



SINGAPORE  
AIRLINES

ANNUAL REPORT 2012/13







THE SINGAPORE AIRLINES  
GROUP ACHIEVED A NET  
PROFIT ATTRIBUTABLE TO  
EQUITY SHAREHOLDERS  
OF \$379 MILLION FOR THE  
FINANCIAL YEAR ENDED  
31 MARCH 2013. THIS WAS  
DESPITE RECORDING A  
LOWER OPERATING PROFIT  
AMID PERSISTENTLY HIGH  
FUEL PRICES AND LOWER  
YIELDS DUE TO WEAK GLOBAL  
ECONOMIC CONDITIONS.

The 2012/13 financial year was one of significant development for the SIA Group, with numerous initiatives to strengthen the three main pillars of our brand promise, namely Service Excellence, Product Leadership and Network Connectivity.

## STATISTICAL HIGHLIGHTS

### Financial Statistics <sup>R1</sup>

|                                                   | 2012-13  | 2011-12  | %    | Change    |
|---------------------------------------------------|----------|----------|------|-----------|
| <b>The Group</b>                                  |          |          |      |           |
| <b>Financial Results (\$ million)</b>             |          |          |      |           |
| Total revenue                                     | 15,098.2 | 14,857.8 | +    | 1.6       |
| Total expenditure                                 | 14,869.0 | 14,571.9 | +    | 2.0       |
| Operating profit                                  | 229.2    | 285.9    | -    | 19.8      |
| Profit before taxation                            | 482.0    | 448.2    | +    | 7.5       |
| Profit attributable to owners of the Parent       | 378.9    | 335.9    | +    | 12.8      |
| <b>Financial Position (\$ million)</b>            |          |          |      |           |
| Share capital                                     | 1,856.1  | 1,856.1  | -    | -         |
| Treasury shares                                   | (269.8)  | (258.4)  | -    | 4.4       |
| Capital reserve                                   | 110.3    | 99.1     | +    | 11.3      |
| Foreign currency translation reserve              | (191.8)  | (186.3)  | -    | 3.0       |
| Share-based compensation reserve                  | 151.7    | 165.9    | -    | 8.6       |
| Fair value reserve                                | (27.1)   | (47.6)   | +    | 43.1      |
| General reserve                                   | 11,475.3 | 11,264.6 | +    | 1.9       |
| Equity attributable to owners of the Parent       | 13,104.7 | 12,893.4 | +    | 1.6       |
| Return on equity holders' funds (%) <sup>R2</sup> | 2.9      | 2.5      | +    | 0.4 point |
| Total assets                                      | 22,428.1 | 22,043.0 | +    | 1.7       |
| Total debt                                        | 1,014.1  | 1,077.8  | -    | 5.9       |
| Total debt equity ratio (times) <sup>R3</sup>     | 0.08     | 0.08     | -    | times     |
| Value added                                       | 4,499.6  | 4,344.3  | +    | 3.6       |
| <b>Per Share Data</b>                             |          |          |      |           |
| Earnings - basic (cents) <sup>R4</sup>            | 32.2     | 28.3     | +    | 13.8      |
| Earnings - diluted (cents) <sup>R5</sup>          | 31.9     | 27.9     | +    | 14.3      |
| Net asset value (\$) <sup>R6</sup>                | 11.15    | 10.96    | +    | 1.7       |
| <b>Dividends</b>                                  |          |          |      |           |
| Interim dividend (cents per share)                | 6.0      | 10.0     | -    | 4.0 cents |
| Final dividend (cents per share)                  | 17.0     | 10.0     | +    | 7.0 cents |
| Dividend cover (times) <sup>R7</sup>              | 1.4      | 1.4      | -    | times     |
| <b>The Company</b>                                |          |          |      |           |
| <b>Financial Results (\$ million)</b>             |          |          |      |           |
| Total revenue                                     | 12,387.0 | 12,070.1 | +    | 2.6       |
| Total expenditure                                 | 12,199.8 | 11,889.5 | +    | 2.6       |
| Operating profit                                  | 187.2    | 180.6    | +    | 3.7       |
| (Loss)/Profit before taxation                     | (682.4)  | 413.3    | n.m. |           |
| (Loss)/Profit after taxation                      | (694.1)  | 390.2    | n.m. |           |
| Value added                                       | 2,259.3  | 3,299.2  | -    | 31.5      |

<sup>R1</sup> Singapore Airlines' financial year is from 1 April to 31 March. Throughout this report, all figures are in Singapore Dollars, unless stated otherwise.

<sup>R2</sup> Return on equity holders' funds is profit attributable to owners of the Parent expressed as a percentage of the average equity holders' funds.

<sup>R3</sup> Total debt equity ratio is total debt divided by equity attributable to owners of the Parent as at 31 March.

<sup>R4</sup> Earnings per share (basic) is computed by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue excluding treasury shares.

<sup>R5</sup> Earnings per share (diluted) is computed by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue excluding treasury shares, adjusted for the dilutive effect on the exercise of all outstanding share options.

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

<sup>R7</sup> Dividend cover is profit attributable to owners of the Parent divided by total dividends.



## Operating Statistics

|                                                      | 2012-13   | 2012-12   | % | Change     |
|------------------------------------------------------|-----------|-----------|---|------------|
| <b>Singapore Airlines</b>                            |           |           |   |            |
| Passengers carried (thousand)                        | 18,210    | 17,155    | + | 6.1        |
| Revenue passenger-km (million)                       | 93,765.6  | 87,824.0  | + | 6.8        |
| Available seat-km (million)                          | 118,264.4 | 113,409.7 | + | 4.3        |
| Passenger load factor (%)                            | 79.3      | 77.4      | + | 1.9 points |
| Passenger yield (cents/pkm)                          | 11.4      | 11.8      | - | 3.4        |
| Passenger unit cost (cents/ask)                      | 9.2       | 9.2       | - | -          |
| Passenger breakeven load factor (%)                  | 80.7      | 78.0      | + | 2.7 points |
| <b>SilkAir</b>                                       |           |           |   |            |
| Passengers carried (thousand)                        | 3,295     | 3,032     | + | 8.7        |
| Revenue passenger-km (million)                       | 5,223.1   | 4,469.4   | + | 16.9       |
| Available seat-km (million)                          | 7,096.3   | 5,904.8   | + | 20.2       |
| Passenger load factor (%)                            | 73.6      | 75.7      | - | 2.1 points |
| Passenger yield (cents/pkm)                          | 14.1      | 14.5      | - | 2.8        |
| Passenger unit cost (cents/ask)                      | 9.9       | 10.1      | - | 2.0        |
| Passenger breakeven load factor (%)                  | 70.2      | 69.7      | + | 0.5 point  |
| <b>SIA Cargo</b>                                     |           |           |   |            |
| Cargo and mail carried (million kg)                  | 1,144.6   | 1,205.8   | - | 5.1        |
| Cargo load (million tonne-km)                        | 6,763.6   | 7,198.2   | - | 6.0        |
| Gross capacity (million tonne-km)                    | 10,661.0  | 11,286.5  | - | 5.5        |
| Cargo load factor (%)                                | 63.4      | 63.8      | - | 0.4 point  |
| Cargo yield (cents/ltk)                              | 33.4      | 34.9      | - | 4.3        |
| Cargo unit cost (cents/ctk)                          | 23.2      | 23.5      | - | 1.3        |
| Cargo breakeven load factor (%)                      | 69.5      | 67.3      | + | 2.2 points |
| <b>Singapore Airlines, SilkAir and SIA Cargo</b>     |           |           |   |            |
| Overall load (million tonne-km)                      | 16,047.3  | 15,898.8  | + | 0.9        |
| Overall capacity (million tonne-km)                  | 23,188.4  | 23,378.6  | - | 0.8        |
| Overall load factor (%)                              | 69.2      | 68.0      | + | 1.2 points |
| Overall yield (cents/ltk)                            | 85.3      | 85.5      | - | 0.2        |
| Overall unit cost (cents/ctk)                        | 60.4      | 58.6      | + | 3.1        |
| Overall breakeven load factor (%)                    | 70.8      | 68.5      | + | 2.3 points |
| <b>Employee Productivity (Average) - The Company</b> |           |           |   |            |
| Average number of employees                          | 14,156    | 13,893    | + | 1.9        |
| Seat capacity per employee (seat-km)                 | 8,354,366 | 8,163,082 | + | 2.3        |
| Passenger load per employee (tonne-km) <sup>R1</sup> | 619,969   | 594,663   | + | 4.3        |
| Revenue per employee (\$)                            | 875,035   | 868,790   | + | 0.7        |
| Value added per employee (\$)                        | 159,593   | 237,472   | - | 32.8       |
| <b>Employee Productivity (Average) - The Group</b>   |           |           |   |            |
| Average number of employees                          | 23,189    | 22,514    | + | 3.0        |
| Revenue per employee (\$)                            | 651,093   | 659,936   | - | 1.3        |
| Value added per employee (\$)                        | 194,040   | 192,960   | + | 0.6        |

<sup>R1</sup> Passenger load includes excess baggage carried.

### GLOSSARY

#### Singapore Airlines

|                                 |   |                                                                                                                                                                                                               |
|---------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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) |

#### SilkAir

|                                 |   |                                                                                                                                                                                                     |
|---------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 cargo and mail revenue) 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 cargo and mail revenue) |

#### SIA Cargo

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

#### Singapore Airlines, SilkAir and SIA Cargo

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

CHARTING A SUSTAINABLE FUTURE

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We work together as one to ensure that the state of the SIA Group remains strong and to invest in the shared future of our stakeholders.



## BOARD OF DIRECTORS

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**Stephen Lee Ching Yen**  
Chairman

Appointed Director on 26 April 2004 and Chairman on 1 January 2006. Mr Lee is the Managing Director of Shanghai Commercial and Savings Bank Ltd (Taiwan) and Great Malaysia Textile Investments Pte Ltd. He is also the President of the Singapore National Employers Federation. Among several other appointments, Mr Lee is a member of the Advisory Panel of Temasek Holdings (Private) Limited and an alternate member of the Council of Presidential Advisers. He was Chairman of the Singapore Business Federation from 2002 to 2008 and International Enterprise Singapore from 1995 to 2002. Mr Lee was a Nominated Member of Parliament from 1994 to 1997. In 2006, Mr Lee was awarded the Distinguished Service Order for his contributions to both the public and private sectors.



**Goh Choon Phong**  
Director and Chief Executive Officer

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



**Gautam Banerjee**  
Director

Appointed Director on 1 January 2013. Mr Banerjee is a Senior Advisor to the Blackstone Group, a member of the Blackstone International Advisory panel and Chairman of Blackstone Singapore. He was with professional services firm PricewaterhouseCoopers (PwC) Singapore for 30 years, including as its Executive Chairman and Chief Operating Officer for the Asia Pacific region. Mr Banerjee retired from PwC Singapore on 31 December 2012. His current roles include serving as Vice Chairman of the Singapore Business Federation and on the Board of The APEC Business Advisory Council. He served on the Corporate Governance Council of the Monetary Authority of Singapore, Companies Act Reform Steering Committee and the Economic Strategies Committee chaired by the Finance Minister of Singapore from 2009 to 2010. Mr Banerjee was a Nominated Member of Parliament in Singapore between 2007 and 2009.





**William Fung Kwok Lun**  
Director

Appointed Director on 1 December 2009. Dr Fung is Group Chairman of Li & Fung Limited, a multinational group of companies headquartered in Hong Kong. Dr Fung has held key positions in major trade and business associations. He was Chairman of the Hong Kong General Chamber of Commerce, Hong Kong Exporters' Association and Hong Kong Committee for the Pacific Economic Cooperation Council. Dr Fung has received numerous awards and accolades for his business contributions including the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2008. He was also conferred the Honorary Degrees of Doctor of Business Administration by Hong Kong University of Science & Technology and by Hong Kong Polytechnic University.



**Euleen Goh Yiu Kiang**  
Director

Appointed Director on 1 September 2006. Ms Goh has been the Chairperson of the Board of Governors of Singapore International Foundation since 1 April 2008. She was appointed Justice of the Peace on 8 May 2013. She was the Chairperson of International Enterprise Singapore from April 2005 to April 2008 and Accounting Standards Council from 11 December 2007 to 31 October 2011. Ms Goh held various senior management positions in Standard Chartered Bank before retiring as Chief Executive Officer, Singapore in March 2006, after more than 20 years service. She was awarded a Public Service Medal in 2006 and a Public Service Star in 2012 by the President of Singapore.

## BOARD OF DIRECTORS

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**Hsieh Tsun-yan**  
Director

Appointed Director on 1 September 2012. Mr Hsieh is Chairman and Lead Counselor of LinHart Group, a leadership counselling firm founded by Mr Hsieh in 2008. Mr Hsieh has extensive experience in international business, leadership development and corporate transformation. He was with management consulting firm McKinsey & Company for 28 years and held posts in Singapore, Toronto and Copenhagen. He is a member of the Advisory Board at the School of Business and holds Provost Chair Professorship there and at the Lee Kuan Yew School of Public Policy, both at the National University of Singapore. He contributes to the community with board roles current and past including the Singapore International Foundation, the Institute of Policy Studies, the Singapore Symphony, Covenant House Canada and the University Health Network Foundation in Toronto.



**Christina Ong**  
Director

Appointed Director on 1 September 2007. Mrs Christina Ong is a well-known hotelier and fashion retailer who owns the Como Hotels & Resorts Group of hotels and spas. She is also the owner of various high-end international fashion stores under the Club 21 umbrella. Mrs Ong was a recipient of The Italian Fashion Hall of Fame Award in 1995 and The Italian Award of Cavaliere De Lavo.



**Helmut Gunter Wilhelm Panke**  
Director

Appointed Director on 1 September 2009. Dr Panke, a trained nuclear engineer, was with BMW AG from 1982 to 2006. During this time, he served in a number of senior positions, including Executive Chairman of the Board of Management from May 2002 through August 2006. Among other positions held, from 1993 through 1996, he served as Chairman and CEO of BMW (US) Holding Corp, responsible for the carmaker's North American activities. Dr Panke played a key role in the building of the first BMW plant in the USA in Spartanburg, South Carolina.



**Jackson Peter Tai**  
Director

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



**Lucien Wong Yuen Kuai**  
Director

Appointed Director on 1 September 2007. Mr Wong is Chairman and Senior Partner of Allen & Gledhill LLP and has over 30 years of experience in the practice of law, specialising in banking, corporate and financial services work. His other directorships include Director of Temasek Holdings (Private) Limited, Hap Seng Plantations Holdings Berhad and Singapore Press Holdings Limited. He is also Chairman of the Maritime and Port Authority of Singapore and was a Board member of the Monetary Authority of Singapore from January 2006 to February 2013.

## CHAIRMAN'S LETTER TO SHAREHOLDERS

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Operating conditions remain challenging, but the state of the SIA Group is strong. The Board and Management are confident that the developments of the past financial year as well as those that are planned will ensure that this remains the case in the years ahead.

The last financial year was one of significant development for the SIA Group. This year's Letter to Shareholders will therefore focus on the many important steps forward that have been taken to ensure we retain our industry-leading position.

The 2012/13 financial year was an especially busy one for management and staff, with numerous initiatives to strengthen the three main pillars of our brand promise, namely Service Excellence, Product Leadership and Network Connectivity.

Singapore Airlines enhanced its network during the year while it also ordered more Airbus A380s and A350s. At the same time Boeing 787 orders were transferred to Scoot, which launched in June as the fourth airline in the SIA Group. Scoot has been steadily expanding its network and the business has proven to be a success to date, with a good customer following and healthy passenger loads.

Regional full-service arm SilkAir also continued to add new destinations to its fast-growing network and placed the biggest aircraft order in its history.

In-flight connectivity was launched on Singapore Airlines' long-haul aircraft and a large contract was signed with Panasonic for the supply of new in-flight entertainment systems. A retrofit programme was launched for Boeing 777-200ERs to fit them with new Business Class seats and larger in-flight entertainment system screens in Economy Class. Our lounges around the world will also be revamped from this year with a new design concept, while the next generation of in-flight cabin products will be rolled out in the coming months.

The Group has also been investing in upgrading IT systems. In July, Singapore Airlines and SilkAir cut over to a new inventory and reservations system, which was followed recently by an upgrade of check-in systems.

Customer service is also not being overlooked, as it remains a crucial differentiator. To help deliver an enhanced travel experience that focuses on meeting more of our customers' travel needs, a contract was signed recently with Accenture for the development of a new Customer Experience Management (CEM) system. Implementation is scheduled for the second half of 2014 and it is one element of a multi-million-dollar investment programme.

Ultimately it is our people who make the real difference in setting us apart from the competition. The new CEM system will help our employees – who are our greatest asset – to deliver even better experiences to our customers.

New partnerships were also agreed with more airlines during the last financial year to provide customers more choices of flights through codeshare arrangements. We acquired a 10 per cent stake in Virgin Australia in October, and recently agreed to acquire another 9.9 per cent. Agreement was separately reached on the sale of our 49 per cent of Virgin Atlantic Airways. Subject to regulatory approvals, the transaction should be completed late this calendar year.

The many developments outlined above are all intended to ensure that the SIA Group is well positioned for the future, in an increasingly competitive landscape. In addition to remaining a leader in the delivery of innovative products and services, our portfolio approach to airline operations positions the Group well for different business cycles, with Singapore Airlines and SilkAir on the premium end of the spectrum and Scoot on the low-cost end in partnership with Tiger Airways, in which we have a strategic stake.

Before I conclude, allow me to put on record my appreciation to my fellow Directors for their contributions over the past year. During the last financial year we welcomed to the Board Mr Hsieh Tsun-yan and Mr Gautam Banerjee, while Mr David Gonski retired from the Board. Allow me to express on behalf of the Board and Management our thanks to David for his many contributions over the years.

I would like to close by expressing my gratitude as always to shareholders for your continued support, particularly given the significant investments we are making. Operating conditions remain challenging, but the state of the SIA Group is strong. The Board and Management are confident that the developments of the past financial year as well as those that are planned will ensure that this remains the case in the years ahead.



**Stephen Lee**  
Chairman



## CORPORATE DATA

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### Board of Directors

#### *Chairman*

Stephen Lee Ching Yen

#### *Members*

William Fung Kwok Lun

Goh Choon Phong

Euleen Goh Yiu Kiang

Christina Ong

Helmut Gunter Wilhelm Panke

Jackson Peter Tai

Lucien Wong Yuen Kuai

David Michael Gonski

*(until 31 July 2012)*

Hsieh Tsun-yan

*(from 1 September 2012)*

Gautam Banerjee

*(from 1 January 2013)*

### Board Committees

#### Board Executive Committee

##### *Chairman*

Stephen Lee Ching Yen

##### *Members*

Goh Choon Phong

Euleen Goh Yiu Kiang

Lucien Wong Yuen Kuai

### Board Audit Committee

#### *Chairperson*

Euleen Goh Yiu Kiang

#### *Members*

William Fung Kwok Lun

Jackson Peter Tai

David Michael Gonski

*(until 31 July 2012)*

Hsieh Tsun-yan

*(from 1 September 2012)*

Gautam Banerjee

*(from 1 January 2013)*

### Board Compensation and Industrial Relations Committee

#### *Chairman*

Stephen Lee Ching Yen

#### *Members*

Helmut Gunter Wilhelm Panke

Jackson Peter Tai

David Michael Gonski

*(until 31 July 2012)*

Hsieh Tsun-yan

*(from 1 September 2012)*

Gautam Banerjee

*(from 1 January 2013)*

### Board Nominating Committee

#### *Chairman*

Lucien Wong Yuen Kuai

*(until 31 March 2013)*

Stephen Lee Ching Yen

*(from 1 April 2013)*

#### *Members*

Christina Ong

Stephen Lee Ching Yen

*(until 31 March 2013)*

Lucien Wong Yuen Kuai

*(from 1 April 2013)*

### Board Safety and Risk Committee

#### *Chairman*

Helmut Gunter Wilhelm Panke

#### *Members*

Christina Ong

Lucien Wong Yuen Kuai

### Company Secretary

Ethel Tan

### Share Registrar

M & C Services Private Limited

112 Robinson Road #05-01

Singapore 068902

### Auditor

Ernst & Young LLP

Public Accountants and Certified

Public Accountants

One Raffles Quay

North Tower #18-01

Singapore 048583

### Audit Partner

Mak Keat Meng

*(appointed since FY2010-11)*

### Registered Office

Airline House

25 Airline Road

Singapore 819829

## Executive Management

### Head Office

Goh Choon Phong  
*Chief Executive Officer*

Mak Swee Wah  
*Executive Vice President Commercial*

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

Marvin Tan Meng Hung  
*Acting Senior Vice President Cabin Crew  
(from 3 September 2012)*

Lee Lik Hsin  
*Senior Vice President Corporate Planning*

Mervyn Sirisena  
*Senior Vice President Engineering*

Chan Hon Chew  
*Senior Vice President Finance*

Gerard Yeap Beng Hock  
*Senior Vice President Flight Operations*

Christopher Cheng Kian Hai  
*Senior Vice President Human Resources*

Tan Chik Quee  
*Senior Vice President Information Technology  
(from 8 October 2012)*

Tan Chik Quee  
*Senior Vice President Marketing  
(until 7 October 2012)*

Lee Wen Fen  
*Acting Senior Vice President Marketing Planning  
(from 1 April 2013)*

Tan Pee Teck  
*Senior Vice President Product & Services*

Chin Yau Seng  
*Acting Senior Vice President Sales & Marketing  
(from 8 October 2012)*

## Overseas Regions

Foo Chai Woo  
*Regional Vice President Americas*

Paul Tan Wah Liang  
*Regional Vice President Europe*

Lim Wee Kok  
*Regional Vice President North Asia*

Philip Goh Ser Miang  
*Regional Vice President South East Asia*

Subhas Menon  
*Regional Vice President South West Pacific*

Casey Ow Yong Fook Wing  
*Regional Vice President West Asia and Africa*

## Senior Management, Major Subsidiaries

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

Marvin Tan Meng Hung  
*Chief Executive  
SilkAir (Singapore) Private Limited  
(until 2 September 2012)*

Leslie Thng Kan Chung  
*Chief Executive  
SilkAir (Singapore) Private Limited  
(from 3 September 2012)*

Tan Kai Ping  
*President  
Singapore Airlines Cargo Pte Ltd*

Campbell David McGregor Wilson  
*Chief Executive Officer  
Scoot Pte Ltd*

## Financial Calendar

31 March 2013  
*Financial Year-End*

16 May 2013  
*Announcement of 2012-13  
Annual Results*

27 June 2013  
*Despatch of Annual Report  
and Circular to Shareholders*

25 July 2013  
*Announcement of 2013-14  
First Quarter Results*

26 July 2013  
*Annual General Meeting and  
Extraordinary General Meeting*

16 August 2013  
*Payment of Final Dividend  
for the Financial Year 2012-13  
(subject to shareholders'  
approval at AGM)*

12 November 2013  
*Announcement of 2013-14  
Second Quarter and Half-Year Results*

## SIGNIFICANT EVENTS

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# 2012

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### April

- Singapore Airlines bids farewell to Boeing 747 passenger fleet on 6 April with special commemorative flights - SQ747 and SQ748 - between Singapore and Hong Kong.

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### May

- A joint venture agreement is signed with Scandinavian Airlines on 11 May to allow both Star Alliance carriers to go beyond existing codeshare ties to include the co-ordination of flight schedules, joint sales activities and enhanced network connectivity between Singapore and Scandinavia.

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### June

- All three of Singapore Airlines' daily services to London are now operated with the Airbus A380.

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### July

- Singapore Airlines and SilkAir undergo a smooth transition to a new reservations system.

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### August

- The Airline announces the appointment of two world-renowned design firms - BMW Group subsidiary DesignworksUSA as well as UK and Singapore-based James Park Associates - to help develop the next generation of in-flight cabin products that will be introduced from the second half of 2013.
- Renowned architectural and interior design firm ONG&ONG is appointed to develop a new design concept to be applied to all of the Airline's airport lounges worldwide. The appointment is part of a more than \$20 million investment programme in SilverKris Lounges for the next five years intended to enhance the travel experience of our customers.

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### September

- In-flight Connectivity services are launched on 14 aircraft in the fleet, including all five Airbus A340-500s, as part of a US\$50 million programme to bring Internet and mobile data services to customers, even when flying at 35,000ft. The technology will be progressively rolled out across all of SIA's long-haul Airbus A380-800, A340-500 and Boeing 777-300ER aircraft.
- A major agreement, valued at nearly US\$400 million, is signed with Panasonic Avionics for advanced in-flight entertainment and communications (IFEC) systems for more than 40 new aircraft on firm order with Airbus and Boeing. Singapore Airlines will be the launch customer for Panasonic Avionics' next-generation eX3 system for the A350s, as well as the first to deliver eX3 features on the B777-300ERs.

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### October

- Singapore Airlines agrees to a firm order valued at US\$7.5 billion for five more A380s and another 20 A350s for additional capacity growth and fleet renewal. As part of the deal, Airbus agrees to acquire SIA's five A340-500s, which will be removed from service in the fourth quarter of the 2013 calendar year.
- Singapore Airlines acquires a 10 per cent stake in Virgin Australia through a placement of new shares by Virgin Australia Holdings for a total consideration of A\$105.3 million.
- A fourth daily flight between Singapore and London Heathrow is introduced. The late-night departure from Singapore is operated with a B777-300ER.
- Daily services to Yangon are launched to cater to rapidly growing demand for travel to Myanmar. Together with regional subsidiary SilkAir, the SIA Group will serve Yangon with 16 weekly flights.

# 2013

- Services to Abu Dhabi in the UAE and Athens in Greece are suspended as a result of the sustained weak performance of both routes. The last flights to both cities depart Singapore on 26 October.
- Italian star chef Carlo Cracco is named the newest member of the Singapore Airlines International Culinary Panel (ICP).

## November

- Singapore Airlines expands its codeshare agreement with Virgin Australia to all of Virgin Australia's domestic destinations, offering SIA customers access to 32 Australian cities.
- Agreements with six tourism organisations in Australia are signed, in line with the Airline's ongoing efforts to promote tourism to the country. The agreements are for a period of between two and four years, with the total investment for the financial year amounting to more than A\$5 million.
- Singapore Airlines signs a codeshare agreement with Aegean Airlines to enable SIA customers to fly to the Greek cities of Athens and Thessaloniki.
- The Airline raises \$427,000 for Singapore's Community Chest. A pair of limited edition female and male panda toy collectibles clad in the signature SIA batik motif was produced by the Airline for the initiative.

## December

- Singapore Airlines agrees to sell its 49 per cent stake in Virgin Atlantic Ltd to Delta Air Lines. Under the agreement, Delta will pay US\$360 million in cash for SIA's entire shareholding in the UK-based airline group.
- The Airline embarks on a codeshare agreement with Virgin America on flights serving Chicago, Fort Lauderdale, Las Vegas, Palm Springs, Philadelphia, Portland, San Diego, Seattle and Washington D.C., from SIA's West Coast gateway points of Los Angeles and San Francisco.

## January

- The first B777-200ER aircraft retrofitted with new long-haul cabin products enters service between Singapore and Amsterdam. The Airline is investing \$95 million to retrofit a total of 10 B777-200ERs, which will be deployed to more destinations in Europe and to points in India, South Africa, Australia and New Zealand.

## February

- Singapore Airlines debuts the brand new Red Eye Collection Games on KrisWorld - the first time the iconic console games are offered on any in-flight entertainment system.

## March

- Services between Singapore and the Danish capital Copenhagen are increased to five flights per week from 31 March, from three weekly flights, following final regulatory approval for a joint venture with Scandinavian Airlines (SAS).
- Singapore Airlines and Virgin America announce an expansion of their codeshare agreement to include a frequent flyer programme partnership. The tie-up will enable members of both airlines' programmes to earn and redeem miles for travel on both airlines.



OUR SPECIAL TOUCH

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We take a long-term approach to retain our industry-leading position through constant investment.

## OPERATING REVIEW

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The Singapore Airlines Group achieved a net profit attributable to equity shareholders of \$379 million for the financial year ended 31 March 2013.

### The Year in Review

The Singapore Airlines Group achieved a net profit attributable to equity shareholders of \$379 million for the financial year ended 31 March 2013. This was despite recording a lower operating profit amid persistently high fuel prices and lower yields due to weak global economic conditions.

During the year in review, the Parent Airline expanded its capacity (in available seat-kilometres) by 4.3 per cent, while passenger carriage (in revenue passenger kilometres) grew by a higher 6.8 per cent. Passenger load factor improved by 1.9 percentage points to 79.3 per cent. SIA's wholly-owned subsidiary, SilkAir, registered passenger carriage growth of 16.9 per cent but was unable to match the capacity expansion of 20.2 per cent. Accordingly, passenger load factor declined by 2.1 percentage points to 73.6 per cent. SIA Cargo reduced its cargo capacity (in capacity tonne-kilometres) by 5.5 per cent. As carriage (in load tonne-kilometres) declined by a higher 6.0 per cent, cargo load factor dropped by 0.4 percentage point to 63.4 per cent.

Despite the challenging operating environment, the Group maintained its strategy to grow its overall network, including through partnerships with other airlines. Compared to 2011, there was a 41 per cent increase in destinations outside of the SIA network as a result of codesharing. Airline partnerships also resulted in growth in the Group's network in Asia and

Australia. In part due to the Airline's partnership with Virgin Australia, the number of flights per week to Australian destinations has grown by 45 per cent compared to 2010. Over the same period, SIA's synergy with SilkAir has helped to boost the number of flights to China per week by 71 per cent, while weekly flights to India and Southeast Asia have expanded by 24 per cent and 27 per cent, respectively. With greater coordination between SIA and SilkAir in network planning and sales efforts, the number of flown bookings with both carriers' segments increased by 43 per cent between 2010 and 2012.

Looking ahead, the global economic outlook remains uncertain with the ongoing weakness in the Eurozone and sluggish recovery in the United States. Forward passenger bookings are almost flat and yields are expected to remain under pressure amid weak economic sentiment. In addition to high fuel prices, revenues are expected to be further diluted if key revenue-generating currencies continue to depreciate against the Singapore dollar.

The Company continuously reviews its network to better match capacity to demand, and will push ahead with its strategy of growing its airline partnerships and using the Group's portfolio of airlines to tap different market segments. The Airline continues to focus strongly on



innovation to push boundaries and widen the gap between SIA and the competition. New products, including seats, inflight entertainment systems and airport lounges, together with enhancements to the Airline's service excellence, are in the pipeline and will be unveiled in the new financial year. In addition, the Group's ongoing fleet renewal programme aimed at maintaining a young and modern fleet will help improve fuel efficiency. In the new financial year, SIA expects to take delivery of six Airbus A330-300s and three Boeing 777-300ERs, while decommissioning six B777-200s and five Airbus A340-500s. SilkAir will take delivery of two Airbus A320-200s and two Boeing 737-800s, and will decommission two A320-200s.



## OPERATING REVIEW

### Network

The year in review saw renewed efforts to align network capacity with demand as closely as possible amidst a challenging operating environment, and to capitalise on growth opportunities.

In light of continued economic difficulties in southern Europe, frequencies to Milan and Barcelona were reduced to five times weekly. While Athens services were suspended, a codeshare agreement with Aegean Airlines allows SIA customers to continue to travel to Athens via London, Frankfurt, Milan and Munich. Consequently, Istanbul flights are no longer linked to Athens.

A fourth daily flight was also introduced to London, while Singapore-Munich-Manchester frequency was increased from six times per week to daily. Amsterdam also became the first destination with the newly retrofitted Boeing 777-200ER aircraft. Following the conclusion of a landmark joint venture with Scandinavian Airlines (SAS), services to Copenhagen were increased from three times per week to five, further enhancing passenger connectivity to Scandinavia.

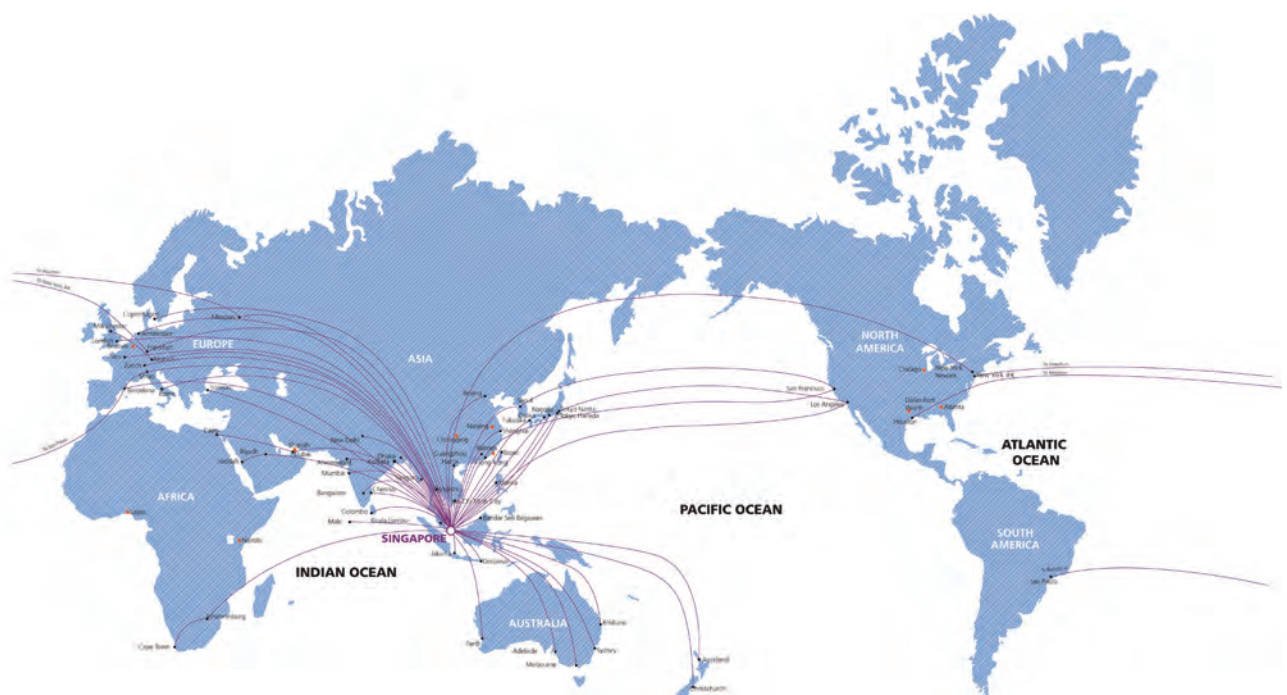
In the Asia-Pacific region, services to Mumbai increased from 19 times per week to 21. A fourth daily service was also introduced to Perth. Passengers from Europe and West

Asia now have greater connectivity to Adelaide following the launch of a second window of flights to the Australian city. With demand growing for travel to Myanmar, the Group increased capacity on the Yangon route, with Singapore Airlines' larger aircraft operating in place of a morning SilkAir service.

The year also saw the restructuring of services to the Middle East. With the suspension of flights to Abu Dhabi, new Singapore-Riyadh-Jeddah flights were launched three times per week in place of existing services to Riyadh via Dubai and Jeddah via Abu Dhabi.

The difficult decision to cease non-stop services between Singapore and Los Angeles and between Singapore and Newark was also taken. These services will be discontinued from the fourth quarter of 2013. SIA will continue to serve New York and Los Angeles through its Singapore-Frankfurt-New York JFK and Singapore-Tokyo-Los Angeles services, respectively.

Global economic uncertainty will necessitate judicious capacity management in the new financial year. The Airline will continue to monitor travel demand closely and make adjustments to the network accordingly.





In our continual pursuit to offer a young and modern fleet to our customers, Singapore Airlines has placed orders for another five A380-800 aircraft and 20 additional A350-900 aircraft.

### Fleet Management

The year in review saw the delivery of an additional three Airbus A380-800 aircraft and one Airbus A330-300 aircraft, and the completion of a cabin refresh programme for two Boeing 777-200ERs. One Boeing 747-400, one B777-300 and three B777-200 aircraft left the operating fleet.

In our continual pursuit to offer a young and modern fleet to our customers, Singapore Airlines has placed orders for another five A380-800 aircraft and 20 additional A350-900 aircraft. Excluding 20 Boeing 787s on firm order that will be transferred to Scoot to support its growth plans, Singapore Airlines' total firm aircraft orders stood at 67 as at 31 March 2013.

The Singapore Airlines passenger aircraft fleet, as at 31 March 2013, comprised 101 aircraft with an average age of six years and eight months.

SIA Cargo's fleet as at 31 March 2013 comprised 12 Boeing 747-400 freighters, with an average age of 11 years and eight months. The fleet of SilkAir as at 31 March 2013 comprised 16 Airbus A320-200s and six A319-100s, with an average age of six years and eight months. SilkAir also announced orders for 54 aircraft - 23 Boeing 737-800s and 31 Boeing 737 MAX 8s – on top of an existing firm order for two A320s. Deliveries of the new Boeing aircraft are due to begin in 2014 and continue to 2021, by which time SilkAir's fleet will have more than doubled in size.



## OPERATING REVIEW



### Products and Services

#### KrisFlyer

The KrisFlyer programme underwent several key developments during the year in review, which expanded its network of both airline and non-airline partners with which members can earn miles. The addition of Virgin America and Star Alliance partners Avianca, Copa Airlines, Taca Airlines and Shenzhen Airlines brought the total number of KrisFlyer's airline partners to 31. Seven new brands were also added to the suite of over 160 global non-airline partners, while the scope of several existing partnerships was expanded.

In line with a commitment to increase the range of redemption options available to members, redemption bookings were introduced for Saver Award flights in Singapore Airlines Suites, exclusively available on board the Airbus A380. Members now have the choice and flexibility to redeem all award types in all cabin classes across the Singapore Airlines network.

A priority is to enhance the accessibility of KrisFlyer services to members. To this end, redemption booking functionality was launched on the SQ Mobile app, adding to the KrisFlyer services already available such as the ability to view membership account summaries and to extend expiring miles. More convenience and services will be extended to members in future app updates.

Building greater member engagement is another key focus. The design of the members-only e-newsletter has been revamped to provide relevant and up-to-date Singapore Airlines and KrisFlyer news and promotions. Throughout the year, KrisFlyer members also enjoyed several accrual and redemption promotions, local offers and partner privileges.



Singapore Airlines continues to introduce its Mobile Boarding Pass offering at more airports, subject to local regulations.

#### Ground Services

##### Mobile Boarding Pass

Singapore Airlines continues to introduce its Mobile Boarding Pass offering at more airports, subject to local regulations. To date, this service has been introduced at Singapore, Amsterdam, Auckland, Bangkok, Barcelona, Christchurch, Copenhagen, Frankfurt, Hong Kong, London, Manchester, Milan, Munich, Rome, Taipei and Zurich airports.

Eligible passengers departing from these airports (excluding US-bound flights) are offered the option of a Mobile Boarding Pass, which is stored conveniently on the customer's mobile device and presented for security verification at various touch-points within airports.

The Airline has also upgraded its airport check-in facilities to a new generation Departure Control System which leverages on newer technology to improve customer servicing. The upgrade started in February 2013 and took approximately three months to complete.

## OPERATING REVIEW



Chef Carlo Cracco's innovative touch to traditional flavours is showcased in his epicurean dishes that represent the best of Italy.

### Inflight Services

#### Appointment of New International Culinary Panel (ICP) Chef

Singapore Airlines appointed a new International Culinary Panel (ICP) chef, Carlo Cracco, in October 2012. A highly regarded master chef, Carlo leads a new generation of progressive Italian, Western and Continental European cuisine. His two-Michelin-starred restaurant, Ristorante Cracco, is among the world's top dining destinations famed for its creative takes on classic Italian food. Chef Cracco's innovative touch to traditional flavours is showcased in his epicurean dishes that represent the best of Italy. Chef Cracco joins a stellar team of eight other international chefs on the ICP who specially create a unique selection for customers that enhances the overall inflight dining experience.

#### Introduction of the Epicurean Gallery

The Epicurean Gallery was launched in May 2012 to showcase an exquisite range of new dishes specially designed for Singapore Airlines Suites, First Class and Business Class customers, highlighting the best of seasonal produce on selected medium to long-haul flights.

#### New First Class Chinese Meal Service

— 名家珍饈 (Míng Jiā Zhēn Zhuàn)

In March 2013, a new four-course Chinese fine-dining meal service, 名家珍饈 (Míng Jiā Zhēn Zhuàn), was introduced. The service is exclusively available to First Class customers on Singapore Airlines flights to and from Beijing and Shanghai.

Translated in English as "treasured culinary creations from a famed and reputable establishment", the name highlights the partnership between renowned master chefs and the Airline. 名家珍饈 (Míng Jiā Zhēn Zhuàn) is specially created for Singapore Airlines by acclaimed masterchefs Sam Leong and Zhu Jun, both of whom are members of our ICP.





名家珍饈 (Míng Jiā Zhēn Zhuàn)

#### Launch of New Book the Cook dishes from Singapore

In April 2012, SIA widened its selection of global cuisine in its Book the Cook meal service for Suites, First Class and Business Class customers flying out of Singapore, enhancing the overall range of gourmet main courses to meet today's changing and increasingly varied customer preferences. This included old-time Western-style favourites, healthier low-fat choices, popular Asian dishes, a comprehensive spread of iconic local fare from Singapore, and exclusive creations from our ICP chefs. Customers now have a wider selection of gastronomical delights to satisfy their palates in the sky.

#### Cellars in the Sky Awards 2012

SIA won top prizes at the prestigious Business Traveller Cellars in the Sky awards 2012, recognising the best First and Business Class wines served by airlines worldwide. The Airline garnered the Best Business Class Cellar award, while the NV Champagne Charles Heidsieck Brut Reserve served on board won Best Business Class Sparkling. The Airline also placed second for Best Business Class Red with 2007 Bodegas Roda Rioja Reserva DOCa from Spain, and for Best Overall Wine Cellar.



New Book the Cook dishes from Singapore





## OPERATING REVIEW



TOP puts in place a developmental framework for a performance-based culture that recognises and rewards good performance, against a vision of achieving a high-performing, motivated and evolving workforce.

### People Development

SIA concluded Collective Agreements with ALPA-S (Airline Pilots Association – Singapore) and SIASU (Singapore Airlines Staff Union) in April and May 2012, respectively. New agreements on Re-employment and Profit-Sharing Bonus were also concluded with ALPA-S, SIASU and AESU (Air-Transport Executive Staff Union).

The Airline together with SIASU launched a workforce productivity initiative called “Towards Optimal Productivity” (TOP) for SIA General Staff in December 2012. TOP puts in place a developmental framework for a performance-based culture that recognises and rewards good performance, against a vision of achieving a high-performing, motivated and evolving workforce. The three pillars of TOP, namely “Enhancing Our Performance Management System”, “Improving the Way We Work” and “Developing Our People”, and the programmes under each pillar, will enable the Airline to achieve higher productivity within its staff ranks.

With TOP, the following programmes will be carried out in the new financial year:

- (a) An enhanced and more comprehensive performance appraisal system which will reward the top performers with merit awards, promotions and meeting staff aspirations on faster career progression.
- (b) WINS (Workplace Improvement and Innovation Scheme) which will progressively improve the workplace through process redesign and reduction of wastage.
- (c) QIS (Qualification Incentive Sponsorship) Scheme to level up the qualifications and skill sets of our staff.

Training for all frontline staff and service partners worldwide on SIA’s new passenger booking and servicing system, introduced in July 2012, has been completed. Reservations agents have since been servicing the Airline’s customers using the new Reservations and Ticketing system, while airport agents have begun using the new Departure Control System to check in customers since February 2013.



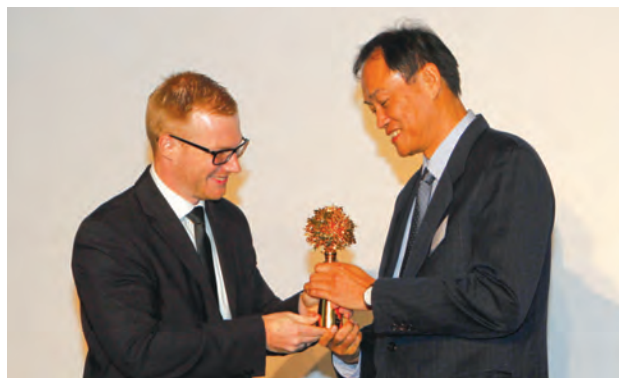
The Airline continues to provide opportunities for frontline staff to upgrade their skills and pursue improvement in productivity, so as to service our customers more effectively and efficiently. This is done through new training programmes on customer servicing, as well as in the various functional areas of sales and marketing, reservations and ticketing, and airport operations.

For cabin crew, more courses were added to the Workforce Skills Qualifications (WSQ) framework, namely Training and Assessment, Leadership and People Management, and Food and Beverages. These suites of courses, co-funded by the Workforce Development Agency of Singapore, seek to improve the overall service levels of cabin crew and empower them with skills that enhance their personal and career development.

The SIA Wellness and Health Programme, introduced in 2011, continues to offer health screening sessions and sports try-out sessions for all staff. Apart from physical wellness, a series of lunch-time talks covering topics related to mental and financial wellness were also conducted.

A variety of engagement activities were also carried out under the SIA Sports and Social Activities Calendar 2012/13. The highlight and flagship event of this year's calendar was the inaugural SIA Games Fest, which took place over the month of September 2012. Staff across the SIA Group, organised into teams, competed in nine sporting and social games, ranging from badminton and football to indoor

games and a tele-match. As part of the Games Fest, an SIA Charity Day was organised, under which staff raised funds for programmes under the Community Chest (refer to Supporting Our Communities on page 31).



In 2012, the Airline won the "Most Attractive Employer Brand" award in an independent survey by Randstad Singapore of 4,500 members of the public. The Randstad Award is also conducted in 14 other countries. The Airline was ranked second in JobsCentral's Employers of Choice survey 2012.

As at 31 March 2013, the staff strength of SIA Group was 22,546, an increase of 3.3 per cent over the previous year. Of this, 14,339, or 63.6 per cent, were employed by the Airline, with 7,784 cabin crew and 2,304 pilots.

A close-up photograph of a person's forearm and hand, extending from the top left towards the bottom right. The person is wearing a dark blue wristband with a colorful geometric pattern in red, orange, and white. The background is a soft, out-of-focus green, suggesting foliage. The text "WORKING HAND IN HAND" is positioned on the left side of the image, with a thin horizontal line extending from its right edge across the middle of the frame.

WORKING HAND IN HAND

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Singapore Airlines is committed to the sustainable development of our environment and to supporting the communities in which we operate.



## OPERATING REVIEW



The Dendrobium Singapore Girl Orchid

The Airline is committed to working in partnership with government agencies, biofuel producers and suppliers, and other stakeholders, to overcome the challenge of producing aviation biofuels sustainably on a commercial basis and at competitive costs.

### Environment

Singapore Airlines takes a long-term view towards the sustainable development of the environment in which we operate our air transportation and related businesses.

The Airline is committed to reducing the effects of climate change brought about by increasing green house gases (GHG) in the atmosphere. This is achieved through improving the fuel productivity of our aircraft operations as well as the introduction of a comprehensive fuel efficiency programme to mitigate the rising CO<sub>2</sub> emission levels. SIA's passenger fleet, SIA Cargo freighters and SilkAir aircraft already meet the stringent 2004 ICAO CAEP/6 Emission Standards for NO<sub>x</sub>, which are 12 per cent lower than the previous standard and will provide a 40 per cent reduction in NO<sub>x</sub> emissions compared to the first standard.

SIA also believes that the use of lower-carbon renewable fuels derived from environmentally and socially sustainable sources have the potential to meet the industry's carbon neutral growth goals as well as lessen the dependence on fossil fuels. The Group has pledged to advance and adopt aviation biofuels produced in a sustainable manner

that: do not displace or compete with food crops; do not threaten biodiversity; do not cause deforestation; minimise the impact of land, water and energy use; meet or exceed jet fuel standards; have lower carbon emissions over their production-lifecycle; and deliver positive socio-economic impacts. SIA is a member of the Sustainable Aviation Fuel Users Group (SAFUG), which advances the use of sustainable biofuels for the aviation industry. In addition, the Airline is committed to working in partnership with government agencies, biofuel producers and suppliers, and other stakeholders, to overcome the challenge of producing aviation biofuels sustainably on a commercial basis and at competitive costs.

SIA supports the International Air Transport Association (IATA)'s Four-Pillar Strategy to promote and drive efforts towards carbon neutral growth from 2020 onwards - specifically in the areas of technology, operations, infrastructure and economic measures.

More of the Airline's environmental activities and programmes are available in the inaugural Singapore Airlines Sustainability Report FY2012/13.

## Supporting Our Communities

Singapore Airlines has a longstanding commitment to contributing and investing in the communities in which we operate. During the year in review, we continued to support various educational, arts, sports and heritage institutions in the form of free and rebated tickets, cash contributions as well as staff involvement.

In the area of the Arts, we carried on our support for institutions such as the Singapore Symphony Orchestra (SSO), the Singapore Dance Theatre (SDT), the Singapore Lyric Opera (SLO) and the National Arts Council (NAC), among others. As in previous years, we also contributed towards the annual "Give A Hand" campaign, which aims to raise funds for various beneficiaries under the care of the Community Chest, a non-profit organisation that channels funds to assist the less advantaged in the community.

Through a fundraising event in September 2012, SIA also raised more than \$400,000 for Community Chest with a pair of limited edition female and male panda toy collectibles which were clad in SIA's signature batik motif. The funds will be used to support programmes that benefit children with special needs.

In the educational sector, Singapore Airlines contributed to the JY Pillay Global-Asia Programme, which aims to raise local levels of research and fieldwork, as well as the Lee Kuan Yew Fund for Bilingualism to spearhead initiatives teaching children their Mother Tongue and English.

The Airline also maintained our partnership with the Salvation Army Singapore, donating items left behind by customers and uncollected for more than four months to be re-sold at Family Thrift Stores. Funds raised go towards the charity's social and community programmes. Between 1 January and 31 December 2012, The Salvation Army collected nearly \$45,000 from the sale of our donated items.

Since August 2010, Singapore Airlines has been the exclusive airline partner for the Harapan Rainforest Initiative, a large-scale green project aimed at restoring ecosystems threatened by deforestation, as well as conserving and protecting one of the most bio-diverse rainforests in the world. Our contribution stems from our strong belief that environmental efforts must focus on making a real and direct difference to the well-being of our planet, and sustain our shared environment for future generations.

As a global carrier operating to more than 60 destinations in over 30 countries, SIA is also actively involved with various projects and causes in the local communities that we serve.

More details of our community initiatives are available in our FY2012-13 Sustainability Report.



## OPERATING REVIEW

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### Subsidiaries

#### SIA Cargo

Singapore Airlines Cargo reported an operating loss of \$167.0 million in the year in review, during which the air cargo industry was faced with overcapacity amidst weak economic activity in consumer markets.

SIA Cargo continues to adopt a variable frequency approach to better match capacity with demand for its freighter network. On a planned basis, services were reduced during lull periods and additional services were scheduled during periods of stronger demand. The company also channelled resources to operate more short and medium-haul services, with increased frequencies into Indonesia and South West Pacific.

