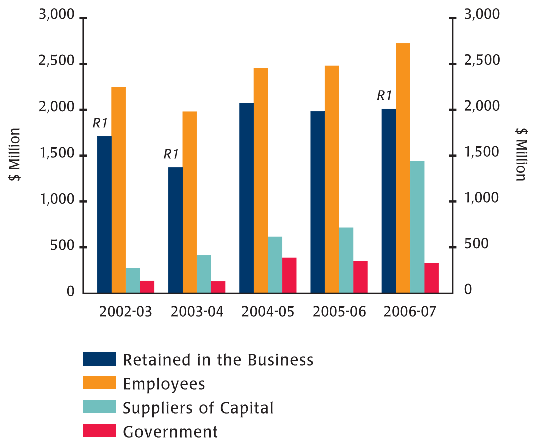
## Performance of the Group (continued)

**Value Added**

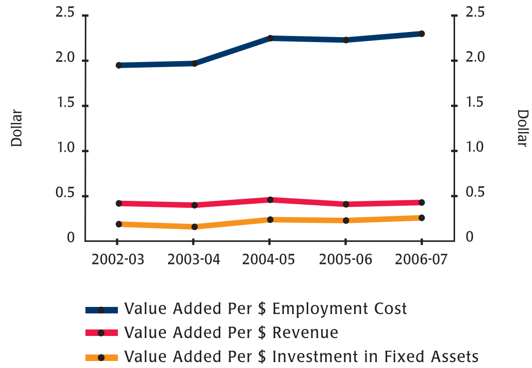
Total value added for 2006-07 improved 17.6 per cent (+$976 million) to $6,510 million. The increase was mainly attributable to higher revenue (+$1,153 million), surplus on sale of SIA Building and sale of investment in Singapore Aircraft Leasing Enterprise (+$421 million) and higher surplus on disposal of aircraft, spares and spare engines (+$122 million), partially offset by higher purchase of goods and services (-$726 million).

Salaries and other staff cost accounted for 41.9 per cent of the value added, 2.9 percentage points lower than the previous year. $1,245 million (19.1 per cent) of the value added was for distribution to equity holders of the Company (+9.1 percentage points) and $2,011 million (30.9 per cent) was retained for future capital requirements (-5.0 percentage points).

Group Value Added Distribution

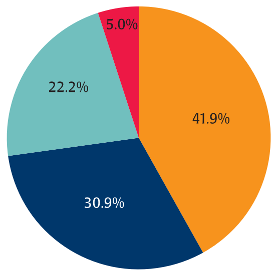



Group Value Added Productivity Ratios




*R1 Excludes write-back of prior year's tax liabilities of $246.7 million, $204.7 million and $277.8 million for 2006-07, 2003-04 and 2002-03 respectively arising from reduction in statutory tax rate.*

Group Valued Added Distribution
2006-07




| | Total Value Added Amount $million | Distribution % |
|---|---|---|
| Employees | 2,727.4 | 41.9 |
| Retained in the Business | 2,010.9 | 30.9 |
| Suppliers of Capital | 1,442.9 | 22.2 |
| Government | 328.9 | 5.0 |

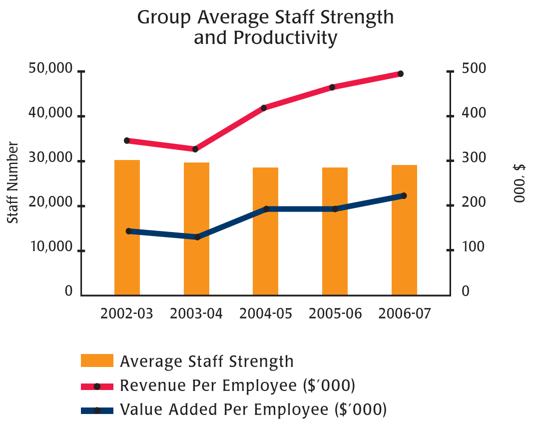
## Performance of the Group (continued)

**Group Average Staff Strength and Productivity**
The Group's average staff strength increased by 567 to 29,125 employees. A breakdown is as follows:

| | 2006-07 | 2005-06 | % Change |
|---|---|---|---|
| Singapore Airlines | 13,847 | 13,729 | + 0.9 |
| SATS Group | 7,502 | 7,740 | − 3.1 |
| SIAEC Group | 5,661 | 5,133 | + 10.3 |
| SIA Cargo | 1,086 | 987 | + 10.0 |
| SilkAir | 730 | 682 | + 7.0 |
| Others | 299 | 287 | + 4.2 |
| | 29,125 | 28,558 | + 2.0 |

Average staff productivity are as follows:

| | 2006-07 | 2005-06 | % Change |
|---|---|---|---|
| Revenue per employee ($) | 497,662 | 467,158 | + 6.5 |
| Value added per employee ($) | 223,523 | 193,781 | + 15.3 |



## Performance of the Company

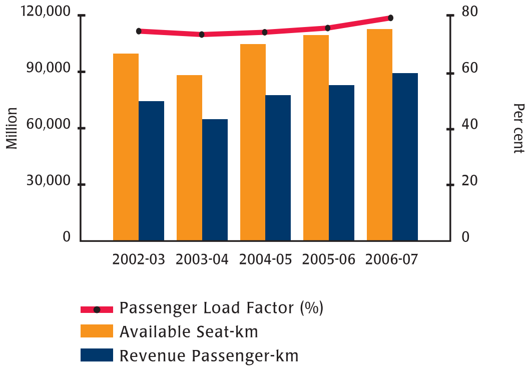
### Operating Performance

| | 2006-07 | 2005-06 | % Change |
|---|---|---|---|
| Passengers carried (thousand) | 18,346 | 16,995 | + 7.9 |
| Available seat-km (million) | 112,543.8 | 109,483.7 | + 2.8 |
| Revenue passenger-km (million) | 89,148.8 | 82,741.7 | + 7.7 |
| Passenger load factor (%) | 79.2 | 75.6 | + 3.6 points |
| Passenger yield (¢/pkm) | 10.9 | 10.6 | + 2.8 |
| Passenger unit cost (¢/ask) | 7.9 | 7.5 | + 5.3 |
| Passenger breakeven load factor (%) | 72.5 | 70.8 | + 1.7 points |

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

The spread between passenger load factor and breakeven load factor improved 1.9 percentage points to 6.7 percentage points in 2006-07.

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] (2006-07 against 2005-06) | | |
|---|---|---|---|
| | Passengers Carried Change (thousand) | Revenue Passenger KM % Change | Available Seat KM % Change |
| East Asia | + 646 | + 8.4 | + 3.1 |
| Americas | + 7 | + 2.0 | + 0.1 |
| Europe | + 187 | + 10.7 | + 4.4 |
| South West Pacific | + 227 | + 7.9 | + 0.3 |
| West Asia and Africa | + 284 | + 12.0 | + 8.9 |
| Systemwide | + 1,351 | + 7.7 | + 2.8 |

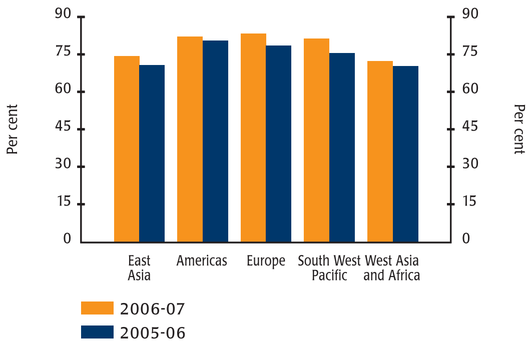
*R1 Each route region comprises routes originating from Singapore to final destinations in countries within the region concerned and vice versa. For example, Singapore-Hong Kong-San Francisco-Hong Kong-Singapore route is classified under Americas region. East Asia covers Brunei, Hong Kong SAR, Indonesia, 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, 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 (%) 2006-07 | 2005-06 | % | Change points |
|---|---|---|---|---|
| East Asia | 74.4 | 70.8 | + | 3.6 |
| Americas | 82.2 | 80.7 | + | 1.5 |
| Europe | 83.5 | 78.7 | + | 4.8 |
| South West Pacific | 81.5 | 75.7 | + | 5.8 |
| West Asia and Africa | 72.5 | 70.5 | + | 2.0 |
| Systemwide | 79.2 | 75.6 | + | 3.6 |

Passenger Load Factor by Route Region




### Earnings

| | 2006-07 $ million | 2005-06 $ million | % Change | |
|---|---|---|---|---|
| Revenue | 11,343.9 | 10,302.8 | + | 10.1 |
| Expenditure | (10,316.9) | (9,651.8) | + | 6.9 |
| Operating profit | 1,027.0 | 651.0 | + | 57.8 |
| Finance charges | (124.6) | (82.8) | + | 50.5 |
| Interest income | 171.8 | 103.8 | + | 65.5 |
| Surplus on disposal of aircraft, spares and spare engines | 167.9 | 58.1 | + | 189.0 |
| Dividends from subsidiaries, gross | 390.7 | 190.3 | + | 105.3 |
| Dividends from long-term investments, gross | 20.4 | 11.1 | + | 83.8 |
| Other non-operating items | 74.9 | 9.3 | | n.m. |
| Profit before taxation and exceptional items | 1,728.1 | 940.8 | + | 83.7 |
| Exceptional items | 563.0 | – | | n.m. |
| Profit before taxation | 2,291.1 | 940.8 | + | 143.5 |
| Taxation expense | (272.1) | (194.8) | + | 39.7 |
| Adjustment for reduction in Singapore statutory tax rate | 194.2 | – | | n.m. |
| Profit after taxation | 2,213.2 | 746.0 | + | 196.7 |

*n.m. not meaningful*

### Performance of the Company (continued)

**Revenue**

The Company's revenue increased 10.1 per cent to $11,344 million as follows:

| | 2006-07 $ million | 2005-06 $ million | % Change |
|---|---|---|---|
| Passenger revenue | 8,573.4 | 8,021.9 | + 6.9 |
| Excess baggage revenue | 27.6 | 22.8 | + 21.1 |
| Non-scheduled services | 4.5 | 11.6 | − 61.2 |
| Bellyhold revenue from SIA Cargo | 1,157.3 | 1,130.8 | + 2.3 |
| Direct operating revenue | 9,762.8 | 9,187.1 | + 6.3 |
| Indirect operating revenue | 1,581.1 | 1,115.7 | + 41.7 |
| Total operating revenue | 11,343.9 | 10,302.8 | + 10.1 |

The increase in passenger revenue was the result of:

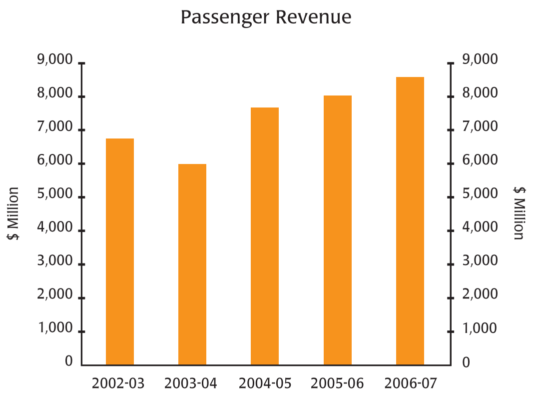
| | $ million | $ million |
|---|---|---|
| 7.7% increase in passenger traffic: | | |
| 2.8% increase in seat capacity | + 224.3 | |
| 3.6% points increase in passenger load factor | + 392.5 | + 616.8 |
| 1.0% decrease in passenger yield (excluding fuel surcharge): | | |
| Change in passenger mix | + 154.9 | |
| Higher local currency yields | + 108.2 | |
| Stronger SGD | − 328.4 | − 65.3 |
| Increase in passenger revenue | | + 551.5 |

Bellyhold revenue increased 2.3 per cent to $1,157 million due to higher net bellyhold capacity (+5.5 per cent) because of increased passenger operations and recovery of higher fuel costs from SIA Cargo.

Indirect operating revenue increased 41.7 per cent to $1,581 million. This was mainly due to higher fuel surcharge, higher other incidental revenue, partially offset by lower rental income and 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 | 108 |
| 1.0% change in passenger yield, if passenger traffic remains constant | 86 |



## Performance of the Company (continued)

### Revenue (continued)

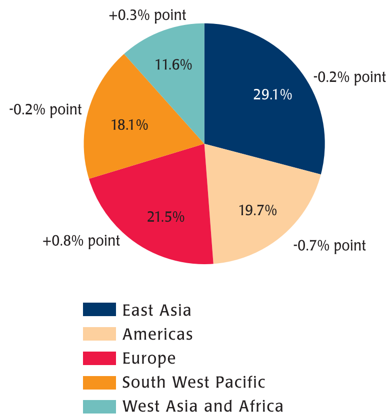
A breakdown of passenger revenue [R1] by route region and area of original sale is shown below:

| | By Route Region ($ million) | | | By Area of Original Sale [R2] ($ million) | | |
|---|---|---|---|---|---|---|
| | 2006-07 | 2005-06 | % Change | 2006-07 | 2005-06 | % Change |
| East Asia | 2,507.7 | 2,356.5 | + 6.4 | 4,108.9 | 3,701.6 | + 11.0 |
| Americas | 1,694.7 | 1,637.9 | + 3.5 | 852.5 | 808.5 | + 5.4 |
| Europe | 1,847.4 | 1,667.1 | + 10.8 | 1,643.7 | 1,565.5 | + 5.0 |
| South West Pacific | 1,555.1 | 1,473.4 | + 5.5 | 1,368.9 | 1,371.3 | − 0.2 |
| West Asia and Africa | 996.1 | 909.8 | + 9.5 | 627.0 | 597.8 | + 4.9 |
| Systemwide | 8,601.0 | 8,044.7 | + 6.9 | 8,601.0 | 8,044.7 | + 6.9 |

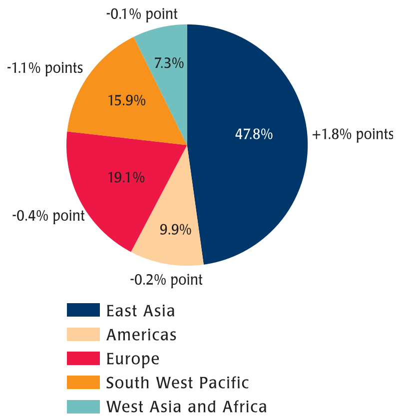
R1 *Includes excess baggage revenue.*

R2 *Each area 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 2006-07 increased 6.9 per cent from a year ago, to $10,317 million as follows:

| | 2006-07 $ million | % | 2005-06 $ million | % | Change $ million | % |
|---|---|---|---|---|---|---|
| Fuel cost | 3,881.3 | 37.6 | 3,368.1 | 34.9 | + 513.2 | + 15.2 |
| Staff costs | 1,685.5 | 16.3 | 1,570.4 | 16.3 | + 115.1 | + 7.3 |
| Depreciation [R1] | 1,006.1 | 9.8 | 959.4 | 9.9 | + 46.7 | + 4.9 |
| Handling charges | 752.6 | 7.3 | 732.9 | 7.6 | + 19.7 | + 2.7 |
| Sales costs [R2] | 620.5 | 6.0 | 647.0 | 6.7 | − 26.5 | − 4.1 |
| Inflight meals and other passenger costs | 601.8 | 5.8 | 556.3 | 5.8 | + 45.5 | + 8.2 |
| Airport and overflying charges | 515.4 | 5.0 | 520.4 | 5.4 | − 5.0 | − 1.0 |
| Aircraft maintenance and overhaul costs | 433.9 | 4.2 | 453.4 | 4.7 | − 19.5 | − 4.3 |
| Rentals on leased aircraft | 313.8 | 3.0 | 296.6 | 3.0 | + 17.2 | + 5.8 |
| Communication and information technology costs [R3] | 110.1 | 1.1 | 115.0 | 1.2 | − 4.9 | − 4.3 |
| Other costs [R4] | 395.9 | 3.9 | 432.3 | 4.5 | − 36.4 | − 8.4 |
| | 10,316.9 | 100.0 | 9,651.8 | 100.0 | + 665.1 | + 6.9 |

*R1 Depreciation included impairment of fixed assets and amortisation of intangible assets (application software).*

*R2 Sales costs included commissions and incentives payable, frequent flyer programme costs, computer reservation system booking fees, advertising expenses and other sales costs.*

*R3 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.*

*R4 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:

| | 2006-07 $ million | 2005-06 $ million | Change $ million |
|---|---|---|---|
| Fuel cost (before hedging) | 3,787 | 3,535 | + 252 |
| Fuel hedging loss/(gain) | 94 | (167) | + 261 |
| Fuel cost (net) | 3,881 | 3,368 | + 513 |

Expenditure on fuel was $513 million higher because of:

| | $ million |
|---|---|
| 10.7% increase in weighted average fuel price from 181.58 US¢/AG to 200.95 US¢/AG | + 389 |
| 3.1% increase in volume uplifted from 1,172.15 M AG to 1,208.47 M AG | + 109 |
| 5.5% weakening of USD against SGD from US$1=S$1.661 to US$1=S$1.570 | − 246 |
| | + 252 |
| Hedging loss of $94 million compared to hedging gain of $167 million in 2005-06 | + 261 |
| | + 513 |

Staff costs rose $115 million mainly due to (i) higher provision for profit-sharing bonus, (ii) higher allowances for crew (such as meal and nightstop allowances), arising from an increase in capacity of 2.8 per cent (in terms of available seat kilometres), and (iii) higher average staff strength (+118) this year.

Depreciation charges increased $47 million mainly due to (i) the commissioning of nine B777-300ER aircraft during the year and (ii) capitalisation of expenditure for heavy maintenance visits on aircraft and engine overhauls. The increase was partially offset by (i) full year's impact of sale of one B747-400 aircraft and two A310-300 aircraft, and trade in of one B747-400 and two A310-300 aircraft last year; (ii) sale of four B747-400 and three A310-300 aircraft, and sale and leaseback of four B777-300 aircraft during the year.

## Performance of the Company (continued)

**Expenditure (continued)**
Handling costs, at $753 million, was 2.7 per cent more than last year due to higher handling rates, increase in the number of flights operated and flights to new destinations, partially offset by a stronger SGD.

Sales costs decreased $27 million from the year before, mainly due to 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 $46 million as a result of increase in passenger carriage, higher inflight meals rates and setup costs resulting from the new B777-300ER aircraft.

Aircraft maintenance and overhaul costs fell $20 million, with fewer aircraft due for maintenance checks as newer aircraft were introduced into the fleet and decommissioning of some of the older B747-400 aircraft.

Rentals on leased aircraft increased $17 million mainly because of sale and leaseback of four B777-300 aircraft during the year, partially offset by extension of lease at lower rates for six B747-400 aircraft and a weaker USD against SGD.

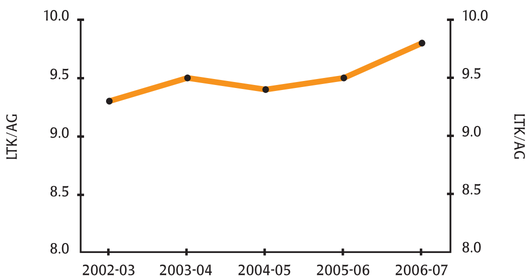
Other costs dropped by $36 million, largely due to lower foreign exchange hedging and revaluation loss.

**Fuel Productivity and Sensitivity Analysis**
Fuel productivity as measured by load tonne-km per American gallon (ltk/AG) increased by 3.0% over the previous year to 9.81 ltk/AG. This was attributable to higher load factor and a younger aircraft fleet, arising from the addition of the new B777-300ER aircraft and decommissioning of some of the older B747-400 aircraft.

A change in fuel productivity (passenger aircraft) of 1.0 per cent would impact the Company's annual fuel cost by about $37 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 cost by about $18 million, before accounting for USD exchange rate movements, and changes in volume of fuel consumed.

Fuel Productivity of Passenger Fleet




**Finance Charges**
Finance charges increased 50.5 per cent due mainly to higher interest rates.

Interest income was 65.5 per cent higher due mainly to an increase in interest rates and increase in funds placed in short-term deposits.

**Surplus on Disposal of Aircraft, Spares and Spare Engines**
Surplus on the disposal of aircraft, spares and spare engines was $110 million higher than the year before. During the year, four B747-400 and three A310-300 aircraft were sold and four B777-300 aircraft were sold and leased back.

**Gross Dividends from Subsidiaries**
Gross dividends from subsidiaries increased by $200 million, contributed by higher dividends received from SIA Engineering Company (+$187 million) due to payment of special dividend for financial year 2005-06 in August 2006.

## Performance of the Company (continued)

**Exceptional Items**
Exceptional items comprised surplus on sale of the 35.5% equity stake in Singapore Aircraft Leasing Enterprise Pte Ltd (SALE) of $340 million and surplus on sale of SIA Building of $223 million.

**Taxation**
There was a net tax charge of $78 million, comprising of a taxation expense of $272 million on current year's profit and a write-back of $194 million on prior years' deferred tax liabilities arising from the 2 percentage points reduction in statutory tax rate. The current year's tax charge of $272 million comprised deferred tax of $238 million and current tax of $34 million. As at 31 March 2007, the company's deferred taxation account stood at $1,982 million.

**Average Staff Strength and Productivity**
The Company's average staff strength was 13,847, an increase of 118 over the previous year. The distribution of employee strength by category and location is as follows:

| | 2006-07 | 2005-06 | % Change |
|---|---|---|---|
| **Category** | | | |
| Senior staff (administrative and higher ranking officers) | 1,316 | 1,284 | + 2.5 |
| Technical crew | 2,128 | 2,024 | + 5.1 |
| Cabin crew | 6,836 | 6,784 | + 0.8 |
| Other ground staff | 3,567 | 3,637 | − 1.9 |
| | 13,847 | 13,729 | + 0.9 |
| **Location** | | | |
| Singapore | 11,613 | 11,452 | + 1.4 |
| East Asia | 945 | 974 | − 3.0 |
| Europe | 419 | 435 | − 3.7 |
| South West Pacific | 369 | 370 | − 0.3 |
| West Asia and Africa | 263 | 256 | + 2.7 |
| Americas | 238 | 242 | − 1.7 |
| | 13,847 | 13,729 | + 0.9 |

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

| | 2006-07 | 2005-06 | % Change |
|---|---|---|---|
| Seat capacity per employee (seat-km) | 8,127,667 | 7,974,630 | + 1.9 |
| Passenger load carried per employee (tonne-km) | 613,211 | 577,784 | + 6.1 |
| Revenue per employee ($) | 819,232 | 750,441 | + 9.2 |
| Value added per employee ($) | 368,831 | 258,810 | + 42.5 |

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

**Employee Share Option Plan**
On 3 July 2006, the Company made an eighth grant of share options to employees. Staff accepted 12,777,119 share options to be exercised between 3 July 2007 and 2 July 2016.

During the year, 22,128,620 share options were exercised by employees. As at 31 March 2007, there were 68,338,907 unexercised employee share options.

## Performance of the Company (continued)

**Restricted Share Plan and Performance Share Plan**
At the extraordinary general meeting of the Company held on 28 July 2005, the Company's shareholders approved the adoption of two new share plans, namely the Restricted Share Plan ("RSP") and Performance Share Plan ("PSP"), in addition to the Employee Share Option Plan.

As at 31 March 2007, the number of outstanding shares granted under the Company's RSP and PSP were 258,330 and 140,900 respectively.

Depending on the achievement of pre-determined targets over a two-year period for the RSP and a three-year period for the PSP, the final number of restricted shares and performance shares awarded could range between 0% to 120% of the initial grant of the restricted shares and between 0% to 150% of the initial grant of the performance shares.

## Performance of Subsidiary Companies

There were 25 subsidiary companies in the SIA Group as at 31 March 2007. The major subsidiary companies are Singapore Airport Terminal Services Limited ("SATS"), SIA Engineering Company Limited ("SIAEC"), Singapore Airlines Cargo Pte Ltd ("SIA Cargo") and SilkAir (Singapore) Private Limited ("SilkAir"). The following performance review includes intra-group transactions.

**Singapore Airport Terminal Services Group**

| | 2006-07 $ million | 2005-06 $ million | Change % |
|---|---|---|---|
| Total revenue | 945.7 | 932.0 | + 1.5 |
| Total expenditure | 792.5 | 747.9 | + 6.0 |
| Operating profit | 153.2 | 184.1 | − 16.8 |
| Profit after taxation | 179.0 | 189.2 | − 5.4 |

SATS Group's operating revenue was $946 million, an increase of 1.5 per cent over the last financial year due primarily to higher business volume. Revenue from ground handling, which constituted 46.1 per cent of the total SATS Group's revenue, increased 0.8 per cent from $433 million to $437 million because of higher business volume. Revenue from inflight catering, which constituted 43.3 per cent of the total SATS Group's revenue, increased 3.4 per cent from $396 million to $410 million due to higher number of meals uplifted. This however was partially offset by rates pressures under the competitive environment and suspension of flights into Singapore by some of the Group's existing customers. Revenue from aviation security services dropped 16.2 per cent because of the cessation of hold-baggage screening contract with Civil Aviation Authority of Singapore from end August 2006.

