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Statistical Highlights

FINANCIAL STATISTICS ^{R1}

	2001 - 02	2000 - 01 (Restated) ^{R2}	% Change
Group (\$ million)			
Total revenue	9,447.8	9,951.3	- 5.1
Total expenditure	8,464.4	8,604.6	- 1.6
Operating profit	983.4	1,346.7	- 27.0
Profit before tax	925.6	1,904.7	- 51.4
Profit attributable to shareholders	631.7	1,624.8	- 61.1
Share capital	609.1	1,220.2	- 50.1
Distributable reserves	8,719.0	8,256.0	+ 5.6
Non-distributable reserves:			
Share premium	447.2	447.2	-
Capital redemption	64.4	62.3	+ 3.4
Capital reserve	6.9	6.9	-
Shareholders' funds	9,846.6	9,992.6	- 1.5
Return on shareholders' funds (%) ^{R3}	6.4	16.9	- 10.5 points
Total assets	18,580.1	17,911.9	+ 3.7
Net (debt)/liquid assets ^{R4}	(656.4)	1,417.8	-
Net debt equity ratio (times) ^{R5}	0.07	-	-
Value added	3,718.2	5,180.7	- 28.2
Per Share Data			
Earnings before tax (cents)	76.0	155.5	- 51.1
Earnings after tax (cents) – basic ^{R6}	51.9	132.7	- 60.9
– diluted	51.9	132.6	- 60.9
Net tangible assets (\$) ^{R7}	8.08	8.19	- 1.3
Dividends			
Interim dividend (cents per share)	3.0	15.0	- 12.0 cents
Proposed final dividend (cents per share)	12.0 ^{R8}	20.0	- 8.0 cents
Dividend cover (times) ^{R9}	4.1	5.1	- 1.0 times
Company (\$ million) ^{R10}			
Total revenue	7,765.0	9,229.7	- 15.9
Total expenditure	7,282.7	8,246.4	- 11.7
Operating profit	482.3	983.4	- 51.0
Profit before tax	740.7	1,607.2	- 53.9
Profit after tax	567.2	1,422.2	- 60.1
Value added	2,696.2	4,053.4	- 33.5

^{R1} Singapore Airlines' financial year is from 1 April 2001 to 31 March 2002. Throughout this report all figures are in Singapore Dollars, unless stated otherwise.

^{R2} Restated to comply with changes in accounting standards (see note 2(a) to the financial statements on page 65).

^{R3} Return on shareholders' funds is the profit after taxation and minority interests expressed as a percentage of the average shareholders' funds.

^{R4} Net debt is derived by offsetting liquid assets against loan liabilities and conversely for net liquid assets.

^{R5} Net debt equity ratio is net debt divided by shareholders' funds at 31 March 2002.

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

^{R7} Net tangible assets is computed by dividing shareholders' funds by the number of fully paid shares in issue at 31 March 2002.

^{R8} Including 4.0 cents per share tax-exempt dividend.

^{R9} Dividend cover is profit attributable to shareholders divided by net dividends.

^{R10} The corporatization of Singapore Airlines Cargo took effect from 1 July 2001. The Company's revenue for financial year 2001-02 includes cargo revenue for the first 3 months of April to June 2001, and bellyhold revenue from Singapore Airlines Cargo (revenue received from leasing out space in the cargo holds of the parent company's passenger fleet) for the period July 2001 to March 2002. For meaningful year-on-year comparisons, please see page 35 and note 35 to the financial statements on page 100.

OPERATING STATISTICS

	2001 - 02	2000 - 01	% Change
Scheduled Passenger Services – Company			
Passenger carried (thousand)	14,765	15,002	– 1.6
Revenue passenger-km (million)	69,994.5	71,118.4	– 1.6
Available seat-km (million)	94,558.5	92,648.0	+ 2.1
Passenger load factor (%)	74.0	76.8	– 2.8 points
Passenger yield (¢/pkm)	9.0	9.4	– 4.3
Passenger unit cost (¢/ask)	7.3	7.5	– 2.7
Passenger breakeven load factor (%)	71.1	70.2	+ 0.9 point
Scheduled Services – Group ^{R1}			
Cargo carried (million kg)	938.5	975.4	– 3.8
Cargo load (million tonne-km)	5,954.3	6,075.2	– 2.0
Cargo capacity (million tonne-km)	8,950.3	8,876.1	+ 0.8
Cargo load factor (%)	66.5	68.4	– 1.9 points
Load tonne-km (million)	12,734.6	12,985.3	– 1.9
Capacity tonne-km (million)	18,305.1	18,034.0	+ 1.5
Overall load factor (%)	69.6	72.0	– 2.4 points
Employee Productivity – Company ^{R2}			
Average number of employees	14,499	13,960	+ 3.9
Seat capacity per employee (seat-km) ^{R3}	6,656,705	6,774,495	– 1.7
Passenger load carried per employee (tonne-km) ^{R3}	471,300	498,516	– 5.5
Revenue per employee (\$)	535,554	592,077	– 9.5
Value added per employee (\$)	185,958	277,407	– 33.0
Employee Productivity – Group			
Average number of employees	29,316	28,336	+ 3.5
Revenue per employee (\$)	322,275	351,189	– 8.2
Value added per employee (\$)	126,832	182,831	– 30.6

^{R1} Group here refers to the consolidated operating statistics of SIA Passenger Airline Company and Singapore Airlines Cargo.

^{R2} Data for 2000-01 are adjusted to allow meaningful comparisons because of Singapore Airlines Cargo's corporatization on 1 July 2001.

^{R3} Based on average staff strength of passenger operations. Passenger load includes excess baggage carried.

GLOSSARY

Revenue passenger-km (pkm)	=	Number of passengers carried x distance flown (in km)
Available seat-km (ask)	=	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	=	Operating passenger revenue from scheduled services divided by passenger-km flown
Passenger unit cost	=	Operating passenger-related expenditure divided by available seat-km
Passenger breakeven load factor	=	Theoretical load factor at which operating passenger-related expenditure less bellyhold revenue from Singapore Airlines Cargo equals operating passenger and excess baggage revenue
Cargo load tonne-km	=	Cargo load carried (in tonnes) x distance flown (in km)
Cargo capacity tonne-km	=	Cargo capacity production (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo load tonne-km expressed as a percentage of cargo capacity tonne-km
Load tonne-km (ltk)	=	Load carried (in tonnes) x distance flown (in km)
Capacity tonne-km (ctk)	=	Capacity production (in tonnes) x distance flown (in km)
Overall load factor	=	Load tonne-km expressed as a percentage of capacity tonne-km

Board of Directors



Koh Boon Hwee

Chairman

Mr Koh has been a Director of the SIA Board since 14 March 2001, and was appointed Chairman on 14 July 2001. He is currently also Chairman of Nanyang Technological University Council, Executive Director of Mediaring.com Ltd, and a director of Temasek Holdings (Pte) Ltd, Broadvision Inc (USA) and QAD Inc (USA). He was previously Chairman of the Singapore Telecom Group and its predecessor organization (1986 to 2001), Executive Chairman of the Wuthelam Group (1991 to 2000) and Managing Director of Hewlett Packard Singapore (1985 to 1990).



Cheong Choong Kong

Deputy Chairman/CEO

Dr Cheong joined SIA in 1974 and held various managerial posts before becoming Managing Director in 1984. He is currently Deputy Chairman and CEO. He is also Vice-Chairman of Oversea-Chinese Banking Corporation and serves on the Boards of Singapore Press Holdings and Virgin Atlantic Airways. In addition, he is Chairman of the National University of Singapore 11th Council, Vice-Chairman of the Singapore-US Business Council, and on the Board of Governors of the Singapore International Foundation.



Edmund Cheng Wai Wing

Director

Mr Cheng, formerly Chairman of Singapore Tourism Board for nine years until 2001, has been actively involved in the private and public sectors as a director for SNP Corporation, Clipsal Industries (Holdings), The Esplanade Company, Singapore Art Museum, and Urban Redevelopment Authority. He was also a past president of the Real Estate Developers' Association of Singapore. Mr Cheng is the Deputy Chairman of Wing Tai Holdings Ltd and is an architect and engineer by profession.



Fock Siew Wah

Director

Mr Fock was formerly Area Head and Regional Treasurer of JP Morgan. He became President and Chief Executive Officer of Overseas Union Bank from 1988 to 1991. He was subsequently appointed Special Advisor to the Minister of Finance, Singapore. Mr Fock is now Chairman of the Land Transport Authority of Singapore, Deputy Chairman of Fraser & Neave Limited and a director of Temasek Holdings (Pte) Ltd.



Charles B Goode

Director

Mr Goode is Chairman of the Australia and New Zealand Banking Group, a position he has held since 1995. He is also Chairman of Woodside Petroleum, Australian United Investment Company, and Diversified United Investment. He has a wide range of community interests which include serving as Chairman of the Ian Potter Foundation and President of Howard Florey Institute of Experimental Physiology and Medicine. The former, founded by the late Australian financier, is Australia's largest private philanthropic foundation.



Ho Kwon Ping

Director

Mr Ho is Chairman of the Banyan Tree Group, which owns both listed and private companies engaged in the development, ownership and operation of hotels, resorts, spas, residential homes, retail galleries and other lifestyle activities in the region. He is also Chairman of the family-owned Wah Chang Group and of the Singapore Management University, the third national university in Singapore. He is a director of several other companies and Trustee of several foundations.



Lim Boon Heng

Director

Mr Lim started his career with Neptune Orient Lines Ltd. He left the company as corporate planning manager, after being elected to Parliament in 1980. He joined the National Trades Union Congress in 1981 as Deputy Director, Research Unit, and has been its Secretary-General since 1994. Concurrently, he is Minister in the Prime Minister's Office, as well as a Member of Parliament for Jurong GRC.



Lim Chee Onn

Director

Mr Lim was Secretary-General of the National Trades Union Congress and concurrently Minister without Portfolio before he joined the Keppel Group in 1983. He is currently the Executive Chairman of Keppel Corporation and sits on the boards of Temasek Holdings (Pte) Ltd, Natsteel Limited and K1 Ventures Ltd. He also chairs the National Heritage Board and Singapore-Suzhou Township Development Co Ltd, and is a member of several business councils. He was a Member of Parliament for 15 years until 1992.



Davinder Singh

Director

Mr Singh joined Drew & Napier in 1983. He became a Member of Parliament in 1988 and was appointed Senior Counsel in 1997, in the first batch of Senior Counsels ever to be so appointed in Singapore. He became CEO of Drew & Napier in 1998. Mr Singh sits on a number of boards, including Singapore Technologies Pte Ltd. Mr Singh is a Member of Parliament for Bishan-Toa Payoh GRC.

Chairman's Statement

The apparently comfortable margin by which we stayed in the black belies the tremendous effort put in by many people.

At the end of the most difficult year in SIA's history, certainly in economic terms, the SIA Group maintained its loss-free record with a profit attributable to shareholders of \$631.7 million. Anyone who may think the outcome was never in doubt would be wrong. The apparently comfortable margin by which we stayed in the black belies the tremendous effort put in by many people.

We were already struggling with an economic slowdown when the events of September 11 last year shattered the confidence of the travelling public and plunged the aviation industry into its worst financial crisis. Our half-year results, for the period ending 30 September 2001, reflected the early effects of the loss in consumer confidence.

Apart from a substantially lower operating profit, disappointing returns from Air New Zealand and Virgin Atlantic contributed to a significant decline in our share of the profits of associated companies. We also had to make a provision of \$267 million for the diminished value of our investment in Air New Zealand.

Like other airlines around the world after September 11, we battled to control costs while insurance premiums soared. With load factors falling, services on several of our routes, in particular those to the United States, were reduced or, in a few cases, suspended altogether. Throughout the Group, we deferred or cancelled all but the most essential projects and, where possible, worked with suppliers to reduce expenditure. Staff recruitment, except in a few special cases, was put on hold.

The silver lining to this dark cloud was the way the people of the SIA Group responded. They demonstrated their dedication and willingness to make short-term sacrifices for the greater good of the Group. They accepted salary reductions of between 2.5 and 15 per cent, which obviously helped reduce costs but, more importantly, staved off retrenchment.

At the end of the year, the recovery of loads across our network, and to a lesser extent cost reductions, helped SIA remain loss-free. Our results were certainly helped by finally being able to recognize the profit of SIA Engineering Company's 1998 sale of 51 per cent equity interest in Eagle Services Asia (ESA), and by a decision, taken well before September 11, to change our depreciation policy to better align ourselves with the industry. Nevertheless, even without these, we would have remained profitable.

Looking ahead, we are seeing signs that passenger and cargo demand are recovering. SIA has restored nearly all of the services that were suspended in the weeks and months after the events of September 11, and we have increased services to points in Australia and China. In August 2002, we shall operate the first direct service between South East Asia and Las Vegas.

While we have had to be extremely cost conscious, we have strived to do so without compromising the level of service that our customers have come to expect. Innovations such as the new Raffles Class *SpaceBed* and the installation of a new-generation inflight entertainment system, which will give SIA a competitive edge into the future, were kept on track. In fact, in June 2002, we began operations using these new lie-flat Raffles Class seats. This US\$100 million investment in passenger comfort and well-being will be integrated into our long and medium-haul fleet over the coming year.

We have continued our forward-looking approach to fleet management. Late next year, we expect to begin non-stop services from Singapore to the west coast of the United States using the A340-500. And some time in 2006, SIA will be the first carrier to operate the A380 aircraft, expected to carry about 500 passengers. Work is already well under way on the development of a new cabin to best suit our passengers' needs.

Internationally, there is no denying that our mission to expand abroad has faced difficulties, but we have always known the path would not be easy. Restrictions on air traffic rights continue to be a given. Governments continue to support and subsidize their flag carriers. Equity ownership restrictions mean that a stake in another airline often comes without meaningful management control. We continue to argue for the liberalization of these regulatory hurdles and for more open and free competition among carriers, but until that happens, we will take these realities in our stride.



In the long run, we cannot rely solely on operations based in Singapore. In order to have continuing growth and profit, it is important for us to expand beyond our home base. Therefore, we will continue to look at international expansion opportunities as they arise, since these tend to happen only with liberalization and regulatory changes. We will also explore and develop joint activities with other airlines where they make sense. At the same time, we shall continue our organic growth whenever and wherever possible within the international restrictions placed on us. As mentioned earlier, we will soon begin a new service to Las Vegas. We have also recently started three extra weekly services to Tokyo, and a new air services agreement with China opens up more possibilities for us to expand our future capacity into this growing market.

Apart from the Airline, other members of the SIA Group have also worked through a demanding year and have emerged with strong records of development and achievement.

SIA Engineering Company (SIAEC) has, in the past year, grown its airframe maintenance capacity by 15 per cent with the opening of a third hangar at Changi Airport last October. Plans are under way for the construction of two additional single-bay maintenance hangars to be ready by 2003 and 2004. Last year, SIAEC also started a new joint venture for engine overhaul, Singapore Aero Engine Services Limited (SAESL). It continues to look for expansion opportunities overseas, particularly in the fast-growing China market.

Another member of the SIA Group, Singapore Airport Terminal Services (SATS), has also had a year of expansion. This year, it started operations at SATS Airfreight Terminal 6, adding 800,000 tonnes of cargo capacity per annum – bringing its total capacity to 2.3 million tonnes. It opened SATS Express Courier Centre 2 to handle 180,000 tonnes of express cargo capacity per annum. As part of its expansion, SATS has also started Aerolog Express Pte Ltd, a new joint venture subsidiary, to provide cargo delivery services from SATS airfreight terminals in Singapore, opened a joint venture cargo warehouse operation in Taipei, and begun a new joint venture to provide inflight catering operations at six airports in India.

Finally, I wish to thank everyone in the SIA Group for their efforts, sacrifices and dedication during the past financial year. I also wish to thank my predecessor, Dr Michael Fam, and other members of the SIA Board, who have steered the Airline through a most difficult period.

A handwritten signature in black ink, reading 'Koh Boon Hwee' in a cursive, stylized script.

Koh Boon Hwee

Chairman

Corporate Data

Board of Directors

Chairman

Koh Boon Hwee

Deputy Chairman and Chief Executive Officer

Cheong Choong Kong

Members

Edmund Cheng Wai Wing

Fock Siew Wah

Charles B Goode

Ho Kwon Ping

Lim Boon Heng

Lim Chee Onn

Davinder Singh

Board Executive Committee

Chairman

Koh Boon Hwee

Deputy Chairman and Chief Executive Officer

Cheong Choong Kong

Members

Fock Siew Wah

Lim Chee Onn

Audit Committee

Chairman

Edmund Cheng Wai Wing

Members

Koh Boon Hwee

Ho Kwon Ping

Board Finance Committee

Chairman

Fock Siew Wah

Members

Cheong Choong Kong

Charles B Goode

Davinder Singh

Board Senior Officers' Committee

Chairman

Koh Boon Hwee

Members

Cheong Choong Kong

Fock Siew Wah

Lim Chee Onn

Nominating Committee

Chairman

Davinder Singh

Members

Edmund Cheng Wai Wing

Charles B Goode

Company Secretaries

Mathew Samuel

Foo Kim Boon

Registrar

KPMG

138 Robinson Road

#17-00

The Corporate Office

Singapore 068906

Auditors

Ernst & Young

Certified Public Accountants

10 Collyer Quay

#21-01

Ocean Building

Singapore 049315

Audit Partner

Fang Ai Lian

Registered Office

Airline House

25 Airline Road

Singapore 819829

Executive Management

Head Office

Deputy Chairman and

Chief Executive Officer

Cheong Choong Kong

Senior Executive Vice-President

(Administration)

Chew Choon Seng

Senior Executive Vice-President

(Commercial)

Michael Tan Jiak Ngee

Senior Executive Vice-President

(Technical and Human Resources)

(From 1 April 2002)

Bey Soo Khiang

Executive Vice-President

(Marketing and the Regions)

Huang Cheng Eng

Senior Vice-President

(Cabin Crew)

Sim Kay Wee

Senior Vice-President

(Commercial Technology)

Goh Choon Phong

Senior Vice-President

(Corporate Affairs)

Mathew Samuel

Senior Vice-President

(Engineering)

Mervyn Sirisena



Senior Vice-President
(Finance and Administration)

Teoh Tee Hooi

Senior Vice-President
(Flight Operations)

Raymund Ng

Senior Vice-President
(Human Resources)

Loh Meng See

Senior Vice-President
(Information Technology)

David Richardson

Senior Vice-President
(Marketing)

Tan Chik Quee

Senior Vice-President
(Partnerships and International Relations)
(From 1 April 2002)

Syn Chung Wah

Senior Vice-President
(Product and Services)

Yap Kim Wah

Senior Vice-President
(Projects)

Maurice De Vaz

President
Singapore Airlines Cargo Pte Ltd

Hwang Teng Aun

Chief Executive Officer
Singapore Airport Terminal Services Ltd
Prush Nadaisan

Chief Executive
SATS Airport Services Pte Ltd

Karmjit Singh

Chief Executive
SATS Catering Pte Ltd
Joseph Chew Khiam Soon

Chief Executive Officer
SIA Engineering Company Ltd
William Tan Seng Koon

Chief Executive
SilkAir (Singapore) Pte Ltd
Subhas Menon

Overseas

Senior Vice-President The Americas
Ng Chin Hwee

Senior Vice-President Europe
Thoeng Tjhoen Onn

Senior Vice-President North Asia
Ng Kian Wah

Senior Vice-President South East Asia
Teh Ping Choon

Senior Vice-President South West Pacific
Mak Swee Wah

Senior Vice-President West Asia and Africa
(Until 18 March 2002)
Cedric Foo

Senior Vice-President West Asia and Africa
(From 18 March 2002)
Paul Tan

FINANCIAL CALENDAR

31 March 2002

Financial year-end

17 May 2002

Announcement of 2001-02 results

3 June 2002

Despatch of summary financial
statement to shareholders

20 June 2002

Despatch of annual report to
shareholders

13 July 2002

Annual General Meeting

29 July 2002

Payment of 2001-02
final dividend
(subject to shareholders' approval
at AGM)

25 October 2002

Announcement of 2002-03
half-yearly results

21 November 2002

Date of payment of 2002-03 interim
dividend

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



Significant Events

APRIL 2001

- Singapore Airlines (SIA) teams up with The Art Center College of Design, based in Pasadena, California, and Singapore's Nanyang Technological University (NTU), to develop product innovations.
- SIA and the Singapore Turf Club announce SIA's sponsorship of the \$1 million Singapore *KrisFlyer* Sprint, the second major horse race sponsored by SIA. The Airline already sponsors the \$3 million Singapore Airlines International Cup.
- SIA launches the world's first global inflight e-mail system and a new-generation entertainment system. The e-mail system, which uses a satellite-based communications network, is available to customers in all three classes.
- SIA launches its Flight Status and Flight Alert services on Japan's most popular interactive mobile platform, i-mode, allowing subscribers to access flight information in Japanese from their mobile phones.
- SIA opens a \$1.5 million one-stop service centre at Singapore's Paragon Shopping Centre for its *Priority Passenger Service* (PPS) Club members.
- SIA announces plans to invest over \$6 million in advanced scheduling technology and sophisticated forecasting techniques. This new *Network Management System* will allow SIA to optimize the use of its global network of flights to meet traffic demands.