The company also added more destinations to its network through an agreement with Scoot, a new medium and long-haul low-cost airline based in Singapore, to manage its bellyhold capacity.

SIA Cargo and China Cargo Airlines operate codeshare services between Singapore, Bangkok and Shanghai, and have a range of agreements allowing both airlines to seamlessly tap into each other's network and provide more flexibility to customers. SIA Cargo holds 16 per cent equity interest in China Cargo Airlines.

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

In addition, the company continues to foster close partnerships with its key customers. The Global Partnership Programme, which is running in its 12th year, recognises the strong strategic relationship with key multinational players supporting its business in the airfreight forwarding industry.

The Premier Partnership Programme recognises major local forwarders in key markets and promotes SIA Cargo as the preferred carrier to achieve bilateral growth. After a successful inauguration year in 2012, The Premier Partnership Programme is expanded to 18 key local forwarders across 11 countries for 2013.

As at March 2013, based on the electronic air waybill (e-AWB) standards, SIA Cargo carried 23 per cent of total shipments to electronic air waybill (e-AWB) ready destinations. In Singapore, the adoption rate of e-AWB amongst freight forwarders has also surpassed expectations, achieving 90 per cent of total shipments from Singapore to e-AWB ready destinations.







SIA Cargo will remain flexible in deploying capacity to better match demand, and maintain cost discipline in this challenging business environment.

The outlook remains uncertain. Demand fluctuations continue to be volatile. Jet fuel prices remain high. SIA Cargo will remain flexible in deploying capacity to better match demand, and maintain cost discipline in this challenging business environment. The company will continue to grow its footprint in higher value business segments and also increase connectivity in emerging markets.

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

SIA Cargo is committed to protecting the environment and sustainability through environmentally-friendly initiatives and through partnership with Wildlife Reserves Singapore

to carry live animals on zoo-to-zoo conservation exchange programmes. SIA Cargo also played a part in a significant conservation initiative by transporting giant pandas Kai Kai and Jia Jia on board a Boeing 747-400 freighter specially operated from Chengdu to Singapore. The special shipment was in support of Singapore Airlines’ sponsorship of the giant panda collaborative programme between Wildlife Reserves Singapore and the China Wildlife Conservation Association.

In addition, the company assisted less privileged children and supported the arts and heritage through partnerships with the Singapore Children’s Society and National Heritage Board.



## OPERATING REVIEW



The company's extensive capabilities at its Singapore base were further enhanced during the year with the completion of a state-of-the-art paint hangar.

### SIA Engineering Company

SIA Engineering Company's (SIAEC) firstmover advantage in aircraft technology and its collaborations with leading original equipment manufacturers (OEM) have enabled the company to establish a world-class one-stop engineering centre in Singapore, offering full maintenance solutions with OEM support and proprietary IP. The company's extensive capabilities at its Singapore base were further enhanced during the year with the completion of a state-of-the-art paint hangar. Airline customers will benefit from the efficient turnaround of high-quality aircraft paintwork when undergoing maintenance in its hangars.

Leveraging on its wide bench of technical expertise and extensive capabilities in the latest generation aircraft, SIAEC secured a \$166 million contract from Cebu Pacific Air, covering both its present and new fleet of Airbus A320 aircraft to be delivered over the next five years. Under the agreement, SIAEC will provide fleet management and maintenance, repair and overhaul services in Singapore and at SIAEC's facility in the Philippines. This further consolidates SIAEC's status as one of the world's largest fleet management service providers.

The company continued to make inroads into the lucrative and growing VVIP aircraft market segment with the completion of two major VVIP cabin reconfiguration projects in Singapore. With a team of in-house specialists, SIAEC serves as the main contractor and programme integrator, working with OEMs, joint ventures and suppliers to seamlessly engineer, plan, procure, fabricate, install and certify customised aircraft cabins.

Growth of the heavy maintenance business overseas is propelled further with the completion of a second hangar at its Clark facility in the Philippines, and construction of a third hangar underway. At Hanoi, Vietnam, SIAEC opened another maintenance facility, bringing its global line maintenance network to 29 airports in seven countries.

## SilkAir

SilkAir closed the year in review with a profit after taxation of \$81 million, a decrease of 4.9 per cent compared to the previous financial year. The airline carried a total of 3.3 million passengers during the year, an improvement of 8.7 per cent. With capacity growth outpacing passenger carriage, passenger load factor declined by 2.1 percentage points to 73.6 per cent.

Three new points were added to the SilkAir network during the financial year in review – Wuhan, Hanoi and Visakhapatnam - increasing the airline's network to 42 destinations in 12 countries.

SilkAir launched thrice-weekly flights to Wuhan in China's Hubei province, on 24 April 2012. Wuhan is SilkAir's seventh destination in China, after Changsha, Chengdu, Chongqing, Kunming, Shenzhen and Xiamen.

Flights to Hanoi, the capital of Vietnam, began on 5 June 2012. Hanoi is the airline's second destination in Vietnam, after Danang. The thrice-weekly flights complement Singapore Airlines' daily services to the city, to offer passengers a total of 10 round-trip services a week.

Direct flights to Visakhapatnam were launched on 28 October 2012. With the introduction of the thrice-weekly services, SilkAir became the first airline to provide non-stop international air connectivity from this port city on the southeast coast of India.

In addition to the new destinations, capacity to a number of existing destinations such as Chiang Mai, Hyderabad and Wuhan was increased to meet growing demand. The airline also worked actively with partners to operate charters, including to Dili in Timor Leste.

During the year in review, SilkAir witnessed a change in leadership with the appointment of Mr Leslie Thng as Chief Executive on 3 September 2012. Mr Thng, formerly Vice President Network Planning for Singapore Airlines, took over from Mr Marvin Tan, who returned to the parent company as Acting Senior Vice President Cabin Crew. Mr Thng joined SilkAir as a Board Director on 1 April 2012 and has been with SIA for more than 13 years, during which time he has held positions in head office as well as overseas.

On the marketing front, SilkAir embarked on a new brand campaign, centred around the theme of 'Feel at Home in the Air' to showcase its high level of cabin crew service. Besides Singapore, the campaign was executed in the key markets of China, India and Indonesia.

Several SilkAir stations also celebrated their 20th anniversary during the year in review, including Medan, Cebu and Kunming, with various corporate and charity events held to commemorate the significant milestone.

As part of its corporate social responsibility efforts, SilkAir maintained its partnership with international volunteer organisation Friends-International (FI), which helps marginalised urban youth, their families and communities in developing countries. SilkAir's Chief Executive and a group of staff visited FI's Mith Samlanh centre in Phnom Penh in September.

SilkAir, together with SIA, also supports Médecins Sans Frontières (MSF), also known as Doctors Without Borders, a leading international humanitarian aid organisation that provides emergency medical assistance to people in distress and danger. The airline also maintains its support of the Giant Panda collaborative programme between Wildlife Reserves Singapore and the China Wildlife Conservation Association.

SilkAir continues to receive accolades for its dedication to product and service quality. In March 2013, SilkAir was awarded 'Regional Airline of the Year' in the Air Transport News Award 2013. SilkAir was the first winner of this newly introduced category. SilkAir was also ranked 3rd in the Top 10 Airlines by Passenger Carriage in the Changi Airline Awards 2012, presented by Changi Airport Group.



## OPERATING REVIEW

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### Selected Awards

# 2012

#### APR

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##### Business Traveller Middle East Award

*Best Asian Airline Serving the Middle East (11th consecutive year)*

##### Luxury Travel and Style Magazine (Australia)

*Gold List 2012*

*Best First Class Airline (6th time)*

#### MAY

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##### Randstad Award (Singapore)

*Singapore Airlines awarded title of Singapore's most attractive employer*

#### JUN

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##### Business Traveller Germany Travel Awards 2011

*Best Airline*

##### Brand Finance 2012 (Singapore)

*Top 100 Singapore Brands in 2011*

*Singapore's "Most Valuable Brand"*

#### JUL

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##### ExecutiveTravel Magazine (USA) Executive Travel Leading Edge Awards

*Best Flight Experience to Asia*

##### AFTA National Travel Industry Award (Australia)

*Best Airline International Online (5th consecutive year)*

##### Frequent Business Traveler GlobeRunner Award (USA)

*Best Airline in APAC (Asia Pacific)*

##### AB Road (Japan)

##### Airline Ranking

##### Overall Best Airline

*Best cabin crew service, aircraft/products, inflight meals and ground service*

#### AUG

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##### SmartTravelAsia.Com (Hong Kong) Favourite Airline Poll Results, 2012

*Best Airline Worldwide*

*Best Business Class*

*Best Cabin Service*

#### SEP

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##### Business Traveller (Asia Pacific) 2012

*Best Airline (21st consecutive year)*

*Best Asia-Pacific Airline*

*Best Business Class*

*Best Economy Class*

*Best Airport Lounge (Singapore Airlines Changi Airport)*

##### Guardian/Observer Travel Awards (UK)

*Best Business Airline*

*Best Economy Airline*

##### Condé Nast Traveller (UK)

*Favourite Leisure Airline – Long Haul*

#### OCT

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##### SPRING {Service Productivity & Innovation for Growth} (Japan) 4th JCSI (Japanese Customer Satisfaction Index) 2012 survey *SIA ranked 1st in international airlines category (4th consecutive year)*

##### Condé Nast Traveler (USA) 2012 Readers' Choice Awards

*Best Foreign Airline (24 out of 25 years)*

##### World Travel Awards 2012

*Asia's Leading Airline*

*Asia's Leading Airline Business Class*

*Asia's Leading Airline Lounge*



# 2013

## NOV

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### Premier Traveler magazine (US)

*Best Inflight Services in the World*

*Airline with Best First Class in the World*

*Airline with Best Economy Class in the World*

### Telegraph Travel Awards (UK)

(Daily Telegraph & Sunday Telegraph Newspapers)

*Best Long Haul Airline*

## DEC

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### Business Traveler USA 2012

*Best First, Business & Economy Class service in the World*

### Global Traveler (USA)

*Best Airline in the World 2012 (9th consecutive year)*

*Best Airline in Southeast Asia*

## JAN

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### Wanderlust Travel Award 2013 (UK)

*Top Worldwide Airline (6th consecutive year, 11th time in the awards  
12-year history)*

## FEB

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### Cellars in the sky awards (UK)

*Best Business Class Sparkling, Charles Heidsieck Brut Reserve, NV, France*

*Best Business Class cellar*

## MAR

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### Fortune Magazine (USA)

*Top 50 World's Most Admired Companies (Ranked 31st)*

### Traveller's World Magazine (Germany)

*Best Airline (3rd consecutive year)*

## STATEMENT ON RISK MANAGEMENT

### 1 SIA Group Enterprise-Wide Risk Management Framework

- 1.1 Since 2002, a formalised Risk Management Framework has been implemented across the Group under which risks are identified, evaluated and controlled on a coordinated and integrated basis. Details of the key elements of this Framework can be found on [singaporeair.com](http://singaporeair.com).

### 2 Highlights of Significant Risk Management Activities

- 2.1 *Operational changes.* During the year under review, the core proprietary-owned IT System used for reservations was upgraded to a new community-based reservations platform hosted by an external provider that is concurrently used by multiple airlines. SIA business units put in place and tested contingency plans to address various risks that had the potential to affect the success of the cutover project.
- 2.2 *New global risk.* In view of the emergence of a novel corona virus, the Group refreshed its Pandemic Response Plan and ensured that it is updated.
- 2.3 *New legislation.* In addition to monitoring ongoing compliance with existing laws and regulations, the Group initiated risk reviews to ensure compliance with new legislation enacted in Singapore relating to Personal Data Protection, which is expected to come into force in 2014.
- 2.4 *Test/Simulation Programme for Ongoing Risk Responses.* As part of the Group's ongoing test/simulation programme, a Crisis Management Exercise was carried out to test responses and capability to manage a crisis event occurring overseas. In addition, the alternate site for a core control centre was activated and used, demonstrating its readiness in functionality. Other tests of business continuity plans were also conducted and independently verified.
- 2.5 *Reviews and Assurances of Risk Management Implementation.* Pursuant to the Group's Annual Risk Management Review, significant and key risks were reported and reviewed at various levels, including at Board Committee levels. Company and Group Risk Management Committee(s) carried out reviews of key risks identified and the corresponding controls that were put in place. Written assurances regarding implementation of risk management were provided by Business Unit Heads to the Risk Committees, and Group CEO and Senior Vice President Finance provided corresponding written assurances to the Board Safety & Risk Committee.
- 2.6 *Risk Governance/Oversight.* As part of the Board's risk governance responsibilities, the Board Safety & Risk Committee performed risk oversight reviews to ensure there was evidence that the risk management system was in place and effective, and also carried out reviews of specific significant risks and controls.

### 3 Board of Directors' Comments on the Practice of Risk Management In Singapore Airlines

- 3.1 Having reviewed the risk management practices and activities of Singapore Airlines, the Board of Directors has not found anything to suggest that risks, which the Group considers relevant and material to its operations, are not being satisfactorily managed.

## CORPORATE GOVERNANCE REPORT

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

This Report sets out the Company's corporate governance processes, with specific reference to the guidelines of the Code of Corporate Governance issued by the Ministry of Finance in Singapore in July 2005 ("the Code")<sup>1</sup>.

### 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.

The Board currently comprises the following members:

| Name of Director            | Position held on the Board | Date of first appointment to the Board | Date of last re-election as Director | Nature of Appointment             |
|-----------------------------|----------------------------|----------------------------------------|--------------------------------------|-----------------------------------|
| Stephen Lee Ching Yen       | Chairman                   | 26 April 2004                          | 29 July 2011                         | Non-executive/<br>Independent     |
| Goh Choon Phong             | Director                   | 1 October 2010                         | 29 July 2011                         | Executive/Non-<br>Independent     |
| William Fung Kwok Lun       | Director                   | 1 December 2009                        | 26 July 2012                         | Non-executive/<br>Independent     |
| Euleen Goh Yiu Kiang        | Director                   | 1 September 2006                       | 29 July 2011                         | Non-executive/<br>Independent     |
| Christina Ong               | Director                   | 1 September 2007                       | 26 July 2012                         | Non-executive/<br>Independent     |
| Helmut Gunter Wilhelm Panke | Director                   | 1 September 2009                       | 26 July 2012                         | Non-executive/<br>Independent     |
| Jackson Peter Tai           | Director                   | 1 September 2011                       | 26 July 2012                         | Non-executive/<br>Independent     |
| Lucien Wong Yuen Kuai       | Director                   | 1 September 2007                       | 29 July 2011                         | Non-executive/<br>Non-Independent |
| Hsieh Tsun-yan              | Director                   | 1 September 2012                       | NA                                   | Non-executive/<br>Independent     |
| Gautam Banerjee             | Director                   | 1 January 2013                         | NA                                   | Non-executive/<br>Independent     |

*Note: Mr David Michael Gonski retired on 1 August 2012*

The Board currently comprises ten Directors. The size and composition of the Board are reviewed from time to time, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is adequate to provide for a diversity of views, facilitate effective decision-making, and that the Board has an appropriate balance of executive, independent and non-independent Directors. The Directors come from diverse backgrounds with varied expertise in finance, legal, industry, business, marketing and management fields. Their profiles are found on pages 54 to 63.

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



## CORPORATE GOVERNANCE REPORT

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There is a strong independent element in the Board, with the Nominating Committee considering eight out of ten directors to be independent from Management and the Company's substantial shareholder, Temasek Holdings (Private) Limited ("Temasek"). Mr Lucien Wong was appointed Director on the board of Temasek on 1 March 2013; while Mr Goh Choon Phong is the Chief Executive Officer ("CEO") of the Company. All Directors have demonstrated objectivity in their deliberations in the interests of the Company.

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

The Chairman, Mr Stephen Lee, and the CEO, Mr Goh Choon Phong, are not related to each other. There is appropriate division of responsibilities between the Chairman and the CEO, which ensures a balance of power and authority within the Company. The Chairman leads the Board and is responsible for its workings and proceedings. He plays a crucial role in fostering constructive dialogue with shareholders at the Company's Annual and Extraordinary General meetings. The CEO heads the Management Committee and oversees the execution of the Company's corporate and business strategies and policies, and the conduct of its business.

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

Five Board Committees have been formed to assist the Board in the execution of its responsibilities, namely:

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

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

The Board held four meetings in the financial year. The Board holds separate Strategy Sessions to assist Management in developing its plans and strategies for the future. The non-executive Directors also set aside time to meet without the presence of Management to review the latter's performance in meeting goals and objectives. A table setting out the Board Members, their memberships on the various Board Committees and attendance at Board and Committee meetings can be found on pages 52 to 53.

**Board Executive Committee (“ExCo”)**

The members of the ExCo are Mr Stephen Lee (Chairman), Mr Goh Choon Phong, Ms Euleen Goh, and Mr Lucien Wong. The ExCo oversees the execution by Management of the overall strategy, policies, directions and guidelines set by the Board for the SIA Group. The ExCo also reviews and makes recommendations to the Board on the annual operating and capital budgets and matters relating to the Group’s wholly-owned subsidiaries. The ExCo is authorised to approve transactions beyond a designated materiality threshold and to make decisions on routine financial, operational and administrative matters. The ExCo also functions as the Share Buy Back Committee of the Company.

**Board Audit Committee (“AC”)**

The Board Audit Committee (AC) comprised Ms Euleen Goh (Chairperson), Mr David Gonski (until 31 July 2012), Dr William Fung, Mr Jackson Tai, Mr Hsieh Tsun-yan (from 1 September 2012) and Mr Gautam Banerjee (from 1 January 2013). All the AC members are independent Directors. The role and responsibilities of the AC are described in the section on “Board Audit Committee Activities” (Principle 11) as shown below.

**Board Safety and Risk Committee (“BSRC”)**

The members of the BSRC are Dr Helmut Panke (Chairman), Mrs Christina Ong and Mr Lucien Wong. The functions of the BSRC 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 performance; reviewing accident investigation findings and recommendations; and advising Management and reporting to the Board on safety issues.

The BSRC also oversees the risk governance framework and risk management system, including reviewing key risks and controls put in place by Management.

**Board Nominating Committee (“NC”)**

The members of the NC during FY2012-13 were Mr Lucien Wong (Chairman), Mr Stephen Lee and Mrs Christina Ong. In compliance with the recommendations of the Code on independence of directors, the Board re-designated Mr Wong as a non-independent director after his appointment on the Temasek board. Accordingly, Mr Lee was appointed NC Chairman to replace Mr Wong with effect from 1 April 2013. Mr Wong remained as a member of the NC.

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.

With regard to the selection of new Directors, the NC evaluates the balance of skills, knowledge and experience on the Board and, arising from such evaluation, determines the role and the desirable competencies for a particular appointment to enhance the existing Board composition. The NC meets with the short-listed Board candidates to assess their suitability and availability. The NC then makes recommendations to the Board for approval.

## CORPORATE GOVERNANCE REPORT

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Newly appointed Directors serve an initial term of three years, after which they are considered for re-nomination for another term(s). Their re-nominations are subject to the recommendations of the Chairman of the Board and the NC.

The Company's Articles of Association provide that one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third are required to retire from office. Retiring Directors are selected on the basis of those who have been longest in office since their last re-election, failing which they shall be selected by agreement or by lot. The CEO is also subject to re-election in accordance with the Articles of Association of the Company.

New Directors appointed in the year are subject to retirement and re-election by shareholders at the next Annual General Meeting after their appointment. All new appointments and re-elections require the approval of the Special Member, the Minister for Finance.

For FY2012-13, the NC had engaged an independent global executive search firm not affiliated to the Company or any of its Directors, to assist in conducting a formal evaluation of the SIA Board and its Board Committees. The process involved questionnaires and interviews with Directors. The evaluation confirmed that the SIA Board and its Board Committees were functioning effectively and performing well, within a highly competitive and challenging environment. The performance of individual Directors was reviewed by the Chairman and the NC, while the Chairman's performance was reviewed by the rest of the Board.

The NC has reviewed the contribution by each Director taking into account their listed company board representations and other principal commitments. The NC and the Board are of the view that, setting a maximum number of listed company board representations a Director should have is not meaningful, as the contribution of each Director would depend on their individual circumstances, including whether they have a full time vocation or other responsibilities. Notwithstanding the number of listed company board representations and other principal commitments which the Directors held, the NC was of the view that they were able to devote sufficient time and attention to the affairs of the Company.

The NC's terms of reference also include the responsibility for reviewing the training and professional development programmes for the Board.

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

The BCIRC was chaired by Mr Stephen Lee, and comprised Mr David Gonski (until 31 July 2012), Mr Jackson Tai, Dr Helmut Panke, Mr Hsieh Tsun-yan (from 1 September 2012) and Mr Gautam Banerjee (from 1 January 2013). All members of the Committee are non-executive directors.

Arising from the issuance of the revised Code on 2 May 2012, the Board reviewed the definition and examples of non-independence of Directors in the revised Code. The Board considered the fact that Mr Lee had shown that since his appointment on the Board, he had exercised independent business judgment in all matters affecting SIA, with a view to protect the interests of the Company and all shareholders, not just its majority shareholder, Temasek, despite the fact that he was a member of Temasek's Advisory Panel. In addition, although Mr Lee has served on the Board beyond nine years, he has continued to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a Director of the Company. Accordingly, the Board has re-designated Mr Lee as an independent non-executive Director of SIA.

The BCIRC reviews and recommends for the Board's approval the general framework of remuneration for the Board and Relevant Key Management Personnel<sup>2</sup>. The BCIRC also recommends the specific remuneration packages for each Director and Relevant Key Management Personnel and administers the Company's EVA-based Incentive Plan, Performance Share Plan and Restricted Share Plan for senior executives. The award of shares to senior executives is based on organisational and individual performance. Professional advice is sought by the BCIRC, as it deems necessary, in the development and execution of the remuneration plan for the Company's senior executives. For FY2012-13, Carrots Consulting Pte Ltd was engaged as a remuneration consultant to provide professional advice on human resource matters. The principal consultant providing such services was Mr Johan Grundlingh. Carrots Consulting only provides remuneration consulting services to the Company, and has no other relationship with the Company.

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

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

### Access to Information (Principle 6)

Directors are provided with Board Papers in advance of each Board Meeting, to enable them to be properly informed of matters to be discussed and/or approved. Board Papers contain both regular items such as reports on 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.

<sup>2</sup> Relevant Key Management Personnel are employees holding the rank of Executive Vice President and above. For FY2012-13, they comprise the CEO and two Executive Vice Presidents.



## CORPORATE GOVERNANCE REPORT

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

#### Remuneration Mix

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

#### Fixed Component

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

#### Variable Components

##### Cash Incentive Plans for CEO and Senior Management

This comprises the following three components:

##### a. Profit-Sharing Bonus ("PSB")

The PSB targets are designed to achieve a good balance of both Group financial objectives and the Company's operating performance. Payment of the variable bonus is based on the Group and the Company achieving the target levels set for each of the Key Performance Indicators ("KPIs") stated below and taking into account individual performance:

- SIA Group's Return on Shareholders' Funds
- SIA Company's Operating Profit Margin
- SIA Company's Passenger Load Factor

Individual performance objectives aligned to the overall strategic, financial and operational goals of the Company are set at the beginning of each financial year and are cascaded down to a select group of key Senior Management staff using Individual Scorecards, creating alignment between the performance of the Group, Company and the individual. While these performance objectives are different for each executive, they are assessed on the same principles across the following four broad categories of targets:

- Financial & Business
- Customer & Operations
- People & Organisational Development
- Strategic Projects

The PSB Payout is capped at three times of monthly base salary based on SIA Group and Company Performance in respect of the CEO and Relevant Key Management Personnel. After the assessment of the Individual Performance Scorecards at the end of a performance year, an Individual Performance Rating is determined and is subsequently used to modify the PSB Payout within the range of 0-150 per cent.

**b. Economic Value Added (“EVA”)-based Incentive Plan (“EBIP”):**

The EBIP rewards for sustainable shareholder value creation over the medium term achieved by growing profits, deploying capital efficiently and managing the risk profile and risk time horizon of an airline business. A portion of the annual performance-related bonus of key Senior Management is tied to the EVA achieved by the Group in the year. Under the plan, one-third of the accumulated EBIP bonus, comprising the EBIP bonus declared in the financial year and the balance of such bonus brought forward from preceding years (which comprises multiple years of incentive dollars retained in the EVA bank), is paid out in cash each year. The remaining two-thirds are carried forward in the individual executive’s EBIP account. Amounts in the EBIP account are at risk because negative EVA will result in a retraction of EBIP bonus earned in preceding years. This mechanism encourages key Senior Management to work for sustainable profitability and to adopt strategies that are aligned with the long-term interests of the Group.

In determining the final EBIP payouts, the BCIRC considers overall Group performance and relevant market remuneration benchmarks.

The rules of the EBIP are subject to review by the BCIRC, which has the discretion, under authority of the Board, to amend the rules where appropriate and relevant to the business conditions.

**c. The Strategic Incentive Plan (“SIP”)**

The SIP is an incentive scheme established with the objective of rewarding, motivating and retaining a select group of key Senior Management staff who shoulder the responsibility for the Group’s strategic direction and future-oriented growth.

Under the SIP, a target bonus is set equal to two times the monthly base salary of the respective Senior Management staff for meeting strategic KPIs set under the individual performance scorecard. At the end of the financial year, the target bonus is modified by the incumbent’s performance on the execution of the strategic KPIs and initiatives as assessed at the sole discretion of the BCIRC. The resultant cash payout can vary between 0-150 per cent of the SIP target bonus.

The maximum SIP bonus payable is three times the individual’s monthly base salary.

## CORPORATE GOVERNANCE REPORT

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### Share Incentive Plans

#### i. The SIA Performance Share Plan (“PSP”)

The PSP is a share-based incentive scheme established with the objective of rewarding, motivating and retaining a select group of key Senior Management staff who shoulder the responsibility for the Group’s performance and who are able to drive the growth of the Group through innovation, creativity and superior performance. Awards under the PSP are performance-based, with stretched targets.

Under the PSP, an initial award is made in the form of rights to shares, provided performance targets are met. Annual awards are made based on strategic contribution of Senior Management staff. The final award, which can vary between 0-200 per cent of the initial award, depends on stretched value-aligned performance targets. They are based on absolute and relative Total Shareholder Return (“TSR”), meeting targets over the performance period of three financial years. The relative TSR is based on outperformance of a selected peer group of leading full service carriers. The absolute TSR is based on outperformance against Cost of Equity hurdle. The above performance measures are selected as key measurements of wealth creation for shareholders.

#### ii. The SIA Restricted Share Plan (“RSP”)

The RSP is targeted at a broader base of senior executives and enhances the Company’s ability to recruit and retain talented senior executives, as well as to reward for Group, Company and individual performance. To retain key executives, an extended vesting period of a further two years is imposed beyond the initial two-year performance period.

Under the RSP, an initial award is made in the form of rights to shares, provided performance conditions are met in future. Annual grants are made based on individual performance of the key executives selected to participate in the RSP. Final awards may vary between 0-150 per cent of the initial award, depending on the extent to which targets based on Group and Company EBITDAR Margin and Group and Company Staff Productivity are met. The performance measures are selected as they are key drivers of shareholder value and are aligned to the Group and the Company’s business objectives. The Final award is subject to extended vesting, with 50 per cent of the Final award paid out at the end of the two-year performance period, and the rest paid out equally over the next two years.

The total number of ordinary shares which may be issued pursuant to awards granted under the RSP and PSP, when added to the number of new shares issued and issuable in respect of all awards under the RSP and PSP, and all options under the Employee Share Option Plan (“ESOP”), shall not exceed 13 per cent of the issued ordinary share capital of the Company. In addition, the maximum number of new shares that can be issued pursuant to awards granted under the RSP and PSP in the period between the current Annual General Meeting (“AGM”) to the next AGM shall not exceed 0.75 per cent of the total number of issued ordinary shares in the capital of the Company.

Details of the PSP, RSP and ESOP can be found on pages 83 to 86 of the Report by the Board of Directors.

### Pay-for-Performance Alignment

In performing the duties as required under its BCIRC Charter, the BCIRC ensures that remuneration paid to the CEO and Key Management Personnel is strongly linked to the achievement of business and individual performance targets. The performance targets as determined by the BCIRC are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short- and long-term quantifiable objectives.

**Directors' Fees**

The Directors' fees paid in FY2012-13 amounted to \$1,529,500 [FY2011-12: \$1,469,000] and were based on the following rates:

|                     |                                                                                       | <b>Rates (\$)</b> |
|---------------------|---------------------------------------------------------------------------------------|-------------------|
| Board Retainers     | Board Member                                                                          | 80,000            |
|                     | Chairman                                                                              | 160,000           |
| Committee Retainers | Chairman of Executive Committee and Audit Committee                                   | 50,000            |
|                     | Chairman of other Board Committees, Member of Executive Committee and Audit Committee | 35,000            |
|                     | Member of other Board Committees                                                      | 20,000            |
| Attendance Fees     | Home – City                                                                           | 5,000             |
|                     | In – Region                                                                           | 10,000            |
|                     | Out – Region                                                                          | 20,000            |
|                     | Teleconference – normal hours                                                         | 1,000             |
|                     | Teleconference – odd hours                                                            | 2,000             |

**Disclosure on Remuneration**

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

| <b>Directors</b>             | <b>Fee<br/>\$</b> | <b>Salary<br/>\$</b> | <b>Bonuses<sup>1</sup><br/>\$</b> | <b>Shares<sup>2</sup><br/>\$</b> | <b>Benefits<sup>3</sup><br/>\$</b> | <b>Total<br/>\$</b> |
|------------------------------|-------------------|----------------------|-----------------------------------|----------------------------------|------------------------------------|---------------------|
| Stephen Lee Ching Yen        | 265,000           | -                    | -                                 | -                                | 11,042                             | 276,042             |
| William Fung Kwok Lun        | 155,000           | -                    | -                                 | -                                | 1,566                              | 156,566             |
| Euleen Goh Yiu Kiang         | 185,000           | -                    | -                                 | -                                | -                                  | 185,000             |
| David Michael Gonski         | 65,000            | -                    | -                                 | -                                | 657                                | 65,657              |
| Christina Ong                | 140,000           | -                    | -                                 | -                                | -                                  | 140,000             |
| Helmut G W Panke             | 215,000           | -                    | -                                 | -                                | -                                  | 215,000             |
| Jackson Peter Tai            | 215,000           | -                    | -                                 | -                                | 2,172                              | 217,172             |
| Lucien Wong Yuen Kuai        | 167,000           | -                    | -                                 | -                                | 1,687                              | 168,687             |
| Hsieh Tsun-yan               | 83,750            | -                    | -                                 | -                                | -                                  | 83,750              |
| Gautam Banerjee              | 38,750            | -                    | -                                 | -                                | 391                                | 39,141              |
| Goh Choon Phong <sup>4</sup> | -                 | 999,600              | 499,933                           | 1,010,220                        | 125,272                            | 2,635,025           |

<sup>1</sup> Includes EVA-based incentive plan (EBIP) payment, Profit-Sharing Bonus and Strategic Incentive Plan.

The amount paid in the reporting year is a percentage of the individual's EVA Bank. See above for additional information on the EBIP.

<sup>2</sup> Based on the Fair Values of RSP (\$9.36) and PSP (\$9.35) granted in FY2012-13.

<sup>3</sup> Includes transport and travel benefits provided to Directors.

<sup>4</sup> As Chief Executive Officer, Mr Goh Choon Phong does not receive any Director's fees.



## CORPORATE GOVERNANCE REPORT

There were no employees who were immediate family members of a Director or the CEO, and whose remuneration exceeded \$50,000, during FY2012-13.

| Relevant Key Management Personnel <sup>4</sup> | Fee<br>% | Salary<br>% | Bonuses <sup>1</sup><br>% | Shares <sup>2</sup><br>% | Benefits <sup>3</sup><br>% | Total<br>% |
|------------------------------------------------|----------|-------------|---------------------------|--------------------------|----------------------------|------------|
| <b>Between \$1,250,000 to \$1,500,000</b>      |          |             |                           |                          |                            |            |
| Mak Swee Wah                                   | -        | 42          | 19                        | 33                       | 6                          | 100        |
| Ng Chin Hwee                                   | -        | 42          | 19                        | 33                       | 6                          | 100        |

1 Includes EVA-based incentive plan (EBIP) payment, Profit-Sharing Bonus and Strategic Incentive Plan.

The amount paid in the reporting year is a percentage of the individual's EVA Bank. See above for additional information on the EBIP.

2 Based on the Fair Values of RSP (\$9.36) and PSP (\$9.35) granted in FY2012-13.

3 Includes value of transport and travel benefits provided to employees.

4 The above table reflects the remuneration of the employees who hold the rank of Executive Vice President and above, who are the Relevant Key Management Personnel of the Company.

For FY2012-13 the aggregate total remuneration paid to the Relevant Key Management Personnel (who are not Directors or the CEO) amounted to \$2,721,391.

For FY2012-13, there were no termination, retirement or post-employment benefits granted to Directors, the CEO and Relevant Key Management Personnel other than the standard contractual notice period termination payment in lieu of service, and the post-retirement travel benefits for the CEO and Relevant Key Management Personnel.

### 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. 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 Activities (Principle 11)

The AC's activities for FY2012-13, in accordance with its responsibilities and duties under its Charter, included the following:

#### (a) Financial Reporting

The AC reviewed the quarterly and annual financial statements and financial announcements required by the Singapore Exchange Securities Trading Limited ("SGX-ST") for recommendation to the Board for approval. The review focused on changes in accounting policies and practices, major judgemental 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. The AC keeps itself apprised of changes in accounting policies and guidelines through scheduled regular updates by the external auditor, of such, in meeting agendas.

**(b) External Audit**

The AC discussed with the external auditor the audit plan, and the report on the audit of the year-end financial statements; reviewed the external auditor's management letter and Management's responses thereto; and reviewed the external auditor's objectivity and independence from Management and the Company. In assessing independence, the AC reviewed the fees and expenses paid to the external auditor, including fees paid for non-audit services during the year. The AC is of the opinion that the auditor's independence has not been compromised.

In addition, the appointment of the external auditor and the audit fee were considered, and recommendations made to the Board on the selection of the Company's external auditor.

**(c) Internal Audit**

The AC reviewed the scope of internal audit work and its audit programmes; reviewed the major findings during the year and Management's responses thereto; and ensured the adequacy of the independence and resource sufficiency of the internal audit function.

**(d) Risk Management**

The AC reviewed the adequacy and effectiveness of the Group's material controls, including financial, compliance and risk management controls, to safeguard shareholders' investments and the Group's assets.

The Risk Management processes adopted are also audited periodically by Internal Audit and their adequacy and effectiveness reported to the AC accordingly.

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

**(e) Interested Person Transactions**

The AC reviewed interested person transactions to ensure compliance with the SGX-ST Listing Manual and the Shareholders' Mandate obtained at the last Annual General Meeting.

**(f) Whistle-Blowing**

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

**(g) Others**

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

## CORPORATE GOVERNANCE REPORT

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

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

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

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

The Control Self Assessment ("CSA") Programme established since FY2003-04 provides a framework for Management to obtain assurance on the state of internal controls. The CSA Programme requires operating departments' management to review and report annually on the adequacy of their respective units' control environment to the AC. Internal Audit performed independent and random reviews during the year to validate the results of these self assessments.

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

The Board had received assurance from the CEO and Senior Vice President Finance on the adequacy and effectiveness of the Company's internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls were adequate as at 31 March 2013 to address financial, operational, information technology and compliance risks, which the Group considers relevant and material to its operations.

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

## Communication with Shareholders (Principles 14 and 15)

Singapore Airlines believes in timely and consistent disclosure of pertinent information to enable a transparent assessment of the Company's value. It values dialogue with shareholders, and holds analyst and media briefings when announcing half-yearly and year-end results. Full transcripts of the proceedings are made available on SGXNet and our Company's website at [www.singaporeair.com/investor](http://www.singaporeair.com/investor).

Additionally, all financial results as well as price sensitive information are released in a timely manner through various media which include press releases posted on the Company website, and disclosure via SGXNet. The Company's website is an important source of information for shareholders and the investment community. Quarterly results announcements, news releases, presentation slides, transcripts for half-year and year-end results analyst and media briefings, monthly operating statistics, annual reports, corporate data, shareholding information and information on shareholders' meetings are available on the Investor Relations website.

The Investor Relations Department meets with analysts and investors on a regular basis, through investor conferences and roadshows, as well as ad-hoc meetings and teleconferences. Lines of contact such as the investor relations email and hotline are also maintained for the investing community to reach out to the Company for queries.

The Company's commitment to corporate transparency and investor relations approach was again recognised by the investing community. In 2012, Singapore Airlines was inducted into the Hall of Fame in the Most Transparent Company Award Category at the 13<sup>th</sup> Investors Choice Awards presented by the Securities Investors Association of Singapore ("SIAS"). Singapore Airlines received the "Excellence Award" for Transparency having won the Golden Circle Award (an open category award for overall recognition in transparency excellence across all sectors) for three consecutive years. In addition, the Company won the Best in Sector-Transport award at the IR Magazine South East Asia Awards 2012.

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 auditor, would be present and available to address questions at these meetings. Minutes of shareholders' meetings are available on request by registered shareholders.

To enhance transparency in the voting process, the Company had, since FY2008-09, implemented full poll voting for all the resolutions tabled at its shareholders' meetings.

## Banking Transaction Procedures

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



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

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

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

Notes:

(1) Retired from the Board on 1 August 2012

(2) Appointed to the Board on 1 September 2012

(3) Appointed to the Board on 1 January 2013

| Board Audit Committee |                          | Board Compensation and Industrial Relations Committee |                          | Board Safety and Risk Committee |                          | Board Nominating Committee |                          |
|-----------------------|--------------------------|-------------------------------------------------------|--------------------------|---------------------------------|--------------------------|----------------------------|--------------------------|
| No. of meetings held  | No. of meetings attended | No. of meetings held                                  | No. of meetings attended | No. of meetings held            | No. of meetings attended | No. of meetings held       | No. of meetings attended |
| -                     | -                        | 4                                                     | 4                        | -                               | -                        | 4                          | 4                        |
| -                     | -                        | -                                                     | -                        | -                               | -                        | -                          | -                        |
| 4                     | 4                        | -                                                     | -                        | -                               | -                        | -                          | -                        |
| 4                     | 4                        | -                                                     | -                        | -                               | -                        | -                          | -                        |
| 2*                    | 2                        | 2*                                                    | 1                        | -                               | -                        | -                          | -                        |
| -                     | -                        | -                                                     | -                        | 4                               | 4                        | 4                          | 4                        |
| -                     | -                        | 4                                                     | 4                        | 4                               | 4                        | -                          | -                        |
| 4                     | 4                        | 4                                                     | 4                        | -                               | -                        | -                          | -                        |
| -                     | -                        | -                                                     | -                        | 4                               | 3                        | 4                          | 4                        |
| 2*                    | 1                        | 2*                                                    | 1                        | -                               | -                        | -                          | -                        |
| 1*                    | 1                        | 1*                                                    | 1                        | -                               | -                        | -                          | -                        |

## FURTHER INFORMATION ON BOARD OF DIRECTORS

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### STEPHEN LEE CHING YEN, 66

Non-executive and independent Director

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#### Academic and Professional Qualifications:

Master of Business Administration, Northwestern University, Illinois

Date of first appointment as a director: 26 April 2004

Date of last re-election as a director: 29 July 2011

#### Board committee(s) served on:

|                                                       |          |
|-------------------------------------------------------|----------|
| Board Executive Committee                             | Chairman |
| Board Compensation and Industrial Relations Committee | Chairman |
| Board Nominating Committee                            | Chairman |

### Current Directorships in Other Listed Companies

|    | <i>Organisation/Company</i>     | <i>Title</i> |
|----|---------------------------------|--------------|
| 1. | SIA Engineering Company Limited | Chairman     |
| 2. | CapitaLand Limited              | Director     |

### Other Major Appointments

|    | <i>Organisation/Company</i>                 | <i>Title</i>      |
|----|---------------------------------------------|-------------------|
| 1. | Shanghai Commercial & Savings Bank Ltd, TWN | Managing Director |
| 2. | Great Malaysia Textile Investments Pte Ltd  | Managing Director |
| 3. | Singapore National Employers Federation     | President         |

### Others

|    | <i>Organisation/Company</i>             | <i>Title</i> |
|----|-----------------------------------------|--------------|
| 1. | Singapore Labour Foundation             | Director     |
| 2. | Shanghai Commercial Bank Ltd, Hong Kong | Director     |
| 3. | COFCO Corporation, China                | Director     |
| 4. | NTUC Social Capital Co-operative Ltd    | Director     |
| 5. | SLF Strategic Advisers Private Limited  | Director     |
| 6. | National Wages Council                  | Member       |

### Directorships/Appointments in the past 3 years

|    | <i>Organisation/Company</i>            | <i>Title</i> |
|----|----------------------------------------|--------------|
| 1. | Baosteel Group Corporation, China      | Director     |
| 2. | Chinese Development Assistance Council | Board Member |

## GOH CHOON PHONG, 49

Executive and non-independent Director

### Academic and Professional Qualifications:

Master of Science in Electrical Engineering and Computer Science  
Bachelor of Science in Computer Science & Engineering  
Bachelor of Science in Management Science  
Bachelor of Science in Cognitive Science  
Massachusetts Institute of Technology

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

### Current Directorships in Other Listed Companies

|    | <i>Organisation/Company</i>     | <i>Title</i> |
|----|---------------------------------|--------------|
| 1. | SIA Engineering Company Limited | Director     |

### Others

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

### Directorships/Appointments in the past 3 years

|    | <i>Organisation/Company</i>         | <i>Title</i> |
|----|-------------------------------------|--------------|
| 1. | SilkAir (Singapore) Private Limited | Chairman     |



## FURTHER INFORMATION ON BOARD OF DIRECTORS

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### GAUTAM BANERJEE, 58

Non-executive and independent Director

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#### Academic and Professional Qualifications:

Bachelor of Science in Accounting and Financial Analysis, University of Warwick

Fellow of the Institute of Chartered Accountants, England and Wales

Fellow of the Institute of Chartered Accountants, Singapore

Date of first appointment as a director: 1 January 2013

Date of last re-election as a director: Not Applicable

#### Board committee(s) served on:

Board Audit Committee Member

Board Compensation and Industrial Relations Committee Member

### Current Directorships in Other Listed Companies

|    | <i>Organisation/Company</i>         | <i>Title</i> |
|----|-------------------------------------|--------------|
| 1. | The Straits Trading Company Limited | Director     |
| 2. | Piramal Enterprises Limited, India  | Director     |

### Other Major Appointments

|    | <i>Organisation/Company</i>                            | <i>Title</i>  |
|----|--------------------------------------------------------|---------------|
| 1. | Blackstone Singapore Pte Ltd                           | Chairman      |
| 2. | Singapore Business Federation                          | Vice Chairman |
| 3. | Government of Singapore Investment Corporation Pte Ltd | Director      |

### Others

|    | <i>Organisation/Company</i>                | <i>Title</i>               |
|----|--------------------------------------------|----------------------------|
| 1. | Singapore International Arbitration Centre | Director                   |
| 2. | Economic Development Board                 | Member                     |
| 3. | EDB Investments Pte Ltd                    | Member                     |
| 4. | Singapore Indian Development Association   | Term Trustee               |
| 5. | Nanyang Business School                    | Member, Advisory Board     |
| 6. | Yale-NUS College                           | Member, Governing Board    |
| 7. | Indian Heritage Centre                     | Member, Steering Committee |

### Directorships/Appointments in the past 3 years

|    | <i>Organisation/Company</i>            | <i>Title</i>               |
|----|----------------------------------------|----------------------------|
| 1. | PricewaterhouseCoopers (PwC) Singapore | Chairman                   |
| 2. | Shared Services for Charities Limited  | Director                   |
| 3. | Singapore Arts School Ltd              | Director                   |
| 4. | National Heritage Board                | Member                     |
| 5. | Singapore International Foundation     | Member, Board of Governors |

## **WILLIAM FUNG KWOK LUN, 64**

Non-executive and independent Director

### Academic and Professional Qualifications:

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

Date of first appointment as a director: 1 December 2009

Date of last re-election as a director: 26 July 2012

Board committee(s) served on:  
Board Audit Committee Member

### Current Directorships in Other Listed Companies

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

### Directorships/Appointments in the past 3 years

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

## FURTHER INFORMATION ON BOARD OF DIRECTORS

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### EULEEN GOH YIU KIANG, 58

Non-executive and independent Director

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#### Academic and Professional Qualifications:

Member of the following institutions –  
Institute of Chartered Accountants in England and Wales, United Kingdom  
Chartered Institute of Taxation, United Kingdom  
Institute of Certified Public Accountants of Singapore  
ifs School of Finance, United Kingdom

Date of first appointment as a director: 1 September 2006

Date of last re-election as a director: 29 July 2011

#### Board committee(s) served on:

|                           |             |
|---------------------------|-------------|
| Board Audit Committee     | Chairperson |
| Board Executive Committee | Member      |

### Current Directorships in Other Listed Companies

|    | <i>Organisation/Company</i> | <i>Title</i> |
|----|-----------------------------|--------------|
| 1. | DBS Group Holdings Ltd      | Director     |
| 2. | CapitaLand Limited          | Director     |

### Other Major Appointments

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

### Others

|    | <i>Organisation/Company</i>                                 | <i>Title</i>                    |
|----|-------------------------------------------------------------|---------------------------------|
| 1. | Northlight School                                           | Chairperson, Board of Governors |
| 2. | Singapore Chinese Girls' School                             | Chairperson                     |
| 3. | Management Advisory Board of NUS Business School            | Member                          |
| 4. | Singapore Institute of International Affairs Endowment Fund | Trustee                         |

### Directorships/Appointments in the past 3 years

|    | <i>Organisation/Company</i>  | <i>Title</i> |
|----|------------------------------|--------------|
| 1. | Accounting Standards Council | Chairperson  |
| 2. | Aviva plc                    | Director     |
| 3. | Singapore Exchange Limited   | Director     |

**HSIEH TSUN-YAN, 60**

Non-executive and independent Director

## Academic and Professional Qualifications:

Master of Business Administration, Harvard University

Bachelor of Science in Mechanical Engineering, University of Alberta

Date of first appointment as a director: 1 September 2012

Date of last re-election as a director: Not Applicable

## Board committee(s) served on:

Board Audit Committee Member

Board Compensation and Industrial Relations Committee Member

**Current Directorships in Other Listed Companies**

|    | <i>Organisation/Company</i>            | <i>Title</i> |
|----|----------------------------------------|--------------|
| 1. | Bharti Airtel Limited, India           | Director     |
| 2. | Manulife Financial Corporation, Canada | Director     |
| 3. | Sony Corporation, Japan                | Director     |

**Other Major Appointments**

|    | <i>Organisation/Company</i> | <i>Title</i> |
|----|-----------------------------|--------------|
| 1. | LinHart Group, Singapore    | Chairman     |

**Others**

|    | <i>Organisation/Company</i>                             | <i>Title</i>                                                                                      |
|----|---------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 1. | Lee Kuan Yew School of Public Policy, Singapore         | Provost Chair Professor                                                                           |
| 2. | Institute of Policy Studies Academic Panel, Singapore   | Member                                                                                            |
| 3. | World Bank Knowledge Advisory Commission, United States | Member                                                                                            |
| 4. | Singapore International Foundation                      | Member, Board of Governors                                                                        |
| 5. | National University of Singapore Business School        | Provost Chair Professor<br>(practice track) of Management and<br>Management Advisory Board Member |



## FURTHER INFORMATION ON BOARD OF DIRECTORS

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### CHRISTINA ONG, 65

Non-executive and independent Director

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Academic and Professional Qualifications:

Bachelor of Arts in Economics, University of Westminster, London

Date of first appointment as a director: 1 September 2007

Date of last re-election as a director: 26 July 2012

Board committee(s) served on:

|                                 |        |
|---------------------------------|--------|
| Board Nominating Committee      | Member |
| Board Safety and Risk Committee | Member |

### Major Appointments

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

### Others

|     | <i>Organisation/Company</i>              | <i>Title</i> |
|-----|------------------------------------------|--------------|
| 1.  | National Parks Board                     | Chairperson  |
| 2.  | Club 21 Distribution (Singapore) Pte Ltd | Director     |
| 3.  | Club 21 Enterprises (S) Pte Ltd          | Director     |
| 4.  | Club 21 Malaysia Sdn Bhd                 | Director     |
| 5.  | Como Foundation Inc                      | Director     |
| 6.  | Heritage Holdings Pte Ltd                | Director     |
| 7.  | Jomo Private Limited                     | Director     |
| 8.  | Kids 21 Pte Ltd                          | Director     |
| 9.  | Moco Private Limited                     | Director     |
| 10. | Mogems Services Pte Ltd                  | Director     |
| 11. | Shambhala Yoga Centre Pte Ltd            | Director     |
| 12. | Viva Foundation for Children with Cancer | Director     |
| 13. | Y.S. Fu Holdings (2002) Pte Ltd          | Director     |

### Directorships/Appointments in the past 3 years

|    | <i>Organisation/Company</i>       | <i>Title</i> |
|----|-----------------------------------|--------------|
| 1. | Heritage Investments Pte Ltd      | Director     |
| 2. | Singapore Health Services Pte Ltd | Director     |

## HELMUT GUNTER WILHELM PANKE, 66

Non-executive and independent Director

Academic and Professional Qualifications:

Doctor in Physics, University of Munich

Date of first appointment as a director:

1 September 2009

Date of last re-election as a director:

26 July 2012

Board committee(s) served on:

Board Safety and Risk Committee

Chairman

Board Compensation and Industrial Relations Committee

Member

## Current Directorships in Other Listed Companies

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

## FURTHER INFORMATION ON BOARD OF DIRECTORS

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### JACKSON PETER TAI, 62

Non-executive and independent Director

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Academic and Professional Qualifications:

Master of Business Administration, Harvard University  
Bachelor of Science, Rensselaer Polytechnic Institute

Date of first appointment as a director: 1 September 2011

Date of last re-election as a director: 26 July 2012

Board committee(s) served on:

|                                                       |        |
|-------------------------------------------------------|--------|
| Board Audit Committee                                 | Member |
| Board Compensation and Industrial Relations Committee | Member |

### Current Directorships in Other Listed Companies

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

### Others

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

### Directorships/Appointments in the past 3 years

|    | <i>Organisation/Company</i>           | <i>Title</i> |
|----|---------------------------------------|--------------|
| 1. | Bloomberg Asia Pacific Advisory Board | Director     |
| 2. | CapitaLand Limited                    | Director     |
| 3. | ING Groep NV Supervisory Board        | Director     |
| 4. | Cassis International                  | Director     |

**LUCIEN WONG YUEN KUAI, 59**

Non-executive and non-independent Director

## Academic and Professional Qualifications:

Bachelor of Laws (Honours), University of Singapore

Date of first appointment as a director: 1 September 2007

Date of last re-election as a director: 29 July 2011

## Board committee(s) served on:

|                                 |        |
|---------------------------------|--------|
| Board Executive Committee       | Member |
| Board Nominating Committee      | Member |
| Board Safety and Risk Committee | Member |

**Current Directorships in Other Listed Companies**

|    | <i>Organisation/Company</i>          | <i>Title</i> |
|----|--------------------------------------|--------------|
| 1. | Hap Seng Plantations Holdings Berhad | Director     |
| 2. | Singapore Press Holdings Limited     | Director     |

**Other Major Appointments**

|    | <i>Organisation/Company</i>              | <i>Title</i> |
|----|------------------------------------------|--------------|
| 1. | Allen & Gledhill LLP                     | Chairman     |
| 2. | Maritime and Port Authority of Singapore | Chairman     |
| 3. | Temasek Holdings (Private) Limited       | Director     |

**Others**

|    | <i>Organisation/Company</i>         | <i>Title</i>              |
|----|-------------------------------------|---------------------------|
| 1. | Eastern Development Private Limited | Director                  |
| 2. | Singapore Health Services Pte Ltd   | Director                  |
| 3. | Singapore Business Federation       | Member, Board of Trustees |

**Directorships/Appointments in the past 3 years**

|    | <i>Organisation/Company</i>               | <i>Title</i>              |
|----|-------------------------------------------|---------------------------|
| 1. | Cerebos Pacific Limited                   | Director                  |
| 2. | Linklaters Allen & Gledhill Pte Ltd       | Director                  |
| 3. | Mapletree Commercial Trust Management Ltd | Director                  |
| 4. | National University of Singapore          | Member, Board of Trustees |
| 5. | Monetary Authority of Singapore           | Board Member              |
| 6. | SingHealth Foundation                     | Trustee                   |

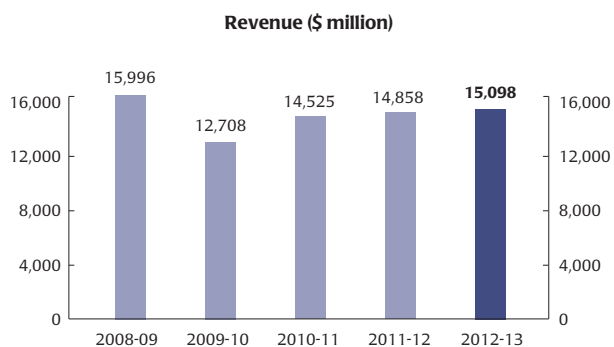




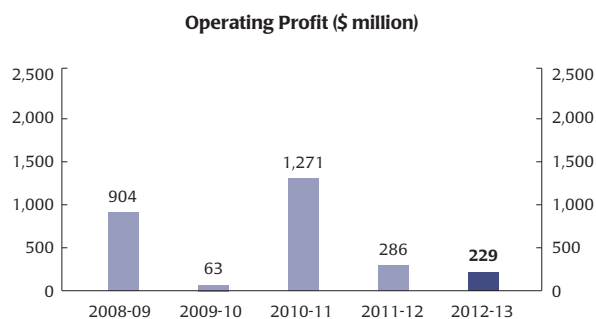
## FINANCIAL REVIEW

### HIGHLIGHTS OF THE GROUP'S PERFORMANCE

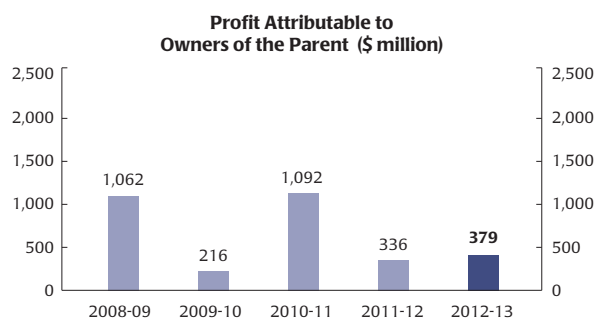
- **Total revenue \$15,098 million (+\$240 million, +1.6%)**



- **Operating profit \$229 million (-\$57 million, -19.8%)**



- **Profit attributable to owners of the Parent \$379 million (+\$43 million, +12.8%)**



## FINANCIAL REVIEW

### Performance of the Group

#### Key Financial Highlights

|                                             | 2012-13  | 2011-12  | % Change    |
|---------------------------------------------|----------|----------|-------------|
| <u>Earnings For The Year (\$ million)</u>   |          |          |             |
| Revenue                                     | 15,098.2 | 14,857.8 | + 1.6       |
| Expenditure                                 | 14,869.0 | 14,571.9 | + 2.0       |
| Operating profit                            | 229.2    | 285.9    | - 19.8      |
| Profit attributable to owners of the Parent | 378.9    | 335.9    | + 12.8      |
| <u>Per Share Data (cents)</u>               |          |          |             |
| Earnings per share – basic                  | 32.2     | 28.3     | + 13.8      |
| Ordinary dividend per share                 | 23.0     | 20.0     | + 15.0      |
| <u>Ratios (%)</u>                           |          |          |             |
| Return on equity holders' funds             | 2.9      | 2.5      | + 0.4 point |
| Return on total assets                      | 2.0      | 1.7      | + 0.3 point |

#### Group Earnings

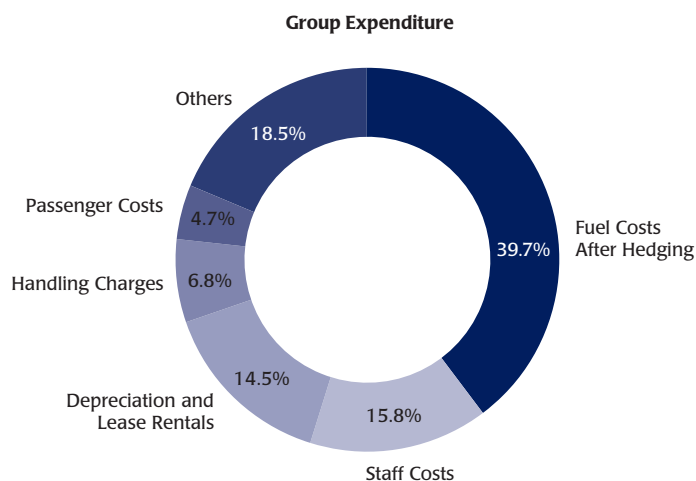
During the financial year, air travel and freighter demand continued to be affected by the ongoing weakness in the Eurozone and sluggish recovery in the United States. Yields were diluted as tactical promotions were launched to boost loads amid intense competition and key revenue-generating currencies depreciated against SGD. Fuel prices remained high despite the weak global economic conditions. This had negatively impacted the Group's operating performance as fuel cost is the largest cost component, constituting about 40 per cent of the Group's operating expenditure.