Operating expenditure increased $45 million (+6.0 per cent) to $793 million mainly from higher staff costs. Staff costs increased $33 million (+8.1 per cent) on higher provision for profit-sharing bonus.

As a consequence, SATS Group's operating profit decreased $31 million (-16.8 per cent) to $153 million.

Profit contribution from overseas associated companies decreased 9.1 per cent to $52 million for the financial year ended 31 March 2007, mainly from the reduction in profit from Asia Airfreight Terminal due to additional operating costs and depreciation for the new Hong Kong terminal which was operational from December 2006.

Profit after taxation decreased $10 million (-5.4 per cent) to $179 million, due to lower operating profit and contribution from associated companies, partially offset by lower taxation and tax write-back of $7 million arising from reduction in statutory tax rate from 20 per cent to 18 per cent.

As at 31 March 2007, equity holders' funds of the SATS Group was $1,314 million (+9.3 per cent). The increase was mainly attributable to the profit for the financial year of $179 million and $33 million share options exercised. This increase was partially offset by dividend payments of $50 million and $34 million respectively in August 2006 and November 2006. Net asset value per share of the Group increased $0.09 (+7.8 per cent) to $1.24 as at 31 March 2007.

Return on equity holders' funds at 14.2 per cent was 2.5 percentage points lower than the last financial year. Basic earnings per share decreased 1.2 cents (-6.6 per cent) to 17.0 cents.

### Performance of Subsidiary Companies (continued)

**SIA Engineering Group**

| | 2006-07 $ million | 2005-06 $ million | Change % |
|---|---|---|---|
| Total revenue | 977.4 | 959.1 | + 1.9 |
| Total expenditure | 875.4 | 824.4 | + 6.2 |
| Operating profit | 102.0 | 134.7 | − 24.3 |
| Profit after taxation | 241.6 | 230.4 | + 4.9 |

Revenue grew $18 million (+1.9 per cent) to $977 million, contributed by higher Fleet Management Programme ("FMP") revenue, partially offset by drop in Airframe Maintenance and Component Overhaul revenue and a weaker USD. FMP comprises Fleet Technical Management and Inventory Technical Management, which covers the full range of engineering support activities, sourcing and supply of components, repair and overhaul, as well as associated logistics. FMP revenue grew by 65.8 per cent or $30 million to $76 million, due primarily to new contracts secured and greater number of aircraft handled.

Expenditure increased by 6.2 per cent to $875 million mainly due to higher staff costs from a larger provision for profit-sharing bonus and expensing of share options. The increase in staff costs was mitigated by savings in overtime pay, due to a workplace restructuring agreement reached with staff unions. Overheads increased by $14 million (+6.6 per cent) mainly due to freight and subcontract costs which rose in line with the increased FMP revenue.

As a result, operating profit decreased by $33 million (-24.3 per cent) to $102 million.

Share of profits from associated and joint venture companies grew by $34 million (+32.1 per cent) to $140 million. As at 31 March 2007, SIA Engineering Group had equity interests in 19 joint ventures with original equipment manufacturers and airlines in Singapore, Ireland, Hong Kong, Taiwan, Indonesia and the Philippines, covering a comprehensive range of high-technology aero-services.

Profit after taxation increased by $11 million (+4.9 per cent) to $242 million. The improvement was driven mainly by higher contribution from associated and joint venture companies, interest income, dividends received from long-term investment, lower taxation and tax write-back of $2 million arising from reduction in statutory tax rate from 20 per cent to 18 per cent. This was partially offset by lower operating profit for the year.

As at 31 March 2007, equity holders' funds of the SIA Engineering Group amounted to $997 million, $42 million (-4.0 per cent) lower than 31 March 2006 due to the payment of a special dividend for financial year 2005-06 in August 2006. Correspondingly, net asset value per share of the Group fell 6.3 cents (-6.3 per cent) to 93.9 cents as at 31 March 2007.

Return on equity holders' funds decreased marginally by 0.5 percentage point from 24.3 per cent in 2005-06 to 23.8 per cent this year. Basic earnings per share rose 0.5 cents (+2.2 per cent) to 23.0 cents.

**Singapore Airlines Cargo**

| | 2006-07 $ million | 2005-06 $ million | Change % |
|---|---|---|---|
| Total revenue | 3,288.1 | 3,244.6 | + 1.3 |
| Total expenditure | 3,320.5 | 3,070.8 | + 8.1 |
| Operating (loss)/profit | (32.4) | 173.8 | n.m. |
| Profit after taxation | 30.6 | 135.3 | − 77.4 |

Revenue increased by $44 million (+1.3 per cent) due mainly to higher fuel surcharges collected and 1.5 per cent increase in carriage, partially offset by strengthening of SGD and lower local currency yields. Expenditure rose $250 million (+8.1 per cent), mainly attributable to higher fuel cost (+$132 million), aircraft maintenance and overhaul costs (+$46 million), payroll costs and staff expenses (+$29 million), bellyhold costs (+$27 million) and handling costs (+$19 million).

### Performance of Subsidiary Companies (continued)

**Singapore Airlines Cargo (continued)**
Yield declined 0.5 per cent while unit cost rose by 4.3 per cent in 2006-07. Freight traffic (in load tonne kilometres) grew at a modest rate of 1.5 per cent on capacity growth (in capacity tonne kilometres) of 4.1 per cent, which resulted in a lower overall load factor by 1.6 percentage points to 62.0 per cent.

As a result, SIA Cargo incurred an operating loss of $32 million in 2006-07, compared to an operating profit of $174 million in the previous financial year. However, a net profit after taxation of $31 million was recorded, attributable to surplus on sale of two B747-400 freighter aircraft of $46 million and the reduction in statutory tax rate from 20 per cent to 18 per cent, which resulted in a write-back of $41 million.

As at 31 March 2007, equity holders' funds of SIA Cargo was $1,905 million (-1.1 per cent), while total assets reached $3,810 million (+5.4 per cent).

During the year, SIA Cargo leased out two of its B747-400 freighters to Great Wall Airlines and its operating fleet stood at 14 B747-400 freighters as at 31 March 2007.

**SilkAir**

| | 2006-07 $ million | 2005-06 $ million | Change % |
|---|---|---|---|
| Total revenue | 427.8 | 344.7 | + 24.1 |
| Total expenditure | 407.8 | 331.6 | + 23.0 |
| Operating profit | 20.0 | 13.1 | + 52.7 |
| Profit after taxation | 19.8 | 20.6 | − 3.9 |

SilkAir's revenue grew by $83 million (+24.1 per cent) to $428 million from improvements in load (+21.2 per cent) and overall yield (+1.5 per cent). The increase in expenditure by $76 million (+23.0 per cent) was primarily due to higher fuel cost (net after fuel hedging), handling and landing charges and aircraft lease rental (an increase of 2 leased aircraft). As a result, operating profit improved $7 million (+52.7 per cent).

Profit after taxation declined 3.9 per cent, mainly attributable to lower surplus on disposal of aircraft, spares and spare engines and higher taxation. This was partially offset by tax write-back of $4 million arising from reduction in statutory tax rate from 20 per cent to 18 per cent.

Unit cost rose 5.3 per cent to 83.6 cents/ctk while yield improved marginally by 1.5 per cent to 140.8 cents/ltk. Consequently, breakeven load factor deteriorated by 2.2 percentage points to 59.4 per cent.

Equity holders' funds of SilkAir was $396 million (+5.0 per cent) as at 31 March 2007.

Capital expenditure for the year was $100 million, mainly for delivery payment for one A320-200 aircraft, pre-delivery payments for one A319-100 and one A320-200 aircraft scheduled for delivery in 2007 and 2008 respectively, and deposits and pre-delivery payments for the purchase of 11 aircraft on firm order, with another nine on option, under the new aircraft purchase agreement signed in December 2006.

SilkAir's route network spanned 26 cities in 10 Asian countries. During the financial year, SilkAir increased frequencies to selected destination in its existing network to benefit from the strong economic conditions in Singapore and other key markets planned.

# 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 2007.

## 1 Directors of the Company

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

Stephen Lee Ching Yen – Chairman
Chew Choon Seng – Chief Executive Officer
Chia Pei-Yuan (Independent)
Euleen Goh Yiu Kiang (Independent) (appointed on 1 September 2006)
David Michael Gonski (Independent) (appointed on 9 May 2006)
Ho Kwon Ping (Independent)
James Koh Cher Siang (Independent)
Sir Brian Pitman (Independent)
Davinder Singh (Independent)

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

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares 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 Singapore Airlines Restricted Share Plan ("RSP") and the Singapore Airlines Performance Share Plan ("PSP"). Please refer to section 5 of this Report for options granted under the ESOP and shares awarded under the RSP and PSP.

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

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

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| Name of Director | 1.4.2006/ date of appointment | 31.3.2007 | 1.4.2006/ date of appointment | 31.3.2007 |
| **Interest in Singapore Airlines Limited** | | | | |
| Ordinary shares | | | | |
| Stephen Lee Ching Yen | 10,000 | 10,000 | – | – |
| Chew Choon Seng | 214,000 | 214,000 | – | – |
| Euleen Goh Yiu Kiang | 4,000 | 4,000 | – | – |
| James Koh Cher Siang | 4,000 | 4,000 | – | – |
| Options to subscribe for ordinary shares | | | | |
| Chew Choon Seng | 1,074,000 | 1,194,000 | – | – |
| Conditional award of restricted shares | | | | |
| Chew Choon Seng | – | 30,000 | – | – |
| Conditional award of performance shares | | | | |
| Chew Choon Seng | – | 27,000 | – | – |
| **Interest in SIA Engineering Company Limited** | | | | |
| Ordinary shares | | | | |
| Chew Choon Seng | 20,000 | 20,000 | – | – |

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

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| Name of Director | 1.4.2006/ date of appointment | 31.3.2007 | 1.4.2006/ date of appointment | 31.3.2007 |
| **Interest in Singapore Airport Terminal Services Limited** | | | | |
| Ordinary shares | | | | |
| Chew Choon Seng | 10,000 | 10,000 | – | – |
| **Interest in Singapore Telecommunications Limited** | | | | |
| Ordinary shares | | | | |
| Stephen Lee Ching Yen | 190 | 190 | 190 | 190 |
| Chew Choon Seng | 11,040 | 10,500 | – | – |
| Euleen Goh Yiu Kiang | 1,537 | 1,537 | – | – |
| Ho Kwon Ping | 1,690 | 1,610 | 1,430 | 1,360 |
| James Koh Cher Siang | 11,222 | 10,679 | – | – |
| Davinder Singh | 1,890 | 1,810 | 1,430 | 1,360 |
| **Interest in SMRT Corporation Limited** | | | | |
| Ordinary shares | | | | |
| Chew Choon Seng | 50,000 | 50,000 | – | – |
| James Koh Cher Siang | 5,000 | 5,000 | – | – |
| **Interest in Neptune Orient Lines Limited** | | | | |
| Ordinary shares | | | | |
| Stephen Lee Ching Yen | 30,000 | 30,000 | – | – |
| Euleen Goh Yiu Kiang | 2,000 | 2,000 | – | – |
| James Koh Cher Siang | 6,632 | 6,632 | – | – |
| **Interest in Mapletree Logistics Trust** | | | | |
| Units | | | | |
| James Koh Cher Siang | 3,000 | 100,000 | – | – |
| **Interest in SP AusNet** | | | | |
| Ordinary shares | | | | |
| James Koh Cher Siang | 4,000 | 4,000 | – | – |

There were no changes in any of the above-mentioned interests between the end of the financial year and 21 April 2007.

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

### 4 Directors' Contractual Benefits

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

## 5 Options on Shares in the Company

(i) Employee Share Option Plan

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.

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
David Michael Gonski (appointed on 14 August 2006)
James Koh Cher Siang (appointed on 14 August 2006)
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 12,777,119 unissued shares in the Company at an exercise price of $12.60 per share.

At the end of the financial year, options to take up 68,338,907 unissued shares in the Company were outstanding:

| | Number of options to subscribe for unissued ordinary shares | | | | | |
|---|---|---|---|---|---|---|
| Date of grant | Balance at 1.4.2006/later date of grant | Cancelled | Exercised | Balance at 31.3.2007 | Exercise price | Exercisable period |
| 28.3.2000 | 11,851,610 | (350,435) | (1,811,285) | 9,689,890 | $15.34 | 28.3.2001 – 27.3.2010 |
| 3.7.2000 | 11,015,170 | (323,800) | (906,630) | 9,784,740 | $16.65 | 3.7.2001 – 2.7.2010 |
| 2.7.2001 | 10,278,270 | (101,355) | (5,054,298) | 5,122,617 | $11.96 | 2.7.2002 – 1.7.2011 |
| 1.7.2002 | 11,841,523 | (62,840) | (4,513,839) | 7,264,844 | $12.82 | 1.7.2003 – 30.6.2012 |
| 1.7.2003 | 9,076,029 | (67,330) | (4,019,264) | 4,989,435 | $10.34 | 1.7.2004 – 30.6.2013 |
| 1.7.2004 | 11,972,838 | (107,251) | (5,152,680) | 6,712,907 | $10.70 | 1.7.2005 – 30.6.2014 |
| 1.7.2005 | 13,161,126 | (298,517) | (658,084) | 12,204,525 | $11.28 | 1.7.2006 – 30.6.2015 |
| 3.7.2006 | 12,777,119 | (194,630) | (12,540) | 12,569,949 | $12.60 | 3.7.2007 – 2.7.2016 |
| | 91,973,685 | (1,506,158) | (22,128,620) | 68,338,907 | | |

## 5 Options on Shares in the Company (continued)

(i) Employee Share Option Plan (continued)
The details of options granted to and exercised by directors of the Company:

| Name of participant | Options granted during financial year under review | Exercise price for options granted during financial year under review | Aggregate options granted since commencement of scheme to end of financial year under review | Aggregate options exercised since commencement of scheme to end of financial year under review | Options lapsed | Aggregate options outstanding at end of financial year under review |
|---|---|---|---|---|---|---|
| Chew Choon Seng | 120,000 | $12.60 | 1,194,000 | – | – | 1,194,000 |

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 14,878,000 unissued shares in SATS at an exercise price of $2.10 per share.

At the end of the financial year, options to take up 57,508,655 unissued shares in SATS were outstanding:

| | Number of options to subscribe for unissued ordinary shares | | | | | |
|---|---|---|---|---|---|---|
| Date of grant | Balance at 1.4.2006/later date of grant | Cancelled | Exercised | Balance at 31.3.2007 | Exercise price | Exercisable period |
| 28.3.2000 | 16,156,400 | (444,700) | (5,999,200) | 9,712,500 | $2.20 | 28.3.2001 – 27.3.2010 |
| 3.7.2000 | 4,512,350 | (215,200) | (1,081,600) | 3,215,550 | $1.80 | 3.7.2001 – 2.7.2010 |
| 2.7.2001 | 1,352,900 | (62,600) | (362,000) | 928,300 | $1.24 | 2.7.2002 – 1.7.2011 |
| 1.7.2002 | 3,077,850 | (12,650) | (821,450) | 2,243,750 | $1.60 | 1.7.2003 – 30.6.2012 |
| 1.7.2003 | 3,057,650 | (23,600) | (807,745) | 2,226,305 | $1.47 | 1.7.2004 – 30.6.2013 |
| 1.7.2004 | 15,994,950 | (136,450) | (6,805,200) | 9,053,300 | $2.09 | 1.7.2005 – 30.6.2014 |
| 1.7.2005 | 15,711,200 | (300,000) | (20,350) | 15,390,850 | $2.27 | 1.7.2006 – 30.6.2015 |
| 3.7.2006 | 14,878,000 | (139,900) | – | 14,738,100 | $2.10 | 3.7.2007 – 2.7.2016 |
| | 74,741,300 | (1,335,100) | (15,897,545) | 57,508,655 | | |

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

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

During the financial year, in consideration of the payment of $1.00 for each offer accepted, offers of options were granted pursuant to the SIAEC ESOP in respect of 15,244,800 unissued shares in SIAEC at an exercise price of $3.64 per share, which was later reduced to $3.44 per share following the approval of a special dividend of $0.20 on 21 July 2006.

## 5 Options on Shares in the Company (continued)

(i) Employee Share Option Plan (continued)

**(b) SIA Engineering Company Limited ("SIAEC") (continued)**
At the end of the financial year, options to take up 49,731,288 unissued shares in SIAEC were outstanding:

| | Number of options to subscribe for unissued ordinary shares | | | | | |
|---|---|---|---|---|---|---|
| Date of grant | Balance at 1.4.2006/later date of grant | Cancelled | Exercised | Balance at 31.3.2007 | Exercise price* | Exercisable period |
| 28.3.2000 | 6,038,400 | (81,600) | (3,705,800) | 2,251,000 | $1.65 | 28.3.2001 – 27.3.2010 |
| 3.7.2000 | 5,008,150 | (85,200) | (2,915,337) | 2,007,613 | $1.55 | 3.7.2001 – 2.7.2010 |
| 2.7.2001 | 3,169,650 | (49,200) | (2,016,550) | 1,103,900 | $1.01 | 2.7.2002 – 1.7.2011 |
| 1.7.2002 | 11,049,975 | (12,800) | (5,166,050) | 5,871,125 | $1.98 | 1.7.2003 – 30.6.2012 |
| 1.7.2003 | 3,811,625 | (5,850) | (2,017,550) | 1,788,225 | $1.35 | 1.7.2004 – 30.6.2013 |
| 1.7.2004 | 14,956,875 | (21,200) | (9,143,125) | 5,792,550 | $1.69 | 1.7.2005 – 30.6.2014 |
| 1.7.2005 | 16,190,900 | (220,100) | (126,325) | 15,844,475 | $2.25 | 1.7.2006 – 30.6.2015 |
| 3.7.2006 | 15,244,800 | (172,400) | – | 15,072,400 | $3.44 | 3.7.2007 – 2.7.2016 |
| | 75,470,375 | (648,350) | (25,090,737) | 49,731,288 | | |

* *At the extraordinary general meeting of SIAEC held on 26 July 2004, SIAEC's shareholders approved an amendment to the SIAEC ESOP to allow for adjustment to the exercise prices of the existing options by the Committee administering the ESOP, in the event of the declaration of a special dividend. Following approval by SIAEC's shareholders of the declaration of a special dividend of $0.20 on 26 July 2004, the said Committee approved a reduction of $0.20 in the exercise prices of the share options outstanding on 28 July 2004. The said Committee approved another $0.20 reduction in the exercise prices of the share options outstanding on 25 July 2006 following approval by SIAEC's shareholders of the declaration of a special dividend of $0.20 on 21 July 2006. The exercise prices reflected here are the exercise prices after such adjustments.*

(ii) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP")
At the extraordinary general meeting of the Company held on 28 July 2005, the shareholders approved the adoption of two new share plans, namely the RSP and the PSP, in addition to the Employee Share Option Plan.

Depending on the achievement of pre-determined targets over a two-year period for the RSP and a three-year period for the PSP, the final number of restricted shares and performance shares awarded could range between 0% and 120% of the initial grant of the restricted shares and between 0% and 150% of the initial grant of the performance shares.

Based on meeting stated performance conditions over a two-year performance period, 50% of the RSP award will vest. The balance will vest equally over the subsequent two years with fulfilment of service requirements. PSP awards will vest based on meeting stated performance conditions over a three-year performance period.

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

Stephen Lee Ching Yen – Chairman
David Michael Gonski (appointed on 14 August 2006)
James Koh Cher Siang (appointed on 14 August 2006)
Sir Brian Pitman

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

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

## 5 Options on Shares in the Company (continued)

(ii) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") (continued)
The details of the shares awarded under the new share plans during the year since commencement of the RSP and PSP are as follows:

| | Number of Restricted and Performance shares | | |
|---|---|---|---|
| Share Plans | Date of grant 27.7.2006 | Cancelled | Balance at 31.3.2007 |
| RSP | 260,630 | (2,300) | 258,330 |
| PSP | 140,900 | – | 140,900 |
| | 401,530 | (2,300) | 399,230 |

The details of RSP and PSP granted to directors of the Company:

| Name of participant | Conditional awards granted during financial year under review | Aggregate awards granted since commencement of plans to end of financial year under review | Aggregate awards not released at end of financial year under review |
|---|---|---|---|
| **RSP** | | | |
| Chew Choon Seng | 30,000 | 30,000 | 30,000 |
| **PSP** | | | |
| Chew Choon Seng | 27,000 | 27,000 | 27,000 |

The particulars of RSP and PSP in subsidiary companies are as follows:

**(a) Singapore Airport Terminal Services Limited ("SATS")**
At the extraordinary general meeting of SATS held on 19 July 2005, the shareholders approved the adoption of two new share plans, namely the SATS RSP and the SATS PSP, in addition to the SATS ESOP.

The basis upon which a share may be awarded is similar to that of the RSP and PSP implemented by the Company.

The details of the shares awarded under the new share plans during the year since commencement of the SATS RSP and SATS PSP are as follows:

| | Number of Restricted and Performance shares | |
|---|---|---|
| Share Plans | Date of grant 2.10.2006 | Balance at 31.3.2007 |
| SATS RSP | 182,030 | 182,030 |
| SATS PSP | 84,360 | 84,360 |
| | 266,390 | 266,390 |

## 5 Options on Shares in the Company (continued)

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

**(b) SIA Engineering Company Limited ("SIAEC")**
At the extraordinary general meeting of SIAEC held on 25 July 2005, the shareholders approved the adoption of two new share plans, namely the SIAEC RSP and the SIAEC PSP, in addition to the SIAEC ESOP.

The basis upon which a share may be awarded is similar to that of the RSP and PSP implemented by the Company.