MAY 2001

- SIA launches the new **www.singaporeair.com** website that SIA customers can access anytime, anywhere, using a range of devices. The \$100 million e-commerce development will be implemented over a period of three years.
- SIA becomes the first airline to launch global flight alerts via the short message service (SMS). The service, which informs customers of changes to flight departure and arrival times, is a key element of SIA Mobile Services, a suite of facilities that provides more ways of obtaining information on the Airline and its services.

JULY 2001

- SIA's Cargo Division is corporatized as Singapore Airlines Cargo Pte Ltd, a wholly-owned subsidiary and a designated all-cargo airline of Singapore.
- Dr Michael Fam steps down as Chairman following the Annual General Meeting on 14 July 2001, after serving for nearly 29 years on the Board.
- The Board of SIA appoints Mr Koh Boon Hwee as non-executive Chairman following his re-election as a director by shareholders at the Annual General Meeting. Mr Koh had joined the Board on 14 March 2001.

AUGUST 2001

- SIA's inaugural B777-200ER flight departs for a new destination, Chicago. The B777-200ER has a seating capacity of 30 in Raffles Class and 255 in Economy Class. Chicago becomes SIA's fifth North American destination.
- SIA unveils the new US\$100 million *SpaceBed*, the biggest business class bed in the Sky. The *SpaceBed* will be installed progressively on B747-400 and B777-200ER (extended range) aircraft.
- SIA revises its aircraft depreciation policy. The new depreciation period for passenger aircraft is 15 years to 10 per cent residual value. Previously, passenger aircraft, spares and spare engines were depreciated over 10 years to 20 per cent residual value.

SEPTEMBER 2001

- SIA announces that it has decided not to proceed with its bid for Air India.
- Ansett is placed under voluntary administration.
- Following the events of September 11 in the United States, SIA announces that it will suspend its services to Pakistan from 28 September 2001.

OCTOBER 2001

- SIA's stake in Air New Zealand is reduced to 6.47 per cent following a recapitalization package which sees the New Zealand Government invest NZ\$885 million in new ordinary shares and new convertible preference shares in Air New Zealand. If the new convertible preference shares are subsequently converted into ordinary shares, SIA's equity interest in Air New Zealand will be further diluted to 4.5 per cent.
- SIA and Virgin Atlantic Airways launch their first codeshare service between London and Singapore.
- Managers of SIA and its major subsidiary companies accept salary reductions of between seven and 15 per cent as part of the Group's efforts to contain costs. The Board and Senior Management had earlier volunteered a reduction in wages and directors' fees. All other staff subsequently followed suit, agreeing to wage cuts of 2.5 to 5 per cent.
- SIA announces the suspension of services to Kota Kinabalu, Kuching and Macau. All three destinations are currently served twice a week.
- The SIA Group announces a \$485 million operating profit for the half year ending 30 September 2001, a 35.9 per cent drop over the same period in 2000. The SIA Board declares an interim gross dividend of 3 cents a share, down 12 cents from the previous year.

NOVEMBER 2001

- SIA and Airbus agree to defer the delivery dates of ten A340-500 aircraft, five of which are on firm order and five on option. Delivery of the first A340-500, due in January 2003, is now planned for October 2003.
- Due to the planned reduction in services from January 2002, SIA releases 114 trainees who are undergoing training as cabin crew. Subsequently, 35 of these trainees join SilkAir as cabin crew.

DECEMBER 2001

- The Singapore Flying College (SFC) announces that it has chosen Queensland's Sunshine Coast as the location for its Advanced Flight Training Operations. Aeromil (Australia) Proprietary Limited is awarded the preferred supplier for maintenance and support services for SFC's four Learjet 45 training aircraft.

JANUARY 2002

- SIA's three-times-weekly Singapore-Amsterdam-Chicago service, launched on 1 August 2001, is temporarily suspended.
- Singapore Airlines Cargo launches *Secure rider*, a new freight product designed to meet customer needs for high security in the transportation of valuable and vulnerable goods.
- SIA and Boeing agree to defer the delivery dates of five B777 and one B747-400 freighter aircraft.

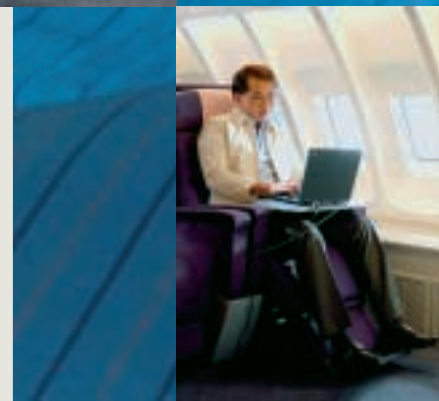
FEBRUARY 2002

- SIA resumes flights to Pakistan with a three-times-weekly service to Karachi and Lahore. Previously, SIA had operated four times a week.

MARCH 2002

- SIA is ranked 50th in *Fortune's* list of Global Most Admired Companies. SIA achieves an overall score of 6.38, making it the industry leader among all airlines included in the poll.
- SIA launches a new Internet check-in service that allows customers to choose their seats up to two days before departure. Users can view a real-time seating plan while choosing their desired seats.
- An enhanced SMS service called "My Flight Alerts" is introduced. *KrisFlyer* and *PPS* Club members can activate up to 30 flight alerts and will be automatically notified of any flight delays exceeding 30 minutes.
- SIA announces plans to launch a three-times-weekly B777-200ER service to Las Vegas, via Hong Kong. It will be the first direct service between South East Asia and Las Vegas.

*It was a year when staff
rose to the challenge of
weathering the tough
economic and security
conditions and positioning
the Airline to prosper
during the recovery.*



Operating Review

A TESTING TIME IN THE AIRLINE'S HISTORY

The year ending 31 March 2002 will be remembered as the most difficult in the 30-year history of Singapore Airlines.

It was a year when staff rose to the challenge of weathering the tough economic and security conditions and positioning the Airline to prosper during the recovery.

Even before the events of September 11, the airline industry was feeling the effects of a weak global economy. After September 11, the situation deteriorated as many people curtailed air travel. Load factors fell sharply across the SIA network, especially on services to and from the United States and Japan.

Capacity was adjusted to match the lower demand. Emerging patterns were continuously analyzed and schedules adjusted with sufficient lead-time to avoid disruption to customers. Negotiating teams went back to aircraft manufacturers and equipment suppliers and, with their cooperation, secured agreements to defer aircraft deliveries to match lower growth projections.

All divisions and subsidiaries were directed to review their budget plans. Non-essential projects were deferred or cancelled. Only those that were critical to maintaining service and safety standards, or were key platforms for future growth, were allowed to proceed.

Perhaps the most demonstrative example of the entire Group's commitment to overcoming the crisis was the agreement by staff of all levels to accept pay cuts, ranging from 2.5 per cent for the most junior to 15 per cent for the most senior. The Board too, decided on a reduction in directors' fees.

PRODUCT AND SERVICE DEVELOPMENT SIA Mobile Services

In May 2001, SIA was the first international airline to introduce a global flight alert service via the Short Message System (SMS). This service sends flight departure and arrival times on request to customer-specified mobile phones and pagers. Customers can also check flight schedules and status using this service.

Two months later, the Airline's first non-English mobile service was launched on the NTT DoCoMo i-Mode service, used by 25 million people in Japan.

In December 2001, SIA Mobile Services was further enhanced, enabling customers to calculate the number of miles they could earn when flying from one city to another and check their *KrisFlyer* frequent flyer miles, using their mobile devices. The number of flight alerts per customer was increased and made more user-friendly for all *KrisFlyer* members and registered users.

SIA Mobile Services are available on a range of platforms, including WAP phones and wireless-enabled personal digital assistants (PDAs).

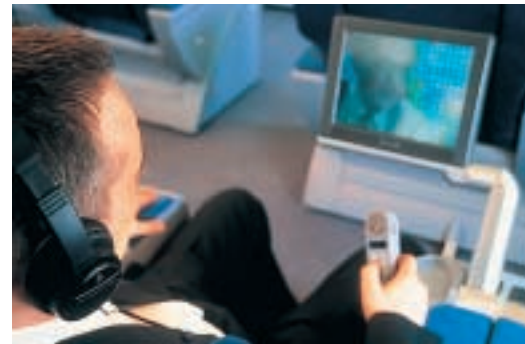
In March 2002, SIA introduced the Internet check-in facility, which allows customers to check in online for flights to selected destinations. It also allows passengers in all classes to select their own seats.

The new **www.singaporeair.com** global website was launched in May 2001. By the end of the financial year, 38 country-specific websites had also been redeveloped with full functionality supported in five languages – English, Japanese, French, Korean and simplified Chinese.

In the future, these sites will allow passengers to book multi-leg itineraries and flights with partner airlines, as well as related services such as hotels, car and tour packages. They will lay the foundation for the development of direct relationships with customers.

Smart Systems

KrisMax II is a new revenue management system which will help overcome the complexities of matching seat capacity with customer demand, a challenge faced by many airlines. At present, customers are sometimes denied a seat because the number of seats allocated to different market segments is not always well-matched to demand. *KrisMax II* will help prevent such situations where customers in one market are waitlisted while seats allocated to other markets remain unsold. The system will be fully implemented by the end of 2003.



Services Onboard

In April 2001, SIA launched a satellite-based global inflight email service. This had to be withdrawn subsequently as a consequence of the vendor's decision to review its business plans after September 11, but the Airline remains committed to providing inflight connectivity to customers.

SIA upgraded its inflight entertainment system with the introduction of the new Matsushita Avionics' MAS 3000 system on its B777-200ER aircraft, which joined the fleet from July 2001. New features include audio and video on demand (AVOD) in all classes, and multi-player games, including chess and mahjong, allowing customers to play against each other no matter where they are seated. In addition, First and Raffles Class customers can enjoy DVD-quality movies.

In August 2001, SIA unveiled the new Raffles Class *SpaceBed* – the biggest business class seat in the world. With a sleeping surface of up to six inches longer and up to eight inches wider than other business class sleeper seats, the *SpaceBed* offers more privacy options, more storage space, and a larger video screen. Special cushion technology that conforms more effectively to body contours is another unique feature.



The investment of US\$100 million in the *SpaceBed's* development process underscored SIA's commitment to offering its customers the world's best travel experience. *SpaceBeds* will eventually be installed on 45 B747-400 and B777-200ER aircraft serving Europe, North America and Australia. SIA customers are now assured of arriving at their destinations feeling even more relaxed and well-rested.

In December 2001, Raffles Class dining was refined with the introduction of freshly plated meals. Passengers can now choose from a range of salad ingredients on a trolley, and their gourmet salad will be created in front of them, ensuring the freshest taste and presentation.

The choice of main courses has also increased. They are freshly plated in the galley, as in restaurants, to ensure the best flavour and texture. Larger dining plates, replacing rectangular casseroles, enhance the restaurant-style presentation.



A selection of new gourmet breads and coffees was introduced in First and Raffles Class in May and July 2001 respectively, giving our passengers more choice and variety.

Economy Class passengers are also able to enjoy a greater variety of snacks and fruits with the enhancement of the snack basket service. This "in-between meals" snack service is available on flights above ten hours.

Also in Economy Class, lighter and more comfortable clip-on earphones were introduced in November 2001.



On the Ground

The largest *Silver Kris* Lounge outside Singapore was opened at the new Incheon International Airport in Seoul in May 2001. The \$3.4 million lounge has a floor area of 1,700 square metres and includes a buffet, business area, slumberettes and showers. The larger capacity was planned to accommodate eligible Star Alliance customers as well.

SIA also completed the construction of a new *Silver Kris* Lounge in London, and the lounges in Osaka and Hong Kong were renovated. Plans are under way to construct new lounges in Taipei and Manila.



KrisFlyer

SIA's frequent flyer programme, *KrisFlyer*, won two prestigious awards in September 2001: the *TIME Inc. Asia Readers' Travel Choice Awards* for Most Popular Airline Frequent Flyer Programme, following a survey of readers in 12 Asian countries; and the Best Frequent Flyer Programme from *Business Traveller* (Hong Kong).

KrisFlyer continued to expand its partner network through the year. In December 2001, one of the world's leading hotel chains, Six Continents, which operates more than 3,000 hotels including Inter-Continental, Crowne Plaza, Holiday Inn and Forum hotels and resorts, joined *KrisFlyer*. From the airline industry, Asiana Airlines, which flies to 53 destinations, also joined *KrisFlyer*.

In February 2002, Tradewinds became the first travel agency to join *KrisFlyer*, and in turn, *KrisFlyer* became the first frequent flyer programme to have a travel agent as a partner.

As at 31 March 2002, *KrisFlyer* had established business relationships with 39 partners, including 18 airlines, 13 hotel chains and other service providers, such as rental car, telecommunications and credit card companies. The programme had 1.26 million members.

Awards and Accolades

SIA continued to receive many awards and accolades during the year in review.

The Airline picked up 20 *Business Traveller* awards around the world: six in Britain, six in the Asia-Pacific region, four in United States, and four in Germany. Two of these awards were for best overall airline.

At the 2002 *Travel Weekly* Globe Awards held in London, SIA won Best Airline to Asia for the ninth consecutive year. For the seventh consecutive year and the thirteenth time in 14 years, SIA was voted Best International Airline in the prestigious *Conde Nast Traveler* Reader's Choice Awards. SIA also claimed the title of Best Transpacific Carrier in the *Conde Nast* (US) Business Travel Awards.

Apart from receiving accolades for its service, the Airline received awards for its management style, being rated the highest of 34 Singaporean companies in the *Far Eastern Economic Review's* annual readership survey, Review 200, which recognizes Asia's top 200 companies. The Airline has held the number one spot since the inception of the survey in 1993.

SIA was included in the *Financial Times* survey of the World's Most Respected Companies, the only non-Japanese Asian company to make the list.



SIA also made it to *Fortune's* list of Global Most Admired Companies. Outside of Japan, Singapore Airlines is the top-ranked Asian company in the list.

The Airline also won a range of other awards from newspapers and travel organizations around the world, together with awards from the Indonesian and the Philippine governments for its promotion of tourism in those countries.



SIA – International Award Winner (2001 – 02)

May 2001

Business Traveller (UK)
Business Travel Poll
Overall Quality of Service
First Class Service
Business Class Service
Short-Haul Flights (Under 4 hours)
Long-Haul Flights (Over 4 hours)

June 2001

Aviation Week and Space Technology (US)
Best Managed Companies Awards
Best Managed Global Carrier

Investor Relations Magazine (Hong Kong)
Asia Awards
Best Investor Relations
Best Corporate Governance
Best Crisis Management

FinanceAsia Magazine (Hong Kong)
Best Managed Company
Most Committed to Shareholder Value
Best in Investor Relations

Motor Show Magazine (Italy)
Miligore Compagnia Aerea Per L'estremo Oriente (*Best Airline Company for Far East for 2001*)

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

July 2001

TravelWeekly East Magazine (Singapore)
Innovator Awards 2001
Best Innovator

Worth Magazine (US)
Readers' Choice Survey
Top Rated Airline

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

September 2001

Business Traveller (Hong Kong)
Asia-Pacific 2001 Readers' Survey
Best Airline in the World
Best Asian Airline
Best First Class
Best Business Class
Best Economy Class
Best Frequent Flyer Programme

TIME Inc. Asia (Hong Kong)
Readers' Travel Choice Awards
Preferred Airline
Most Popular Airline Frequent Flyer Programme

Wanderlust Magazine (UK)
Travel Awards
Winner of the Top Airline Category

Australian National Travel Industry Awards (Australia)
Airline of the Year Award

October 2001

Conde Nast Traveler (US)
Business Travel Awards
Best Transpacific Carrier

Derniere Heure (Belgium)
Best Airline

Nouvelle Gazette (Belgium)
Most Appreciated Airline

Business Traveller (UK)
Readers' Poll Awards
Best Long Haul Airline

November 2001

Business Traveler International (US)
Travel Awards
Best Overall Airline
Best First Class
Best Business Class - International Flights
Best Transpacific Business Class

Scottish Passenger Agents Association Awards (UK)
Best Foreign Airline

Travel Magazine (Belgium)
Best Long Haul Airline

Altroconsumo (Italy)
Top Airline

The Korea Herald
Survey of favourite products and services
Top in Airline Category

December 2001

Far Eastern Economic Review (Hong Kong)
Review 200
Number One Singapore-based Company

Financial Times (UK)
Survey of World's Most Respected Companies
Top 50 List

Philippines Department of Tourism
2001 Kalakbay Award for International Airline of the Year

Conde Nast Traveler (US)
2001 Readers' Choice Awards
Best International Airline

Institute of Customer Service (UK)
Voted number one for customer service

January 2002

Travel Weekly (UK)
2002 Travel Weekly Globe Awards
Best Airline to Asia

Irish Travel Trade News
Annual Awards
Best Airline to Asia/Pacific Rim

Recommend Magazine (US)
2001 Readers' Choice Awards
Hottest Selling Airline - Asia/Pacific

Travel Com Magazine (Taiwan)
Gold List Awards 2002
Best Airline

February 2002

Business Traveller (Germany)
Travel Awards
Best Airline on Intercontinental Routes
Best in Friendliness
Best in Cabin Outfit
Best in Service

CIO Asia Magazine (Singapore)
CIO Award Winner

March 2002

Fortune Magazine (US)
List of Global Most Admired Companies
Top 50 List
Winner - Airline Category



FLEET

Fleet Modernization

In July 2001, SIA signed the purchase agreement that will make the Airline the first in the world to operate the world's largest passenger jet – the 500-seater A380-800. SIA ordered 25, comprising 10 on firm order and 15 on option, in a deal worth US\$8.6 billion. The first A380-800 will enter service in SIA livery in early 2006.

During the year, the Airline took delivery of six B777-200ER (extended range) aircraft, six B777-200s, two B777-300s and two B747-400s. This brought the number of B777s and B747-400s in the SIA fleet to 33 and 39 respectively.

In July 2001, when Singapore Airlines Cargo was corporatized, seven of the nine B747-400 freighter aircraft in SIA's fleet were sold to Singapore Airlines Cargo, with the remaining two committed to be purchased by the subsidiary at the expiry of their respective finance leases.

As part of the fleet modernization programme, seven A340-300E aircraft and SIA's last two B747-300s were disposed of.

In March 2002, SIA signed an agreement with Rolls-Royce for Trent 800 engines to power its new B777-200 aircraft. A US\$4 billion order for 20 aircraft – 10 firm and 10 on option – had been placed in February 2001.

This order of the B777-200 aircraft will replace the ageing A310 fleet.