Group revenue grew \$240 million (+1.6 per cent) to \$15,098 million, mainly from airline operations, as a result of stronger passenger carriage, albeit at lower yields. This was partially offset by lower cargo revenue from a contraction in both loads and yields. The Group's revenue by business segment is shown below:

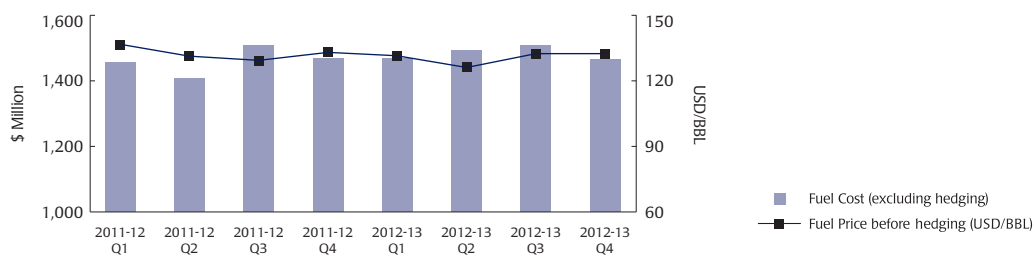
|                      | 2012-13<br>\$ million | 2011-12<br>\$ million |
|----------------------|-----------------------|-----------------------|
| Airline operations   | 12,169.3              | 11,582.3              |
| Cargo operations     | 2,415.3               | 2,673.6               |
| Engineering services | 470.9                 | 551.5                 |
| Others               | 42.7                  | 50.4                  |
| Total revenue        | 15,098.2              | 14,857.8              |

**Performance of the Group (continued)****Group Earnings (continued)**

Group expenditure increased by \$297 million (+2.0 per cent) to \$14,869 million, principally from higher staff, fuel and other variable costs. Staff costs were higher, mainly attributable to annual service increment as well as increase in staff strength. Fuel cost rose primarily from higher fuel volume uplifted, with partial relief from lower fuel prices and weaker USD against SGD. The increase in other variable costs, such as passenger costs and aircraft maintenance and overhaul costs, was largely driven by the capacity expansion during the financial year.



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



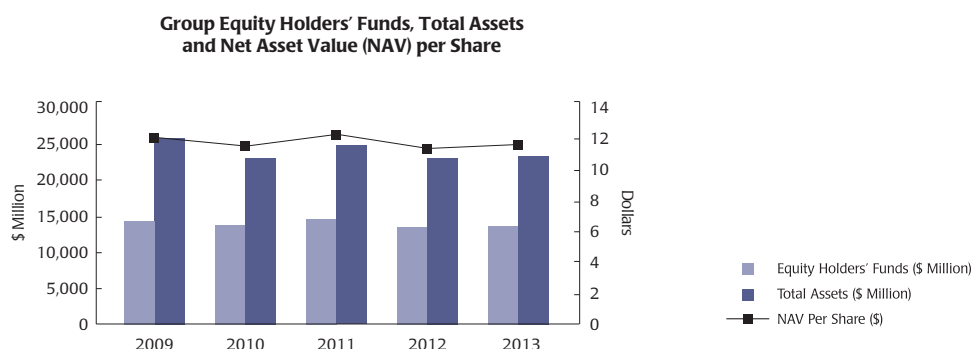
Consequently, the Group's operating profit fell \$57 million to \$229 million for the financial year ended 31 March 2013. Except for Singapore Airlines ("the Company"), operating performance for all the major companies in the Group deteriorated from the preceding year. The Company recorded an operating profit of \$187 million in the financial year, a slight improvement of \$6 million (+3.7 per cent) from a year ago. Singapore Airlines Cargo ("SIA Cargo") was loss-making, as it continued to be plagued by depressed yields amid a weak demand environment. Please refer to the review of the Company and subsidiary companies for further details.

## FINANCIAL REVIEW

### Performance of the Group (continued)

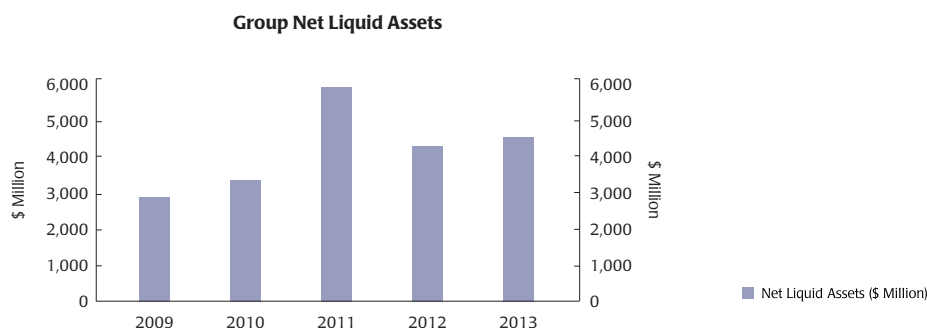
#### Financial Position

As at 31 March 2013, equity attributable to owners of the Parent increased by \$211 million or 1.6 per cent to \$13,105 million due mainly to profit for the financial year (+\$379 million), partially offset by the payment of final dividend of 2011-12 (-\$118 million) and payment of 2012-13 interim dividend (-\$70 million).



Total Group assets increased by \$385 million or 1.7 per cent to \$22,428 million as at 31 March 2013 mainly due to the increase in cash and bank balances by \$357 million. The higher cash and bank balances arose principally from operational cash flows, partly reduced by capital expenditure, net of proceeds from sale of aircraft, spares and spare engines. Net asset value per share was up 1.7 per cent to \$11.15.

The Group's net liquid assets<sup>R1</sup> increased by \$145 million to \$4,395 million as at 31 March 2013, largely due to higher cash and bank balances. Total debt to equity ratio remained flat at 0.08 times as at 31 March 2013.

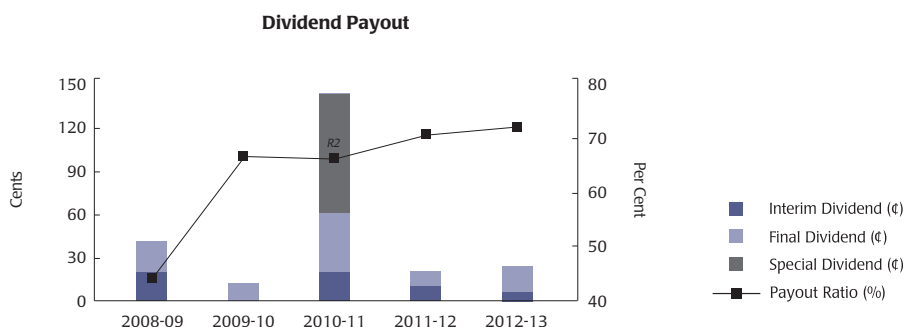


<sup>R1</sup> Net liquid assets is defined as the sum of cash and bank balances, investments, and net of finance lease commitments, loans and bonds issued.

## Performance of the Group (continued)

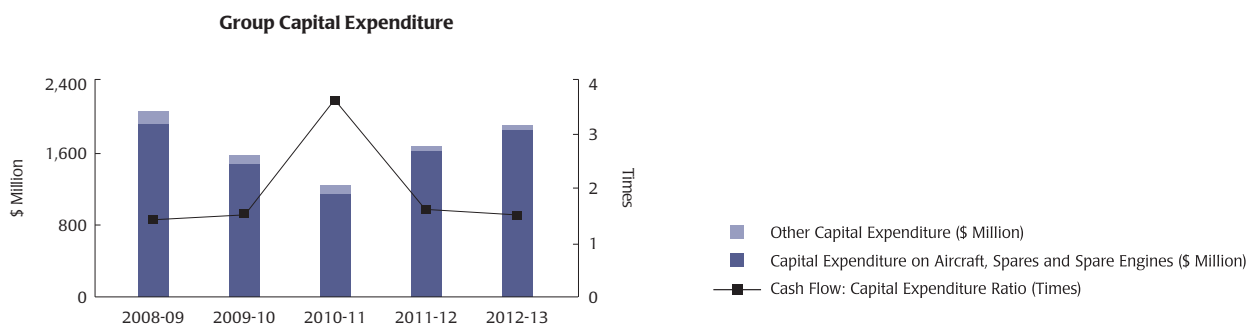
### Dividends

For the financial year ended 31 March 2013, the Board recommends a final dividend of 17 cents per share. Including the interim dividend of 6 cents per share paid on 26 November 2012, the total dividend for the 2012-13 financial year will be 23 cents per share. This amounts to a payout of approximately \$270 million based on the number of issued shares as at 31 March 2013. The total dividend per share of 23 cents translates to a payout ratio of 71.3 per cent, an increase of 1.1 percentage points compared to the 2011-12 payout ratio of 70.2 per cent.



### Capital Expenditure and Cash Flow of the Group

Capital expenditure was \$1,875 million, 14.3 per cent higher than last year. About 98 per cent of the capital spending was on aircraft, spares and spare engines. Internally generated cash flow of \$2,859 million (+4.8 per cent) was 1.52 times of capital expenditure. The increase in internally generated cash flow was primarily due to cash flow from operations and higher proceeds from disposal of aircraft, spares and spare engines.



<sup>R2</sup> Excludes 80.0 cents per share special dividend.

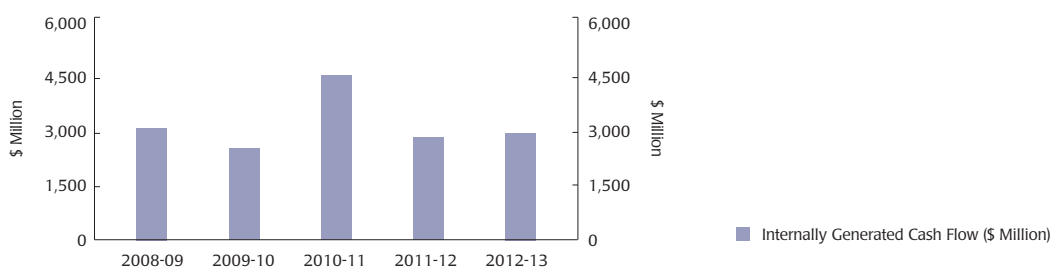


## FINANCIAL REVIEW

### Performance of the Group (continued)

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

Internally Generated Cash Flow



### Group Staff Strength and Productivity

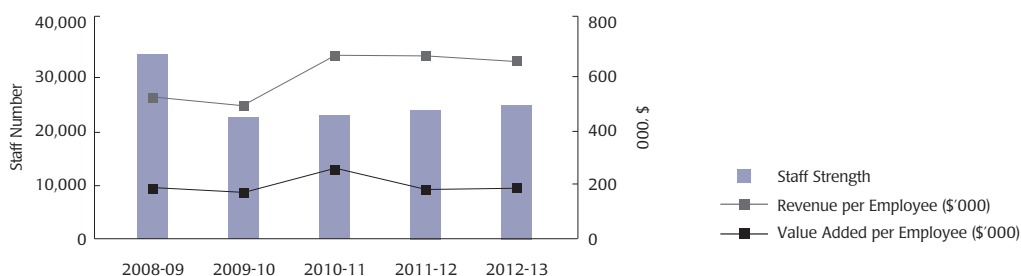
The Group's staff strength as at 31 March 2013 is as follows:

|                       | 31 March |        | % Change |                    |
|-----------------------|----------|--------|----------|--------------------|
|                       | 2013     | 2012   |          |                    |
| Singapore Airlines    | 14,319   | 13,992 | +        | 2.3                |
| SIA Engineering Group | 6,377    | 6,166  | +        | 3.4                |
| SilkAir               | 1,360    | 1,192  | +        | 14.1               |
| SIA Cargo             | 981      | 992    | -        | 1.1                |
| Others                | 594      | 404    | +        | 47.0 <sup>R3</sup> |
|                       | 23,631   | 22,746 | +        | 3.9                |

Average staff productivity is as follows:

|                               | 2012-13 | 2011-12 | % Change |
|-------------------------------|---------|---------|----------|
| Revenue per employee (\$)     | 651,093 | 659,936 | - 1.3    |
| Value added per employee (\$) | 194,040 | 192,960 | + 0.6    |

Group Staff Strength and Productivity



<sup>R3</sup> Other subsidiary companies' staff strength was up 47.0 per cent, mainly due to an increase in Scoot Pte. Ltd.'s staff strength by 204 as it commenced operations in June 2012.

## Performance of the Group (continued)

### Statements of Value Added and its Distribution

|                                                                     | 2012-13<br>\$ million | 2011-12<br>\$ million |
|---------------------------------------------------------------------|-----------------------|-----------------------|
| Total revenue                                                       | 15,098.2              | 14,857.8              |
| Less: Purchase of goods and services                                | (10,894.1)            | (10,750.1)            |
|                                                                     | 4,204.1               | 4,107.7               |
| Add:                                                                |                       |                       |
| Interest income                                                     | 62.5                  | 50.5                  |
| Surplus/(Loss) on disposal of aircraft, spares and spare engines    | 56.0                  | (1.4)                 |
| Dividends from long-term investments                                | 27.3                  | 18.0                  |
| Other non-operating items                                           | 11.9                  | 48.8                  |
| Share of profits of joint venture companies                         | 96.2                  | 74.7                  |
| Share of profits of associated companies                            | 61.5                  | 51.4                  |
| Exceptional items                                                   | (19.9)                | (5.4)                 |
| Total value added for distribution                                  | 4,499.6               | 4,344.3               |
| Applied as follows:                                                 |                       |                       |
| To employees:                                                       |                       |                       |
| - Salaries and other staff cost                                     | 2,353.3               | 2,194.4               |
| To government:                                                      |                       |                       |
| - Corporation taxes                                                 | 40.4                  | 51.4                  |
| To suppliers of capital:                                            |                       |                       |
| - Interim and proposed dividends                                    | 270.3                 | 235.9                 |
| - Finance charges                                                   | 42.7                  | 74.3                  |
| - Non-controlling interests                                         | 62.7                  | 60.9                  |
| Retained for future capital requirements:                           |                       |                       |
| - Depreciation and amortisation                                     | 1,621.6               | 1,627.4               |
| - Retained profit                                                   | 108.6                 | 100.0                 |
| Total value added                                                   | 4,499.6               | 4,344.3               |
| Value added per \$ revenue (\$)                                     | 0.30                  | 0.29                  |
| Value added per \$ employment cost (\$)                             | 1.91                  | 1.98                  |
| Value added per \$ investment in property, plant and equipment (\$) | 0.19                  | 0.19                  |

Value added is a measure of wealth created. The statement above shows the Group's value added and its distribution by way of payments to employees, government, and to those who have provided capital. It also indicates the portion retained in the business for future capital requirements.

## FINANCIAL REVIEW

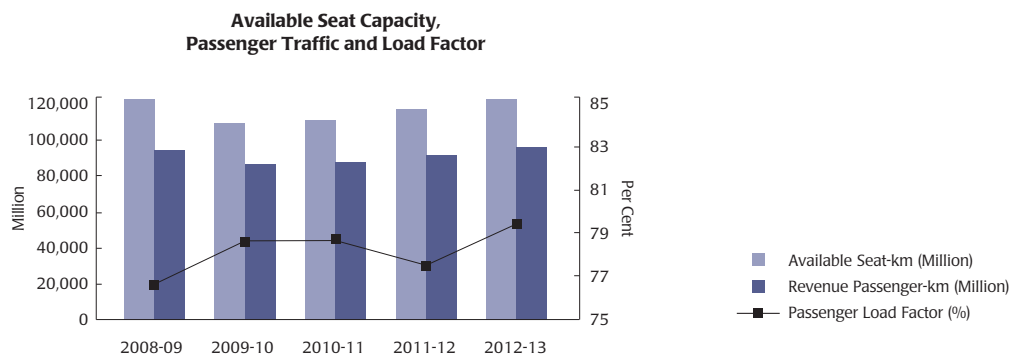
### Performance of the Company

#### Operating Performance

|                                     | 2012-13   | 2011-12   | % Change |            |
|-------------------------------------|-----------|-----------|----------|------------|
| Passengers carried (thousand)       | 18,210    | 17,155    | +        | 6.1        |
| Available seat-km (million)         | 118,264.4 | 113,409.7 | +        | 4.3        |
| Revenue passenger-km (million)      | 93,765.6  | 87,824.0  | +        | 6.8        |
| Passenger load factor (%)           | 79.3      | 77.4      | +        | 1.9 points |
| Passenger yield (¢/pkm)             | 11.4      | 11.8      | -        | 3.4        |
| Passenger unit cost (¢/ask)         | 9.2       | 9.2       | -        | -          |
| Passenger breakeven load factor (%) | 80.7      | 78.0      | +        | 2.7 points |

Travel sentiment continued to be affected by global economic uncertainty during the financial year. In order to boost travel demand amid intense competition, tactical promotions were undertaken, pushing passenger carriage growth up by 6.8 per cent, which outpaced the capacity expansion of 4.3 per cent. As a result, passenger load factor went up by 1.9 percentage points to 79.3 per cent.

Promotional activities and depreciation of major revenue-generating currencies against SGD placed downward pressure on passenger yields, resulting in a 3.4 per cent year-on-year decline.



**Performance of the Company (continued)****Operating Performance (continued)**

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

|                      | By Route Region <sup>R4</sup> (2012-13 against 2011-12) |                                     |                                  |  |  |
|----------------------|---------------------------------------------------------|-------------------------------------|----------------------------------|--|--|
|                      | Passengers Carried<br>Change (thousand)                 | Revenue<br>Passenger KM<br>% Change | Available<br>Seat KM<br>% Change |  |  |
| East Asia            | + 482                                                   | + 8.5                               | + 7.9                            |  |  |
| Americas             | + 102                                                   | + 6.7                               | + 1.3                            |  |  |
| Europe               | + 94                                                    | + 8.6                               | + 5.0                            |  |  |
| South West Pacific   | + 229                                                   | + 7.3                               | + 6.9                            |  |  |
| West Asia and Africa | + 148                                                   | - 2.0                               | - 4.2                            |  |  |
| Systemwide           | + 1,055                                                 | + 6.8                               | + 4.3                            |  |  |

Passenger load factor by route region is as follows:

|                      | Passenger Load Factor (%) |         |          |        |
|----------------------|---------------------------|---------|----------|--------|
|                      | 2012-13                   | 2011-12 | % Change | points |
| East Asia            | 76.8                      | 76.4    | +        | 0.4    |
| Americas             | 82.6                      | 78.4    | +        | 4.2    |
| Europe               | 80.6                      | 78.0    | +        | 2.6    |
| South West Pacific   | 80.6                      | 80.3    | +        | 0.3    |
| West Asia and Africa | 73.8                      | 72.1    | +        | 1.7    |
| Systemwide           | 79.3                      | 77.4    | +        | 1.9    |

<sup>R4</sup> 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, Myanmar, Philippines, Thailand, Taiwan and Vietnam. Americas comprises Brazil and USA. Europe consists of Denmark, England, France, Germany, Greece, Italy, Russia, Spain, Switzerland, The Netherlands and Turkey. South West Pacific covers Australia and New Zealand. West Asia and Africa are made up of Bangladesh, Egypt, India, Maldives, Saudi Arabia, South Africa, Sri Lanka and United Arab Emirates.

## FINANCIAL REVIEW

### Performance of the Company (continued)

#### Earnings

|                                                                  | 2012-13<br>\$ million | 2011-12<br>\$ million | % | Change |
|------------------------------------------------------------------|-----------------------|-----------------------|---|--------|
| Revenue                                                          | 12,387.0              | 12,070.1              | + | 2.6    |
| Expenditure                                                      | 12,199.8              | 11,889.5              | + | 2.6    |
| Operating profit                                                 | 187.2                 | 180.6                 | + | 3.7    |
| Finance charges                                                  | (36.1)                | (65.9)                | + | 45.2   |
| Interest income                                                  | 61.8                  | 50.0                  | + | 23.6   |
| Surplus/(Loss) on disposal of aircraft, spares and spare engines | 72.5                  | (3.8)                 |   | n.m.   |
| Dividends from subsidiary and associated companies               | 199.8                 | 271.0                 | - | 26.3   |
| Dividends from long-term investments                             | 9.3                   | 3.9                   | + | 138.5  |
| Other non-operating items                                        | (1,176.9)             | (18.4)                |   | n.m.   |
| (Loss)/Profit before exceptional items                           | (682.4)               | 417.4                 |   | n.m.   |
| Exceptional items <sup>R5</sup>                                  | -                     | (4.1)                 |   | n.m.   |
| (Loss)/Profit before taxation                                    | (682.4)               | 413.3                 |   | n.m.   |
| Taxation                                                         | (11.7)                | (23.1)                | + | 49.4   |
| (Loss)/Profit after taxation                                     | (694.1)               | 390.2                 |   | n.m.   |

n.m. not meaningful

Company Revenue and Expenditure



<sup>R5</sup> With regard to an investigation conducted by the South African Competition Commission ("SACC") concerning price-fixing on certain routes, a settlement agreement was reached, which included an administrative penalty of ZAR 25 million (\$4.1 million). The Competition Tribunal confirmed the settlement agreement between the Company and the SACC, and the Company has paid the agreed upon administrative penalty during the financial year.



## Performance of the Company (continued)

### Revenue

The Company's revenue increased 2.6 per cent to \$12,387 million as follows:

|                                  | 2012-13<br>\$ million | 2011-12<br>\$ million | Change     |        |
|----------------------------------|-----------------------|-----------------------|------------|--------|
|                                  |                       |                       | \$ million | %      |
| Passenger revenue                | 8,373.6               | 8,392.0               | - 18.4     | - 0.2  |
| Bellyhold revenue from SIA Cargo | 1,154.7               | 1,170.0               | - 15.3     | - 1.3  |
| Others                           | 2,858.7               | 2,508.1               | + 350.6    | + 14.0 |
| Total operating revenue          | 12,387.0              | 12,070.1              | + 316.9    | + 2.6  |

The Company's passenger revenue decreased \$18 million (-0.2 per cent) in 2012-13, as a result of:

|                                                              | \$ million | \$ million |
|--------------------------------------------------------------|------------|------------|
| 6.8% increase in passenger traffic:                          |            | + 567.8    |
| 7.3% decrease in passenger yield (excluding fuel surcharge): |            |            |
| Lower local currency yields                                  | - 431.2    |            |
| Foreign exchange                                             | - 169.3    |            |
| Change in passenger mix                                      | + 14.3     | - 586.2    |
| Decrease in passenger revenue                                |            | - 18.4     |

The sensitivity of passenger revenue to one percentage point change in passenger load factor and a one percentage change in passenger yield is as follows:

|                                                                                        | \$ million |
|----------------------------------------------------------------------------------------|------------|
| 1.0% point change in passenger load factor, if yield and seat capacity remain constant | 105.6      |
| 1.0% change in passenger yield, if passenger traffic remains constant                  | 83.7       |

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

|                      | By Route Region (\$ million) |         |          | By Area of Original Sale <sup>R6</sup> (\$ million) |         |          |
|----------------------|------------------------------|---------|----------|-----------------------------------------------------|---------|----------|
|                      | 2012-13                      | 2011-12 | % Change | 2012-13                                             | 2011-12 | % Change |
| East Asia            | 2,570.0                      | 2,482.6 | + 3.5    | 4,422.9                                             | 4,381.6 | + 0.9    |
| Americas             | 1,638.0                      | 1,677.3 | - 2.3    | 740.2                                               | 728.5   | + 1.6    |
| Europe               | 1,868.8                      | 1,885.9 | - 0.9    | 1,312.8                                             | 1,367.8 | - 4.0    |
| South West Pacific   | 1,524.3                      | 1,517.0 | + 0.5    | 1,503.4                                             | 1,495.0 | + 0.6    |
| West Asia and Africa | 772.5                        | 829.2   | - 6.8    | 394.3                                               | 419.1   | - 5.9    |
| Systemwide           | 8,373.6                      | 8,392.0 | - 0.2    | 8,373.6                                             | 8,392.0 | - 0.2    |

<sup>R6</sup> Each area of original sale comprises countries within a region from which the sale is made.

## FINANCIAL REVIEW

### Performance of the Company (continued)

#### Expenditure

The Company's expenditure increased 2.6 per cent to \$12,200 million in 2012-13.

|                                                              | 2012-13    |       | 2011-12    |       | % Change |      |
|--------------------------------------------------------------|------------|-------|------------|-------|----------|------|
|                                                              | \$ million | %     | \$ million | %     |          |      |
| Fuel costs                                                   | 4,951.4    | 40.6  | 4,868.8    | 40.9  | +        | 1.7  |
| Staff costs                                                  | 1,609.7    | 13.2  | 1,495.4    | 12.6  | +        | 7.6  |
| Depreciation <sup>R7</sup>                                   | 1,295.9    | 10.6  | 1,324.6    | 11.1  | -        | 2.2  |
| Handling charges                                             | 860.9      | 7.1   | 831.2      | 7.0   | +        | 3.6  |
| Inflight meals and other passenger costs                     | 658.0      | 5.4   | 595.1      | 5.0   | +        | 10.6 |
| Airport and overflying charges                               | 576.6      | 4.7   | 559.7      | 4.7   | +        | 3.0  |
| Aircraft maintenance and overhaul costs                      | 576.6      | 4.7   | 553.7      | 4.7   | +        | 4.1  |
| Rentals on leased aircraft                                   | 485.8      | 4.0   | 510.2      | 4.3   | -        | 4.8  |
| Sales costs <sup>R8</sup>                                    | 515.6      | 4.2   | 497.8      | 4.2   | +        | 3.6  |
| Communication and information technology costs <sup>R9</sup> | 83.7       | 0.7   | 91.1       | 0.8   | -        | 8.1  |
| Other costs <sup>R10</sup>                                   | 585.6      | 4.8   | 561.9      | 4.7   | +        | 4.2  |
| Total                                                        | 12,199.8   | 100.0 | 11,889.5   | 100.0 | +        | 2.6  |

A breakdown of fuel cost is shown below:

|                            | 2012-13<br>\$ million | 2011-12<br>\$ million | Change<br>\$ million |      |
|----------------------------|-----------------------|-----------------------|----------------------|------|
| Fuel cost (before hedging) | 4,979.1               | 4,888.7               | +                    | 90.4 |
| Fuel hedging gain          | (27.7)                | (19.9)                | -                    | 7.8  |
|                            | 4,951.4               | 4,868.8               | +                    | 82.6 |

Expenditure of fuel before hedging was \$90.4 million higher because of:

|                                                                                  | \$ million |
|----------------------------------------------------------------------------------|------------|
| 4.7% increase in volume uplifted from 29.5 million BBL to 30.9 million BBL       | + 221.8    |
| 1.4% decrease in weighted average fuel price from 132.3 USD/BBL to 130.5 USD/BBL | - 72.5     |
| Weakening of USD against SGD                                                     | - 58.9     |
|                                                                                  | + 90.4     |

Staff costs increased \$114 million (+7.6 per cent), largely from higher pay and allowances from service increment and increase in staff strength.

Inflight meals and other passenger costs increased \$63 million (+10.6 per cent) mainly due to a 12.0 per cent (\$55 million) increase in inflight meals expense as a result of more passengers carried and higher food costs.

Depreciation dropped \$29 million (2.2 per cent) mainly because of lower accelerated depreciation<sup>R11</sup> this year. Accelerated depreciation of \$24 million for five A340-500s was taken up in FY2012-13 as compared to \$69 million for four B747-400s in FY2011-12 (-\$45 million). This was partially offset by higher derecognition of initial aircraft material cost of \$21 million as more aircraft maintenance jobs were completed this year.

<sup>R7</sup> Depreciation included impairment of property, plant and equipment and amortisation of computer software.

<sup>R8</sup> Sales costs included commission and incentives, frequent flyer programme cost, computer reservation system booking fees, advertising expenses, reservation system IT cost and other sales costs.

<sup>R9</sup> 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.

<sup>R10</sup> Other costs mainly comprised crew expenses, company accommodation cost, foreign exchange revaluation and hedging loss, comprehensive aviation insurance cost, airport lounge expenses, non-information technology contract and professional fees, expenses incurred to mount non-scheduled services, aircraft licence fees and recoveries.

<sup>R11</sup> As the aircraft are sold before the end of their estimated useful lives and the sales proceeds are below the original residual values, depreciation of the aircraft was adjusted to reflect the shorter useful lives and lower residual values, in accordance with FRS 16.

## Performance of the Company (continued)

### Fuel Productivity and Sensitivity Analysis

Fuel productivity as measured by load tonne-km per barrel (ltk/BBL) decreased 0.5 per cent over the previous year to 419ltk/BBL. This was mainly due to lower bellyhold load factor.

A change in fuel productivity (passenger aircraft) of 1.0 per cent would impact the Company's annual fuel cost by about \$50 million, before accounting for changes in fuel price, USD exchange rate and flying operations.

A change in the price of fuel of one USD per barrel affects the Company's annual fuel cost by about \$38 million, before accounting for USD exchange movements, and changes in volume of fuel consumed.

**Fuel Productivity of Passenger Fleet**



### Finance Charges

In 2012-13, finance charges decreased \$30 million or 45.2 per cent, mainly due to the repayment of \$900 million fixed rate note by the Company in December 2011.

### Interest Income

Interest income was \$12 million or 23.6 per cent higher, largely due to higher interest from the Company's investment in bonds and credit-linked notes.

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

The \$73 million gain on disposal of aircraft, spares and spare engines arose mainly from the sale and leaseback of 14 Trent 800 engines and two A380-800 aircraft. Last year's \$4 million loss on disposal of aircraft, spares and spare engines was mainly from loss on sale of one B747-400 aircraft, partially offset by gain on sale and leaseback of four B777-300 engines and one A380-800 aircraft.

### Other Non-operating Items

Other non-operating items pertained mainly to the impairment loss of \$1,169 million recorded on the Company's investment in Virgin Atlantic Limited to write down its carrying value to a recoverable value of USD360 million (\$447 million).

## FINANCIAL REVIEW

### Performance of the Company (continued)

#### Taxation

There was a net tax expense of \$12 million, comprising current tax charge of \$87 million and deferred tax credit of \$75 million.

As at 31 March 2013, the Company's deferred taxation account stood at \$1,621 million.

#### Staff Strength and Productivity

The Company's staff strength as at 31 March 2013 was 14,319, an increase of 327 over last year. The distribution of employee strength by category and location is as follows:

|                                                           | 31 March |        | % Change |     |
|-----------------------------------------------------------|----------|--------|----------|-----|
|                                                           | 2013     | 2012   |          |     |
| <b>Category</b>                                           |          |        |          |     |
| Senior staff (administrative and higher ranking officers) | 1,331    | 1,290  | +        | 3.2 |
| Technical crew                                            | 2,297    | 2,345  | -        | 2.0 |
| Cabin crew                                                | 7,784    | 7,438  | +        | 4.7 |
| Other ground staff                                        | 2,907    | 2,919  | -        | 0.4 |
|                                                           | 14,319   | 13,992 | +        | 2.3 |
| <b>Location</b>                                           |          |        |          |     |
| Singapore                                                 | 12,344   | 12,023 | +        | 2.7 |
| East Asia                                                 | 818      | 794    | +        | 3.0 |
| Europe                                                    | 387      | 411    | -        | 5.8 |
| South West Pacific                                        | 311      | 305    | +        | 2.0 |
| West Asia and Africa                                      | 283      | 278    | +        | 1.8 |
| Americas                                                  | 176      | 181    | -        | 2.8 |
|                                                           | 14,319   | 13,992 | +        | 2.3 |

The Company's average staff productivity ratios<sup>R12</sup> are shown below:

|                                                | 2012-13   | 2011-12   | % Change |      |
|------------------------------------------------|-----------|-----------|----------|------|
| Seat capacity per employee (seat-km)           | 8,354,366 | 8,163,082 | +        | 2.3  |
| Passenger load carried per employee (tonne-km) | 619,969   | 594,663   | +        | 4.3  |
| Revenue per employee (\$)                      | 875,035   | 868,790   | +        | 0.7  |
| Value added per employee (\$)                  | 159,593   | 237,472   | -        | 32.8 |

<sup>R12</sup> The Company's staff productivity ratios were computed based on average staff strength of 14,156 in 2012-13 (2011-12: 13,893).

## Performance of the Subsidiary Companies

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

### SIA Engineering Group

|                   | 2012-13<br>\$ million | 2011-12<br>\$ million | % Change |     |
|-------------------|-----------------------|-----------------------|----------|-----|
| Total revenue     | 1,146.7               | 1,169.9               | -        | 2.0 |
| Total expenditure | 1,018.6               | 1,040.3               | -        | 2.1 |
| Operating profit  | 128.1                 | 129.6                 | -        | 1.2 |
| Net profit        | 270.1                 | 269.1                 | +        | 0.4 |

SIAEC Group's revenue was \$23 million or 2.0 per cent lower, mainly due to lower fleet management and project revenue for cabin interior reconfiguration of aircraft. Expenditure reduced by \$22 million or 2.1 per cent, in tandem with the lower revenue. Overheads were \$44 million (-12.5 per cent) lower mainly due to a reduction in subcontract costs and drop in material costs by \$5 million (-2.2 per cent) to \$214 million with lower usage. This was partially offset by higher staff costs of \$27 million (+5.7 per cent).

As a result, operating profit was \$2 million or 1.2 per cent lower at \$128 million.

Share of profits from associated and joint venture companies was \$2 million or 1.5 per cent higher at \$159 million, representing a contribution of 52.0 per cent to the Group's pre-tax profits.

Net profit of \$270 million for the financial year ended 31 March 2013, was an increase of \$1 million or 0.4 per cent over last year.

As at 31 March 2013, SIAEC Group's total equity of \$1,302 million was \$48 million or 3.8 per cent higher than at 31 March 2012. Net asset value per share of \$1.18 as at 31 March 2013 was an improvement of 3.4 cents or 3.0 per cent from a year ago.

Basic earnings per share for the Group decreased by 0.1 cent (-0.4 per cent) to 24.5 cents.

### SIA Cargo

|                     | 2012-13<br>\$ million | 2011-12<br>\$ million | % Change |      |
|---------------------|-----------------------|-----------------------|----------|------|
| Total revenue       | 2,419.6               | 2,679.5               | -        | 9.7  |
| Total expenditure   | 2,586.6               | 2,798.8               | -        | 7.6  |
| Operating loss      | (167.0)               | (119.3)               | -        | 40.0 |
| Exceptional items   | (19.9)                | (1.3)                 |          | n.m  |
| Loss after taxation | (172.3)               | (106.5)               | -        | 61.8 |

*n.m. not meaningful*



## FINANCIAL REVIEW

### Performance of the Subsidiary Companies (continued)

#### SIA Cargo (continued)

SIA Cargo's revenue declined \$260 million (-9.7 per cent) largely due to weaker yields and reduction in loads. Expenditure decreased \$212 million (-7.6 per cent) in tandem with the reduction in capacity. This translated to an operating loss of \$167 million for 2012-13, \$48 million worse than a year ago.

In 2012-13, cargo capacity (in capacity tonne kilometres) dropped 5.5 per cent, while overall cargo traffic (in load tonne kilometres) dropped 6.0 per cent, resulting in a marginal drop of cargo load factor by 0.4 percentage point to 63.4 per cent. Cargo breakeven load factor however climbed 2.2 percentage points to 69.5 per cent due to weaker yields (-4.3 per cent), partially offset by lower unit cost (-1.3 per cent).

During the financial year, the exceptional items pertained to provision for penalties and costs agreed between SIA Cargo and the Australian Competition and Consumer Commission for an amount of AUD12.2 million (\$16 million) and the New Zealand Commerce Commission for an amount of NZD4.4 million (\$4 million). The penalties and costs were recommended by the parties and endorsed by the respective Courts, bringing the Commissions' air cargo investigations and proceedings in Australia and New Zealand to a close for SIA Cargo.

As at 31 March 2013, SIA Cargo operated a fleet of 12 B747-400 freighters. SIA Cargo's equity was \$1,309 million (-11.4 per cent).

#### SilkAir

|                       | 2012-13<br>\$ million | 2011-12<br>\$ million | % Change |
|-----------------------|-----------------------|-----------------------|----------|
| Total revenue         | 846.0                 | 750.8                 | + 12.7   |
| Total expenditure     | 749.3                 | 646.2                 | + 16.0   |
| Operating profit      | 96.7                  | 104.6                 | - 7.6    |
| Profit after taxation | 80.7                  | 84.9                  | - 4.9    |

SilkAir's revenue increased by \$95 million (+12.7 per cent) to \$846 million, from an improvement in load (+15.6 per cent). The increase in expenditure of \$103 million (+16.0 per cent) was primarily due to higher fuel costs. As a result, operating profit decreased by \$8 million (-7.6 per cent) to \$97 million.

Yield declined by 2.2 per cent to 150.0 cents/ltk. However, unit cost declined at a faster rate of 2.4 per cent to 89.3 cents/ctk. Consequently, breakeven load factor improved marginally by 0.1 percentage point to 59.6 per cent.

Profit after taxation decreased by 4.9 per cent to \$81 million.

SilkAir's route network spanned 42 cities in 12 countries. During the year, SilkAir launched new services to Wuhan (China), Hanoi (Vietnam) and Visakhapatnam (India).

As at 31 March 2013, equity holders' funds of SilkAir stood at \$773 million (+11.5 per cent).

## REPORT BY THE BOARD OF DIRECTORS

The directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2013.

### 1 Directors of the Company

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

Stephen Lee Ching Yen – Chairman (Independent)  
 Goh Choon Phong – Chief Executive Officer  
 William Fung Kwok Lun (Independent)  
 Euleen Goh Yiu Kiang (Independent)  
 Christina Ong (Independent)  
 Helmut Gunter Wilhelm Panke (Independent)  
 Jackson Peter Tai (Independent)  
 Lucien Wong Yuen Kuai (Non Independent)  
 Hsieh Tsun-yan (Independent) (appointed as director on 1 September 2012)  
 Gautam Banerjee (Independent) (appointed as director on 1 January 2013)

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

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

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

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

| Name of Director                                       | Direct interest                     |           | Deemed interest                     |           |
|--------------------------------------------------------|-------------------------------------|-----------|-------------------------------------|-----------|
|                                                        | 1.4.2012/<br>Date of<br>Appointment | 31.3.2013 | 1.4.2012/<br>Date of<br>Appointment | 31.3.2013 |
| <b>Interest in Singapore Airlines Limited</b>          |                                     |           |                                     |           |
| <u>Ordinary shares</u>                                 |                                     |           |                                     |           |
| Stephen Lee Ching Yen                                  | 9,400                               | 9,400     | -                                   | -         |
| Goh Choon Phong                                        | 82,510                              | 183,900   | -                                   | -         |
| William Fung Kwok Lun                                  | -                                   | -         | 200,000                             | 200,000   |
| Euleen Goh Yiu Kiang                                   | 3,800                               | 3,800     | -                                   | -         |
| Christina Ong                                          | 100,000                             | 100,000   | -                                   | -         |
| Lucien Wong Yuen Kuai                                  | -                                   | -         | 58,000                              | 58,000    |
| <u>Options to subscribe for ordinary shares</u>        |                                     |           |                                     |           |
| Goh Choon Phong                                        | 319,275                             | 246,125   | -                                   | -         |
| <u>Conditional award of restricted shares (Note 1)</u> |                                     |           |                                     |           |
| Goh Choon Phong - Base Awards                          | 60,371                              | 84,366    | -                                   | -         |
| - Final Awards (Pending Release)                       | 11,106                              | 12,206    | -                                   | -         |

## REPORT BY THE BOARD OF DIRECTORS

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

| Name of Director                                        | Direct interest                     |           | Deemed interest                     |           |
|---------------------------------------------------------|-------------------------------------|-----------|-------------------------------------|-----------|
|                                                         | 1.4.2012/<br>Date of<br>Appointment | 31.3.2013 | 1.4.2012/<br>Date of<br>Appointment | 31.3.2013 |
| <u>Conditional award of performance shares (Note 2)</u> |                                     |           |                                     |           |
| Goh Choon Phong – Base Awards                           | 83,631                              | 140,141   | -                                   | -         |
| <u>Award of time-based restricted shares</u>            |                                     |           |                                     |           |
| Goh Choon Phong – Base Awards                           | 105,917                             | 105,917   | -                                   | -         |
| <b>Interest in Singapore Telecommunications Limited</b> |                                     |           |                                     |           |
| <u>Ordinary shares</u>                                  |                                     |           |                                     |           |
| Stephen Lee Ching Yen                                   | 190                                 | 190       | 190                                 | 190       |
| Goh Choon Phong                                         | 1,610                               | 1,610     | -                                   | -         |
| Euleen Goh Yiu Kiang                                    | 21,537                              | 21,537    | -                                   | -         |
| Hsieh Tsun-yan                                          | 4,100                               | 33,900    | 35,000                              | 55,000    |
| Christina Ong                                           | -                                   | -         | 1,000,000                           | 1,000,000 |
| Lucien Wong Yuen Kuai                                   | 1,680                               | 1,680     | 111,540                             | 1,540     |
| <b>Interest in Neptune Orient Lines Limited</b>         |                                     |           |                                     |           |
| <u>Ordinary shares</u>                                  |                                     |           |                                     |           |
| Stephen Lee Ching Yen                                   | 30,000                              | 30,000    | -                                   | -         |
| Euleen Goh Yiu Kiang                                    | 2,000                               | 2,000     | -                                   | -         |
| Hsieh Tsun-yan                                          | 5,100                               | -         | -                                   | -         |
| <u>Debentures (Notes)</u>                               |                                     |           |                                     |           |
| Hsieh Tsun-yan                                          | 250,000                             | 250,000   | -                                   | -         |
| <b>Interest in Mapletree Commercial Trust</b>           |                                     |           |                                     |           |
| <u>Units</u>                                            |                                     |           |                                     |           |
| Lucien Wong Yuen Kuai                                   | -                                   | -         | 100,000                             | 100,000   |
| <b>Interest in Mapletree Industrial Trust</b>           |                                     |           |                                     |           |
| <u>Units</u>                                            |                                     |           |                                     |           |
| Lucien Wong Yuen Kuai                                   | 289,440                             | 294,333   | -                                   | -         |
| <b>Interest in SP AusNet</b>                            |                                     |           |                                     |           |
| <u>Ordinary shares</u>                                  |                                     |           |                                     |           |
| Christina Ong                                           | 500,000                             | 575,000   | 243,000                             | 279,450   |
| <b>Interest in StarHub Ltd</b>                          |                                     |           |                                     |           |
| <u>Ordinary shares</u>                                  |                                     |           |                                     |           |
| Christina Ong                                           | -                                   | -         | 200,000                             | -         |

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

| Name of Director                                              | Direct interest                     |           | Deemed interest                     |           |
|---------------------------------------------------------------|-------------------------------------|-----------|-------------------------------------|-----------|
|                                                               | 1.4.2012/<br>Date of<br>Appointment | 31.3.2013 | 1.4.2012/<br>Date of<br>Appointment | 31.3.2013 |
| <b>Interest in Singapore Technologies Engineering Limited</b> |                                     |           |                                     |           |
| Ordinary shares                                               |                                     |           |                                     |           |
| Goh Choon Phong                                               | 6,000                               | 6,000     | -                                   | -         |
| Lucien Wong Yuen Kuai                                         | 298,000                             | 298,000   | 20,000                              | -         |

**Notes:**

1. The actual number of RSP Final Awards of fully paid ordinary shares will range from 0% to 150% of the Base Awards and is contingent on the Achievements against Targets over the two-year performance periods relating to the relevant awards.
2. The actual number of PSP Final Awards of fully paid ordinary shares will range from 0% to 200% of the Base Awards and is contingent on the Achievements against Targets over the three-year performance periods relating to the relevant awards.

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

Between the end of the financial year and 21 April 2013, Mr Goh Choon Phong's direct interest in the Company increased to 236,859 shares due to the release of 52,959 shares to him on 1 April 2013, following the vesting of 50% of 105,917 time-based restricted shares awarded in May 2010.

Except as disclosed above, there were no changes in any of the above-mentioned interests between the end of the financial year and 21 April 2013.

**4 Directors' Contractual Benefits**

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

**5 Equity Compensation Plans of the Company**

The Company has in place, the Singapore Airlines Limited Employee Share Option Plan ("ESOP"), Restricted Share Plan ("RSP") and Performance Share Plan ("PSP").