The details of the shares awarded under the new share plans during the year since commencement of the SIAEC RSP and SIAEC PSP are as follows:

| | Number of Restricted and Performance shares | | |
|---|---|---|---|
| Share Plans | Date of grant 3.7.2006 | Cancelled | Balance at 31.3.2007 |
| SIAEC RSP | 205,200 | (2,000) | 203,200 |
| SIAEC PSP | 36,900 | – | 36,900 |
| | 242,100 | (2,000) | 240,100 |

## 6 Audit Committee

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

## 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 11th day of May 2007

**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 2007 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 11th day of May 2007

# 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 73 to 137, which comprise the balance sheets of the Group and the Company as at 31 March 2007, the statements of changes in equity of the Group and the Company, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' Responsibility for the Financial Statements**
The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

**Opinion**
In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2007 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 11th day of May 2007
Singapore

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the financial year ended 31 March 2007 (in $ million)

| | Notes | The Group 2006-07 | The Group 2005-06 |
|---|---|---|---|
| **REVENUE** | | 14,494.4 | 13,341.1 |
| **EXPENDITURE** | | | |
| Staff costs | 4 | 2,727.4 | 2,481.1 |
| Fuel costs | | 4,916.7 | 4,240.3 |
| Depreciation | 18 | 1,319.4 | 1,227.7 |
| Impairment of fixed assets | 18 | 0.6 | 12.1 |
| Amortisation of intangible assets | 19 | 54.0 | 54.7 |
| Aircraft maintenance and overhaul costs | | 311.4 | 319.3 |
| Commission and incentives | | 405.1 | 441.6 |
| Landing, parking and overflying charges | | 655.1 | 652.9 |
| Handling charges | | 603.1 | 593.3 |
| Rentals on leased aircraft | | 379.9 | 338.0 |
| Material costs | | 316.6 | 315.2 |
| Inflight meals | | 260.3 | 247.5 |
| Advertising and sales costs | | 257.8 | 243.4 |
| Insurance expenses | | 94.1 | 114.6 |
| Company accommodation and utilities | | 170.0 | 158.1 |
| Other passenger costs | | 133.8 | 122.5 |
| Crew expenses | | 125.0 | 117.1 |
| Other operating expenses | | 449.7 | 448.4 |
| | | 13,180.0 | 12,127.8 |
| **OPERATING PROFIT** | 5 | 1,314.4 | 1,213.3 |
| Finance charges | 6 | (124.1) | (96.3) |
| Interest income | 7 | 181.8 | 96.7 |
| Surplus on disposal of aircraft, spares and spare engines | | 237.9 | 115.7 |
| Dividends from long-term investments, gross | | 38.8 | 24.6 |
| Other non-operating items | 8 | 77.9 | 12.3 |
| Share of profits of joint venture companies | 22 | 57.9 | 40.6 |
| Share of profits of associated companies | | 79.0 | 255.2 |
| **PROFIT BEFORE EXCEPTIONAL ITEMS** | | 1,863.6 | 1,662.1 |
| Exceptional items | 9 | 421.0 | – |
| **PROFIT BEFORE TAXATION** | | 2,284.6 | 1,662.1 |
| **TAXATION** | 10 | | |
| Taxation expense | | (328.9) | (352.6) |
| Adjustment for reduction in Singapore statutory tax rate | | 246.7 | – |
| | | (82.2) | (352.6) |
| **PROFIT FOR THE FINANCIAL YEAR** | | 2,202.4 | 1,309.5 |
| **PROFIT ATTRIBUTABLE TO:** | | | |
| **EQUITY HOLDERS OF THE COMPANY** | | 2,128.8 | 1,240.7 |
| **MINORITY INTERESTS** | | 73.6 | 68.8 |
| | | 2,202.4 | 1,309.5 |
| **BASIC EARNINGS PER SHARE (CENTS)** | 11 | 172.6 | 101.7 |
| **DILUTED EARNINGS PER SHARE (CENTS)** | 11 | 170.8 | 101.3 |

*The notes on pages 80 to 137 form an integral part of these financial statements.*

# BALANCE SHEETS

At 31 March 2007 (in $ million)

| | Notes | The Group 2007 | The Group 2006 | The Company 2007 | The Company 2006 |
|---|---|---|---|---|---|
| **SHARE CAPITAL** | 13 | 1,494.9 | 1,202.6 | 1,494.9 | 1,202.6 |
| **RESERVES** | | | | | |
| Capital reserve | 14(a) | 44.9 | 40.8 | – | – |
| Foreign currency translation reserve | | (59.5) | (30.5) | – | – |
| Share-based compensation reserve | 14(b) | 97.3 | 81.8 | 71.2 | 63.1 |
| Fair value reserve | 14(c) | (45.5) | 163.6 | (18.1) | 35.6 |
| General reserve | | 13,567.9 | 12,012.3 | 12,544.1 | 10,943.3 |
| | | 13,605.1 | 12,268.0 | 12,597.2 | 11,042.0 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | | 15,100.0 | 13,470.6 | 14,092.1 | 12,244.6 |
| **MINORITY INTERESTS** | | 443.3 | 396.3 | – | – |
| **TOTAL EQUITY** | | 15,543.3 | 13,866.9 | 14,092.1 | 12,244.6 |
| **DEFERRED ACCOUNT** | 15 | 973.6 | 349.6 | 810.8 | 254.9 |
| **DEFERRED TAXATION** | 16 | 2,410.9 | 2,486.1 | 1,981.5 | 1,950.5 |
| **LONG-TERM LIABILITIES** | 17 | 1,805.8 | 1,824.4 | 900.0 | 1,022.3 |
| | | 20,733.6 | 18,527.0 | 17,784.4 | 15,472.3 |
| Represented by: | | | | | |
| **FIXED ASSETS** | 18 | | | | |
| Aircraft, spares and spare engines | | 12,944.3 | 12,208.4 | 10,204.2 | 9,150.9 |
| Land and buildings | | 793.4 | 972.1 | 147.9 | 297.0 |
| Others | | 2,574.0 | 2,344.2 | 2,257.3 | 2,046.5 |
| | | 16,311.7 | 15,524.7 | 12,609.4 | 11,494.4 |
| **INTANGIBLE ASSETS** | 19 | 100.2 | 121.7 | 67.0 | 77.2 |
| **SUBSIDIARY COMPANIES** | 20 | – | – | 1,893.1 | 1,938.4 |
| **ASSOCIATED COMPANIES** | 21 | 897.5 | 996.3 | 1,722.2 | 1,722.2 |
| **JOINT VENTURE COMPANIES** | 22 | 86.6 | 362.6 | – | 159.1 |
| **LONG-TERM INVESTMENTS** | 23 | 43.3 | 425.9 | 18.9 | 401.5 |
| **OTHER RECEIVABLES** | 24 | 303.9 | – | 303.9 | – |
| **CURRENT ASSETS** | | | | | |
| Section 44 tax prepayments | | 46.7 | 166.2 | 46.7 | 166.2 |
| Stocks | 25 | 534.1 | 517.5 | 452.5 | 458.5 |
| Trade debtors | 26 | 1,952.5 | 1,610.8 | 1,429.1 | 1,055.0 |
| Amounts owing by subsidiary companies | 20 | – | – | 215.4 | 230.9 |
| Amounts owing by associated companies | 21 | 1.9 | 3.7 | – | – |
| Loan-receivable within one year | | – | 42.0 | – | – |
| Investments | 27 | 596.0 | 446.5 | 467.0 | 346.1 |
| Cash and bank balances | 28 | 5,117.6 | 3,151.6 | 4,627.5 | 2,765.1 |
| | | 8,248.8 | 5,938.3 | 7,238.2 | 5,021.8 |
| Less: **CURRENT LIABILITIES** | | | | | |
| Sales in advance of carriage | | 1,392.9 | 1,191.6 | 1,365.1 | 1,164.4 |
| Deferred revenue | | 388.3 | 309.9 | 388.3 | 309.9 |
| Current tax payable | | 317.9 | 303.2 | 158.7 | 199.3 |
| Trade creditors | 29 | 3,061.8 | 2,546.2 | 2,164.7 | 1,798.2 |
| Amounts owing to subsidiary companies | 20 | – | – | 1,967.6 | 1,442.0 |
| Finance lease commitments-repayable within one year | 17 | 60.8 | 464.6 | – | 419.5 |
| Loans-repayable within one year | 17 | 12.8 | 16.6 | – | – |
| Bank overdrafts | 30 | 23.9 | 10.4 | 23.9 | 9.0 |
| | | 5,258.4 | 4,842.5 | 6,068.3 | 5,342.3 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | 2,990.4 | 1,095.8 | 1,169.9 | (320.5) |
| | | 20,733.6 | 18,527.0 | 17,784.4 | 15,472.3 |

*The notes on pages 80 to 137 form an integral part of these financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2007 (in $ million)

**The Group**

| | Notes | Attributable to Equity Holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Capital reserve | Foreign currency translation reserve | Share-based compensation reserve | Fair value reserve | General reserve | Total | Minority interests | Total equity |
| Balance at 1 April 2006 | | 1,202.6 | 40.8 | (30.5) | 81.8 | 163.6 | 12,012.3 | 13,470.6 | 396.3 | 13,866.9 |
| Currency translation differences | | – | – | (29.0) | – | – | – | (29.0) | (8.3) | (37.3) |
| Net fair value changes on available-for-sale assets | 14(c) | – | – | – | – | 18.7 | – | 18.7 | – | 18.7 |
| Net fair value changes on cash flow hedges | 14(c) | – | – | – | – | (90.5) | – | (90.5) | – | (90.5) |
| Arising from the disposal of a joint venture | 22 | – | (10.3) | – | – | (2.8) | 3.4 | (9.7) | – | (9.7) |
| Share of associated companies' fair value reserve | 14(c),21 | – | – | – | – | (134.5) | – | (134.5) | – | (134.5) |
| Share of associated companies' capital reserve | 21 | – | 14.4 | – | – | – | – | 14.4 | – | 14.4 |
| Surplus on dilution of interest in subsidiary companies due to share options exercised | | – | – | – | (11.7) | – | 34.6 | 22.9 | 54.0 | 76.9 |
| Net income and expense not recognised in the profit and loss account | | – | 4.1 | (29.0) | (11.7) | (209.1) | 38.0 | (207.7) | 45.7 | (162.0) |
| Profit for the financial year | | – | – | – | – | – | 2,128.8 | 2,128.8 | 73.6 | 2,202.4 |
| Net income and expense recognised for the financial year | | – | 4.1 | (29.0) | (11.7) | (209.1) | 2,166.8 | 1,921.1 | 119.3 | 2,040.4 |
| Issuance of share capital by subsidiary companies | | – | – | – | – | – | – | – | 0.1 | 0.1 |
| Share-based payment | 14(b) | – | – | – | 57.6 | – | – | 57.6 | – | 57.6 |
| Share options exercised | 13,14(b) | 292.3 | – | – | (26.8) | – | – | 265.5 | – | 265.5 |
| Share options lapsed | 13,14(b) | – | – | – | (3.6) | – | 3.6 | – | – | – |
| Dividends | 12 | – | – | – | – | – | (614.8) | (614.8) | (72.4) | (687.2) |
| Balance at 31 March 2007 | | 1,494.9 | 44.9 | (59.5) | 97.3 | (45.5) | 13,567.9 | 15,100.0 | 443.3 | 15,543.3 |

*The notes on pages 80 to 137 form an integral part of these financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2007 (in $ million)

**The Group**

| | | Attributable to Equity Holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Capital reserve | Foreign currency translation reserve | Share-based compensation reserve | Fair value reserve | General reserve | Total | Minority interests | Total equity |
| Balance at 1 April 2005 | | 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(c) | – | – | – | – | 5.9 | – | 5.9 | – | 5.9 |
| Net fair value changes on cash flow hedges | 14(c) | – | – | – | – | (137.1) | – | (137.1) | – | (137.1) |
| Share of joint venture and associated companies' fair value reserve | 14(c) | – | – | – | – | 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(b) | – | – | – | 45.9 | – | – | 45.9 | 2.2 | 48.1 |
| Share options exercised | 13,14(b) | 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 80 to 137 form an integral part of these financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2007 (in $ million)

**The Company**

| | Notes | Share capital | Share-based compensation reserve | Fair value reserve | General reserve | Total |
|---|---|---|---|---|---|---|
| Balance at 1 April 2006 | | 1,202.6 | 63.1 | 35.6 | 10,943.3 | 12,244.6 |
| Net fair value changes on available-for-sale assets | 14(c) | – | – | 16.9 | – | 16.9 |
| Net fair value changes on cash flow hedges | 14(c) | – | – | (70.6) | – | (70.6) |
| Net expense not recognised in the profit and loss account | | – | – | (53.7) | – | (53.7) |
| Profit for the financial year | | – | – | – | 2,213.2 | 2,213.2 |
| Net income and expense recognised for the financial year | | – | – | (53.7) | 2,213.2 | 2,159.5 |
| Share-based payment | 14(b) | – | 37.3 | – | – | 37.3 |
| Share options exercised | 13,14(b) | 292.3 | (26.8) | – | – | 265.5 |
| Share options lapsed | 13,14(b) | – | (2.4) | – | 2.4 | – |
| Dividends | 12 | – | – | – | (614.8) | (614.8) |
| Balance at 31 March 2007 | | 1,494.9 | 71.2 | (18.1) | 12,544.1 | 14,092.1 |

*The notes on pages 80 to 137 form an integral part of these financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2007 (in $ million)

**The Company**

| | Notes | Share capital | Share-based compensation reserve | Fair value reserve | General reserve | Total |
|---|---|---|---|---|---|---|
| Balance at 1 April 2005 | | 1,121.7 | 37.1 | 151.7 | 10,684.9 | 11,995.4 |
| Net fair value changes on available-for-sale assets | 14(c) | – | – | 4.5 | – | 4.5 |
| Net fair value changes on cash flow hedges | 14(c) | – | – | (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(b) | – | 34.1 | – | – | 34.1 |
| Share options exercised | 13, 14(b) | 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 80 to 137 form an integral part of these financial statements.*

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 March 2007 (in $ million)

| | Notes | The Group 2006-07 | The Group 2005-06 |
|---|---|---|---|
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 31 | 3,163.5 | 2,309.6 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure | 32 | (3,026.7) | (2,058.8) |
| Purchase of intangible assets – application software | | (32.5) | (32.4) |
| Proceeds from disposal of aircraft and other fixed assets | | 1,586.6 | 629.7 |
| Return of capital from associated companies | | 3.9 | 3.3 |
| Investments in associated companies | | (23.6) | (27.1) |
| Investments in joint venture companies | | – | (8.2) |
| Additional long-term investments | | – | (91.6) |
| Repayment of loan receivable | | 42.0 | – |
| Proceeds from disposal of long-term investments | | 382.4 | 90.5 |
| Proceeds from disposal of a joint venture company | | 509.4 | – |
| Dividends received from associated and joint venture companies | | 60.6 | 91.2 |
| Dividends received from investments | | 39.6 | 25.4 |
| Interest received from investments and deposits | | 180.3 | 89.5 |
| **NET CASH USED IN INVESTING ACTIVITIES** | | (278.0) | (1,288.5) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Dividends paid | | (614.8) | (487.6) |
| Dividends paid by subsidiary companies to minority interests | | (72.4) | (30.9) |
| Interest paid | | (109.1) | (90.4) |
| Proceeds from borrowings | | – | 0.5 |
| Repayment of borrowings | | (16.9) | (25.1) |
| Repayment of long-term lease liabilities | | (345.3) | (59.3) |
| Proceeds from issuance of share capital by subsidiary companies to minority interests | | 0.1 | 12.0 |
| Proceeds from exercise of share options | | 342.4 | 135.9 |
| **NET CASH USED IN FINANCING ACTIVITIES** | | (816.0) | (544.9) |
| **NET CASH INFLOW** | | 2,069.5 | 476.2 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR** | | 3,141.2 | 2,814.0 |
| Effect of exchange rate changes | | (117.0) | (149.0) |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | | 5,093.7 | 3,141.2 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS** | | | |
| Fixed deposits | 28 | 4,385.5 | 2,451.9 |
| Cash and bank | 28 | 732.1 | 699.7 |
| Bank overdrafts | 30 | (23.9) | (10.4) |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | | 5,093.7 | 3,141.2 |

*The notes on pages 80 to 137 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 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 11 May 2007.

## 2 Accounting Policies

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

### (a) Basis of 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) 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. The carrying amount of the Group's and the Company's aircraft fleet at 31 March 2007 was $12,381.7 million (2006: $11,685.6 million) and $9,735.9 million (2006: $8,694.6 million) respectively.

#### (iii) Passenger revenue recognition

Passenger sales are recognised as operating revenue when the transportation is provided. The value of unused tickets is included as sales in advance of carriage 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. The carrying amount of the Group's and the Company's sales in advance of carriage at 31 March 2007 was $1,392.9 million (2006: $1,191.6 million) and $1,365.1 million (2006: $1,164.4 million) respectively.

#### (iv) Frequent flyer programme

The Company operates a frequent flyer programme called "KrisFlyer" that provides travel awards to programme members based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferment of the revenue is estimated based on historical trends of breakage and redemption, which is then used to project the expected utilisation of these benefits. Any remaining unutilised benefits are recognised as revenue upon expiry. The carrying amount of the Group's and the Company's deferred revenue at 31 March 2007 was $388.3 million (2006: $309.9 million).

## 2 Accounting Policies (continued)

### (c) 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 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 interests.

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 (e)(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.

### (d) 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 results of the joint venture companies is recognised 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.

## 2 Accounting Policies (continued)

### (e) Intangible assets

**(i) Goodwill**
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, 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 format.

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, if any. These costs are amortised using the straight-line method over their estimated useful lives of 1 to 5 years.

### (f) Foreign currencies

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

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

## 2 Accounting Policies (continued)

### (f) Foreign currencies (continued)

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

### (g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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" (fixed rate charged per hour) is capitalised by hours flown. Expenditure for other maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs, accumulated depreciation and accumulated impairment losses, if any, are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

### (h) 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.

#### (i) 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 (including inspection costs provided under "power-by-hour" contracts) are capitalised and depreciated over the average expected life between major overhauls, estimated to be 4 to 6 years.

#### (ii) 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. |

#### (iii) 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.

#### (iv) Other fixed assets

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

## 2 Accounting Policies (continued)

### (i) Leased assets

**(i) 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.

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

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 4 to 6 years.

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

### (j) Stocks

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

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

### (k) Financial assets

Financial assets 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.

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

## 2 Accounting Policies (continued)

### (k) Financial assets (continued)

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

**(iii) Available-for-sale investments**
Available-for-sale investments are non-derivative financial assets that are either designated in this category, or not classified in any other categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised in 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.

### (l) Financial liabilities
Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

**(i) Financial assets**
A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

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

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

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

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

## 2 Accounting Policies (continued)

### (p) Taxation

**(i) Current tax**

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

**(ii) Deferred tax**

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 reassessd 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.

### (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" 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

**(i) 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.

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

Details of the plans are disclosed in Note 13 to the financial statements.

## 2 Accounting Policies (continued)

### (s) Employee benefits (continued)

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

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 share-based compensation 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"). Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share-based compensation reserve over the remaining vesting period.

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

The share-based compensation reserve is transferred directly back to general reserve upon cancellation or expiry of the vested options.

#### (ii) 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.

#### (iii) Defined benefit plans

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

### (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.

## 2 Accounting Policies (continued)

**(u) Provisions (continued)**
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 is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue is principally earned 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 intra-group transactions.

Passenger and cargo sales are recognised as operating revenue when the transportation is provided. The value of unused tickets and air waybills is included in current liabilities as "sales in advance of carriage". The value of tickets 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) Claims and liquidated damages**
Claims for liquidated damages, in relation to a loss of income, are recognised in the profit and loss account when a contractual entitlement exists, the amount can be reliably measured and receipt is virtually certain. When the claims do not relate to a compensation for loss of income, the amounts are taken to the balance sheet, included under "deferred account", as a reduction to the cost of the assets when the assets are capitalised.

**(z) 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.

## 2 Accounting Policies (continued)

**(aa) 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.

**(ab) Impairment of non-financial and financial assets**

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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.

**(i) 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.

**(ii) 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.

**(iii) 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.

**(ac) 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.

## 2 Accounting Policies (continued)

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

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.

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:

<u>Cash flow hedges</u>
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.

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

### (ad) Segmental reporting

**(i) 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.

**(ii) Geographical segment**

The analysis of revenue by area of original sale from airline operations is derived by allocating revenue to the area in which the sale was made. Revenue from other operations, which consists principally of airport terminal 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.

## 2 Accounting Policies (continued)

### (ae) FRS and INT FRS not yet effective

The Group has not applied the following FRS and INT FRS that have been issued but not yet effective:

| | | | Effective date (Annual periods beginning on or after) |
|---|---|---|---|
| FRS 1 | : | Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures) | 1 January 2007 |
| FRS 40 | : | Investment Property | 1 January 2007 |
| FRS 107 | : | Financial Instruments: Disclosures | 1 January 2007 |
| FRS 108 | : | Operating Segments | 1 January 2009 |
| INT FRS 108 | : | Scope of FRS 102, Share-based Payment | 1 May 2006 |
| INT FRS 109 | : | Reassessment of Embedded Derivatives | 1 June 2006 |
| INT FRS 110 | : | Interim Financial Reporting and Impairment | 1 November 2006 |
| INT FRS 111 | : | Group and Treasury Share Transactions | 1 March 2007 |
| INT FRS 112 | : | Service Concession Arrangements | 1 January 2008 |

The adoption of the above pronouncements is not expected to have material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

**FRS 107, Financial Instruments: Disclosures and Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)**

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 April 2007.

## 3 Segment Information (in $ million)

**Business Segments**
The Group's businesses are organised and managed separately according to the nature of the services provided. The following tables present revenue and profit information regarding business segments for the financial years ended 31 March 2007 and 2006 and certain assets and liabilities information of the business segments as at those dates.

| | Airline operations | | Airport terminal services | |
|---|---|---|---|---|
| | 2006-07 | 2005-06 | 2006-07 | 2005-06 |
| **TOTAL REVENUE** | | | | |
| External revenue | 13,785.8 | 12,659.1 | 344.2 | 371.6 |
| Inter-segment revenue | 53.5 | 43.8 | 601.5 | 560.4 |
| | 13,839.3 | 12,702.9 | 945.7 | 932.0 |
| **RESULTS** | | | | |
| Segment result | 1,050.7 | 891.3 | 153.2 | 184.1 |
| Finance charges | (138.9) | (103.0) | (6.2) | (6.3) |
| Interest income | 169.0 | 90.1 | 18.2 | 9.3 |
| Surplus on disposal of aircraft, spares and spare engines | 214.9 | 90.3 | – | – |
| Dividends from subsidiary companies, gross | 357.9 | 204.6 | – | – |
| Dividends from long-term investments, gross | 22.5 | 12.3 | 1.0 | 0.6 |
| Other non-operating items | 76.1 | 9.3 | 1.5 | 1.1 |
| Share of profits of joint venture companies | 24.5 | 20.7 | – | – |
| Share of profits of associated companies | (79.2) | 112.2 | 52.1 | 57.3 |
| Exceptional items | 421.0 | – | – | – |
| Taxation | (48.9) | (280.9) | (40.8) | (56.9) |
| Profit for the financial year | 2,069.6 | 1,046.9 | 179.0 | 189.2 |

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 2006-07 | Engineering services 2005-06 | Others 2006-07 | Others 2005-06 | Total of segments 2006-07 | Total of segments 2005-06 | Elimination* 2006-07 | Elimination* 2005-06 | Consolidated 2006-07 | Consolidated 2005-06 |
|---|---|---|---|---|---|---|---|---|---|
| 287.4 | 238.4 | 77.0 | 72.0 | 14,494.4 | 13,341.1 | – | – | 14,494.4 | 13,341.1 |
| 690.0 | 720.7 | 150.5 | 169.1 | 1,495.5 | 1,494.0 | (1,495.5) | (1,494.0) | – | – |
| 977.4 | 959.1 | 227.5 | 241.1 | 15,989.9 | 14,835.1 | (1,495.5) | (1,494.0) | 14,494.4 | 13,341.1 |
| 102.0 | 134.7 | 27.6 | 21.1 | 1,333.5 | 1,231.2 | (19.1) | (17.9) | 1,314.4 | 1,213.3 |
| – | – | (0.5) | – | (145.6) | (109.3) | 21.5 | 13.0 | (124.1) | (96.3) |
| 13.7 | 9.2 | 2.4 | 1.1 | 203.3 | 109.7 | (21.5) | (13.0) | 181.8 | 96.7 |
| – | – | – | – | 214.9 | 90.3 | 23.0 | 25.4 | 237.9 | 115.7 |
| – | – | – | – | 357.9 | 204.6 | (357.9) | (204.6) | – | – |
| 15.5 | 11.9 | – | – | 39.0 | 24.8 | (0.2) | (0.2) | 38.8 | 24.6 |
| 0.3 | 1.9 | – | – | 77.9 | 12.3 | – | – | 77.9 | 12.3 |
| 33.4 | 19.9 | – | – | 57.9 | 40.6 | – | – | 57.9 | 40.6 |
| 106.1 | 85.7 | – | – | 79.0 | 255.2 | – | – | 79.0 | 255.2 |
| – | – | – | – | 421.0 | – | – | – | 421.0 | – |
| (29.4) | (32.9) | (4.6) | (5.6) | (123.7) | (376.3) | 41.5 | 23.7 | (82.2) | (352.6) |
| 241.6 | 230.4 | 24.9 | 16.6 | 2,515.1 | 1,483.1 | (312.7) | (173.6) | 2,202.4 | 1,309.5 |
| | | | | | | | | 2,128.8 | 1,240.7 |
| | | | | | | | | 73.6 | 68.8 |
| | | | | | | | | 2,202.4 | 1,309.5 |

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

### Business Segments (continued)

| | Airline operations 2007 | Airline operations 2006 | Airport terminal services 2007 | Airport terminal services 2006 |
|---|---|---|---|---|
| **OTHER INFORMATION AT 31 MARCH** | | | | |
| Segment assets | 22,691.5 | 19,258.7 | 1,450.2 | 1,365.6 |
| Investments in and loans to joint venture and associated companies | 202.5 | 638.6 | 344.0 | 345.9 |
| Goodwill on consolidation | – | – | 1.3 | 1.3 |
| Long-term investments | 20.8 | 403.6 | 7.9 | 7.9 |
| Amounts owing by associated companies | 1.0 | 3.0 | 0.7 | 0.3 |
| Accrued interest receivable | 16.8 | 14.3 | – | 0.3 |
| Tax prepayments | 46.7 | 166.2 | – | – |
| Total assets | 22,979.3 | 20,484.4 | 1,804.1 | 1,721.3 |
| Segment liabilities | 5,660.4 | 4,211.3 | 180.2 | 178.5 |
| Long-term liabilities | 1,603.3 | 1,618.5 | 202.5 | 203.9 |
| Short-term loans and lease commitments | 70.6 | 479.3 | 0.3 | 0.8 |
| Accrued interest payable | 15.3 | 18.9 | 0.5 | 0.5 |
| Tax liabilities | 2,559.3 | 2,602.6 | 102.6 | 128.8 |
| Total liabilities | 9,908.9 | 8,930.6 | 486.1 | 512.5 |
| Capital expenditure | 2,964.8 | 1,988.7 | 12.8 | 13.0 |
| Purchase of intangible assets | 27.3 | 27.4 | 1.2 | 3.2 |
| Depreciation | 1,218.7 | 1,132.0 | 59.8 | 58.1 |
| Impairment of fixed assets | 0.6 | 9.9 | – | – |
| Amortisation of intangibles | 39.8 | 40.1 | 5.9 | 7.1 |
| Non-cash items other than depreciation, impairment of fixed assets and amortisation of intangible assets | (86.6) | (154.6) | 6.4 | 5.2 |