At 31 March 2002, the SIA passenger fleet stood at 92, with an average age of 5 years and 9 months.

Deferral of Aircraft Deliveries

As part of the measures taken in the aftermath of the September 11 events and the global economic slowdown, the Airline deferred deliveries of several aircraft.

In April 2001, the delivery dates of two B777 options were deferred from November and December 2002 to June and August 2003, respectively.

In November 2001, SIA and Airbus agreed to defer the delivery dates of ten A340-500 aircraft, of which five are on firm order and five on option. Delivery of the first A340-500, which had been due in January 2003, is now planned for October 2003. The remaining four on firm order will be delivered by March 2004.

In January 2002, SIA and Boeing agreed to defer the delivery dates of five B777 and one B747-400 freighter aircraft. Of the five B777s, two are on firm order and the other three are on option. The B747-400 freighter aircraft is on firm order.

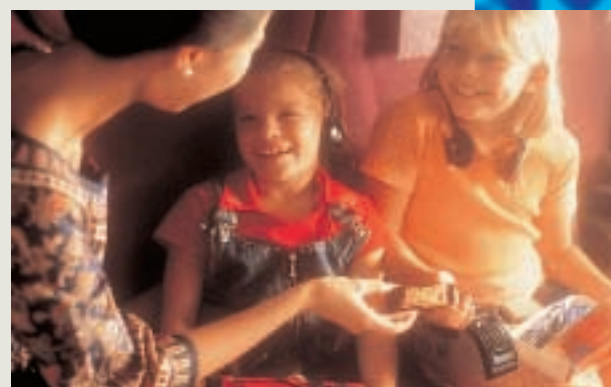
Deliveries of the two B777s on firm order, initially due in August 2002 and September 2002, are now planned for August 2003 and November 2002 respectively. The new delivery dates for the three on option are between June 2006 and June 2008.

The B747-400 freighter aircraft, originally scheduled for delivery to Singapore Airlines Cargo in September 2002, will now be delivered in February 2003.

Onboard Security Measures

In response to the new focus on security, the Company completed the installation of two mechanical latches (deadbolts) on the cockpit doors of all 102 SIA and SilkAir passenger aircraft by the end of November 2001. In addition, all cockpit doors were reinforced by March 2002.

Other security measures are being implemented, but because of the need to keep security systems confidential, details cannot be provided in this report. What can be said is that SIA is doing as much as any major airline to ensure the safety of its passengers and crew.



SIA saw opportunities to expand its network during the first half of the period under review, in spite of a slowing global economy, but after September 11, flight planners had to adjust capacity to meet changing patterns of demand.



NETWORK

SIA saw opportunities to expand its network during the first half of the period under review, in spite of a slowing global economy, but after September 11, flight planners had to adjust capacity to meet changing patterns of demand.

Having increased services to Bangkok, Brisbane, Frankfurt, Guangzhou, Hong Kong, Osaka, Shanghai and Taipei in the first half of the year, SIA had to suspend services on a number of routes in the second half.

During the months after September 11, capacity to several markets, especially North America and Japan, was reduced. Some services were suspended indefinitely. However, as traffic volume started to improve towards the end of the financial year, most of these services had either resumed or were planned to be reinstated by May 2002.

In North America, seven transatlantic services were suspended, beginning with one New York (Newark) service via Amsterdam in October 2001, and followed by three New York (JFK) services via Frankfurt, and the thrice-weekly Chicago service via Amsterdam, both in January 2002. Four transpacific services to North America were also suspended, two to Los Angeles (via Taipei) and two to San Francisco (via Seoul). In total, 11 of SIA's 45 weekly services to North America were suspended, a reduction of about 20 per cent in terms of seat capacity.

By the end of March 2002, five of the 11 suspended services had resumed, with the remaining six planned for reinstatement by May 2002.

In Japan, the number of weekly services was reduced from 55 to 47, a 13 per cent

cut in seat capacity, with Fukuoka, Hiroshima, Nagoya and Osaka the affected destinations. The suspended services to Hiroshima and Nagoya (one each) were later reinstated, in April and May 2002 respectively.

Several services in Asia were suspended, and SIA stopped flying to Kota Kinabalu, Kuching and Macau. As at 31 March 2002, there were no plans to resume services to these three cities. Flights to Karachi and Lahore in Pakistan were suspended on a temporary basis but were later resumed, although the previous four weekly services were cut to three. One Australian city was also affected: Perth, where the number of weekly services was cut from 21 to 18.

On a more positive note, the Airline mounted 25 extra flights to Australia and New Zealand during the December peak, and over Lunar New Year, 13 flights were added to Malaysia. In addition, larger-capacity aircraft were used on 32 of the scheduled services to Kuala Lumpur and Penang during the Lunar New Year period.

As at 31 March 2002, SIA operated a total of 600 weekly passenger flights out of Singapore.

In October 2001, SIA launched its first codeshare with Virgin Atlantic on Economy Class between Singapore and London. Benefits for SIA and Virgin customers include an expanded network, better connections, access to more lounges and a seamless travel experience. Frequent flyer miles on both airlines count towards elite status.

As at 31 March 2002, SIA's passenger network served 64 cities in 37 countries.



PROMOTING TOURISM AND AIR TRAVEL

In the first half of the year, some of the world's top names in jazz and horse racing were drawn to Singapore for three SIA-sponsored events.

Followers of horse racing came for the second running of one of the richest horse races in the world – the \$3 million Singapore Airlines International Cup in May 2001.

Singapore's Kranji Racecourse also hosted a new high stakes race at the same meeting on 12 May 2001 – the inaugural \$1 million Singapore Airlines *KrisFlyer* Sprint.

Both races received the endorsement of the International Cataloguing Standards Committee, firmly placing Singapore on the world map as a premier racing venue. The Singapore Airlines International Cup will be included in the prestigious World Championship Racing Series from 2002.

Later in May, more than 50 of the world's leading jazz figures visited Singapore, including Tuck and Patti, Grammy Award-winning guitarist Lee Ritenour and The Woody Herman Orchestra. They were performing at the first Singapore International Jazz Festival, presented by SIA after two years of planning. The Festival attracted several thousand people over three days, clearly succeeding in its aim to bring jazz to the people of Singapore. It was Asia's largest jazz event in 2001.

While the above-mentioned events helped to enhance SIA's brand presence worldwide, a number of additional promotions were undertaken to strengthen Singapore's position as the region's premier destination.

These included attractively-priced holiday packages like the US\$1 Singapore Stopover Splendour and SIA Getaway Specials, media and trade familiarisation visits, and support of sales missions and trade shows.



SIA also worked closely with various national tourist organizations to promote travel to their respective countries.

In January 2002, SIA jointly launched the 100-day 'Great Aussie Strike It Lucky Promotion' with the Australian Tourist Commission, to promote Australia as a premier tourist destination throughout Asia, Europe and Africa.

The campaign was one of a number of initiatives aimed at encouraging the public to travel again.

SIA continued to promote tourism to destinations throughout the region through media familiarization visits to regional destinations, including Indonesia and the Philippines. SIA also played a leading role in a pan-Asian media campaign spearheaded by the Association of Asia Pacific Airlines (AAPA) to revive air travel through confidence-building advertising and PR

activities. The three-month campaign began in January 2002 and involved television and print advertising in six languages across 10 Asian countries.

SIA played a leading role in positioning Singapore as a world class sporting and cultural event city during the year in review.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Singapore Airlines Cargo

In July 2001, the Cargo division of Singapore Airlines was corporatized and Singapore Airlines Cargo Pte Ltd was born as a wholly owned subsidiary of Singapore Airlines.

The incorporation of Singapore Airlines Cargo is part of a key strategy to grow the air cargo business. The different nature and demands of air cargo logistics require special focus and dedication. This move also sent a strong signal that SIA was even more dedicated to developing the air cargo business.

Singapore Airlines Cargo acquired all the freighters and some other assets from SIA, but continued to market the entire belly-hold space in SIA's passenger aircraft under commercial agreements. In all, about 650 SIA staff joined the new cargo subsidiary.

Throughout the year, Singapore Airlines Cargo strengthened its alliance with Lufthansa Cargo and SAS Cargo, and expanded its freighter network and capacity.

In March 2002, the alliance with Lufthansa Cargo and SAS Cargo took a major step forward. The three cargo airlines are now able to offer harmonized "express" cargo and "general" cargo products across each other's network. In conjunction with this development,

they launched a new brand name for the alliance – WOW. With WOW, customers will be able to easily book, transport and track their shipments across the combined networks of the three airlines.

Singapore Airlines Cargo customers can now fly express shipments to 493 destinations in 103 countries on five continents, via a fleet of 31 dedicated freighters and the belly-hold capacity of more than 630 passenger aircraft.

In September 2001 and February 2002, Singapore Airlines Cargo took delivery of its 10th and 11th B747-400 freighter aircraft. As at 31 March 2002, its freighter fleet stood at eleven.

In October 2001, Dallas-Fort Worth and Munich were added to its freighter network.

In March 2002, Singapore Airlines Cargo launched new services to Amsterdam, Dublin, London, Munich, New York and Shanghai.

At the end of the year in review, Singapore Airlines Cargo operated more than 600 scheduled flights a week across a network linking 70 cities in 38 countries in five continents.

The product range was also expanded with the launch of *Securerider* – a product for high value security cargo. This is the latest addition to a stable of other premium product offerings – *Swift rider* and *Timerider* for time-sensitive freight, and *Coolrider* for temperature-sensitive cargo.

2002 marks the ninth consecutive year that Singapore Airlines Cargo, or as it used to be, the SIA Cargo Division, has been awarded 'Best Air Cargo Carrier – Asia', and the eighth year that it has been awarded 'Best Global Air Cargo Carrier' at the Asian Freight Industry Awards.



SIA Engineering Company (SIAEC)

SIA Engineering Company focused on increasing capacity for future growth and expanding its range of aircraft maintenance, repair and overhaul services during the year in review.

Three major new repair and overhaul facilities were commissioned during the second half of the fiscal year. In October 2001, SIAEC's \$25 million third hangar opened for business, increasing the company's airframe maintenance capacity by 15 per cent.

The 85-metre wide single bay hangar contains specialized docking equipment for B777 aircraft, allowing SIAEC to offer a wider range of services for the popular wide-body jet.

Two more hangars, each capable of accommodating the 500-seat A380-800 aircraft currently under development, are due to be built within the next two years.

In October 2001, the US\$100 million Singapore Aero Engine Services Ltd (SAESL) centre for the repair and overhaul of Rolls-Royce Trent engines began operations at Changi. SAESL is a joint venture between SIAEC (50 per cent), Rolls-Royce (30 per cent) and Hong Kong Aero Services (20 per cent).

The new 18,500 square metre facility is designed to repair and overhaul up to 200 Trent engines a year. These engines have become increasingly popular with Asian long-haul jet operators.



In February 2002, Turbine Coating Services (TCS), a joint venture with Singapore Technologies Aerospace and Pratt & Whitney, was officially opened. The joint venture specializes in repairing turbine airfoils and was developed in Singapore to be close to Asian customers and reduce repair turnaround time.

In July 2001, SIAEC increased its stake in aircraft cabin equipment subsidiary Singapore JAMCO Pte Ltd (SJAMCO) from 51 per cent to 65 per cent. This investment was part of a programme to assist SJAMCO to expand its ability to repair and overhaul a wider range of aircraft cabin fittings, equipment and furnishings.

In February 2002, SIAEC formed its 16th joint venture, IAT-Asia, with International Aerospace Tubes, which is owned by Pratt & Whitney and Tube Processing Corporation. IAT-Asia will principally be involved in the repair of tubes, ducts and manifolds. It is the first facility in Asia to offer such services and will significantly reduce turnaround time for airlines based in the region.

During the year in review, SIAEC began work on a major new contract. In April 2001, it signed a \$30 million three-year contract with Dragonair to manage the cargo conversion of two aircraft. Since the freighters entered service in October 2001, SIAEC has been providing maintenance planning, logistics management and materials management services for the two aircraft.



While SIAEC prepared for future growth, it also put rigorous programmes in place to reduce costs and improve efficiency as the economic environment became more difficult.

In September 2001, it launched a month-long campaign focusing on innovation and productivity, as part of the company's ongoing PACE (Productivity for Achieving Competitive Excellence) programme.

The campaign featured exhibitions, road shows, study tours and competitions. A 66-member SIAEC team took part in the National Productivity Rally and helped set the world record for the largest number of ideas brainstormed by a group in an hour, and the largest team assembled for a brainstorm.

Singapore Airport Terminal Services (SATS)

Singapore Airport Terminal Services (SATS) continued to expand its operations at home and abroad, while striving for efficiency gains and higher service standards.

SATS entered new joint venture agreements in Taiwan, India and Singapore, strengthening its position as a leading provider of integrated ground handling and inflight catering services in the Asia-Pacific region.

In May 2001, it purchased Singapore Airlines' 20 per cent stake in Taiwan's Evergreen Air Cargo Services Corporation (EGAC) for \$8.8 million. EGAC is the leading cargo services operator at Chiang Kai-Shek International Airport and has won a contract to build and operate a 500,000 tonne-a-year airfreight terminal at the airport for the next 30 years.

In September 2001, SATS formed TAJ SATS Air Catering with The Indian Hotels Corporation Limited (IHCL), a member of India's TATA Group. With a daily production capacity of 40,000 meals, the new company is expected to capture a 55 per cent market share of the inflight catering, airport restaurant and lounge businesses in seven Indian cities. SATS paid US\$17.7 million for a 49 per cent stake in the new Indian joint venture, SATS' second on the sub-continent.

In October 2001, SATS signed an agreement with YCH Group Pte Ltd in Singapore to form Aerolog Express Pte Ltd, a logistics company offering air cargo delivery services in Singapore.

Aerolog is a 70:30 joint venture between SATS and the YCH Group, and began with a paid-up capital of \$1.8 million. It uses specialized software to ensure seamless and timely cargo delivery within the Singapore Changi Airport Free Trade Zone.

In December 2001, the \$30 million SATS Express Courier Centre 2 (ECC2), also known as the DHL Singapore Hub, was officially opened by Trade and Industry Minister Brigadier-General (NS) George Yeo.

ECC2 strengthens Singapore's position as the region's premier cargo logistics hub and is the first facility SATS has purpose-built for a client.

SATS' \$270 million Airfreight Terminal 6, dubbed Singapore Airlines Superhub 2, became fully operational in September 2001, increasing SATS' total annual cargo handling capacity to more than 2 million tonnes a year.

During the year, SATS and its staff continued to win awards and gain recognition from independent bodies and partners. Among the accolades were the British Airways Partners in Excellence Gold Award for Catering and the Qantas Preferred Supplier Award. SATS was also named the Best Air Cargo Terminal Operator in Asia at the 2002 Asian Freight Industry Awards.

More than 230 SATS employees received National Excellent Service Awards while Baggage Supervisor (Line Training) Kevin Chin won the National Productivity Award.

SilkAir

As the year progressed, SilkAir continued to expand its fleet and the number of destinations it served.

In September 2001, SilkAir took delivery of its fifth A320-200 aircraft, and in March 2002, the fourth A319-100 was delivered, bringing its all-Airbus fleet to nine.

With increased capacity, SilkAir started serving new destinations and increasing frequency on some routes.

In October 2001, it launched a twice-weekly service to Kochi in the Indian state of Kerala, which was subsequently increased to four times weekly. Coupled with its existing thrice-weekly service to the state capital Thiruvananthapuram, SilkAir now serves Kerala daily.

In the same month, SilkAir began a thrice-weekly (later reduced to twice-weekly) service to Palembang in South Sumatra, the eighth Indonesian destination in its network.

In March 2002, it began its first scheduled service to Bangladesh with thrice-weekly flights between Singapore and Chittagong.

Over the year, the frequencies of flights to Balikpapan in Indonesia, Xiamen in China and Phuket in Thailand were increased, while the number of weekly services to some Indonesian destinations was reduced due to weakening demand.





SilkAir achieved a major milestone when it employed its first women pilots during the year.

Major Anastasia Gan, who has more than 5400 hours of pilot experience, joined SilkAir in June 2001 from the Republic of Singapore Air Force. After aircraft type training, Major Gan took up flying duties as a First Officer in March 2002.

In August 2001, SilkAir recruited Cadet Pilot Vanessa Ess, who is currently undergoing training at the Singapore Flying College.

Also in August 2001, Mr Chew Choon Seng handed over the Chairmanship of SilkAir to Lieutenant-General (NS) Bey Soo Khiong, after a tenure of six years.

In October 2001, the Singapore High Court dismissed with costs the case against SilkAir brought by families of six victims of the M1185 crash in Palembang. A subsequent

appeal by the families was dismissed by the Court of Appeal in May 2002.

At the end of the year in review, SilkAir operated 103 scheduled services a week from Singapore to 21 destinations in the region.

SIA Properties (SIAP)

SIA Properties pushed ahead with building improvements but delayed a number of projects in view of the challenging economic conditions. As the subsidiary responsible for managing property upgrading and developments for the SIA Group, SIAP applied stringent cost control measures wherever possible.

It put a number of planned building extensions and upgrades on hold until conditions improved, but took advantage of a weak market to replace mechanical and electrical works in some older buildings.

In Singapore, SIAP projects included the completion of SIAEC's Trent Engine Overhaul Complex and Hangar 3, as well as the construction of SATS' Express Courier Centre 2. It also oversaw the enlargement and upgrading of a new PPS Service Centre in Singapore and the

development of a network of computer server rooms at all major SIA Group buildings.

Overseas, SIAP upgraded or renovated *Silver Kris* Lounges in Melbourne, Osaka and London Heathrow.

An SIA town and ticket office was developed in Hiroshima in October 2001. Offices in Bangkok, Kuala Lumpur and Surabaya were upgraded, and offices in Seoul were moved to new premises.

As at 31 March 2002, the SIA Group owned 20 commercial and 25 residential properties, and leased 472 properties located in 127 cities in 50 countries.



Singapore Aircraft Leasing Enterprise (SALE)

Singapore Aircraft Leasing Enterprise (SALE) added 14 aircraft to its portfolio during the year. These included three new A320 family aircraft and one B777-200ER from the manufacturers, all of which were placed with airlines on delivery. Seven additional A320 aircraft were acquired on the open market with leases attached, as well as one new A330-300 and two B737-800s. SALE sold four A320s and one B777-200 at a profit to international investors during the year.

Reflecting its emphasis on new, modern aircraft types, SALE continues to offer one of the youngest fleets in the industry, with an average age of just 4 years 5 months for wholly-owned aircraft. Importantly, SALE has also been careful to maintain its global placement strategy, with aircraft operating in all major world markets and risk spread across a highly diversified customer base. The average lease time remaining is higher than the industry average, standing at 6 years 5 months at the end of the financial year.

Singapore Flying College

In December 2001, the Singapore Flying College decided to call the clear blue skies of Australia's Sunshine Coast "home" for its Advanced Training operations.

From August 2002, Advanced Flight Training operations will be moved from Singapore to a new facility at Maroochydore, Queensland. Basic flying training will continue to be conducted at Jandakot, Western Australia, where the College has operated a training facility since 1990.

It was becoming increasingly difficult to run the Advanced Training operations at Singapore's busy Changi Airport, and the clear airspace and logistical support services available in Australia made the new location an excellent choice.

The College will operate four Learjet 45 training aircraft and an Advanced Flight Simulator at the new base.

Auspice Limited

Auspice Limited, a Channel Islands-based subsidiary, was responsible for the offshore portfolio investment activities of the SIA Group. During the financial year, Auspice was liquidated and the funds recalled back to the parent company.

Sing-Bi Funds Private Limited

Sing-Bi Funds Private Limited, a Singapore-based subsidiary, was responsible for the regional portfolio investment activities of the SIA Group. During the year in review, Sing-Bi Funds Private Limited sold all of its investments in quoted bonds and equities. The funds were redeployed back to SIA. Sing-Bi Funds Private Limited is currently dormant.