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

Stephen Lee Ching Yen – Chairman  
 Helmut Gunter Wilhelm Panke  
 Jackson Peter Tai  
 Hsieh Tsun-yan (appointed as director on 1 September 2012)  
 Gautam Banerjee (appointed as director on 1 January 2013)

## REPORT BY THE BOARD OF DIRECTORS

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

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

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

At the end of the financial year, options to take up 33,731,970 unissued shares in the Company were outstanding:

| Date of grant | Number of options to subscribe for unissued ordinary shares |             |             | Balance at 31.3.2013 | Exercise price* | Exercisable Period   |
|---------------|-------------------------------------------------------------|-------------|-------------|----------------------|-----------------|----------------------|
|               | Balance at 1.4.2012                                         | Cancelled   | Exercised   |                      |                 |                      |
| 1.7.2002      | 1,756,432                                                   | (822,940)   | (933,492)   | -                    | \$9.81          | 1.7.2003 - 30.6.2012 |
| 1.7.2003      | 1,231,448                                                   | (9,120)     | (201,877)   | 1,020,451            | \$7.33          | 1.7.2004 - 30.6.2013 |
| 1.7.2004      | 2,386,273                                                   | (23,751)    | (125,873)   | 2,236,649            | \$7.69          | 1.7.2005 - 30.6.2014 |
| 1.7.2005      | 4,548,216                                                   | (71,440)    | (213,843)   | 4,262,933            | \$8.27          | 1.7.2006 - 30.6.2015 |
| 3.7.2006      | 6,373,040                                                   | (122,646)   | (236,930)   | 6,013,464            | \$9.59          | 3.7.2007 - 2.7.2016  |
| 2.7.2007      | 10,961,915                                                  | (425,885)   | -           | 10,536,030           | \$15.71         | 2.7.2008 - 1.7.2017  |
| 1.7.2008      | 9,882,649                                                   | (220,206)   | -           | 9,662,443            | \$12.32         | 1.7.2009 - 30.6.2018 |
|               | 37,139,973                                                  | (1,695,988) | (1,712,015) | 33,731,970           |                 |                      |

\* Following approval by the Company's shareholders of the declaration of a special dividend of \$0.50 per share on 31 July 2007, the Board Compensation & Industrial Relations Committee approved a reduction of \$0.50 in the exercise prices of the share options outstanding on 2 August 2007. The said Committee approved another \$1.71 reduction in the exercise prices of the share options outstanding on 28 August 2009 following approval by the Company's shareholders of the dividend *in specie* of SATS shares on 31 July 2009. The said Committee approved another reduction of \$0.80 in the exercise prices of the share options outstanding on 18 August 2011 after the approval by the Company's shareholders of the declaration of a special dividend of \$0.80 per share on 29 July 2011. The exercise prices reflected here are the exercise prices after such adjustments.

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

| Name of participant | Options granted during financial year under review | Aggregate options granted since commencement of scheme to end of financial year under review | Aggregate options exercised since commencement of scheme to end of financial year under review | Options lapsed | Aggregate options outstanding at end of financial year under review |
|---------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------|---------------------------------------------------------------------|
| Goh Choon Phong     | -                                                  | 444,075                                                                                      | 197,950                                                                                        | -              | 246,125                                                             |

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

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

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

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

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

Details of the RSP and PSP are disclosed in Note 5 to the financial statements.

The RSP and PSP were approved by the shareholders of the Company on 28 July 2005.

Under the RSP and PSP, a base number of conditional share awards ("Base Award") is granted to eligible participants annually. Depending on the achievement of pre-determined targets over a two-year performance period for the RSP and a three-year performance period for the PSP, the Board Compensation & Industrial Relations Committee will determine an achievement factor which will then be applied to the Base Award to determine the final number of RSP shares and PSP shares to be awarded at the end of the respective performance periods ("Final Award"). The achievement factor could range from 0% to 150% for the RSP and from 0% to 200% for the PSP.

Half of the RSP Final Awards of fully paid ordinary shares will be released to the participants upon vesting. The balance will be released equally over the subsequent two years with fulfilment of service requirements. All the PSP Final Awards of fully paid ordinary shares will be released to the participants at the end of the three-year performance period. For the financial year under review, all RSP and PSP Final Awards released were satisfied by the transfer of treasury shares to the participants.

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

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

The details of the shares awarded under RSP and PSP to directors of the Company are as follows:

#### 1. RSP Base Awards

| <b>Name of participant</b> | <b>Base Awards granted during the financial year</b> | <b>Base Awards vested during the financial year</b> | <b>Balance as at 31 March 2013</b> | <b>Aggregate Base Awards granted since commencement of RSP to end of financial year under review</b> |
|----------------------------|------------------------------------------------------|-----------------------------------------------------|------------------------------------|------------------------------------------------------------------------------------------------------|
| Goh Choon Phong            | 42,000                                               | 18,005                                              | 84,366                             | 157,256                                                                                              |

#### 2. RSP Final Awards (Pending Release)<sup>R1</sup>

| <b>Name of participant</b> | <b>Final Awards granted during the financial year<sup>a</sup></b> | <b>Final Awards released during the financial year</b> | <b>Balance as at 31 March 2013</b> | <b>Aggregate ordinary shares released to participant since commencement of RSP to end of financial year under review</b> |
|----------------------------|-------------------------------------------------------------------|--------------------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Goh Choon Phong            | 17,470                                                            | 16,370                                                 | 12,206                             | 56,828                                                                                                                   |



## REPORT BY THE BOARD OF DIRECTORS

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

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

##### 3. PSP Base Awards <sup>R2</sup>

| Name of participant | Base Awards granted during the financial year | Base Awards vested during the financial year* | Balance as at 31 March 2013 | Aggregate Base Awards granted since commencement of PSP to end of financial year under review | Aggregate ordinary shares released to participant since commencement of PSP to end of financial year under review |
|---------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| Goh Choon Phong     | 66,000                                        | 9,490                                         | 140,141                     | 175,500                                                                                       | 44,522                                                                                                            |

<sup>R1</sup> The actual number of RSP Final Awards of fully paid ordinary shares will range from 0% to 150% of the Base Awards and is contingent on the Achievements against Targets over the two-year performance periods relating to the relevant awards.

<sup>R2</sup> The actual number of PSP Final Awards of fully paid ordinary shares will range from 0% to 200% of the Base Awards and is contingent on the Achievements against Targets over the three-year performance periods relating to the relevant awards.

\* Final Awards granted during the financial year is determined by applying the achievement factor to the Base Awards that have vested during the financial year.

\* 11,870 PSP Final Awards of SIA ordinary shares were released to Mr Goh Choon Phong pursuant to the vesting of 9,490 PSP Base Awards during the financial year.

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

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

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

| Name of participant | Awards granted during the financial year | Awards vested during the financial year | Balance as at 31 March 2013 | Aggregate Awards granted since commencement of time-based RSP to end of financial year under review | Aggregate ordinary shares released to participant since commencement of time-based RSP to end of financial year under review |
|---------------------|------------------------------------------|-----------------------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Goh Choon Phong     | -                                        | -                                       | 105,917                     | 105,917                                                                                             | -                                                                                                                            |

### 6 Equity Compensation Plans of SIA Engineering Company Limited (Subsidiary Company)

#### (i) SIA Engineering Company Limited ("SIAEC") Employee Share Option Plan

At the end of the financial year, options to take up 33,389,446 unissued shares in SIAEC were outstanding. Details and terms of the options have been disclosed in the Directors' Report of SIAEC.

#### (ii) SIAEC RSP and SIAEC PSP

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

## 7 Audit Committee

At the date of this report, the Audit Committee comprises the following five independent non-executive directors:

Euleen Goh Yiu Kiang (Chairperson)  
William Fung Kwok Lun  
Jackson Peter Tai  
Hsieh Tsun-yan (appointed as director on 1 September 2012)  
Gautam Banerjee (appointed as director on 1 January 2013)

The Audit Committee performed its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50 which include *inter alia* the review of the following:

- (i) quarterly and annual financial statements;
- (ii) audit scope, plans and reports of the external and internal auditors;
- (iii) effectiveness of material controls, including financial, compliance, information technology and risk management controls;
- (iv) interested person transactions;
- (v) whistle-blowing programme instituted by the Company; and
- (vi) any material loss of funds, significant computer security incidents and legal cases.

The Audit Committee has recommended to the Board of Directors that Ernst & Young LLP be nominated for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.

## 8 Auditor

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

On behalf of the Board,

**STEPHEN LEE CHING YEN**

Chairman

**GOH CHOON PHONG**

Chief Executive Officer

Dated this 16th day of May 2013

## STATEMENT BY THE DIRECTORS PURSUANT TO SECTION 201(15)

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

- (i) the accompanying statements of financial position, consolidated profit and loss account, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

**STEPHEN LEE CHING YEN**  
Chairman

**GOH CHOON PHONG**  
Chief Executive Officer

Dated this 16th day of May 2013

## INDEPENDENT AUDITOR'S REPORT

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To the members of Singapore Airlines Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Singapore Airlines Limited (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 190, which comprise the statements of financial position of the Group and the Company as at 31 March 2013, the statements of changes in equity of the Group and the Company and the consolidated profit and loss account, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2013 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

## INDEPENDENT AUDITOR'S REPORT

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### **Report on Other Legal and Regulatory Requirements**

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

### **ERNST & YOUNG LLP**

Public Accountants and  
Certified Public Accountants

Dated this 16th day of May 2013  
Singapore

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For The Financial Year Ended 31 March 2013 (in \$ million)

|                                                                  | Notes | The Group |          |
|------------------------------------------------------------------|-------|-----------|----------|
|                                                                  |       | 2012-13   | 2011-12  |
| <b>REVENUE</b>                                                   |       | 15,098.2  | 14,857.8 |
| <b>EXPENDITURE</b>                                               |       |           |          |
| Staff costs                                                      | 5     | 2,353.3   | 2,194.4  |
| Fuel costs                                                       |       | 5,899.4   | 5,803.4  |
| Depreciation                                                     | 21    | 1,589.1   | 1,588.5  |
| Impairment of property, plant and equipment                      | 21    | 9.8       | 15.8     |
| Amortisation of intangible assets                                | 22    | 22.7      | 23.1     |
| Aircraft maintenance and overhaul costs                          |       | 539.3     | 463.4    |
| Commission and incentives                                        |       | 355.5     | 330.9    |
| Landing, parking and overflying charges                          |       | 687.8     | 668.6    |
| Handling charges                                                 |       | 1,006.1   | 1,012.8  |
| Rentals on leased aircraft                                       |       | 553.6     | 573.7    |
| Material costs                                                   |       | 214.2     | 219.0    |
| Inflight meals                                                   |       | 543.1     | 480.5    |
| Advertising and sales costs                                      |       | 209.3     | 201.6    |
| Insurance expenses                                               |       | 43.3      | 46.8     |
| Company accommodation and utilities                              |       | 115.6     | 113.9    |
| Other passenger costs                                            |       | 158.4     | 139.3    |
| Crew expenses                                                    |       | 148.2     | 140.8    |
| Other operating expenses                                         |       | 420.3     | 555.4    |
|                                                                  |       | 14,869.0  | 14,571.9 |
| <b>OPERATING PROFIT</b>                                          | 6     | 229.2     | 285.9    |
| Finance charges                                                  | 7     | (42.7)    | (74.3)   |
| Interest income                                                  | 8     | 62.5      | 50.5     |
| Surplus/(Loss) on disposal of aircraft, spares and spare engines |       | 56.0      | (1.4)    |
| Dividends from long-term investments                             |       | 27.3      | 18.0     |
| Other non-operating items                                        | 9     | 11.9      | 48.8     |
| Share of profits of joint venture companies                      | 25    | 96.2      | 74.7     |
| Share of profits of associated companies                         | 24    | 61.5      | 51.4     |
| <b>PROFIT BEFORE EXCEPTIONAL ITEMS</b>                           |       | 501.9     | 453.6    |
| <b>EXCEPTIONAL ITEMS</b>                                         | 10    | (19.9)    | (5.4)    |
| <b>PROFIT BEFORE TAXATION</b>                                    |       | 482.0     | 448.2    |
| <b>TAXATION</b>                                                  | 11    | (40.4)    | (51.4)   |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                             |       | 441.6     | 396.8    |
| <b>PROFIT ATTRIBUTABLE TO:</b>                                   |       |           |          |
| <b>OWNERS OF THE PARENT</b>                                      |       | 378.9     | 335.9    |
| <b>NON-CONTROLLING INTERESTS</b>                                 |       | 62.7      | 60.9     |
|                                                                  |       | 441.6     | 396.8    |
| <b>BASIC EARNINGS PER SHARE (CENTS)</b>                          | 12    | 32.2      | 28.3     |
| <b>DILUTED EARNINGS PER SHARE (CENTS)</b>                        | 12    | 31.9      | 27.9     |

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



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 March 2013 (in \$ million)

|                                                                                                   | The Group |         |
|---------------------------------------------------------------------------------------------------|-----------|---------|
|                                                                                                   | 2012-13   | 2011-12 |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                                                              | 441.6     | 396.8   |
| <b>OTHER COMPREHENSIVE INCOME:</b>                                                                |           |         |
| Currency translation differences                                                                  | (6.6)     | (0.6)   |
| Available-for-sale financial assets                                                               | 4.2       | (2.2)   |
| Cash flow hedges                                                                                  | 17.3      | 92.0    |
| Surplus/(Loss) on dilution of interest in an associated company due to<br>share options exercised | 0.1       | (1.1)   |
| Share of other comprehensive income of associated and joint venture companies                     | 11.7      | 18.5    |
| <b>OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR, NET OF TAX</b>                              | 26.7      | 106.6   |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>                                          | 468.3     | 503.4   |
| <b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>                                                |           |         |
| <b>OWNERS OF THE PARENT</b>                                                                       | 406.5     | 442.9   |
| <b>NON-CONTROLLING INTERESTS</b>                                                                  | 61.8      | 60.5    |
|                                                                                                   | 468.3     | 503.4   |

## STATEMENTS OF FINANCIAL POSITION

As At 31 March 2013 (In \$ million)

|                                                    | Notes | The Group |          | The Company |          |
|----------------------------------------------------|-------|-----------|----------|-------------|----------|
|                                                    |       | 2013      | 2012     | 2013        | 2012     |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b> |       |           |          |             |          |
| Share capital                                      | 14    | 1,856.1   | 1,856.1  | 1,856.1     | 1,856.1  |
| Treasury shares                                    | 15    | (269.8)   | (258.4)  | (269.8)     | (258.4)  |
| Other reserves                                     | 16    | 11,518.4  | 11,295.7 | 10,372.3    | 11,249.2 |
|                                                    |       | 13,104.7  | 12,893.4 | 11,958.6    | 12,846.9 |
| <b>NON-CONTROLLING INTERESTS</b>                   |       | 312.6     | 294.0    | -           | -        |
| <b>TOTAL EQUITY</b>                                |       | 13,417.3  | 13,187.4 | 11,958.6    | 12,846.9 |
| <b>DEFERRED ACCOUNT</b>                            | 17    | 146.7     | 224.4    | 127.8       | 199.9    |
| <b>DEFERRED TAXATION</b>                           | 18    | 1,951.3   | 2,029.1  | 1,621.3     | 1,694.8  |
| <b>LONG-TERM LIABILITIES</b>                       | 19    | 944.5     | 1,018.5  | 803.9       | 807.9    |
| <b>PROVISIONS</b>                                  | 20    | 421.3     | 318.6    | 376.1       | 259.1    |
|                                                    |       | 16,881.1  | 16,778.0 | 14,887.7    | 15,808.6 |
| Represented by:                                    |       |           |          |             |          |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>               | 21    |           |          |             |          |
| Aircraft, spares and spare engines                 |       | 10,875.6  | 11,383.5 | 8,746.8     | 9,223.9  |
| Land and buildings                                 |       | 242.5     | 252.0    | 70.7        | 79.4     |
| Others                                             |       | 1,979.9   | 1,745.9  | 1,581.8     | 1,525.0  |
|                                                    |       | 13,098.0  | 13,381.4 | 10,399.3    | 10,828.3 |
| <b>INTANGIBLE ASSETS</b>                           | 22    | 218.5     | 158.3    | 159.0       | 111.2    |
| <b>SUBSIDIARY COMPANIES</b>                        | 23    | -         | -        | 2,030.1     | 2,038.8  |
| <b>ASSOCIATED COMPANIES</b>                        | 24    | 554.4     | 543.2    | 532.5       | 1,701.1  |
| <b>JOINT VENTURE COMPANIES</b>                     | 25    | 120.8     | 113.2    | -           | -        |
| <b>LONG-TERM INVESTMENTS</b>                       | 26    | 706.9     | 373.7    | 626.8       | 293.7    |
| <b>OTHER RECEIVABLES</b>                           | 27    | 213.9     | 215.6    | 213.9       | 215.6    |
| <b>DEFERRED ACCOUNT</b>                            | 17    | 16.1      | 51.7     | -           | 33.7     |
| <b>CURRENT ASSETS</b>                              |       |           |          |             |          |
| Inventories                                        | 28    | 274.9     | 306.1    | 192.7       | 221.7    |
| Trade debtors                                      | 29    | 1,578.4   | 1,354.8  | 1,080.9     | 870.2    |
| Deposits and other debtors                         | 30    | 54.9      | 46.8     | 36.6        | 26.7     |
| Prepayments                                        |       | 103.2     | 98.5     | 75.8        | 74.8     |
| Amounts owing by subsidiary companies              | 29    | -         | -        | 189.9       | 195.2    |
| Investments                                        | 31    | 349.4     | 625.1    | 289.4       | 565.2    |
| Derivative assets                                  | 37(a) | 79.1      | 71.9     | 77.7        | 57.4     |
| Cash and bank balances                             | 32    | 5,059.6   | 4,702.7  | 4,834.3     | 4,450.7  |
|                                                    |       | 7,499.5   | 7,205.9  | 6,777.3     | 6,461.9  |
| Less: <b>CURRENT LIABILITIES</b>                   |       |           |          |             |          |
| Sales in advance of carriage                       |       | 1,434.3   | 1,456.8  | 1,367.7     | 1,409.5  |
| Deferred revenue                                   |       | 532.5     | 497.0    | 532.5       | 497.0    |
| Current tax payable                                |       | 160.1     | 244.4    | 130.2       | 186.0    |
| Trade and other creditors                          | 33    | 3,201.1   | 2,885.4  | 2,510.1     | 2,210.2  |
| Amounts owing to subsidiary companies              | 33    | -         | -        | 1,219.8     | 1,525.2  |
| Finance lease commitments                          | 19    | 67.8      | 64.8     | -           | -        |
| Loans                                              | 19    | 5.7       | 2.4      | -           | -        |
| Provisions                                         | 20    | 72.3      | 35.3     | 65.2        | 35.1     |
| Derivative liabilities                             | 37(a) | 73.2      | 78.9     | 25.7        | 12.7     |
|                                                    |       | 5,547.0   | 5,265.0  | 5,851.2     | 5,875.7  |
| <b>NET CURRENT ASSETS</b>                          |       | 1,952.5   | 1,940.9  | 926.1       | 586.2    |
|                                                    |       | 16,881.1  | 16,778.0 | 14,887.7    | 15,808.6 |

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

## STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 March 2013 (in \$ million)

### The Group

|                                                                                         | Notes | Share capital | Treasury shares | Capital reserve |
|-----------------------------------------------------------------------------------------|-------|---------------|-----------------|-----------------|
| Balance at 1 April 2012                                                                 |       | 1,856.1       | (258.4)         | 99.1            |
| <u>Comprehensive income</u>                                                             |       |               |                 |                 |
| Currency translation differences                                                        | 16(b) | -             | -               | -               |
| Net fair value changes on available-for-sale assets                                     | 16(d) | -             | -               | -               |
| Net fair value changes on cash flow hedges                                              |       | -             | -               | -               |
| Surplus on dilution of interest in an associated company due to share options exercised |       | -             | -               | -               |
| Share of other comprehensive income of associated and joint venture companies           |       | -             | -               | 12.5            |
| Other comprehensive income for the financial year                                       |       | -             | -               | 12.5            |
| Profit for the financial year                                                           |       | -             | -               | -               |
| Total comprehensive income for the financial year, net of tax                           |       | -             | -               | 12.5            |
| <u>Transactions with owners, recorded directly in equity</u>                            |       |               |                 |                 |
| Surplus on dilution of interest in subsidiary companies due to share options exercised  |       | -             | -               | -               |
| Share-based compensation expense                                                        | 5     | -             | -               | -               |
| Share options and share awards lapsed                                                   |       | -             | -               | -               |
| Purchase of treasury shares                                                             | 15    | -             | (37.7)          | -               |
| Treasury shares reissued pursuant to equity compensation plans                          | 15    | -             | 26.3            | (1.3)           |
| Dividends                                                                               | 13    | -             | -               | -               |
| Total transactions with owners                                                          |       | -             | (11.4)          | (1.3)           |
| Balance at 31 March 2013                                                                |       | 1,856.1       | (269.8)         | 110.3           |

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

| Attributable to Owners of the Parent |                                  |                    |                 |          | Non-controlling interests | Total equity |
|--------------------------------------|----------------------------------|--------------------|-----------------|----------|---------------------------|--------------|
| Foreign currency translation reserve | Share-based compensation reserve | Fair value reserve | General reserve | Total    |                           |              |
| (186.3)                              | 165.9                            | (47.6)             | 11,264.6        | 12,893.4 | 294.0                     | 13,187.4     |
| (5.5)                                | -                                | -                  | -               | (5.5)    | (1.1)                     | (6.6)        |
| -                                    | -                                | 4.2                | -               | 4.2      | -                         | 4.2          |
| -                                    | -                                | 17.3               | -               | 17.3     | -                         | 17.3         |
| -                                    | -                                | -                  | 0.1             | 0.1      | -                         | 0.1          |
| -                                    | -                                | (1.0)              | -               | 11.5     | 0.2                       | 11.7         |
| (5.5)                                | -                                | 20.5               | 0.1             | 27.6     | (0.9)                     | 26.7         |
| -                                    | -                                | -                  | 378.9           | 378.9    | 62.7                      | 441.6        |
| (5.5)                                | -                                | 20.5               | 379.0           | 406.5    | 61.8                      | 468.3        |
| -                                    | (6.8)                            | -                  | 16.3            | 9.5      | 13.2                      | 22.7         |
| -                                    | 5.4                              | -                  | -               | 5.4      | -                         | 5.4          |
| -                                    | (3.4)                            | -                  | 3.4             | -        | -                         | -            |
| -                                    | -                                | -                  | -               | (37.7)   | -                         | (37.7)       |
| -                                    | (9.4)                            | -                  | -               | 15.6     | -                         | 15.6         |
| -                                    | -                                | -                  | (188.0)         | (188.0)  | (56.4)                    | (244.4)      |
| -                                    | (14.2)                           | -                  | (168.3)         | (195.2)  | (43.2)                    | (238.4)      |
| (191.8)                              | 151.7                            | (27.1)             | 11,475.3        | 13,104.7 | 312.6                     | 13,417.3     |

## STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 March 2013 (in \$ million)

### The Group

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

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

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



## STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 March 2013 (In \$ million)

### The Company

|                                                                | Notes | Share capital | Treasury shares | Capital reserve | Share-based compensation reserve | Fair value reserve | General reserve | Total    |
|----------------------------------------------------------------|-------|---------------|-----------------|-----------------|----------------------------------|--------------------|-----------------|----------|
| Balance at 1 April 2012                                        |       | 1,856.1       | (258.4)         | (8.1)           | 133.7                            | (9.8)              | 11,133.4        | 12,846.9 |
| <u>Comprehensive income</u>                                    |       |               |                 |                 |                                  |                    |                 |          |
| Net fair value changes on available-for-sale assets            | 16(d) | -             | -               | -               | -                                | 2.2                | -               | 2.2      |
| Net fair value changes on cash flow hedges                     | 16(d) | -             | -               | -               | -                                | 10.5               | -               | 10.5     |
| Other comprehensive income for the financial year              |       | -             | -               | -               | -                                | 12.7               | -               | 12.7     |
| Loss for the financial year                                    | 24    | -             | -               | -               | -                                | -                  | (694.1)         | (694.1)  |
| Total comprehensive income for the financial year, net of tax  |       | -             | -               | -               | -                                | 12.7               | (694.1)         | (681.4)  |
| <u>Transactions with owners, recorded directly in equity</u>   |       |               |                 |                 |                                  |                    |                 |          |
| Share-based compensation expense                               |       | -             | -               | -               | 3.2                              | -                  | -               | 3.2      |
| Share options and share awards lapsed                          |       | -             | -               | -               | (3.0)                            | -                  | 3.0             | -        |
| Purchase of treasury shares                                    | 15    | -             | (37.7)          | -               | -                                | -                  | -               | (37.7)   |
| Treasury shares reissued pursuant to equity compensation plans | 15    | -             | 26.3            | (1.3)           | (9.4)                            | -                  | -               | 15.6     |
| Dividends                                                      | 13    | -             | -               | -               | -                                | -                  | (188.0)         | (188.0)  |
| Total transactions with owners                                 |       | -             | (11.4)          | (1.3)           | (9.2)                            | -                  | (185.0)         | (206.9)  |
| Balance at 31 March 2013                                       |       | 1,856.1       | (269.8)         | (9.4)           | 124.5                            | 2.9                | 10,254.3        | 11,958.6 |

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

## STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 March 2013 (In \$ million)

### The Company

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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 March 2013 (in \$ million)

|                                                                                   | Notes | The Group      |                |
|-----------------------------------------------------------------------------------|-------|----------------|----------------|
|                                                                                   |       | 2012-13        | 2011-12        |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                        |       |                |                |
| Profit before taxation                                                            |       | 482.0          | 448.2          |
| Adjustments for:                                                                  |       |                |                |
| Depreciation                                                                      | 21    | 1,589.1        | 1,588.5        |
| Impairment of property, plant and equipment                                       | 21    | 9.8            | 15.8           |
| Amortisation of intangible assets                                                 | 22    | 22.7           | 23.1           |
| Write-back of impairment of trade debtors                                         | 6     | (8.8)          | (0.2)          |
| Write-down of inventories                                                         | 28    | 32.3           | 27.3           |
| Income from short-term investments                                                | 6     | (1.7)          | (1.6)          |
| Provisions                                                                        | 20    | 168.2          | 133.4          |
| Share-based compensation expense                                                  | 5     | 5.4            | 18.1           |
| Exchange differences                                                              |       | 5.2            | 7.2            |
| Amortisation of deferred loss/(gain) on sale and operating leaseback transactions | 6     | 3.3            | (18.3)         |
| Finance charges                                                                   | 7     | 42.7           | 74.3           |
| Interest income                                                                   | 8     | (62.5)         | (50.5)         |
| (Surplus)/Loss on disposal of aircraft, spares and spare engines                  |       | (56.0)         | 1.4            |
| Dividends from long-term investments                                              |       | (27.3)         | (18.0)         |
| Other non-operating items                                                         | 9     | (11.9)         | (48.8)         |
| Share of profits of joint venture companies                                       | 25    | (96.2)         | (74.7)         |
| Share of profits of associated companies                                          | 24    | (61.5)         | (51.4)         |
| Exceptional items                                                                 | 10    | 19.9           | 5.4            |
| Operating profit before working capital changes                                   |       | 2,054.7        | 2,079.2        |
| Increase in trade and other creditors                                             |       | 269.0          | 90.8           |
| Decrease in sales in advance of carriage                                          |       | (22.5)         | (3.0)          |
| Increase in trade debtors                                                         |       | (251.7)        | (132.3)        |
| (Increase)/Decrease in deposits and other debtors                                 |       | (8.1)          | 5.2            |
| (Increase)/Decrease in prepayments                                                |       | (4.7)          | 5.1            |
| (Increase)/Decrease in inventories                                                |       | (1.1)          | 2.1            |
| Increase in deferred revenue                                                      |       | 35.5           | 51.9           |
| Cash generated from operations                                                    |       | 2,071.1        | 2,099.0        |
| Payment of cargo fines                                                            | 10    | (24.0)         | (1.3)          |
| Income taxes paid                                                                 |       | (192.7)        | (394.9)        |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                  |       | <b>1,854.4</b> | <b>1,702.8</b> |

|                                                                            | Notes | The Group        |                  |
|----------------------------------------------------------------------------|-------|------------------|------------------|
|                                                                            |       | 2012-13          | 2011-12          |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                 |       |                  |                  |
| Capital expenditure                                                        | 34    | (1,875.4)        | (1,641.2)        |
| Purchase of intangible assets                                              |       | (83.6)           | (56.1)           |
| Proceeds from disposal of aircraft and other property, plant and equipment |       | 647.7            | 495.1            |
| Purchase of long-term investments                                          |       | (364.4)          | (339.0)          |
| Disposal/(Purchase) of short-term investments                              |       | 310.5            | (229.6)          |
| Proceeds on disposal of an associated company                              |       | 4.6              | -                |
| Dividends received from associated and joint venture companies             |       | 140.2            | 133.6            |
| Dividends received from investments                                        |       | 28.3             | 18.9             |
| Interest received from investments and deposits                            |       | 45.9             | 44.4             |
| Return of capital by an associated company                                 |       | -                | 48.1             |
| Investments in associated companies                                        |       | -                | (54.6)           |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                               |       | <b>(1,146.2)</b> | <b>(1,580.4)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                 |       |                  |                  |
| Dividends paid                                                             | 13    | (188.0)          | (1,557.2)        |
| Dividends paid by subsidiary companies to non-controlling interests        |       | (56.4)           | (73.3)           |
| Interest paid                                                              |       | (34.2)           | (86.9)           |
| Repayment of fixed rate notes                                              |       | -                | (900.0)          |
| Proceeds from borrowings                                                   |       | 3.5              | 1.1              |
| Repayment of borrowings                                                    |       | (0.2)            | (0.4)            |
| Repayment of long-term lease liabilities                                   |       | (63.9)           | (61.2)           |
| Proceeds from exercise of share options                                    |       | 38.3             | 65.7             |
| Purchase of treasury shares                                                | 15    | (37.7)           | (272.1)          |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                               |       | <b>(338.6)</b>   | <b>(2,884.3)</b> |
| <b>NET CASH INFLOW/(OUTFLOW)</b>                                           |       | <b>369.6</b>     | <b>(2,761.9)</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>            |       | <b>4,702.7</b>   | <b>7,434.2</b>   |
| Effect of exchange rate changes                                            |       | (12.7)           | 30.4             |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>                  |       | <b>5,059.6</b>   | <b>4,702.7</b>   |
| <b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>                               |       |                  |                  |
| Fixed deposits                                                             | 32    | 4,692.4          | 4,260.6          |
| Cash and bank                                                              | 32    | 367.2            | 442.1            |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>                  |       | <b>5,059.6</b>   | <b>4,702.7</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

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31 March 2013

### 1 General

Singapore Airlines Limited ("the Company") is a limited liability company incorporated in the Republic of Singapore which is also the place of domicile. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and is a subsidiary company of Temasek Holdings (Private) Limited, incorporated in the Republic of Singapore.

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

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

The financial statements for the financial year ended 31 March 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 16 May 2013.

### 2 Summary of Significant Accounting Policies

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

#### (a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest million as indicated.

#### (b) New and revised standards

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2012, the Group adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual financial periods beginning on or after 1 April 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

## 2 Summary of Significant Accounting Policies (continued)

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

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

| Description                                                                                  | Effective for annual periods beginning on or after |
|----------------------------------------------------------------------------------------------|----------------------------------------------------|
| Amendments to FRS 1 Presentation of Items of Other Comprehensive Income                      | 1 July 2012                                        |
| Revised FRS 19 Employee Benefits                                                             | 1 January 2013                                     |
| Amendments to FRS 107 Disclosures – Offsetting of Financial Assets and Financial Liabilities | 1 January 2013                                     |
| FRS 113 Fair Value Measurements                                                              | 1 January 2013                                     |
| Improvements to FRSs 2012                                                                    | 1 January 2013                                     |
| - Amendment to FRS 1 Presentation of Financial Statements                                    |                                                    |
| - Amendment to FRS 16 Property, Plant and Equipment                                          |                                                    |
| - Amendment to FRS 32 Financial Instruments: Presentation                                    |                                                    |
| Revised FRS 27 Separate Financial Statements                                                 | 1 January 2014                                     |
| Revised FRS 28 Investments in Associates and Joint Ventures                                  | 1 January 2014                                     |
| Amendment to FRS 32 Offsetting Financial Assets and Financial Liabilities                    | 1 January 2014                                     |
| FRS 110 Consolidated Financial Statements                                                    | 1 January 2014                                     |
| FRS 111 Joint Arrangements                                                                   | 1 January 2014                                     |
| FRS 112 Disclosure of Interests in Other Entities                                            | 1 January 2014                                     |

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

#### Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

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

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

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

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2014.



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 2 Summary of Significant Accounting Policies (continued)

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

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

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates. The Group is currently assessing whether there will be any impact to the Group's financial statements when the FRSs are adopted.

##### FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

#### (c) Basis of consolidation

The consolidated financial statements comprise the separate financial statements of the Company and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. A list of the Group's subsidiary companies is shown in Note 23 to the financial statements.

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

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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

## 2 Summary of Significant Accounting Policies (continued)

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

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

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

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

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

#### Transactions with non-controlling interests

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

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

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

In the Company's separate financial statements, investments in subsidiary and associated companies are accounted for at cost less accumulated impairment losses.

A subsidiary company is defined as an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to the majority of the voting rights.

An associated company is defined as an entity, not being a subsidiary company or joint venture company, in which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to not less than 20% of the voting rights. A list of the Group's associated companies is shown in Note 24 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 2 Summary of Significant Accounting Policies (continued)

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

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associated company. Goodwill relating to an associated company is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associated company in the period in which the investment is acquired.

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

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

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associated companies. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount in the profit and loss account.

A joint venture company is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. A list of the Group's joint venture companies is shown in Note 25 to the financial statements.

The Group's share of the results of the joint venture companies is recognised in the consolidated financial statements under the equity method on the same basis as associated companies.

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

## 2 Summary of Significant Accounting Policies (continued)

### (e) Intangible assets

#### (i) Computer software

Computer software acquired separately is measured initially at cost. Following initial acquisition, computer software is stated at cost less accumulated amortisation and accumulated impairment losses, if any. These costs are amortised using the straight-line method over their estimated useful lives of 3 to 10 years and assessed for impairment whenever there is an indication that the computer software may be impaired. Advance and progress payments are not amortised. The amortisation period and method are reviewed at least annually.

#### (ii) Deferred engine development cost

This relates to the Group's share of engine development payments made in connection with its participation in aircraft engine development projects with other companies. Amortisation of such intangibles begins only when the aircraft engines are available for sale. These deferred engine development costs are amortised on a straight-line basis over the period of expected sales of the aircraft engines, which is estimated to be over a period of 20 years. The amortisation period and amortisation method would be reviewed annually in light of experience and changing circumstances, and adjusted prospectively, as appropriate at the end of each reporting period.

#### (iii) Others

Purchased landing slots are measured initially at cost. Following initial recognition, landing slots are measured at cost less accumulated impairment losses, if any. Landing slots based within the European Union are not amortised, as regulations provide that these landing slots have an indefinite useful life, and are tested for impairment annually.

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

All foreign currency monetary assets and liabilities are translated into SGD using year-end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Gains and losses arising from conversion of monetary assets and liabilities are taken to the profit and loss account.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 2 Summary of Significant Accounting Policies (continued)

#### (f) Foreign currencies (continued)

For the purpose of the consolidated financial statements, the net assets of the foreign subsidiary, associated and joint venture companies are translated into SGD at the exchange rates ruling at the end of the reporting period. The financial results of foreign subsidiary, associated and joint venture companies are translated monthly into SGD at the prevailing exchange rates. The resulting gains or losses on exchange are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve.

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

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

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

#### (g) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of all aircraft is stated net of manufacturers' credit. Aircraft and related equipment acquired on an exchange basis are stated at amounts paid plus the fair value of the fixed asset traded-in. Expenditure for heavy maintenance visits on aircraft, engine overhauls and landing gear overhauls, is capitalised at cost. Expenditure for engine overhaul costs covered by power-by-hour (fixed rate charged per hour) maintenance agreements is capitalised by hours flown. Expenditure for other maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs, accumulated depreciation and accumulated impairment losses, if any, are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

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

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

## 2 Summary of Significant Accounting Policies (continued)

### (h) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis at rates which are calculated to write down their cost to their estimated residual values at the end of their operational lives. Operational lives, residual values and depreciation method are reviewed annually in the light of experience and changing circumstances, and adjusted prospectively, if appropriate.

Freehold land, advance and progress payments are not depreciated.

Fully depreciated assets are retained in the financial statements until they are no longer in use. No depreciation is charged after assets are depreciated to their residual values.

### (i) Aircraft, spares and spare engines

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

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

Major inspection costs relating to landing gear overhauls, heavy maintenance visits and engine overhauls (including inspection costs provided under power-by-hour maintenance agreements) are capitalised and depreciated over the average expected life between major overhauls, estimated to be 4 to 10 years.

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

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

### (ii) Land and buildings

Freehold buildings, leasehold land and buildings are depreciated to nil residual values as follows:

|                                                          |                                                                    |
|----------------------------------------------------------|--------------------------------------------------------------------|
| Company owned office premises                            | - according to lease period or 30 years, whichever is the shorter. |
| Company owned household premises                         | - according to lease period or 10 years, whichever is the shorter. |
| Other premises                                           | - according to lease period or 5 years, whichever is the shorter.  |
| Leasehold hotel properties held by an associated company | - according to lease period of 99 years, up to 2081.               |

### (iii) Others

Plant and equipment, office and computer equipment are depreciated over 1 to 15 years to nil residual values.



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 2 Summary of Significant Accounting Policies (continued)

#### (i) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

#### (i) Finance lease – as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the profit and loss account.

For sale and finance leaseback, differences between sales proceeds and net book values are taken to the statement of financial position as deferred gain or loss on sale and leaseback transactions, included under deferred account and amortised over the minimum lease terms.

Major improvements and modifications to leased aircraft due to operational requirements are capitalised and depreciated over the average expected life between major overhauls (estimated to be 4 to 7 years).

#### (ii) Operating lease – as lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Gains or losses arising from sale and operating leaseback of aircraft are determined based on fair values. Excess of sales proceeds over fair values are taken to the statement of financial position as deferred gain on sale and leaseback transactions, included under deferred account and amortised over the minimum lease terms. If the sales proceeds are below fair values, the loss is recognised in the profit and loss account except that, if the loss is compensated for by future lease payments at below market values, the deferred loss is included under deferred account and is amortised over the minimum lease period.

Major improvements and modifications to leased aircraft due to operational requirements are capitalised and depreciated over the remaining lease term period or the average expected life between major overhauls (estimated to be 4 to 10 years).

#### (iii) Operating lease – as lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Aircraft leased out under operating leases are included under property, plant and equipment and are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Rental income is recognised on a straight-line basis over the lease term.

## 2 Summary of Significant Accounting Policies (continued)

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

### (k) Financial assets

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the profit and loss account.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as fair value through profit or loss. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short-term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives are also classified under this category unless they are designated as effective hedging instruments. Gains or losses on financial assets held at fair value through profit or loss are recognised in the profit and loss account.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

#### (ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 2 Summary of Significant Accounting Policies (continued)

#### (k) Financial assets (continued)

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

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

##### (iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated in this category, or not classified in any other categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised in other comprehensive income, except that impairment losses and interest are recognised in the profit and loss account. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the profit and loss account as a reclassification adjustment when the investment is derecognised.

#### (l) Investments

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

#### (m) Trade debtors and other receivables

Trade debtors, including amounts owing by subsidiary, associated and joint venture companies, deposits and other debtors are classified and accounted for as loans and receivables. Other non-current receivables are also classified and accounted for in the same way. The accounting policy for this category of financial assets is stated in Note 2(k).

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

#### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits in banks and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks. The accounting policy for this category of financial assets is stated in Note 2(k), under loans and receivables.

## 2 Summary of Significant Accounting Policies (continued)

### (o) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating units' ("CGU") fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For non-financial assets excluding goodwill and those with indefinite lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss account unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### (p) Impairment of financial assets

The Group also assesses at the end of each reporting period whether a financial asset or a group of financial assets is impaired.

#### (i) Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss is recognised in the profit and loss account.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 2 Summary of Significant Accounting Policies (continued)

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

##### (i) Financial assets carried at amortised cost (continued)

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit and loss account.

##### (ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

##### (iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from other comprehensive income to the profit and loss account. Reversals of impairment losses in respect of equity instruments are not recognised in the profit and loss account; increase in the fair value after impairment are recognised directly in other comprehensive income.

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

## 2 Summary of Significant Accounting Policies (continued)

### (q) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

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

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

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

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

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

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

#### (ii) Other financial liabilities

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

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

### (r) Loans, notes payable and borrowings

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

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



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 2 Summary of Significant Accounting Policies (continued)

#### (s) Trade and other creditors

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

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

#### (t) Provisions

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

Provision for return costs to meet contractual return aircraft minimum conditions, at the end of the lease terms for the aircraft under operating leases, are recorded equally over the lease terms.

#### (u) Maintenance reserve

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

#### (v) Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

#### (w) Treasury shares

When shares are reacquired by the Company, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are subsequently sold or reissued pursuant to equity compensation plans, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised in the capital reserve. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

## 2 Summary of Significant Accounting Policies (continued)

### (x) Frequent flyer programme

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

### (y) Taxation

#### (i) Current income tax

Tax recoverable and tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current income taxes are recognised in the profit and loss account except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### (ii) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiary, associated and joint venture companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiary, associated and joint venture companies, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 2 Summary of Significant Accounting Policies (continued)

#### (y) Taxation (continued)

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

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

##### (iii) Indirect Taxes

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

- Where the indirect tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the indirect tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of indirect tax included.

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

#### (z) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue is principally earned from the carriage of passengers, cargo and mail, engineering services, training of pilots, air charters and tour wholesaling and related activities. Revenue for the Group excludes dividends from subsidiary companies and intra-group transactions.

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

## 2 Summary of Significant Accounting Policies (continued)

### (z) Revenue (continued)

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

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

### (aa) Income from investments

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

Interest income from investments and fixed deposits is recognised using the effective interest method.

### (ab) Employee benefits

#### (i) Equity compensation plans

Employees of the Group receive remuneration in the form of share options and share awards as consideration for services rendered.

The Group has in place, the Singapore Airlines Limited Employee Share Option Plan and the SIA Engineering Company Limited Employee Share Option Plan for granting of share options to senior executives and all other employees. The exercise price approximates the market value of the shares at the date of grant.

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

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

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

This cost is recognised in the profit and loss account as share-based compensation expense, with a corresponding increase in the share-based compensation reserve, over the vesting period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the profit and loss account, with a corresponding adjustment to the share-based compensation reserve over the remaining vesting period.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 2 Summary of Significant Accounting Policies (continued)

#### (ab) Employee benefits (continued)

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

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

The share-based compensation reserve is transferred to general reserve upon cancellation or expiry of the vested options or awards. When the options are exercised or awards are released, the share-based compensation reserve is transferred to share capital if new shares are issued.

##### (ii) Defined contribution plans

As required by law, the companies in Singapore make contributions to the Central Provident Fund scheme in Singapore, a defined contribution scheme. Certain of the Group's subsidiary companies and overseas stations outside Singapore make contributions to their respective countries' pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed.

#### (ac) Aircraft maintenance and overhaul costs

The Group recognises aircraft maintenance and overhaul expenses (except heavy maintenance visits, engine overhaul and landing gear overhaul expenses) on an incurred basis. For engine overhaul costs covered by power-by-hour third-party maintenance agreements, a portion of the cost is expensed at a fixed rate per hour during the terms of the agreements.

#### (ad) Training and development costs

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

#### (ae) Borrowing costs

Borrowing costs incurred to finance advance and progress payments for aircraft are capitalised as part of advance and progress payments until the aircraft are commissioned for operation or the projects are completed. All other borrowing costs are recognised as finance charges in the period in which they are incurred.

#### (af) Claims and liquidated damages

Claims for liquidated damages, in relation to a loss of income, are recognised in the profit and loss account when a contractual entitlement exists, the amount can be reliably measured and receipt is virtually certain. When the claims do not relate to a compensation for loss of income, the amounts are taken to the statement of financial position as deferred credit, included under deferred account, as a reduction to the cost of the assets when the assets are capitalised and also for future reduction of operating lease expenses.

#### (ag) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts, foreign currency option contracts, cross currency swap contracts, interest rate swap contracts, interest rate cap contracts, jet fuel option contracts, jet fuel swap contracts and jet fuel collar 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.

## 2 Summary of Significant Accounting Policies (continued)

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

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

The Group also sets aside USD deposits to match forecast capital expenditure requirements. To create a USD-denominated asset in the statement of financial position to match against the expected USD liability for capital expenditure, the Group accumulates USD over a period of 10 months in advance of forecast aircraft payments. The exchange gains and losses of the USD held would be recognised in the carrying value of the aircraft.

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

Derivatives are classified as fair value through profit or loss unless they qualify for hedge accounting. Hedges which meet the criteria for hedge accounting are accounted for as cash flow hedges.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the fair value reserve [Note 16(d)], while the ineffective portion is recognised in the profit and loss account.

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

### (ah) Segment reporting

#### (i) Business segment

For management purposes, the Group is organised into operating segments based on the nature of the services provided which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 4, including the factors used to identify the reportable segments and the measurement basis of segment information. The significant business segments of the Group are airline operations, engineering services and cargo operations.

#### (ii) Geographical segment

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

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



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 3 Significant Accounting Estimates

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

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

#### (a) Impairment of property, plant and equipment – aircraft fleet

Impairment is recognised when events and circumstances indicate that the aircraft may be impaired and the carrying amounts of the aircraft exceed the recoverable amounts. Recoverable amount is defined as the higher of an aircraft's fair value less costs to sell and its value-in-use. The fair value less costs to sell computation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. In determining the recoverable amounts of the aircraft, certain estimates regarding the current fair market value of the aircraft are made. The current fair market value is determined based on desktop valuations from an independent appraisal for fleet with similar operational lives. When value-in-use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by the management covering a specified period.

#### (b) Depreciation of property, plant and equipment – aircraft fleet

Aircraft are depreciated on a straight-line basis at rates which are calculated to write down their cost to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of the fleet are made by the Group based on past experience and these are in line with the industry. The operational lives and residual values are reviewed on an annual basis. The carrying amount of the Group's and the Company's aircraft fleet at 31 March 2013 was \$10,546.1 million (2012: \$11,024.2 million) and \$8,553.9 million (2012: \$8,985.5 million) respectively.

During the year, the Group reduced the estimated useful lives and residual values for certain aircraft pursuant to the sale of these aircraft. Consequently, an additional depreciation expense of \$30.0 million (2011-12: \$69.3 million) was charged to the profit and loss account.

#### (c) Passenger revenue recognition

Passenger sales are recognised as operating revenue when the transportation is provided. The value of unused tickets is included as sales in advance of carriage on the statement of financial position and recognised as revenue at the end of two years. This is estimated based on historical trends and experiences of the Group whereby ticket uplift occurs mainly within the first two years. The carrying amount of the Group's and the Company's sales in advance of carriage at 31 March 2013 was \$1,434.3 million (2012: \$1,456.8 million) and \$1,367.7 million (2012: \$1,409.5 million) respectively.

#### (d) Frequent Flyer programme

The Company operates a frequent flyer programme called "KrisFlyer" that provides travel awards to programme members based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is deferred until they are utilised. The deferment of the revenue is estimated based on historical trends of breakage and redemption, which is then used to project the expected utilisation of these benefits. Any remaining unutilised benefits are recognised as revenue upon expiry. The carrying amount of the Group's and the Company's deferred revenue at 31 March 2013 was \$532.5 million (2012: \$497.0 million).

### 3 Significant Accounting Estimates (continued)

#### (e) Aircraft maintenance and overhaul expenditure under power-by-hour agreements

The Group has entered into several power-by-hour ("PBH") engine maintenance agreements with engine original equipment manufacturers. The monthly payments are based on the number of flying hours flown. A portion of the cost is expensed at a fixed rate per hour during the term of the PBH agreement. The remaining payments made are recorded as an advance payment, to the extent that it is to be utilised through future maintenance activities, if any, or capitalised upon completion of an overhaul.

The proportion of the amount to be expensed off and capitalised is determined based on the best estimate as if the engine maintenance and overhaul costs are accounted for under the time and material basis. The carrying amount of the advance payment relating to PBH agreements for the Group and the Company at 31 March 2013 was \$549.3 million (2012: \$684.3 million) and \$493.7 million (2012: \$634.3 million) respectively. The maintenance and repair costs covered by PBH agreements which are expensed off during the year amounted to \$47.7 million (2011-12: \$38.0 million) for the Group and \$45.2 million (2011-12: \$35.8 million) for the Company.

#### (f) Income taxes

The Group is subjected to income taxes in numerous jurisdictions. Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's current tax payable and deferred taxation at 31 March 2013 was \$160.1 million (2012: \$244.4 million) and \$1,951.3 million (2012: \$2,029.1 million) respectively. The carrying amounts of the Company's current tax payable and deferred taxation at 31 March 2013 was \$130.2 million (2012: \$186.0 million) and \$1,621.3 million (2012: \$1,694.8 million) respectively.

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

For management purposes, the Group is organised into business units based on the nature of the services provided, and has 4 reportable operating segments as follows:

- (i) The airline operations segment provides passenger air transportation.
- (ii) The engineering services segment is in the business of providing airframe maintenance and overhaul services, line maintenance, technical ground handling services and fleet management programme. It also manufactures aircraft cabin equipment, refurbishes aircraft galleys, provides technical and non-technical handling services and repair and overhaul of hydro-mechanical aircraft equipment.
- (iii) The cargo operations segment is involved in air cargo transportation and related activities.
- (iv) Other services provided by the Group, such as training of pilots, air charters and tour wholesaling, has been aggregated under the segment "Others".