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

| Engineering services 2007 | Engineering services 2006 | Others 2007 | Others 2006 | Total of segments 2007 | Total of segments 2006 | Elimination* 2007 | Elimination* 2006 | Consolidated 2007 | Consolidated 2006 |
|---|---|---|---|---|---|---|---|---|---|
| 875.0 | 941.9 | 217.7 | 201.4 | 25,234.4 | 21,767.6 | (337.0) | (369.0) | 24,897.4 | 21,398.6 |
| 425.4 | 371.2 | 12.2 | 11.2 | 984.1 | 1,366.9 | – | (8.0) | 984.1 | 1,358.9 |
| – | – | – | – | 1.3 | 1.3 | – | – | 1.3 | 1.3 |
| 14.6 | 14.6 | – | – | 43.3 | 426.1 | – | (0.2) | 43.3 | 425.9 |
| – | – | – | – | 1.7 | 3.3 | 0.2 | 0.4 | 1.9 | 3.7 |
| – | – | 0.5 | 0.3 | 17.3 | 14.9 | – | – | 17.3 | 14.9 |
| – | – | – | – | 46.7 | 166.2 | – | – | 46.7 | 166.2 |
| 1,315.0 | 1,327.7 | 230.4 | 212.9 | 26,328.8 | 23,746.3 | (336.8) | (376.8) | 25,992.0 | 23,369.5 |
| 243.4 | 224.2 | 55.4 | 54.5 | 6,139.4 | 4,668.5 | (314.7) | (280.1) | 5,824.7 | 4,388.4 |
| – | 2.0 | – | – | 1,805.8 | 1,824.4 | – | – | 1,805.8 | 1,824.4 |
| 2.7 | 1.0 | – | – | 73.6 | 481.1 | – | – | 73.6 | 481.1 |
| – | – | – | – | 15.8 | 19.4 | – | – | 15.8 | 19.4 |
| 58.6 | 47.5 | 8.0 | 8.5 | 2,728.5 | 2,787.4 | 0.3 | 1.9 | 2,728.8 | 2,789.3 |
| 304.7 | 274.7 | 63.4 | 63.0 | 10,763.1 | 9,780.8 | (314.4) | (278.2) | 10,448.7 | 9,502.6 |
| 47.1 | 39.6 | 2.0 | 17.5 | 3,026.7 | 2,058.8 | – | – | 3,026.7 | 2,058.8 |
| 3.8 | 1.4 | 0.2 | 0.4 | 32.5 | 32.4 | – | – | 32.5 | 32.4 |
| 26.8 | 24.5 | 17.0 | 13.1 | 1,322.3 | 1,227.7 | (2.9) | – | 1,319.4 | 1,227.7 |
| – | 2.2 | – | – | 0.6 | 12.1 | – | – | 0.6 | 12.1 |
| 7.7 | 7.0 | 0.6 | 0.5 | 54.0 | 54.7 | – | – | 54.0 | 54.7 |
| 3.2 | (1.1) | (0.2) | (1.1) | (77.2) | (151.6) | – | – | (77.2) | (151.6) |

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

**Geographical Segments**

The following table presents revenue information on airline operations by geographical areas for the financial years ended 31 March 2007 and 2006.

| | By area of original sale | |
|---|---|---|
| | 2006-07 | 2005-06 |
| East Asia | 5,974.6 | 5,554.5 |
| Europe | 1,957.4 | 1,882.4 |
| South West Pacific | 1,538.5 | 1,535.4 |
| Americas | 1,017.2 | 991.0 |
| West Asia and Africa | 874.7 | 896.2 |
| System-wide | 11,362.4 | 10,859.5 |
| Non-scheduled services and incidental revenue | 2,476.9 | 1,843.4 |
| | 13,839.3 | 12,702.9 |

## 4 Staff Costs (in $ million)

| | The Group | |
|---|---|---|
| | 2006-07 | 2005-06 |
| Staff costs (including Executive Director) | | |
| Salary, bonuses and other costs | 2,535.2 | 2,290.9 |
| CPF and other defined contributions | 134.6 | 142.1 |
| Share-based compensation expense | 57.6 | 48.1 |
| | 2,727.4 | 2,481.1 |

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 $16.6 million for 2006-07 and $21.2 million for 2005-06. As these are not material to the total staff costs of the Group for 2006-07 and 2005-06, additional disclosures of these defined benefit plans are not shown. Disclosures relating to share-based compensation expense are in Note 13.

## 5 Operating Profit (in $ million)

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

| | The Group | |
|---|---|---|
| | 2006-07 | 2005-06 |
| Interest income from short-term investments | (0.8) | (0.7) |
| Dividend income from short-term investments | (0.8) | (0.8) |
| Surplus on disposal of short-term investments | (3.5) | (3.7) |
| Income from lease of aircraft | (31.4) | (31.6) |
| Amortisation of deferred gain on sale and operating leaseback transactions | (88.4) | (103.5) |
| Professional fees paid to a firm of which a director is a member | * | * |
| Remuneration for auditors of the Company | | |
| Audit fees | 1.6 | 1.5 |
| Non-audit fees | 1.0 | 0.8 |
| Exchange losses, net | 79.9 | 163.2 |

* *Amount less than $0.1 million.*

### 6 Finance Charges (in $ million)

| | The Group 2006-07 | 2005-06 |
|---|---|---|
| Interest expenses: | | |
| – notes payable | 43.3 | 43.4 |
| – loans | 0.2 | 0.3 |
| – finance lease commitments | 71.1 | 52.0 |
| – other receivables measured at amortised cost | 9.1 | – |
| | 123.7 | 95.7 |
| Commitment fees | 0.4 | 0.6 |
| | 124.1 | 96.3 |

### 7 Interest Income (in $ million)

| | The Group 2006-07 | 2005-06 |
|---|---|---|
| Fixed deposits | 147.3 | 80.8 |
| Quoted non-equity investments | 18.7 | 15.6 |
| Others | 15.8 | 0.3 |
| | 181.8 | 96.7 |

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

| | The Group 2006-07 | 2005-06 |
|---|---|---|
| Surplus on liquidation of Asia Leasing Limited | 1.2 | – |
| Recognition of liquidated damages | 32.4 | – |
| Surplus on disposal of other fixed assets | 43.1 | 11.9 |
| Amortisation of deferred gain on sale and finance leaseback transactions | 1.4 | 1.4 |
| Impairment of long-term investments | (0.2) | (1.0) |
| | 77.9 | 12.3 |

### 9 Exceptional Items (in $ million)

| | The Group 2006-07 | 2005-06 |
|---|---|---|
| Surplus on sale of SIA Building | 223.3 | – |
| Surplus on sale of investment in Singapore Aircraft Leasing Enterprise Pte Ltd | 197.7 | – |
| | 421.0 | – |

## 10 Taxation (in $ million)

| | The Group 2006-07 | 2005-06 |
|---|---|---|
| Current taxation | | |
| Provision for the year | 185.6 | 183.7 |
| (Over)/Under provision in respect of prior years | (42.1) | 78.7 |
| Share of joint venture companies' taxation | 4.9 | (0.8) |
| Share of associated companies' taxation | (7.1) | 62.3 |
| Reversal of tax contingency provision no longer required | – | 4.0 |
| | 141.3 | 327.9 |
| Deferred taxation | | |
| Movement in temporary differences | 164.8 | 132.0 |
| Under/(Over) provision in respect of prior years | 22.8 | (107.3) |
| | 187.6 | 24.7 |
| | 328.9 | 352.6 |
| Adjustment for reduction in Singapore statutory tax rate | (246.7) | – |
| | 82.2 | 352.6 |

On 15 February 2007, the Government announced a 2% points reduction in statutory tax rate from Year of Assessment 2008. The financial effect of the reduction in tax rate was reflected in the current financial year. The aggregate adjustment of the prior year's deferred tax liabilities was $246.7 million for the Group.

The Group has tax losses of approximately $26.9 million (2006: $14.7 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 is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

| | The Group 2006-07 | 2005-06 |
|---|---|---|
| Profit before taxation | 2,284.6 | 1,662.1 |
| Taxation at statutory tax rate of 18.0% (2005-06: 20.0%) | 411.2 | 332.4 |
| Adjustments | | |
| Income not subject to tax | (114.7) | (44.4) |
| Expenses not deductible for tax purposes | 57.4 | 69.4 |
| Higher effective tax rates of other countries | 15.4 | 26.3 |
| Overprovision in respect of prior years, net | (19.3) | (28.6) |
| Effect of change in statutory tax rate | (246.7) | – |
| Income under an incentive scheme | (1.9) | (3.7) |
| Reversal of tax contingency provision no longer required | – | 4.0 |
| Others | (19.2) | (2.8) |
| Taxation | 82.2 | 352.6 |

### 11 Earnings Per Share

| | The Group | | | |
|---|---|---|---|---|
| | 2006-07 | | 2005-06 | |
| | Basic | Diluted | Basic | Diluted |
| Profit attributable to equity holders of the Company (in $ million) | 2,128.8 | 2,128.8 | 1,240.7 | 1,240.7 |
| Adjustment for dilutive potential ordinary shares of subsidiaries (in $ million) | – | (4.8) | – | (3.6) |
| Adjusted net profit attributable to equity holders of the Company (in $ million) | 2,128.8 | 2,124.0 | 1,240.7 | 1,237.1 |
| Weighted average number of ordinary shares in issue (in million) | 1,233.6 | 1,233.6 | 1,219.5 | 1,219.5 |
| Adjustment for dilutive potential ordinary shares (in million) | – | 10.0 | – | 2.1 |
| Weighted average number of ordinary shares in issue used for computing earnings per share (in million) | 1,233.6 | 1,243.6 | 1,219.5 | 1,221.6 |
| Earnings per share (cents) | 172.6 | 170.8 | 101.7 | 101.3 |

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 profit attributable to equity holders of the Company is adjusted to take into account effects of dilutive potential ordinary shares of subsidiaries and the weighted average number of ordinary shares of the Company in issue is adjusted to take into account effects of dilutive options of the Company.

21.8 million (2005-06: 47.9 million) of the share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous years presented.

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

| | The Group and the Company | |
|---|---|---|
| | 2006-07 | 2005-06 |
| Dividends paid: | | |
| Final dividend of 35.0 cents per share tax exempt (one-tier) in respect of 2005-06 (2005-06: 30.0 cents per share tax exempt [one-tier] in respect of 2004-05) | 429.4 | 365.7 |
| Interim dividend of 15.0 cents per share tax exempt (one-tier) in respect of current financial year (2005-06: 10.0 cents per share tax exempt [one-tier] in respect of 2005-06) | 185.4 | 121.9 |
| | 614.8 | 487.6 |

The directors propose that a final tax exempt (one-tier) dividend of 35.0 cents per share (2005-06: 35.0 cents per share) and a special tax exempt (one-tier) dividend of 50.0 cents per share (2005-06: Nil) amounting to $436.4 million (2005-06: $429.4 million) and $623.4 million (2005-06: Nil) respectively be paid for the financial year ended 31 March 2007.

## 13 Share Capital (in $ million)

| | The Group and the Company 2007 | 2006 |
|---|---|---|
| Issued and fully paid share capital | | |
| Ordinary shares | | |
| Balance at 1 April | | |
| 1,224,704,750 shares (2005: 1,218,239,646 shares) | 1,202.6 | 609.1 |
| Transfer of share premium to share capital | – | 448.2 |
| Transfer of capital redemption reserve to share capital | – | 64.4 |
| 22,128,620 share options exercised during the year (2005-06: 6,465,104) | 292.3 | 80.9 |
| Balance at 31 March | | |
| 1,246,833,370 shares (2006: 1,224,704,750 shares) | 1,494.9 | 1,202.6 |
| Special share | | |
| Balance at 1 April | | |
| 1 (2005: 1) | # | # |
| Balance at 31 March | | |
| 1 (2006: 1 ) | # | # |
| | 1,494.9 | 1,202.6 |

# *The value is $0.50*

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

During the financial year, the Company issued 22,128,620 shares (2005-06: 6,465,104) 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.

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

SIA ESOP

| | 2006-07 | | 2005-06 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at 1 April | 79,196,566 | $12.76 | 74,338,615 | $12.91 |
| Granted | 12,777,119 | $12.60 | 13,293,461 | $11.28 |
| Cancelled | (1,506,158) | $13.58 | (1,970,406) | $13.72 |
| Exercised | (22,128,620) | $12.00 | (6,465,104) | $11.23 |
| Balance at 31 March | 68,338,907 | $12.96 | 79,196,566 | $12.76 |
| Exercisable at 31 March | 40,163,661 | $13.80 | 50,472,157 | $13.73 |

The range of exercise prices for options outstanding at the end of the year is $10.34 to $16.65 (2005-06: $10.34 to $16.65).

The weighted average fair value of options granted during the year was $3.13 (2005-06: $2.77). The weighted average share price for options exercised during the year was $12.90 (2005-06: $12.14). The weighted average remaining contractual life for these options is 6.12 years (2005-06: 6.42 years).

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

### Share option plans (continued)

SATS ESOP

| | 2006-07 | | 2005-06 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at 1 April | 59,863,300 | $2.07 | 62,756,850 | $1.87 |
| Granted | 14,878,000 | $2.10 | 15,865,800 | $2.27 |
| Cancelled | (1,335,100) | $2.07 | (705,700) | $2.07 |
| Exercised | (15,897,545) | $2.04 | (18,053,650) | $1.57 |
| Balance at 31 March | 57,508,655 | $2.09 | 59,863,300 | $2.07 |
| Exercisable at 31 March | 26,710,655 | $1.98 | 27,346,625 | $1.96 |

The range of exercise prices for options outstanding at the end of the year is $1.24 to $2.27 (2005-06: $1.24 to $2.27).

The weighted average fair value of options granted during the year was $0.45 (2005-06: $0.48). The weighted average share price for options exercised during the year was $2.38 (2005-06: $2.30). The weighted average remaining contractual life for these options is 6.93 years (2005-06: 6.84 years).

SIAEC ESOP

| | 2006-07 | | 2005-06 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at 1 April | 60,225,575 | $2.02 | 63,709,775 | $1.84 |
| Granted | 15,244,800 | $3.44 | 16,313,700 | $2.45 |
| Cancelled | (648,350) | $2.27 | (416,850) | $2.06 |
| Exercised | (25,090,737) | $1.65 | (19,381,050) | $1.79 |
| Balance at 31 March | 49,731,288 | $2.40 | 60,225,575 | $2.02 |
| Exercisable at 31 March | 17,836,788 | $1.71 | 28,144,350 | $1.85 |

The range of exercise prices for options outstanding at the end of the year is $1.01 to $3.44 (2005-06: $1.21 to $2.45).

The weighted average fair value of options granted during the year was $1.22 (2006-05: $0.49). The weighted average share price for options exercised during the year was $3.91 (2005-06: $2.58). The weighted average remaining contractual life for these options is 7.49 years (2005-06: 7.18 years).

## 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 2006 and July 2005 grants:

| SIA ESOP | July 2006 Grant | July 2005 Grant |
|---|---|---|
| Expected dividend yield (%) | Management's forecast in line with dividend policy | |
| Expected volatility (%) | 29.99 – 30.16 | 31.58 – 33.33 |
| Risk-free interest rate (%) | 3.37 – 3.45 | 2.29 – 2.44 |
| Expected life of options (years) | 5.5 – 7.0 | 5.5 – 7.0 |
| Exercise price ($) | 12.60 | 11.28 |
| Share price at date of grant ($) | 12.60 | 11.20 |

| SATS ESOP | July 2006 Grant | July 2005 Grant |
|---|---|---|
| Expected dividend yield (%) | Management's forecast in line with dividend policy | |
| Expected volatility (%) | 27.7 | 26.0 |
| Risk-free interest rate (%) | 3.37 – 3.45 | 2.29 – 2.44 |
| Expected life of options (years) | 5.5 – 7.0 | 5.5 – 7.0 |
| Exercise price ($) | 2.10 | 2.27 |
| Share price at date of grant ($) | 2.13 | 2.30 |

| SIAEC ESOP | July 2006 Grant | July 2005 Grant |
|---|---|---|
| Expected dividend yield (%) | Management's forecast in line with dividend policy | |
| Expected volatility (%) | 25.06 – 25.36 | 25.9 |
| Risk-free interest rate (%) | 3.37 – 3.45 | 2.29 – 2.44 |
| Expected life of options (years) | 5.5 – 7.0 | 5.5 – 7.0 |
| Exercise price ($) | 3.44[#] | 2.25[#] |
| Share price at date of grant ($) | 3.96 | 2.41 |

[#] *At the extraordinary general meeting of SIAEC held on 26 July 2004, SIAEC's shareholders approved an amendment to the Plan to allow 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. Following approval by the SIAEC's shareholders of the declaration of a special dividend of $0.20 on 26 July 2004, the said Committee approved another $0.20 reduction in the exercise prices of the share options outstanding on 25 July 2006 following approval by the Company's shareholders of the declaration of a special dividend of $0.20 on 21 July 2006. 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 2007:

SIA ESOP

| Exercisable period | Exercise price | Number outstanding | Number exercisable |
|---|---|---|---|
| 28.3.2001 – 27.3.2010 | $15.34 | 918,077 | 918,077 |
| 28.3.2002 – 27.3.2010 | $15.34 | 6,933,838 | 6,933,838 |
| 28.3.2003 – 27.3.2010 | $15.34 | 918,237 | 918,237 |
| 28.3.2004 – 27.3.2010 | $15.34 | 919,738 | 919,738 |
| 3.7.2001 – 2.7.2010 | $16.65 | 1,176,565 | 1,176,565 |
| 3.7.2002 – 2.7.2010 | $16.65 | 6,243,925 | 6,243,925 |
| 3.7.2003 – 2.7.2010 | $16.65 | 1,180,044 | 1,180,044 |
| 3.7.2004 – 2.7.2010 | $16.65 | 1,184,206 | 1,184,206 |
| 2.7.2002 – 1.7.2011 | $11.96 | 695,352 | 695,352 |
| 2.7.2003 – 1.7.2011 | $11.96 | 2,987,768 | 2,987,768 |
| 2.7.2004 – 1.7.2011 | $11.96 | 714,687 | 714,687 |
| 2.7.2005 – 1.7.2011 | $11.96 | 724,810 | 724,810 |
| 1.7.2003 – 30.6.2012 | $12.82 | 1,021,010 | 1,021,010 |
| 1.7.2004 – 30.6.2012 | $12.82 | 4,011,554 | 4,011,554 |
| 1.7.2005 – 30.6.2012 | $12.82 | 1,088,293 | 1,088,293 |
| 1.7.2006 – 30.6.2012 | $12.82 | 1,143,987 | 1,143,987 |
| 1.7.2004 – 30.6.2013 | $10.34 | 599,645 | 599,645 |
| 1.7.2005 – 30.6.2013 | $10.34 | 2,115,058 | 2,115,058 |
| 1.7.2006 – 30.6.2013 | $10.34 | 735,636 | 735,636 |
| 1.7.2007 – 30.6.2013 | $10.34 | 1,539,096 | – |
| 1.7.2005 – 30.6.2014 | $10.70 | 703,676 | 703,676 |
| 1.7.2006 – 30.6.2014 | $10.70 | 3,059,377 | 3,059,377 |
| 1.7.2007 – 30.6.2014 | $10.70 | 1,474,774 | – |
| 1.7.2008 – 30.6.2014 | $10.70 | 1,475,080 | – |
| 1.7.2006 – 30.6.2015 | $11.28 | 1,076,018 | 1,076,018 |
| 1.7.2007 – 30.6.2015 | $11.28 | 7,863,363 | – |
| 1.7.2008 – 30.6.2015 | $11.28 | 1,632,412 | – |
| 1.7.2009 – 30.6.2015 | $11.28 | 1,632,732 | – |
| 3.7.2007 – 2.7.2016 | $12.60 | 1,495,714 | 12,160 |
| 3.7.2008 – 2.7.2016 | $12.60 | 8,185,515 | – |
| 3.7.2009 – 2.7.2016 | $12.60 | 1,444,195 | – |
| 3.7.2010 – 2.7.2016 | $12.60 | 1,444,525 | – |
| Total number of options outstanding | | 68,338,907@ | 40,163,661 |

@ *The total number of options outstanding includes:*

(a) *8,970,190 (2006: 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) *65,795 (2006: 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 2007:

SATS ESOP

| Exercisable period | Exercise price | Number outstanding | Number exercisable |
|---|---|---|---|
| 28.3.2001 – 27.3.2010 | $2.20 | 198,950 | 198,950 |
| 28.3.2002 – 27.3.2010 | $2.20 | 9,115,650 | 9,115,650 |
| 28.3.2003 – 27.3.2010 | $2.20 | 198,950 | 198,950 |
| 28.3.2004 – 27.3.2010 | $2.20 | 198,950 | 198,950 |
| 3.7.2001 – 2.7.2010 | $1.80 | 209,825 | 209,825 |
| 3.7.2002 – 2.7.2010 | $1.80 | 2,579,775 | 2,579,775 |
| 3.7.2003 – 2.7.2010 | $1.80 | 212,975 | 212,975 |
| 3.7.2004 – 2.7.2010 | $1.80 | 212,975 | 212,975 |
| 2.7.2002 – 1.7.2011 | $1.24 | 7,500 | 7,500 |
| 2.7.2003 – 1.7.2011 | $1.24 | 846,500 | 846,500 |
| 2.7.2004 – 1.7.2011 | $1.24 | 7,600 | 7,600 |
| 2.7.2005 – 1.7.2011 | $1.24 | 66,700 | 66,700 |
| 1.7.2003 – 30.6.2012 | $1.60 | 61,450 | 61,450 |
| 1.7.2004 – 30.6.2012 | $1.60 | 1,641,950 | 1,641,950 |
| 1.7.2005 – 30.6.2012 | $1.60 | 203,900 | 203,900 |
| 1.7.2006 – 30.6.2012 | $1.60 | 336,450 | 336,450 |
| 1.7.2004 – 30.6.2013 | $1.47 | 35,150 | 35,150 |
| 1.7.2005 – 30.6.2013 | $1.47 | 1,645,250 | 1,645,250 |
| 1.7.2006 – 30.6.2013 | $1.47 | 222,230 | 222,230 |
| 1.7.2007 – 30.6.2013 | $1.47 | 323,675 | – |
| 1.7.2005 – 30.6.2014 | $2.09 | 292,850 | 292,850 |
| 1.7.2006 – 30.6.2014 | $2.09 | 8,056,500 | 8,056,500 |
| 1.7.2007 – 30.6.2014 | $2.09 | 351,975 | – |
| 1.7.2008 – 30.6.2014 | $2.09 | 351,975 | – |
| 1.7.2006 – 30.6.2015 | $2.27 | 358,575 | 358,575 |
| 1.7.2007 – 30.6.2015 | $2.27 | 14,274,425 | – |
| 1.7.2008 – 30.6.2015 | $2.27 | 378,925 | – |
| 1.7.2009 – 30.6.2015 | $2.27 | 378,925 | – |
| 3.7.2007 – 2.7.2016 | $2.10 | 178,649 | – |
| 3.7.2008 – 2.7.2016 | $2.10 | 14,202,151 | – |
| 3.7.2009 – 2.7.2016 | $2.10 | 178,649 | – |
| 3.7.2010 – 2.7.2016 | $2.10 | 178,651 | – |
| Total number of options outstanding | | 57,508,655@ | 26,710,655 |

@ *The total number of options outstanding includes 7,930,225 (2006: 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 | $1.65 | 72,600 | 72,600 |
| 28.3.2002 – 27.3.2010 | $1.65 | 1,977,700 | 1,977,700 |
| 28.3.2003 – 27.3.2010 | $1.65 | 76,100 | 76,100 |
| 28.3.2004 – 27.3.2010 | $1.65 | 124,600 | 124,600 |
| 3.7.2001 – 2.7.2010 | $1.55 | 116,899 | 116,899 |
| 3.7.2002 – 2.7.2010 | $1.55 | 1,516,401 | 1,516,401 |
| 3.7.2003 – 2.7.2010 | $1.55 | 187,155 | 187,155 |
| 3.7.2004 – 2.7.2010 | $1.55 | 187,158 | 187,158 |
| 2.7.2002 – 1.7.2011 | $1.01 | 84,975 | 84,975 |
| 2.7.2003 – 1.7.2011 | $1.01 | 766,825 | 766,825 |
| 2.7.2004 – 1.7.2011 | $1.01 | 120,575 | 120,575 |
| 2.7.2005 – 1.7.2011 | $1.01 | 131,525 | 131,525 |
| 1.7.2003 – 30.6.2012 | $1.98 | 460,500 | 460,500 |
| 1.7.2004 – 30.6.2012 | $1.98 | 4,281,425 | 4,281,425 |
| 1.7.2005 – 30.6.2012 | $1.98 | 549,725 | 549,725 |
| 1.7.2006 – 30.6.2012 | $1.98 | 579,475 | 579,475 |
| 1.7.2004 – 30.6.2013 | $1.35 | 133,375 | 133,375 |
| 1.7.2005 – 30.6.2013 | $1.35 | 1,158,375 | 1,158,375 |
| 1.7.2006 – 30.6.2013 | $1.35 | 176,100 | 176,100 |
| 1.7.2007 – 30.6.2013 | $1.35 | 320,375 | – |
| 1.7.2005 – 30.6.2014 | $1.69 | 374,625 | 374,625 |
| 1.7.2006 – 30.6.2014 | $1.69 | 4,198,675 | 4,198,675 |
| 1.7.2007 – 30.6.2014 | $1.69 | 609,625 | – |
| 1.7.2008 – 30.6.2014 | $1.69 | 609,625 | – |
| 1.7.2006 – 30.6.2015 | $2.25 | 562,000 | 562,000 |
| 1.7.2007 – 30.6.2015 | $2.25 | 13,943,225 | – |
| 1.7.2008 – 30.6.2015 | $2.25 | 669,625 | – |
| 1.7.2009 – 30.6.2015 | $2.25 | 669,625 | – |
| 3.7.2007 – 2.7.2016 | $3.44 | 436,200 | – |
| 3.7.2008 – 2.7.2016 | $3.44 | 13,763,800 | – |
| 3.7.2009 – 2.7.2016 | $3.44 | 436,200 | – |
| 3.7.2010 – 2.7.2016 | $3.44 | 436,200 | – |
| Total number of options outstanding | | 49,731,288@ | 17,836,788 |

@ *The total number of options outstanding includes 3,893,225 (2006: 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.*

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

**Share-based incentive plans**
During the financial year, the Company introduced two new share-based incentive plans for senior management staff. The plans were approved by the shareholders of the Company on 28 July 2005. Similar share-based incentive plans were introduced and approved by the shareholders of SATS and SIAEC on 19 July 2005 and 25 July 2005 respectively.