COMMUNITY RELATIONS

SIA benefits from the support of the broader communities it operates in, and the Company in turn assists those communities through its community relations programmes.

The Airline contributed more than \$1 million in cash and airfares to more than 40 organizations, charities, philanthropic or promotional events during the year in review.

One of the highlights of the year was the announcement of a \$1.5 million education programme in Indonesia which, over the next seven years, will help talented but underprivileged children achieve their full potential.

SIA and its staff made a direct contribution to the Singapore community through the activities of Club Sunday. SIA has pledged \$96,000 a year to pay for Club Sunday activities. Club Sunday benefits nearly 500 elderly people from eight centres run by Lions Befrienders. Volunteers from the Airline assist in taking guests to places of interest and organizing games.

The Performing Arts Circle, comprising some of the Airline's cabin crew, staged a musical, *Heart Over Heels*, at a charity gala in September 2001. The event raised more than \$300,000 for the Asian Women's Welfare Association Community Home and the Chao Yang Special School.

SIA also donated \$150,000 to the Community Chest of Singapore. Sponsorship, in the form of air tickets, was provided to the Football Association of Singapore, the organizers of the National Day Parade 2001 (who also received \$50,000 in cash), the Singapore Symphony Orchestra, and the National Arts Council's travel grant scheme.

OUR PEOPLE

The SIA Group's staff strength at 31 March 2002 was 29,604, of which 14,254 were employed by the Airline and the remainder by its subsidiaries. This represents an increase of 1.7 per cent over the previous year.

As at 31 March 2002, SIA employed 1,776 pilots, an increase of 8 per cent over the previous year.

In the past year, SIA and SilkAir recruited 148 cadet pilots and 114 captains and first officers, while 81 pilots left service, resulting in a net increase of 181 during the year.

Pilots spent nearly 11,000 crew days in training.

SIA's heavy investment in staff development generated 3.1 training places for every employee during the year, translating to 15.9 training days per employee.

As part of the Airline's effort to manage the business downturn, recruitment was frozen where possible. A voluntary no-pay leave scheme was made available to staff and an early release or "golden handshake" option was extended to include junior staff.

SIA released 114 cabin crew trainees in November 2001, following the scaling down of services on some routes. Subsequently, arrangements were made for 35 of them to join SilkAir as cabin crew.

With the recovery of loads and the resumption of most of the services withdrawn earlier, SIA has resumed recruitment of cabin crew.

Four new pilot bases were established during 2001 in Los Angeles (May), Brisbane (August), Sydney (September) and Perth (October).



Because of the lower profit, no profit-sharing bonus will be paid this year, against 4.54 months paid in 2001. This has a much bigger impact on the income of SIA Group employees than the wage cut.

Since the drop in profit was not as severe as feared, wages were restored to their former level after five months.

While the year was clearly demanding for all employees, they showed considerable resolve, seeking ways to reduce costs from inventing new cut-out switches to prevent tractor engines from overheating to reviewing magazine subscriptions.

It is this kind of sustained Company-wide determination and attention to detail that makes SIA the successful airline it is today.

THE ENVIRONMENT

Sustainability has been a part of our overall strategic planning effort. This includes environmental performance, which is now featured in our SIA Environmental Report for the year 2001/2002.

This is the first time we are presenting our environmental activities and performance to our stakeholders, to provide a better understanding of the environmental concerns and the ways we manage them. Copies of the report can be obtained on request by writing to:

**SIA Safety, Security & Environment
Department, Airmail Transit Centre,
P. O. Box 501, Singapore 918101**

or sending an email to:
alex_desilva@singaporeair.com.sg

1. The SIA Board will continue to uphold the highest standards of corporate governance within the Company and the SIA Group of companies.

2. **Board of Directors**

2.1 The Board supervises the management of the Company. It meets regularly and focuses on strategies and policies, with particular attention paid to major investments and financial performance.

2.2 The Board members are:

Chairman
Koh Boon Hwee

*Deputy Chairman and
Chief Executive Officer*
Cheong Choong Kong

Members
Edmund Cheng Wai Wing
Fock Siew Wah
Charles B Goode
Ho Kwon Ping
Lim Boon Heng
Lim Chee Onn
Davinder Singh

3. **Board Executive Committee**

3.1 The functions of the SIA Board Executive Committee (ExCo) are:

- a) to review the overall strategy of the Group and make recommendations to the Board;
- b) to review and recommend to the Board the annual operating and capital budgets; and
- c) to review and approve all matters relating to the Group's subsidiaries and associates.

3.2 The members of the ExCo are:

Chairman
Koh Boon Hwee

*Deputy Chairman and
Chief Executive Officer*
Cheong Choong Kong

Members
Fock Siew Wah
Lim Chee Onn

4. **Audit Committee**

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

Chairman
Edmund Cheng Wai Wing

Members
Koh Boon Hwee
Ho Kwon Ping

4.2 The Committee holds quarterly meetings with the internal auditors and the external auditors of the Company, and performs the following functions:

- a) reviews the audit plans of the internal auditors and the external auditors of the Company, the results of their examination of the Company's system of internal accounting controls and the cooperation given by the Company's officers to the external and internal auditors;
- b) reviews the financial statements of the Group and the Company and the auditors' report thereon before their submission to the Board of Directors;
- c) nominates the external auditors for reappointment; and
- d) reviews interested person transactions.

4.3 The Committee has full access to and co-operation of the Company's management. The Committee has full discretion to invite any director or executive officer to attend the meetings, and has been given reasonable resources to enable it to discharge its functions.

4.4 In the opinion of the directors, the Company complies with the Best Practices Guide of The Singapore Exchange Securities Trading Limited (SGX) on Audit Committees.

5. **Board Finance Committee**

5.1 This Committee was formed on 11 August 2000. The Committee meets quarterly and sets directions, policies and guidelines pertaining to certain financial matters of the Company. The Committee also acts as the approving body for new initiatives or projects under its terms of reference, viz

- i) management of surplus funds;
- ii) liquidity and financing management; and
- iii) financial risk management.

5.2 The Board Finance Committee comprises:

Chairman
Fock Siew Wah

Members
Cheong Choong Kong
Charles B Goode
Davinder Singh

6. **Board Senior Officers' Committee**

6.1 Terms of Reference

The Committee will in respect of:

- a) Compensation and Benefits
 - i) decide on remuneration packages needed to retain and motivate Senior Officers of the quality required;
 - ii) conduct annual reviews of the remuneration packages of Senior Officers taking into consideration the recommendations of the Chief Executive Officer;

- b) Employee Share Option Plan
 - i) grant options to staff in accordance with the Plan, and issue shares as may be required on the exercise of the options;
 - ii) make changes to the Plan if necessary, provided such changes are in accordance with the provisions of the Plan;

- c) Executive Recruitment and Selection
 - i) ensure that a sufficient number of suitable candidates are recruited and/or promoted to leadership positions;

- d) Leadership Development and Top Management Succession
 - i) monitor the programme of leadership development for the pool of identified talent through courses, job rotation and assignments to equip and prepare them for critical key appointments in future;

- e) Management Relationship with the Subsidiaries and Equity Partners
 - i) ensure that talent is tapped and equitably distributed throughout the subsidiaries and associated companies in the Group; and
 - ii) encourage closer working relationship and management exchanges in the subsidiaries and associated companies in the Group.

6.2 The Board Senior Officers' Committee comprises:

Chairman
Koh Boon Hwee

Members
Cheong Choong Kong
Fock Siew Wah
Lim Chee Onn

7. **Nominating Committee**

7.1 The Nominating Committee was formed on 14 July 2001. Its main functions are:

- a) to evaluate and make recommendations to the Board concerning the appointment and re-appointment of Directors; and
- b) to determine whether or not a Director is independent.

7.2 The Nominating Committee comprises:

Chairman
Davinder Singh

Members
Edmund Cheng Wai Wing
Charles B Goode

8. **Securities Transactions**

8.1 The Company has clear policies on trading of its shares by Board Directors and employees which are in conformity with the guidelines of the SGX.

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Financial Review

Group Earnings

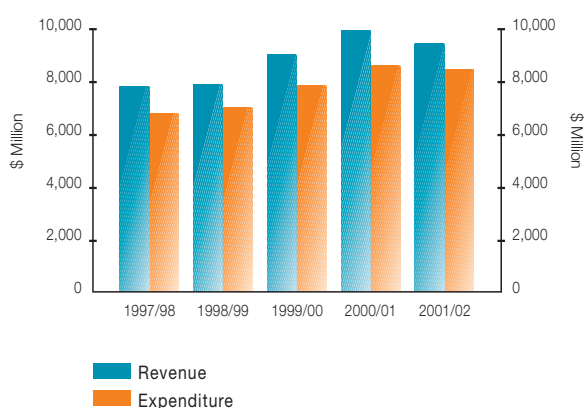
The Group's performance for financial year 2001-02 was adversely affected by a slowdown in the global economy and the worsening slump in electronics demand, made worse by the terrorist attacks in the US on 11 September 2001. The Group's operating profit dropped 27.0% (–\$363 million) from the previous year to \$983 million. Revenue declined 5.1% (–\$504 million) to \$9,448 million. Expenditure was 1.6% lower (–\$140 million) at \$8,464 million. Staff costs were mainly lower because no provision for profit sharing bonus has been made, whereas a bonus equivalent to 4.54 months of salary amounting to \$390 million, and an ex-gratia payment of \$135 million, were paid last year. Expenditure was also reduced by \$275 million from a change in aircraft depreciation rate (SIA : \$265 million, SilkAir : \$10 million). Despite the aftermath of September 11 with ensuing drop in loads in the months of October to December 2001, the Group's second half operating profit rose 2.9% (+\$14 million) over the first half. This was primarily due to recovery in loads in the final three months, savings from lower fuel costs, wage cuts and other cost reduction measures implemented after September 11, and better results from SilkAir and SIA Engineering Company (SIAEC) Group.

The fall in Group operating profit came mainly from poorer performance by the Company (–\$426 million) and Singapore Airlines Cargo (–\$82 million; Singapore Airlines Cargo was incorporated as a wholly owned subsidiary on 1 July 2001). SIAEC Group and Singapore Airport Terminal Services (SATS) Group did better with higher profit of \$87 million and \$72 million respectively. SilkAir, helped by the change in aircraft depreciation rate, made an operating profit of \$17 million compared to a loss of \$6 million the year before.

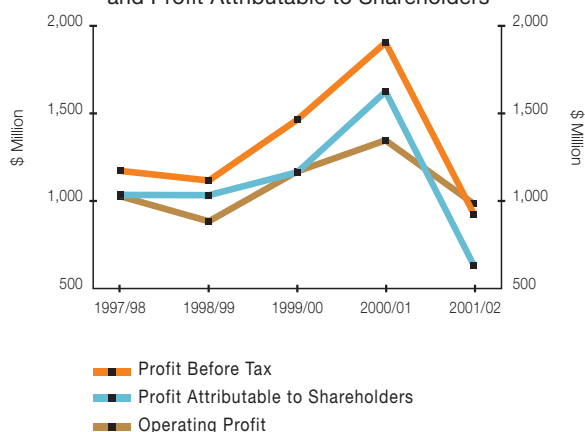
The Group's profit before tax was \$926 million, down 51.4% (–\$979 million). Apart from the decline in operating profit, the drop was also attributable to:

- (i) lower surplus on disposal of aircraft, spare engines and spares (–\$115 million);
- (ii) share of losses of associated companies of \$66 million (versus share of profit of \$82 million in the previous year), mostly from Air New Zealand and Virgin Atlantic ;
- (iii) a provision of \$267 million for diminution in value of investment in Air New Zealand following the release of its results for the financial year ended 30 June 2001, and further losses arising from the closure of its wholly owned subsidiary, Ansett Australia; and
- (iv) the profit of \$440 million from sale of 13.0% vendor shares in SATS and SIAEC in the previous financial year (on 5 May 2000).

Group Revenue and Expenditure



Group Operating Profit, Profit Before Tax and Profit Attributable to Shareholders



Financial Review

Group Earnings (continued)

A deferred gain of \$203 million on divestment (in June 1998) of SIAEC's 51.0% equity interests in Eagle Services Asia (ESA) was recognised. Although the gain was earned four years ago, it could not be recognised earlier because Pratt & Whitney held an option to sell their shares in ESA back to SIA under certain conditions. Agreement has just been achieved with Pratt & Whitney that, among other things, removed this option. With this put option removed, SIA is now allowed by the auditors to recognize the gain.

The sale of the remaining shareholding in Equant N.V. yielded a profit of \$30 million.

Profit attributable to shareholders at \$632 million was 61.1% lower (–\$993 million). The Group's profit before tax and exceptional items was \$960 million, a 40.0% drop (–\$640 million) against last year's \$1,599 million.

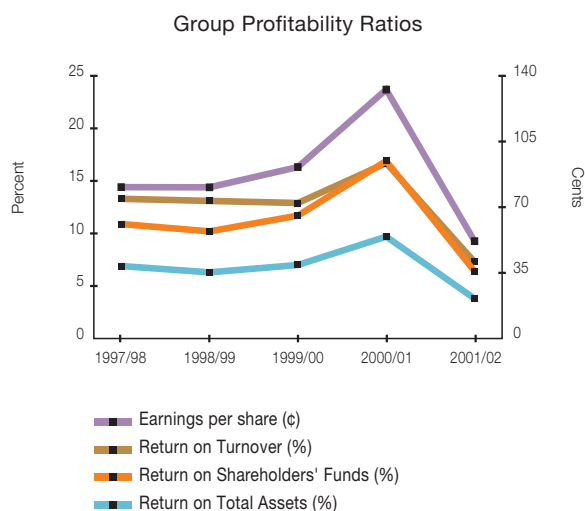
The Group's basic earnings per share (based on weighted average number of fully paid shares in issue after accounting for share buyback and cancellation of 2,054,000 shares since 1 April 2001) decreased 60.9% (–80.8 cents) to 51.9 cents.

The Group's net tangible assets per share dropped 1.3% (–\$0.11) from \$8.19 (restated) a year ago to \$8.08 at 31 March 2002, after accounting for share buyback costing \$25 million and capital distribution of \$609 million.

The Group profitability ratios are as follows:

	2001 - 02 %	2000 - 01 %	Change % pts
Return on turnover	7.3	16.7	– 9.4
Return on total assets	3.8	9.7	– 5.9
Return on average shareholders' funds	6.4	16.9	– 10.5

If exceptional items were excluded, returns would be higher at 7.7% (turnover), 4.0% (total assets), and 6.8% (average shareholders' funds).



Financial Review

Company Results

The corporatization of Singapore Airlines Cargo took effect from 1 July 2001. The Company's revenue for financial year 2001-02 includes cargo revenue for the first 3 months of April to June 2001, and bellyhold revenue from Singapore Airlines Cargo (revenue received from leasing out space in the cargo holds of the parent company's passenger fleet) for the period July 2001 to March 2002. Financial results for July 2000 to March 2001 are restated below to exclude cargo operations and to include notional bellyhold revenue to allow meaningful year-on-year comparisons:

	The Company		
	2001 - 02 \$M	2000 - 01 \$M (Restated)	Change %
Revenue	7,765.0	8,265.4	– 6.1
Expenditure	(7,282.7)	(7,357.3)	– 1.0
Operating Profit	482.3	908.1	– 46.9
Finance charges	(46.9)	(44.4)	+ 5.6
Surplus on disposal of aircraft, spares, and spare engines	334.8	165.6	+ 102.2
Dividends from subsidiary and associated companies	138.6	59.8	+ 131.8
Profit before tax and exceptional items	908.8	1,089.1	– 16.6
Exceptional items	(168.1)	442.8	–
Profit before taxation	740.7	1,531.9	– 51.6
Taxation	(173.5)	(166.4)	+ 4.3
Profit after taxation	567.2	1,365.5	– 58.5

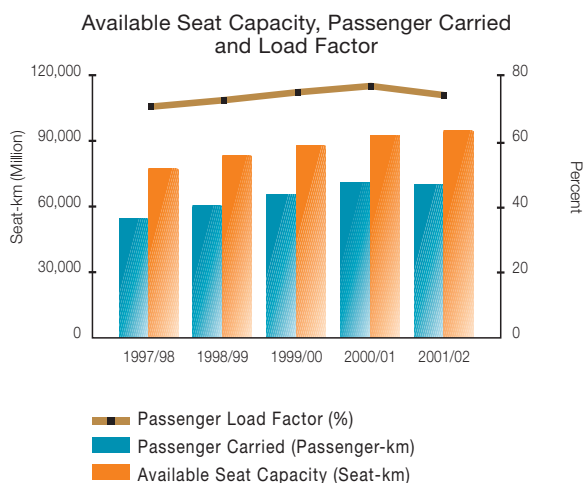
As announced on 17 August 2001, the Company changed its depreciation rate for passenger aircraft, spares and spare engines from 10 years to 20% residual value to 15 years to 10% residual value with effect from 1 April 2001. This is to bring it closer to airline industry practice. Aircraft depreciation charge was \$265 million lower as a result.

Passenger Capacity, Traffic And Load Factor

	2001 - 02	2000 - 01	Change
Passenger carried (thousand)	14,765	15,002	– 1.6 %
Revenue passenger-km (million)	69,994.5	71,118.4	– 1.6 %
Available seat-km (million)	94,558.5	92,648.0	+ 2.1 %
Passenger load factor (%)	74.0	76.8	– 2.8 points

During the year under review, passenger carriage was 1.6% lower at 69,995 million passenger-kilometres. Seat capacity rose only 2.1% to 94,559 million seat-kilometres because of some cutback in services after September 11. Passenger load factor slipped 2.8 percentage points to 74.0%.

SIA carried 14.8 million passengers, down 1.6%.



Financial Review



Passenger Yield, Unit Cost and Breakeven Load Factor

	2001 - 02	2000 - 01	Change
Yield (¢/pkm)-gross	9.0	9.4	– 4.3 %
Unit cost (¢/ask)	7.3	7.5 ^{R1}	– 2.7 %
Breakeven load factor (%) ^{R2}	71.1	70.2 ^{R1}	+ 0.9 point

^{R1} Restated as if Singapore Airlines Cargo corporatization took place in the previous year to allow meaningful year-on-year comparisons.

^{R2} With bellyhold revenue included in the computation.

Passenger yield at 9.0¢/pkm was 4.3% lower (–0.4¢/pkm). A change in fare mix, lower local currency yields and a stronger SGD caused the decline.

Unit cost was 7.3¢/ask, 2.7% less than last year.

Breakeven load factor was 71.1%, 0.9% point higher.

The spread between passenger load factor and breakeven load factor narrowed to 2.9% points in 2001-02 from 6.6% points the year before.

Financial Review

Revenue

In 2001-02, the Company's revenue was \$7,765 million, down 6.1% (–\$500 million) from last year.

Cargo revenue stated herein for April to June in both financial years are actuals. For July 2001 to March 2002, bellyhold revenue is based on agreed rates with Singapore Airlines Cargo while the amount for July 2000 to March 2001 is notional to allow meaningful year-on-year comparisons.

	2001 - 02 \$M	2000 - 01 \$M (Restated)	Change %
Passenger revenue	6,301.1	6,672.0	– 5.6
Excess baggage revenue	25.2	28.7	– 12.2
	6,326.3	6,700.7	– 5.6
Cargo revenue	448.4	514.0	– 12.8
Bellyhold revenue from Singapore Airlines Cargo	583.8	584.8	– 0.2
Mail revenue	8.4	8.5	– 1.2
	7,366.9	7,808.0	– 5.6
Non-scheduled services and incidental revenue	398.1	457.4	– 13.0
	7,765.0	8,265.4	– 6.1

Passenger revenue dropped 5.6% (–\$371 million) to \$6,301 million.

Cargo revenue at \$448 million declined 12.8% (–\$66 million) because of weaker demand.