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Business segments

The Group's business are organised and managed separately according to the nature of the services provided. The following table presents revenue and profit information regarding business segments for the financial years ended 31 March 2013 and 2012 and certain assets and liabilities information of the business segments as at those dates.

|                                                                  | Airline<br>operations<br>2012-13 |
|------------------------------------------------------------------|----------------------------------|
| <b>TOTAL REVENUE</b>                                             |                                  |
| External revenue                                                 | 12,169.3                         |
| Inter-segment revenue                                            | 1,243.3                          |
|                                                                  | 13,412.6                         |
| <b>RESULTS</b>                                                   |                                  |
| Segment result                                                   | 262.0                            |
| Finance charges                                                  | (35.2)                           |
| Interest income                                                  | 62.2                             |
| Surplus/(Loss) on disposal of aircraft, spares and spare engines | 56.3                             |
| Dividends from long-term investments                             | 10.3                             |
| Other non-operating items                                        | (5.8)                            |
| Share of profits of joint venture companies                      | -                                |
| Share of (losses)/profits of associated companies                | (1.9)                            |
| Exceptional items                                                | -                                |
| Taxation                                                         | (32.4)                           |
| Profit/(Loss) for the financial year                             | 315.5                            |
| Attributable to:                                                 |                                  |
| Owners of the Parent                                             |                                  |
| Non-controlling interests                                        |                                  |

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

| Engineering<br>services<br>2012-13 | Cargo<br>operations<br>2012-13 | Others<br>2012-13 | Total of<br>segments<br>2012-13 | Elimination*<br>2012-13 | Consolidated<br>2012-13 |
|------------------------------------|--------------------------------|-------------------|---------------------------------|-------------------------|-------------------------|
| 470.9                              | 2,415.3                        | 42.7              | 15,098.2                        | -                       | 15,098.2                |
| 675.8                              | 4.3                            | 83.8              | 2,007.2                         | (2,007.2)               | -                       |
| 1,146.7                            | 2,419.6                        | 126.5             | 17,105.4                        | (2,007.2)               | 15,098.2                |
| 128.1                              | (167.0)                        | 4.6               | 227.7                           | 1.5                     | 229.2                   |
| (0.1)                              | (9.4)                          | -                 | (44.7)                          | 2.0                     | (42.7)                  |
| 1.4                                | 0.8                            | 0.2               | 64.6                            | (2.1)                   | 62.5                    |
| -                                  | -                              | (0.3)             | 56.0                            | -                       | 56.0                    |
| 17.0                               | -                              | -                 | 27.3                            | -                       | 27.3                    |
| 0.5                                | (5.4)                          | 8.3               | (2.4)                           | 14.3                    | 11.9                    |
| 96.2                               | -                              | -                 | 96.2                            | -                       | 96.2                    |
| 63.0                               | 0.4                            | -                 | 61.5                            | -                       | 61.5                    |
| -                                  | (19.9)                         | -                 | (19.9)                          | -                       | (19.9)                  |
| (31.9)                             | 26.2                           | (2.3)             | (40.4)                          | -                       | (40.4)                  |
| 274.2                              | (174.3)                        | 10.5              | 425.9                           | 15.7                    | 441.6                   |
|                                    |                                |                   |                                 |                         | 378.9                   |
|                                    |                                |                   |                                 |                         | 62.7                    |
|                                    |                                |                   |                                 |                         | 441.6                   |

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

#### Business segments (continued)

|                                                                  | Airline<br>operations<br>2011-12 |
|------------------------------------------------------------------|----------------------------------|
| <b>TOTAL REVENUE</b>                                             |                                  |
| External revenue                                                 | 11,582.3                         |
| Inter-segment revenue                                            | 1,234.9                          |
|                                                                  | 12,817.2                         |
| <b>RESULTS</b>                                                   |                                  |
| Segment result                                                   | 279.1                            |
| Finance charges                                                  | (65.9)                           |
| Interest income                                                  | 50.1                             |
| (Loss)/Surplus on disposal of aircraft, spares and spare engines | (28.9)                           |
| Dividends from long-term investments                             | 4.4                              |
| Other non-operating items                                        | (13.4)                           |
| Share of profits of joint venture companies                      | -                                |
| Share of (losses)/profits of associated companies                | (29.3)                           |
| Exceptional items                                                | (4.1)                            |
| Taxation                                                         | (45.2)                           |
| Profit/(Loss) for the financial year                             | 146.8                            |
| Attributable to:                                                 |                                  |
| Owners of the Parent                                             |                                  |
| Non-controlling interests                                        |                                  |

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

| Engineering<br>services<br>2011-12 | Cargo<br>operations<br>2011-12 | Others<br>2011-12 | Total of<br>segments<br>2011-12 | Elimination*<br>2011-12 | Consolidated<br>2011-12 |
|------------------------------------|--------------------------------|-------------------|---------------------------------|-------------------------|-------------------------|
| 551.5                              | 2,673.6                        | 50.4              | 14,857.8                        | -                       | 14,857.8                |
| 618.4                              | 5.9                            | 79.2              | 1,938.4                         | (1,938.4)               | -                       |
| 1,169.9                            | 2,679.5                        | 129.6             | 16,796.2                        | (1,938.4)               | 14,857.8                |
| 129.6                              | (119.3)                        | (0.4)             | 289.0                           | (3.1)                   | 285.9                   |
| -                                  | (12.3)                         | -                 | (78.2)                          | 3.9                     | (74.3)                  |
| 1.5                                | 1.5                            | 0.3               | 53.4                            | (2.9)                   | 50.5                    |
| -                                  | -                              | (2.7)             | (31.6)                          | 30.2                    | (1.4)                   |
| 13.6                               | -                              | -                 | 18.0                            | -                       | 18.0                    |
| 1.5                                | (2.9)                          | (0.2)             | (15.0)                          | 63.8                    | 48.8                    |
| 74.7                               | -                              | -                 | 74.7                            | -                       | 74.7                    |
| 82.2                               | (1.5)                          | -                 | 51.4                            | -                       | 51.4                    |
| -                                  | (1.3)                          | -                 | (5.4)                           | -                       | (5.4)                   |
| (31.1)                             | 26.1                           | (1.2)             | (51.4)                          | -                       | (51.4)                  |
| 272.0                              | (109.7)                        | (4.2)             | 304.9                           | 91.9                    | 396.8                   |
|                                    |                                |                   |                                 |                         | 335.9                   |
|                                    |                                |                   |                                 |                         | 60.9                    |
|                                    |                                |                   |                                 |                         | 396.8                   |



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

#### Business segments (continued)

|                                                                                                                           | Airline<br>operations<br>2013 |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| <b>OTHER INFORMATION AS AT 31 MARCH</b>                                                                                   |                               |
| Segment assets                                                                                                            | 19,216.1                      |
| Investments in and loans to associated and joint venture companies                                                        | 230.6                         |
| Long-term investments                                                                                                     | 628.7                         |
| Accrued interest receivable                                                                                               | 12.6                          |
| Total assets                                                                                                              | 20,088.0                      |
| Segment liabilities                                                                                                       | 4,830.2                       |
| Long-term liabilities                                                                                                     | 3.9                           |
| Provisions                                                                                                                | 468.7                         |
| Finance lease commitments                                                                                                 | -                             |
| Loans                                                                                                                     | -                             |
| Notes payable                                                                                                             | 800.0                         |
| Accrued interest payable                                                                                                  | 7.1                           |
| Tax liabilities                                                                                                           | 1,840.4                       |
| Total liabilities                                                                                                         | 7,950.3                       |
| Capital expenditure                                                                                                       | 1,790.6                       |
| Purchase of intangible assets                                                                                             | 69.3                          |
| Depreciation                                                                                                              | 1,352.3                       |
| Impairment of property, plant and equipment                                                                               | 7.0                           |
| Amortisation of intangible assets                                                                                         | 19.3                          |
| Non-cash items other than depreciation, impairment of property, plant and equipment and amortisation of intangible assets | 38.4                          |

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

| Engineering<br>services<br>2013 | Cargo<br>operations<br>2013 | Others<br>2013 | Total of<br>segments<br>2013 | Elimination*<br>2013 | Consolidated<br>2013 |
|---------------------------------|-----------------------------|----------------|------------------------------|----------------------|----------------------|
| 1,191.1                         | 1,935.3                     | 193.8          | 22,536.3                     | (1,503.1)            | 21,033.2             |
| 427.0                           | 17.6                        | -              | 675.2                        | -                    | 675.2                |
| 14.6                            | 63.6                        | -              | 706.9                        | -                    | 706.9                |
| -                               | -                           | 0.2            | 12.8                         | -                    | 12.8                 |
| 1,632.7                         | 2,016.5                     | 194.0          | 23,931.2                     | (1,503.1)            | 22,428.1             |
| 248.4                           | 255.6                       | 50.5           | 5,384.7                      | (5.2)                | 5,379.5              |
| -                               | -                           | -              | 3.9                          | -                    | 3.9                  |
| 0.2                             | 24.7                        | -              | 493.6                        | -                    | 493.6                |
| -                               | 208.4                       | -              | 208.4                        | -                    | 208.4                |
| 5.7                             | -                           | -              | 5.7                          | -                    | 5.7                  |
| -                               | -                           | -              | 800.0                        | -                    | 800.0                |
| -                               | 1.2                         | -              | 8.3                          | -                    | 8.3                  |
| 49.2                            | 217.3                       | 4.2            | 2,111.1                      | 0.3                  | 2,111.4              |
| 303.5                           | 707.2                       | 54.7           | 9,015.7                      | (4.9)                | 9,010.8              |
| 31.8                            | 51.6                        | 1.4            | 1,875.4                      | -                    | 1,875.4              |
| 13.7                            | 0.5                         | 0.1            | 83.6                         | -                    | 83.6                 |
| 33.2                            | 194.0                       | 6.7            | 1,586.2                      | 2.9                  | 1,589.1              |
| -                               | -                           | 2.8            | 9.8                          | -                    | 9.8                  |
| 1.7                             | 1.3                         | 0.4            | 22.7                         | -                    | 22.7                 |
| (0.8)                           | (0.8)                       | 0.9            | 37.7                         | -                    | 37.7                 |

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

#### Business segments (continued)

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

#### Geographical segments

The following table presents revenue information on airline operations by geographical areas for the financial years ended 31 March 2013 and 2012.

|                                               | By area of original sale |          |
|-----------------------------------------------|--------------------------|----------|
|                                               | 2012-13                  | 2011-12  |
| East Asia                                     | 4,962.9                  | 4,754.1  |
| Europe                                        | 1,352.9                  | 1,411.3  |
| South West Pacific                            | 1,628.9                  | 1,556.6  |
| Americas                                      | 760.1                    | 747.8    |
| West Asia and Africa                          | 436.5                    | 461.0    |
| Systemwide                                    | 9,141.3                  | 8,930.8  |
| Non-scheduled services and incidental revenue | 4,271.3                  | 3,886.4  |
|                                               | 13,412.6                 | 12,817.2 |

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

|                                     | The Group |         |
|-------------------------------------|-----------|---------|
|                                     | 2012-13   | 2011-12 |
| Salary, bonuses and other costs     | 2,181.5   | 2,026.2 |
| CPF and other defined contributions | 166.4     | 150.1   |
| Share-based compensation expense    | 5.4       | 18.1    |
|                                     | 2,353.3   | 2,194.4 |

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 \$28.6 million for 2012-13 (2011-12 : \$25.9 million). As these are not material to the total staff costs of the Group for 2012-13 and 2011-12, additional disclosures of these defined benefit plans are not shown.

**5 Staff Costs (in \$ million) (continued)**Share-based compensation expense

The Company has in place the Singapore Airlines Limited Employee Share Option Plan ("ESOP"), Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") and the amounts recognised in the profit and loss account for share-based compensation transactions with employees are as follows:

|                              | <b>The Group</b> |                |
|------------------------------|------------------|----------------|
|                              | <b>2012-13</b>   | <b>2011-12</b> |
| Employee share option scheme | 0.2              | 1.2            |
| Restricted share plan        | 3.4              | 14.8           |
| Performance share plan       | 1.8              | 2.1            |
|                              | <b>5.4</b>       | <b>18.1</b>    |

Details of the plans are described in the following paragraphs:

**Share option plans**

The ESOP which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, were approved by shareholders on 8 March 2000 and modified at the Extraordinary General Meetings of the Company held on 14 July 2001, 26 July 2003 and 31 July 2009.

Options were granted for a term no longer than 10 years from the date of grant. The exercise price of the options was the average of the closing prices of the Company's ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant.

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

Under the Senior Executive Share Option Scheme, options vest:

- (a) one year after the date of grant for 25% of the ordinary shares subject to the options;
- (b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
- (c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
- (d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

There are no cash settlement alternatives.



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

Share-based compensation expense (continued)

#### Share option plans (continued)

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices of, and movements in, the ESOP during the financial year:

|                         | 2012-13           |                                 | 2011-12           |                                 |
|-------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                         | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at 1 April      | 37,139,973        | \$11.77                         | 43,213,533        | \$12.25                         |
| Cancelled               | (1,695,988)       | \$11.49                         | (859,445)         | \$11.19                         |
| Exercised               | (1,712,015)       | \$9.14                          | (5,214,115)       | \$9.95                          |
| Balance at 31 March     | 33,731,970        | \$11.92                         | 37,139,973        | \$11.77                         |
| Exercisable at 31 March | 33,731,970        | \$11.92                         | 35,865,297        | \$11.76                         |

The range of exercise prices for options outstanding at the end of the year is \$7.33 to \$15.71 (2011-12: \$7.33 to \$15.71).

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

The weighted average share price for options exercised during the year was \$10.68 (2011-12: \$11.90). The weighted average remaining contractual life for these options is 3.79 years (2011-12: 4.54 years).

Terms of share options outstanding as at 31 March 2013:

| Exercisable period   | Exercise price | Number outstanding | Number exercisable |
|----------------------|----------------|--------------------|--------------------|
| 1.7.2004 - 30.6.2013 | \$7.33         | 122,369            | 122,369            |
| 1.7.2005 - 30.6.2013 | \$7.33         | 481,767            | 481,767            |
| 1.7.2006 - 30.6.2013 | \$7.33         | 147,561            | 147,561            |
| 1.7.2007 - 30.6.2013 | \$7.33         | 268,754            | 268,754            |
| 1.7.2005 - 30.6.2014 | \$7.69         | 276,080            | 276,080            |
| 1.7.2006 - 30.6.2014 | \$7.69         | 926,856            | 926,856            |
| 1.7.2007 - 30.6.2014 | \$7.69         | 441,591            | 441,591            |
| 1.7.2008 - 30.6.2014 | \$7.69         | 592,122            | 592,122            |
| 1.7.2006 - 30.6.2015 | \$8.27         | 475,621            | 475,621            |
| 1.7.2007 - 30.6.2015 | \$8.27         | 2,200,908          | 2,200,908          |
| 1.7.2008 - 30.6.2015 | \$8.27         | 776,556            | 776,556            |
| 1.7.2009 - 30.6.2015 | \$8.27         | 809,848            | 809,848            |

**5 Staff Costs (in \$ million) (continued)**

Share-based compensation expense (continued)

**Share option plans (continued)**

| Exercisable period                  | Exercise price | Number outstanding      | Number exercisable |
|-------------------------------------|----------------|-------------------------|--------------------|
| 3.7.2007 - 2.7.2016                 | \$9.59         | 624,117                 | 624,117            |
| 3.7.2008 - 2.7.2016                 | \$9.59         | 3,727,335               | 3,727,335          |
| 3.7.2009 - 2.7.2016                 | \$9.59         | 796,517                 | 796,517            |
| 3.7.2010 - 2.7.2016                 | \$9.59         | 865,495                 | 865,495            |
| 2.7.2008 - 1.7.2017                 | \$15.71        | 1,146,878               | 1,146,878          |
| 2.7.2009 - 1.7.2017                 | \$15.71        | 7,098,294               | 7,098,294          |
| 2.7.2010 - 1.7.2017                 | \$15.71        | 1,148,731               | 1,148,731          |
| 2.7.2011 - 1.7.2017                 | \$15.71        | 1,142,127               | 1,142,127          |
| 1.7.2009 - 30.6.2018                | \$12.32        | 1,052,436               | 1,052,436          |
| 1.7.2010 - 30.6.2018                | \$12.32        | 6,127,091               | 6,127,091          |
| 1.7.2011 - 30.6.2018                | \$12.32        | 1,218,454               | 1,218,454          |
| 1.7.2012 - 30.6.2018                | \$12.32        | 1,264,462               | 1,264,462          |
| Total number of options outstanding |                | 33,731,970 <sup>@</sup> | 33,731,970         |

<sup>@</sup> The total number of options outstanding includes:

- (a) 5,741,871 (2012: 5,255,057) share options not exercised by employees who have retired or ceased to be employed by the Company or any of the subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Board Compensation & Industrial Relations Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of five years from the date of retirement or cessation of employment, whichever is earlier; and
- (b) 37,792 (2012: 92,982) share options not exercised by employees who have completed their fixed term contracts during the financial year. The said options, if unvested, shall immediately vest and be exercisable from the date of cessation of employment to the date falling one year from the date of cessation of employment.

Details and terms of the share options granted by SIAEC have been disclosed in the Annual Report of SIAEC.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

Share-based compensation expense (continued)

#### Share-based incentive plans

RSP and PSP are share-based incentive plans for senior executives and key senior management, which were approved by the shareholders of the Company on 28 July 2005.

The details of the two plans are described below:

|                               | RSP                                                                                                                                                                                                                 | PSP                                                                                                                                                                                                       |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Plan Description</b>       | 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. |
| <b>Performance Conditions</b> | At both Company and Group level <ul style="list-style-type: none"> <li>• EBITDAR* Margin</li> <li>• Value Added per \$ Employment Cost</li> </ul>                                                                   | <ul style="list-style-type: none"> <li>• Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE)</li> <li>• Relative TSR against selected airline peer index companies</li> </ul>         |
| <b>Vesting Condition</b>      | Based on meeting stated performance conditions over a two-year performance period, 50% of award will vest. Balance will vest equally over the subsequent two years with fulfillment of service requirements.        | Vesting based on meeting stated performance conditions over a three-year performance period.                                                                                                              |
| <b>Payout</b>                 | 0% - 150% depending on the achievement of pre-set performance targets over the performance period.                                                                                                                  | 0% - 200% depending on the achievement of pre-set performance targets over the performance period.                                                                                                        |

\* EBITDAR denotes Earnings before Interest, Taxes, Depreciation, Amortisation and Rentals on leased aircraft.

**5 Staff Costs (in \$ million) (continued)**

Share-based compensation expense (continued)

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

Movement of share awards during the financial year

| Date of grant | Number of Restricted Shares           |             |           |           | Balance at 31.03.2013 |
|---------------|---------------------------------------|-------------|-----------|-----------|-----------------------|
|               | Balance at 1.4.2012/<br>date of grant | Adjustment* | Vested    | Cancelled |                       |
| <b>RSP</b>    |                                       |             |           |           |                       |
| 01.07.2008    | 91,553                                | -           | (91,553)  | -         | -                     |
| 29.07.2009    | 222,401                               | -           | (115,252) | (2,017)   | 105,132               |
| 22.07.2010    | 547,027                               | (59,807)    | (265,110) | (2,720)   | 219,390               |
| 01.07.2011    | 573,268                               | -           | -         | (17,729)  | 555,539               |
| 10.07.2012    | 584,103                               | -           | -         | (3,780)   | 580,323               |
|               | 2,018,352                             | (59,807)    | (471,915) | (26,246)  | 1,460,384             |

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

| Date of grant | Number of Performance Shares          |             |           |           | Balance at 31.03.2013 |
|---------------|---------------------------------------|-------------|-----------|-----------|-----------------------|
|               | Balance at 1.4.2012/<br>date of grant | Adjustment* | Vested    | Cancelled |                       |
| <b>PSP</b>    |                                       |             |           |           |                       |
| 29.07.2009    | 205,222                               | (15,342)    | (189,880) | -         | -                     |
| 22.07.2010    | 164,590                               | -           | -         | (8,473)   | 156,117               |
| 01.07.2011    | 153,999                               | -           | -         | -         | 153,999               |
| 10.07.2012    | 181,213                               | -           | -         | -         | 181,213               |
|               | 705,024                               | (15,342)    | (189,880) | (8,473)   | 491,329               |

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

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

Share-based compensation expense (continued)

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

Fair value of share awards granted

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

The following table lists the key inputs to the model used for the July 2012 and July 2011 awards:

|                                   | <b>July 2012 Award</b>                             |            | <b>July 2011 Award</b> |            |
|-----------------------------------|----------------------------------------------------|------------|------------------------|------------|
|                                   | <b>RSP</b>                                         | <b>PSP</b> | <b>RSP</b>             | <b>PSP</b> |
| Expected dividend yield (%)       | Management's forecast in line with dividend policy |            |                        |            |
| Expected volatility (%)           | 21.51 – 27.43                                      | 21.51      | 17.89 – 27.50          | 27.50      |
| Risk-free interest rate (%)       | 0.17 – 0.25                                        | 0.23       | 0.42 – 0.75            | 0.52       |
| Expected term (years)             | 2.0 – 4.0                                          | 3.0        | 2.0 – 4.0              | 3.0        |
| Share price at date of grant (\$) | 10.55                                              | 10.55      | 14.20                  | 14.20      |

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

Based on the Monte Carlo simulation model, the estimated fair value at date of grant for each share granted under the RSP ranges from \$8.86 to \$9.69 (2012: \$11.47 to \$12.45) and the estimated fair value at date of grant for each share granted under the PSP is \$9.35 (2012: \$12.75).

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

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

Under the PSP, eligible key senior management are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

**5 Staff Costs (in \$ million) (continued)**Share-based compensation expense (continued)**Share-based incentive plans (continued)**Fair value of share awards granted (continued)

The number of contingent shares granted but not released as at 31 March 2013, were 1,460,384 (2012: 1,434,249) and 491,329 (2012: 523,811) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 2,028,315 (2012: 1,994,397) and 982,658 (2012: 1,047,622) fully-paid ordinary shares of the Company, for RSP and PSP respectively.

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

Time-based RSP

In FY2010-11, the Board Compensation & Industrial Relations Committee approved a special time-based RSP awarded to senior management. This one-off grant of time-based RSP shares will be issued on the vesting dates.

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

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

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

Movement of time-based share awards during the financial year

| <u>Date of grant</u>         | <b>Number of Time-based Restricted Shares</b> |               |                                  |
|------------------------------|-----------------------------------------------|---------------|----------------------------------|
|                              | <b>Balance at<br/>1.4.2012</b>                | <b>Vested</b> | <b>Balance at<br/>31.03.2013</b> |
| <b><u>Time-based RSP</u></b> |                                               |               |                                  |
| 07.05.2010                   | 444,846                                       | (5,295)       | 439,551                          |
|                              | 444,846                                       | (5,295)       | 439,551                          |

The number of time-based restricted shares granted but not released as at 31 March 2013 was 439,551 (2012: 444,846).

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 6 Operating Profit (in \$ million)

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

|                                                                                   | The Group |         |
|-----------------------------------------------------------------------------------|-----------|---------|
|                                                                                   | 2012-13   | 2011-12 |
| Interest income from short-term investments                                       | (0.7)     | (0.7)   |
| Dividend income from short-term investments                                       | (1.0)     | (0.9)   |
| Loss on disposal of short-term investments                                        | 1.1       | 0.3     |
| Income from operating lease of aircraft                                           | (92.2)    | (116.8) |
| Amortisation of deferred loss/(gain) on sale and operating leaseback transactions | 3.3       | (18.3)  |
| Bad debts written off                                                             | 0.5       | 1.3     |
| Write-back of impairment of trade debtors                                         | (8.8)     | (0.2)   |
| Remuneration for auditors of the Company                                          |           |         |
| Audit fees                                                                        | 1.5       | 1.5     |
| Non-audit fees                                                                    | 0.5       | 0.7     |
| Exchange loss, net                                                                | 82.5      | 36.6    |
| Currency hedging (gain)/loss                                                      | (29.4)    | 56.2    |
| Fuel hedging gain recognised in "Fuel costs"                                      | (33.8)    | (24.0)  |

### 7 Finance Charges (in \$ million)

|                                                                                                | The Group |         |
|------------------------------------------------------------------------------------------------|-----------|---------|
|                                                                                                | 2012-13   | 2011-12 |
| Notes payable                                                                                  | 22.5      | 49.4    |
| Other receivables measured at amortised cost                                                   | 10.1      | 10.1    |
| Finance lease commitments                                                                      | 6.1       | 8.0     |
| Realised loss on interest rate swap contracts accounted as cash flow hedges                    | 4.6       | 5.9     |
| Fair value gain on interest rate swap contracts accounted as fair value through profit or loss | (1.2)     | (1.6)   |
| Commitment fees                                                                                | 0.6       | 2.5     |
|                                                                                                | 42.7      | 74.3    |

### 8 Interest Income (in \$ million)

|                                                     | The Group |         |
|-----------------------------------------------------|-----------|---------|
|                                                     | 2012-13   | 2011-12 |
| Interest income from fixed deposits and investments | 40.1      | 32.4    |
| Amortised interest income from other receivables    | 12.7      | 6.1     |
| Others                                              | 9.7       | 12.0    |
|                                                     | 62.5      | 50.5    |

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

|                                                            | The Group |         |
|------------------------------------------------------------|-----------|---------|
|                                                            | 2012-13   | 2011-12 |
| Gain on disposal of an associated company                  | 8.3       | -       |
| Dividends from an associated company                       | 2.7       | 4.9     |
| Surplus on disposal of other property, plant and equipment | 0.6       | 1.8     |
| Liquidated damages                                         | 0.3       | (0.4)   |
| Return of capital by an associated company                 | -         | 48.1    |
| Provision for impairment in an associated company          | -         | (5.6)   |
|                                                            | 11.9      | 48.8    |



**10 Exceptional Items (in \$ million)**

During the financial year, the Group's exceptional items pertained to provision for penalties and costs agreed between Singapore Airlines Cargo ("SIA Cargo") and the Australian Competition and Consumer Commission for an amount of AUD12.2 million (\$15.5 million) and the New Zealand Commerce Commission for an amount of NZD4.4 million (\$4.4 million). The penalties and costs were recommended by the parties and endorsed by the respective Courts, bringing the Commissions' air cargo investigations and proceedings in Australia and New Zealand to a close for SIA Cargo.

During the previous financial year, the Company and SIA Cargo accepted a settlement offer from the plaintiffs in the Canadian air cargo class actions to resolve all such actions on an agreed basis for an amount of CAD1.05 million (\$1.3 million). The settlement is without admission of any wrongdoing or liability and has been approved by the relevant courts in Canada and is final.

With regard to an investigation conducted by the South African Competition Commission ("SACC") concerning price-fixing on certain routes, a settlement agreement was reached which included an administrative penalty of ZAR25 million (\$4.1 million). The Competition Tribunal confirmed the settlement agreement between the Company and the SACC and the Company has paid the agreed upon administrative penalty during the financial year.

**11 Taxation (in \$ million)**Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2013 and 2012 are:

|                                            | <b>The Group</b> |                |
|--------------------------------------------|------------------|----------------|
|                                            | <b>2012-13</b>   | <b>2011-12</b> |
| <u>Current taxation</u>                    |                  |                |
| Provision for the year                     | 122.3            | 199.2          |
| Overprovision in respect of prior years    | (6.8)            | (0.1)          |
| Share of joint venture companies' taxation | 1.3              | 1.2            |
| Share of associated companies' taxation    | 11.7             | 13.7           |
|                                            | <b>128.5</b>     | <b>214.0</b>   |
| <u>Deferred taxation</u>                   |                  |                |
| Movement in temporary differences          | (62.9)           | (139.5)        |
| Overprovision in respect of prior years    | (25.2)           | (23.1)         |
|                                            | <b>(88.1)</b>    | <b>(162.6)</b> |
|                                            | <b>40.4</b>      | <b>51.4</b>    |

Deferred taxation related to other comprehensive income:

|                                                                         | <b>The Group</b> |                |
|-------------------------------------------------------------------------|------------------|----------------|
|                                                                         | <b>2012-13</b>   | <b>2011-12</b> |
| Available-for-sale financial assets                                     | 1.1              | (0.4)          |
| Cash flow hedges                                                        | 1.5              | 11.0           |
| Share of comprehensive income of associated and joint venture companies | -                | 0.2            |
|                                                                         | <b>2.6</b>       | <b>10.8</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

The Group has tax losses (of which no deferred tax asset has been recognised) of approximately \$56.0 million (2012: \$53.8 million) that are available for offset against future taxable profits of the companies. This is due to the uncertainty of the recoverability of the deferred tax asset. The use of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

|                                                                  | The Group |         |
|------------------------------------------------------------------|-----------|---------|
|                                                                  | 2012-13   | 2011-12 |
| Profit before taxation                                           | 482.0     | 448.2   |
| Less: Share of profits of associated and joint venture companies | (157.7)   | (126.1) |
|                                                                  | 324.3     | 322.1   |
| Taxation at statutory corporate tax rate of 17.0%                | 55.1      | 54.8    |
| Adjustments                                                      |           |         |
| Income not subject to tax                                        | (29.4)    | (3.3)   |
| Expenses not deductible for tax purposes                         | 26.0      | 6.3     |
| Higher effective tax rates of other countries                    | 9.7       | 7.0     |
| Overprovision in respect of prior years, net                     | (32.0)    | (23.2)  |
| Income subject to concessionary tax rate                         | (1.0)     | (2.4)   |
| Tax benefit not recognised                                       | 0.7       | 1.9     |
| Share of associated and joint venture companies' tax             | 12.4      | 14.9    |
| Others                                                           | (1.1)     | (4.6)   |
| Taxation                                                         | 40.4      | 51.4    |

### 12 Earnings Per Share

|                                                                                                        | The Group |         |         |         |
|--------------------------------------------------------------------------------------------------------|-----------|---------|---------|---------|
|                                                                                                        | 2012-13   |         | 2011-12 |         |
|                                                                                                        | Basic     | Diluted | Basic   | Diluted |
| Profit attributable to owners of the Parent (in \$ million)                                            | 378.9     | 378.9   | 335.9   | 335.9   |
| Adjustment for dilutive potential ordinary shares of subsidiary companies (in \$ million)              | -         | (1.8)   | -       | (1.7)   |
| Adjusted net profit attributable to owners of the Parent (in \$ million)                               | 378.9     | 377.1   | 335.9   | 334.2   |
| Weighted average number of ordinary shares in issue (in million)                                       | 1,175.1   | 1,175.1 | 1,188.8 | 1,188.8 |
| Adjustment for dilutive potential ordinary shares (in million)                                         | -         | 6.1     | -       | 8.1     |
| Weighted average number of ordinary shares in issue used for computing earnings per share (in million) | 1,175.1   | 1,181.2 | 1,188.8 | 1,196.9 |
| Earnings per share (cents)                                                                             | 32.2      | 31.9    | 28.3    | 27.9    |

**12 Earnings Per Share (continued)**

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

For purposes of calculating diluted earnings per share, the profit attributable to owners of the Parent is adjusted to take into account effects of dilutive potential ordinary shares of subsidiary companies and the weighted average number of ordinary shares of the Company in issue is adjusted to take into account effects of dilutive options of the Company.

20.5 million (2011-12: 21.1 million) of the share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous years presented.

**13 Dividends Paid and Proposed (in \$ million)**

|                                                                                                                                                                    | The Group and the Company |         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------|
|                                                                                                                                                                    | 2012-13                   | 2011-12 |
| Dividends paid:                                                                                                                                                    |                           |         |
| Final dividend of 10.0 cents per share tax exempt (one-tier) in respect of 2011-12<br>(2011-12: 40.0 cents per share tax exempt [one-tier] in respect of 2010-11)  | 117.5                     | 479.7   |
| Special dividend of 80.0 cents per share tax exempt (one-tier) in respect of 2010-11                                                                               | -                         | 959.3   |
| Interim dividend of 6.0 cents per share tax exempt (one-tier) in respect of 2012-13<br>(2011-12: 10.0 cents per share tax exempt [one-tier] in respect of 2011-12) | 70.5                      | 118.2   |
|                                                                                                                                                                    | 188.0                     | 1,557.2 |

The directors propose that a final tax exempt (one-tier) dividend of 17.0 cents per share (2011-12: final tax exempt [one-tier] dividend of 10.0 cents per share) amounting to \$199.8 million (2011-12: \$117.5 million) be paid for the financial year ended 31 March 2013.

**14 Share Capital (in \$ million)**

|                                                                 | The Group and the Company |               |         |         |
|-----------------------------------------------------------------|---------------------------|---------------|---------|---------|
|                                                                 | Number of shares          |               | Amount  |         |
|                                                                 | 2013                      | 2012          | 2013    | 2012    |
| Issued and fully paid share capital                             |                           |               |         |         |
| Ordinary shares                                                 |                           |               |         |         |
| Balance at 1 April                                              | 1,199,851,018             | 1,197,928,580 | 1,856.1 | 1,832.4 |
| Share options exercised and share awards vested during the year | -                         | 1,922,438     | -       | 23.7    |
| Balance at 31 March                                             | 1,199,851,018             | 1,199,851,018 | 1,856.1 | 1,856.1 |
| Special share                                                   |                           |               |         |         |
| Balance at 1 April and 31 March                                 | 1                         | 1             | #       | #       |

\* The value is \$0.50

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

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

The Company's ability to operate its existing route network and flight frequency is derived solely from and dependent entirely on the Air Service Agreements ("ASAs") concluded between the Government of Singapore and the governments of other countries. ASAs are therefore critical to the Company's operations. In almost all the ASAs, it is a condition that the Company must at all times be "effectively controlled" and "substantially owned" by Singapore nationals for the tenure of the respective ASAs.

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

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

During the financial year, the Company did not issue any shares (2011-12: 1,922,438) upon exercise of options granted under the ESOP. Neither were shares (2011-12: nil) issued for RSP and PSP.

### 15 Treasury Shares (in \$ million)

|                                                                 | <b>The Group and<br/>the Company</b> |             |
|-----------------------------------------------------------------|--------------------------------------|-------------|
|                                                                 | <b>31 March</b>                      |             |
|                                                                 | <b>2013</b>                          | <b>2012</b> |
| Balance at 1 April                                              | (258.4)                              | (43.0)      |
| Purchase of treasury shares                                     | (37.7)                               | (272.1)     |
| Treasury shares reissued pursuant to equity compensation plans: |                                      |             |
| - For cash on exercise of employee share options                | 15.6                                 | 32.2        |
| - Transferred from share-based compensation reserve             | 9.4                                  | 13.9        |
| - Loss on reissuance of treasury shares                         | 1.3                                  | 10.6        |
|                                                                 | 26.3                                 | 56.7        |
| Balance at 31 March                                             | (269.8)                              | (258.4)     |

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

During the financial year, the Company purchased 3,655,000 (2011-12: 24,213,000) of its ordinary shares by way of on-market purchases at share prices ranging from \$10.20 to \$10.77 (2011-12: \$10.16 to \$14.23). The total amount paid to purchase the shares was \$37.7 million (2011-12: \$272.1 million) and this is presented as a component within equity attributable to owners of the Parent.

The Company reissued 1,712,015 (2011-12: 3,291,677) treasury shares pursuant to its employee share option plans at a weighted average exercise price of \$9.14 (2012: \$9.84) each. In addition, 471,915 (2011-12: 550,777) shares, 189,880 (2011-12: 292,230) shares and 5,295 (2011-12: 58,570) shares were reissued pursuant to the RSP, PSP and time-based RSP respectively. The number of treasury shares as at 31 March 2013 was 24,355,389 (2012: 23,079,494).

Where the consideration paid by the Company for the purchase or acquisition of treasury shares is made out of revenue reserves, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

**16 Other Reserves (in \$ million)**

|                                      | <b>The Group<br/>31 March</b> |             | <b>The Company<br/>31 March</b> |             |
|--------------------------------------|-------------------------------|-------------|---------------------------------|-------------|
|                                      | <b>2013</b>                   | <b>2012</b> | <b>2013</b>                     | <b>2012</b> |
| Capital reserve                      | 110.3                         | 99.1        | (9.4)                           | (8.1)       |
| Foreign currency translation reserve | (191.8)                       | (186.3)     | -                               | -           |
| Share-based compensation reserve     | 151.7                         | 165.9       | 124.5                           | 133.7       |
| Fair value reserve                   | (27.1)                        | (47.6)      | 2.9                             | (9.8)       |
| General reserve                      | 11,475.3                      | 11,264.6    | 10,254.3                        | 11,133.4    |
|                                      | 11,518.4                      | 11,295.7    | 10,372.3                        | 11,249.2    |

**(a) Capital reserve**

Capital reserve mainly arises from the revaluation of land and buildings owned by RCMS Properties Private Limited, an associated company, and the gains or losses on the reissuance of treasury shares.

**(b) Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

**(c) Share-based compensation reserve**

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

**(d) Fair value reserve**

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

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

|                                                                                                                                 | <b>The Group<br/>31 March</b> |             | <b>The Company<br/>31 March</b> |             |
|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------|---------------------------------|-------------|
|                                                                                                                                 | <b>2013</b>                   | <b>2012</b> | <b>2013</b>                     | <b>2012</b> |
| Balance at 1 April                                                                                                              | 0.8                           | 3.0         | (0.3)                           | -           |
| Net gain/(loss) on fair value changes                                                                                           | 4.2                           | (2.2)       | 2.2                             | (0.3)       |
| Balance at 31 March                                                                                                             | 5.0                           | 0.8         | 1.9                             | (0.3)       |
| Gain/(Loss) on fair value changes<br>Recognised in the profit and loss account<br>on disposal of available-for-sale investments | 3.0                           | (2.4)       | 2.1                             | (0.3)       |
|                                                                                                                                 | 1.2                           | 0.2         | 0.1                             | -           |
|                                                                                                                                 | 4.2                           | (2.2)       | 2.2                             | (0.3)       |

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### 16 Other Reserves (in \$ million) (continued)

#### (d) Fair value reserve (continued)

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

|                                                                                                           | The Group<br>31 March |         | The Company<br>31 March |        |
|-----------------------------------------------------------------------------------------------------------|-----------------------|---------|-------------------------|--------|
|                                                                                                           | 2013                  | 2012    | 2013                    | 2012   |
| Balance at 1 April                                                                                        | (48.4)                | (141.0) | (9.5)                   | (94.2) |
| Net gain on fair value changes                                                                            | 16.3                  | 92.6    | 10.5                    | 84.7   |
| Balance at 31 March                                                                                       | (32.1)                | (48.4)  | 1.0                     | (9.5)  |
| Gain on fair value changes                                                                                | 55.5                  | 16.2    | 41.5                    | 14.9   |
| Share of associated companies' net (loss)/gain on fair value reserve                                      | (1.0)                 | 0.6     | -                       | -      |
| Recognised in the carrying value of non-financial assets on occurrence of capital expenditure commitments | 1.2                   | 35.9    | 1.2                     | 35.9   |
| Recognised in the profit and loss account on occurrence of:                                               |                       |         |                         |        |
| Fuel hedging contracts recognised in "Fuel costs"                                                         | (28.2)                | (19.9)  | (23.0)                  | (16.5) |
| Foreign currency contracts recognised in "Other operating expenses"                                       | (15.8)                | 53.9    | (9.2)                   | 50.4   |
| Interest rate swap contracts recognised in "Finance charges"                                              | 4.6                   | 5.9     | -                       | -      |
|                                                                                                           | 16.3                  | 92.6    | 10.5                    | 84.7   |
| Total fair value reserve                                                                                  | (27.1)                | (47.6)  | 2.9                     | (9.8)  |

#### (e) General reserve

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

### 17 Deferred Account (in \$ million)

|                                                         | The Group<br>31 March |        | The Company<br>31 March |        |
|---------------------------------------------------------|-----------------------|--------|-------------------------|--------|
|                                                         | 2013                  | 2012   | 2013                    | 2012   |
| Deferred gain/(loss) on sale and leaseback transactions |                       |        |                         |        |
| - operating leases                                      | 14.0                  | (39.7) | 21.3                    | (33.7) |
| - finance leases                                        | 10.1                  | 12.5   | -                       | -      |
|                                                         | 24.1                  | (27.2) | 21.3                    | (33.7) |
| Deferred credit                                         | 106.5                 | 199.9  | 106.5                   | 199.9  |
|                                                         | 130.6                 | 172.7  | 127.8                   | 166.2  |
| Presented as:                                           |                       |        |                         |        |
| - Non-current assets                                    | (16.1)                | (51.7) | -                       | (33.7) |
| - Non-current liabilities                               | 146.7                 | 224.4  | 127.8                   | 199.9  |
|                                                         | 130.6                 | 172.7  | 127.8                   | 166.2  |

## 18 Deferred Taxation (in \$ million)

|                                                                  | The Group                                   |         |                 |         | The Company                                 |         |
|------------------------------------------------------------------|---------------------------------------------|---------|-----------------|---------|---------------------------------------------|---------|
|                                                                  | Statement of financial position<br>31 March |         | Profit and loss |         | Statement of financial position<br>31 March |         |
|                                                                  | 2013                                        | 2012    | 2012-13         | 2011-12 | 2013                                        | 2012    |
| The deferred taxation arises as a result of:                     |                                             |         |                 |         |                                             |         |
| Deferred tax liabilities                                         |                                             |         |                 |         |                                             |         |
| Differences in depreciation                                      | 1,919.8                                     | 1,981.1 | (61.3)          | (161.1) | 1,575.0                                     | 1,638.4 |
| Revaluation of fuel hedging contracts to fair value              | 8.6                                         | 7.9     | -               | -       | 7.4                                         | 6.6     |
| Revaluation of currency hedging contracts to fair value          | 3.7                                         | 2.8     | -               | -       | 2.5                                         | 1.9     |
| Revaluation of available-for-sale financial assets to fair value | 1.3                                         | 0.3     | -               | -       | 0.6                                         | -       |
| Other temporary differences                                      | 90.9                                        | 113.0   | (22.1)          | 0.4     | 85.6                                        | 106.4   |
| Gross deferred tax liabilities                                   | 2,024.3                                     | 2,105.1 | (83.4)          | (160.7) | 1,671.1                                     | 1,753.3 |
| Deferred tax assets                                              |                                             |         |                 |         |                                             |         |
| Unabsorbed capital allowances and tax losses                     | (13.0)                                      | (7.8)   | (12.9)          | (6.9)   | -                                           | -       |
| Revaluation of fuel hedging contracts to fair value              | (1.1)                                       | (0.1)   | -               | -       | (0.9)                                       | (0.1)   |
| Revaluation of currency hedging contracts to fair value          | (3.2)                                       | (2.7)   | -               | -       | (2.7)                                       | (2.1)   |
| Revaluation of interest rate cap contracts to fair value         | (7.2)                                       | (8.6)   | -               | -       | (7.2)                                       | (8.6)   |
| Revaluation of available-for-sale financial assets to fair value | -                                           | (0.1)   | -               | -       | -                                           | (0.1)   |
| Other deferred tax assets                                        | (48.5)                                      | (56.7)  | 8.2             | 5.0     | (39.0)                                      | (47.6)  |
| Gross deferred tax assets                                        | (73.0)                                      | (76.0)  | (4.7)           | (1.9)   | (49.8)                                      | (58.5)  |
| Net deferred tax liabilities                                     | 1,951.3                                     | 2,029.1 |                 |         | 1,621.3                                     | 1,694.8 |
| Deferred tax credited to profit and loss                         |                                             |         | (88.1)          | (162.6) |                                             |         |
| Deferred tax charged to equity                                   | 2.6                                         | 10.6    |                 |         | 2.1                                         | 9.5     |



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

|                             | The Group<br>31 March |         | The Company<br>31 March |       |
|-----------------------------|-----------------------|---------|-------------------------|-------|
|                             | 2013                  | 2012    | 2013                    | 2012  |
| Notes payable               |                       |         |                         |       |
| Non-current                 | 800.0                 | 800.0   | 800.0                   | 800.0 |
| Loans                       |                       |         |                         |       |
| Current                     | 5.7                   | 2.4     | -                       | -     |
| Finance lease commitments   |                       |         |                         |       |
| Current                     | 67.8                  | 64.8    | -                       | -     |
| Non-current                 | 140.6                 | 210.6   | -                       | -     |
|                             | 208.4                 | 275.4   | -                       | -     |
| Maintenance reserve         |                       |         |                         |       |
| Current                     | 4.3                   | -       | 4.3                     | -     |
| Non-current                 | 3.9                   | 7.9     | 3.9                     | 7.9   |
|                             | 8.2                   | 7.9     | 8.2                     | 7.9   |
| Total long-term liabilities | 944.5                 | 1,018.5 | 803.9                   | 807.9 |

#### Notes payable

Notes payable at 31 March 2013 comprise unsecured notes and bonds issued by the Company.

\$500 million fixed rate notes due 2020 ("Series 001 Notes") bear fixed interest at 3.22% per annum and are repayable on 9 July 2020. The fair value of notes payable amounted to \$513.4 million as at 31 March 2013 (2012: \$504.2 million) for the Company.

\$300 million bonds bear fixed interest at 2.15% per annum and are repayable on 30 September 2015. The fair value of notes payable amounted to \$306.8 million as at 31 March 2013 (2012: \$301.3 million) for the Company.

#### Loans

The revolving credit facility denominated in USD taken by a subsidiary company is unsecured and bears a fixed interest at 2.30% (2011-12: 2.50%) per annum. The carrying amounts of the loans are reasonable approximation of their fair value due to their short-term nature.

#### Finance lease commitments

SIA Cargo holds 4 B747-400 freighters under finance leases, which mature between 2014 and 2018, without any options for renewal. 3 leases have options for SIA Cargo to purchase the aircraft at the end of the lease period of 12 years. The fourth lease has an option for SIA Cargo to purchase the aircraft at the end of the 12th or 15th year of the lease period. Sub-leasing is allowed under the lease agreements.

Interest rates on 3 of SIA Cargo's finance lease commitments are charged at a margin above the London Interbank Offered Rate ("LIBOR"). These ranged from 0.34% to 1.41% (2011-12: 0.28% to 1.14%) per annum. The interest rate on the fourth finance lease commitment is fixed at 5.81% (2011-12: 5.81%) per annum. The net carrying amounts approximate the fair value as the interest rate approximates the market rate.

**19 Long-Term Liabilities (in \$ million) (continued)****Finance lease commitments (continued)**

SIA Cargo continues to remain the primary obligor under the lease agreements, and as such, there are unpaid lease commitments of \$77.9 million (2012: \$78.8 million) as at 31 March 2013. Out of this, \$61.9 million (2012: \$59.3 million) are covered by funds placed with financial institutions under defeasance to provide for payments due at time of exercise of purchase option at the end of the 12<sup>th</sup> year or 15<sup>th</sup> year of the lease period. The funds placed with financial institutions are expected to generate interest in order to meet the obligation at time of maturity. These arrangements have not been included in the financial statements.

Future minimum lease payments under these finance leases are as follows:

|                                                   | The Group<br>31 March        |                                 |                              |                                 |
|---------------------------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|
|                                                   | 2013                         |                                 | 2012                         |                                 |
|                                                   | Minimum<br>Lease<br>Payments | Present<br>Value of<br>Payments | Minimum<br>Lease<br>Payments | Present<br>Value of<br>Payments |
| Not later than one year                           | 72.4                         | 67.8                            | 72.2                         | 64.8                            |
| Later than one year but not later than five years | 151.3                        | 140.6                           | 204.3                        | 189.3                           |
| Later than five years                             | -                            | -                               | 22.1                         | 21.3                            |
| Total minimum lease payments                      | 223.7                        | 208.4                           | 298.6                        | 275.4                           |
| Amounts representing interest                     | (15.3)                       | -                               | (23.2)                       | -                               |
| Present value of minimum lease payments           | 208.4                        | 208.4                           | 275.4                        | 275.4                           |

**20 Provisions (in \$ million)**

Included are provisions for warranty claims, provisions made for upgrade costs and provisions for return costs for leased aircraft. It is expected that the return costs will be incurred by the end of the lease terms.