The details of the two plans are described below:

| | **RSP** | **PSP** |
|---|---|---|
| Plan Description | Award of fully-paid ordinary shares of the Company, conditional on position and individual performance targets set at the start of a two-year performance period based on medium-term Group and Company objectives. | Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year overlapping performance period based on stretched long-term corporate objectives. |
| Date of Grant | | |
| SIA | 27 July 2006 | 27 July 2006 |
| SATS | 2 October 2006 | 2 October 2006 |
| SIAEC | 3 July 2006 | 3 July 2006 |
| Performance Period | 1 April 2006 to 31 March 2008 | 1 April 2006 to 31 March 2009 |
| Performance Conditions | | |
| SIA | At both Company and Group level<br>• EBITDAR# Margin<br>• Value Added per $ Employment Cost | • Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE)<br>• Relative Total Shareholder Return (TSR) against selected airline peer index companies |
| SATS | At SATS Group level<br>• EBITDA* Margin<br>• Value Added per $ Employment Cost | • Absolute TSR<br>• Absolute Return on Equity (ROE) |
| SIAEC | At SIAEC Group level<br>• EBITDA* Margin<br>• Value Added per $ Employment Cost | • Absolute TSR outperform COE<br>• ROE |
| Vesting Condition | Based on meeting stated performance conditions over a two-year performance period, 50% of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements. | Vesting based on meeting stated performance conditions over a three-year performance period. |
| Payout | 0% – 120% depending on the achievement of pre-set performance targets over the performance period. | 0% – 150% depending on the achievement of pre-set performance targets over the performance period. |

# *EBITDAR denotes Earnings before Interest, Taxes, Depreciation, Amortisation and Restructuring or Rent*

* *EBITDA denotes Earnings before Interest, Taxes, Depreciation and Amortisation*

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

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

Fair values of RSP and PSP

SIA RSP and PSP
The fair value of services received in return for shares awarded is measured by reference to the fair value of shares granted each year under the SIA RSP and PSP. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model, which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns.

The following table lists the inputs to the model used for the July 2006 award:

| SIA | RSP | PSP |
|---|---|---|
| Expected dividend yield (%) | Management's forecast in line with dividend policy | |
| Expected volatility (%) | 18.28 – 22.66 | 19.31 |
| Risk-free interest rate (%) | 3.06 – 3.29 | 3.21 |
| Expected term (years) | 1.7 – 3.7 | 2.7 |
| Cost of equity (%) | N.A. | 8.44 |
| Share price at date of grant ($) | 13.20 | 13.20 |

For non-market conditions, achievement factors are determined based on inputs from the Board Compensation and Industrial Relations Committee for the purpose of accrual for the RSP until the achievement of the targets can be accurately ascertained.

The details of the shares awarded under the new share plans during the year since commencement of the RSP and PSP are as follows:

| | Number of Restricted and Performance shares | | |
|---|---|---|---|
| Share Plans | Date of grant 27.7.2006 | Cancelled | Balance at 31.3.2007 |
| RSP | 260,630 | (2,300) | 258,330 |
| PSP | 140,900 | – | 140,900 |
| | 401,530 | (2,300) | 399,230 |

Based on the Monte Carlo simulation model, the estimated fair value at date of grant for each share granted under the RSP ranges from $11.55 to $12.45 and the estimated fair value at date of grant for each share granted under the PSP is $7.02.

When estimating the fair value of the compensation cost, market-based performance conditions shall be taken into account. Therefore, for performance share grants with market-based performance conditions, the compensation cost shall be charged to the profit and loss account on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the remaining service period from date of grant to which the performance period relates, irrespective of whether this performance condition is satisfied.

For performance share grants with non-market conditions, the Group revises its estimates of the number of share grants expected to vest and corresponding adjustments are made to the profit and loss account and share-based compensation reserve.

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

**Share-based incentive plans (continued)**
Under the PSP, eligible key executives are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2007, were 258,330 and 140,900 for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 309,996 and 211,350 fully-paid ordinary shares of the Company, for RSP and PSP respectively.

SATS RSP and PSP

| SATS | RSP | PSP |
|---|---|---|
| Expected dividend yield (%) | Management's forecast in line with dividend policy | |
| Expected volatility (%) | 19.54 – 24.24 | 22.78 |
| Risk-free interest rate (%) | 2.97 – 3.06 | 2.97 |
| Expected term (years) | 1.5 – 3.5 | 2.5 |
| Cost of equity (%) | N.A. | 7.80 |
| Share price at date of grant ($) | 2.19 | 2.19 |

The details of the shares awarded under SATS RSP and PSP during the year since commencement of the plans are as follows:

| | Number of Restricted and Performance shares | |
|---|---|---|
| Share Plans | Date of grant 2.10.2006 | Balance at 31.3.2007 |
| SATS RSP | 182,030 | 182,030 |
| SATS PSP | 84,360 | 84,360 |
| | 266,390 | 266,390 |

Based on the Monte Carlo simulation model, the estimated fair value at date of grant for each share granted under the RSP ranges from $1.88 to $2.05 and the estimated fair value at date of grant for each share granted under the PSP is $1.54.

The number of contingent shares granted but not released as at 31 March 2007, were 182,030 and 84,360 for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 218,436 and 126,540 fully-paid ordinary shares of SATS, for RSP and PSP respectively.

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

### Share-based incentive plans (continued)

SIAEC RSP and PSP

| SIAEC | RSP | PSP |
|---|---|---|
| Expected dividend yield (%) | Management's forecast in line with dividend policy | |
| Expected volatility (%) | 16.82 – 22.31 | 17.49 |
| Risk-free interest rate (%) | 2.99 – 3.25 | 3.16 |
| Expected term (years) | 1.75 – 3.75 | 2.75 |
| Cost of equity (%) | N.A. | 8.50 |
| Share price at date of grant ($) | 3.96 | 3.96 |

The details of the shares awarded under SIAEC RSP and PSP during the year since commencement of the plans are as follows:

| | Number of Restricted and Performance shares | | |
|---|---|---|---|
| Share Plans | Date of grant 3.7.2006 | Cancelled | Balance at 31.3.2007 |
| SIAEC RSP | 205,200 | (2,000) | 203,200 |
| SIAEC PSP | 36,900 | – | 36,900 |
| | 242,100 | (2,000) | 240,100 |

Based on the Monte Carlo simulation model, the estimated fair value at date of grant for each share granted under the RSP ranges from $3.71 to $3.84 and the estimated fair value at date of grant for each share granted under the PSP is $4.04.

The number of contingent shares granted but not released as at 31 March 2007, were 203,200 and 36,900 for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 243,840 and 55,350 fully-paid ordinary shares of SIAEC, for RSP and PSP respectively.

For the current financial year, the Group has recorded $1.8 million (2006: Nil) in respect of the RSP and PSP based on the fair values determined on grant date and estimation of share grants that will ultimately vest.

The total amount recognised in the profit and loss account for share-based compensation transactions with employees can be summarised as follows:

| | The Group 31 March | |
|---|---|---|
| | 2006-07 | 2005-06 |
| Share-based compensation expense | | |
| – Employee share option plan | 55.8 | 48.1 |
| – Restricted share plan | 1.5 | – |
| – Performance share plan | 0.3 | – |
| | 57.6 | 48.1 |

## 14 Other Reserves (in $ million)

### (a) Capital reserve

Capital reserve mainly relates to associated and joint venture companies of which $44.9 million pertain to revaluation of land and buildings owned by RCMS Properties Private Limited.

### (b) Share-based compensation reserve

Share-based compensation reserve represents the equity-settled share options and awards granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options and awards.

### (c) 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 | | The Company 31 March | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Balance at 1 April | 9.1 | 3.2 | 5.0 | 0.5 |
| Net gain on fair value changes | 18.7 | 5.9 | 16.9 | 4.5 |
| Balance at 31 March | 27.8 | 9.1 | 21.9 | 5.0 |
| Net gain on fair value changes | 18.7 | 5.9 | 16.9 | 4.5 |

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

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Balance at 1 April | 154.5 | 128.6 | 30.6 | 151.2 |
| Net (loss)/gain on fair value changes | (227.8) | 25.9 | (70.6) | (120.6) |
| Balance at 31 March | (73.3) | 154.5 | (40.0) | 30.6 |
| Net (loss)/gain on fair value changes | (232.4) | 85.2 | (180.6) | 60.7 |
| Share of joint venture and associated companies' net (loss)/gain on fair value reserve | (137.3) | 163.0 | – | – |
| Recognised in the profit and loss account on occurrence of: | | | | |
| Fuel hedging contracts | 118.9 | (211.7) | 94.0 | (166.5) |
| Foreign currency contracts | 15.7 | (6.3) | 13.4 | (2.8) |
| Interest rate swap contracts | 4.9 | (1.5) | 2.6 | (12.0) |
| Cross currency swap contracts | 2.4 | (2.8) | – | – |
| | (227.8) | 25.9 | (70.6) | (120.6) |
| Total fair value reserve | (45.5) | 163.6 | (18.1) | 35.6 |

## 15 Deferred Account (in $ million)

| | The Group 31 March 2007 | The Group 31 March 2006 | The Company 31 March 2007 | The Company 31 March 2006 |
|---|---|---|---|---|
| Deferred gain on sale and leaseback transactions | | | | |
| – operating leases | 374.8 | 301.7 | 261.3 | 254.9 |
| – finance leases | 49.3 | 47.9 | – | – |
| | 424.1 | 349.6 | 261.3 | 254.9 |
| Deferred credit | 549.5 | – | 549.5 | – |
| | 973.6 | 349.6 | 810.8 | 254.9 |

## 16 Deferred Taxation (in $ million)

| | The Group: Consolidated balance sheet 31 March 2007 | The Group: Consolidated balance sheet 31 March 2006 | The Group: Consolidated profit and loss 2006-07 | The Group: Consolidated profit and loss 2005-06 | The Company: Balance sheet 31 March 2007 | The Company: Balance sheet 31 March 2006 |
|---|---|---|---|---|---|---|
| The deferred taxation arises as a result of: | | | | | | |
| Deferred tax liabilities | | | | | | |
| Differences in depreciation | 2,377.1 | 2,436.1 | (59.0) | 4.7 | 1,918.1 | 1,860.6 |
| 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 | 6.1 | 2.3 | – | – | 4.8 | 1.3 |
| Other temporary differences | 90.5 | 108.3 | (17.8) | (7.8) | 88.0 | 99.3 |
| Gross deferred tax liabilities | 2,473.7 | 2,555.7 | (76.8) | (3.1) | 2,010.9 | 1,968.8 |
| Deferred tax assets | | | | | | |
| Unabsorbed capital allowances and tax losses | (8.9) | (24.7) | 15.8 | 20.4 | – | – |
| Revaluation of jet fuel swap/ option contracts to fair value | (6.5) | – | – | – | (5.3) | – |
| Revaluation of forward currency contracts to fair value | (4.4) | – | – | – | (3.4) | – |
| Other deferred tax assets | (43.0) | (44.9) | 1.9 | 7.4 | (20.7) | (18.3) |
| Gross deferred tax assets | (62.8) | (69.6) | 17.7 | 27.8 | (29.4) | (18.3) |
| Net deferred tax liabilities | 2,410.9 | 2,486.1 | | | 1,981.5 | 1,950.5 |
| Deferred tax (credited)/charged to profit and loss | | | (59.1) | 24.7 | | |
| Deferred tax (credited)/charged to equity | (16.1) | 11.3 | | | (12.8) | 8.9 |

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

| | The Group 31 March 2007 | The Group 31 March 2006 | The Company 31 March 2007 | The Company 31 March 2006 |
|---|---|---|---|---|
| Notes payable repayable after one year | 1,100.0 | 1,100.0 | 900.0 | 900.0 |
| Loans | 116.3 | 140.7 | – | – |
| Repayable within one year | (12.8) | (16.6) | – | – |
| Repayable after one year | 103.5 | 124.1 | – | – |
| Finance lease commitments | 663.1 | 1,064.9 | – | 541.8 |
| Repayable within one year | (60.8) | (464.6) | – | (419.5) |
| Repayable after one year | 602.3 | 600.3 | – | 122.3 |
| Total repayable after one year | 1,805.8 | 1,824.4 | 900.0 | 1,022.3 |

**Notes payable**
Notes payable at 31 March 2007 comprise unsecured long-term notes issued by the Company, which bear fixed interest at 4.15% (2005-06: 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% (2005-06: 3.0%) per annum and are repayable on 2 September 2009. The fair value of notes payable amounted to $1,134.8 million (2006: $1,112.1 million) for the Group, and $935.6 million (2006: $909.9 million) for the Company.

**Loans**
Of the Group's $116.3 million (2006: $140.7 million) loans, $112.7 million (2006: $134.9 million) are secured by a first priority mortgage over one B747-400 freighter and $0.2 million (2006: $0.4 million) are secured by machineries. Interest on the loan for the B747-400 freighter is charged at a margin above the floating rate linked to the London Interbank Offer Rate ("LIBOR") ranging from 5.45% to 6.05% (2005-06: 3.54% to 5.05%) per annum. Interest on the loan secured by machineries is charged at a flat rate of 2.20% (2005-06: 2.20%) per annum and the effective interest rate is 4.44% (2005-06: 4.44%) per annum.

Of the remaining loans, $2.6 million (2006: $3.1 million) was secured by a first legal mortgage on a building at 22 Senoko Way, Singapore 758044 and was discharged during the financial year. The interest on the loan for the building ranged from 5.00% to 5.50% (2005-06: 4.00% to 5.00%) per annum in the current year and is repayable over 20 years commencing 10 April 2003. The remaining unsecured loans of $0.8 million (2006: $2.3 million) bear interest rates ranging from 4.20% to 4.40% (2005-06: 2.30% to 4.42%) per annum.

| | The Group 31 March 2007 | The Group 31 March 2006 |
|---|---|---|
| Not later than one year | 12.8 | 16.6 |
| Later than one year but not later than five years | 53.9 | 56.0 |
| Later than five years | 49.6 | 68.1 |
| | 116.3 | 140.7 |

## 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 matured in 2007, and all outstanding liabilities were repaid during the year.

SIA Cargo holds four B747-400 freighters under finance leases, which mature between 2015 and 2026, without any options for renewal. Three leases have options for SIA Cargo to purchase the aircraft at the end of the lease period of 12 years. The 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.

SIA Cargo continues to remain the primary obligor under the lease agreements and as such, there are unpaid lease commitments of $95.2 million (2006: $101.5 million) as at 31 March 2007. Out of this, $54.3 million (2006: $54.8 million) are covered by funds placed with financial institutions to provide for payments due at time of exercise of purchase option and $23.5 million (2006: $27.5 million) secured by a letter of credit. These arrangements have not been included in the financial statements as there are no outstanding liabilities under this arrangement.

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 4.80% to 6.11% (2005-06: 3.19% to 5.18%) per annum.

Interest rates on SIA Cargo's finance lease commitments are charged at a margin above the LIBOR. These ranged from 4.80% to 6.11% (2005-06: 2.88% to 4.74%) per annum.

Future lease payments under these finance leases are as follows:

| | The Group 31 March | | | | The Company 31 March | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| | Minimum Payments | Repayment of Principal | Minimum Payments | Repayment of Principal | Minimum Payments | Repayment of Principal | Minimum Payments | Repayment of Principal |
| Not later than one year | 93.9 | 60.8 | 512.4 | 464.6 | – | – | 441.7 | 419.5 |
| Later than one year but not later than five years | 378.3 | 271.8 | 417.0 | 331.3 | – | – | 122.3 | 122.3 |
| Later than five years | 375.8 | 330.5 | 304.5 | 269.0 | – | – | – | – |
| Total future lease payments | 848.0 | 663.1 | 1,233.9 | 1,064.9 | – | – | 564.0 | 541.8 |
| Amounts representing interest | (184.9) | – | (169.0) | – | – | – | (22.2) | – |
| Principal value of long-term commitments under finance leases | 663.1 | 663.1 | 1,064.9 | 1,064.9 | – | – | 541.8 | 541.8 |

## 18 Fixed Assets (in $ million)

### The Group

| | 1 April 06 | Additions | Disposals/ Transfers | Impairment | 31 March 07 |
|---|---|---|---|---|---|
| Cost | | | | | |
| Aircraft | 17,132.1 | 2,570.1 | (2,287.3) | – | 17,414.9 |
| Aircraft spares | 801.0 | 74.7 | (29.7) | – | 846.0 |
| Aircraft spare engines | 449.3 | 65.9 | (110.1) | – | 405.1 |
| Freehold land and buildings | 221.9 | – | (50.9) | – | 171.0 |
| Leasehold land and buildings | 1,539.2 | 7.3 | (179.5) | – | 1,367.0 |
| Plant and equipment | 1,170.6 | 31.0 | (47.9) | – | 1,153.7 |
| Office and computer equipment | 390.6 | 11.4 | (37.9) | – | 364.1 |
| | 21,704.7 | 2,760.4 | (2,743.3) | – | 21,721.8 |
| Advance and progress payments | 2,016.8 | 2,354.3 | (2,075.4) | – | 2,295.7 |
| | 23,721.5 | 5,114.7 | (4,818.7) | – | 24,017.5 |
| Accumulated depreciation and impairment | | | | | |
| Aircraft | 5,446.5 | 1,108.3 | (1,521.6) | – | 5,033.2 |
| Aircraft spares | 518.8 | 25.2 | (18.8) | 0.6 | 525.8 |
| Aircraft spare engines | 208.7 | 41.5 | (87.5) | – | 162.7 |
| Freehold land and buildings | 131.7 | 5.9 | (37.8) | – | 99.8 |
| Leasehold land and buildings | 657.3 | 48.3 | (60.8) | – | 644.8 |
| Plant and equipment | 885.6 | 70.7 | (47.7) | – | 908.6 |
| Office and computer equipment | 348.2 | 19.5 | (36.8) | – | 330.9 |
| | 8,196.8 | 1,319.4 | (1,811.0) | 0.6 | 7,705.8 |
| Net book value | 15,524.7 | | | | 16,311.7 |

| | 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 |

## 18 Fixed Assets (in $ million) (continued)

### The Group (continued)

| | Net Book Value 31 March 07 | 31 March 06 |
|---|---|---|
| Aircraft | 12,381.7 | 11,685.6 |
| Aircraft spares | 320.2 | 282.2 |
| Aircraft spare engines | 242.4 | 240.6 |
| Freehold land and buildings | 71.2 | 90.2 |
| Leasehold land and buildings | 722.2 | 881.9 |
| Plant and equipment | 245.1 | 285.0 |
| Office and computer equipment | 33.2 | 42.4 |
| | 14,016.0 | 13,507.9 |
| Advance and progress payments | 2,295.7 | 2,016.8 |
| | 16,311.7 | 15,524.7 |

### The Company

| | 1 April 06 | Additions | Disposals/ Transfers | Impairment | 31 March 07 |
|---|---|---|---|---|---|
| Cost | | | | | |
| Aircraft | 13,132.5 | 2,421.4 | (1,749.9) | – | 13,804.0 |
| Aircraft spares | 738.8 | 46.7 | (26.2) | – | 759.3 |
| Aircraft spare engines | 386.2 | 50.5 | (108.8) | – | 327.9 |
| Freehold land and buildings | 225.7 | – | (50.9) | – | 174.8 |
| Leasehold land and buildings | 536.8 | 0.2 | (179.5) | – | 357.5 |
| Plant and equipment | 400.1 | 6.3 | (42.0) | – | 364.4 |
| Office and computer equipment | 312.2 | 8.5 | (35.0) | – | 285.7 |
| | 15,732.3 | 2,533.6 | (2,192.3) | – | 16,073.6 |
| Advance and progress payments | 1,955.4 | 2,235.8 | (2,002.9) | – | 2,188.3 |
| | 17,687.7 | 4,769.4 | (4,195.2) | – | 18,261.9 |
| Accumulated depreciation and impairment | | | | | |
| Aircraft | 4,437.9 | 864.6 | (1,234.4) | – | 4,068.1 |
| Aircraft spares | 490.8 | 17.2 | (15.3) | 0.6 | 493.3 |
| Aircraft spare engines | 177.9 | 34.3 | (86.6) | – | 125.6 |
| Freehold land and buildings | 131.1 | 5.9 | (37.8) | – | 99.2 |
| Leasehold land and buildings | 334.4 | 11.5 | (60.7) | – | 285.2 |
| Plant and equipment | 331.9 | 22.5 | (41.9) | – | 312.5 |
| Office and computer equipment | 289.3 | 13.1 | (33.8) | – | 268.6 |
| | 6,193.3 | 969.1 | (1,510.5) | 0.6 | 5,652.5 |
| Net book value | 11,494.4 | | | | 12,609.4 |

## 18 Fixed Assets (in $ million) (continued)

**The Company (continued)**

| | 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 |

| | Net Book Value 31 March 07 | 31 March 06 |
|---|---|---|
| Aircraft | 9,735.9 | 8,694.6 |
| Aircraft spares | 266.0 | 248.0 |
| Aircraft spare engines | 202.3 | 208.3 |
| Freehold land and buildings | 75.6 | 94.6 |
| Leasehold land and buildings | 72.3 | 202.4 |
| Plant and equipment | 51.9 | 68.2 |
| Office and computer equipment | 17.1 | 22.9 |
| | 10,421.1 | 9,539.0 |
| Advance and progress payments | 2,188.3 | 1,955.4 |
| | 12,609.4 | 11,494.4 |

| | The Group 31 March 2007 | 2006 |
|---|---|---|
| Net book value of fixed assets acquired under finance leases: | | |
| – aircraft | 925.4 | 838.1 |
| – plant and equipment | – | 93.4 |
| – factory building | 76.2 | 2.4 |
| | 1,001.6 | 933.9 |

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

## 18 Fixed Assets (in $ million) (continued)

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

| | The Group 31 March 2007 | 2006 |
|---|---|---|
| Net book value of: | | |
| – aircraft | 199.3 | 213.7 |
| – building | – | 5.4 |

## 19 Intangible Assets (in $ million)

| | The Group 31 March 2007 | 2006 | The Company 31 March 2007 | 2006 |
|---|---|---|---|---|
| Goodwill arising on consolidation | 1.3 | 1.3 | – | – |
| Computer software | 98.9 | 120.4 | 67.0 | 77.2 |
| | 100.2 | 121.7 | 67.0 | 77.2 |

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 2007 | 2006 | The Company 31 March 2007 | 2006 |
|---|---|---|---|---|
| Balance at 1 April | 120.4 | 142.8 | 77.2 | 88.3 |
| Additions | 32.5 | 32.4 | 26.2 | 25.1 |
| Disposals | – | (0.1) | – | (0.1) |
| Amortisation | (54.0) | (54.7) | (36.4) | (36.1) |
| Balance at 31 March | 98.9 | 120.4 | 67.0 | 77.2 |
| | | | | |
| Cost | 358.4 | 328.7 | 254.6 | 230.7 |
| Accumulated amortisation | (259.5) | (208.3) | (187.6) | (153.5) |
| Net book value | 98.9 | 120.4 | 67.0 | 77.2 |

## 20 Subsidiary Companies (in $ million)

| | The Company 31 March 2007 | The Company 31 March 2006 |
|---|---|---|
| Investment in subsidiary companies (at cost) | | |
| Quoted equity investments | ## | ## |
| Unquoted equity investments | 1,772.4 | 1,772.4 |
| | 1,772.4 | 1,772.4 |
| Accumulated impairment loss | (16.6) | (16.6) |
| | 1,755.8 | 1,755.8 |
| Loans to subsidiary companies | 137.3 | 182.6 |
| | 1,893.1 | 1,938.4 |
| Funds from subsidiary companies | (1,771.7) | (1,220.9) |
| Amounts owing to subsidiary companies | (195.9) | (221.1) |
| | (1,967.6) | (1,442.0) |
| Amounts owing by subsidiary companies | 215.4 | 230.9 |
| Market value of quoted equity investments | 6,481.5 | 4,750.2 |

## *The value is $2.*

During the financial year, Cargo Community Network injected additional funds of $0.2 million into its wholly-owned subsidiary, Cargo Community (Shanghai) Co Ltd.