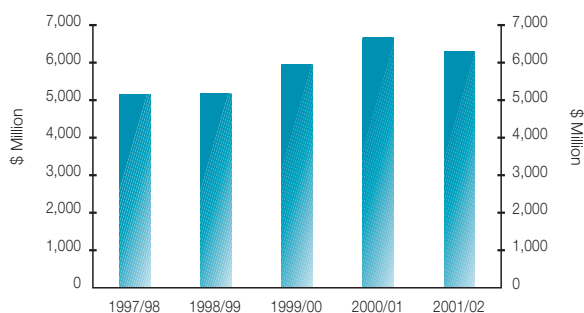
Bellyhold revenue from Singapore Airlines Cargo fell marginally (–0.2%) to \$584 million.

Non-scheduled services and incidental revenue was 13.0% lower (–\$59 million) than last year. This was mainly attributable to decreases in interest receivable (–\$43 million), miscellaneous revenue (–\$35 million) and charter revenue (–\$9 million).

The sensitivity of passenger revenue to a 1.0 % point change in passenger load factor and a 1.0 % change in passenger yield is as follows:

	\$M
1.0% point change in passenger load factor, if yield remains constant	85
1.0% change in passenger yield, if load carried remains constant	63

Passenger Revenue



Financial Review

Expenditure

In 2001-02, the Company's expenditure was \$7,283 million, down 1.0% (-\$75 million) from the previous year.

The decrease was due to:

	\$M
Depreciation charges (-21.6%) ^{R1}	- 208
Rentals on lease of aircraft (+10.3%)	+ 25
Staff costs (-14.3%)	- 188
Sales costs (-16.1%)	- 120
Fuel costs (-2.9%)	- 47
Inflight meals and other passenger costs (-1.4%)	- 7
Aircraft maintenance and overhaul costs (+75.3%)	+ 320
Communication, information technology (IT) and related expenses (+57.3%)	+ 61
Handling charges (+8.2%)	+ 58
Landing, parking and overflying charges (+4.3%)	+ 20
Other costs (+3.9%)	+ 11
	- 75

^{R1} Excluding depreciation of computer equipment which is included as part of IT costs.

Depreciation charges were \$208 million lower (-21.6%) because of (i) the change in aircraft depreciation rate, (ii) trade-in of seven A343s, (iii) sale and leaseback of two B744s and one B777-200 in 2001-02, and (iv) the full year's impact of the sale and leaseback of two B744s in 2000-01. The commissioning of three B744s, five B777-200As, one B777-200, six B777-200ERs and two B777-300s during the year and the full year's effect of one B744 and one B777-200 delivered last year reduced the fall.

Rentals on lease of aircraft rose \$25 million (+10.3%) on account of (i) the sale and leaseback of two B744s aircraft and one B777-200 during the year, (ii) the full year's impact of sale and leaseback of two B747-400 aircraft in 2000-01, and (iii) the stronger USD. Lower lease rentals for two B744s, as structured under the lease agreement, cushioned the increase.

The drop in staff costs of \$188 million (-14.3%) was largely due to the absence of profit-sharing bonus this year compared with a payment equivalent to 4.54 months in the previous year. There were also savings from nil provision in wage adjustment and wage cuts for all staff. These reductions were partially negated by higher crew productivity allowances, larger staff strength, and increase in employer's Central Provident Fund contribution rate.

Sales costs decreased \$120 million (-16.1%) mainly because commission, incentives and frequent flyer costs (FFP) were lower as a result of a decline in passenger and cargo revenue. Expenditure on advertising was also curtailed.

Expenditure on fuel decreased \$47 million (-2.9%) because of:

	\$M
18.2% drop in average fuel from 91.81 US¢/AG in 2000-01 to 75.11 US¢/AG	- 316
1.3% increase in volume of fuel uplifted from 1,059.6 M AG in 2000-01 to 1,073.2 M AG	+ 22
3.8% strengthening of USD against SGD from S\$1.7369 in 2000-01 to S\$1.8034	+ 35
	- 259
Hedging loss compared to a gain in 2000-01	+ 212
	- 47

Financial Review

Expenditure (continued)

Expenditure on inflight meals and other passenger costs was \$7 million less (–1.4%) chiefly as a result of lower passenger carriage and new measures to reduce waste.

Aircraft maintenance and overhaul (AMO) costs rose \$320 million (+75.3%) as costs are now recognized on an incurred basis. Last year's costs were also reduced by \$91 million when overhaul costs for A343s were accounted as overhaul work done to meet "pre-delivery condition" agreed with Boeing in the trade-in agreement and were not therefore treated as AMO costs. Also, there was a writeback of \$161 million in 2000-01 for overprovision of AMO in previous years while there was none this year. AMO costs would be 10.0% higher if not for these differences.

Communications, IT and related expenses rose \$61 million (+57.3%) because of higher costs of (i) IT contract fees, (ii) hire of computer equipment, (iii) data transmission costs, (iv) depreciation of computer equipment, and (v) maintenance of computer equipment.

Rate hikes added \$58 million (+8.2%) to handling charges.

Landing, parking and overflying charges were \$20 million (+4.3%) higher. Rate increases caused the rise.

Company Expenditure Composition



^{R1} Restated as if Singapore Airlines Cargo corporatization took place in the previous year to allow meaningful year-on-year comparisons.

^{R2} Excluding depreciation of computer equipment which is included as part of IT costs

^{R3} Sales costs include commissions and incentives payable, frequent flyer programme costs and advertising expenses.

^{R4} Communication and information technology costs are for data transmission (\$41M), contract service fees (\$33M), depreciation of computer equipment (\$25M), hire of computer equipment (\$16M), maintenance of computer equipment (\$15M), maintenance/rental of software (\$12M), professional fees (\$9M) and other related expenses (\$15M).

^{R5} Other costs comprise crew expenses (\$101M), company accommodation costs (\$90M), insurance expenses (\$79M), gain on exchange (\$6M) and other miscellaneous expenses net of recoveries (\$42M).

Financial Review

Finance Charges

The Company's finance charges increased by only 5.6% (+\$2.5 million) despite higher borrowings from the Bond issue (\$900 million) in December 2001. This was because a drop in interest rate (from 6.7% to 4.1% per annum) for lease liabilities pertaining to two freighters resulted in a savings of \$11 million.

Surplus/Loss On Disposal Of Aircraft, Spares And Spare Engines

The Company's surplus on disposal of aircraft, spares and spare engines in the year under review was \$169 million (+102.2%) higher than the year before. Nine B744 freighters and six spare engines were transferred to Singapore Airlines Cargo on 1 July, yielding a surplus of \$272 million. There were also three sale and leasebacks of passenger aircraft (2 B747-400 and one B777-200) against two (2 B747-400) last year.

Gross Dividends From Subsidiaries And Associated Companies

Gross dividends from subsidiaries and associated companies rose \$79 million (+131.8%) because SATS and SIAEC did not pay a final dividend for financial year 1999-00. They paid special dividends totalling \$371 million (SATS : \$143 million and SIAEC : \$228 million) in March 2000 as a result of capital restructuring prior to their IPOs.

Exceptional Items

At Company level, a provision of \$381 million was made because of a permanent impairment in value of investment in Air NZ. This arose from Air NZ's release of its results for the financial year ended 30 June 2001 and a further loss from the closure of its wholly owned subsidiary, Ansett Australia. With this provision, the carrying value of SIA's cost of investment in Air NZ is reduced to \$22 million as at 31 March 2002. At Group level, provision for diminution in value of investment in Air NZ was lower because goodwill had already been charged against Group reserves in the year of acquisition.

On 18 January 2002, Air NZ announced the completion of its recapitalisation package, whereby 2,166,666,667 new ordinary shares and 1,279,866,438 new convertible preference shares were issued to the Government of New Zealand at NZ\$0.27 per share and NZ\$0.24 per share respectively. With the issuance of the new ordinary and preference shares to the Government of New Zealand, SIA's equity interest in Air NZ was diluted to 6.47%. If the new convertible preference shares are subsequently converted into ordinary shares, SIA's equity interest in Air NZ will be further diluted to 4.50%. Following the dilution, the Group no longer equity accounts for Air NZ's financial results. The net carrying value of the investment in Air NZ was reclassified as long-term investment from January 2002.

Disposal of the remaining shareholding in Equant N.V. and the entire holding in Cargo Community Network to Singapore Airlines Cargo yielded a profit of \$30 million. Auspice and Star Kingdom were liquidated, yielding a surplus of \$191 million and a loss of \$9 million respectively.

Taxation

Taxation charge of the Company, at \$174 million, was 4.3% more (+\$7 million) despite a drop in profit. This was mainly because of a prior year adjustment made to reduce last year's taxation charge by \$83 million in accordance with the revised Singapore Accounting Standard (SAS) 12 (2001) Income taxes.

Overseas tax was provided at \$6 million, down 47.9% (-\$6 million).

Under the revised SAS 12 (2001) Income Taxes, a deferred tax liability is now recognized for all taxable temporary differences. Deferred tax was previously provided for all taxable temporary differences only to the extent that a tax liability was expected to materialize in the foreseeable future. With the adoption of the revised SAS 12, the Company made prior-year adjustments to its deferred taxation account. Accordingly, the total amount appropriated from reserves for deferred taxation liability was \$1,861 million at 31 March 2000. On 1 April 2001, \$1,778 million was transferred to deferred taxation account. The balance of \$83 million was credited back to reduce the taxation charge in the profit and loss account for 2000-01. At Group level, the amount transferred was \$1,800 million, and is adequate to meet deferred tax liabilities that were not provided for in previous financial years. The Group's taxation charge for 2000-01 was also restated to \$242 million.

As at 31 March 2002, the Company's deferred taxation account stood at \$2,206 million after deducting \$310 million transferred to Singapore Airlines Cargo on 1 July 2001 for potential tax liability that may result from the disposal of nine B744 freighters.

Corporate tax rate, as announced on 3 May 2002, is reduced to 22.0% with effect from Year of Assessment 2003. In accordance with SAS 12 (2001) Income Taxes, and SAS 10 (2000) Events After The Balance Sheet Date, this is a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the 31 March 2003 financial year.

Financial Review

Taxation (continued)

The current period taxation charge of \$233.8 million and \$173.5 million for the Group and the Company respectively, are computed based on the year end prevailing tax rate of 24.5%. Applying the reduced tax rate of 22.0%, the taxation charge for the year including write-back of deferred tax balances provided in the prior years, would be \$138.7 million and \$99.5 million for the Group and the Company respectively.

In compliance with the revised SAS 12 (2001) Income Taxes, the Group has with effect from this financial year provided for full deferred taxation. Thus, the deferred tax liability as at 31 March 2002 is computed on the basis of the taxable temporary differences at year end using the prevailing tax rate of 24.5%. Applying the reduced tax rate of 22.0%, the deferred tax liability at 31 March 2002 would be \$2,392.6 million and \$1,980.8 million for the Group and the Company respectively.

The aggregate adjustments in the next financial year of the current and deferred taxation charges are estimated to be \$277.8 million and \$225.1 million for the Group and the Company respectively.

Dividends

An interim dividend of 3.0 cents per share, less income tax at 24.5% amounting to \$28 million, was paid on 22 November 2001.

The Board is proposing a final tax-exempt dividend of 4.0 cents per share (\$49 million) and a dividend of 8.0 cents per share less income tax at 22.0% (\$76 million), amounting to a total of \$125 million. This brings the total dividend net of tax for 2001-02 to 15.0 cents per share (\$152 million).

Issued Share Capital

The Company bought 2,054,000 of its shares between 1 April 2001 and 31 March 2002 at a total cost, including brokerage, of \$25 million. The issued share capital of the Company was reduced to 1,218,143,622 shares (-0.2%) at 31 March 2002. The total amount spent to buy back the 64.4 million shares since the re-purchase programme began in September 1999 was \$1,011 million (\$986 million up to 31 March 2001, and \$25 million from 1 April 2001 to 31 March 2002), including brokerage but excluding Section 44 tax prepayments of \$347 million.

At an extraordinary general meeting on 14 July 2001, the Company's shareholders approved a capital reduction exercise to return \$0.50 in cash for each issued ordinary share, subject to approval of the High Court of Singapore. On 16 August 2001, sanction was granted by the High Court. \$609 million was paid to shareholders on 24 September 2001 based on 1,218,143,622 shares outstanding on that date after accounting for share buyback.

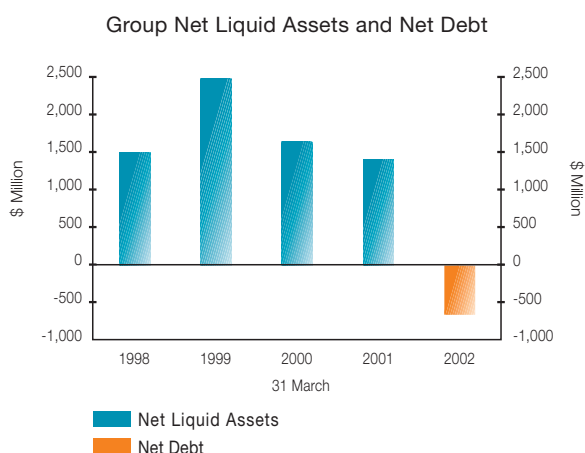
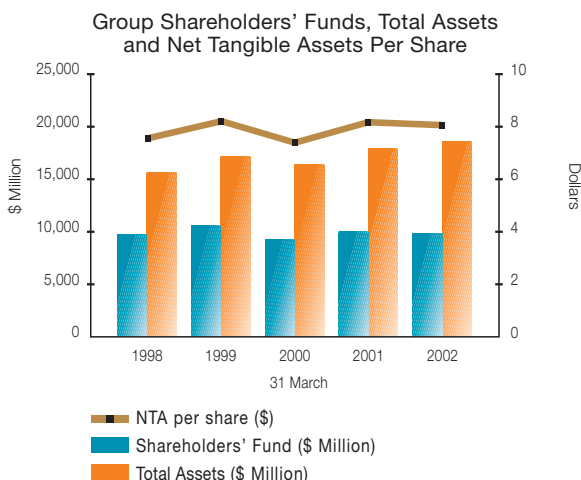
Share Options

On 2 July 2001, the Company made a third grant of share options to employees. 13,286,140 share options were accepted by eligible employees to subscribe for ordinary shares for the exercise period 2 July 2002 to 1 July 2011. As at 31 March 2002, options to subscribe for 38,569,920 ordinary shares remain outstanding under the Employee Share Option Plan.

Issue of Debentures

On 19 December 2001, the Company issued \$900 million Fixed Rate Notes due 2011. The net proceeds from the issue of the Notes were used to finance capital expenditure and working capital requirements.

Financial Review



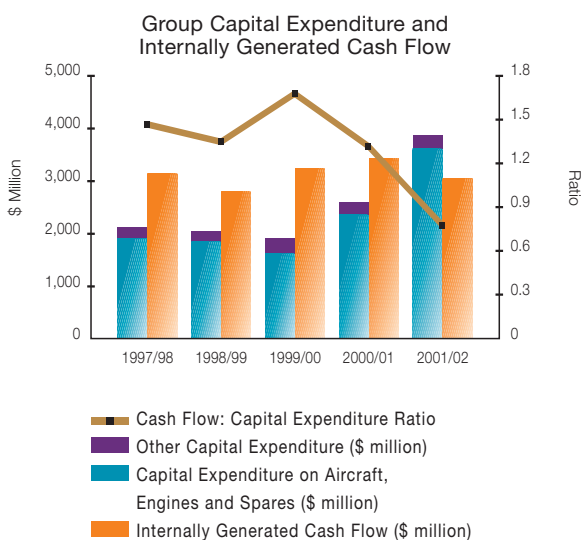
Financial Position

Shareholders' funds of the Group stood at \$9,847 million on 31 March 2002, down 1.5% (–\$146 million) from a year ago after accounting for share buyback costing \$25 million and capital distribution of \$609 million. Previous year's shareholders' funds at 31 March 2001 were restated to \$9,993 million to comply with new and revised SAS.

The net tangible assets per share of the Group fell 1.3% (–\$0.11) to \$8.08 at 31 March 2002.

The Group's total assets was \$18,580 million as at 31 March 2002, 3.7% (+\$669 million) higher from a year ago.

The liquidity position of the Group turned from net liquid assets of \$1,418 million a year ago to a net debt of \$656 million at 31 March 2002. This was largely the result of aircraft purchases, buyback of the Company's shares and capital distribution to shareholders. Proceeds from sales of aircraft and cash generated from operation cushioned the decline. The net debt equity ratio was 0.07 times.



Capital Expenditure and Cash Flow

In 2001-02, capital expenditure by the Group was \$3,863 million, 49.2% (+\$1,274 million) more than the previous year. About 93% of the capital spending were for two B747-400, five B777-200A, six B777-200ER, two B777-300 and one B777-200 passenger aircraft delivered to SIA during the year, together with spare engines and spare parts. In addition, Singapore Airlines Cargo took delivery of two B747-400 freighters, and one each of A319 and A320 passenger aircraft joined SilkAir's fleet. Progress payments were also made for additional aircraft scheduled for delivery between 2002 and 2009.

Internally generated cash flow declined 11.2% (–\$385 million) to \$3,054 million. Its contribution to financing of capital expenditure from internal resources as measured by the ratio of cash flow to capital expenditure dropped to 0.79 times from 1.33 times last year.

Financial Review

Company Route Performance

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

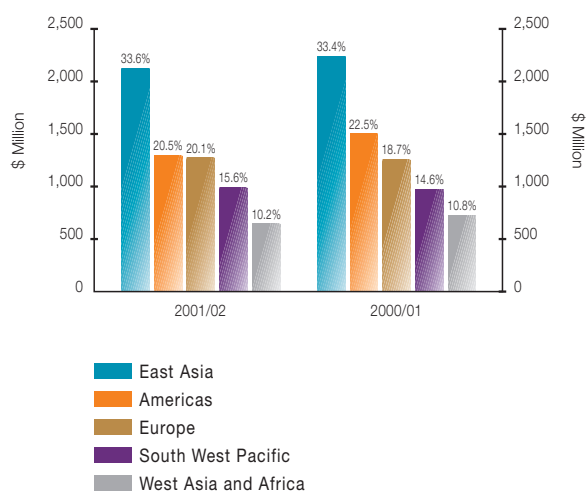
	Passenger Revenue ^{R1} by Area of Original Sale ^{R2}		By Route Region ^{R3}			
	\$M		Passenger Revenue \$M		Passenger Load Factor %	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01	2001 - 02	2000 - 01
East Asia	3,234.1	3,549.6	2,124.8	2,240.0	71.2	72.8
Americas	613.8	696.5	1,296.0	1,505.1	69.1	79.4
Europe	1,241.3	1,195.6	1,274.2	1,253.4	80.1	78.8
South West Pacific	754.9	728.2	986.4	976.7	80.4	77.0
West Asia and Africa	482.2	530.8	644.9	725.5	67.4	74.7
Systemwide	6,326.3	6,700.7	6,326.3	6,700.7	74.0	76.8

^{R1} Includes excess baggage revenue

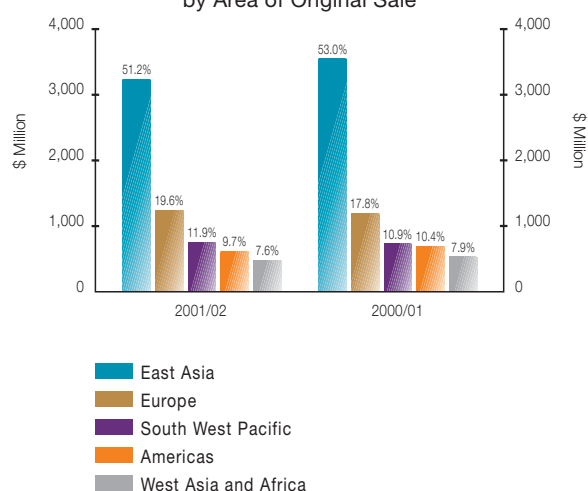
^{R2} Passenger revenue by area of original sale is defined as revenue originating in the area in which the sale is made. East Asia covers mainly Brunei, Hong Kong, Indonesia, Japan, Korea, Macau, Malaysia, People's Republic of China, Philippines, Singapore, Thailand, Taiwan and Vietnam. Americas comprises mainly Canada, Latin America and USA. Europe consists mainly of Baltic States, Continental Europe, Russia, Scandinavia and United Kingdom. South West Pacific includes largely Australia and New Zealand. West Asia and Africa are mainly made up of Bangladesh, India, Mauritius, Middle East, Pakistan, South Africa and Turkey.