An analysis of the provisions is as follows:

|                                        | The Group<br>31 March |        | The Company<br>31 March |        |
|----------------------------------------|-----------------------|--------|-------------------------|--------|
|                                        | 2013                  | 2012   | 2013                    | 2012   |
| Balance at 1 April                     | 353.9                 | 264.5  | 294.2                   | 224.3  |
| Provision during the year              | 181.8                 | 157.1  | 172.8                   | 133.4  |
| Provision utilised during the year     | (28.5)                | (44.0) | (12.9)                  | (44.0) |
| Provision written back during the year | (13.6)                | (23.7) | (12.8)                  | (19.5) |
| Balance at 31 March                    | 493.6                 | 353.9  | 441.3                   | 294.2  |
| Current                                | 72.3                  | 35.3   | 65.2                    | 35.1   |
| Non-current                            | 421.3                 | 318.6  | 376.1                   | 259.1  |
|                                        | 493.6                 | 353.9  | 441.3                   | 294.2  |

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

#### The Group

|                                              | Aircraft  | Aircraft<br>spares | Aircraft spare<br>engines |
|----------------------------------------------|-----------|--------------------|---------------------------|
| Cost                                         |           |                    |                           |
| At 1 April 2011                              | 19,610.8  | 686.9              | 394.0                     |
| Additions                                    | 94.9      | 21.6               | 4.2                       |
| Transfers                                    | 1,709.7   | -                  | 7.7                       |
| Disposals                                    | (2,186.2) | (93.7)             | (100.8)                   |
| Exchange differences                         | -         | -                  | -                         |
| At 31 March 2012                             | 19,229.2  | 614.8              | 305.1                     |
| Additions                                    | 212.7     | 28.2               | 8.8                       |
| Transfers                                    | 1,379.1   | 0.3                | (59.0)                    |
| Disposals                                    | (1,676.7) | (31.0)             | (56.8)                    |
| Exchange differences                         | -         | -                  | -                         |
| At 31 March 2013                             | 19,144.3  | 612.3              | 198.1                     |
| Accumulated depreciation and impairment loss |           |                    |                           |
| At 1 April 2011                              | 8,498.9   | 390.5              | 225.0                     |
| Depreciation                                 | 1,433.3   | 27.7               | 19.4                      |
| Impairment loss                              | 14.3      | 0.2                | 0.3                       |
| Transfers                                    | (7.6)     | -                  | 7.3                       |
| Disposals                                    | (1,733.9) | (69.3)             | (40.5)                    |
| Exchange differences                         | -         | -                  | -                         |
| At 31 March 2012                             | 8,205.0   | 349.1              | 211.5                     |
| Depreciation                                 | 1,445.6   | 28.1               | 19.9                      |
| Impairment loss                              | 9.2       | -                  | -                         |
| Transfers                                    | 56.4      | (0.3)              | (59.9)                    |
| Disposals                                    | (1,118.0) | (19.5)             | (48.0)                    |
| Exchange differences                         | -         | -                  | -                         |
| At 31 March 2013                             | 8,598.2   | 357.4              | 123.5                     |
| Net book value                               |           |                    |                           |
| At 31 March 2012                             | 11,024.2  | 265.7              | 93.6                      |
| At 31 March 2013                             | 10,546.1  | 254.9              | 74.6                      |

| Freehold land | Freehold buildings | Leasehold land and buildings | Plant and equipment | Office and computer equipment | Advance and progress payments | Total     |
|---------------|--------------------|------------------------------|---------------------|-------------------------------|-------------------------------|-----------|
| 15.7          | 148.6              | 617.4                        | 672.2               | 283.8                         | 1,796.3                       | 24,225.7  |
| -             | -                  | 0.5                          | 13.6                | 6.9                           | 1,504.1                       | 1,645.8   |
| -             | -                  | (0.2)                        | 70.3                | 10.5                          | (1,798.0)                     | -         |
| -             | -                  | -                            | (31.6)              | (23.8)                        | -                             | (2,436.1) |
| -             | -                  | (0.1)                        | (0.1)               | -                             | -                             | (0.2)     |
| 15.7          | 148.6              | 617.6                        | 724.4               | 277.4                         | 1,502.4                       | 23,435.2  |
| -             | -                  | 0.6                          | 11.6                | 2.2                           | 1,632.4                       | 1,896.5   |
| -             | -                  | 8.9                          | 84.8                | 3.3                           | (1,417.4)                     | -         |
| -             | (0.3)              | -                            | (33.2)              | (11.0)                        | -                             | (1,809.0) |
| -             | -                  | (0.2)                        | -                   | -                             | -                             | (0.2)     |
| 15.7          | 148.3              | 626.9                        | 787.6               | 271.9                         | 1,717.4                       | 23,522.5  |
| -             | 108.8              | 398.3                        | 498.2               | 228.4                         | -                             | 10,348.1  |
| -             | 4.2                | 18.6                         | 54.9                | 30.4                          | -                             | 1,588.5   |
| -             | -                  | -                            | 1.0                 | -                             | -                             | 15.8      |
| -             | -                  | -                            | 0.3                 | -                             | -                             | -         |
| -             | -                  | -                            | (31.1)              | (23.7)                        | -                             | (1,898.5) |
| -             | -                  | -                            | (0.1)               | -                             | -                             | (0.1)     |
| -             | 113.0              | 416.9                        | 523.2               | 235.1                         | -                             | 10,053.8  |
| -             | 4.1                | 14.8                         | 51.0                | 25.6                          | -                             | 1,589.1   |
| -             | -                  | -                            | 0.6                 | -                             | -                             | 9.8       |
| -             | -                  | -                            | 3.8                 | -                             | -                             | -         |
| -             | (0.3)              | -                            | (31.4)              | (11.0)                        | -                             | (1,228.2) |
| -             | -                  | (0.1)                        | 0.1                 | -                             | -                             | -         |
| -             | 116.8              | 431.6                        | 547.3               | 249.7                         | -                             | 10,424.5  |
| 15.7          | 35.6               | 200.7                        | 201.2               | 42.3                          | 1,502.4                       | 13,381.4  |
| 15.7          | 31.5               | 195.3                        | 240.3               | 22.2                          | 1,717.4                       | 13,098.0  |

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

#### The Company

|                                              | Aircraft  | Aircraft<br>spares | Aircraft spare<br>engines |
|----------------------------------------------|-----------|--------------------|---------------------------|
| Cost                                         |           |                    |                           |
| At 1 April 2011                              | 16,229.6  | 529.2              | 274.1                     |
| Additions                                    | 93.2      | 10.7               | -                         |
| Transfers                                    | 1,498.1   | -                  | 7.7                       |
| Disposals                                    | (2,210.9) | (91.7)             | (94.1)                    |
| At 31 March 2012                             | 15,610.0  | 448.2              | 187.7                     |
| Additions                                    | 123.9     | 14.1               | -                         |
| Transfers                                    | 1,264.7   | -                  | (70.2)                    |
| Disposals                                    | (1,638.2) | (24.2)             | (45.2)                    |
| At 31 March 2013                             | 15,360.4  | 438.1              | 72.3                      |
| Accumulated depreciation and impairment loss |           |                    |                           |
| At 1 April 2011                              | 7,092.1   | 331.0              | 130.7                     |
| Depreciation                                 | 1,191.9   | 17.7               | 12.9                      |
| Impairment loss                              | 10.8      | -                  | -                         |
| Transfers                                    | (7.6)     | -                  | 7.3                       |
| Disposals                                    | (1,662.7) | (68.1)             | (34.0)                    |
| At 31 March 2012                             | 6,624.5   | 280.6              | 116.9                     |
| Depreciation                                 | 1,175.3   | 17.2               | 12.5                      |
| Impairment loss                              | 7.0       | -                  | -                         |
| Transfers                                    | 56.0      | -                  | (59.8)                    |
| Disposals                                    | (1,056.3) | (13.4)             | (36.5)                    |
| At 31 March 2013                             | 6,806.5   | 284.4              | 33.1                      |
| Net book value                               |           |                    |                           |
| At 31 March 2012                             | 8,985.5   | 167.6              | 70.8                      |
| At 31 March 2013                             | 8,553.9   | 153.7              | 39.2                      |

| Freehold land | Freehold buildings | Leasehold land and buildings | Plant and equipment | Office and computer equipment | Advance and progress payments | Total     |
|---------------|--------------------|------------------------------|---------------------|-------------------------------|-------------------------------|-----------|
| 15.7          | 148.7              | 341.7                        | 350.4               | 235.8                         | 1,642.3                       | 19,767.5  |
| -             | -                  | -                            | 1.2                 | 4.3                           | 1,280.1                       | 1,389.5   |
| -             | -                  | -                            | 59.0                | 7.4                           | (1,572.2)                     | -         |
| -             | -                  | -                            | (18.4)              | (18.7)                        | -                             | (2,433.8) |
| 15.7          | 148.7              | 341.7                        | 392.2               | 228.8                         | 1,350.2                       | 18,723.2  |
| -             | -                  | -                            | 0.6                 | 1.0                           | 1,311.0                       | 1,450.6   |
| -             | -                  | -                            | 80.6                | 1.3                           | (1,276.4)                     | -         |
| -             | (0.3)              | -                            | (15.3)              | (8.5)                         | -                             | (1,731.7) |
| 15.7          | 148.4              | 341.7                        | 458.1               | 222.6                         | 1,384.8                       | 18,442.1  |
| -             | 108.9              | 304.7                        | 236.4               | 186.3                         | -                             | 8,390.1   |
| -             | 4.2                | 8.9                          | 33.8                | 26.5                          | -                             | 1,295.9   |
| -             | -                  | -                            | -                   | -                             | -                             | 10.8      |
| -             | -                  | -                            | 0.3                 | -                             | -                             | -         |
| -             | -                  | -                            | (18.4)              | (18.7)                        | -                             | (1,801.9) |
| -             | 113.1              | 313.6                        | 252.1               | 194.1                         | -                             | 7,894.9   |
| -             | 4.1                | 4.6                          | 35.2                | 22.1                          | -                             | 1,271.0   |
| -             | -                  | -                            | -                   | -                             | -                             | 7.0       |
| -             | -                  | -                            | 3.8                 | -                             | -                             | -         |
| -             | (0.3)              | -                            | (15.1)              | (8.5)                         | -                             | (1,130.1) |
| -             | 116.9              | 318.2                        | 276.0               | 207.7                         | -                             | 8,042.8   |
| 15.7          | 35.6               | 28.1                         | 140.1               | 34.7                          | 1,350.2                       | 10,828.3  |
| 15.7          | 31.5               | 23.5                         | 182.1               | 14.9                          | 1,384.8                       | 10,399.3  |

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

|                                                                                | The Group<br>31 March |       |
|--------------------------------------------------------------------------------|-----------------------|-------|
|                                                                                | 2013                  | 2012  |
| Net book value of property, plant and equipment acquired under finance leases: |                       |       |
| - aircraft                                                                     | 557.6                 | 617.0 |
| - plant and equipment                                                          | 0.1                   | 0.1   |
|                                                                                | 557.7                 | 617.1 |

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

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

#### The Group

|                          | Computer<br>software and<br>others | Deferred<br>engine<br>development<br>cost | Advance<br>and<br>progress<br>payments | Total |
|--------------------------|------------------------------------|-------------------------------------------|----------------------------------------|-------|
| Cost                     |                                    |                                           |                                        |       |
| At 1 April 2011          | 358.7                              | 21.8                                      | 53.2                                   | 433.7 |
| Additions                | 5.9                                | 12.5                                      | 37.7                                   | 56.1  |
| Disposals                | (4.6)                              | -                                         | -                                      | (4.6) |
| Transfers                | 16.0                               | -                                         | (16.0)                                 | -     |
| Exchange differences     | -                                  | 0.1                                       | -                                      | 0.1   |
| At 31 March 2012         | 376.0                              | 34.4                                      | 74.9                                   | 485.3 |
| Additions                | 44.8                               | 12.4                                      | 26.4                                   | 83.6  |
| Disposals                | (8.7)                              | -                                         | -                                      | (8.7) |
| Transfers                | 60.1                               | (0.3)                                     | (59.8)                                 | -     |
| Exchange differences     | -                                  | (0.6)                                     | -                                      | (0.6) |
| At 31 March 2013         | 472.2                              | 45.9                                      | 41.5                                   | 559.6 |
| Accumulated amortisation |                                    |                                           |                                        |       |
| At 1 April 2011          | 308.5                              | -                                         | -                                      | 308.5 |
| Amortisation             | 23.1                               | -                                         | -                                      | 23.1  |
| Disposals                | (4.6)                              | -                                         | -                                      | (4.6) |
| At 31 March 2012         | 327.0                              | -                                         | -                                      | 327.0 |
| Amortisation             | 22.7                               | -                                         | -                                      | 22.7  |
| Disposals                | (8.6)                              | -                                         | -                                      | (8.6) |
| At 31 March 2013         | 341.1                              | -                                         | -                                      | 341.1 |
| Net book value           |                                    |                                           |                                        |       |
| At 31 March 2012         | 49.0                               | 34.4                                      | 74.9                                   | 158.3 |
| At 31 March 2013         | 131.1                              | 45.9                                      | 41.5                                   | 218.5 |



**22 Intangible Assets (in \$ million) (continued)****The Company**

|                          | Computer<br>software and<br>others | Advance<br>and<br>progress<br>payments | Total |
|--------------------------|------------------------------------|----------------------------------------|-------|
| Cost                     |                                    |                                        |       |
| At 1 April 2011          | 279.0                              | 51.1                                   | 330.1 |
| Additions                | 4.9                                | 33.4                                   | 38.3  |
| Transfers                | 13.0                               | (13.0)                                 | -     |
| Disposals                | (4.2)                              | -                                      | (4.2) |
| At 31 March 2012         | 292.7                              | 71.5                                   | 364.2 |
| Additions                | 42.9                               | 22.7                                   | 65.6  |
| Transfers                | 54.7                               | (54.7)                                 | -     |
| Disposals                | (4.8)                              | -                                      | (4.8) |
| At 31 March 2013         | 385.5                              | 39.5                                   | 425.0 |
| Accumulated amortisation |                                    |                                        |       |
| At 1 April 2011          | 239.3                              | -                                      | 239.3 |
| Amortisation             | 17.9                               | -                                      | 17.9  |
| Disposals                | (4.2)                              | -                                      | (4.2) |
| At 31 March 2012         | 253.0                              | -                                      | 253.0 |
| Amortisation             | 17.8                               | -                                      | 17.8  |
| Disposals                | (4.8)                              | -                                      | (4.8) |
| At 31 March 2013         | 266.0                              | -                                      | 266.0 |
| Net book value           |                                    |                                        |       |
| At 31 March 2012         | 39.7                               | 71.5                                   | 111.2 |
| At 31 March 2013         | 119.5                              | 39.5                                   | 159.0 |

The carrying value of the landing slots classified under “others” is assessed for impairment annually as the landing slots have indefinite useful life. The recoverable amount of the landing slots has been determined based on value-in-use calculations using 5-year cash flow projection approved by management. A reasonable change to the assumptions used by management to determine the impairment required, particularly the discount rate and long-term growth rate, would not significantly affect the results.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 23 Subsidiary Companies (in \$ million)

|                                              | The Company<br>31 March |         |
|----------------------------------------------|-------------------------|---------|
|                                              | 2013                    | 2012    |
| Investment in subsidiary companies (at cost) |                         |         |
| Quoted equity investments                    | #                       | #       |
| Unquoted equity investments                  | 2,055.4                 | 2,055.4 |
|                                              | 2,055.4                 | 2,055.4 |
| Accumulated impairment loss                  | (25.3)                  | (16.6)  |
|                                              | 2,030.1                 | 2,038.8 |
| Market value of quoted equity investments    | 4,123.8                 | 3,506.1 |

\* The value is \$1.

During the financial year:

1. SIAEC invested an additional of \$3.2 million and \$8.9 million in NexGen Network (1) Holding Pte Ltd ("NGN1") and NexGen Network (2) Holding Pte Ltd ("NGN2") respectively, in accordance the agreement.
2. The Company placed its wholly-owned subsidiary company, SIA Properties (Pte) Ltd ("SIAP") under members' voluntary liquidation. An impairment loss of \$8.7 million was recognised to write down this subsidiary company to its recoverable amount.

There are no existing loans to subsidiary companies as at 31 March 2013.

The subsidiary companies at 31 March are:

|                                                     | Principal activities                                                                                       | Country of<br>incorporation and<br>place of business | Percentage of<br>equity held by<br>the Group |      |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|------|
|                                                     |                                                                                                            |                                                      | 2013                                         | 2012 |
| SIA Engineering Company Limited                     | Engineering services                                                                                       | Singapore                                            | 78.6                                         | 79.3 |
| Aircraft Maintenance Services<br>Australia Pty Ltd* | Provide aircraft maintenance services,<br>including technical and non-technical<br>handling at the airport | Australia                                            | 78.6                                         | 79.3 |
| NexGen Network (1) Holding Pte Ltd                  | Investment holding                                                                                         | Singapore                                            | 78.6                                         | 79.3 |
| NexGen Network (2) Holding Pte Ltd                  | Investment holding                                                                                         | - do -                                               | 78.6                                         | 79.3 |
| SIA Engineering (USA), Inc.®                        | Provide aircraft maintenance services,<br>including technical and non-technical<br>handling at the airport | United States<br>of America                          | 78.6                                         | 79.3 |
| SIAEC Global Pte Ltd                                | Investment holding                                                                                         | Singapore                                            | 78.6                                         | 79.3 |
| SIA Engineering (Philippines)<br>Corporation*       | Provide airframe maintenance and<br>component overhaul services                                            | Philippines                                          | 51.1                                         | 51.6 |

**23 Subsidiary Companies (in \$ million) (continued)**

The subsidiary companies at 31 March are:

|                                                                | Principal activities                                                                                | Country of<br>incorporation and<br>place of business | Percentage of<br>equity held by<br>the Group |       |
|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|-------|
|                                                                |                                                                                                     |                                                      | 2013                                         | 2012  |
| Singapore Jamco Pte Ltd                                        | Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys                        | Singapore                                            | 51.1                                         | 51.6  |
| Aerospace Component Engineering Services Pte Limited           | Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft                    | - do -                                               | 40.1                                         | 40.5  |
| Aviation Partnership (Philippines) Corporation*                | Provide aircraft maintenance services including technical and non-technical handling at the airport | Philippines                                          | 40.1                                         | 40.5  |
| Singapore Airlines Cargo Pte Ltd                               | Air cargo transportation                                                                            | Singapore                                            | 100.0                                        | 100.0 |
| Cargo Community Network Pte Ltd                                | Providing and marketing of cargo community systems                                                  | - do -                                               | 51.0                                         | 51.0  |
| Cargo Community (Shanghai) Co Ltd***                           | Marketing and support of portal services for the air cargo industry                                 | People's Republic of China                           | 51.0                                         | 51.0  |
| SilkAir (Singapore) Private Limited                            | Air transportation                                                                                  | Singapore                                            | 100.0                                        | 100.0 |
| Scoot Pte. Ltd.                                                | Air transportation                                                                                  | - do -                                               | 100.0                                        | 100.0 |
| Tradewinds Tours & Travel Private Limited                      | Tour wholesaling                                                                                    | - do -                                               | 100.0                                        | 100.0 |
| Singapore Aviation and General Insurance Company (Pte) Limited | Aviation insurance                                                                                  | - do -                                               | 100.0                                        | 100.0 |
| SIA Properties (Pte) Ltd                                       | Under liquidation                                                                                   | - do -                                               | 100.0                                        | 100.0 |
| Singapore Flying College Pte Ltd                               | Training of pilots                                                                                  | - do -                                               | 100.0                                        | 100.0 |
| Sing-Bi Funds Private Limited                                  | Inactive                                                                                            | - do -                                               | 100.0                                        | 100.0 |
| Singapore Airport Duty-Free Emporium (Private) Limited         | Inactive                                                                                            | - do -                                               | 76.0                                         | 76.0  |
| Abacus Travel Systems Pte Ltd                                  | Marketing of Abacus Computer reservations systems                                                   | - do -                                               | 61.0                                         | 61.0  |
| SIA (Mauritius) Ltd®                                           | Pilot recruitment                                                                                   | Mauritius                                            | 100.0                                        | 100.0 |

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

\* Audited by member firms of Ernst & Young Global in the respective countries

\*\* Audited by Shanghai Hui Hong Certified Public Accountants Co., Ltd, China

@ Not required to be audited under the law in country of incorporation

+ Financial year end 31 December

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

|                                                                 | <b>The Group<br/>31 March</b> |             |
|-----------------------------------------------------------------|-------------------------------|-------------|
|                                                                 | <b>2013</b>                   | <b>2012</b> |
| Share of net assets of associated companies at acquisition date | 466.0                         | 471.8       |
| Goodwill on acquisition of associated companies                 | 1,677.2                       | 1,677.2     |
|                                                                 | 2,143.2                       | 2,149.0     |
| Accumulated impairment loss                                     | (15.0)                        | (20.8)      |
|                                                                 | 2,128.2                       | 2,128.2     |
| Goodwill written off to reserves                                | (1,612.3)                     | (1,612.3)   |
| Foreign currency translation reserve                            | (183.1)                       | (179.1)     |
| Share of post-acquisition reserves                              |                               |             |
| - general reserve                                               | 140.0                         | 136.3       |
| - fair value reserve                                            | (38.6)                        | (37.6)      |
| - capital reserve                                               | 120.2                         | 107.7       |
|                                                                 | 554.4                         | 543.2       |
| Loans to associated companies                                   | -                             | 4.5         |
| Write-down of loans                                             | -                             | (4.5)       |
|                                                                 | -                             | -           |
|                                                                 | 554.4                         | 543.2       |

|                                              | <b>The Company<br/>31 March</b> |             |
|----------------------------------------------|---------------------------------|-------------|
|                                              | <b>2013</b>                     | <b>2012</b> |
| Investment in associated companies (at cost) |                                 |             |
| Unquoted equity investments                  | 1,646.7                         | 1,646.7     |
| Quoted equity investments                    | 63.8                            | 63.8        |
|                                              | 1,710.5                         | 1,710.5     |
| Accumulated impairment loss                  | (1,178.0)                       | (9.4)       |
|                                              | 532.5                           | 1,701.1     |
| Market value of quoted equity investments    | 182.6                           | 206.8       |

During the financial year:

1. RCMS Properties Private Limited recorded a revaluation gain of \$62.3 million (2011-12: \$89.7 million) from its annual revaluation exercise of its land and building. The Group's share of the revaluation gain of \$12.5 million (2012: \$17.9 million) at 31 March 2013 is included under the share of post-acquisition capital reserve.
2. The Group divested its 20% interest in an associated company, PT Purosani Sri Persada ("PTPSP") to PT Suryaraya Investama. Following the divestment, PTPSP ceased to be an associated company of the Group. The loan to PTPSP which was fully provided for was written off. The Group recognised a gain on disposal of \$8.3 million (Note 9).
3. The Company recorded an impairment loss of \$1,168.6 million on its investment in Virgin Atlantic Limited ("VAL") to write down its carrying value to a recoverable value of USD360.0 million (\$447.0 million). The impairment loss is only recognised at the Company level as the investment in VAL has been fully written down at the Group level.

**24 Associated Companies (in \$ million) (continued)**

4. The Group has not recognised net liabilities relating to an associated company where its share of net liabilities exceeds the Group's interest in this associated company. The Group's cumulative share of net liabilities at the end of the reporting period was \$98.6 million (2012: \$96.4 million). The Group has no obligation in respect of these unrecognised liabilities.

Loans to associated companies are unsecured and have no foreseeable terms of repayments. Accordingly, the fair values of the loans are not determinable as the timing of future cash flows arising from the loans cannot be estimated reliably.

Cost of investment included cumulative redeemable preference shares of \$66.5 million issued by VAL. The cumulative redeemable preference shares carry no entitlement to vote at meetings. On a winding up of VAL, the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, the amount paid up on any share including any amount paid up by way of share premium plus any arrears or accruals of dividend declared but not paid on the due date.

The summarised financial information of the associated companies, not adjusted for the proportion of ownership interest held by the Group, are as follows:

|                               | <b>The Group<br/>31 March</b> |                  |
|-------------------------------|-------------------------------|------------------|
|                               | <b>2013</b>                   | <b>2012</b>      |
| <u>Assets and liabilities</u> |                               |                  |
| Current assets                | 1,014.8                       | 1,101.2          |
| Non-current assets            | 2,033.4                       | 2,019.8          |
|                               | <b>3,048.2</b>                | <b>3,121.0</b>   |
| Current liabilities           | (578.1)                       | (690.8)          |
| Non-current liabilities       | (677.7)                       | (673.8)          |
|                               | <b>(1,255.8)</b>              | <b>(1,364.6)</b> |
|                               | <b>2012-13</b>                | <b>2011-12</b>   |
| <u>Results</u>                |                               |                  |
| Revenue                       | 2,409.5                       | 2,708.9          |
| Profit for the period         | 126.5                         | 74.1             |

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

The associated companies at 31 March are:

|                                                                                 | Principal activities                                                                                 | Country of incorporation and place of business | Percentage of equity held by the Group |      |
|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------------|------|
|                                                                                 |                                                                                                      |                                                | 2013                                   | 2012 |
| Virgin Atlantic Limited <sup>*+</sup>                                           | Air transportation                                                                                   | United Kingdom                                 | 49.0                                   | 49.0 |
| Tiger Airways Holdings Limited <sup>@</sup>                                     | Investment holding                                                                                   | Singapore                                      | 32.7                                   | 32.7 |
| RCMS Properties Private Limited <sup>^++</sup>                                  | Hotel ownership and management                                                                       | - do -                                         | 20.0                                   | 20.0 |
| Combustor Airmotive Services Pte Ltd <sup>^+++</sup>                            | Repair and overhaul of aircraft engine combustion chambers, guides, fuel nozzles and related parts   | - do -                                         | 38.5                                   | 38.9 |
| Eagle Services Asia Private Limited <sup>^++</sup>                              | Repair and overhaul of aircraft engines                                                              | - do -                                         | 38.5                                   | 38.9 |
| Fuel Accessory Service Technologies Pte Ltd <sup>^+++</sup>                     | Repair and overhaul of engine fuel components and accessories                                        | - do -                                         | 38.5                                   | 38.9 |
| PT JAS Aero-Engineering Services <sup>@@++</sup>                                | Provide aircraft maintenance services, including technical and non-technical handling at the airport | Indonesia                                      | 38.5                                   | 38.9 |
| PWA International Limited <sup>^++++</sup>                                      | Repair, overhaul and re-manufacture of aircraft turbine engine cases, components and related parts   | Republic of Ireland                            | 38.5                                   | 38.9 |
| Safran Electronics Asia Pte Ltd <sup>@@@++</sup>                                | Provide avionics maintenance, repair and overhaul services                                           | Singapore                                      | 38.5                                   | 38.9 |
| Southern Airports Aircraft Maintenance Services Company Limited <sup>@@++</sup> | Provide aircraft maintenance services, including technical and non-technical handling at the airport | Vietnam                                        | 38.5                                   | 38.9 |
| Pan Asia Pacific Aviation Services Ltd <sup>@@@@</sup>                          | Provide aircraft maintenance services, including technical and non-technical handling at the airport | Hong Kong                                      | 37.0                                   | 37.3 |
| Jamco Aero Design & Engineering Pte Ltd <sup>@</sup>                            | Provide turnkey solutions for aircraft interior modifications                                        | Singapore                                      | 35.4                                   | 35.7 |
| Panasonic Avionic Services Singapore Pte. Ltd. <sup>**</sup>                    | IFE maintenance, repair and overhaul and ancillary services                                          | - do -                                         | 33.4                                   | 33.7 |
| Goodrich Aerostructures Service Centre-Asia Pte Ltd <sup>@++</sup>              | Repair and overhaul of aircraft nacelles, thrust reservers and pylons                                | - do -                                         | 31.5                                   | 31.7 |
| Messier Services Asia Private Limited <sup>@++</sup>                            | Repair and overhaul of Boeing and Airbus series landing gears                                        | - do -                                         | 31.5                                   | 31.7 |
| Asian Surface Technologies Pte Ltd <sup>@@@++</sup>                             | Repair and overhaul of aircraft engine fan blades                                                    | - do -                                         | 30.8                                   | 31.1 |

**24 Associated Companies (in \$ million) (continued)**

The associated companies at 31 March are:

|                                                             | Principal activities                                                               | Country of incorporation and place of business | Percentage of equity held by the Group |      |
|-------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------------|------|
|                                                             |                                                                                    |                                                | 2013                                   | 2012 |
| International Aerospace Tubes-Asia Pte Ltd <sup>^++</sup>   | Repair of tubes, ducts and manifolds for aircraft engines and airframe application | - do -                                         | 26.2                                   | 26.4 |
| Asian Compressor Technology Services Co Ltd <sup>^+++</sup> | Repair and overhaul of aircraft engine high pressure compressor stators            | Taiwan                                         | 19.3                                   | 19.4 |
| Turbine Coating Services Private Ltd <sup>^+++</sup>        | Repair and overhaul of aircraft engine turbine airfoils                            | Singapore                                      | 19.3                                   | 19.4 |
| PT Purosani Sri Persada                                     | Hotel ownership and management                                                     | Indonesia                                      | -                                      | 20.0 |
| Great Wall Airlines Company Limited <sup>#++</sup>          | Under liquidation                                                                  | People's Republic of China                     | 25.0                                   | 25.0 |

@ Audited by Ernst & Young LLP, Singapore

@@ Audited by member firms of Deloitte & Touche

@@@ Audited by RSM Chio Lim, Singapore

@@@@ Audited by BDO Limited, Hong Kong

\* Audited by member firms of KPMG

\*\* Audited by KPMG, Singapore

^ Audited by Pricewaterhouse Coopers LLP, Singapore

^^ Audited by member firms of Pricewaterhouse Coopers

# Audited by Shanghai Linfang Certified Public Accountants Co., Ltd, China

+ Financial year end 28 February

++ Financial year end 31 December

+++ Financial year end 30 November

**25 Joint Venture Companies (in \$ million)**

|                                                           | The Group<br>31 March |        |
|-----------------------------------------------------------|-----------------------|--------|
|                                                           | 2013                  | 2012   |
| Investment in joint venture companies (unquoted, at cost) | 56.6                  | 56.6   |
| Share of post-acquisition reserves                        |                       |        |
| - general reserve                                         | 90.0                  | 82.2   |
| - share of other comprehensive income                     | -                     | (0.5)  |
| - foreign currency translation reserve                    | (25.8)                | (25.1) |
|                                                           | 120.8                 | 113.2  |



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

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

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

|                               | The Group<br>31 March |                |
|-------------------------------|-----------------------|----------------|
|                               | 2013                  | 2012           |
| <u>Assets and liabilities</u> |                       |                |
| Current assets                | 209.7                 | 194.7          |
| Non-current assets            | 83.4                  | 61.0           |
|                               | 293.1                 | 255.7          |
| Current liabilities           | (89.4)                | (84.1)         |
| Non-current liabilities       | (82.9)                | (58.4)         |
|                               | (172.3)               | (142.5)        |
| <u>Results</u>                | <b>2012-13</b>        | <b>2011-12</b> |
| Revenue                       | 1,135.4               | 754.8          |
| Expenses                      | (1,039.2)             | (680.1)        |
|                               | 96.2                  | 74.7           |

The joint venture companies at 31 March are:

|                                                    | Principal activities                                       | Country of<br>incorporation and<br>place of business | Percentage of<br>equity held by<br>the Group |      |
|----------------------------------------------------|------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|------|
|                                                    |                                                            |                                                      | 2013                                         | 2012 |
| International Engine Component<br>Overhaul Pte Ltd | Repair and overhaul of aero<br>engine components and parts | Singapore                                            | 39.3                                         | 39.7 |
| Singapore Aero Engine Services<br>Pte Ltd          | Repair and overhaul of<br>aircraft engines                 | Singapore                                            | 39.3                                         | 39.7 |

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

**26 Long-Term Investments (in \$ million)**

|                                 | <b>The Group<br/>31 March</b> |             | <b>The Company<br/>31 March</b> |             |
|---------------------------------|-------------------------------|-------------|---------------------------------|-------------|
|                                 | <b>2013</b>                   | <b>2012</b> | <b>2013</b>                     | <b>2012</b> |
| Available-for-sale investments  |                               |             |                                 |             |
| Quoted                          |                               |             |                                 |             |
| Government securities           | 0.5                           | -           | 0.5                             | -           |
| Equity investments              | 132.0                         | -           | 132.0                           | -           |
| Unquoted                        |                               |             |                                 |             |
| Non-equity investments          | 123.5                         | 139.7       | 123.5                           | 139.7       |
| Equity investments, at cost     | 108.1                         | 108.0       | 28.0                            | 28.0        |
| Accumulated impairment loss     | (9.2)                         | (9.2)       | (9.2)                           | (9.2)       |
|                                 | 354.9                         | 238.5       | 274.8                           | 158.5       |
| Held-to-maturity investments    |                               |             |                                 |             |
| Quoted non-equity investments   | 222.4                         | 135.2       | 222.4                           | 135.2       |
| Unquoted non-equity investments | 129.6                         | -           | 129.6                           | -           |
|                                 | 352.0                         | 135.2       | 352.0                           | 135.2       |
|                                 | 706.9                         | 373.7       | 626.8                           | 293.7       |

The interest rate for quoted government securities is 7.00% (2011-12: nil). The interest rates for quoted and unquoted non-equity investments range from 2.63% to 5.60% (2011-12: 3.10% to 4.65%) per annum and 2.28% to 4.02% (2011-12: 1.15% to 3.20%) per annum respectively.

**27 Other Receivables (in \$ million)**

The Group's other receivables are stated at amortised cost and are expected to be received over a period of 2 to 4 years. The entire balance of other receivables is denominated in USD.

**28 Inventories (in \$ million)**

|                                                             | <b>The Group<br/>31 March</b> |             | <b>The Company<br/>31 March</b> |             |
|-------------------------------------------------------------|-------------------------------|-------------|---------------------------------|-------------|
|                                                             | <b>2013</b>                   | <b>2012</b> | <b>2013</b>                     | <b>2012</b> |
| Technical stocks and stores                                 | 248.5                         | 283.0       | 173.9                           | 204.4       |
| Catering and general stocks                                 | 26.4                          | 23.1        | 18.8                            | 17.3        |
| Total inventories at lower of cost and net realisable value | 274.9                         | 306.1       | 192.7                           | 221.7       |

The cost of inventories recognised as an expense amounts to \$102.9 million (2011-12: \$102.7 million). In addition, the Group wrote down \$32.3 million (2011-12: \$27.3 million) of inventories, which is recognised as other operating expenses in the profit and loss account.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 29 Trade Debtors (in \$ million)

|                         | The Group<br>31 March |         | The Company<br>31 March |         |
|-------------------------|-----------------------|---------|-------------------------|---------|
|                         | 2013                  | 2012    | 2013                    | 2012    |
| Trade debtors           | 1,499.3               | 1,271.8 | 1,080.9                 | 870.2   |
| Accrued receivables     | 57.1                  | 64.1    | -                       | -       |
| Amounts owing from:     |                       |         |                         |         |
| Subsidiary companies    | -                     | -       | 189.9                   | 195.2   |
| Associated companies    | 20.0                  | 16.6    | -                       | -       |
| Joint venture companies | 2.0                   | 2.3     | -                       | -       |
|                         | 1,578.4               | 1,354.8 | 1,270.8                 | 1,065.4 |

Trade debtors are non-interest bearing. The carrying amount of trade debtors impaired by credit losses is reduced through the use of an allowance account unless the Group writes off the amount ascertained to be uncollectible. In subsequent periods when a trade debtor is ascertained to be uncollectible, it is written off against the allowance account.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days aging of debtor balances) are considered indicators that the trade debtor is impaired. Individual trade debtor is written off when management deems the amount not to be collectible.

Accrued receivables pertain to services rendered in advance of billings.

Amounts owing by subsidiary, associated and joint venture companies are unsecured, trade-related, non-interest bearing and are repayable on demand. The amounts are neither overdue nor impaired.

The table below is an analysis of trade debtors as at 31 March:

|                                                                                                             | The Group<br>31 March |         | The Company<br>31 March |         |
|-------------------------------------------------------------------------------------------------------------|-----------------------|---------|-------------------------|---------|
|                                                                                                             | 2013                  | 2012    | 2013                    | 2012    |
| Not past due and not impaired                                                                               | 1,449.6               | 1,239.4 | 1,253.8                 | 1,052.3 |
| Past due but not impaired                                                                                   | 128.3                 | 114.4   | 16.5                    | 12.1    |
|                                                                                                             | 1,577.9               | 1,353.8 | 1,270.3                 | 1,064.4 |
| Impaired trade debtors - collectively assessed                                                              | 3.8                   | 9.0     | 0.5                     | 1.4     |
| Less: Accumulated impairment losses                                                                         | (3.5)                 | (8.1)   | (0.2)                   | (0.5)   |
|                                                                                                             | 0.3                   | 0.9     | 0.3                     | 0.9     |
| Impaired trade debtors - individually assessed                                                              |                       |         |                         |         |
| Customers in bankruptcy or other financial reorganisation                                                   | 6.1                   | 12.5    | -                       | 5.3     |
| Customers who default in payment within stipulated framework of IATA Clearing House or Bank Settlement Plan | 2.5                   | 2.2     | 2.0                     | 1.7     |
| Less: Accumulated impairment losses                                                                         | (8.4)                 | (14.6)  | (1.8)                   | (6.9)   |
|                                                                                                             | 0.2                   | 0.1     | 0.2                     | 0.1     |
| Total trade debtors, net                                                                                    | 1,578.4               | 1,354.8 | 1,270.8                 | 1,065.4 |

**29 Trade Debtors (in \$ million) (continued)**

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

|                                                                                      | The Group<br>31 March |       | The Company<br>31 March |       |
|--------------------------------------------------------------------------------------|-----------------------|-------|-------------------------|-------|
|                                                                                      | 2013                  | 2012  | 2013                    | 2012  |
| Balance at 1 April                                                                   | 22.7                  | 24.5  | 7.4                     | 8.2   |
| Written back during the year                                                         | (8.8)                 | (0.2) | (5.4)                   | (0.8) |
| Written off during the year                                                          | (2.0)                 | (1.6) | -                       | -     |
| Balance at 31 March                                                                  | 11.9                  | 22.7  | 2.0                     | 7.4   |
| Bad debts written off directly to profit and loss<br>account, net of debts recovered | 0.5                   | 1.3   | 0.2                     | 1.2   |

As at 31 March 2013, the composition of trade debtors held in foreign currencies by the Group is as follows: USD – 35.2% (2012: 31.2%), AUD – 9.9% (2012: 11.1%), EUR – 7.2% (2012: 8.0%), GBP – 5.1% (2012: 5.1%) and JPY – 2.9% (2012: 4.7%).

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

**30 Deposits and Other Debtors (in \$ million)**

|               | The Group<br>31 March |      | The Company<br>31 March |      |
|---------------|-----------------------|------|-------------------------|------|
|               | 2013                  | 2012 | 2013                    | 2012 |
| Deposits      | 16.1                  | 14.2 | 8.6                     | 8.2  |
| Other debtors | 38.8                  | 32.6 | 28.0                    | 18.5 |
|               | 54.9                  | 46.8 | 36.6                    | 26.7 |

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 31 Investments (in \$ million)

|                                 | The Group<br>31 March |       | The Company<br>31 March |       |
|---------------------------------|-----------------------|-------|-------------------------|-------|
|                                 | 2013                  | 2012  | 2013                    | 2012  |
| Available-for-sale investments  |                       |       |                         |       |
| Quoted                          |                       |       |                         |       |
| Government securities           | 2.5                   | 4.1   | -                       | -     |
| Equity investments              | 34.5                  | 32.8  | -                       | -     |
| Non-equity investments          | 279.5                 | 232.0 | 256.5                   | 209.0 |
|                                 | 316.5                 | 268.9 | 256.5                   | 209.0 |
| Unquoted                        |                       |       |                         |       |
| Government securities           | -                     | 307.5 | -                       | 307.5 |
| Non-equity investments          | 20.0                  | 19.9  | 20.0                    | 19.9  |
|                                 | 20.0                  | 327.4 | 20.0                    | 327.4 |
|                                 | 336.5                 | 596.3 | 276.5                   | 536.4 |
| Held-to-maturity investments    |                       |       |                         |       |
| Quoted non-equity investments   | 12.9                  | 13.8  | 12.9                    | 13.8  |
| Unquoted non-equity investments | -                     | 15.0  | -                       | 15.0  |
|                                 | 12.9                  | 28.8  | 12.9                    | 28.8  |
|                                 | 349.4                 | 625.1 | 289.4                   | 565.2 |

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

The interest rates for quoted government securities range from 1.63% to 4.00% (2011-12: 1.63% to 4.00%) per annum. The interest rates for quoted non-equity investments range from 0.05% to 5.88% (2011-12: 0.12% to 5.88%) per annum, while unquoted non-equity investments yield an interest rate of 1.15% (2011-12: 1.00% to 1.06%) per annum. During the previous financial year, the interest rates for unquoted government securities ranged from 0.27% to 0.39% per annum.

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

|                | The Group<br>31 March |         | The Company<br>31 March |         |
|----------------|-----------------------|---------|-------------------------|---------|
|                | 2013                  | 2012    | 2013                    | 2012    |
| Fixed deposits | 4,692.4               | 4,260.6 | 4,666.8                 | 4,234.0 |
| Cash and bank  | 367.2                 | 442.1   | 167.5                   | 216.7   |
|                | 5,059.6               | 4,702.7 | 4,834.3                 | 4,450.7 |

As at 31 March 2013, the composition of cash and bank balances held in foreign currencies by the Group is as follows: USD – 6.8% (2012: 10.8%), EUR – 1.9% (2012: 1.6%) and AUD – 2.8% (2012: 0.8%).

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from nil to 3.22% (2011-12: 0.01% to 5.40%) per annum. Short-term deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate for short-term deposits is 0.57% (2011-12: 0.55%) per annum.

**33 Trade and Other Creditors (in \$ million)**

|                                 | The Group<br>31 March |         | The Company<br>31 March |         |
|---------------------------------|-----------------------|---------|-------------------------|---------|
|                                 | 2013                  | 2012    | 2013                    | 2012    |
| Trade creditors                 | 3,200.2               | 2,885.4 | 2,510.1                 | 2,210.2 |
| Funds from subsidiary companies | -                     | -       | 1,036.2                 | 1,361.8 |
| Amounts owing to:               |                       |         |                         |         |
| Subsidiary companies            | -                     | -       | 183.6                   | 163.4   |
| Associated companies            | 0.9                   | -       | -                       | -       |
|                                 | 3,201.1               | 2,885.4 | 3,729.9                 | 3,735.4 |

Trade and other creditors are non-interest bearing. Amounts owing to related parties are trade-related, unsecured, non-interest bearing, repayable on demand and are to be settled in cash. As at 31 March 2013, 5.9% (2012: 5.5%) of trade and other creditors were held in USD by the Group. Included in trade and other creditors are amounts owing to related parties of \$184.5 million (2012: \$137.3 million) and \$142.9 million (2012: \$99.2 million) for the Group and Company respectively.

Funds from subsidiary companies are unsecured and have varying repayment terms. Interest on funds from subsidiary companies are computed using prevailing market rates which range from 0.01% to 0.56% (2011-12: 0.01% to 0.75%) per annum for SGD funds, from 0.06% to 1.00% (2011-12: 0.02% to 0.75%) per annum for USD funds and from 3.05% to 4.60% (2011-12: 4.40% to 5.40%) per annum for AUD funds.

As at 31 March 2013, the composition of funds from subsidiary companies held in foreign currencies by the Company is as follows: USD – 11.0% (2012: 6.3%) and AUD – 0.5% (2012: 0.2%).

Amounts owing to subsidiary and associated companies are unsecured, trade-related, non-interest bearing and are repayable on demand.

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

|                                                           | The Group |         |
|-----------------------------------------------------------|-----------|---------|
|                                                           | 2012-13   | 2011-12 |
| Purchase of property, plant and equipment                 | 1,896.5   | 1,645.8 |
| Property, plant and equipment acquired under credit terms | (21.1)    | (4.6)   |
| Cash invested in capital expenditure                      | 1,875.4   | 1,641.2 |

**35 Capital and Other Commitments (in \$ million)****(a) Capital expenditure commitments**

The Group and the Company have commitments for capital expenditure. Such commitments aggregated \$13,255.8 million (2012: \$7,511.4 million) for the Group and \$9,770.4 million (2012: \$7,042.2 million) for the Company. The commitments relate principally to the acquisition of aircraft fleet and related equipment.

In addition, the Group's share of joint venture companies' commitments for capital expenditure totalled \$23.7 million (2012: \$0.6 million).

## NOTES TO THE FINANCIAL STATEMENTS

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

#### (b) Operating lease commitments

##### As lessee

##### Aircraft

The Company has 3 B777-200, 3 B777-200ER, 2 B777-300, 20 A330-300 and 9 A380-800 aircraft under operating leases with fixed rental rates. Under 5 of the aircraft lease agreements, the rentals will be adjusted if one-month LIBOR exceeds 6.50% per annum.

The original lease terms range from 5 to 10.5 years. In 4 of the aircraft lease agreements, the Company holds options to extend the lease for a further maximum period of 5 years. In 5 other aircraft lease agreements, the Company holds options to extend the leases for a further maximum period of 3 years and in 24 others, the Company holds the options to extend the leases for a further maximum period of 2 years. For one lease, the Company has the option to terminate the lease 2 years in advance of the lease expiry date. For the other 3 agreements, there is no option for renewal. Sub-leasing is allowed under all the lease arrangements.

SIA Cargo has 3 B747-400F aircraft under operating leases with fixed rental rates. The lease terms range from 10 to 11 years. In one of the aircraft lease agreements, SIA Cargo holds the option to extend the lease for a further maximum period of 2 years. For the other 2 agreements, there is no option for renewal. Sub-leasing is allowed under all the lease arrangements.

SilkAir (Singapore) Private Limited ("SilkAir") has 6 A320-200 and 3 A319-100 aircraft under operating leases with fixed rental rates. The original lease terms for the 3 A319-100s range from 6.9 to 11.5 years, which SilkAir holds options to extend the leases up to a maximum of 3 years. The original lease terms for the 6 A320-200s range from 4 to 11.8 years and SilkAir holds options to extend the leases for 2 to 5 years. None of the operating lease agreements confer on SilkAir an option to purchase the related aircraft. Sub-leasing is allowed under all the lease arrangements.

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

|                                                   | The Group<br>31 March |         | The Company<br>31 March |         |
|---------------------------------------------------|-----------------------|---------|-------------------------|---------|
|                                                   | 2013                  | 2012    | 2013                    | 2012    |
| Not later than one year                           | 641.6                 | 561.5   | 573.6                   | 492.2   |
| Later than one year but not later than five years | 1,964.4               | 1,968.1 | 1,813.9                 | 1,768.9 |
| Later than five years                             | 866.3                 | 927.0   | 791.0                   | 828.0   |
|                                                   | 3,472.3               | 3,456.6 | 3,178.5                 | 3,089.1 |

##### Engines

The Company has operating lease agreements for 4 GE90-115B engines with fixed rental rates. The basic lease term for each engine is 5 years and 10 months with an option to extend the lease for a further maximum period of 6 years. During the financial year, the Company entered into operating lease agreements for 14 Trent 800 engines with fixed rental rates. The basic lease term for each engine varies from 1 to 6 years with extension options.



**35 Capital and Other Commitments (in \$ million) (continued)****(b) Operating lease commitments (continued)****As lessee (continued)**Engines (continued)

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

|                                                   | <b>The Group<br/>31 March</b> |             | <b>The Company<br/>31 March</b> |             |
|---------------------------------------------------|-------------------------------|-------------|---------------------------------|-------------|
|                                                   | <b>2013</b>                   | <b>2012</b> | <b>2013</b>                     | <b>2012</b> |
| Not later than one year                           | 21.4                          | 8.5         | 21.4                            | 8.5         |
| Later than one year but not later than five years | 66.7                          | 34.1        | 66.7                            | 34.1        |
| Later than five years                             | 5.4                           | -           | 5.4                             | -           |
|                                                   | <b>93.5</b>                   | <b>42.6</b> | <b>93.5</b>                     | <b>42.6</b> |

Property and equipment

The Group has entered into operating lease agreements for office and computer equipment, leasehold land and buildings. These non-cancellable leases have lease terms of between 1 to 50 years.

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

|                                                   | <b>The Group<br/>31 March</b> |              | <b>The Company<br/>31 March</b> |              |
|---------------------------------------------------|-------------------------------|--------------|---------------------------------|--------------|
|                                                   | <b>2013</b>                   | <b>2012</b>  | <b>2013</b>                     | <b>2012</b>  |
| Not later than one year                           | 65.9                          | 59.5         | 48.1                            | 42.7         |
| Later than one year but not later than five years | 93.1                          | 87.2         | 63.8                            | 62.3         |
| Later than five years                             | 69.9                          | 86.4         | 5.7                             | 20.0         |
|                                                   | <b>228.9</b>                  | <b>233.1</b> | <b>117.6</b>                    | <b>125.0</b> |

The minimum lease payments recognised in the profit and loss account amounted to \$64.2 million (2011-12: \$63.8 million) and \$53.2 million (2011-12: \$52.8 million) for the Group and the Company respectively.

**As lessor**Aircraft

The Company's existing commercial aircraft leases for 6 B777-200ER aircraft continued during the year in accordance with the lease contracts. The non-cancellable lease contracts were originally for a basic lease term of 2 years and 6 months for the first 3 aircraft and 2 years for the other 3 aircraft. The lease term for 4 of the aircraft had been extended for periods ranging from 12 months to 20 months. During the financial year, 2 of the aircraft leases ceased on expiry of the lease term. The lease rental is fixed throughout the lease term for all 6 aircraft.

SIA Cargo had previously entered into a commercial aircraft lease. This non-cancellable lease has a remaining lease term of 2 years and 5 months. The lease rental is fixed throughout the lease term.

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

|                                                   | <b>The Group<br/>31 March</b> |              | <b>The Company<br/>31 March</b> |              |
|---------------------------------------------------|-------------------------------|--------------|---------------------------------|--------------|
|                                                   | <b>2013</b>                   | <b>2012</b>  | <b>2013</b>                     | <b>2012</b>  |
| Not later than one year                           | 70.8                          | 96.1         | 58.7                            | 83.8         |
| Later than one year but not later than five years | 20.4                          | 79.4         | 3.3                             | 49.9         |
|                                                   | <b>91.2</b>                   | <b>175.5</b> | <b>62.0</b>                     | <b>133.7</b> |

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### 36 Contingent Liabilities (in \$ million)

#### (a) Flight SQ006

There were 83 fatalities among 179 passengers and crew members aboard the Boeing 747 aircraft, Flight SQ006, that crashed at the Chiang Kai Shek International Airport, Taipei on 31 October 2000. All the claims have been settled by insurers under the insurance policy procured by the Company.

#### (b) Cargo: Investigations by Competition Authorities and Civil Class Actions

In 2006 and thereafter, SIA Cargo and the Company were among several airlines that received notice of investigations by competition authorities in the United States, European Union, Australia, Canada, New Zealand, South Africa, South Korea and Switzerland as to whether surcharges, rates or other competitive aspects of air cargo service were lawfully determined (the "air cargo issues").

On 8 February 2011, SIA Cargo confirmed its acceptance of a plea bargain offered by the United States Department of Justice (USD48.0 million or \$62.5 million). This amount has been reflected as exceptional items in the Group's accounts in FY2010-11. The plea agreement has brought the Department of Justice's air cargo investigations in the United States to a close for SIA Cargo.

On 30 November 2010, the Korea Fair Trade Commission ("KFTC") released an adverse decision against 21 air cargo airlines, including SIA Cargo, in respect of fuel surcharges. A fine of KRW3.117 billion (\$3.6 million) was imposed on SIA Cargo. The fine was paid in January 2011 in accordance with Korean laws. This amount has been reflected as exceptional items in the Group's accounts in FY2010-11. SIA Cargo contested the validity of the KFTC decision and filed an appeal before the Seoul High Court. In July 2012, the Seoul High Court rejected SIA Cargo's appeal. SIA Cargo has appealed the Seoul High Court judgment to the Supreme Court.

On 9 November 2010, the European Commission issued an adverse decision against 13 air cargo airlines, including SIA Cargo and the Company, in respect of fuel surcharges, security surcharges and commissions on surcharges. A fine of EUR74.8 million (\$135.7 million) was imposed on SIA Cargo and the Company. SIA Cargo paid the fine in February 2011 in accordance with European Union laws. This amount has been reflected as exceptional items in the Group's accounts in FY2010-11. SIA Cargo and the Company have filed an appeal to the European General Court seeking annulment of the decision.

In July 2010, SIA Cargo was among eight airlines to receive notification that the Competition Commission of South Africa had referred a complaint to the South Africa Competition Tribunal in respect of fuel surcharges. In August 2012, the Competition Commission of South Africa sent a notice withdrawing the complaint referral as concerns SIA Cargo and the Company. This step ended the proceedings in South Africa as concerns SIA Cargo and the Company.

In December 2012, SIA Cargo confirmed its acceptance of settlement agreements with the Australian Competition and Consumer Commission and the New Zealand Commerce Commission, bringing to an end civil penalty proceedings concerning the air cargo issues which had been initiated in 2008. SIA Cargo agreed to pay a penalty and costs amount of AUD12.2 million (\$15.5 million) in Australia. In New Zealand, SIA Cargo agreed to pay a penalty and costs amount of NZD4.4 million (\$4.4 million). SIA Cargo paid these amounts in December 2012 and January 2013 in accordance with Australian and New Zealand laws respectively. The total Australian and New Zealand settlement amount of \$19.9 million has been reflected in the exceptional items of the Group's accounts.

### 36 Contingent Liabilities (in \$ million) (continued)

#### (b) Cargo: Investigations by Competition Authorities and Civil Class Actions (continued)

In November 2012, the Secretariat of the Competition Commission of Switzerland issued a draft decision against 13 airlines including SIA Cargo and the Company concerning the air cargo issues. The draft decision is a notification of alleged infringements, not an official finding by the Commission. SIA Cargo and the Company are defending these proceedings.

After the investigations commenced, civil damage lawsuits were filed in the United States, Canada, Australia, South Korea, England and the Netherlands by private parties against several airlines, including SIA Cargo and the Company. Other lawsuits have been threatened by customers of SIA Cargo or shippers that purportedly contracted with SIA Cargo's customers.

The plaintiffs in the South Korea proceedings withdrew their complaint in July 2011 and the proceedings were accordingly dismissed without prejudice.

In June 2011, without admitting any liability, SIA Cargo and the Company reached a settlement with the plaintiffs in Canada whereby SIA Cargo agreed to pay CAD1.05 million (\$1.3 million) to resolve all liability of SIA Cargo and the Company as concerns the civil damage lawsuits filed in Canada. This amount has been reflected as an exceptional item in the Group's accounts in FY2011-12.

In addition, without admitting any liability, SIA Cargo reached settlements with certain of its customers to resolve all pending and potential future civil damage claims regarding the air cargo issues. The settlements have been reflected in the Group's accounts. The individual terms of such settlements are required to be kept confidential.