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 3.08% to 3.65% (2005-06: 0.81% to 4.84%) per annum for SGD loans, and 5.05% to 5.98% (2005-06: 1.56% to 5.05%) 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 2.03% to 3.46% (2005-06: 1.06% to 3.31%) per annum for Singapore Dollar funds, from 4.58% to 5.40% (2005-06: 2.63% to 4.72%) per annum for US Dollar funds and from 4.98% to 6.24% (2005-06: 5.41% to 5.51%) per annum for Australian Dollar funds. During the year, there were no Euro funds and UK Sterling Pound funds. These funds bore interest at 1.98% per annum and 4.61% per annum respectively in the previous financial year.

Net carrying amounts of loans to and funds from subsidiary companies approximate the fair values as interest rates implicit in the loans and funds approximate market interest rates.

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

As at 31 March 2007, the composition of loans to subsidiary companies held in foreign currencies by the Company is as follows: USD – Nil% (2006: 23.0%). The composition of funds from subsidiary companies held in foreign currencies by the Company is as follows: USD – 38.2% (2006: 19.8%) and AUD – 0.6% (2006: 0.6%).

## 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) 2007 | Cost (in $ million) 2006 | Percentage of equity held by the Group 2007 | Percentage of equity held by the Group 2006 |
|---|---|---|---|---|---|---|
| Singapore Airport Terminal Services Limited | Investment holding | Singapore | # | # | 81.9 | 83.2 |
| SATS Catering Pte Ltd | Inflight catering services | - do - | 14.00 | 14.00 | 81.9 | 83.2 |
| SATS Airport Services Pte Ltd | Airport ground handling services | - do - | 16.50 | 16.50 | 81.9 | 83.2 |
| SATS Security Services Pte Ltd | Aviation security services | - do - | 3.00 | 3.00 | 81.9 | 83.2 |
| Aero Laundry & Linen Services Pte Ltd | Providing and selling laundry and linen services | - do - | 2.52 | 2.52 | 81.9 | 83.2 |
| Asia-Pacific Star Pte Ltd | Dormant | - do - | ## | ## | 81.9 | 83.2 |
| Aerolog Express Pte Ltd | Air cargo delivery services | - do - | 1.26 | 1.26 | 57.4 | 58.2 |
| Country Foods Pte Ltd | Manufacturing of chilled, frozen and processed foods | - do - | 6.00 | 6.00 | 54.7 | 55.5 |
| SIA Engineering Company Limited | Engineering services | - do - | # | # | 81.9 | 83.9 |
| SIAEC Global Pte Ltd | Investment holding | - do - | ## | ## | 81.9 | 83.9 |
| Singapore Jamco Pte Ltd | Manufacturing aircraft cabin equipment and refurbishment of aircraft galley | - do - | 3.82 | 3.82 | 53.2 | 54.5 |
| Aviation Partnership (Philippines) Corporation* | Providing aircraft maintenance services, including technical and non-technical handling at the airport | Philippines | 2.76 | 2.76 | 41.8 | 42.8 |
| Aerospace Component Engineering Services | Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft | Singapore | 9.74 | 9.74 | 41.8 | 42.8 |
| 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 | 0.23 | 0.03 | 51.0 | 51.0 |
| SilkAir (Singapore) Private Limited | Air transportation | Singapore | 240.00 | 240.00 | 100.0 | 100.0 |
| Tradewinds Tours & Travel Private Limited | Tour wholesaling | Singapore | 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 | 95.7 | 96.0 |
| Abacus Travel Systems Pte Ltd | Marketing of Abacus reservations systems | - do - | 2.44 | 2.44 | 61.0 | 61.0 |
| SIA (Mauritius) Ltd*** | Pilot recruitment | Mauritius | # | # | 100.0 | 100.0 |

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

* *Audited by SGV & Co, formerly known as Ernst & Young, Philippines.*
** *Audited by Baker Tilly.*
*** *Not required to be audited in country of incorporation.*
# *The value is $1.*
## *The value is $2.*

## 21 Associated Companies (in $ million)

| | The Group 31 March 2007 | The Group 31 March 2006 | The Company 31 March 2007 | The Company 31 March 2006 |
|---|---|---|---|---|
| Share of net assets of associated companies at acquisition date | 316.4 | 298.0 | – | – |
| Goodwill on acquisition of associated companies | 1,759.6 | 1,759.6 | – | – |
| Unquoted investments at cost | 2,076.0 | 2,057.6 | 1,592.1 | 1,603.0 |
| Accumulated impairment loss | (18.5) | (18.5) | (9.4) | (20.3) |
| | 2,057.5 | 2,039.1 | 1,582.7 | 1,582.7 |
| Goodwill written-off to reserves | (1,613.0) | (1,613.0) | – | – |
| Accumulated amortisation of intangible assets | (22.2) | (14.8) | – | – |
| Currency realignment | (53.6) | (29.0) | – | – |
| Share of post-acquisition reserves | | | | |
| – general reserve | 322.3 | 325.1 | – | – |
| – fair value reserve | 19.5 | 115.6 | – | – |
| – capital reserve | 44.9 | 30.5 | – | – |
| | 755.4 | 853.5 | 1,582.7 | 1,582.7 |
| Loans to associated companies | 147.1 | 148.1 | 139.5 | 139.5 |
| Write-down of loans | (5.0) | (5.3) | – | – |
| | 142.1 | 142.8 | 139.5 | 139.5 |
| | 897.5 | 996.3 | 1,722.2 | 1,722.2 |
| Amounts owing by associated companies | 1.9 | 3.7 | – | – |

The customer-related 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.

During the financial year:

1 The Company's associated company, RCMS Properties Private Limited, recorded a revaluation gain of $72.3 million (2005-06: revaluation loss of $8.5 million) from its annual revaluation exercise of its land and building. The Company's share of the revaluation gain of $14.4 million at 31 March 2007 (2006: revaluation loss of $1.6 million) is included under the Group's share of post-acquisition capital reserve.

2 Mid-East Airport Services Pte Ltd was liquidated on 19 June 2006.

3 Asia Leasing Limited was deregistered from the Bermuda companies register on 14 October 2006.

4 SIA Cargo injected an additional $23.6 million in Great Wall Airlines Company Limited ("GWAC"). There was no change in the Group's 25% equity stake in GWAC.

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

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 $2.6 million at 31 March 2007 (2006: $3.2 million), which bear interest at 3.0% per annum (2005-06: 3.0%).

Included in the loans to associated companies are cumulative redeemable preference shares issued by the Company's associated company, Virgin Atlantic Limited ("VAL"). The cumulative redeemable preference shares carry no entitlement to vote at meetings. On a winding up of VAL, the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, the amount paid up on any share including any amount paid up by way of share premium plus any arrears or accruals of dividend calculated down to the date of the return of capital irrespective of whether such dividends have been earned or declared or not. The loan of $133.0 million bears interest at LIBOR plus 2.5% per annum (2005-06: 2.5%).

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) 2007 | 2006 | Percentage of equity held by the Group 2007 | 2006 |
|---|---|---|---|---|---|---|
| Service Quality (SQ) Centre Pte Ltd @ | Quality service training | Singapore | # | # | 50.0 | 50.0 |
| Virgin Atlantic Limited *++ | Air transportation | United Kingdom | 1,549.02 | 1,549.02 | 49.0 | 49.0 |
| Tiger Airways Pte Ltd @ | Air transportation | Singapore | 11.93 | 11.93 | 49.0 | 49.0 |
| Asia Leasing Limited + | Aircraft leasing | Bermuda | – | 10.88 | – | 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 | 40.1 | 40.8 |
| TAJ SATS Air Catering Limited ** | Catering services | India | 24.65 | 24.65 | 40.1 | 40.8 |
| SERVAIR-SATS Holding Company Pte Ltd + | Investment holding company | Singapore | 0.51 | 0.51 | 40.1 | 40.8 |
| PT Jasa Angkasa Semesta TBK ^^^+ | Ground and cargo handling services | Indonesia | 105.53 | 105.53 | 40.8 | 41.4 |
| Beijing Airport Inflight Kitchen Ltd + | Inflight catering services | People's Republic of China | 13.88 | 13.88 | 32.8 | 33.3 |
| Beijing Aviation Ground Services Co Ltd + | Airport ground handling services | - do - | 5.71 | 5.71 | 32.8 | 33.3 |
| Maldives Inflight Catering Private Limited | Inflight catering services | Maldives | 0.29 | 0.29 | 28.7 | 29.1 |
| Taj Madras Flight Kitchen Limited | Inflight catering services | India | 1.90 | 1.90 | 24.6 | 25.0 |
| Tan Son Nhat Cargo Services Ltd @@+ | Airport ground handling services | Vietnam | 1.96 | 1.96 | 24.6 | 25.0 |
| Asia Airfreight Terminal Co Ltd ^ | Air cargo handling services | Hong Kong | 92.66 | 92.66 | 40.1 | 40.8 |
| Evergreen Air Cargo Services Corporation + | Air cargo handling services | Taiwan | 16.16 | 16.16 | 20.5 | 20.8 |
| Evergreen Airline Services Corporation + | Airport handling | - do - | 5.23 | 5.23 | 16.4 | 16.6 |
| MacroAsia-Eurest Catering Services Inc. + | Inflight catering services | Philippines | 2.03 | 2.03 | 16.4 | 16.6 |
| Mid-East Airport Services | Liquidated | Singapore | # | # | – | 41.6 |
| Combustor Airmotive Services Pte Ltd + | Servicing of aircraft engines and sale of aircraft engines and parts | - do - | 3.01 | 3.01 | 40.1 | 41.1 |

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

| | Principal activities | Country of incorporation and place of business | Cost (in $ million) 2007 | Cost (in $ million) 2006 | Percentage of equity held by the Group 2007 | Percentage of equity held by the Group 2006 |
|---|---|---|---|---|---|---|
| Eagle Services Asia Private Limited ^^+ | Repair and overhaul of aircraft engines | - do - | 71.59 | 71.59 | 40.1 | 41.1 |
| PWA International Limited + | Re-manufacture of aircraft turbine engine cases, component thereof and related parts | Ireland | 6.22 | 6.22 | 40.1 | 41.1 |
| Fuel Accessory Service Technologies Pte Ltd + | Repair and overhaul of engine fuel components and accessories | Singapore | 5.07 | 5.07 | 40.1 | 41.1 |
| Jamco Aero Design & Engineering Private Limited | Provide turnkey solutions for aircraft interior modifications | - do - | 0.77 | 0.77 | 36.9 | 37.8 |
| Pan Asia Pacific Aviation Services Ltd | Operation of aircraft maintenance facilities | Hong Kong | 5.37 | 5.37 | 38.6 | 39.5 |
| Messier Services Asia Private Limited + | Repair and overhaul of Boeing and Airbus series landing gears | Singapore | 13.97 | 13.97 | 32.8 | 33.6 |
| Goodwich Aerostructures Service Centre – Asia Pte Ltd @+ | Repair and overhaul of aircraft nacelles, thrust reversers and pylons | - do - | 37.22 | 37.22 | 32.8 | 33.6 |
| Asian Surface Technologies Pte Ltd + | Repair of aircraft fan blades and supply of wear-resistance coating | - do - | 2.72 | 6.38 | 32.1 | 24.3 |
| Asian Compressor Technology Services Co Ltd + | Research and development, manufacture and repair of aircraft engines and compressors | Taiwan | 4.10 | 4.10 | 20.1 | 20.6 |
| Turbine Coating Services Private Ltd | Repair of PW4000 turbine airfoils | Singapore | 5.67 | 5.67 | 20.1 | 20.6 |
| International Aerospace Tubes Asia Pte Ltd + | Repair of tubes, ducts and manifolds for aircraft engines and airframe application | - do - | 5.29 | 5.29 | 27.3 | 27.9 |
| PT JAS Aero-Engineering Services + | Operation of aircraft maintenance facilities | Indonesia | 3.67 | 3.67 | 40.1 | 41.1 |
| 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 | 42.90 | 19.30 | 25.0 | 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 KPMG, Hong Kong*
^^ *Audited by Pricewaterhouse Coopers, Singapore*
^^^ *Audited by Osman Ramli Setrio & Rekan – Member firm of Deloitte Touche Tohmatsu*
# *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 2007 | The Group 31 March 2006 |
|---|---|---|
| Assets and liabilities | | |
| Current assets | 3,816.8 | 2,727.2 |
| Non-current assets | 2,683.9 | 3,195.1 |
| | 6,500.7 | 5,922.3 |
| Current liabilities | (2,752.8) | (2,266.7) |
| Non-current liabilities | (1,855.2) | (1,968.6) |
| | (4,608.0) | (4,235.3) |
| | **2006-07** | **2005-06** |
| Results | | |
| Revenue | 9,116.4 | 7,578.1 |
| Profit for the period | 382.3 | 482.4 |

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

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Investment in joint venture companies (unquoted, at cost) | 56.6 | 215.8 | – | 159.1 |
| Share of post-acquisition reserves | | | | |
| – general reserve | 37.1 | 136.1 | – | – |
| – foreign currency translation reserve | (7.1) | (2.4) | – | – |
| – fair value reserve | – | 2.8 | – | – |
| – capital reserve | – | 10.3 | – | – |
| | 86.6 | 362.6 | – | 159.1 |

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

| | The Group 31 March 2007 | The Group 31 March 2006 |
|---|---|---|
| Assets and liabilities | | |
| Current assets | 135.4 | 204.2 |
| Non-current assets | 57.1 | 1,771.9 |
| | 192.5 | 1,976.1 |
| Current liabilities | (68.6) | (225.1) |
| Non-current liabilities | (37.3) | (1,388.4) |
| | (105.9) | (1,613.5) |
| | **2006-07** | **2005-06** |
| Results | | |
| Revenue | 543.8 | 299.9 |
| Expenses | (485.9) | (259.3) |
| | 57.9 | 40.6 |

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

The joint venture companies at 31 March are:

| | Principal activities | Country of incorporation and place of business | Cost (in $ million) 2007 | 2006 | Percentage of equity held by the Group 2007 | 2006 |
|---|---|---|---|---|---|---|
| Singapore Aircraft Leasing Enterprise Pte Ltd | Aircraft leasing | Singapore | – | 159.14 | – | 35.5 |
| International Engine Component Overhaul Pte Ltd* | Repair of aircraft components | - do - | 10.07 | 10.07 | 41.0 | 42.0 |
| Singapore Aero Engine Services Private Limited* | Repair and maintain Trent aero engines | - do - | 46.53 | 46.53 | 41.0 | 42.0 |

* *Audited by Ernst & Young, Singapore.*

During the financial year, the Company disposed its entire shareholdings in Singapore Aircraft Leasing Enterprise Pte Ltd.

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

| | The Group 31 March 2007 | 2006 | The Company 31 March 2007 | 2006 |
|---|---|---|---|---|
| Unquoted investments | | | | |
| Equity investments | 52.4 | 52.4 | 28.0 | 28.0 |
| Non-equity investments | – | 382.4 | – | 382.4 |
| | 52.4 | 434.8 | 28.0 | 410.4 |
| Accumulated impairment loss | (9.1) | (8.9) | (9.1) | (8.9) |
| | 43.3 | 425.9 | 18.9 | 401.5 |
| Analysis of accumulated impairment loss for unquoted investments | | | | |
| Balance at 1 April | 8.9 | 27.8 | 8.9 | 27.8 |
| Charged during the year | 0.2 | 1.0 | 0.2 | 1.0 |
| Written-off during the year | – | (19.9) | – | (19.9) |
| Balance at 31 March | 9.1 | 8.9 | 9.1 | 8.9 |

Non-equity investments of $382.4 million for the Group and the Company matured during the year. These related to interest-bearing investments with an effective annual interest rate of 3.97% (2005-06: 3.97%).

During the financial year, the Group and the Company recorded an impairment loss in the profit and loss account of $0.2 million (2005-06: $1.0 million) pertaining to unquoted equity investments.

## 24 Other Receivables (in $ million)

The Group's other receivables are stated at amortised cost and are expected to be received over the next 3 years.

As at 31 March 2007, the entire balance of other receivables is denominated in USD.

## 25 Stocks (in $ million)

| | The Group 31 March 2007 | 2006 | The Company 31 March 2007 | 2006 |
|---|---|---|---|---|
| Technical stocks and stores | 473.4 | 472.8 | 436.5 | 441.5 |
| Catering and general stocks | 24.3 | 26.1 | 16.0 | 17.0 |
| Work-in-progress | 36.4 | 18.6 | – | – |
| Total inventories at lower of cost and net realisable value | 534.1 | 517.5 | 452.5 | 458.5 |

During the financial year, the Group wrote down $12.6 million (2005-06: $1.1 million) of stocks which are recognised as expense in the profit and loss account.

## 26 Trade Debtors (in $ million)

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

| | The Group 31 March 2007 | 2006 | The Company 31 March 2007 | 2006 |
|---|---|---|---|---|
| Balance at 1 April | 20.9 | 16.5 | 6.2 | 3.3 |
| (Written back)/Charged during the year | (5.5) | 5.0 | (1.9) | 2.9 |
| Written-off during the year | (1.0) | (0.6) | – | – |
| Balance at 31 March | 14.4 | 20.9 | 4.3 | 6.2 |
| Bad debts written-off directly to profit and loss account, net of debts recovered | 1.8 | 1.8 | 0.9 | 1.5 |

As at 31 March 2007, the composition of trade debtors held in foreign currencies by the Group is as follows: USD – 19.8% (2006: 22.2%), AUD – 5.8% (2006: 4.0%), EUR – 5.2% (2006: 6.2%) and JPY – 4.9% (2006: 5.8%).

There was no loan to directors of the Company and its subsidiary companies in accordance with schemes approved by shareholders of the Company (2006: $0.1 million).

## 27 Investments (in $ million)

| | The Group 31 March 2007 | 2006 | The Company 31 March 2007 | 2006 |
|---|---|---|---|---|
| Available-for-sale investments | | | | |
| Quoted investments | | | | |
| Government securities | 4.5 | 13.1 | – | – |
| Equity investments | 33.0 | 28.2 | – | – |
| Non-equity investments | 485.0 | 356.3 | 467.0 | 346.1 |
| | 522.5 | 397.6 | 467.0 | 346.1 |
| Unquoted investments | | | | |
| Non-equity investments | 73.5 | 48.9 | – | – |
| | 73.5 | 48.9 | – | – |
| | 596.0 | 446.5 | 467.0 | 346.1 |

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

| | The Group 31 March 2007 | 2006 | The Company 31 March 2007 | 2006 |
|---|---|---|---|---|
| Fixed deposits | 4,385.5 | 2,451.9 | 4,084.6 | 2,256.0 |
| Cash and bank | 732.1 | 699.7 | 542.9 | 509.1 |
| | 5,117.6 | 3,151.6 | 4,627.5 | 2,765.1 |

As at 31 March 2007, the composition of cash and bank balances held in foreign currencies by the Group is as follows: USD – 27.3% (2006: 21.8%), EUR – 9.1% (2006: 13.6%) and JPY – 5.6% (2006: 13.2%).

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 2.17% to 6.27% (2005-06: 1.38% to 4.71%) 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 4.3% (2005-06: 3.6%) per annum.

## 29 Trade Creditors (in $ million)

Included in trade creditors are provision for warranty claims of $1.6 million (2006: $3.0 million) for the Group and provision for return costs for aircrafts under sales and leaseback arrangement of $101.0 million (2006: $83.8 million) and $90.5 million (2006: $79.8 million) for the Group and the Company respectively.

An analysis of provision for warranty claims is as follows:

| | The Group 31 March 2007 | 2006 |
|---|---|---|
| Balance at 1 April | 3.0 | 2.8 |
| (Writeback)/Provision during the year | (1.0) | 0.5 |
| Provision utilised during the year | (0.4) | (0.3) |
| Balance at 31 March | 1.6 | 3.0 |

An analysis of provision for return costs for aircrafts under sales and leaseback arrangement is as follows:

| | The Group 31 March 2007 | 2006 | The Company 31 March 2007 | 2006 |
|---|---|---|---|---|
| Balance at 1 April | 83.8 | 75.1 | 79.8 | 73.8 |
| Provision during the year | 17.6 | 10.3 | 11.1 | 7.6 |
| Provision utilised during the year | (0.4) | (1.6) | (0.4) | (1.6) |
| Balance at 31 March | 101.0 | 83.8 | 90.5 | 79.8 |

As at 31 March 2007, 19.0% of trade creditors (2006: 18.9%) were held in USD by the Group.

## 30 Bank Overdrafts (in $ million)

The bank overdraft as at 31 March 2007 is unsecured. As at 31 March 2006, $0.4 million of the Group's bank overdrafts was secured by a first legal mortgage over a building at 22 Senoko Way, Singapore 758044. Interest is charged at a rate of 3.95% (2005-06: 3.95%) per annum in the current financial year.

As at 31 March 2007, the composition of bank overdraft held in foreign currencies by the Group is as follows: USD – 13.8% (2006: 22.3%), AUD – 73.8% (2006: Nil) and EUR – 0.6% (2006: 20.5%).

### 31 Cash Flow from Operating Activities (in $ million)

| | The Group 2006-07 | 2005-06 |
|---|---|---|
| Profit before taxation | 2,284.6 | 1,662.1 |
| Adjustments for: | | |
| Depreciation | 1,319.4 | 1,227.7 |
| Impairment of fixed assets | 0.6 | 12.1 |
| Amortisation of intangible assets | 54.0 | 54.7 |
| Income from short-term investments | (1.6) | (1.5) |
| Share-based compensation expense | 57.6 | 48.1 |
| Exchange differences | 5.7 | 133.2 |
| Amortisation of deferred gain on sale and operating leaseback transactions | (88.4) | (103.5) |
| Finance charges | 124.1 | 96.3 |
| Interest income | (181.8) | (96.7) |
| Surplus on disposal of aircraft, spares and spare engines | (237.9) | (115.7) |
| Dividends from long-term investments, gross | (38.8) | (24.6) |
| Other non-operating items | (77.9) | (12.3) |
| Share of profits of joint venture companies | (57.9) | (40.6) |
| Share of profits of associated companies | (79.0) | (255.2) |
| Surplus on sale of SIA Building | (223.3) | – |
| Surplus on sale of investment in Singapore Aircraft Leasing Enterprise Pte Ltd | (197.7) | – |
| Operating profit before working capital changes | 2,661.7 | 2,584.1 |
| Increase in creditors | 355.4 | 137.7 |
| Increase in short-term investments | (130.8) | (355.6) |
| Increase in sales in advance of carriage | 201.3 | 160.4 |
| Decrease/(Increase) in debtors | 24.6 | (155.4) |
| Increase in stocks | (16.6) | (75.0) |
| Increase in deferred revenue | 78.4 | 72.0 |
| Decrease in amounts owing by associated companies | 1.8 | 12.1 |
| Cash generated from operations | 3,175.8 | 2,380.3 |
| Income taxes paid | (12.3) | (70.7) |
| Net cash provided by operating activities | 3,163.5 | 2,309.6 |

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

| | The Group 2006-07 | 2005-06 |
|---|---|---|
| Assets acquired under credit terms at 1 April | 2.7 | 2.7 |
| Additions to fixed assets | 5,114.7 | 3,093.1 |
| Less: Progress payments transferred to fixed assets | (2,075.4) | (1,034.3) |
| Purchase of fixed assets | 3,039.3 | 2,058.8 |
| Less: Assets acquired under credit terms at 31 March | (15.3) | (2.7) |
| Cash invested in capital expenditure | 3,026.7 | 2,058.8 |

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

**(a) Capital expenditure commitments**
The Group and the Company have commitments for capital expenditures. Such commitments aggregated $10,963.6 million (2006: $8,971.5 million) for the Group and $10,014.5 million (2006: $8,205.7 million) for the Company.

In addition, the Group's share of joint venture companies' commitments for capital expenditures totalled $6.2 million (2006: $682.7 million).

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

**(b) Operating lease commitments**

**As lessee**

Aircraft
The Company has twelve B747-400, three B777-200 and six B777-300 aircraft under operating leases with fixed rental rates. The original lease terms range from 4.7 to 10.5 years. In eleven 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.

SIA Cargo has five B747-400F aircraft under operating lease with fixed rental rates. The lease terms range from 5 to 11 years. In two of the aircraft lease agreements, the operating leases are for a period of five years, with early termination rights at the end of Year 3 and Year 4. 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 2 agreements, there is no option for renewal. Sub-leasing is allowed under all the lease arrangements.