^{R3} Passenger revenue by route region is defined as revenue derived from a route originating from Singapore with its final destination in countries covered by the region and vice versa. For example, revenue from SIN-HKG-SFO-HKG-SIN route is classified under Americas region.

Passenger Revenue Composition by Routes



Passenger Revenue Composition by Area of Original Sale



Company Route Performance (continued)

By area of original sale, countries in East Asia contributed most to systemwide passenger revenue (51.2%), followed by countries in Europe (19.6%), South West Pacific (11.9%), Americas (9.7%) and West Asia and Africa (7.6%).

Revenue from East Asian routes contributed 33.6%, up 0.2% point over the previous year. American routes had a 20.5% share of passenger revenue, down 2.0% points principally because of September 11 terrorist attacks in the United States. European routes' share was higher by 1.4% points at 20.1%. South West Pacific routes' contribution was 15.6%, up 1.0% point. West Asian and African routes accounted for 10.2%, a drop of 0.6% point.

About 80% of passenger revenue collections in 2001-02 were in Singapore Dollars, United States Dollars, Japanese Yen, Taiwanese Dollars, Hong Kong Dollars, Australian Dollars, Sterling Pounds, and Euro currencies.

East Asian Routes

Passenger revenue from East Asian routes declined 5.1% (–\$115 million) to \$2,125 million. Passenger carriage was unchanged from the previous year. Seat capacity rose 2.1%. Frequencies to Osaka, Nagoya, Karachi, Taipei and Hong Kong were reduced after September 11. Passenger load factor was 1.6% points lower at 71.2%. Yield fell 5.1% largely because of lower carriage of first and business class passengers, reduction in fares, and the weakening of the Japanese Yen, Taiwanese Dollar and Korean Won against the Singapore Dollar.

American Routes

American routes' passenger revenue was 13.9% lower (–\$209 million) at \$1,296 million. Passenger traffic dropped 11.1% while seat capacity increased 2.1%. A new service to Chicago which commenced on 1 August 2001 was suspended on 13 January 2002. Passenger load factor fell 10.3% points to 69.1%. Second half passenger load factor fell 15.4% points when compared to the first half of the same financial year as the full brunt of September 11 took its toll on demand in subsequent months. A decline in the passenger carriage was recorded on all cabin classes. Passenger yield deteriorated 3.6%. The strengthening of the United States Dollar against the Singapore Dollar cushioned the drop.

European Routes

Passenger revenue from European routes recorded an increase of 1.7% (+\$21 million) to \$1,274 million. Traffic rose 3.7%, while seat capacity grew 2.1%. Passenger load factor was 1.3% points higher at 80.1%. Yield was down 1.4% mainly because of poorer loads on first and business class, partially compensated by the strengthening of European currencies against the Singapore Dollar.

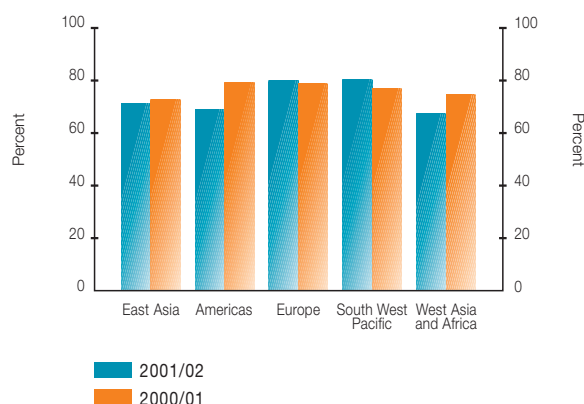
South West Pacific Routes

South West Pacific registered a revenue increase of 1.0% (+\$10 million) to \$986 million. Traffic was 6.6% higher. With a lower increase in seat capacity at 2.1%, passenger load factor improved 3.4% points to 80.4%. Yield dropped 5.2% because of a change in fare mix and the weakening of the Australian Dollar against the Singapore Dollar.

West Asian and African Routes

Revenue from West Asian and African routes fell 11.1% (–\$81 million) to \$645 million. Traffic decreased 8.0% because of September 11. Seat capacity expanded 2.1%. Services to Karachi and Lahore were suspended during the period September 2001 to January 2002. Passenger load factor was 7.3% points lower at 67.4%. When compared to the first half of 2001-02, second half passenger load factor dropped 10.4% points. Yield declined 3.9% chiefly because of lower carriage of first and business class passengers and the weakening of the South African Rand, Indian and Pakistani Rupees against the Singapore Dollar.

Passenger Load Factor by Routes



Financial Review

Performance of subsidiaries

As at 31 March 2002, there were 23 subsidiary companies in the SIA Group. The major subsidiaries are Singapore Airport Terminal Services Limited (SATS), SIA Engineering Company Limited (SIAEC), Singapore Airlines Cargo Private Limited, and SilkAir (Singapore) Private Limited. The following review of their performances is done before adjusting for inter-company transactions:

Singapore Airport Terminal Services Group

The Group's profit after tax increased \$42.2 million (+24.7%) to \$212.8 million. Revenue was up \$8.1 million (+0.9%): ground handling revenue increased \$7.8 million (+1.9%); inflight catering revenue dropped \$6.1 million (–1.5%); while revenue from other services grew \$6.4 million (+11.3%), mainly from aviation security services rendered. Revenue from inflight catering declined as a result of lower passenger loads. Expenditure decreased \$64 million (–9.2%) to \$628.6 million, the result largely of lower staff costs (–\$82.3 million or –20.2%). Staff costs were mainly lower because no provision for profit sharing bonus was made, whereas a bonus equivalent to 4.54 months of salary amounting to \$75.8 million was paid the previous year. This is in line with the profit sharing agreement which is based on profits of the SIA Group and is applicable until the end of financial year 2003-04.

Operating expenditure excluding staff costs increased \$18.3 million (+6.4%) because of higher costs associated with the commissioning of the sixth airfreight terminal (+\$14.5 million), and higher insurance costs (+\$5 million) as a result of 11 September events. The increase was offset by lower raw material costs (–\$3.4 million).

Profits from overseas operations through associated companies increased \$4.8 million (+27.1%) to \$22.5 million and represent 8.9% of the Group's profit after tax.

The Group's shareholders' funds rose \$169.0 million (+22.2%) to \$930.3 million (last year's shareholders' funds were restated because of new and revised Statement of Accounting Standards). Earnings per share rose 4.2 cents to 21.3 cents and net tangible assets per share went up 16.1 cents to 92.2 cents as at 31 March 2002.

Capital expenditure was \$80.7 million, mainly on the sixth airfreight terminal, second express courier centre, and information technology systems.

SIA Engineering Group

Notwithstanding the events of September 11 and a downturn in the global airline industry, the Company's operating profit for the financial year 2001-02 was \$208.9 million, up \$86.5 million (+70.6%) from FY 2000-01. Revenue increased \$180.0 million (+27.7%) to \$830.9 million. Significant improvement in productivity was achieved from improved allocation of resources and work processes. Workload increased as a result of additional capacity from the new hangar 3 from October 2001. Expenditure increased at a lower rate of 17.1% to \$627.7 million because of productivity improvements and cost cutting measures. In addition, there were cost savings from non-payment of profit-sharing bonus, in line with the SIA Group profit-sharing agreement. A payment equivalent to 4.54 months basic wage (\$58.2 million) was made for FY 2000-01.

The Company's profit before tax was \$216.0 million, an increase of \$88.6 million (+69.6%). The Company's profit after tax was \$190.6 million, an increase of \$77.1 million (+67.9%).

The Group's operating profit rose by \$87.2 million (+71.4%) to \$209.4 million. Profit before tax increased by \$123.3 million (+95.4%) to \$252.5 million, assisted by an increase of \$38.4 million in share of profits from associated companies and joint venture companies. 16 associated companies and joint ventures in Singapore, China, Hong Kong, Taiwan and Ireland generated about \$1.7 billion in revenue, with 83% derived from airlines outside the Singapore Airlines Group.

The Group's shareholders' funds rose 40.8% to \$682.7 million (last year's shareholders' funds were restated because of new and revised Statement of Accounting Standards). Return on average shareholders' funds was 38.2%, an increase of 11.9% points over FY 2000-01. Basic earnings per share was 22.3 cents, an increase of 92.4% over FY 2000-01.

Financial Review

Performance of subsidiaries (continued)

SIA Engineering Group (continued)

The Group's taxation increased \$15.9 million (+118.7%) over FY 2000-01, a result of an increase in the provision for deferred tax arising from timing differences relating to fixed assets, and additional tax from the increase in share of profits of associated companies and joint venture companies.

The increased investment in Singapore Jamco Pte Ltd, from 51% to 65%, gave rise to a pre-acquisition profit of \$0.1 million. There were no gains or losses arising from disposals of investments.

Capital expenditure was \$47.2 million, mainly on the third hangar, and engineering plant and equipment.

Singapore Airlines Cargo

Singapore Airlines Cargo began operations as a full-fledged cargo airline on 1 July 2001. It operates 11 B747-400 freighters, and exclusively markets the bellyhold space of the entire passenger aircraft fleet of SIA. Its network spans 71 destinations in 38 countries across 5 continents.

For the 9 months ended March 2002, SIA Cargo incurred an operating loss of \$39.7 million compared to a surplus of \$41.8 million for the same period last year ^{R1}. In its first quarter ended September 2001, the Company suffered an operating deficit of \$61.8 million, an outcome of the slower economic activity in major economies and lower output from the electronics manufacturing sector. Subsequent months showed significant improvement in performance. The Company recorded a surplus of \$22.1 million for the period October 2001 to March 2002.

Total revenue fell 1.6% (–\$24.9 million) to \$1,577.2 million. This was primarily attributed to a 6.4% fall in yield and a 0.2% drop in load carried. Load factor decreased 0.9% point to 68.5%.

Total expenditure rose 3.6% (+\$56.5 million) to \$1,616.9 million mainly from higher depreciation costs (+\$34.5 million) and handling costs (+\$16.6 million).

Unit cost increased 2.1% to 23.8¢/ctk while breakeven load factor went up 6.2% points to 74.2%.

During the year under review, Singapore Airlines Cargo took delivery of 2 B747-400 freighters, which increased the fleet size to 11 B747-400 freighters.

Shareholders' funds as at 31 March 2002 stood at \$1,360.8 million.

^{R1} Figures for July 2000 - March 2001 are based on SIA's Cargo Division's profit-centre accounts.

SilkAir

SilkAir made an operating profit of \$17.0 million in 2001-02 against a loss of \$6.5 million the previous year. Profit after tax was \$17.5 million, after accounting for a profit of \$1.2 million from the sale of shares in Equant N.V. and surplus from sale of spares of \$1.8 million.

Revenue from scheduled services increased \$15.9 million (+9.3%) to \$186.4 million as traffic rose 11.5%. Overall load factor was down 3.7% points to 49.4% as traffic increased (+11.5%) at a slower rate than that of capacity (+19.8%). Yield declined 2.0%.

Expenditure was \$3.3 million lower (–1.8%) at \$181.4 million, mainly because of lower aircraft maintenance and overhaul costs, nil provision for profit-sharing bonus and a change in aircraft depreciation rate. These were partially negated by higher costs of handling, landing and parking, insurance and licence fees.

Unit cost dropped 12.8% to 71.1¢/ctk and breakeven load factor improved 6.0% points to 48.1%.

Shareholders' funds grew 10.8% to \$281.9 million at 31 March 2002 (last year's shareholders' funds were restated because of new and revised Statement of Accounting Standards).

Capital expenditure was \$107.0 million, principally on the purchase of one A319 and one A320 passenger aircraft delivered during the year, and spare parts.

SilkAir's route network links 21 cities in 9 Asian countries.

Financial Review

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

	2001 - 02	2000 - 01	1999 - 00	1998 - 99	1997 - 98
Total revenue	9,447.8	9,951.3	9,018.8	7,895.8	7,821.8
Less: Purchase of goods and services	(5,715.8)	(5,366.1)	(4,791.2)	(4,060.6)	(3,886.5)
Value added by the Group	3,732.0	4,585.2	4,227.6	3,835.2	3,935.3
Add: Surplus on disposal of aircraft, spares and spare engines	66.0	181.3	98.4	211.3	157.1
Share of profits of joint venture companies	20.5	27.0	21.0	13.9	7.1
Share of (losses)/profits of associated companies	(66.2)	81.7	33.2	23.1	8.9
Provision for diminution in value of Air New Zealand	(266.9)	–	–	–	–
Recognition of deferred gain on divestment of 51% equity interests in Eagle Services Asia	202.6	–	–	–	–
Profit on disposal of vendor shares (13% equity interests in SATS and SIAEC)	–	440.1	–	–	–
Profit on sale of investments	30.2	–	171.3	–	–
Surplus on liquidation of Abacus Distribution Systems	–	–	–	14.1	–
Ex-gratia bonus payment	–	(134.6)	–	–	–
Total value added available for distribution	3,718.2	5,180.7	4,551.5	4,097.6	4,108.4
Applied as follows:-					
To employees					
– Salaries and other staff costs	1,779.2	2,093.4	1,853.5	1,778.8	1,848.4
To government					
– Corporation taxes	233.8	242.4	296.5	80.3	130.9
To suppliers of capital					
– Interim and proposed dividends	152.3	321.1	295.5	240.6	213.6
– Finance charges	44.0	37.5	28.8	29.5	28.2
– Minority interests	60.1	37.5	3.6	3.3	2.3
Retained for future capital requirements					
– Depreciation	969.4	1,145.1	1,205.3	1,172.5	1,063.9
– Retained profit	479.4	1,303.7	868.3	792.6	821.1
Total value added	3,718.2	5,180.7	4,551.5	4,097.6	4,108.4
Value added per \$ revenue (\$)	0.39	0.52	0.50	0.52	0.53
Value added per \$ employment cost (\$)	2.09	2.47	2.46	2.30	2.22
Value added per \$ investment in fixed assets (\$)	0.18	0.28	0.24	0.23	0.24

Value added is a measure of wealth created. The statement above shows the Group's value added from 1997-98 to 2001-02 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

Value Added

During the year under review, total value added of the Group declined \$1,463 million (–28.2%) to \$3,718 million. The fall was due to: (i) decrease in revenue (–\$504 million), (ii) lower surplus on disposal of aircraft, spares and spare engines (–\$115 million), (iii) share of losses of associated companies (–\$66 million) against share of profit last year (+\$82 million), (iv) drop in share of profit in joint venture companies (–\$7 million), (v) provision for diminution in value of investment in Air NZ (–\$267 million) and (vi) the previous year's profit from sale of shares in SATS and SIAEC on 5 May 2000 (–\$440 million). The recognition of deferred gain on divestment of 51.0% equity interests in ESA (+\$203 million) cushioned the drop.

Salaries and other staff costs accounted for \$1,779 million (47.9 %) of the value added. Another \$152 million (4.1%) was applied on dividends to shareholders and \$44 million (1.2%) paid for finance charges, while minority interests' share was \$60 million (1.6%). Another \$234 million (6.3%) was for corporate taxes. The remaining \$1,449 million (38.9%) was retained for future capital requirements.

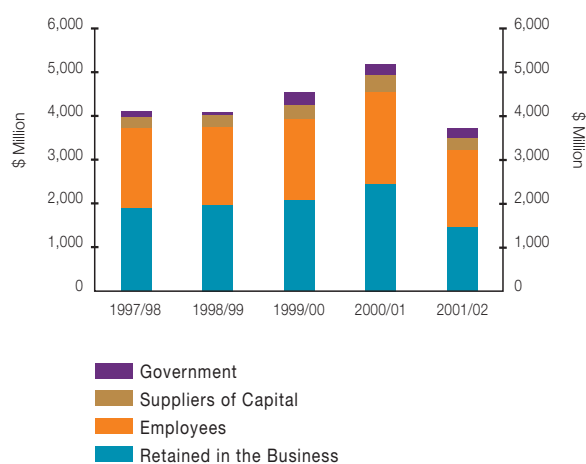
Value added productivity is as follows:

	2001 - 02 \$	2000 - 01 \$	Change %
Value added per dollar of:			
Revenue earned	0.39	0.52	– 25.0
Employment costs	2.09	2.47	– 15.4
Investment in fixed assets	0.18	0.28	– 35.7

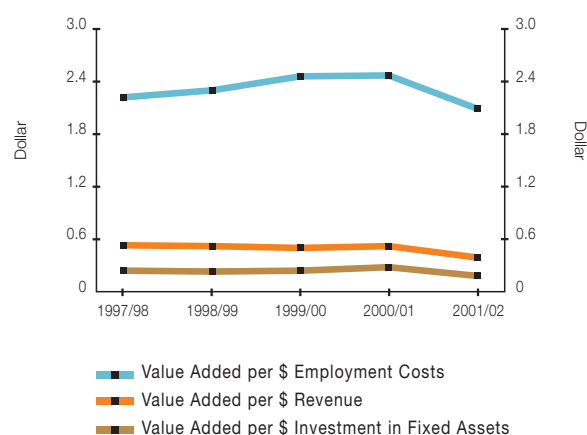
Value added created for every dollar of revenue earned, employment costs and investment in fixed assets fell 25.0%, 15.4% and 35.7% respectively.

The Group contributed 2.1% to Singapore's Gross Domestic Product for calendar year 2001, 1.0% point lower than the previous year.

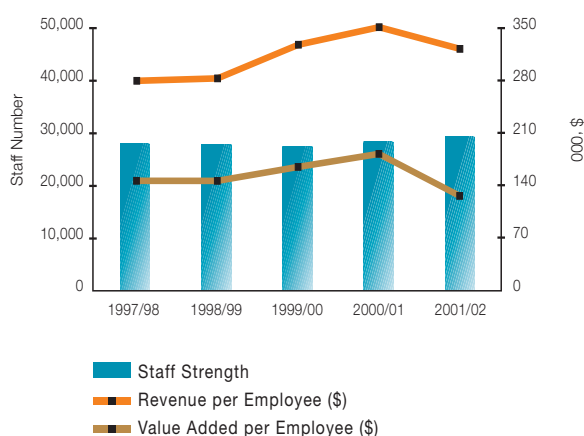
Group Value Added



Group Value Added Productivity



Group Staff Strength and Productivity



Financial Review

Staff Strength and Productivity

In 2001-02, the Company average staff strength was 14,499, an increase of 539 (+3.9%) over the previous year (after adjusting for last year's staff strength engaged in Cargo operations). The distribution of employee strength by category and location is as follows:

	2001 - 02	2000 - 01 Restated	% Change
Category			
Senior staff (administrative and higher ranking officers)	1,388	1,248	+ 11.2
Technical crew	1,710	1,588	+ 7.7
Cabin crew	6,721	6,435	+ 4.4
Other ground staff	4,680	4,689	- 0.2
	14,499	13,960	+ 3.9
Location			
Singapore	11,681	11,178	+ 4.5
Africa and rest of Asia	1,539	1,526	+ 0.9
Europe	570	555	+ 2.7
South West Pacific	405	396	+ 2.3
Americas	304	305	- 0.3
	14,499	13,960	+ 3.9

The Company's staff productivity, measured by the average of changes in seat capacity produced, passenger load carried, revenue earned, and value added per employee, decreased 12.4% over 2000-01 as shown below:

	2001 - 02	2000 - 01 Restated	% Change
Seat capacity per employee (seat-km) ^{R1}	6,656,705	6,774,495	- 1.7
Passenger load carried per employee (tonne-km) ^{R1}	471,300	498,516	- 5.5
Revenue per employee (\$)	535,554	592,077	- 9.5
Value added per employee (\$)	185,958	277,407	- 33.0
Average productivity decrease			- 12.4

^{R1} Based on average staff strength of passenger operations. Passenger load includes excess baggage carried.