Apart from Canada and South Korea, the filed cases remain in their respective procedural stages and none have been tried thus far on their respective substantive legal merits.

Apart from the exceptional items noted above, it is premature to make a provision in the financial statements for the other pending investigations, court proceedings, civil suits, or threatened claims.

#### (c) Passengers: Civil Class Actions, South African settlement and Indian case

The Company and several other airlines have been named in civil class action lawsuits in the United States and Canada alleging an unlawful agreement to fix surcharges and fares on transpacific flights. These cases are currently in the procedural stages and none has been tried thus far on their respective substantive legal merits. As these lawsuits have neither been tried nor the alleged damages quantified, it is premature to make a provision in the financial statements.

With regard to an investigation conducted by the South African Competition Commission ("SACC") concerning price-fixing on certain routes, a settlement agreement was reached in March 2012 which included an administrative penalty of ZAR25 million (\$4.1 million). The Competition Tribunal confirmed the settlement agreement between the Company and the SACC and the Company has paid the agreed upon administrative penalty.

In July 2010, the Company received notice of an investigation by the Competition Commission of India ("CCI") concerning alleged collusion in the elimination of commissions paid to travel agents in India. In January 2011, the Office of the Director General of the CCI issued a report exonerating the Company and the other defendant airlines. The Travel Agent Association of India ("TAAI") has filed an appeal of the CCI's decision with the Competition Appellate Tribunal ("COMPAT"). The TAAI's appeal of the CCI decision was dismissed by the COMPAT and the TAAI has since appealed the COMPAT's decision to the Supreme Court of India.

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### 36 Contingent Liabilities (in \$ million) (continued)

#### (d) Australian Travel Agents' Representative Actions

A former Australian travel agent, Leonie's Travel Pty Limited, filed a representative action in the Federal Court of Australia (New South Wales District Registry) on 15 December 2006 against 6 airlines, namely Qantas Airways Limited, British Airways plc, Air New Zealand Limited, Malaysian Airline System Berhad, Cathay Pacific Airways Limited ("CX") and Singapore Airlines Limited, in a claim on behalf of Australian travel agents for alleged non-payment of commissions on fuel surcharges applied to passenger tickets issued in Australia from May 2004 onwards (the "Leonie's Case").

In May 2007, the applicant's solicitors filed a fresh similar representative application on behalf of Paxtours International Travel Pty Ltd, another Australian travel agent, against CX and the Company, as Leonie's Travel did not issue fares against CX or the Company (the "Paxtours Case").

On 19 August 2011, the Leonie's Case was discontinued against the Company.

Following discussion with Paxtours' solicitors, the parties have agreed on a settlement mechanism, which has been approved by the court. The settlement amount paid by the Company was not material and the case is now concluded.

### 37 Financial Instruments (in \$ million)

#### (a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how revenue and expenses, including fair value gains and losses, are recognised.

The following tables analyse the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

| 2013<br>The Group               | Loans and<br>receivables | Available-for-<br>sale financial<br>assets | Held-to-<br>maturity<br>financial<br>assets | Derivatives<br>used for<br>hedging | Financial<br>liabilities at<br>amortised<br>cost | Derivatives<br>at fair value<br>through<br>profit or<br>loss | Total    |
|---------------------------------|--------------------------|--------------------------------------------|---------------------------------------------|------------------------------------|--------------------------------------------------|--------------------------------------------------------------|----------|
| <b>Assets</b>                   |                          |                                            |                                             |                                    |                                                  |                                                              |          |
| Long-term investments           | -                        | 354.9                                      | 352.0                                       | -                                  | -                                                | -                                                            | 706.9    |
| Other receivables               | 213.9                    | -                                          | -                                           | -                                  | -                                                | -                                                            | 213.9    |
| Trade debtors                   | 1,578.4                  | -                                          | -                                           | -                                  | -                                                | -                                                            | 1,578.4  |
| Deposits and other debtors      | 54.9                     | -                                          | -                                           | -                                  | -                                                | -                                                            | 54.9     |
| Investments                     | -                        | 336.5                                      | 12.9                                        | -                                  | -                                                | -                                                            | 349.4    |
| Derivative assets               | -                        | -                                          | -                                           | 79.1                               | -                                                | -                                                            | 79.1     |
| Cash and bank balances          | 5,059.6                  | -                                          | -                                           | -                                  | -                                                | -                                                            | 5,059.6  |
| Total financial assets          | 6,906.8                  | 691.4                                      | 364.9                                       | 79.1                               | -                                                | -                                                            | 8,042.2  |
| Total non-financial assets      |                          |                                            |                                             |                                    |                                                  |                                                              | 14,385.9 |
| Total assets                    |                          |                                            |                                             |                                    |                                                  |                                                              | 22,428.1 |
| <b>Liabilities</b>              |                          |                                            |                                             |                                    |                                                  |                                                              |          |
| Notes payable                   | -                        | -                                          | -                                           | -                                  | 800.0                                            | -                                                            | 800.0    |
| Finance lease commitments       | -                        | -                                          | -                                           | -                                  | 208.4                                            | -                                                            | 208.4    |
| Loans                           | -                        | -                                          | -                                           | -                                  | 5.7                                              | -                                                            | 5.7      |
| Trade and other creditors       | -                        | -                                          | -                                           | -                                  | 3,201.1                                          | -                                                            | 3,201.1  |
| Derivative liabilities          | -                        | -                                          | -                                           | 31.9                               | -                                                | 41.3                                                         | 73.2     |
| Total financial liabilities     | -                        | -                                          | -                                           | 31.9                               | 4,215.2                                          | 41.3                                                         | 4,288.4  |
| Total non-financial liabilities |                          |                                            |                                             |                                    |                                                  |                                                              | 4,722.4  |
| Total liabilities               |                          |                                            |                                             |                                    |                                                  |                                                              | 9,010.8  |

**37 Financial Instruments (in \$ million) (continued)****(a) Classification of financial instruments (continued)**

| <b>2013<br/>The Company</b>           | <b>Loans and<br/>receivables</b> | <b>Available-for-<br/>sale financial<br/>assets</b> | <b>Held-to-<br/>maturity<br/>financial<br/>assets</b> | <b>Derivatives<br/>used for<br/>hedging</b> | <b>Financial<br/>liabilities at<br/>amortised<br/>cost</b> | <b>Total</b> |
|---------------------------------------|----------------------------------|-----------------------------------------------------|-------------------------------------------------------|---------------------------------------------|------------------------------------------------------------|--------------|
| <b>Assets</b>                         |                                  |                                                     |                                                       |                                             |                                                            |              |
| Long-term investments                 | -                                | 274.8                                               | 352.0                                                 | -                                           | -                                                          | 626.8        |
| Other receivables                     | 213.9                            | -                                                   | -                                                     | -                                           | -                                                          | 213.9        |
| Trade debtors                         | 1,080.9                          | -                                                   | -                                                     | -                                           | -                                                          | 1,080.9      |
| Deposits and other debtors            | 36.6                             | -                                                   | -                                                     | -                                           | -                                                          | 36.6         |
| Amounts owing by subsidiary companies | 189.9                            | -                                                   | -                                                     | -                                           | -                                                          | 189.9        |
| Investments                           | -                                | 276.5                                               | 12.9                                                  | -                                           | -                                                          | 289.4        |
| Derivative assets                     | -                                | -                                                   | -                                                     | 77.7                                        | -                                                          | 77.7         |
| Cash and bank balances                | 4,834.3                          | -                                                   | -                                                     | -                                           | -                                                          | 4,834.3      |
| Total financial assets                | 6,355.6                          | 551.3                                               | 364.9                                                 | 77.7                                        | -                                                          | 7,349.5      |
| Total non-financial assets            |                                  |                                                     |                                                       |                                             |                                                            | 13,389.4     |
| Total assets                          |                                  |                                                     |                                                       |                                             |                                                            | 20,738.9     |
| <b>Liabilities</b>                    |                                  |                                                     |                                                       |                                             |                                                            |              |
| Notes payable                         | -                                | -                                                   | -                                                     | -                                           | 800.0                                                      | 800.0        |
| Trade and other creditors             | -                                | -                                                   | -                                                     | -                                           | 2,510.1                                                    | 2,510.1      |
| Amount owing to subsidiary companies  | -                                | -                                                   | -                                                     | -                                           | 1,219.8                                                    | 1,219.8      |
| Derivative liabilities                | -                                | -                                                   | -                                                     | 25.7                                        | -                                                          | 25.7         |
| Total financial liabilities           | -                                | -                                                   | -                                                     | 25.7                                        | 4,529.9                                                    | 4,555.6      |
| Total non-financial liabilities       |                                  |                                                     |                                                       |                                             |                                                            | 4,224.7      |
| Total liabilities                     |                                  |                                                     |                                                       |                                             |                                                            | 8,780.3      |

## NOTES TO THE FINANCIAL STATEMENTS

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### 37 Financial Instruments (in \$ million) (continued)

#### (a) Classification of financial instruments (continued)

| 2012<br>The Group               | Loans and<br>receivables | Available-for-<br>sale financial<br>assets | Held-to-<br>maturity<br>financial<br>assets | Derivatives<br>used for<br>hedging | Financial<br>liabilities at<br>amortised<br>cost | Derivatives<br>at fair value<br>through<br>profit or<br>loss | Total    |
|---------------------------------|--------------------------|--------------------------------------------|---------------------------------------------|------------------------------------|--------------------------------------------------|--------------------------------------------------------------|----------|
| <b>Assets</b>                   |                          |                                            |                                             |                                    |                                                  |                                                              |          |
| Long-term investments           | -                        | 238.5                                      | 135.2                                       | -                                  | -                                                | -                                                            | 373.7    |
| Other receivables               | 215.6                    | -                                          | -                                           | -                                  | -                                                | -                                                            | 215.6    |
| Trade debtors                   | 1,354.8                  | -                                          | -                                           | -                                  | -                                                | -                                                            | 1,354.8  |
| Deposits and other debtors      | 46.8                     | -                                          | -                                           | -                                  | -                                                | -                                                            | 46.8     |
| Investments                     | -                        | 596.3                                      | 28.8                                        | -                                  | -                                                | -                                                            | 625.1    |
| Derivative assets               | -                        | -                                          | -                                           | 71.9                               | -                                                | -                                                            | 71.9     |
| Cash and bank balances          | 4,702.7                  | -                                          | -                                           | -                                  | -                                                | -                                                            | 4,702.7  |
| Total financial assets          | 6,319.9                  | 834.8                                      | 164.0                                       | 71.9                               | -                                                | -                                                            | 7,390.6  |
| Total non-financial assets      |                          |                                            |                                             |                                    |                                                  |                                                              | 14,652.4 |
| Total assets                    |                          |                                            |                                             |                                    |                                                  |                                                              | 22,043.0 |
| <b>Liabilities</b>              |                          |                                            |                                             |                                    |                                                  |                                                              |          |
| Notes payable                   | -                        | -                                          | -                                           | -                                  | 800.0                                            | -                                                            | 800.0    |
| Finance lease commitments       | -                        | -                                          | -                                           | -                                  | 275.4                                            | -                                                            | 275.4    |
| Loans                           | -                        | -                                          | -                                           | -                                  | 2.4                                              | -                                                            | 2.4      |
| Trade and other creditors       | -                        | -                                          | -                                           | -                                  | 2,885.4                                          | -                                                            | 2,885.4  |
| Derivative liabilities          | -                        | -                                          | -                                           | 26.2                               | -                                                | 52.7                                                         | 78.9     |
| Total financial liabilities     | -                        | -                                          | -                                           | 26.2                               | 3,963.2                                          | 52.7                                                         | 4,042.1  |
| Total non-financial liabilities |                          |                                            |                                             |                                    |                                                  |                                                              | 4,813.5  |
| Total liabilities               |                          |                                            |                                             |                                    |                                                  |                                                              | 8,855.6  |

**37 Financial Instruments (in \$ million) (continued)****(a) Classification of financial instruments (continued)**

| 2012<br>The Company                   | Loans and<br>receivables | Available-for-<br>sale financial<br>assets | Held-to-<br>maturity<br>financial<br>assets | Derivatives<br>used for<br>hedging | Financial<br>liabilities at<br>amortised<br>cost | Total    |
|---------------------------------------|--------------------------|--------------------------------------------|---------------------------------------------|------------------------------------|--------------------------------------------------|----------|
| <b>Assets</b>                         |                          |                                            |                                             |                                    |                                                  |          |
| Long-term investments                 | -                        | 158.5                                      | 135.2                                       | -                                  | -                                                | 293.7    |
| Other receivables                     | 215.6                    | -                                          | -                                           | -                                  | -                                                | 215.6    |
| Trade debtors                         | 870.2                    | -                                          | -                                           | -                                  | -                                                | 870.2    |
| Deposits and other debtors            | 26.7                     | -                                          | -                                           | -                                  | -                                                | 26.7     |
| Amounts owing by subsidiary companies | 195.2                    | -                                          | -                                           | -                                  | -                                                | 195.2    |
| Investments                           | -                        | 536.4                                      | 28.8                                        | -                                  | -                                                | 565.2    |
| Derivative assets                     | -                        | -                                          | -                                           | 57.4                               | -                                                | 57.4     |
| Cash and bank balances                | 4,450.7                  | -                                          | -                                           | -                                  | -                                                | 4,450.7  |
| Total financial assets                | 5,758.4                  | 694.9                                      | 164.0                                       | 57.4                               | -                                                | 6,674.7  |
| Total non-financial assets            |                          |                                            |                                             |                                    |                                                  | 15,009.6 |
| Total assets                          |                          |                                            |                                             |                                    |                                                  | 21,684.3 |
| <b>Liabilities</b>                    |                          |                                            |                                             |                                    |                                                  |          |
| Notes payable                         | -                        | -                                          | -                                           | -                                  | 800.0                                            | 800.0    |
| Trade and other creditors             | -                        | -                                          | -                                           | -                                  | 2,210.2                                          | 2,210.2  |
| Amount owing to subsidiary companies  | -                        | -                                          | -                                           | -                                  | 1,525.2                                          | 1,525.2  |
| Derivative liabilities                | -                        | -                                          | -                                           | 12.7                               | -                                                | 12.7     |
| Total financial liabilities           | -                        | -                                          | -                                           | 12.7                               | 4,535.4                                          | 4,548.1  |
| Total non-financial liabilities       |                          |                                            |                                             |                                    |                                                  | 4,289.3  |
| Total liabilities                     |                          |                                            |                                             |                                    |                                                  | 8,837.4  |

Derivative financial instruments included in the statements of financial position are as follows:

|                               | The Group<br>31 March |      | The Company<br>31 March |      |
|-------------------------------|-----------------------|------|-------------------------|------|
|                               | 2013                  | 2012 | 2013                    | 2012 |
| <u>Derivative assets</u>      |                       |      |                         |      |
| Currency hedging contracts    | 24.2                  | 21.3 | 22.8                    | 14.6 |
| Fuel hedging contracts        | 52.7                  | 46.7 | 52.7                    | 38.9 |
| Interest rate cap contracts   | 2.2                   | 3.9  | 2.2                     | 3.9  |
|                               | 79.1                  | 71.9 | 77.7                    | 57.4 |
| <u>Derivative liabilities</u> |                       |      |                         |      |
| Currency hedging contracts    | 19.2                  | 15.5 | 19.2                    | 12.2 |
| Fuel hedging contracts        | 6.5                   | 0.6  | 6.5                     | 0.5  |
| Cross currency swap contracts | 40.7                  | 50.9 | -                       | -    |
| Interest rate swap contracts  | 6.8                   | 11.9 | -                       | -    |
|                               | 73.2                  | 78.9 | 25.7                    | 12.7 |



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### 37 Financial Instruments (in \$ million) (continued)

#### (b) Fair values

##### Financial instruments carried at fair value

##### Fair value hierarchy

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

|                                | The Group                                                           |                                               |                                                                     |                                               |
|--------------------------------|---------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------|
|                                | 31 March 2013                                                       |                                               | 31 March 2012                                                       |                                               |
|                                | Quoted prices in active markets for identical instruments (Level 1) | Significant other observable inputs (Level 2) | Quoted prices in active markets for identical instruments (Level 1) | Significant other observable inputs (Level 2) |
| <u>Financial assets:</u>       |                                                                     |                                               |                                                                     |                                               |
| Available-for-sale investments |                                                                     |                                               |                                                                     |                                               |
| Quoted investments             |                                                                     |                                               |                                                                     |                                               |
| - Government securities        | 3.0                                                                 | -                                             | 4.1                                                                 | -                                             |
| - Equity investments           | 166.5                                                               | -                                             | 32.8                                                                | -                                             |
| - Non-equity investments       | 279.5                                                               | -                                             | 232.0                                                               | -                                             |
| Unquoted investments           |                                                                     |                                               |                                                                     |                                               |
| - Government securities        | -                                                                   | -                                             | -                                                                   | 307.5                                         |
| - Non-equity investments       | -                                                                   | 143.5                                         | -                                                                   | 159.6                                         |
| Derivative assets              |                                                                     |                                               |                                                                     |                                               |
| Currency hedging contracts     | -                                                                   | 24.2                                          | -                                                                   | 21.3                                          |
| Fuel hedging contracts         | -                                                                   | 52.7                                          | -                                                                   | 46.7                                          |
| Interest rate cap contracts    | -                                                                   | 2.2                                           | -                                                                   | 3.9                                           |
|                                | 449.0                                                               | 222.6                                         | 268.9                                                               | 539.0                                         |
| <u>Financial liabilities:</u>  |                                                                     |                                               |                                                                     |                                               |
| Derivative liabilities         |                                                                     |                                               |                                                                     |                                               |
| Currency hedging contracts     | -                                                                   | 19.2                                          | -                                                                   | 15.5                                          |
| Fuel hedging contracts         | -                                                                   | 6.5                                           | -                                                                   | 0.6                                           |
| Cross currency swap contracts  | -                                                                   | 40.7                                          | -                                                                   | 50.9                                          |
| Interest rate swap contracts   | -                                                                   | 6.8                                           | -                                                                   | 11.9                                          |
|                                | -                                                                   | 73.2                                          | -                                                                   | 78.9                                          |

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

## 37 Financial Instruments (in \$ million) (continued)

### (b) Fair values (continued)

#### Financial instruments carried at fair value (continued)

##### Determination of fair value

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

The fair values of jet fuel swap contracts are the mark-to-market values of these contracts. The fair values of jet fuel option contracts are determined by reference to available market information and the Black-Scholes option valuation model. As the Group hedges its jet fuel requirements in Mean of Platts Singapore Jet Kerosene ("MOPS") and that the majority of the Group's fuel uplifts are in MOPS, the MOPS price (2013: USD 122.17/BBL, 2012: USD 135.42/BBL) is used as the input for market fuel price to the Black-Scholes option valuation model. Consequently, the annualised volatility (2012-13: 11.75%, 2011-12: 11.34%) of the jet fuel swap and option contracts is also estimated with daily MOPS price. The continuously compounded risk-free rate estimated as average of the past 12 months' Singapore Government Securities benchmark issues' one-year yield (2012-13: 0.27%, 2011-12: 0.33%) was also applied to each individual jet fuel option contract to derive their estimated fair values as at the end of the reporting period.

The fair value of forward currency contracts is determined by reference to current forward prices for contracts with similar maturity profiles. The fair values of foreign currency option contracts, interest rate swap contracts and interest rate cap contracts are determined by reference to valuation reports provided by counterparties.

The fair value of cross currency swap contracts is determined based on quoted market prices or dealer quotes for similar instruments used.

The fair value of quoted investments is generally determined by reference to stock exchange quoted market bid prices at the close of the business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions or reference to the current market value of another instrument (which is substantially the same).

#### Financial instruments whose carrying amounts approximate fair value

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

#### Financial instruments carried at other than fair value

Long-term investments classified as available-for-sale amounting to \$98.9 million (2012: \$98.8 million) for the Group and \$18.8 million (2012: \$18.8 million) for the Company are stated at cost because the fair values cannot be obtained directly from quoted market price or indirectly using valuation techniques supported by observable market data.

## NOTES TO THE FINANCIAL STATEMENTS

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### 37 Financial Instruments (in \$ million) (continued)

#### (b) Fair values (continued)

##### Financial instruments carried at other than fair value (continued)

Investments classified as held-to-maturity amounting to \$364.9 million (2012: \$164.0 million) for the Group and the Company are stated at amortised cost. The fair value of these investments as at 31 March 2013 approximate \$366.0 million (2012: \$163.4 million) for the Group and the Company. Fair value is determined by reference to their published market bid price at the end of the reporting period.

The Group and the Company have no intention to dispose of their interests in the above investments in the foreseeable future.

The fair values of long-term liabilities are disclosed in Note 19.

### 38 Financial Risk Management Objectives and Policies (in \$ million)

The Group operates globally and generates revenue in various currencies. The Group's airline operations carry certain financial and commodity risks, including the effects of changes in jet fuel prices, foreign currency exchange rates, interest rates and the market value of its investments. The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance through the use of derivatives to hedge specific exposures.

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

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

#### (a) Jet fuel price risk

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

##### Cash flow hedges

The Group manages this fuel price risk by using swap, option and collar contracts and hedging up to 18 months forward using jet fuel swap, option and collar contracts.

The Group has applied cash flow hedge accounting to these derivatives as they are considered to be highly effective hedging instruments. A net fair value loss before tax of \$309.6 million (2012: \$308.1 million), with a related deferred tax credit of \$92.0 million (2012: \$91.5 million), is included in the fair value reserve in respect of these contracts.

**38 Financial Risk Management Objectives and Policies (in \$ million) (continued)****(a) Jet fuel price risk (continued)**Jet fuel price sensitivity analysis

The jet fuel price risk sensitivity analysis is based on the assumption that all other factors, such as fuel surcharge and uplifted fuel volume, remain constant. Under this assumption, and excluding the effects of hedging, an increase in price of one USD per barrel of jet fuel affects the Group's and the Company's annual fuel costs by \$45.6 million and \$38.4 million (2011-12: \$44.1 million and \$37.1 million) respectively.

The fuel hedging sensitivity analysis is based on contracts that are still outstanding as at the end of the reporting period and assumes that all jet fuel hedges are highly effective. Under these assumptions, with an increase or decrease in jet fuel prices, each by one USD per barrel, the before tax effects on equity are set out in the table below.

Sensitivity analysis on outstanding fuel hedging contracts:

|                                | The Group<br>31 March |       | The Company<br>31 March |       |
|--------------------------------|-----------------------|-------|-------------------------|-------|
|                                | 2013                  | 2012  | 2013                    | 2012  |
|                                | Effect on equity      |       | Effect on equity        |       |
| Increase in one USD per barrel | 18.5                  | 4.5   | 15.2                    | 3.7   |
| Decrease in one USD per barrel | (18.5)                | (4.5) | (15.2)                  | (3.7) |

**(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 2013, these accounted for 56.4% of total revenue (2011-12: 60.5%) and 68.7% of total operating expenses (2011-12: 68.9%). The Group's largest exposures are from USD, Euro, UK Sterling Pound, Swiss Franc, Australian Dollar, New Zealand Dollar, Japanese Yen, Indian Rupee, Hong Kong Dollar, Chinese Yuan, Korean Won and Malaysian Ringgit. The Group generates a surplus in all of these currencies, with the exception of USD. The deficit in USD is attributable to capital expenditure, fuel costs and aircraft leasing costs – all conventionally denominated and payable in USD.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for USD and SGD. The Group also uses forward foreign currency contracts and foreign currency option contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell currencies at predetermined forward rates, buying either USD or SGD depending on forecast requirements, with settlement dates that range from one month up to one year. The Group uses these currency hedging contracts purely as a hedging tool. It does not take positions in currencies with a view to making speculative gains from currency movements.

Cash flow hedges

As at 31 March 2013, the Company holds USD256.0 million (2012: USD97.0 million) in short-term deposits to hedge against foreign currency risk for a portion of the forecast USD capital expenditure in the next 10 months. A fair value gain of \$4.9 million (2012: \$1.4 million) is included in the fair value reserve in respect of these contracts.

During the financial year, the Group entered into financial instruments to hedge expected future payments in USD and SGD. The cash flow hedges of the expected future purchases in USD and expected future payments in SGD in the next 12 months are assessed to be highly effective and at 31 March 2013, a net fair value gain before tax of \$305.1 million (2012: \$301.6 million), with a related deferred tax charge of \$85.0 million (2012: \$84.4 million), is included in the fair value reserve in respect of these contracts.

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### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (b) Foreign currency risk (continued)

##### Fair value through profit or loss

In addition, the Group has cross currency swap contracts in place with notional amounts ranging from \$17.5 million to \$68.9 million (2012: \$23.9 million to \$89.7 million) where it pays SGD and receives USD at USD/SGD exchange rates ranging from 1.3085 to 1.6990 (2011-12: 1.3085 to 1.6990). These contracts are used to protect the foreign exchange risk exposure of the Group's USD-denominated finance lease commitments. The maturity period of these contracts ranges from 21 August 2015 to 14 February 2018.

##### Foreign currency sensitivity analysis

The foreign currency risk sensitivity analysis is based on the assumption that all cash flow hedges are highly effective; hence there will be no impact on profit before taxation from the cash flow hedges.

The following table details the sensitivity of a 1% strengthening of SGD against the respective foreign currencies. The sensitivity analysis includes only outstanding foreign currency hedging contracts and significant outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rates.

##### Sensitivity analysis:

|     | The Group<br>31 March             |                                                      |                                   |                                                      |
|-----|-----------------------------------|------------------------------------------------------|-----------------------------------|------------------------------------------------------|
|     | 2013                              |                                                      | 2012                              |                                                      |
|     | Effect on<br>equity <sup>R1</sup> | Effect on<br>profit before<br>taxation <sup>R2</sup> | Effect on<br>equity <sup>R1</sup> | Effect on<br>profit before<br>taxation <sup>R2</sup> |
| AUD | 2.9                               | (2.6)                                                | 2.0                               | (1.6)                                                |
| EUR | 1.1                               | (1.6)                                                | 2.5                               | (1.4)                                                |
| GBP | 1.4                               | (0.7)                                                | 1.1                               | (0.5)                                                |
| JPY | 1.4                               | (0.5)                                                | 1.5                               | (0.4)                                                |
| USD | (9.6)                             | (8.5)                                                | (4.3)                             | (5.1)                                                |

|     | The Company<br>31 March           |                                                      |                                   |                                                      |
|-----|-----------------------------------|------------------------------------------------------|-----------------------------------|------------------------------------------------------|
|     | 2013                              |                                                      | 2012                              |                                                      |
|     | Effect on<br>equity <sup>R1</sup> | Effect on<br>profit before<br>taxation <sup>R2</sup> | Effect on<br>equity <sup>R1</sup> | Effect on<br>profit before<br>taxation <sup>R2</sup> |
| AUD | 2.6                               | (2.3)                                                | 1.8                               | (1.4)                                                |
| EUR | 0.5                               | (0.9)                                                | 1.8                               | (0.5)                                                |
| GBP | 1.2                               | (0.6)                                                | 0.9                               | (0.4)                                                |
| JPY | 0.9                               | (0.4)                                                | 1.0                               | (0.2)                                                |
| USD | (8.5)                             | (6.7)                                                | (4.3)                             | (5.2)                                                |

<sup>R1</sup> Sensitivity analysis on outstanding foreign currency hedging contracts.

<sup>R2</sup> Sensitivity analysis on significant outstanding foreign currency denominated monetary items.

If the relevant foreign currency strengthens by 1% against SGD, equity and profit before taxation would change by the same amounts in the opposite direction.

## 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

### (c) Interest rate risk

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

#### Cash flow hedges

As at 31 March 2013, the Company has interest rate cap contracts at a strike rate of 6.50% (2012: 6.50%), maturing in 4 to 5 years, to hedge against risk of increase in aircraft lease rentals. The cash flow hedges of the interest rate cap contracts are assessed to be highly effective. A net fair value loss before tax of \$17.6 million (2012: \$15.9 million), with a related deferred tax credit of \$3.0 million (2012: \$2.7 million), is included in the fair value reserve in respect of these contracts.

In FY2009-10, the Company entered into interest rate swap contracts to protect a portion of the future operating lease rent payments from exposure to fluctuations in interest rates. These contracts were settled in FY2010-11. The balance in the fair value reserve will be recognised in the profit and loss account over the lease term of the respective aircraft. A net fair value loss before tax of \$24.8 million (2012: \$34.8 million), with a related deferred tax credit of \$4.2 million (2012: \$5.9 million), is included in the fair value reserve in respect of these contracts.

As at 31 March 2013, other than those instruments entered into by the Company, the Group has interest rate swap agreements in place whereby it pays fixed rates of interest ranging from 3.00% to 4.95% (2012: 3.00% to 4.95%) and receives a variable rate linked to LIBOR. These contracts are used to protect a portion of the finance lease commitments from exposure to fluctuations in interest rates. The maturity period of these swaps ranges from 1 March 2014 to 5 March 2016. The cash flow hedges of some of these contracts are assessed to be highly effective and at 31 March 2013, a net fair value loss of \$4.4 million (2012: \$8.3 million) is included in the fair value reserve in respect of these contracts.

#### Interest rate sensitivity analysis

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or finance charges of variable interest financial instruments.
- Changes in market interest rates affect the fair value of derivative financial instruments designated as hedging instruments and all interest rate hedges are expected to be highly effective.
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

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### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (c) Interest rate risk (continued)

##### Interest rate sensitivity analysis (continued)

Under these assumptions, an increase or decrease in market interest rates of one basis point for all currencies in which the Group has derivative financial instruments and variable rate assets and liabilities at 31 March 2013 will have the effects as set out in the table below.

##### Sensitivity analysis:

|                                                      | The Group<br>31 March             |                                                      |                                   |                                                      |
|------------------------------------------------------|-----------------------------------|------------------------------------------------------|-----------------------------------|------------------------------------------------------|
|                                                      | 2013                              |                                                      | 2012                              |                                                      |
|                                                      | Effect on<br>equity <sup>R1</sup> | Effect on<br>profit before<br>taxation <sup>R2</sup> | Effect on<br>equity <sup>R1</sup> | Effect on<br>profit before<br>taxation <sup>R2</sup> |
| Increase in one basis point in market interest rates | 0.1                               | 0.5                                                  | 0.1                               | 0.5                                                  |
| Decrease in one basis point in market interest rates | (0.1)                             | (0.5)                                                | (0.1)                             | (0.5)                                                |

|                                                      | The Company<br>31 March           |                                                      |                                   |                                                      |
|------------------------------------------------------|-----------------------------------|------------------------------------------------------|-----------------------------------|------------------------------------------------------|
|                                                      | 2013                              |                                                      | 2012                              |                                                      |
|                                                      | Effect on<br>equity <sup>R1</sup> | Effect on<br>profit before<br>taxation <sup>R2</sup> | Effect on<br>equity <sup>R1</sup> | Effect on<br>profit before<br>taxation <sup>R2</sup> |
| Increase in one basis point in market interest rates | 0.1                               | 0.4                                                  | 0.1                               | 0.3                                                  |
| Decrease in one basis point in market interest rates | (0.1)                             | (0.4)                                                | (0.1)                             | (0.3)                                                |

<sup>R1</sup> Sensitivity analysis on derivative financial instruments.

<sup>R2</sup> Sensitivity analysis on variable rate assets and liabilities.



**38 Financial Risk Management Objectives and Policies (in \$ million) (continued)****(d) Market rate risk**

At 31 March 2013, the Group and the Company own investments of \$957.4 million (2012: \$900.0 million) and \$897.4 million (2012: \$840.1 million) respectively, which are subject to market rate risk. The market risk associated with these investments is the potential loss resulting from a decrease in market prices.

Market price sensitivity analysis

If prices for these investments increase or decrease by 1% with all other variables being held constant, the before tax effects on equity are set out in the table below.

Sensitivity analysis on investments:

|                                 | The Group<br>31 March |       | The Company<br>31 March |       |
|---------------------------------|-----------------------|-------|-------------------------|-------|
|                                 | 2013                  | 2012  | 2013                    | 2012  |
|                                 | Effect on equity      |       | Effect on equity        |       |
| Increase in 1% of quoted prices | 5.9                   | 7.4   | 5.3                     | 6.8   |
| Decrease in 1% of quoted prices | (5.9)                 | (7.4) | (5.3)                   | (6.8) |

**(e) Liquidity risk**

At 31 March 2013, the Group has at its disposal, cash and short-term deposits amounting to \$5,059.6 million (2012: \$4,702.7 million). In addition, the Group has available short-term credit facilities of about \$374.2 million (2012: \$520.7 million). The Group also has Medium Term Note Programmes under which it may issue notes up to \$1,000.0 million (2012: \$1,000.0 million) and as of 31 March 2013, \$500.0 million (2012: \$500.0 million) remains unutilised. Under these Programmes, notes issued by the Company may have varying maturities as agreed with the relevant financial institutions.

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

The maturity profile of the financial liabilities of the Group and the Company is as follows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

## NOTES TO THE FINANCIAL STATEMENTS

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### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (e) Liquidity risk (continued)

|                                       | Within 1<br>year | 1 - 2<br>years | 2 - 3<br>years | 3 - 4<br>years | 4 - 5<br>years | More<br>than<br>5 years | Total   |
|---------------------------------------|------------------|----------------|----------------|----------------|----------------|-------------------------|---------|
| <b>2013</b>                           |                  |                |                |                |                |                         |         |
| <b>The Group</b>                      |                  |                |                |                |                |                         |         |
| Notes payable                         | 22.6             | 22.5           | 319.3          | 16.1           | 16.1           | 536.6                   | 933.2   |
| Finance lease commitments             | 72.4             | 56.3           | 51.3           | 21.9           | 21.8           | -                       | 223.7   |
| Loans                                 | 5.7              | -              | -              | -              | -              | -                       | 5.7     |
| Trade and other creditors             | 3,201.1          | -              | -              | -              | -              | -                       | 3,201.1 |
| Derivative financial instruments:     |                  |                |                |                |                |                         |         |
| Currency hedging contracts            | 19.2             | -              | -              | -              | -              | -                       | 19.2    |
| Fuel hedging contracts                | 6.5              | -              | -              | -              | -              | -                       | 6.5     |
| Cross currency swap contracts         | 40.7             | -              | -              | -              | -              | -                       | 40.7    |
| Interest rate swap contracts          | 6.8              | -              | -              | -              | -              | -                       | 6.8     |
|                                       | 3,375.0          | 78.8           | 370.6          | 38.0           | 37.9           | 536.6                   | 4,436.9 |
| <b>The Company</b>                    |                  |                |                |                |                |                         |         |
| Notes payable                         | 22.6             | 22.5           | 319.3          | 16.1           | 16.1           | 536.6                   | 933.2   |
| Trade and other creditors             | 2,510.1          | -              | -              | -              | -              | -                       | 2,510.1 |
| Amounts owing to subsidiary companies | 1,219.8          | -              | -              | -              | -              | -                       | 1,219.8 |
| Derivative financial instruments:     |                  |                |                |                |                |                         |         |
| Currency hedging contracts            | 19.2             | -              | -              | -              | -              | -                       | 19.2    |
| Fuel hedging contracts                | 6.5              | -              | -              | -              | -              | -                       | 6.5     |
|                                       | 3,778.2          | 22.5           | 319.3          | 16.1           | 16.1           | 536.6                   | 4,688.8 |
| <b>2012</b>                           |                  |                |                |                |                |                         |         |
| <b>The Group</b>                      |                  |                |                |                |                |                         |         |
| Notes payable                         | 22.6             | 22.6           | 22.6           | 319.3          | 16.1           | 552.6                   | 955.8   |
| Finance lease commitments             | 72.2             | 73.6           | 57.0           | 51.6           | 22.1           | 22.1                    | 298.6   |
| Loans                                 | 2.4              | -              | -              | -              | -              | -                       | 2.4     |
| Trade and other creditors             | 2,885.4          | -              | -              | -              | -              | -                       | 2,885.4 |
| Derivative financial instruments:     |                  |                |                |                |                |                         |         |
| Currency hedging contracts            | 15.5             | -              | -              | -              | -              | -                       | 15.5    |
| Fuel hedging contracts                | 0.6              | -              | -              | -              | -              | -                       | 0.6     |
| Cross currency swap contracts         | 50.9             | -              | -              | -              | -              | -                       | 50.9    |
| Interest rate swap contracts          | 11.9             | -              | -              | -              | -              | -                       | 11.9    |
|                                       | 3,061.5          | 96.2           | 79.6           | 370.9          | 38.2           | 574.7                   | 4,221.1 |
| <b>The Company</b>                    |                  |                |                |                |                |                         |         |
| Notes payable                         | 22.6             | 22.6           | 22.6           | 319.3          | 16.1           | 552.6                   | 955.8   |
| Trade and other creditors             | 2,210.2          | -              | -              | -              | -              | -                       | 2,210.2 |
| Amounts owing to subsidiary companies | 1,525.2          | -              | -              | -              | -              | -                       | 1,525.2 |
| Derivative financial instruments:     |                  |                |                |                |                |                         |         |
| Currency hedging contracts            | 12.2             | -              | -              | -              | -              | -                       | 12.2    |
| Fuel hedging contracts                | 0.5              | -              | -              | -              | -              | -                       | 0.5     |
|                                       | 3,770.7          | 22.6           | 22.6           | 319.3          | 16.1           | 552.6                   | 4,703.9 |

**38 Financial Risk Management Objectives and Policies (in \$ million) (continued)****(f) Credit risk**

The Group has an independent Group Debts Review Committee to review the follow up actions on outstanding receivables monthly. On a day-to-day basis, the respective Finance divisions have the primary responsibility for measuring and managing specific risk exposures.

The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset in the statement of financial position.

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

The sale of passenger and cargo transportation is largely achieved through IATA accredited sales agents. The credit risk of such sales agents is relatively small owing to a broad diversification. In specific instances, the contract may require special collateral.

Unless expressly stated otherwise in the contract, receivables and payables among airlines are settled either bilaterally or via the IATA Clearing House. Receivables and payables are generally netted and settled at weekly intervals, which lead to a clear reduction in the risk of default.

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

Collaterals requested from debtors include bank guarantees, cash-in-lieu of deposit and security deposits.

Allowance is made for doubtful accounts whenever risks are identified.

**(g) Counterparty risk**

Counterparty risk is the potential financial loss from a transaction that may arise in the event of default by the counterparty. Counterparty risks are managed by limiting aggregated exposure on all outstanding financial instruments to any individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising from the event of non-performance by counterparties.

Surplus funds are invested in interest-bearing bank deposits and other high quality short-term liquid investments.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 38 Financial Risk Management Objectives and Policies (in \$ million) (continued)

#### (g) Counterparty risk (continued)

The Group determines concentrations of credit risk by monitoring the industry, country and credit rating of its counterparties. The table below shows an analysis of credit risk exposures of balances that exceed 5% of the financial assets of the Group and the Company as at 31 March:

|                                   | The Group           |         |                                      |       | The Company         |         |                                      |       |
|-----------------------------------|---------------------|---------|--------------------------------------|-------|---------------------|---------|--------------------------------------|-------|
|                                   | Outstanding balance |         | Percentage of total financial assets |       | Outstanding balance |         | Percentage of total financial assets |       |
|                                   | 2013                | 2012    | 2013                                 | 2012  | 2013                | 2012    | 2013                                 | 2012  |
| <b>Counterparty profiles</b>      |                     |         |                                      |       |                     |         |                                      |       |
| <u>By industry:</u>               |                     |         |                                      |       |                     |         |                                      |       |
| Travel agencies                   | 632.0               | 637.3   | 7.9%                                 | 8.6%  | 349.1               | 340.7   | 4.8%                                 | 5.1%  |
| Airlines                          | 381.1               | 344.1   | 4.7%                                 | 4.7%  | 179.0               | 116.3   | 2.4%                                 | 1.7%  |
| Financial institutions            | 5,518.9             | 5,132.9 | 68.6%                                | 69.5% | 5,279.4             | 4,837.6 | 71.8%                                | 72.5% |
| Others                            | 812.9               | 942.0   | 10.1%                                | 12.7% | 734.5               | 885.2   | 10.0%                                | 13.3% |
|                                   | 7,344.9             | 7,056.3 | 91.3%                                | 95.5% | 6,542.0             | 6,179.8 | 89.0%                                | 92.6% |
| <u>By region:</u>                 |                     |         |                                      |       |                     |         |                                      |       |
| East Asia                         | 4,779.5             | 4,935.0 | 59.4%                                | 66.8% | 4,241.4             | 4,424.2 | 57.7%                                | 66.3% |
| Europe                            | 744.8               | 677.0   | 9.2%                                 | 9.1%  | 610.4               | 495.6   | 8.3%                                 | 7.4%  |
| South West Pacific                | 1,525.0             | 982.0   | 19.0%                                | 13.3% | 1,487.1             | 944.4   | 20.2%                                | 14.1% |
| Americas                          | 190.6               | 351.9   | 2.4%                                 | 4.8%  | 140.5               | 250.8   | 1.9%                                 | 3.8%  |
| West Asia and Africa              | 105.0               | 110.4   | 1.3%                                 | 1.5%  | 62.6                | 64.8    | 0.9%                                 | 1.0%  |
|                                   | 7,344.9             | 7,056.3 | 91.3%                                | 95.5% | 6,542.0             | 6,179.8 | 89.0%                                | 92.6% |
| <u>By Moody's credit ratings:</u> |                     |         |                                      |       |                     |         |                                      |       |
| Investment grade (A to Aaa)       | 5,513.6             | 5,669.5 | 68.5%                                | 76.7% | 5,294.2             | 5,400.6 | 72.0%                                | 80.9% |
| Investment grade (Baa)            | 1.1                 | 1.7     | 0.0%                                 | 0.0%  | 0.4                 | 0.8     | 0.0%                                 | 0.0%  |
| Non-rated                         | 1,830.2             | 1,385.1 | 22.8%                                | 18.8% | 1,247.4             | 778.4   | 17.0%                                | 11.7% |
|                                   | 7,344.9             | 7,056.3 | 91.3%                                | 95.5% | 6,542.0             | 6,179.8 | 89.0%                                | 92.6% |

**39 Capital Management (in \$ million)**

The primary objective of the management of the Company's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The Directors regularly review the Company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital.

The Company did not breach any gearing covenants during the financial years ended 31 March 2013 or 31 March 2012. In the same period, no significant changes were made in the objectives, policies or processes relating to the management of the Company's capital structure.

|                           | <b>The Group<br/>31 March</b> |             | <b>The Company<br/>31 March</b> |             |
|---------------------------|-------------------------------|-------------|---------------------------------|-------------|
|                           | <b>2013</b>                   | <b>2012</b> | <b>2013</b>                     | <b>2012</b> |
| Notes payable             | 800.0                         | 800.0       | 800.0                           | 800.0       |
| Finance lease commitments | 208.4                         | 275.4       | -                               | -           |
| Loans                     | 5.7                           | 2.4         | -                               | -           |
| Total debt                | 1,014.1                       | 1,077.8     | 800.0                           | 800.0       |
| Share capital             | 1,856.1                       | 1,856.1     | 1,856.1                         | 1,856.1     |
| Reserves                  | 11,248.6                      | 11,037.3    | 10,102.5                        | 10,990.8    |
| Total capital             | 13,104.7                      | 12,893.4    | 11,958.6                        | 12,846.9    |
| Gearing ratio (times)     | 0.08                          | 0.08        | 0.07                            | 0.06        |

**40 Related Party Transactions (in \$ million)**

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

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Group considers the directors, chief executive officer and executive vice presidents of the Company to be key management personnel of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

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### 40 Related Party Transactions (in \$ million) (continued)

In addition to the related party information disclosed elsewhere in the financial statements, these were the following significant related party transactions which were carried out in the normal course of business on terms that prevail in arm's length transactions during the financial year:

|                                                                  | The Group |         |
|------------------------------------------------------------------|-----------|---------|
|                                                                  | 2012-13   | 2011-12 |
| Purchases of services from associated companies                  | 37.3      | 124.1   |
| Services rendered to associated companies                        | (85.2)    | (12.6)  |
| Purchases of services from joint venture companies               | 0.4       | 2.9     |
| Services rendered to joint venture companies                     | (14.8)    | (11.5)  |
| Purchases of services from related parties                       | 1,013.5   | 1,033.1 |
| Professional fees paid to a firm of which a director is a member | 0.1       | 0.3     |

#### Directors' and key executives' remuneration of the Group

|                                                       | The Group |         |
|-------------------------------------------------------|-----------|---------|
|                                                       | 2012-13   | 2011-12 |
| <u>Directors</u>                                      |           |         |
| Salary, bonuses, fee and other costs                  | 3.2       | 3.2     |
| CPF and other defined contributions                   | *         | *       |
| Share-based compensation expense                      | 0.8       | 1.3     |
|                                                       | 4.0       | 4.5     |
| <u>Key executives (excluding executive directors)</u> |           |         |
| Salary, bonuses and other costs                       | 1.8       | 2.7     |
| CPF and other defined contributions                   | *         | *       |
| Share-based compensation expense                      | 1.1       | 2.1     |
|                                                       | 2.9       | 4.8     |

\* Amount less than \$0.1 million

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

| Name of participant | Aggregate options granted since commencement of scheme up to end of financial year under review | Aggregate options exercised since commencement of scheme up to end of financial year under review | Aggregate options outstanding at end of financial year under review |
|---------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Goh Choon Phong     | 444,075                                                                                         | 197,950                                                                                           | 246,125                                                             |
| Mak Swee Wah        | 362,750                                                                                         | 232,975                                                                                           | 129,775                                                             |
| Ng Chin Hwee        | 214,025                                                                                         | 214,025                                                                                           | -                                                                   |

**40 Related Party Transactions (in \$ million) (continued)**

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

RSP Base Awards

| Name of participant | Balance as at<br>1 April 2012 | Base Awards<br>granted during<br>the financial<br>year | Base Awards<br>vested during<br>the financial<br>year | Balance as at<br>31 March<br>2013 | Aggregate Base<br>Awards granted<br>since<br>commencement<br>of RSP to end of<br>financial year<br>under review |
|---------------------|-------------------------------|--------------------------------------------------------|-------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Goh Choon Phong     | 60,371                        | 42,000                                                 | 18,005                                                | 84,366                            | 157,256                                                                                                         |
| Mak Swee Wah        | 39,188                        | 21,000                                                 | 18,005                                                | 42,183                            | 114,186                                                                                                         |
| Ng Chin Hwee        | 39,188                        | 21,000                                                 | 18,005                                                | 42,183                            | 98,268                                                                                                          |

RSP Final Awards (Pending Release) <sup>R1</sup>

| Name of participant | Balance as at<br>1 April 2012 | Final Awards<br>granted during<br>the financial<br>year* | Final Awards<br>released during<br>the financial<br>year | Balance as at<br>31 March<br>2013 | Aggregate<br>ordinary shares<br>released to<br>participant since<br>commencement<br>of RSP to end of<br>financial year<br>under review * |
|---------------------|-------------------------------|----------------------------------------------------------|----------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Goh Choon Phong     | 11,106                        | 17,470                                                   | 16,370                                                   | 12,206                            | 56,828                                                                                                                                   |
| Mak Swee Wah        | 12,706                        | 17,470                                                   | 16,903                                                   | 13,273                            | 54,687                                                                                                                                   |
| Ng Chin Hwee        | 12,706                        | 17,470                                                   | 16,903                                                   | 13,273                            | 35,756                                                                                                                                   |

Time-based RSP Awards

| Name of participant | Balance as at<br>1 April 2012 | Balance as at<br>31 March<br>2013 | Aggregate<br>Awards<br>granted since<br>commencement<br>of time-based<br>RSP to end of<br>financial year<br>under review | Aggregate<br>ordinary shares<br>released to<br>participant since<br>commencement<br>of time-based<br>RSP to end of<br>financial year<br>under review |
|---------------------|-------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Goh Choon Phong     | 105,917                       | 105,917                           | 105,917                                                                                                                  | -                                                                                                                                                    |
| Mak Swee Wah        | 105,917                       | 105,917                           | 105,917                                                                                                                  | -                                                                                                                                                    |
| Ng Chin Hwee        | 105,917                       | 105,917                           | 105,917                                                                                                                  | -                                                                                                                                                    |



## NOTES TO THE FINANCIAL STATEMENTS

31 March 2013

### 40 Related Party Transactions (in \$ million) (continued)

#### PSP Base Awards<sup>R2</sup>

| Name of participant | Balance as at<br>1 April 2012 | Base<br>Awards<br>granted<br>during the<br>financial<br>year | Base<br>Awards<br>vested<br>during the<br>financial<br>year | Balance as at<br>31 March<br>2013 | Aggregate<br>Base Awards<br>granted since<br>commencement<br>of PSP to end of<br>financial year<br>under review | Aggregate<br>ordinary shares<br>released to<br>participant since<br>commencement<br>of PSP to end of<br>financial year<br>under review * |
|---------------------|-------------------------------|--------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Goh Choon Phong     | 83,631                        | 66,000                                                       | 9,490                                                       | 140,141                           | 175,500                                                                                                         | 44,522                                                                                                                                   |
| Mak Swee Wah        | 56,982                        | 26,400                                                       | 17,794                                                      | 65,588                            | 114,888                                                                                                         | 63,663                                                                                                                                   |
| Ng Chin Hwee        | 56,982                        | 26,400                                                       | 17,794                                                      | 65,588                            | 100,182                                                                                                         | 47,450                                                                                                                                   |

<sup>R1</sup> The actual number of RSP Final Awards of fully paid ordinary shares will range from 0% to 150% of the Base Awards and is contingent on the Achievements against Targets over the two-year performance periods relating to the relevant awards.

<sup>R2</sup> The actual number of PSP Final Awards of fully paid ordinary shares will range from 0% to 200% of the Base Awards and is contingent on the Achievements against Targets over the three-year performance periods relating to the relevant awards.

\* Final Awards granted during the financial year is determined by applying the achievement factor to the Base Awards that have vested during the financial year.

\* During the financial year, 50,176 and 56,370 treasury shares were issued to director and key executives of the Company pursuant to the RSP and PSP respectively.

### 41 Subsequent Events

Pursuant to Tiger Airways Holdings Limited's ("Tiger Airways") renounceable Rights Issue and non-renounceable Preferential Offering of 2.0 per cent perpetual convertible capital securities ("Convertible Securities") convertible into fully paid-up ordinary shares in the capital of Tiger Airways, the Company had been allocated 53,702,775 Rights Shares and 189,390,367 Convertible Securities. Based on an issue price of \$0.47 per Rights Share and \$1.07 per Convertible Security, the total consideration paid by the Company in relation to the subscription of the Rights Shares and Convertible Securities was \$227.9 million. Immediately following the Rights Issue, the total number of shares held by the Company increased to 322,216,650, and the Company's shareholding in Tiger Airways remained unchanged at 32.7% of the enlarged share capital. If all of the Convertible Securities are converted into ordinary shares at a conversion price of \$0.74, the total number of shares held by the Company will increase to 596,064,883, and the Company's shareholding in Tiger Airways will increase to approximately 46.5% of the enlarged share capital.