SilkAir (Singapore) Private Limited ("SilkAir") has four A320-232 and two A319-132 aircraft under operating lease with fixed rental rates. The lease term for the two A319-132 aircraft is 5.5 years, which SilkAir holds an option to extend the lease for 1 year. The lease term for two of the A320-232 aircraft is 4 and 4.5 years, which SilkAir holds an option to extend the leases for 4 years. The lease term for the other two of the A320-232 aircraft is 7.5 and 8.5 years, which SilkAir holds an option to extend the leases for 1 year. None of the operating lease arrangements confer on SilkAir the option to purchase the related aircraft. Sub-leasing is allowed under all the lease arrangements.

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

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Not later than one year | 438.8 | 380.9 | 334.5 | 312.2 |
| Later than one year but not later than five years | 1,102.2 | 888.3 | 780.9 | 635.5 |
| Later than five years | 360.8 | 485.4 | 175.0 | 285.0 |
| | 1,901.8 | 1,754.6 | 1,290.4 | 1,232.7 |

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 | | The Company 31 March | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Not later than one year | 11.1 | 1.9 | 3.9 | – |
| Later than one year but not later than five years | 20.8 | 5.6 | 6.3 | – |
| Later than five years | 23.6 | 23.7 | – | – |
| | 55.5 | 31.2 | 10.2 | – |

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

### (b) Operating lease commitments (continued)

**As lessor**

Aircraft
The Group has entered into commercial aircraft leases. These non-cancellable leases have remaining lease terms of between 17 and 61 months. The lease rental is fixed throughout the lease term.

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

| | The Group 31 March | | The Company 31 March | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| Not later than one year | 39.6 | 14.4 | – | 0.8 |
| Later than one year but not later than five years | 112.5 | 19.3 | – | – |
| Later than five years | 2.2 | – | – | – |
| | 154.3 | 33.7 | – | 0.8 |

### (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 $76.2 million (2006: $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 Group and the Company have outstanding commitments to subscribe for shares in associated companies. Such commitments aggregated $34.6 million (2006: $58.7 million) for the Group and $27.3 million (2006: $27.3 million) for the Company.

## 34 Contingent Liabilities (in $ million)

**Flight SQ006**
There were 83 fatalities among 179 passengers and crew members aboard the Boeing 747 aircraft, Flight SQ006 that crashed on the runway at the Chiang Kai Shek International Airport, Taipei en route to Los Angeles on 31 October 2000. With the exception of one outstanding passenger claim, all the other lawsuits relating to the crash that were commenced against the Company by both the crew members and the other passengers or their next-of-kin have been settled. These claims are covered by the insurance coverage maintained by the Company and therefore have no material impact on its financial position.

**Investigations by competition authorities**
SIA Cargo, a wholly-owned subsidiary of the Company, is one of several airlines to have received notice of criminal and/or regulatory investigations by competition authorities in the US, EU, Switzerland and New Zealand regarding whether surcharges, rates or other competitive aspects of air cargo service were lawfully determined. The Company and SIA Cargo are cooperating with the investigations. Neither the Company nor SIA Cargo has at this point been charged with any wrongdoing.

After the investigations commenced, civil class-action suits were filed in the US, Canada and Australia by external parties against several airlines, including the Company and SIA Cargo. These cases are in procedural stages and none has been tried thus far.

As the investigations by the competition authorities are still ongoing and the civil class-action 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.

## 34 Contingent Liabilities (in $ million) (continued)

**Australian travel agent's representative action**
A new class action claim was made during the financial year by a number of travel agents against International Air Transport Association ("IATA"), Singapore Airlines and other airlines as a result of travel agents not being paid commission on fuel surcharge. The claim amount has not yet been determined and the Company is investigating the claim.

**Others**
There are other commitments in respect of bank guarantees given by the Group and the Company at 31 March 2007 amounting to $87.9 million (2006: $58.9 million) and $60.6 million (2006: $22.6 million) respectively.

## 35 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 18 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$15.2 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 2007, these accounted for 66% of total revenue (2005-06: 65%) and 65% of total operating expenses (2005-06: 69%). 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.

## 35 Financial Risk Management Objectives and Policies (continued)

**(c) Interest rate risk**
The Group's earnings are also affected by changes in interest rates due to the impact such changes have on interest income and expense from short-term deposits and other interest-bearing financial assets and liabilities. The Group enters into interest rate 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 $522.5 million (2006: $397.6 million) in quoted equity and non-equity investments at 31 March 2007.

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

**(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 2007, the Group had at its disposal, cash and short-term deposits amounting to $5,117.6 million (2006: $3,151.6 million). In addition, the Group had available short-term credit facilities of about $880.6 million (2006: $1,449.1 million). The Group also has Medium Term Note Programmes under which it may issue notes up to $1,500 million (2006: $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 Risk Management Objectives and Policies (continued)

### (g) Credit risk

There are no significant concentrations of credit risk other than on derivative counterparties where transactions are limited to financial institutions possessing high credit quality and hence the risk of default is low.

The sale of passenger and cargo transportation is largely achieved through IATA accredited sales agents. The credit risk of such sales agents is relatively small owing to a broad diversification.

Unless expressly stated otherwise in the contract, receivables and payables among airlines are settled either bilaterally or via the IATA clearing house. Receivables and payables are generally netted at monthly intervals, which lead to a clear reduction in the risk of default. In specific instances the contract may require special collateral.

For all other service relationships, depending on the nature and scope of the services rendered, collateral is required, credit reports/references are obtained and use is made of historical data from previous business relations, especially with regard to payment behaviour, in order to avoid non-performance.

Allowance is made for doubtful accounts whenever risks are identified.

## 36 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.

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 2007: USD 80.42/BBL, 2006: USD79.54/BBL) is used as the input for market fuel price to the Black-Scholes option valuation model. Consequently, the annualised volatility (2006-07: 18.62%, 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 Singapore Government Securities benchmark issues' one-year yield (2006-07: 2.97%, 2005-06: 2.40%) was also applied to each individual jet fuel swap and jet fuel option contracts to derive their estimated fair values as at balance sheet date.

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.

## 36 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 |
|---|---|---|---|---|---|---|---|
| **2007** | | | | | | | |
| **Group** | | | | | | | |
| Fixed rate | | | | | | | |
| Notes payable | – | – | 200.0 | – | 900.0 | – | 1,100.0 |
| Obligations under finance leases* | 29.2 | 31.2 | 33.3 | 35.6 | 38.0 | 178.1 | 345.4 |
| Loans to associated companies | – | – | – | – | – | 2.6 | 2.6 |
| Floating rate | | | | | | | |
| Obligations under finance leases | 317.7 | – | – | – | – | – | 317.7 |
| Cash and bank balances | 5,117.6 | – | – | – | – | – | 5,117.6 |
| Bank overdrafts | 23.9 | – | – | – | – | – | 23.9 |
| Loans | 116.3 | – | – | – | – | – | 116.3 |
| Loans to associated companies | 133.0 | – | – | – | – | – | 133.0 |
| **Company** | | | | | | | |
| Fixed rate | | | | | | | |
| Notes payable | – | – | – | – | 900.0 | – | 900.0 |
| Funds from subsidiaries | 1,771.7 | – | – | – | – | – | 1,771.7 |
| Floating rate | | | | | | | |
| Cash and bank balances | 4,627.5 | – | – | – | – | – | 4,627.5 |
| Bank overdrafts | 23.9 | – | – | – | – | – | 23.9 |
| Loans to associated companies | 133.0 | – | – | – | – | – | 133.0 |
| **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 |
| Loans to associated companies | – | – | – | – | – | 3.2 | 3.2 |
| 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 |
| Loans to associated companies | 133.0 | – | – | – | – | – | 133.0 |
| **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 |
| Loans to associated companies | 133.0 | – | – | – | – | – | 133.0 |

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

## 36 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 2007 | The Group 31 March 2006 | The Company 31 March 2007 | The Company 31 March 2006 |
|---|---|---|---|---|
| Assets* | | | | |
| Forward currency contracts | 5.5 | 27.7 | 3.3 | 21.4 |
| Jet fuel swap and option contracts | 39.4 | 56.7 | 31.5 | 44.5 |
| Interest rate swap contracts | 1.8 | 15.4 | – | 11.5 |
| | 46.7 | 99.8 | 34.8 | 77.4 |
| Liabilities# | | | | |
| Forward currency contracts | 29.9 | 5.3 | 22.4 | 3.6 |
| Jet fuel swap contracts | 61.2 | 5.4 | 48.6 | 4.3 |
| Cross currency contracts | 42.2 | 18.5 | – | – |
| Interest rate swap contracts | 0.9 | 2.9 | – | – |
| | 134.2 | 32.1 | 71.0 | 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 jet 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 $33.7 million (2006: $82.2 million), with a related deferred tax charge of $18.3 million (2006: $34.5 million), was included in the fair value reserve 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: $17.4 million, $13.6 million and $2.7 million (2006: $55.0 million, $24.5 million and $2.7 million).

The Group had outstanding financial instruments to hedge expected future purchases in USD:

Foreign currency contracts maturing in April 2007 – March 2008 (in $ million)

| Currency | Group: Foreign currency amount sold | Group: USD purchased | Group: Effective rate | Company: Foreign currency amount sold | Company: USD purchased | Company: Effective rate |
|---|---|---|---|---|---|---|
| AUD | 226.5 | 175.8 | 0.78 | 204.5 | 158.7 | 0.78 |
| CHF | 14.8 | 12.4 | 0.84 | 11.2 | 9.4 | 0.84 |
| CNY | 885.0 | 118.0 | 0.13 | 346.8 | 46.2 | 0.13 |
| EUR | 96.3 | 127.3 | 1.32 | 70.3 | 93.0 | 1.32 |
| GBP | 88.4 | 170.0 | 1.92 | 78.4 | 150.8 | 1.92 |
| INR | 3,102.0 | 67.0 | 0.02 | 1,842.7 | 39.8 | 0.02 |
| JPY | 4,710.0 | 41.7 | 0.009 | 2,836.8 | 25.1 | 0.009 |
| KRW | 27,210.0 | 29.1 | 0.001 | 18,905.7 | 20.2 | 0.001 |
| NZD | 86.9 | 56.3 | 0.65 | 61.9 | 40.2 | 0.65 |
| TWD | 513.3 | 16.2 | 0.03 | 242.6 | 7.7 | 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 2007, a net fair value loss of $117.1 million (2006: fair value gain of $60.6 million), with a related deferred tax credit of $32.2 million (2006: deferred tax charge of $22.8 million), was included in the fair value reserve in respect of these contracts.

As at 31 March 2007, the Company had no outstanding interest rate swaps.

At 31 March 2006, the cash flow hedges of the interest rate contracts were assessed to be highly effective, a net fair value gain of $12.0 million, with a related deferred tax charge of $2.3 million were included in the fair value reserve in respect of these contracts.

## 36 Financial Instruments (in $ million) (continued)

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

**Cash flow hedges (continued)**

The cash flow hedges of some of the cross currency swaps were assessed to be highly effective and at 31 March 2007, a net fair value loss of $3.8 million (2006: $0.3 million), with a related deferred tax credit of $0.8 million (2006: $0.1 million), was included in the fair value reserve in respect of these contracts.

## 37 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 | |
|---|---|---|---|---|
| | 2006-07 | 2005-06 | 2006-07 | 2005-06 |
| Purchases of services from subsidiary companies | – | – | 691.7 | 609.2 |
| Services rendered to subsidiary companies | – | – | (1,261.2) | (1,224.8) |
| Purchases of services from associated companies | 259.8 | 235.3 | 241.3 | 225.0 |
| Services rendered to associated companies | (67.8) | (28.9) | (19.5) | (22.3) |
| Purchases of services from joint venture companies | 397.0 | 143.2 | 397.0 | 143.2 |
| Services rendered to joint venture companies | (108.9) | (85.2) | (99.7) | (78.2) |

<u>Directors' and key executives' remuneration of the Company</u>

| | The Company | |
|---|---|---|
| | 2006-07 | 2005-06 |
| <u>Directors</u> | | |
| Salary, bonuses and other costs | 4.3 | 3.2 |
| CPF and other defined contributions | * | * |
| Share-based compensation expense | 0.7 | 0.5 |
| | 5.0 | 3.7 |
| <u>Key executives (excluding executive directors)</u> | | |
| Salary, bonuses and other costs | 2.0 | 2.0 |
| CPF and other defined contributions | * | * |
| Share-based compensation expense | 0.7 | 0.7 |
| | 2.7 | 2.7 |

* *Amount less than $0.1 million*

### 37 Related Party Transactions (in $ million) (continued)

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

| Name of participant | Options granted during financial year under review | Exercise price for options granted during financial year under review | Aggregate options granted since commencement of scheme to end of financial year under review | Aggregate options exercised since commencement of scheme to end of financial year under review | Aggregate options outstanding at end of financial year under review |
|---|---|---|---|---|---|
| Chew Choon Seng | 120,000 | $12.60 | 1,194,000 | – | 1,194,000 |
| LG Bey Soo Khiang | 40,000 | $12.60 | 762,000 | 342,000 | 420,000 |
| Huang Cheng Eng | 30,000 | $12.60 | 747,000 | 414,750 | 332,250 |

Conditional awards granted to directors and key executives of the Company pursuant to the Restricted Share Plan and the Performance Share Plan are as follows:

| Name of participant | Shares granted during financial year under review | Aggregate shares granted since commencement of scheme to end of financial year under review | Aggregate shares outstanding at end of financial year under review |
|---|---|---|---|
| RSP | | | |
| Chew Choon Seng | 30,000 | 30,000 | 30,000 |
| LG Bey Soo Khiang | 10,000 | 10,000 | 10,000 |
| Huang Cheng Eng | 7,500 | 7,500 | 7,500 |
| PSP | | | |
| Chew Choon Seng | 27,000 | 27,000 | 27,000 |
| LG Bey Soo Khiang | 13,500 | 13,500 | 13,500 |
| Huang Cheng Eng | 10,000 | 10,000 | 10,000 |

### 38 Subsequent Event

On 3 May 2007, the Company announced an increase of the fuel surcharge on tickets sold from 9 May 2007. The adjustments will offer partial relief of higher operating costs arising from recent increase in the price of jet fuel.

# 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) | 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) |
|---|---|---|
| | 2006-07 | 2006-07 |
| Singapore Petroleum Company Ltd | – | 453.9 |
| Keppel Telecommunications & Transportation Ltd Group | | |
| Asia Airfreight Terminal Company Ltd | – | 23.9 |
| Keppel Corporation Ltd Group | | |
| Keppel FMO Pte Ltd | – | 0.3 |
| Singapore Technologies Engineering Ltd Group | | |
| ST Aerospace Engineering Pte Ltd | – | 0.4 |
| Miltope Corporation | – | 0.1 |
| Singapore Telecommunications Ltd Group | | |
| Singapore Telecommunications Ltd | – | 6.2 |
| The Ascott Group Ltd Group | | |
| Ascott International Management (New Zealand) Pte Ltd | – | 0.4 |
| Singapore Computer Systems Ltd Group | | |
| Trusted Hub Ltd | – | 0.4 |
| Starhub Ltd | – | 0.2 |
| SNP Corporation Ltd Group | | |
| SNP Security Printing Pte Ltd | – | 0.1 |
| Temasek Holdings (Private) Limited Group | | |
| Senoko Energy Supply Pte Ltd | – | 4.7 |
| PT Bank Danamon Indonesia | – | 1.8 |
| PT Bank Internasional Indonesia | – | 0.3 |
| Asprecise Pte Ltd | – | 0.6 |
| Great Wall Airlines Company Ltd | – | 10.3 |
| MediaCorp Press Ltd | – | 0.2 |
| Tiger Airways Pte Ltd | – | 0.2 |
| Total interested persons transactions | – | 504.0 |

*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** | | | | | | |
| 2006-07 | ($ million) | 3,421.0 | 3,608.6 | 3,793.7 | 3,671.1 | 14,494.4 |
| 2005-06 | ($ million) | 3,044.4 | 3,350.3 | 3,557.0 | 3,389.4 | 13,341.1 |
| **TOTAL EXPENDITURE** | | | | | | |
| 2006-07 | ($ million) | 3,147.2 | 3,349.2 | 3,346.0 | 3,337.6 | 13,180.0 |
| 2005-06 | ($ million) | 2,791.3 | 3,019.7 | 3,182.3 | 3,134.5 | 12,127.8 |
| **OPERATING PROFIT** | | | | | | |
| 2006-07 | ($ million) | 273.8 | 259.4 | 447.7 | 333.5 | 1,314.4 |
| 2005-06 | ($ million) | 253.1 | 330.6 | 374.7 | 254.9 | 1,213.3 |
| **PROFIT BEFORE TAXATION** | | | | | | |
| 2006-07 | ($ million) | 659.6 | 404.4 | 714.2 | 506.4 | 2,284.6 |
| 2005-06 | ($ million) | 306.3 | 464.3 | 538.7 | 352.8 | 1,662.1 |
| **PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | | | | | | |
| 2006-07 | ($ million) | 575.1 | 293.2 | 589.2 | 671.3 | 2,128.8 |
| 2005-06 | ($ million) | 234.6 | 343.2 | 396.6 | 266.3 | 1,240.7 |
| **EARNINGS (AFTER TAXATION) PER SHARE – BASIC** | | | | | | |
| 2006-07 | (cents) | 46.9 | 23.9 | 47.7 | 53.9 | 172.6 |
| 2005-06 | (cents) | 19.3 | 28.2 | 32.5 | 21.8 | 101.7 |
| **EARNINGS (AFTER TAXATION) PER SHARE – DILUTED** | | | | | | |
| 2006-07 | (cents) | 46.7 | 23.8 | 47.2 | 53.2 | 170.8 |
| 2005-06 | (cents) | 19.1 | 28.1 | 32.5 | 21.6 | 101.3 |

# FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

| | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 |
|---|---|---|---|---|---|
| **PROFIT AND LOSS ACCOUNT ($ million)** | | | | | |
| Total revenue | 14,494.4 | 13,341.1 | 12,012.9 | 9,761.9 | 10,515.0 |
| Total expenditure | (13,180.0) | (12,127.8) | (10,695.8) | (9,093.0) | (9,797.9) |
| Operating profit | 1,314.4 | 1,213.3 | 1,317.1 | 668.9 | 717.1 |
| Finance charges | (124.1) | (96.3) | (77.5) | (65.1) | (54.7) |
| Interest income | 181.8 | 96.7 | 52.7 | 32.5 | 33.7 |
| Surplus on disposal of aircraft, spares and spare engines | 237.9 | 115.7 | 215.2 | 102.7 | 144.9 |
| Dividend from long-term investments, gross | 38.8 | 24.6 | 8.0 | 3.6 | 5.2 |
| Other non-operating items | 77.9 | 12.3 | 9.8 | 5.2 | (8.2) |
| Share of profits of joint venture companies | 57.9 | 40.6 | 12.5 | 6.4 | 14.5 |
| Share of profits/(losses) of associated companies | 79.0 | 255.2 | 203.7 | (39.0) | 123.8 |
| Profit before exceptional items | 1,863.6 | 1,662.1 | 1,741.5 | 715.2 | 976.3 |
| Surplus on sale of SIA Building | 223.3 | – | – | – | – |
| Surplus on sale of investment in Singapore Aircraft Leasing Enterprise Pte Ltd | 197.7 | – | – | – | – |
| 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 |
| Profit before taxation | 2,284.6 | 1,662.1 | 1,791.0 | 684.1 | 976.8 |
| Profit attributable to equity holders of the Company | 2,128.8 | 1,240.7 | 1,352.4 | 750.0 | 1,064.8 |
| **BALANCE SHEET ($ million)** | | | | | |
| Share capital | 1,494.9 | 1,202.6 | 1,121.7 | 1,120.7 | 1,120.7 |
| Reserves | | | | | |
| Capital reserve | 44.9 | 40.8 | 41.9 | 32.0 | 7.7 |
| Foreign currency translation reserve | (59.5) | (30.5) | 3.1 | 19.8 | 41.3 |
| Share-based compensation reserve | 97.3 | 81.8 | 48.4 | 11.5 | – |
| Fair value reserve | (45.5) | 163.6 | – | – | – |
| General reserve | 13,567.9 | 12,012.3 | 11,127.2 | 10,183.3 | 9,539.1 |
| Equity attributable to equity holders of the Company | 15,100.0 | 13,470.6 | 12,342.3 | 11,367.3 | 10,708.8 |
| Minority interests | 443.3 | 396.3 | 302.8 | 304.1 | 267.5 |
| Deferred account | 973.6 | 349.6 | 414.6 | 446.7 | 523.1 |
| Deferred taxation | 2,410.9 | 2,486.1 | 2,450.1 | 2,175.3 | 2,251.0 |
| Fixed assets | 16,311.7 | 15,524.7 | 15,161.7 | 15,222.9 | 15,406.0 |
| Intangible assets [R1] | 100.2 | 121.7 | 144.1 | 1.4 | 1.5 |
| Associated companies | 897.5 | 996.3 | 695.1 | 429.7 | 500.7 |
| Joint venture companies | 86.6 | 362.6 | 323.6 | 309.2 | 296.4 |
| Long-term investments | 43.3 | 425.9 | 476.3 | 475.2 | 569.6 |
| Other receivables | 303.9 | – | – | – | – |
| Current assets | 8,248.8 | 5,938.3 | 4,943.9 | 3,463.8 | 2,409.8 |
| Total assets | 25,992.0 | 23,369.5 | 21,744.7 | 19,902.2 | 19,184.0 |
| Long-term liabilities | 1,805.8 | 1,824.4 | 2,333.3 | 2,207.2 | 1,879.6 |
| Current liabilities | 5,258.4 | 4,842.5 | 3,901.6 | 3,401.6 | 3,554.0 |
| Total liabilities | 7,064.2 | 6,666.9 | 6,234.9 | 5,608.8 | 5,433.6 |

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. The comparatives for 2002-03 and 2003-04 have not been restated.*

# FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

| | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 |
|---|---|---|---|---|---|
| **CASH FLOW ($ million)** | | | | | |
| Cash flow from operations | 3,175.8 | 2,380.3 | 2,853.3 | 1,811.3 | 1,892.1 |
| Internally generated cash flow [R1] | 4,823.0 | 3,101.2 | 3,990.2 | 3,385.5 | 3,207.7 |
| Capital expenditure | 3,026.7 | 2,058.8 | 2,068.1 | 2,692.6 | 3,086.3 |
| **PER SHARE DATA** | | | | | |
| Earnings before tax (cents) | 185.2 | 136.3 | 147.0 | 56.2 | 80.2 |
| Earnings after tax (cents) – basic | 172.6 | 101.7 | 111.0 | 61.6 | 87.4 |
| – diluted | 170.8 | 101.3 | 111.0 | 61.6 | 87.4 |
| Cash earnings ($) [R2] | 2.84 | 2.08 | 2.10 | 1.61 | 1.77 |
| Net asset value ($) | 12.11 | 11.00 | 10.13 | 9.33 | 8.79 |
| **SHARE PRICE ($)** | | | | | |
| High | 18.00 | 14.90 | 12.70 | 12.90 | 14.40 |
| Low | 12.00 | 11.10 | 9.40 | 8.25 | 8.55 |
| Closing | 16.60 | 14.00 | 11.90 | 11.00 | 8.75 |
| **DIVIDENDS** | | | | | |
| Gross dividends (cents per share) | 100.0 [R3] | 45.0 | 40.0 | 25.0 | 15.0 |
| Dividend cover (times) | 1.7 | 2.3 | 2.8 | 2.5 | 6.4 |
| **PROFITABILITY RATIOS (%)** | | | | | |
| Return on equity holders' funds [R4] | 14.9 | 9.6 | 11.4 | 6.8 | 10.4 |
| Return on total assets [R5] | 8.9 | 5.8 | 6.7 | 4.1 | 5.9 |
| Return on turnover [R6] | 15.2 | 9.8 | 11.7 | 8.2 | 10.6 |
| **PRODUCTIVITY AND EMPLOYEE DATA** | | | | | |
| Value added ($ million) | 6,510.1 | 5,534.0 | 5,533.6 | 3,898.9 | 4,367.0 |
| Value added per employee ($) [R7] | 223,523 | 193,781 | 193,794 | 131,126 | 144,397 |
| Revenue per employee ($) [R7] | 497,662 | 467,158 | 420,708 | 328,308 | 347,684 |
| Average employee strength | 29,125 | 28,558 | 28,554 | 29,734 | 30,243 |
| S$ per US$ exchange rate as at 31 March | 1.5171 | 1.6181 | 1.6496 | 1.6759 | 1.7640 |