In 2001-02, average staff strength of subsidiary companies was 15,111, up 451 (+3.1%). Head count increased in SIAEC Group (+256), SATS Group (+80) and Singapore Airlines Cargo (+54).

The Group's staff strength rose by 980 (+3.5%) to 29,316 employees. A breakdown is as follows:

	2001 - 02	2000 - 01	% Change
SIA Passenger Airline Company	14,205	13,676	+ 3.9
Singapore Airlines Cargo	632	578	+ 9.3
SATS Group	9,227	9,147	+ 0.9
SIA Engineering Group	4,293	4,037	+ 6.3
SilkAir	516	476	+ 8.4
Others	443	422	+ 5.0
	29,316	28,336	+ 3.5

Group revenue per employee was \$322,275, down 8.2%, while value added dropped 30.6% to \$126,832.

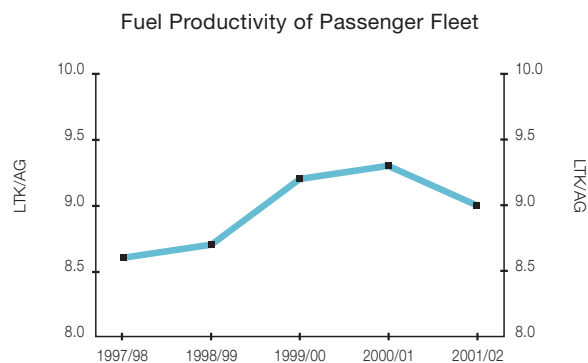
Financial Review

Fuel Productivity and Sensitivity Analysis

Fuel productivity of SIA's passenger fleet was 3.2% lower at 9.0 ltk per American gallon (AG). This was mainly attributable to the ageing B744 and A313 fleet with average age of 7.9 years and 9.7 years respectively.

A change in fuel productivity (passenger aircraft) of 1.0 percent would impact the Company's annual fuel costs by \$13 million.

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



Report by the Board of Directors

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2002.

1 Accounts (in \$ million)

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Profit after taxation	691.8	1,662.3	567.2	1,422.2
Minority interests	(60.1)	(37.5)	—	—
Profit attributable to shareholders	631.7	1,624.8	567.2	1,422.2

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have been affected by the following events and transactions.

- (a) The Group and the Company's performance for the year were adversely affected by a slowdown in the global economy and the worsening slump in electronics demand made worse by the terrorist attacks in the US on 11 September 2001.

The fall in Group operating profit came mainly from poorer performance by the Company and Singapore Airlines Cargo Private Limited (Singapore Airlines Cargo). This was partially offset by stronger performance from SIA Engineering Company (SIAEC) Group and Singapore Airport Terminal Services (SATS) Group.

- (b) Following the corporatization of the Company's cargo operations on 1 July 2001, the Company's result for the year excludes third party cargo revenues from that date, but includes revenue from the sale of aircraft bellyhold space to Singapore Airlines Cargo.

Additional disclosures of the 31 March 2001 results, restated to exclude Singapore Airlines Cargo's operations, is included in note 35 to the financial statements for comparative purposes.

- (c) Exceptional items for the Group and the Company are disclosed in note 8 to the financial statements.

2 Transfers to/from Reserves and Provisions

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

3 Dividends

The final dividend paid during the financial year in respect of the previous financial year and included in the previous directors' report was \$184.2 million.

An interim dividend of 3.0 cents per share, less tax at 24.5%, amounting to \$27.6 million, was paid on 22 November 2001. The directors propose that a final tax exempt dividend of 4.0 cents per share (\$48.7 million) and a dividend of 8.0 cents per share less tax at 22.0% (\$76.0 million) amounting to a total of \$124.7 million, be paid for the year ended 31 March 2002.

4 Principal Activities

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

The principal activities of the Company up to 30 June 2001 consisted of passenger and cargo air transportation. On 1 July 2001, the cargo division operations of the Company were corporatized into a separate wholly owned subsidiary, Singapore Airlines Cargo Private Limited.

Report by the Board of Directors

5 Directors of the Company

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

Koh Boon Hwee	Chairman (appointed on 14.7.2001)
Cheong Choong Kong	Deputy Chairman/Chief Executive Officer (Executive)
Edmund Cheng Wai Wing	(Independent)
Fock Siew Wah	
Charles B Goode	(Independent)
Ho Kwon Ping	(Independent)
Lim Boon Heng	
Lim Chee Onn	
Davinder Singh	(Independent)

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

Name of Director	Direct interest			Deemed interest		
	1.4.2001	31.3.2002	21.4.2002	1.4.2001	31.3.2002	21.4.2002
Interest in Singapore Airlines Limited						
<u>Ordinary shares of \$0.50 each</u>						
Cheong Choong Kong	480,800	480,800	480,800	24,000	24,000	24,000
Edmund Cheng Wai Wing	–	–	–	1,000	3,000	3,000
Charles B Goode	–	–	–	50,000	50,000	50,000
<u>Options to subscribe for ordinary shares of \$0.50 each</u>						
Cheong Choong Kong	480,000	708,000	708,000	–	–	–
<u>Fixed Rate Notes 2011 of \$250,000 each</u>						
Cheong Choong Kong	–	1	1	–	–	–
Interest in SIA Engineering Company Limited						
<u>Ordinary shares of \$0.10 each</u>						
Cheong Choong Kong	58,000	58,000	58,000	3,000	3,000	3,000
Interest in Singapore Airport Terminal Services Limited						
<u>Ordinary shares of \$0.10 each</u>						
Cheong Choong Kong	56,000	56,000	56,000	3,000	3,000	3,000
Interest in Singapore Telecommunications Limited						
<u>Ordinary shares of \$0.15 each</u>						
Koh Boon Hwee	31,820	31,820	31,820	1,690	1,690	1,690
Cheong Choong Kong	1,690	121,690	121,690	1,690	1,690	1,690
Fock Siew Wah	1,690	1,690	1,690	1,690	1,690	1,690
Ho Kwon Ping	1,750	1,750	1,750	1,490	1,490	1,490
Lim Boon Heng	1,620	1,620	1,620	1,490	1,490	1,490
Lim Chee Onn	1,620	1,620	1,620	1,490	1,490	1,490
Charles B Goode	–	10,660	10,660	–	288,403	288,403
Davinder Singh	1,950	1,950	1,950	1,440	1,440	1,440
Interest in SNP Corporation Limited						
<u>Options to subscribe for ordinary shares of \$0.50 each</u>						
Edmund Cheng Wai Wing	–	10,000	10,000	–	–	–
Interest in CapitaLand Limited						
<u>Ordinary shares of \$1.00 each</u>						
Edmund Cheng Wai Wing	–	–	–	26,000	28,000	28,000
<u>Fixed Rate Notes 2003 of \$250,000 each</u>						
Cheong Choong Kong	–	1	1	–	–	–

Report by the Board of Directors

5 Directors of the Company (continued)

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

- (c) Since the end of the previous financial year no director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Companies Act, Cap. 50, except for \$0.9 million (2000-01 : \$0.9 million) of loans to directors of the Company and its subsidiary companies in accordance with schemes approved by shareholders of the Company and \$0.057 million (2000-01 : \$0.003 million) paid by the Group and the Company to a firm of which one director is a member.

6 Audit Committee

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

Edmund Cheng Wai Wing – Chairman
Koh Boon Hwee
Ho Kwon Ping

The Committee holds quarterly meetings with the internal auditors and the external auditors of the Company, and performs the following functions:-

- (a) reviews the audit plans of the internal auditors and external auditors of the Company, the results of their examination of the Company's system of internal accounting controls and the co-operation given by the Company's officers to the external and internal auditors;
- (b) reviews the financial statements of the Group and the Company and the auditors' report thereon before their submission to the Board of Directors;
- (c) nominates the external auditors for reappointment; and
- (d) reviews interested persons transactions.

7 Share Capital and Debentures

During the financial year, the Company repurchased 2,054,000 ordinary shares at an average price of \$12.48 each pursuant to the share buyback scheme approved by the shareholders. The shares repurchased were cum dividends of \$0.3 million.

At an extraordinary general meeting on 14 July 2001, the Company's shareholders approved a capital reduction exercise to return \$0.50 in cash for each issued ordinary share, subject to approval of the High Court of Singapore. On 16 August 2001, sanction was granted by the High Court. \$609.0 million was paid to shareholders on 24 September 2001 based on 1,218,143,622 shares outstanding on that date after accounting for share buyback.

On 19 December 2001, the Company issued \$900,000,000 Fixed Rate Notes Due 2011 (Notes). The net proceeds from the issue of the Notes were used to finance capital expenditure and working capital requirements.

During the financial year, the following subsidiary companies issued shares:

- (a) Singapore Airlines Cargo Private Limited issued 1,405,000,000 ordinary shares of \$1.00 each at par to the Company as partial consideration for the net assets purchased.
- (b) Singapore Jamco Private Limited increased its issued and paid up share capital through the issue of 400,000 new ordinary shares of \$1.00 each at par for cash to SIA Engineering Company Limited. The issue was to provide working capital.

Report by the Board of Directors

8 Acquisition/Disposal of Subsidiary Companies

A new subsidiary company, Aerolog Express Pte Ltd, was incorporated with a paid-up capital of \$1.8 million in October 2001 by Singapore Airport Terminal Services Limited (SATS). SATS owns 70% equity interest in the new subsidiary company.

During the financial year, SIA Engineering Company Limited increased its equity interests in its subsidiary company, Singapore Jamco Private Limited, from 51% to 65%. The cost of acquisition for the additional 14% equity interest was \$1.0 million and the net tangible assets acquired was \$0.9 million.

Two subsidiary companies, Auspice Limited and SH Tours Ltd, were liquidated during the financial year. In addition, another subsidiary company, Star Kingdom Investment Limited is undergoing members' voluntary liquidation.

9 Other Significant Changes in Group Structure

On 18 January 2002, Air New Zealand (Air NZ) announced the completion of its recapitalization package, where 2,166,666,667 new ordinary shares and 1,279,866,438 new convertible preference shares were issued to the Government of New Zealand at NZ\$0.27 per share and NZ\$0.24 per share respectively. With the issuance of the new ordinary and preference shares to the Government of New Zealand, SIA's equity interest in Air NZ was diluted to 6.47%. If the new convertible preference shares are subsequently converted into ordinary shares, SIA's equity interest in Air NZ will be further diluted to 4.50%. Arising from the dilution, the Group no longer equity accounts for Air NZ's financial results and reclassified the net carrying value of Air NZ from associated companies to long-term investment from January 2002.

10 Flight SQ006 Accident in Taipei on 31 October 2000

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

11 Options on Shares in the Company

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

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

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

- (a) one year after the date of grant for 25% of the ordinary shares subject to the options;
- (b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
- (c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
- (d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

Report by the Board of Directors

11 Options on Shares in the Company (continued)

The Committee administering the Plan comprises the following directors:-

Koh Boon Hwee
Cheong Choong Kong
Lim Chee Onn
Fock Siew Wah

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

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

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

During the financial year, in consideration of the payment of \$1.00 for each offer accepted, offers of options were granted pursuant to the Scheme in respect of 13,348,840 unissued shares of \$0.50 each in the Company at an exercise price of \$11.96 per share.

At the end of the financial year, options to take up 38,569,920 unissued shares of \$0.50 each in the Company were outstanding:-

Number of unissued ordinary shares of \$0.50 each						
Date of grant	Balance at 1.4.2001/ Date of grant	Cancelled	Exercised	Balance at 31.3.2002	Exercise price	Expiry date
28.3.2000	13,562,150	(251,520)	—	13,310,630	\$15.34	27.3.2010
3.7.2000	12,106,150	(133,000)	—	11,973,150	\$16.65	2.7.2010
2.7.2001	13,348,840	(62,700)	—	13,286,140	\$11.96	1.7.2011
	39,017,140	(447,220)	—	38,569,920		

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
Cheong Choong Kong	228,000	708,000	—	—	708,000

12 Options on Shares in Subsidiary Companies

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

(a) Singapore Airport Terminal Services Limited (SATS)

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

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

During the financial year, in consideration of the payment of \$1.00 for each offer accepted, offers of options were granted pursuant to the share option plan in respect of 15,350,200 unissued shares of \$0.10 each in SATS at an exercise price of \$1.54 per share.

Report by the Board of Directors

12 Options on Shares in Subsidiary Companies (continued)

At the end of the financial year, options to take up 47,310,700 unissued shares of \$0.10 each in SATS were outstanding:-

Number of unissued ordinary shares of \$0.10 each						
Date of grant	Balance at 1.4.2001/ Date of grant	Cancelled	Exercised	Balance at 31.3.2002	Exercise price	Expiry date
28.3.2000	18,435,900	(285,900)	–	18,150,000	\$2.50	27.3.2010
3.7.2000	14,016,700	(99,400)	–	13,917,300	\$2.10	2.7.2010
2.7.2001	15,350,200	(106,800)	–	15,243,400	\$1.54	1.7.2011
	47,802,800	(492,100)	–	47,310,700		

(b) SIA Engineering Company Limited (SIAEC)

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

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

During the financial year, in consideration of the payment of \$1.00 for each offer accepted, offers of options were granted pursuant to the share option plan in respect of 15,516,700 unissued shares of \$0.10 each in SIAEC at an exercise price of \$1.41 per share.

At the end of the financial year, options to take up 44,578,400 unissued shares of \$0.10 each in SIAEC were outstanding:-

Number of unissued ordinary shares of \$0.10 each						
Date of grant	Balance at 1.4.2001/ Date of grant	Cancelled	Exercised	Balance at 31.3.2002	Exercise price	Expiry date
28.3.2000	15,204,050	(124,400)	–	15,079,650	\$2.05	27.3.2010
3.7.2000	14,135,550	(67,800)	–	14,067,750	\$1.95	2.7.2010
2.7.2001	15,516,700	(85,700)	–	15,431,000	\$1.41	1.7.2011
	44,856,300	(277,900)	–	44,578,400		

13 Other Statutory Information

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:-
- (i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realize their book value in the ordinary course of business were written down to an amount which they might be expected so to realize.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:-
- (i) the amount written-off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to current assets misleading.
- (c) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Report by the Board of Directors

13 Other Statutory Information (continued)

- (d) As at the date of this report:-
 - (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person; and
 - (ii) there are no material contingent liabilities which have arisen since the end of the financial year.
- (e) No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- (f) In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

14 Subsequent Events

- (a) On 3 April 2002, one A310-300 passenger aircraft was traded-in to Rolls Royce Aircraft Management.
- (b) On 2 May 2002, it was announced that Singapore Airlines (SIA) and Virgin Investments SA have agreed to subscribe for additional shares in Virgin Atlantic Limited (VAL), amounting to GBP25.0 million (S\$65.7 million). In line with SIA's 49.0% stake in VAL, SIA's portion of this subscription amounts to GBP12.3 million (S\$32.2 million). The additional capital is for the purpose of increasing VAL's working capital and funding future capital expenditure requirements.
- (c) Corporate tax rate, as announced on 3 May 2002, is reduced to 22.0% with effect from Year of Assessment 2003. In accordance with SAS 12 (2001) Income Taxes, and SAS 10 (2000) Events After The Balance Sheet Date, this is a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the 31 March 2003 financial year.

The current period taxation charge of \$233.8 million and \$173.5 million for the Group and the Company respectively, are computed based on the year end prevailing tax rate of 24.5%. Applying the reduced tax rate of 22.0%, the taxation charge for the year, including write-back of deferred tax balances provided in the prior years, would be \$138.7 million and \$99.5 million for the Group and the Company respectively.

In compliance with SAS 12 (2001) Income Taxes, the Group has with effect from this financial year provided for full deferred taxation. Thus, the deferred tax liability as at 31 March 2002 is computed based on the taxable temporary differences at year end using the prevailing tax rate of 24.5%. Applying the reduced tax rate of 22.0%, the deferred tax liability at 31 March 2002 would be \$2,392.6 million and \$1,980.8 million for the Group and the Company respectively.

The aggregate adjustments in the next financial year of the current and deferred taxation charges are estimated to be \$277.8 million and \$225.1 million for the Group and the Company respectively.

15 Auditors

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

On behalf of the Board,

KOH BOON HWEE

Chairman

CHEONG CHOONG KONG

Deputy Chairman/Chief Executive Officer

Dated this 17th day of May 2002

Statement by the Directors Pursuant to Section 201(15)

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

- (i) the accompanying financial statements set out on pages 60 to 100 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 2002, the results of the business, the changes in equity and the cash flows of the Group and of the Company for the financial year ended on that date;
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

KOH BOON HWEE

Chairman

CHEONG CHOONG KONG

Deputy Chairman/Chief Executive Officer

Dated this 17th day of May 2002

Auditors' Report

to the members of Singapore Airlines Limited

We have audited the financial statements of Singapore Airlines Limited and its subsidiary companies set out on pages 60 to 100. These financial statements comprise the balance sheets of the Company and the Group as at 31 March 2002, and the profit and loss accounts, the statements of changes in equity and the cash flow statements of the Company and the Group for the financial year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:-
 - (i) the state of affairs of the Company and of the Group as at 31 March 2002, the results, the changes in equity and the cash flows of the Company and of the Group for the financial year then ended; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of those subsidiary companies audited by our associated firms and that audited by another firm are stated in note 18.

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

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

ERNST & YOUNG

Certified Public Accountants

Dated this 17th day of May 2002
Singapore

Profit and Loss Accounts

For the financial year ended 31 March 2002 (in \$ million)

	Notes	The Group		The Company	
		2001 - 02	2000 - 01	2001 - 02	2000 - 01
REVENUE		9,372.3	9,823.0	7,694.7	9,116.7
Other income	3	75.5	128.3	70.3	113.0
TOTAL REVENUE	4	9,447.8	9,951.3	7,765.0	9,229.7
EXPENDITURE					
Staff costs	31	1,779.2	2,093.4	1,128.9	1,347.0
Fuel costs		1,763.9	1,790.9	1,540.9	1,766.5
Depreciation	17	969.4	1,145.1	779.7	1,054.8
Provision for impairment of fixed assets		1.8	9.0	–	–
Rentals on lease of aircraft		314.1	289.1	270.1	289.0
Commission and incentives		585.0	698.6	411.9	694.4
Crew expenses		100.4	102.1	100.7	102.6
Handling charges		548.2	455.0	756.5	891.0
Aircraft maintenance and overhaul costs		560.8	304.9	745.1	483.0
Inflight meals		217.8	235.1	388.0	404.9
Landing, parking and overflying charges		531.6	507.7	477.0	497.5
Material costs		314.1	231.4	–	–
Advertising and sales costs		191.2	174.1	213.7	231.1
Other passenger costs		120.1	116.1	123.4	114.6
Insurance expenses		99.8	29.5	79.0	29.4
Company accommodation and utilities		140.7	132.3	90.4	88.8
Other operating expenses		226.3	290.3	177.4	251.7
		8,464.4	8,604.6	7,282.7	8,246.3
OPERATING PROFIT	5	983.4	1,346.7	482.3	983.4
Finance charges	6	(44.0)	(37.5)	(46.9)	(44.4)
Surplus on disposal of aircraft, spares and spare engines		66.0	181.3	334.8	165.6
Dividends from subsidiary and associated companies, gross	7	–	–	138.6	59.8
Share of profits of joint venture companies		20.5	27.0	–	–
Share of (losses)/profits of associated companies		(66.2)	81.7	–	–
PROFIT BEFORE EXCEPTIONAL ITEMS		959.7	1,599.2	908.8	1,164.4
Exceptional items	8	(34.1)	305.5	(168.1)	442.8
PROFIT BEFORE TAXATION		925.6	1,904.7	740.7	1,607.2
Taxation	9	(233.8)	(242.4)	(173.5)	(185.0)
PROFIT AFTER TAXATION		691.8	1,662.3	567.2	1,422.2
Minority interests		(60.1)	(37.5)	–	–
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		631.7	1,624.8	567.2	1,422.2
BASIC EARNINGS PER SHARE (CENTS)	11	51.9	132.7	46.6	116.1
DILUTED EARNINGS PER SHARE (CENTS)	11	51.9	132.6	46.6	116.1

The notes on pages 65 to 100 form an integral part of these financial statements.