In accordance with the subscription agreement announced on 30 October 2012, the Company exercised its anti-dilution rights on 22 April 2013 to subscribe for 12,545,666 ordinary shares in Virgin Australia Holdings Limited ("Virgin Australia"). Based on the subscription price of AUD0.4288 per share, the total consideration paid by the Company was AUD5.4 million (\$7.0 million). This enabled the Company to maintain its 10.0% stake in Virgin Australia.

On 24 April 2013, the Company entered into a Share Sale and Purchase Agreement to further acquire 255,541,946 ordinary shares in the capital of Virgin Australia at AUD0.48 per share for a total consideration of AUD122.7 million (\$158.9 million). The purchase is subject to regulatory approvals. If approved, the Company's stake in Virgin Australia will increase to 19.9%.

## ADDITIONAL INFORMATION REQUIRED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

### 1 Interested Person Transactions (in million)

The aggregate values of all Interested Person Transactions ("IPTs") entered into during the Financial Year 2012-13 are as follows:

| Name of Interested Person                                | Aggregate value of all<br>IPTs during the financial<br>year under review<br>(excluding transactions<br>less than \$100,000 and<br>transactions conducted under<br>shareholders' mandate<br>pursuant to Rule 920)<br>2012-13 | Aggregate value of all<br>IPTs conducted under<br>shareholders' mandate<br>pursuant to Rule 920<br>(excluding transactions<br>less than \$100,000)<br>2012-13 |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CapitaLand Limited</b>                                |                                                                                                                                                                                                                             |                                                                                                                                                               |
| - Ascott Capital Pte Ltd*                                | 2.5                                                                                                                                                                                                                         | -                                                                                                                                                             |
| <b>PT Bank Danamon Indonesia TBK</b>                     | -                                                                                                                                                                                                                           | 0.3                                                                                                                                                           |
| <b>SATS Ltd. Group</b>                                   |                                                                                                                                                                                                                             |                                                                                                                                                               |
| - Aero Laundry & Linen Services Private Limited          | -                                                                                                                                                                                                                           | 12.9                                                                                                                                                          |
| - Air India SATS Airport Services Private Limited        | -                                                                                                                                                                                                                           | 4.4                                                                                                                                                           |
| - Asia Airfreight Terminal Co Ltd                        | -                                                                                                                                                                                                                           | 9.7                                                                                                                                                           |
| - Beijing Airport Inflight Kitchen Ltd                   | -                                                                                                                                                                                                                           | 4.9                                                                                                                                                           |
| - Beijing Aviation Ground Services Co Ltd                | -                                                                                                                                                                                                                           | 6.7                                                                                                                                                           |
| - Maldives Inflight Catering Private Limited             | -                                                                                                                                                                                                                           | 2.7                                                                                                                                                           |
| - PT Jasa Angkasa Semesta Tbk                            | -                                                                                                                                                                                                                           | 10.8                                                                                                                                                          |
| - SATS HK Limited                                        | -                                                                                                                                                                                                                           | 3.7                                                                                                                                                           |
| - SATS Ltd                                               | -                                                                                                                                                                                                                           | 656.8                                                                                                                                                         |
| - SATS Security Services Private Limited                 | -                                                                                                                                                                                                                           | 19.2                                                                                                                                                          |
| - Taj Madras Flight Kitchen Pvt Limited                  | -                                                                                                                                                                                                                           | 0.6                                                                                                                                                           |
| - Taj SATS Air Catering Ltd                              | -                                                                                                                                                                                                                           | 4.6                                                                                                                                                           |
| <b>SembCorp Industries Limited Group</b>                 |                                                                                                                                                                                                                             |                                                                                                                                                               |
| - SembCorp Power Pte Ltd                                 | -                                                                                                                                                                                                                           | 3.2                                                                                                                                                           |
| <b>Singapore Telecommunications Limited Group</b>        |                                                                                                                                                                                                                             |                                                                                                                                                               |
| - Singapore Telecommunications Limited                   | -                                                                                                                                                                                                                           | 2.8                                                                                                                                                           |
| - Trusted Hub Limited                                    | -                                                                                                                                                                                                                           | 0.3                                                                                                                                                           |
| <b>Tiger Airways Holdings Limited Group</b>              |                                                                                                                                                                                                                             |                                                                                                                                                               |
| - Tiger Airways Singapore Pte Ltd**                      | 1.4                                                                                                                                                                                                                         | 0.3                                                                                                                                                           |
| <b>Temasek Holdings (Private) Limited and Associates</b> |                                                                                                                                                                                                                             |                                                                                                                                                               |
| - Certis CISCO Technology Pte Ltd                        | -                                                                                                                                                                                                                           | 0.2                                                                                                                                                           |
| - MediaCorp Pte Ltd                                      | -                                                                                                                                                                                                                           | 0.5                                                                                                                                                           |
| - PT Certis                                              | -                                                                                                                                                                                                                           | 0.2                                                                                                                                                           |
| Total Interested Person Transactions                     | 3.9                                                                                                                                                                                                                         | 744.8                                                                                                                                                         |

\* Subscription of 7-year fixed rate notes which are issued by Ascott Capital Pte Ltd under its Multicurrency Medium Term Note Programme. In accordance with Rule 909(3) of the SGX Listing Manual, the value of the transaction is the interest payable (i.e., \$0.5 million over 7 years) on the loan, and the value of the loan (i.e., \$2.0 million).

\*\* Sector rate agreement between Scoot Pte Ltd and Tiger Airways Singapore Pte Ltd which applies to tickets issued by Scoot for transportation on Tiger-operated flights, and by Tiger for transportation on Scoot-operated flights.

Note: All the above interested person transactions were carried out on normal commercial terms.

### 2 Material Contracts

Except as disclosed above and in the financial statements for the financial year ended 31 March 2013, there were no material contracts entered into by the Company and its subsidiary companies involving the interests of the Chief Executive Officer, directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

## QUARTERLY RESULTS OF THE GROUP

|                                                           |              | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total    |
|-----------------------------------------------------------|--------------|-------------|-------------|-------------|-------------|----------|
| <b>TOTAL REVENUE</b>                                      |              |             |             |             |             |          |
| 2012-13                                                   | (\$ million) | 3,777.4     | 3,793.6     | 3,860.4     | 3,666.8     | 15,098.2 |
| 2011-12                                                   | (\$ million) | 3,577.6     | 3,699.5     | 3,875.4     | 3,705.3     | 14,857.8 |
| <b>TOTAL EXPENDITURE</b>                                  |              |             |             |             |             |          |
| 2012-13                                                   | (\$ million) | 3,705.4     | 3,723.2     | 3,729.4     | 3,711.0     | 14,869.0 |
| 2011-12                                                   | (\$ million) | 3,566.6     | 3,576.6     | 3,718.2     | 3,710.5     | 14,571.9 |
| <b>OPERATING PROFIT/(LOSS)</b>                            |              |             |             |             |             |          |
| 2012-13                                                   | (\$ million) | 72.0        | 70.4        | 131.0       | (44.2)      | 229.2    |
| 2011-12                                                   | (\$ million) | 11.0        | 122.9       | 157.2       | (5.2)       | 285.9    |
| <b>PROFIT/(LOSS) BEFORE TAXATION</b>                      |              |             |             |             |             |          |
| 2012-13                                                   | (\$ million) | 115.8       | 115.9       | 189.1       | 61.2        | 482.0    |
| 2011-12                                                   | (\$ million) | 74.7        | 227.4       | 176.5       | (30.4)      | 448.2    |
| <b>PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT</b> |              |             |             |             |             |          |
| 2012-13                                                   | (\$ million) | 78.0        | 90.1        | 142.5       | 68.3        | 378.9    |
| 2011-12                                                   | (\$ million) | 44.7        | 194.2       | 135.2       | (38.2)      | 335.9    |
| <b>EARNINGS/(LOSS) PER SHARE - BASIC</b>                  |              |             |             |             |             |          |
| 2012-13                                                   | (cents)      | 6.6         | 7.7         | 12.1        | 5.8         | 32.2     |
| 2011-12                                                   | (cents)      | 3.7         | 16.2        | 11.4        | (3.2)       | 28.3     |
| <b>EARNINGS/(LOSS) PER SHARE - DILUTED</b>                |              |             |             |             |             |          |
| 2012-13                                                   | (cents)      | 6.6         | 7.6         | 12.0        | 5.7         | 31.9     |
| 2011-12                                                   | (cents)      | 3.7         | 16.1        | 11.3        | (3.2)       | 27.9     |

## FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

|                                                                  | 2012-13    | 2011-12    | 2010-11    | 2009-10    | 2008-09    |
|------------------------------------------------------------------|------------|------------|------------|------------|------------|
| <b>PROFIT AND LOSS ACCOUNT (\$ million)</b>                      |            |            |            |            |            |
| Total revenue                                                    | 15,098.2   | 14,857.8   | 14,524.8   | 12,707.3   | 15,996.3   |
| Total expenditure                                                | (14,869.0) | (14,571.9) | (13,253.5) | (12,644.1) | (15,092.7) |
| Operating profit                                                 | 229.2      | 285.9      | 1,271.3    | 63.2       | 903.6      |
| Finance charges                                                  | (42.7)     | (74.3)     | (70.1)     | (68.9)     | (89.7)     |
| Interest income                                                  | 62.5       | 50.5       | 37.3       | 49.5       | 96.0       |
| Surplus/(Loss) on disposal of aircraft, spares and spare engines | 56.0       | (1.4)      | 103.3      | 25.4       | 60.6       |
| Dividend from long-term investments                              | 27.3       | 18.0       | 23.8       | 33.0       | 23.7       |
| Other non-operating items                                        | 11.9       | 48.8       | 80.1       | 34.2       | 29.4       |
| Share of profits of joint venture companies                      | 96.2       | 74.7       | 74.6       | 56.1       | 63.9       |
| Share of profits of associated companies                         | 61.5       | 51.4       | 100.5      | 93.0       | 111.1      |
| Profit before exceptional items                                  | 501.9      | 453.6      | 1,620.8    | 285.5      | 1,198.6    |
| Fines                                                            | (19.9)     | (5.4)      | (201.8)    | -          | -          |
| Profit before taxation                                           | 482.0      | 448.2      | 1,419.0    | 285.5      | 1,198.6    |
| Profit attributable to owners of the Parent                      | 378.9      | 335.9      | 1,092.0    | 215.8      | 1,061.5    |
| <b>STATEMENT OF FINANCIAL POSITION (\$ million)</b>              |            |            |            |            |            |
| Share capital                                                    | 1,856.1    | 1,856.1    | 1,832.4    | 1,750.6    | 1,684.8    |
| Treasury shares                                                  | (269.8)    | (258.4)    | (43.0)     | (0.9)      | (44.4)     |
| Capital reserve                                                  | 110.3      | 99.1       | 91.8       | 74.8       | 86.3       |
| Foreign currency translation reserve                             | (191.8)    | (186.3)    | (186.1)    | (137.0)    | (137.9)    |
| Share-based compensation reserve                                 | 151.7      | 165.9      | 172.6      | 185.3      | 187.3      |
| Fair value reserve                                               | (27.1)     | (47.6)     | (138.0)    | (140.9)    | (660.8)    |
| General reserve                                                  | 11,475.3   | 11,264.6   | 12,474.7   | 11,737.0   | 12,815.3   |
| Equity attributable to owners of the Parent                      | 13,104.7   | 12,893.4   | 14,204.4   | 13,468.9   | 13,930.6   |
| Non-controlling interests                                        | 312.6      | 294.0      | 298.4      | 280.4      | 559.8      |
| Total equity                                                     | 13,417.3   | 13,187.4   | 14,502.8   | 13,749.3   | 14,490.4   |
| Property, plant and equipment                                    | 13,098.0   | 13,381.4   | 13,877.6   | 15,063.9   | 15,992.4   |
| Intangible assets                                                | 218.5      | 158.3      | 125.2      | 80.8       | 553.0      |
| Investment properties                                            | -          | -          | -          | -          | 7.0        |
| Associated companies                                             | 554.4      | 543.2      | 504.8      | 532.6      | 855.3      |
| Joint venture companies                                          | 120.8      | 113.2      | 102.8      | 108.6      | 127.5      |
| Long-term investments                                            | 706.9      | 373.7      | 35.3       | 35.3       | 43.2       |
| Other non-current assets                                         | 230.0      | 267.3      | 119.6      | 114.4      | 403.6      |
| Current assets                                                   | 7,499.5    | 7,205.9    | 9,779.2    | 6,548.7    | 6,836.5    |
| Total assets                                                     | 22,428.1   | 22,043.0   | 24,544.5   | 22,484.3   | 24,818.5   |
| Deferred account                                                 | 146.7      | 224.4      | 347.1      | 480.7      | 673.9      |
| Deferred taxation                                                | 1,951.3    | 2,029.1    | 2,181.1    | 2,296.6    | 2,222.0    |
| Long-term liabilities and provisions                             | 1,365.8    | 1,337.1    | 1,281.2    | 1,438.1    | 1,513.5    |
| Current liabilities                                              | 5,547.0    | 5,265.0    | 6,232.3    | 4,519.6    | 5,918.7    |
| Total liabilities                                                | 9,010.8    | 8,855.6    | 10,041.7   | 8,735.0    | 10,328.1   |
| Net assets                                                       | 13,417.3   | 13,187.4   | 14,502.8   | 13,749.3   | 14,490.4   |

## FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

|                                               | 2012-13 | 2011-12 | 2010-11             | 2009-10 | 2008-09 |
|-----------------------------------------------|---------|---------|---------------------|---------|---------|
| <b>CASH FLOW (\$ million)</b>                 |         |         |                     |         |         |
| Cash flow from operations                     | 2,071.1 | 2,099.0 | 3,547.5             | 2,091.2 | 1,967.0 |
| Internally generated cash flow <sup>R1</sup>  | 2,859.0 | 2,727.2 | 4,434.2             | 2,423.3 | 2,994.6 |
| Capital expenditure                           | 1,875.4 | 1,641.2 | 1,223.8             | 1,560.3 | 2,031.1 |
| <b>PER SHARE DATA</b>                         |         |         |                     |         |         |
| Earnings - basic (cents)                      | 32.2    | 28.3    | 91.4                | 18.2    | 89.6    |
| Earnings - diluted (cents)                    | 31.9    | 27.9    | 90.2                | 18.0    | 89.1    |
| Cash earnings (\$) <sup>R2</sup>              | 1.70    | 1.65    | 2.35                | 1.67    | 2.36    |
| Net asset value (\$)                          | 11.15   | 10.96   | 11.89               | 11.30   | 11.78   |
| <b>SHARE PRICE (\$)</b>                       |         |         |                     |         |         |
| High                                          | 11.35   | 14.77   | 16.50               | 15.94   | 16.34   |
| Low                                           | 10.10   | 10.05   | 13.00               | 10.12   | 9.39    |
| Closing                                       | 10.87   | 10.77   | 13.68               | 15.20   | 10.00   |
| <b>DIVIDENDS</b>                              |         |         |                     |         |         |
| Gross dividends (cents per share)             | 23.0    | 20.0    | 140.0 <sup>R3</sup> | 12.0    | 40.0    |
| Dividend cover (times)                        | 1.4     | 1.4     | 0.7                 | 1.5     | 2.2     |
| <b>PROFITABILITY RATIOS (%)</b>               |         |         |                     |         |         |
| Return on equity holders' funds <sup>R4</sup> | 2.9     | 2.5     | 7.9                 | 1.6     | 7.3     |
| Return on total assets <sup>R5</sup>          | 2.0     | 1.7     | 4.5                 | 1.2     | 4.5     |
| Return on turnover <sup>R6</sup>              | 2.9     | 2.7     | 7.9                 | 2.2     | 7.2     |
| <b>PRODUCTIVITY AND EMPLOYEE DATA</b>         |         |         |                     |         |         |
| Value added (\$ million)                      | 4,499.6 | 4,344.3 | 5,419.2             | 4,276.4 | 5,570.8 |
| Value added per employee (\$) <sup>R7</sup>   | 194,040 | 192,960 | 246,361             | 159,151 | 174,995 |
| Revenue per employee (\$) <sup>R7</sup>       | 651,093 | 659,936 | 660,308             | 472,918 | 502,491 |
| Average employee strength                     | 23,189  | 22,514  | 21,997              | 33,222  | 31,834  |
| SGD per USD exchange rate as at 31 March      | 1.2417  | 1.2569  | 1.2602              | 1.4005  | 1.5203  |

<sup>R1</sup> Internally generated cash flow comprises cash generated from operations, dividends from associated and joint venture companies, and proceeds from sale of aircraft and other property, plant and equipment.

<sup>R2</sup> Cash earnings is defined as profit attributable to owners of the Parent plus depreciation and amortisation.

<sup>R3</sup> Includes 80.0 cents per share special dividend.

<sup>R4</sup> Return on equity holders' funds is the profit attributable to owners of the Parent expressed as a percentage of the average equity holders' funds.

<sup>R5</sup> Return on total assets is the profit after tax expressed as a percentage of the average total assets.

<sup>R6</sup> Return on turnover is the profit after tax expressed as a percentage of the total revenue.

<sup>R7</sup> Based on average staff strength.

# TEN-YEAR STATISTICAL RECORD

|                                                   |                    | 2012-13   | 2011-12   | 2010-11   | 2009-10   | 2008-09   | 2007-08   | 2006-07   | 2005-06   | 2004-05   | 2003-04   |
|---------------------------------------------------|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>SINGAPORE AIRLINES</b>                         |                    |           |           |           |           |           |           |           |           |           |           |
| <b>FINANCIAL</b>                                  |                    |           |           |           |           |           |           |           |           |           |           |
| Total revenue                                     | (\$ million)       | 12,387.0  | 12,070.1  | 11,739.1  | 10,145.0  | 13,049.5  | 12,759.6  | 11,343.9  | 10,302.8  | 9,260.1   | 7,187.6   |
| Total expenditure                                 | (\$ million)       | 12,199.8  | 11,889.5  | 10,887.8  | 10,183.6  | 12,226.6  | 11,115.6  | 10,316.9  | 9,651.8   | 8,562.2   | 7,046.1   |
| Operating profit /(loss)                          | (\$ million)       | 187.2     | 180.6     | 851.3     | (38.6)    | 822.9     | 1,644.0   | 1,027.0   | 651.0     | 697.9     | 141.5     |
| (Loss)/Profit before taxation                     | (\$ million)       | (682.4)   | 413.3     | 1,194.0   | 233.3     | 1,252.4   | 2,077.6   | 2,291.1   | 940.8     | 1,570.4   | 319.7     |
| (Loss)/Profit after taxation                      | (\$ million)       | (694.1)   | 390.2     | 1,011.2   | 279.8     | 1,218.7   | 1,758.8   | 2,213.2   | 746.0     | 1,283.6   | 420.6     |
| Capital disbursements <sup>R1</sup>               | (\$ million)       | 1,648.2   | 1,762.7   | 981.9     | 1,372.4   | 1,698.6   | 1,814.4   | 2,792.7   | 1,458.6   | 1,608.9   | 2,051.3   |
| Passenger - yield                                 | (cents/pkm)        | 11.4      | 11.8      | 11.9      | 10.4      | 12.5      | 12.1      | 10.9      | 10.6      | 10.1      | 9.2       |
| - unit cost                                       | (cents/ask)        | 9.2       | 9.2       | 8.9       | 8.6       | 9.2       | 8.4       | 7.9       | 7.5       | 7.0       | 6.7       |
| - breakeven load factor                           | (%)                | 80.7      | 78.0      | 74.8      | 82.7      | 73.6      | 69.4      | 72.5      | 70.8      | 69.3      | 72.8      |
| <b>OPERATING PASSENGER FLEET</b>                  |                    |           |           |           |           |           |           |           |           |           |           |
| Aircraft                                          | (numbers)          | 101       | 100       | 108       | 108       | 103       | 98        | 94        | 90        | 89        | 85        |
| Average age                                       | (months)           | 80        | 74        | 75        | 75        | 74        | 77        | 75        | 76        | 64        | 60        |
| Industry-wide average age                         | (months)           | 148       | 151       | 163       | 162       | 162       | 162       | 161       | 159       | 157       | 156       |
| <b>PASSENGER PRODUCTION</b>                       |                    |           |           |           |           |           |           |           |           |           |           |
| Destination cities                                | (numbers)          | 63        | 63        | 64        | 68        | 66        | 65        | 64        | 62        | 59        | 56        |
| Distance flown                                    | (million km)       | 386.3     | 374.6     | 354.1     | 342.4     | 379.8     | 365.9     | 353.1     | 341.8     | 325.4     | 266.7     |
| Time flown                                        | (hours)            | 507,562   | 490,261   | 460,096   | 443,141   | 492,103   | 474,432   | 458,936   | 441,510   | 419,925   | 342,715   |
| Available seat-km                                 | (million)          | 118,264.4 | 113,409.7 | 108,060.2 | 105,673.7 | 117,788.7 | 113,919.1 | 112,543.8 | 109,483.7 | 104,662.3 | 88,252.7  |
| <b>TRAFFIC</b>                                    |                    |           |           |           |           |           |           |           |           |           |           |
| Passengers carried                                | ('000)             | 18,210    | 17,155    | 16,647    | 16,480    | 18,293    | 19,120    | 18,346    | 16,995    | 15,944    | 13,278    |
| Revenue passenger-km                              | (million)          | 93,765.6  | 87,824.0  | 84,801.3  | 82,882.5  | 90,128.1  | 91,485.2  | 89,148.8  | 82,741.7  | 77,593.7  | 64,685.2  |
| Passenger load factor                             | (%)                | 79.3      | 77.4      | 78.5      | 78.4      | 76.5      | 80.3      | 79.2      | 75.6      | 74.1      | 73.3      |
| <b>STAFF</b>                                      |                    |           |           |           |           |           |           |           |           |           |           |
| Average strength                                  | (numbers)          | 14,156    | 13,893    | 13,588    | 13,934    | 14,343    | 14,071    | 13,847    | 13,729    | 13,572    | 14,010    |
| Seat capacity per employee <sup>R2</sup>          | (seat-km)          | 8,354,366 | 8,163,082 | 7,952,620 | 7,583,874 | 8,212,278 | 8,096,020 | 8,127,667 | 7,974,630 | 7,711,634 | 6,299,265 |
| Passenger load carried per employee <sup>R3</sup> | (tonne-km)         | 619,969   | 594,663   | 588,714   | 563,318   | 598,047   | 618,295   | 613,211   | 577,784   | 549,904   | 448,513   |
| Revenue per employee                              | (\$)               | 875,035   | 868,790   | 863,931   | 728,075   | 909,817   | 906,801   | 819,232   | 750,441   | 682,294   | 513,034   |
| Value added per employee                          | (\$)               | 159,593   | 237,472   | 310,480   | 219,678   | 294,666   | 368,382   | 368,831   | 258,810   | 301,024   | 179,272   |
| <b>SILKAIR</b>                                    |                    |           |           |           |           |           |           |           |           |           |           |
| Passengers carried                                | ('000)             | 3,295     | 3,032     | 2,764     | 2,356     | 1,954     | 1,815     | 1,616     | 1,259     | 1,044     | 845       |
| Revenue passenger-km                              | (million)          | 5,223.1   | 4,469.4   | 4,039.6   | 3,466.4   | 3,158.6   | 3,094.9   | 2,712.9   | 2,208.0   | 1,895.6   | 1,453.0   |
| Available seat-km                                 | (million)          | 7,096.3   | 5,904.8   | 5,285.1   | 4,495.9   | 4,355.2   | 4,323.0   | 3,865.8   | 3,295.3   | 2,909.6   | 2,296.4   |
| Passenger load factor                             | (%)                | 73.6      | 75.7      | 76.4      | 77.1      | 72.5      | 71.6      | 70.2      | 67.0      | 65.2      | 63.3      |
| Passenger yield                                   | (cents/pkm)        | 14.1      | 14.5      | 14.1      | 13.1      | 15.0      | 14.0      | 13.4      | 13.3      | 13.1      | 12.8      |
| Passenger unit cost                               | (cents/ask)        | 9.9       | 10.1      | 9.4       | 9.9       | 10.9      | 9.7       | 9.4       | 8.9       | 8.2       | 7.9       |
| Passenger breakeven load factor                   | (%)                | 70.2      | 69.7      | 66.7      | 75.6      | 72.7      | 69.3      | 70.1      | 66.9      | 62.6      | 61.7      |
| <b>SIA CARGO</b>                                  |                    |           |           |           |           |           |           |           |           |           |           |
| Cargo and mail carried                            | (million kg)       | 1,144.6   | 1,205.8   | 1,156.4   | 1,122.4   | 1,219.5   | 1,308.0   | 1,284.9   | 1,248.5   | 1,149.5   | 1,050.9   |
| Cargo load                                        | (million tonne-km) | 6,763.6   | 7,198.2   | 7,174.0   | 6,659.1   | 7,299.3   | 7,959.2   | 7,995.6   | 7,874.4   | 7,333.2   | 6,749.4   |
| Gross capacity                                    | (million tonne-km) | 10,661.0  | 11,286.5  | 11,208.5  | 10,510.1  | 12,292.5  | 12,787.8  | 12,889.8  | 12,378.9  | 11,544.1  | 10,156.5  |
| Cargo load factor                                 | (%)                | 63.4      | 63.8      | 64.0      | 63.4      | 59.4      | 62.2      | 62.0      | 63.6      | 63.5      | 66.5      |
| Cargo yield                                       | (cents/ltk)        | 33.4      | 34.9      | 36.2      | 32.0      | 38.2      | 38.7      | 38.4      | 38.6      | 35.9      | 36.7      |
| Cargo unit cost                                   | (cents/ctk)        | 23.2      | 23.5      | 22.3      | 21.9      | 24.9      | 23.4      | 24.5      | 23.5      | 21.3      | 23.0      |
| Cargo breakeven load factor                       | (%)                | 69.5      | 67.3      | 61.6      | 68.4      | 65.2      | 60.5      | 63.8      | 60.9      | 59.3      | 62.7      |
| <b>SINGAPORE AIRLINES, SILKAIR AND SIA CARGO</b>  |                    |           |           |           |           |           |           |           |           |           |           |
| Overall load                                      | (million tonne-km) | 16,047.3  | 15,898.8  | 15,576.3  | 14,853.6  | 16,196.8  | 16,973.8  | 16,765.6  | 16,036.8  | 14,996.5  | 13,189.3  |
| Overall capacity                                  | (million tonne-km) | 23,188.4  | 23,378.6  | 22,515.1  | 21,495.9  | 24,468.5  | 24,572.6  | 24,474.8  | 23,605.5  | 22,267.8  | 19,177.5  |
| Overall load factor                               | (%)                | 69.2      | 68.0      | 69.2      | 69.1      | 66.2      | 69.1      | 68.5      | 67.9      | 67.3      | 68.8      |
| Overall yield                                     | (cents/ltk)        | 85.3      | 85.5      | 85.5      | 76.1      | 89.8      | 86.0      | 78.4      | 75.4      | 71.5      | 65.6      |
| Overall unit cost                                 | (cents/ctk)        | 60.4      | 58.6      | 55.4      | 54.6      | 58.4      | 52.9      | 50.6      | 48.2      | 44.8      | 43.7      |
| Overall breakeven load factor                     | (%)                | 70.8      | 68.5      | 64.8      | 71.7      | 65.0      | 61.5      | 64.5      | 63.9      | 62.7      | 66.6      |

<sup>R1</sup> Capital disbursements comprised capital expenditure in property, plant and equipment, intangible assets, investments in subsidiary, associated companies and joint venture companies, and additional long-term equity investments.

<sup>R2</sup> Seat capacity per employee is available seat capacity divided by Singapore Airlines' average staff strength.

<sup>R3</sup> Passenger load carried per employee is defined as passenger load and excess baggage carried divided by Singapore Airlines' average staff strength.

## THE GROUP FLEET PROFILE

As at 31 March 2013, Singapore Airlines Group operating fleet consisted of 139 aircraft - 127 passenger aircraft and 12 freighters.

| Aircraft type              | Owned | Finance Lease | Operating Lease | Total | Seats in standard configuration | Average age in years (y) and months (m) | Expiry of operating lease |         | On firm order    | On option        |
|----------------------------|-------|---------------|-----------------|-------|---------------------------------|-----------------------------------------|---------------------------|---------|------------------|------------------|
|                            |       |               |                 |       |                                 |                                         | 2013-14                   | 2014-15 |                  |                  |
| Singapore Airlines:        |       |               |                 |       |                                 |                                         |                           |         |                  |                  |
| B777-200                   | 2     |               |                 | 2     | 288                             | 15 y 1 m                                |                           |         |                  |                  |
| B777-200A                  | 6     |               | 1               | 7     | 323                             | 11 y 7 m                                |                           |         |                  |                  |
| B777-200R                  | 9     |               | 2               | 11    | 266                             | 9 y 9 m                                 |                           |         |                  |                  |
| B777-200ER                 | 6     |               | 3               | 9     | 285                             | 10 y 7 m                                |                           | 1       |                  |                  |
| B777-200ERR                | 2     |               |                 | 2     | 271                             | 10 y 10 m                               |                           |         |                  |                  |
| B777-300R                  | 5     |               | 2               | 7     | 284                             | 9 y 5 m                                 |                           |         |                  |                  |
| B777-300ER                 | 19    |               |                 | 19    | 278                             | 5 y 7 m                                 |                           |         | 8                |                  |
| A340-500                   | 5     |               |                 | 5     | 100                             | 9 y 1 m                                 |                           |         |                  |                  |
| A380-800                   | 5     |               | 6               | 11    | 471                             | 4 y 4 m                                 |                           |         | 5 <sup>R1</sup>  | 1 <sup>R1</sup>  |
| A380-800A                  | 5     |               | 3               | 8     | 409                             | 1 y 2 m                                 |                           |         |                  |                  |
| A330-300                   |       |               | 20              | 20    | 285                             | 3 y 2 m                                 |                           |         | 14 <sup>R2</sup> |                  |
| A350-900 XWB <sup>R1</sup> |       |               |                 |       |                                 |                                         |                           |         | 40               |                  |
| Sub-total                  | 64    |               | 37              | 101   | N.A.                            | 6 y 8 m                                 |                           | 1       | 67               | 1                |
| SIA Cargo:                 |       |               |                 |       |                                 |                                         |                           |         |                  |                  |
| B747-400F                  | 5     | 4             | 3               | 12    | N.A.                            | 11 y 8 m                                | 1 <sup>R3</sup>           | 1       |                  |                  |
| SilkAir:                   |       |               |                 |       |                                 |                                         |                           |         |                  |                  |
| A319-100                   | 3     |               | 3               | 6     | 128                             | 7 y 2 m                                 |                           |         |                  |                  |
| A320-200                   | 10    |               | 6               | 16    | 150                             | 6 y 6 m                                 | 1                         | 1       | 2                | 3                |
| B737-800                   |       |               |                 |       |                                 |                                         |                           |         | 23               |                  |
| B737-8 MAX                 |       |               |                 |       |                                 |                                         |                           |         | 31               | 14 <sup>R4</sup> |
| Sub-total                  | 13    |               | 9               | 22    | N.A.                            | 6 y 8 m                                 | 1                         | 1       | 56               | 17               |
| Scoot:                     |       |               |                 |       |                                 |                                         |                           |         |                  |                  |
| B777-200                   | 4     |               |                 | 4     | 402                             | 15 y 9 m                                |                           |         | 1                |                  |
| B787                       |       |               |                 |       |                                 |                                         |                           |         | 20 <sup>R5</sup> |                  |
| Sub-total                  | 4     |               |                 | 4     | N.A.                            | 15 y 9 m                                |                           |         | 21               |                  |
| Total                      | 86    | 4             | 49              | 139   | N.A.                            | 7 y 1 m                                 | 2                         | 3       | 144              | 18               |

N.A. not applicable

<sup>R1</sup> The standard seat configuration will be finalised at a later date.

<sup>R2</sup> The A330-300 aircraft on order are on operating leases.

<sup>R3</sup> The aircraft is on finance lease.

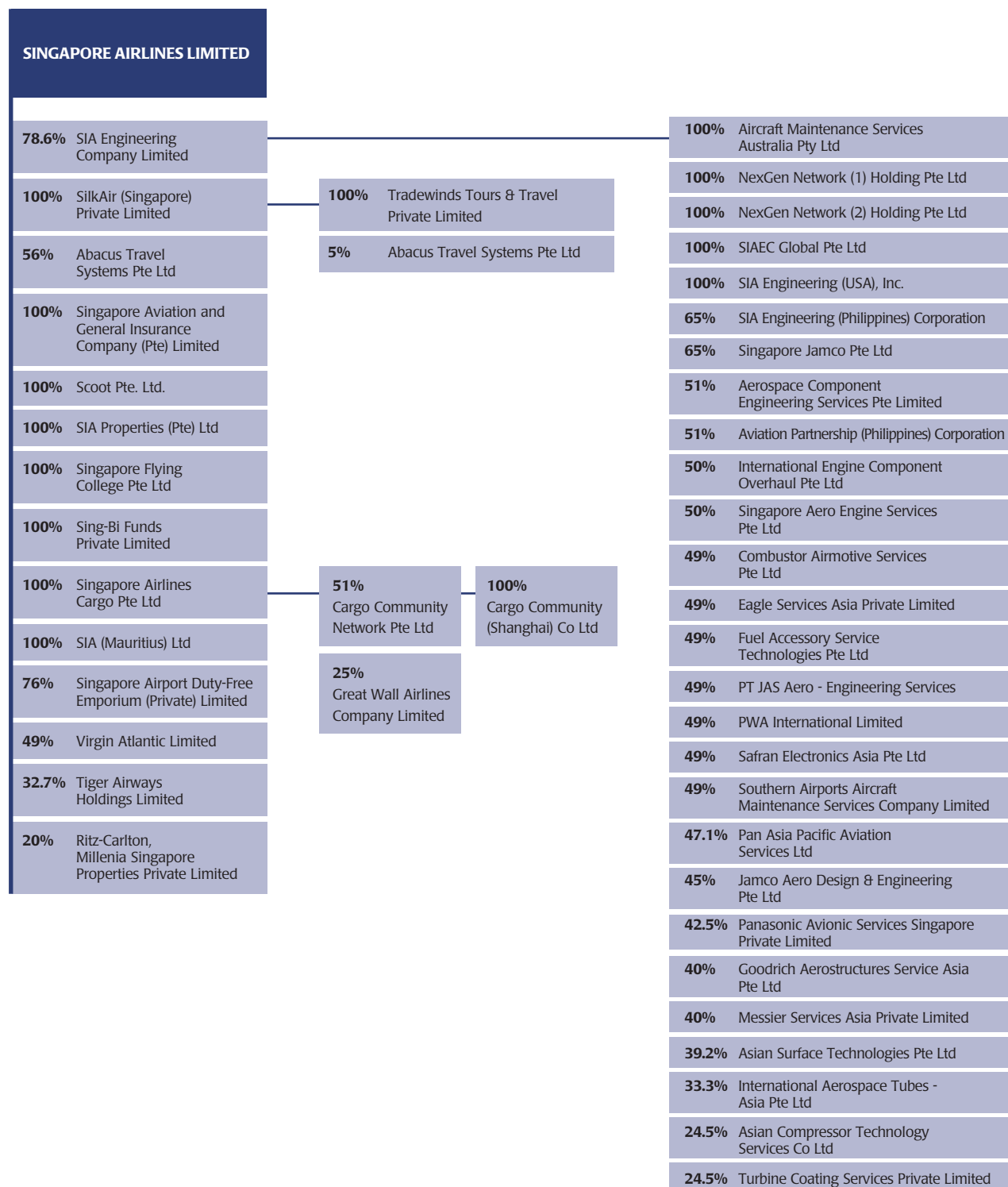
<sup>R4</sup> These are purchase rights for B737 MAX aircraft.

<sup>R5</sup> The 20 B787s will be transferred to Scoot from Singapore Airlines via a novation agreement.



## GROUP CORPORATE STRUCTURE

31 March 2013



## INFORMATION ON SHAREHOLDINGS

as at 29 May 2013

|                                                   |                                                                       |
|---------------------------------------------------|-----------------------------------------------------------------------|
| No. of Issued Shares:                             | 1,199,851,019                                                         |
| No. of Issued Shares (excluding Treasury Shares): | 1,175,915,656                                                         |
| No./Percentage of Treasury Shares:                | 23,935,363 (1.99%)                                                    |
| Class of Shares:                                  | Ordinary shares<br>One Special share held by the Minister for Finance |
| Voting Rights (excluding Treasury shares):        | 1 vote per share                                                      |

| Range of shareholdings | Number of<br>shareholders | %*            | Number of<br>shares  | %*            |
|------------------------|---------------------------|---------------|----------------------|---------------|
| 1 - 999                | 4,039                     | 9.88          | 1,966,897            | 0.17          |
| 1,000 - 10,000         | 33,995                    | 83.15         | 91,486,757           | 7.78          |
| 10,001 - 1,000,000     | 2,831                     | 6.92          | 88,625,197           | 7.54          |
| 1,000,001 and above    | 20                        | 0.05          | 993,836,805          | 84.51         |
| <b>Total</b>           | <b>40,885</b>             | <b>100.00</b> | <b>1,175,915,656</b> | <b>100.00</b> |

## INFORMATION ON SHAREHOLDINGS

as at 29 May 2013

### Twenty largest shareholders

|              | Name                                    | Number of shares   | %*           |
|--------------|-----------------------------------------|--------------------|--------------|
| 1            | Temasek Holdings (Private) Limited      | 657,306,600        | 55.90        |
| 2            | DBS Nominees Pte Ltd                    | 104,399,271        | 8.88         |
| 3            | Citibank Nominees Singapore Pte Ltd     | 85,406,815         | 7.26         |
| 4            | DBSN Services Pte Ltd                   | 31,101,669         | 2.64         |
| 5            | HSBC (Singapore) Nominees Pte Ltd       | 27,971,258         | 2.38         |
| 6            | BNP Paribas Securities Services         | 23,689,450         | 2.01         |
| 7            | United Overseas Bank Nominees Pte Ltd   | 23,250,119         | 1.98         |
| 8            | Raffles Nominees Pte Ltd                | 15,470,649         | 1.32         |
| 9            | DB Nominees (S) Pte Ltd                 | 4,407,526          | 0.37         |
| 10           | Bank of Singapore Nominees Pte Ltd      | 4,302,521          | 0.37         |
| 11           | DBS Vickers Securities (S) Pte Ltd      | 2,243,810          | 0.19         |
| 12           | OCBC Nominees Singapore Private Limited | 2,104,684          | 0.18         |
| 13           | Estate of Chang Shyh Jin, Deceased      | 2,007,940          | 0.17         |
| 14           | UOB Kay Hian Pte Ltd                    | 1,879,575          | 0.16         |
| 15           | Merrill Lynch (Singapore) Pte Ltd       | 1,856,042          | 0.16         |
| 16           | ABN AMRO Nominees Singapore Pte Ltd     | 1,747,190          | 0.15         |
| 17           | BNP Paribas Nominees Singapore Pte Ltd  | 1,396,732          | 0.12         |
| 18           | Phillip Securities Pte Ltd              | 1,105,827          | 0.09         |
| 19           | OCBC Securities Private Ltd             | 1,095,657          | 0.09         |
| 20           | HL Bank Nominees (Singapore) Pte Ltd    | 1,093,470          | 0.09         |
| <b>Total</b> |                                         | <b>993,836,805</b> | <b>84.51</b> |

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

| Substantial shareholder            | Direct Interest | Number of Shares |                   |      |
|------------------------------------|-----------------|------------------|-------------------|------|
|                                    |                 | %*               | Deemed Interest** | %*   |
| Temasek Holdings (Private) Limited | 657,306,600     | 55.90            | 284,395           | 0.02 |

\* Based on 1,175,915,655 ordinary shares issued as at 29 May 2013 (this is based on 1,199,851,018 shares in issue as at 29 May 2013, excluding the 23,935,363 shares held in Treasury as at 29 May 2013).

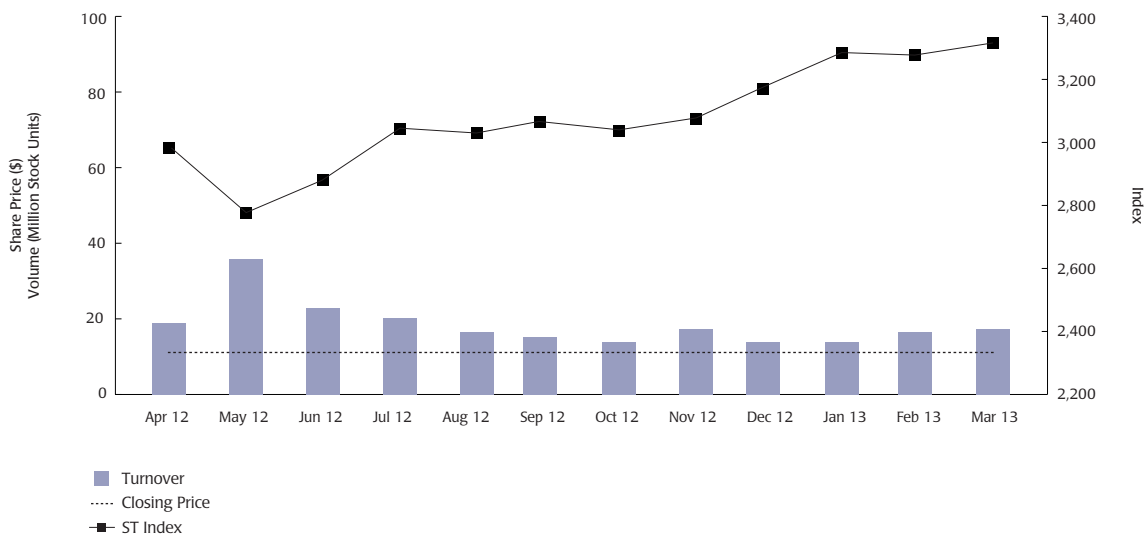
\*\* Deemed interest means interest determined pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore.

### Shareholdings held by the public

Based on the information available to the Company as at 29 May 2013, 44.03 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

Singapore Airlines Share Price and Turnover



| Share Price (\$)                         | 2012-13 | 2011-12 |
|------------------------------------------|---------|---------|
| High                                     | 11.35   | 14.77   |
| Low                                      | 10.10   | 10.05   |
| Closing                                  | 10.87   | 10.77   |
| <b>Market Value Ratios <sup>R1</sup></b> |         |         |
| Price/Earnings                           | 33.76   | 38.06   |
| Price/Book value                         | 0.97    | 0.98    |
| Price/Cash earnings <sup>R2</sup>        | 6.39    | 6.53    |

<sup>R1</sup> Based on closing price on 31 March and Group numbers.

<sup>R2</sup> Cash earnings is defined as profit attributable to owners of the Parent plus depreciation and amortisation.

## NOTICE OF ANNUAL GENERAL MEETING

### SINGAPORE AIRLINES LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 197200078R

**Notice is hereby given** that the Forty-First Annual General Meeting of Singapore Airlines Limited (“the **Company**”) will be held at the Grand Mandarin Ballroom, Level 6, Main Tower, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on Friday, 26 July 2013 at 2.00 p.m. to transact the following business:

#### *Ordinary Business*

1. To receive and adopt the Directors’ Report and Audited Financial Statements for the year ended 31 March 2013 and the Auditor’s Report thereon.
2. To declare a final dividend of 17 cents per ordinary share for the year ended 31 March 2013.
3. To re-elect the following Directors who are retiring by rotation in accordance with Article 82 of the Company’s Articles of Association and who, being eligible, offer themselves for re-election:

- (a) Mr Goh Choon Phong
- (b) Mr Lucien Wong Yuen Kuai

Ms Euleen Goh is retiring by rotation at the Forty-First Annual General Meeting and will not be offering herself for re-election.

4. To re-elect the following Directors who are retiring in accordance with Article 89 of the Company’s Articles of Association and who, being eligible, offer themselves for re-election:

- (a) Mr Hsieh Tsun-yan
- (b) Mr Gautam Banerjee

5. To approve Directors’ emoluments of up to \$1,700,000 for the financial year ending 31 March 2014 (FY2012-13: up to \$1,650,000).
6. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration.

#### *Special Business*

7. To consider and if thought fit, approve, with or without modification, the following resolutions as Ordinary Resolutions:
  - 7.1 That pursuant to Section 161 of the Companies Act, Cap. 50, authority be and is hereby given to the Directors of the Company to:
    - (a) (i) issue shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
    - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

## NOTICE OF ANNUAL GENERAL MEETING

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- (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 total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 5 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7.2 That the Directors be and are hereby authorised to:

- (a) grant awards in accordance with the provisions of the SIA Performance Share Plan and/or the SIA Restricted Share Plan; and
- (b) allot and issue from time to time such number of fully paid ordinary shares as may be required to be issued pursuant to the vesting of awards under the SIA Performance Share Plan and/or the SIA Restricted Share Plan,

provided that the maximum number of new ordinary shares under awards to be granted pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, (excluding new ordinary shares arising from any adjustments made from time to time pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan) shall not exceed 8,816,089 ordinary shares, which represents 0.75 per cent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company as at 31 March 2013.

8. To transact any other business as may properly be transacted at an Annual General Meeting.

### ***Closure of Books***

**Notice is hereby given** that, subject to the approval of shareholders to the final dividend being obtained at the Forty-First Annual General Meeting to be held on 26 July 2013, the Transfer Books and the Register of Members of the Company will be closed on 2 August 2013 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, 112 Robinson Road, #05-01, Singapore 068902 up to 5.00 p.m. on 1 August 2013 will be registered to determine shareholders' entitlements to the final dividend. Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 1 August 2013 will be entitled to the final dividend.

The final dividend, if so approved by shareholders, will be paid on 16 August 2013.

By Order of the Board

Ethel Tan (Mrs)  
Company Secretary  
27 June 2013  
Singapore



## NOTICE OF ANNUAL GENERAL MEETING

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### **Explanatory notes**

1. In relation to Ordinary Resolution Nos. 3(a) and 3(b), Mr Goh Choon Phong will, upon re-election, continue to serve as a member of the Board Executive Committee. Mr Lucien Wong Yuen Kuai will, upon re-election, continue to serve as a member of the Board Executive Committee, Board Nominating Committee and Board Safety and Risk Committee. Mr Goh and Mr Wong are considered non-independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Goh and Mr Wong, respectively.
2. In relation to Ordinary Resolution Nos. 4(a) and 4(b), Article 89 of the Company's Articles of Association permits the Directors to appoint any person approved in writing by the Special Member to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election. Mr Hsieh Tsun-yan and Mr Gautam Banerjee were appointed on 1 September 2012 and 1 January 2013 respectively, and are seeking re-election at the forthcoming Forty-First Annual General Meeting. Mr Hsieh will, upon re-election, continue to serve as a member of the Board Audit Committee and the Board Compensation and Industrial Relations Committee. Mr Banerjee will, upon re-election, continue to serve as a member of the Board Compensation and Industrial Relations Committee and will be appointed Chairman of the Board Audit Committee. Both Mr Hsieh and Mr Banerjee are considered independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Hsieh and Mr Banerjee.
3. Ordinary Resolution No. 5, if passed, will facilitate the payment of Directors' fees during the financial year in which the fees are incurred, that is, during Financial Year 2013-14. Directors' fees are computed based on the anticipated number of Board and Committee meetings for Financial Year 2013-14, assuming full attendance by all of the non-executive Directors. The amount also caters for unforeseen circumstances, for example, the appointment of additional Directors, additional unscheduled Board meetings and/or the formation of additional Board Committees. The amount also includes transport and travel benefits to be provided to the non-executive Directors. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting before payments are made to Directors for the shortfall. Mr Goh Choon Phong, being the Chief Executive Officer, does not receive any Director's fees.
4. Ordinary Resolution No. 7.1, if passed, will empower Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments. The number of shares which the Directors may issue under this Resolution will not exceed 50 per cent of the issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 5 per cent for issues other than on a *pro rata* basis. The 5 per cent sub-limit for non-*pro rata* issues is lower than the 20 per cent sub-limit allowed under the Listing Manual of the Singapore Exchange Securities Trading Limited. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed and (b) any subsequent bonus issue or consolidation or subdivision of shares. For the avoidance of doubt, shareholders' approval will be required for any consolidation or subdivision of shares.
5. Ordinary Resolution No. 7.2, if passed, will empower the Directors to grant awards pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan, and to allot and issue ordinary shares in the capital of the Company ("**Shares**") pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan provided that the maximum number of new Shares under awards which may be granted pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan from this Annual General Meeting to the next Annual General Meeting (excluding new ordinary shares arising from any adjustments made from time to time pursuant to the SIA Performance Share Plan and the SIA Restricted Share Plan) shall not exceed 8,816,089 Shares, which represents 0.75 per cent of the total number of issued Shares (excluding treasury shares) as at 31 March 2013.

The SIA Performance Share Plan and the SIA Restricted Share Plan were adopted at the Extraordinary General Meeting of the Company held on 28 July 2005. The SIA Employee Share Option Plan was adopted at the Extraordinary General Meeting of the Company held on 8 March 2000 and modified at the Extraordinary General Meetings of the Company held on 14 July 2001, 26 July 2003 and 31 July 2009. The last grant of options made under the SIA Employee Share Option Plan was on 1 July 2008 and these options are exercisable up to 30 June 2018.

As at 29 May 2013, the latest practicable date prior to the printing of this Notice (the “**Latest Practicable Date**”):

- (a) 64,923,712 Shares, representing approximately 5.52 per cent of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, have been allotted and issued pursuant to the exercise of options under the SIA Employee Share Option Plan and the vesting of awards under the SIA Performance Share Plan and the SIA Restricted Share Plan since the inception of the respective plans;
- (b) 33,251,464 Shares, representing approximately 2.83 per cent of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, are comprised in outstanding and unexercised options granted under the SIA Employee Share Option Plan; and
- (c) 2,030,321 Shares, representing approximately 0.17 per cent of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, are comprised in outstanding awards granted under the SIA Performance Share Plan and the SIA Restricted Share Plan.

The maximum number of new Shares which may be issued under the SIA Employee Share Option Plan, the SIA Performance Share Plan and the SIA Restricted Share Plan is limited to 13 per cent of the total number of issued Shares (excluding treasury shares), as determined in accordance with the respective plans.

**Notes:**

1. *The Chairman of the Annual General Meeting will be exercising his right under Article 63 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the Annual General Meeting and at any adjournment thereof. Accordingly, each resolution at the Annual General Meeting will be voted on by way of a poll.*
2. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
3. *The instrument appointing a proxy or proxies must be deposited at the office of the Company’s Share Registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 not less than 48 hours before the time fixed for holding the Meeting.*







A STAR ALLIANCE MEMBER



#### **Registered Address**

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#### **Company Secretary**

Ethel Tan  
Tel: 6541 4030  
Fax: 6546 7469  
Email: [ethel\\_tan@singaporeair.com.sg](mailto:ethel_tan@singaporeair.com.sg)

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MCI (P) 178/05/2013

Singapore Company Registration Number  
197200078R

[www.singaporeair.com](http://www.singaporeair.com)