*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 50.0 cents per share special 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

| | | 2006-07 | 2005-06 | 2004-05 |
|---|---|---|---|---|
| **SINGAPORE AIRLINES** | | | | |
| **FINANCIAL** [R1] | | | | |
| Total revenue | ($ million) | 11,343.9 | 10,302.8 | 9,260.1 |
| Total expenditure | ($ million) | 10,316.9 | 9,651.8 | 8,562.2 |
| Operating profit | ($ million) | 1,027.0 | 651.0 | 697.9 |
| Profit before taxation | ($ million) | 2,291.1 | 940.8 | 1,570.4 |
| Profit after taxation | ($ million) | 2,213.2 | 746.0 | 1,283.6 |
| Capital disbursements [R2] | ($ million) | 2,792.7 | 1,458.6 | 1,608.9 |
| Passenger – yield | (cents/pkm) | 10.9 | 10.6 | 10.1 |
| – unit cost | (cents/ask) | 7.9 | 7.5 | 7.0 |
| – breakeven load factor | (%) | 72.5 | 70.8 | 69.3 |
| **OPERATING PASSENGER FLEET** | | | | |
| Aircraft | (numbers) | 94 | 90 | 89 |
| Average age | (months) | 75 | 76 | 64 |
| **PASSENGER PRODUCTION** | | | | |
| Destination cities | (numbers) | 64 | 62 | 59 |
| Distance flown | (million km) | 353.1 | 341.8 | 325.4 |
| Time flown | (hours) | 458,936 | 441,510 | 419,925 |
| Available seat-km | (million) | 112,543.8 | 109,483.7 | 104,662.3 |
| **TRAFFIC** | | | | |
| Passengers carried | ('000) | 18,346 | 16,995 | 15,944 |
| Revenue passenger-km | (million) | 89,148.8 | 82,741.7 | 77,593.7 |
| Passenger load factor | (%) | 79.2 | 75.6 | 74.1 |
| **STAFF** | | | | |
| Average strength | (numbers) | 13,847 | 13,729 | 13,572 |
| Seat capacity per employee [R3] | (seat-km) | 8,127,667 | 7,974,630 | 7,711,634 |
| Passenger load carried per employee [R4] | (tonne-km) | 613,211 | 577,784 | 549,904 |
| Revenue per employee | ($) | 819,232 | 750,441 | 682,294 |
| Value added per employee | ($) | 368,831 | 258,810 | 301,024 |
| **SIA CARGO** | | | | |
| Cargo and mail carried | (million kg) | 1,284.9 | 1,248.5 | 1,149.5 |
| Cargo load | (million tonne-km) | 7,995.6 | 7,874.4 | 7,333.2 |
| Gross capacity | (million tonne-km) | 12,889.8 | 12,378.9 | 11,544.1 |
| Cargo load factor | (%) | 62.0 | 63.6 | 63.5 |
| Cargo yield | (cents/ltk) | 38.4 | 38.6 | 35.9 |
| Cargo unit cost | (cents/ctk) | 24.5 | 23.5 | 21.3 |
| Cargo breakeven load factor | (%) | 63.8 | 60.9 | 59.3 |
| **SINGAPORE AIRLINES AND SIA CARGO** | | | | |
| Overall load | (million tonne-km) | 16,486.8 | 15,806.8 | 14,796.5 |
| Overall capacity | (million tonne-km) | 24,009.7 | 23,208.0 | 21,882.5 |
| Overall load factor | (%) | 68.7 | 68.1 | 67.6 |
| Overall yield | (cents/ltk) | 77.5 | 74.6 | 70.8 |
| Overall unit cost | (cents/ctk) | 50.0 | 47.7 | 44.5 |
| Overall breakeven load factor | (%) | 64.5 | 63.9 | 62.9 |

*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 subsidiary, joint venture and associated companies, and additional long-term investments.*

*R3* *Seat capacity per employee is available seat capacity divided by Singapore Airlines average staff strength.*

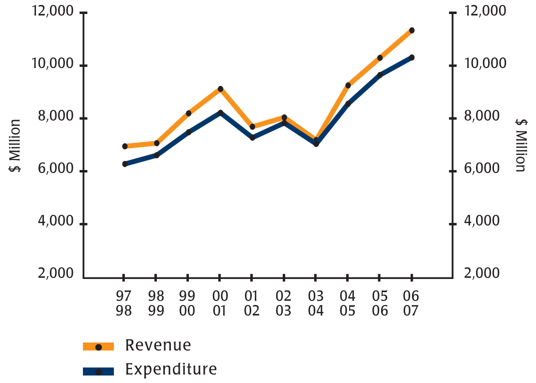
*R4* *Passenger load carried per employee is defined as passenger load and excess baggage carried divided by Singapore Airlines average staff strength.*

# TEN-YEAR STATISTICAL RECORD

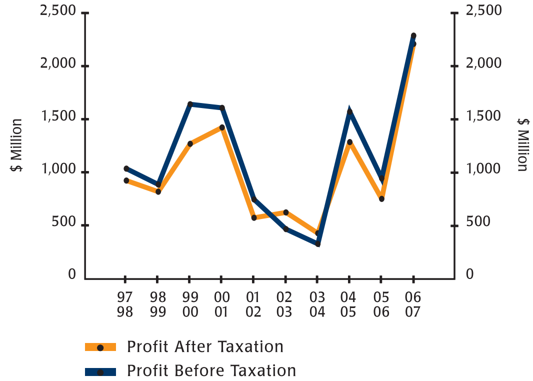
| 2003-04 | 2002-03 | 2001-02 | 2000-01 | 1999-00 | 1998-99 | 1997-98 |
|---|---|---|---|---|---|---|
| 7,187.6 | 8,047.0 | 7,694.7 | 9,125.8 | 8,200.7 | 7,072.0 | 6,953.5 |
| 7,046.1 | 7,838.0 | 7,281.6 | 8,222.5 | 7,485.9 | 6,616.5 | 6,284.0 |
| 141.5 | 209.0 | 413.1 | 903.3 | 714.8 | 455.5 | 669.5 |
| 319.7 | 460.1 | 740.7 | 1,607.2 | 1,641.5 | 882.3 | 1,032.3 |
| 420.6 | 618.0 | 567.2 | 1,422.2 | 1,267.1 | 813.7 | 919.5 |
| 2,051.3 | 2,766.2 | 2,885.7 | 2,777.7 | 3,303.7 | 1,850.4 | 1,934.0 |
| 9.2 | 9.1 | 9.0 | 9.4 | 9.1 | 8.6 | 9.5 |
| 6.7 | 6.7 | 6.4 | – | – | – | – |
| 72.8 | 73.6 | 71.1 | – | – | – | – |
| 85 | 96 | 92 | 84 | 84 | 82 | 80 |
| 60 | 71 | 69 | 70 | 62 | 57 | 62 |
| 56 | 60 | 64 | 67 | 69 | 68 | 73 |
| 266.7 | 296.2 | 288.4 | 289.1 | 280.6 | 258.9 | 240.3 |
| 342,715 | 384,652 | 368,204 | 366,784 | 351,560 | 334,172 | 311,388 |
| 88,252.7 | 99,565.9 | 94,558.5 | 92,648.0 | 87,728.3 | 83,191.7 | 77,219.3 |
| 13,278 | 15,326 | 14,765 | 15,002 | 13,782 | 12,777 | 11,957 |
| 64,685.2 | 74,183.2 | 69,994.5 | 71,118.4 | 65,718.4 | 60,299.9 | 54,441.2 |
| 73.3 | 74.5 | 74.0 | 76.8 | 74.9 | 72.5 | 70.5 |
| 14,010 | 14,418 | 14,205 | 14,254 | 13,720 | 13,690 | 13,506 |
| 6,299,265 | 6,905,667 | 6,656,705 | – | – | – | – |
| 448,513 | 495,617 | 471,300 | – | – | – | – |
| 513,034 | 558,122 | 541,690 | 647,516 | 607,966 | 526,859 | 524,012 |
| 179,272 | 191,566 | 189,806 | 284,369 | 291,494 | 228,254 | 236,828 |
| 1,050.9 | 1,043.2 | 938.5 | 975.4 | 905.1 | 768.5 | 735.9 |
| 6,749.4 | 6,913.6 | 6,039.8 | 6,167.6 | 5,775.4 | 5,025.7 | 4,859.1 |
| 10,156.5 | 9,927.1 | 8,950.3 | 8,876.1 | 8,244.4 | 7,403.6 | 6,908.6 |
| 66.5 | 69.6 | 67.5 | 69.5 | 70.1 | 67.9 | 70.3 |
| 36.7 | 34.2 | 32.2 | – | – | – | – |
| 23.0 | 23.9 | 23.2 | – | – | – | – |
| 62.7 | 69.9 | 72.0 | – | – | – | – |
| 13,033.1 | 14,059.5 | 12,734.6 | 12,985.3 | 12,038.4 | 10,765.5 | 10,037.6 |
| 18,873.8 | 19,773.7 | 18,305.1 | 18,034.0 | 16,917.2 | 15,651.8 | 14,533.9 |
| 69.1 | 71.1 | 69.6 | 72.0 | 71.2 | 68.8 | 69.1 |
| 65.0 | 64.5 | 64.9 | 67.9 | 66.0 | 63.7 | 67.2 |
| 43.4 | 45.5 | 44.9 | 45.4 | 43.7 | 42.6 | 43.8 |
| 66.8 | 70.5 | 69.2 | 66.9 | 66.2 | 66.9 | 65.2 |

# TEN-YEAR CHARTS

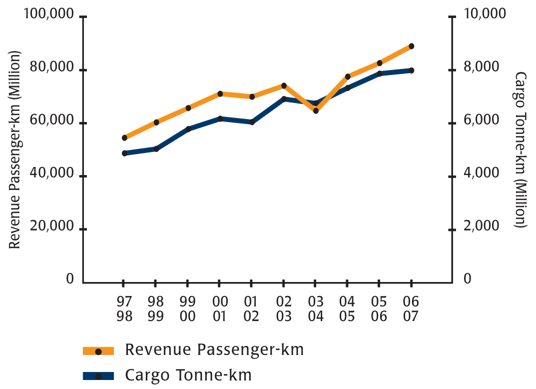
Company Revenue and Expenditure [R1]



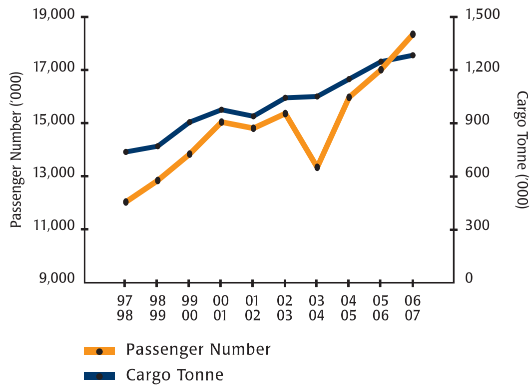

Company Profit Before and After Taxation [R1]



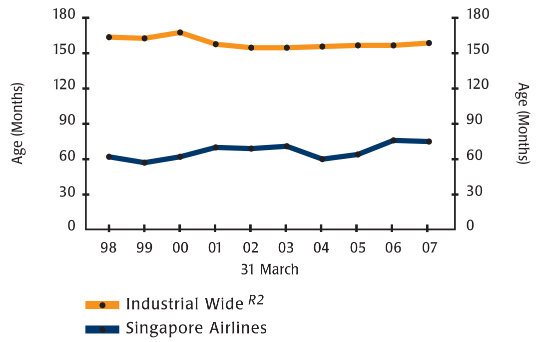

Singapore Airlines and SIA Cargo
Passenger and Cargo Load




Singapore Airlines and SIA Cargo
Passenger and Cargo Carried




Average Operating Fleet Age:
Singapore Airlines and Industry Wide




Average age of Singapore Airlines passenger fleet: 6 years and 3 months
(as at 31 March 2007).

*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 2007, SIA Group operating fleet consisted of 121 aircraft – 107 passenger aircraft and 14 freighters. 94 and 13 of the passenger aircraft were operated by Singapore Airlines and SilkAir respectively.

| Aircraft type | Owned | Finance lease | Operating lease | Total | Seats in standard configuration | Average age in years (y) and months (m) | Expiry of operating lease 2007-08 | Expiry of operating lease 2008-09 | On firm order | On option |
|---|---|---|---|---|---|---|---|---|---|---|
| **Singapore Airlines:** | | | | | | | | | | |
| B747-400 | 10 | | 12 | 22 | 375 | 10 y 10 m | 3 | 6 | | |
| B777-200 | 13 | | 1 | 14 | 288 | 6 y 10 m | | | | |
| B777-200A | 17 | | | 17 | 323 | 5 y 11 m | | | | |
| B777-200ER | 13 | | 2 | 15 | 285 | 4 y 10 m | | | | |
| B777-300 | 6 | | 6 | 12 | 332 | 5 y 5 m | | | | |
| B777-300ER | 9 | | | 9 | 278 | 0 y 3 m | | | 10 | 13 |
| A340-500 | 5 | | | 5 | 181 | 3 y 1 m | | | | |
| B787-900 R1 | | | | | | | | | 20 | 20 |
| A330-300 R1 | | | | | | | | | 19 | |
| A380-800 R1 | | | | | | | | | 19 | 6 |
| Sub-total | 73 | | 21 | 94 | N.A. | 6 y 3 m | 3 | 6 | 68 | 39 |
| **SIA Cargo:** | | | | | | | | | | |
| B747-400F | 5 | 4 | 5 | 14 | N.A. | 6 y 4 m | | | 3 R2 | |
| **SilkAir:** | | | | | | | | | | |
| A319-100 | 3 | | 2 | 5 | 118 | 5 y 8 m | | | 5 | |
| A320-200 | 4 | | 4 | 8 | 142 | 4 y 7 m | | | 8 | 9 |
| Sub-total | 7 | | 6 | 13 | N.A. | 5 y 0 m | | | 13 | 9 |
| **Total** | **85** | **4** | **32** | **121** | **N.A.** | **6 y 2 m** | **3** | **6** | **84** | **48** |

*N.A. not applicable*

R1 *The standard seat configuration will be finalised at a later date.*
R2 *Orders for three B747-400 passenger-to-freighter conversion from Singapore Airlines to SIA Cargo.*

# GROUP CORPORATE STRUCTURE

At 31 March 2007

**Singapore Airlines Limited**

- 81.9% Singapore Airport Terminal Services Limited
- 100% SilkAir (Singapore) Private Limited
- 56% Abacus Travel Systems Pte Ltd
  - 100% Tradewinds Tours & Travel Private Limited
  - 5% Abacus Travel Systems Pte Ltd
- 81.9% 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
- 20% Ritz-Carlton, Millenia Singapore Properties Private Limited

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

# GROUP CORPORATE STRUCTURE

At 31 March 2007

| | |
|---|---|
| 100% | Cargo Community (Shanghai) Co. Ltd |

| | |
|---|---|
| 100% | SIAEC Global Pte Ltd |
| 65% | Singapore Jamco Private Limited |
| 51% | Aerospace Component Engineering Services Pte Ltd |
| 51% | Aviation Partnership (Phillipines) Corporation |
| 50% | International Engine Component Overhaul Pte Ltd |
| 50% | Singapore Aero Engine Services Pte Ltd |
| 49% | Combustor Airmotive Services Pte Ltd |
| 49% | Eagle Services Asia Private Limited |
| 49% | Fuel Accessory Services Technologies Pte Ltd |
| 49% | PT JAS Aero – Engineering Services |
| 49% | Pratt & Whitney Airmotive International Ltd |
| 47.1% | Pan Asia Pacific Aviation Services Limited |
| 45% | Jamco Aero Design & Engineering Private Limited |
| 40% | Goodrich Aerostructures Service Center-Asia Pte Ltd |
| 40% | Messier Services Asia Pte Ltd |
| 39.2% | Asian Surface Technologies Pte Ltd |
| 33.3% | International Aerospace Tubes Asia 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 |
| 49.8% | PT Jasa Angkasa Semesta Tbk |
| 49% | Asia Airfreight Terminal Company Ltd |
| 49% | Aviserv Ltd |
| 49% | Servair-SATS Holding Company Pte Ltd |
| 49% | Taj SATS Air Catering Ltd |
| 40% | Beijing Airport Inflight Kitchen Limited |
| 40% | Beijing Aviation Ground Services Company Ltd |
| 35% | Maldives Inflight Catering Pte Limited |
| 30% | Taj Madras Flight Kitchen Private Limited |
| 30% | Tan Son Nhat Cargo Services Ltd |
| 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

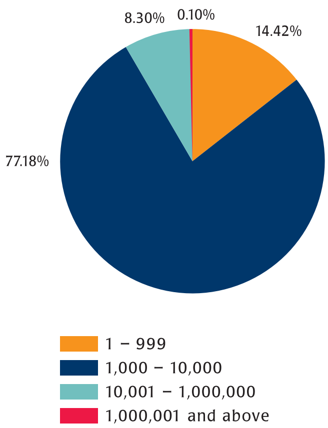
As at 29 May 2007

| | |
|---|---|
| No. of Shares in Issue | 1,251,633,652 |
| Class of Shares | Ordinary Shares |
| | One special share held by the Minister for Finance (Incorporated) |
| Voting Rights | 1 vote per share |

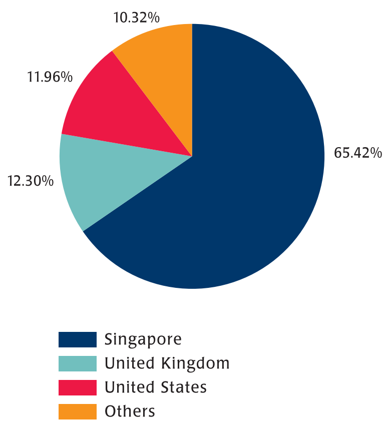
| Range of shareholdings | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| 1 – 999 | 2,403 | 14.42 | 924,277 | 0.07 |
| 1,000 – 10,000 | 12,860 | 77.18 | 33,918,985 | 2.71 |
| 10,001 – 1,000,000 | 1,384 | 8.30 | 57,130,002 | 4.57 |
| 1,000,001 and above | 16 | 0.10 | 1,159,660,388 | 92.65 |
| **Total** | **16,663** | **100.00** | **1,251,633,652** | **100.00** |

| Location of accounts | Number of shares | % | Number of accounts | % |
|---|---|---|---|---|
| Singapore | 818,821,298 | 65.42 | 16,437 | 90.92 |
| United Kingdom | 153,974,076 | 12.30 | 140 | 0.77 |
| United States | 149,705,122 | 11.96 | 211 | 1.17 |
| Others | 129,133,156 | 10.32 | 1,291 | 7.14 |
| **Total** | **1,251,633,652** | **100.00** | **18,079** | **100.00** |

Range of Shareholdings




Location of Accounts



# INFORMATION ON SHAREHOLDINGS

As at 29 May 2007

| Major shareholders | Number of shares | % |
|---|---|---|
| 1 Temasek Holdings (Private) Limited | 691,451,172 | 55.24 |
| 2 DBS Nominees Pte Ltd | 197,624,817 | 15.79 |
| 3 HSBC (Singapore) Nominees Pte Ltd | 84,470,557 | 6.75 |
| 4 DBSN Services Pte Ltd | 58,608,976 | 4.68 |
| 5 Citibank Nominees Singapore Pte Ltd | 53,829,279 | 4.30 |
| 6 Raffles Nominees Pte Ltd | 35,382,570 | 2.83 |
| 7 United Overseas Bank Nominees Pte Ltd | 16,266,847 | 1.30 |
| 8 Morgan Stanley Asia (Singapore) | 5,792,852 | 0.46 |
| 9 Chang Shyh Jin | 4,208,000 | 0.34 |
| 10 DB Nominees (S) Pte Ltd | 3,109,162 | 0.25 |
| 11 Western Properties Pte Ltd | 1,748,000 | 0.14 |
| 12 UOB Kay Hian Pte Ltd | 1,707,385 | 0.14 |
| 13 Merrill Lynch (S'pore) Pte Ltd | 1,546,031 | 0.12 |
| 14 Tan Leng Yeow | 1,540,000 | 0.12 |
| 15 OCBC Nominees Singapore Private Limited | 1,305,140 | 0.10 |
| 16 Oversea-Chinese Bank Nominees Pte Ltd | 1,069,600 | 0.08 |
| 17 Phillip Securities Pte Ltd | 985,332 | 0.08 |
| 18 BNP Paribas Nominees Singapore Pte Ltd | 763,600 | 0.06 |
| 19 Wang Chang Mei Ling | 724,000 | 0.06 |
| 20 Chang Ching Lin | 700,000 | 0.06 |
| 21 Chang Hsiu Ling | 700,000 | 0.06 |
| **Total** | **1,163,533,320** | **92.96** |

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

| | Number of shares | % |
|---|---|---|
| Temasek Holdings (Private) Limited | 694,485,928* | 55.49 |

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

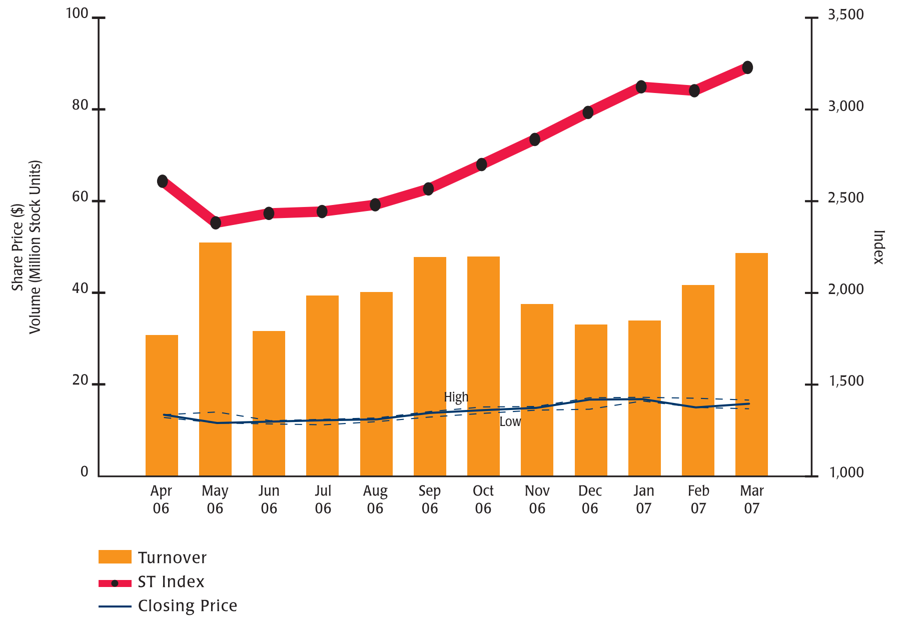
**Shareholdings held by the public**

Based on the information available to the Company as at 29 May 2007, 44.51 percent of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

# SHARE PRICE AND TURNOVER

For the financial year ended 31 March 2007

Singapore Airlines Share Price and Turnover




| | 2006-07 | 2005-06 |
|---|---|---|
| **Share Price ($)** | | |
| Highest closing price | 18.00 | 14.90 |
| Lowest closing price | 12.00 | 11.10 |
| 31 March closing price | 16.60 | 14.00 |
| | | |
| **Market Value Ratios** [R1] | | |
| Price/Earnings | 9.62 | 13.77 |
| Price/Book value | 1.37 | 1.27 |
| Price/Cash earnings [R2] | 5.85 | 6.73 |

*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-Fifth 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 Tuesday, 31 July 2007 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 2007 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 2007 and a special tax exempt (one-tier) dividend of 50 cents per ordinary share.

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 Stephen Lee Ching Yen
    (b) Mr Chew Choon Seng
    (c) Mr James Koh Cher Siang

5. To re-elect Ms Euleen Goh Yiu Kiang, who is retiring in accordance with Article 89 of the Company's Articles of Association and who, being eligible, offers herself for re-election.

6. To approve Directors' Fees of $1,319,304 (FY2005/2006: $930,833).

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);

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 per cent 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 and special dividend being obtained at the Thirty-Fifth Annual General Meeting to be held on 31 July 2007, the Transfer Books and the Register of Members of the Company will be closed on 7 August 2007 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 6 August 2007 will be registered to determine shareholders' entitlements to the final dividend and special 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 6 August 2007 will be entitled to the final dividend and special dividend.

The final dividend and special dividend, if so approved by shareholders, will be paid on 17 August 2007.

By Order of the Board

Ethel Tan (Mrs)
Company Secretary
27 June 2007
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 Committee and Board Safety & Risk Committee. Sir Brian Pitman is considered an independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Sir Brian Pitman.

2. In relation to Ordinary Resolution No. 4, Mr Stephen Lee Ching Yen will, upon re-election, continue to serve as Chairman of the Board Executive Committee and Board Compensation and Industrial Relations Committee. Mr Chew Choon Seng will, upon re-election, continue to serve as a member of the Board Executive Committee. Mr James Koh Cher Siang will, upon re-election, continue to serve as Chairman of the Board Safety & Risk Committee and as a member of the Board Executive Committee and Board Compensation and Industrial Relations Committee. Mr Lee and Mr Chew are considered non-independent Directors, while Mr Koh is considered an independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Lee, Mr Chew and Mr Koh, 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. Ms Euleen Goh Yiu Kiang was appointed on 1 September 2006 and is seeking re-election at the forthcoming Thirty-Fifth Annual General Meeting. Ms Goh will upon re-election continue to serve as a member of the Board Executive Committee and Board Audit Committee. Ms Goh is considered an independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Ms Goh.

4. 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.

5. 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 the office of the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 not less than 48 hours before the time fixed for holding the Meeting.*

This page has been intentionally left blank.

This page has been intentionally left blank.

This page has been intentionally left blank.

First to Fly A380

SINGAPORE AIRLINES