Balance Sheets

at 31 March 2002 (in \$ million)

	Notes	The Group		The Company	
		2002	2001	2002	2001
SHARE CAPITAL					
Authorized	12	3,000.0	6,000.0	3,000.0	6,000.0
Issued and fully paid	12	609.1	1,220.2	609.1	1,220.2
RESERVES					
Distributable					
General reserve		8,655.2	8,215.2	9,049.0	8,683.3
Foreign currency translation reserve		63.8	40.8	–	–
Non-distributable					
Share premium		447.2	447.2	447.2	447.2
Capital redemption reserve		64.4	62.3	64.4	62.3
Capital reserve		6.9	6.9	–	–
	13	9,237.5	8,772.4	9,560.6	9,192.8
SHARE CAPITAL AND RESERVES		9,846.6	9,992.6	10,169.7	10,413.0
MINORITY INTERESTS		228.7	184.5	–	–
DEFERRED ACCOUNTS	14 & 15	3,452.9	3,316.5	2,964.6	2,986.4
LONG-TERM LIABILITIES	16	1,928.9	795.5	1,506.8	592.1
		15,457.1	14,289.1	14,641.1	13,991.5
Represented by:-					
FIXED ASSETS					
Aircraft, spares and spare engines		10,798.3	8,938.8	8,538.2	8,582.8
Land and buildings		1,107.4	942.6	383.0	401.1
Others		2,537.2	2,981.6	1,980.0	2,477.8
	17	14,442.9	12,863.0	10,901.2	11,461.7
SUBSIDIARY COMPANIES					
Investment in subsidiary companies		–	–	1,700.5	307.2
Amount owing (to)/by subsidiary companies		–	–	(66.0)	159.9
	18	–	–	1,634.5	467.1
ASSOCIATED COMPANIES	19	385.8	715.4	1,687.4	2,099.4
JOINT VENTURE COMPANIES	20	277.1	239.0	107.9	107.9
LONG-TERM INVESTMENTS	21	590.4	556.0	502.9	467.3
CURRENT ASSETS					
Trade debtors	22	1,344.9	1,244.8	895.7	1,082.4
Stocks	23	67.0	54.4	29.6	26.5
Investments	24	34.2	511.4	–	–
Section 44 tax prepayments		346.5	455.6	346.5	455.6
Cash and bank balances	25	1,091.6	1,272.3	854.9	867.0
		2,884.2	3,538.5	2,126.7	2,431.5
Less:					
CURRENT LIABILITIES					
Loans – repayable within one year	16	221.6	0.6	220.0	–
Finance lease commitments					
– repayable within one year	16	42.3	–	–	–
Bank overdrafts – unsecured		56.8	27.4	48.4	25.9
Trade creditors	26	1,769.9	2,465.1	1,166.4	1,935.9
Sales in advance of carriage		887.7	853.7	824.5	840.5
Current tax payable		145.0	276.0	60.2	241.1
		3,123.3	3,622.8	2,319.5	3,043.4
NET CURRENT LIABILITIES		(239.1)	(84.3)	(192.8)	(611.9)
		15,457.1	14,289.1	14,641.1	13,991.5

The notes on pages 65 to 100 form an integral part of these financial statements.

Statements of Changes in Equity

for the financial year ended 31 March 2002 (in \$ million)

The Group

	Notes	Share capital	Share premium	Capital redemption reserve	Capital reserve	Special non-distributable reserve	Foreign currency translation reserve	General reserve	Total
Balance at 31 March 2000		1,250.5	447.2	32.0	6.9	1,800.0	30.3	7,390.6	10,957.5
<u>Effects of adopting</u>	2								
– SAS 10	10	–	–	–	–	–	–	186.3	186.3
– SAS 12	15	–	–	–	–	(1,800.0)	–	(75.5)	(1,875.5)
As restated		1,250.5	447.2	32.0	6.9	–	30.3	7,501.4	9,268.3
Currency translation differences		–	–	–	–	–	10.5	–	10.5
Goodwill written-off to reserves		–	–	–	–	–	–	(115.6)	(115.6)
Share buyback	12	(30.3)	–	30.3	–	–	–	(476.0)	(476.0)
Dividends received from share buyback		–	–	–	–	–	–	3.8	3.8
Net gains and losses not recognized in the profit and loss account		(30.3)	–	30.3	–	–	10.5	(587.8)	(577.3)
Profit attributable to shareholders for the financial year		–	–	–	–	–	–	1,624.8	1,624.8
Dividends	10	–	–	–	–	–	–	(323.2)	(323.2)
Balance at 31 March 2001		1,220.2	447.2	62.3	6.9	–	40.8	8,215.2	9,992.6
As previously reported		1,220.2	447.2	62.3	6.9	1,800.0	40.8	8,031.0	11,608.4
<u>Effects of adopting</u>	2								
– SAS 10	10	–	–	–	–	–	–	184.2	184.2
– SAS 12	15	–	–	–	–	(1,800.0)	–	–	(1,800.0)
– SAS 31	26	–	–	–	–	–	–	45.1	45.1
As restated		1,220.2	447.2	62.3	6.9	–	40.8	8,260.3	10,037.7
Currency translation differences		–	–	–	–	–	23.0	–	23.0
Share buyback	12	(2.1)	–	2.1	–	–	–	(25.3)	(25.3)
Capital reduction	12	(609.0)	–	–	–	–	–	–	(609.0)
Dividends received from share buyback		–	–	–	–	–	–	0.3	0.3
Net gains and losses not recognized in the profit and loss account		(611.1)	–	2.1	–	–	23.0	(25.0)	(611.0)
Profit attributable to shareholders for the financial year		–	–	–	–	–	–	631.7	631.7
Dividends	10	–	–	–	–	–	–	(211.8)	(211.8)
Balance at 31 March 2002		609.1	447.2	64.4	6.9	–	63.8	8,655.2	9,846.6

The notes on pages 65 to 100 form an integral part of these financial statements.

Statements of Changes in Equity

for the financial year ended 31 March 2002 (in \$ million) (continued)

The Company

	Notes	Share capital	Share premium	Capital redemption reserve	Special non-distributable reserve	General reserve	Total
Balance at 31 March 2000		1,250.5	447.2	32.0	1,800.0	7,931.0	11,460.7
<u>Effects of adopting</u>	2						
– SAS 10	10	–	–	–	–	186.3	186.3
– SAS 12	15	–	–	–	(1,800.0)	(60.8)	(1,860.8)
As restated		1,250.5	447.2	32.0	–	8,056.5	9,786.2
Share buyback	12	(30.3)	–	30.3	–	(476.0)	(476.0)
Dividends received from share buyback		–	–	–	–	3.8	3.8
Net gains and losses not recognized in the profit and loss account		(30.3)	–	30.3	–	(472.2)	(472.2)
Profit attributable to shareholders for the financial year		–	–	–	–	1,422.2	1,422.2
Dividends	10	–	–	–	–	(323.2)	(323.2)
Balance at 31 March 2001		1,220.2	447.2	62.3	–	8,683.3	10,413.0
As previously reported		1,220.2	447.2	62.3	1,800.0	8,477.4	12,007.1
<u>Effects of adopting</u>	2						
– SAS 10	10	–	–	–	–	184.2	184.2
– SAS 12	15	–	–	–	(1,800.0)	21.7	(1,778.3)
– SAS 31	26	–	–	–	–	35.3	35.3
As restated		1,220.2	447.2	62.3	–	8,718.6	10,448.3
Share buyback	12	(2.1)	–	2.1	–	(25.3)	(25.3)
Capital reduction	12	(609.0)	–	–	–	–	(609.0)
Dividends received from share buyback		–	–	–	–	0.3	0.3
Net gains and losses not recognized in the profit and loss account		(611.1)	–	2.1	–	(25.0)	(634.0)
Profit attributable to shareholders for the financial year		–	–	–	–	567.2	567.2
Dividends	10	–	–	–	–	(211.8)	(211.8)
Balance at 31 March 2002		609.1	447.2	64.4	–	9,049.0	10,169.7

The notes on pages 65 to 100 form an integral part of these financial statements.

Cash Flow Statements

For the financial year ended 31 March 2002 (in \$ million)

	Notes	The Group		The Company	
		2001 - 02	2000 - 01	2001 - 02	2000 - 01
NET CASH PROVIDED BY OPERATING ACTIVITIES	27	1,434.5	2,451.1	620.3	1,991.2
CASH FLOW FROM INVESTING ACTIVITIES					
Capital expenditure	28	(3,532.4)	(2,555.5)	(2,882.2)	(2,336.1)
Proceeds from disposal of aircraft and other fixed assets		1,601.8	772.1	1,302.0	752.3
Returns on capital from associated companies		5.4	–	–	–
Investments in associated companies		(37.9)	(448.8)	–	(403.2)
Investments in joint venture companies		(13.6)	(19.3)	–	–
Additional long-term investments		(3.6)	(41.9)	(3.5)	(38.4)
Additional long-term loans		(1.1)	(0.8)	–	–
Advances to associated companies		(0.1)	(2.6)	–	–
Loans to subsidiary companies		–	–	(313.2)	(83.3)
Repayment of loans by subsidiary companies		–	–	624.7	216.7
Repayment of loans by associated companies		1.4	1.4	–	–
Proceeds from liquidation of subsidiary companies		–	–	191.4	–
Proceeds from sale of long-term investments		32.9	2.3	31.4	2.3
Proceeds from disposal of associated companies		6.1	–	8.8	–
Proceeds from disposal of 13% equity interests in SATS/SIAEC		–	574.6	–	574.6
Dividends from subsidiary and associated companies		31.2	21.9	106.2	46.4
Repayment of loans		2.7	1.7	–	–
Investment in subsidiary by minority interests		0.6	–	–	–
Investment in subsidiary		(0.6)	–	–	–
NET CASH USED IN INVESTING ACTIVITIES		(1,907.2)	(1,694.9)	(934.4)	(1,268.7)
CASH FLOW FROM FINANCING ACTIVITIES					
Share buyback		(25.3)	(476.0)	(25.3)	(476.0)
Dividends paid		(211.8)	(323.2)	(211.8)	(323.2)
Dividends paid by subsidiary companies to minority interests		(16.0)	(6.0)	–	–
Dividends received from share buyback		0.3	3.8	0.3	3.8
Proceeds from/(repayment of) borrowings		1,119.1	(16.3)	1,120.0	–
Issuance of financial instruments – notes payable		–	200.0	–	–
Increase in long-term lease liabilities		2.1	2.5	2.1	2.5
Capital reduction		(609.0)	–	(609.0)	–
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		259.4	(615.2)	276.3	(792.9)
NET CASH (OUTFLOW)/INFLOW CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		(213.3)	141.0	(37.8)	(70.4)
Effect of exchange rate changes		1,244.9	1,092.9	841.1	900.5
		3.2	11.0	3.2	11.0
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		1,034.8	1,244.9	806.5	841.1
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Fixed deposits		531.5	1,136.1	438.0	760.4
Cash and bank		560.1	136.2	416.9	106.6
Bank overdrafts – unsecured		(56.8)	(27.4)	(48.4)	(25.9)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		1,034.8	1,244.9	806.5	841.1

The notes on pages 65 to 100 form an integral part of these financial statements.

Notes to the Financial Statements

31 March 2002

1 General

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

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

The principal activities of the Group consist of air transportation, engineering services, airport terminal services, training of pilots, air charters and tour wholesaling and related activities. The principal activities of the Company up to 30 June 2001 consisted of passenger and cargo air transportation. On 1 July 2001, the cargo division operations of the Company were corporatized into a separate wholly-owned subsidiary, Singapore Airlines Cargo Private Limited.

The consolidated financial statements of Singapore Airlines Limited ("the Company") for the year ended 31 March 2002 were authorized for issue in accordance with a resolution of the directors on 17 May 2002.

2 Accounting Policies

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

(a) Basis of accounting

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

Change in accounting policies

During the year, the Group and the Company applied several new/revised Statements of Accounting Standards, which became effective from 1 April 2001, and accordingly modified certain accounting policies. These changes to the financial statements are discussed below. The financial effects of these changes which are, unless otherwise stated, applied retrospectively, are as summarized in the Statement of Changes in Equity.

SAS 10 (2000) Events after the Balance Sheet Date

Under SAS 10 (2000), dividends proposed or declared after the balance sheet date are no longer recognized as a liability at the balance sheet date.

SAS 12 (2001) Income Taxes

Under SAS 12 (2001), a deferred tax liability is now recognized for all taxable temporary differences. Previously, deferred tax was provided on account of timing differences only to the extent that a tax liability was expected to materialize in the foreseeable future. A cumulative amount of \$1,800.0 million was also retained in a special non-distributable reserve to meet deferred tax liabilities that were not provided for. This special non-distributable reserve has been utilized in accounting for this change in policy.

SAS 22 (2000) Business Combinations

Goodwill arising from business combinations on or after 1 April 2001 is capitalized and amortized over a useful period not exceeding twenty years. Such goodwill was previously written-off directly to reserves in the year of acquisition. As SAS 22 (2000) has been applied on a prospective basis, the gain or loss arising from a subsequent disposal of a previously acquired subsidiary or associated company will include the attributable goodwill that was written-off directly to reserves.

SAS 31 (2000) Provisions, Contingent Liabilities and Contingent Assets

Costs incurred for engine overhaul and heavy maintenance visits are now recognized on an incurred basis. Under SAS 31 (2000), the previous practice of evenly providing for engine overhaul and heavy maintenance visits costs over a four-year period is no longer allowed.

As allowed for in SAS 31 (2000), the comparative figures for the financial year ended 31 March 2001 have not been restated.

2 Accounting Policies (continued)

Change in accounting estimate

The useful life and residual value of new passenger aircraft, spares and spare engines have been extended from 10 years and 20% to 15 years and 10% on 1 April 2001. The revised depreciation rates are applied prospectively without adjustments to previously reported amounts. This change has reduced current year depreciation charges of the Group and the Company by approximately \$274.5 million and \$265.0 million respectively.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies for the financial year ended 31 March. A list of the Group's subsidiary companies is shown in note 18 to the financial statements.

(c) Subsidiary, joint venture and associated companies

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

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

The Group's share of the results of associated companies is included in the consolidated profit and loss account and the Group's share of the post-acquisition reserves is added to the value of investments in associated companies shown in the consolidated balance sheet. Except for Air NZ, these amounts are taken from the last audited financial statements of the companies concerned, made up as appropriate, to the end of the financial year.

The consolidated financial statements incorporate the Group's share of Air NZ's results for the period 1 January to 31 December 2001. With the announcement by Air NZ of the completion of its recapitalization package on 18 January 2002, SIA's equity interest in Air NZ was diluted to 6.47%. As such, SIA no longer equity accounts for its share of Air NZ's results effective January 2002. A list of the Group's associated companies is shown in note 19 to the financial statements.

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

The Group's share of the consolidated results of the joint venture companies and their subsidiary companies are included in the consolidated financial statements under the equity method on the same basis as associated companies. A list of the Group's joint venture companies is shown in note 20 to the financial statements.

(d) Goodwill

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

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

(e) Foreign currencies

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

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

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

2 Accounting Policies (continued)

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of all aircraft is stated net of manufacturers' credit, with subsequent expenditure stated at cost. Aircraft and related equipment acquired on an exchange basis are stated at amounts paid plus the fair value of the fixed asset traded-in. Expenditure for additions, improvements and renewal is capitalized and expenditure for maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

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

(g) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis at rates which are calculated to write-down their cost to their estimated residual values at the end of their operational lives. Operational lives and residual values are reviewed annually in the light of experience and changing circumstances.

Aircraft fleet

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

For leased aircraft where ownership is not transferred to the Group at the end of the lease period, nil residual values are used.

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

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

Land and buildings

Buildings on freehold land and leasehold land and buildings are amortized to nil residual values as follows:-

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

Flight training equipment

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

Other fixed assets

These are depreciated over 1 to 7 years to nil residual values.

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

2 Accounting Policies (continued)

(h) Leased assets

As lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalized at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets and the corresponding lease commitments are included under liabilities. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the profit and loss accounts. Depreciation on the relevant assets is charged to the profit and loss accounts.

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

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

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

(i) Investments

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

(j) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on either a first-in-first-out basis or weighted average depending on the nature of the stocks.

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

(k) Trade debtors

Trade debtors, which generally have 30-90 day terms, are recognized and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

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

(l) Cash and bank balances

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

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

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

2 Accounting Policies (continued)

(m) Deferred taxation

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

Additionally the Group's deferred tax liabilities include all taxable temporary differences associated with investments in subsidiary, joint venture and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

(n) Loans and borrowings

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

(o) Aircraft maintenance and overhaul costs

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

(p) Employee Benefits

Equity compensation plan

The Group has in place the Singapore Airlines Limited Employee Share Option Plan, the Singapore Airport Terminal Services Limited Employee Share Option Plan and the SIA Engineering Company Limited Employee Share Option Plan for granting of share options to senior executives and all other employees. There are no charges to the profit and loss account upon the grant or exercise of the options. The exercise price approximates the market value of the shares at the date of grant. Details of the plans are disclosed in Note 31 to the financial statements.

Defined contribution plan

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

Defined benefit plan

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

2 Accounting Policies (continued)

(q) Trade creditors

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

(r) Forward contracts

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

(s) Revenue

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

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

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

(t) Income from investments

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

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

(u) Frequent flyer programme

The Company operates a frequent flyer programme called "KrisFlyer" that provides travel awards to programme members based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is estimated and deferred until they are utilized. Such unutilized benefits are written-back upon expiry.

(v) Training and development costs

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

(w) Capitalized loan interest

Borrowing costs incurred to finance progress payments for aircraft and building projects are capitalized until the aircraft are commissioned for operation or the projects are completed. All other borrowing costs are recognized as expenses in the period in which they are incurred. \$1.3 million (2000-01: \$ nil) of the Company's borrowing costs were capitalized during the year.

Notes to the Financial Statements

31 March 2002

3 Other Income (in \$ million)

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Fixed deposits	29.5	55.9	26.1	51.3
Quoted non-equity investments	19.9	55.8	14.6	21.8
Quoted equity investments	2.0	4.7	1.6	1.4
Unquoted trade investments	4.1	6.2	3.1	5.4
Unquoted non-equity investments	4.9	2.0	3.0	4.8
Interest receivable from subsidiary companies	—	—	14.4	25.1
Interest receivable from other loans	3.6	2.0	2.8	0.9
Interest receivable from associated companies	0.6	0.9	—	—
Income from investments and deposits	64.6	127.5	65.6	110.7
Surplus on sale of fixed assets other than aircraft and spares	2.9	2.4	0.1	2.2
Surplus/(Loss) on sale of investments	8.0	(1.6)	4.6	0.1
	75.5	128.3	70.3	113.0

4 Segment Information (in \$ million)

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

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
External customers	9,447.8	9,951.3	7,110.6	9,149.6
Subsidiary companies	—	—	654.4	80.1
	9,447.8	9,951.3	7,765.0	9,229.7

The Group's business is organized and managed separately accordingly to the nature of the services provided. Revenues are attributable to geographical areas based on the airline operations by area of original sale.

The following tables present revenue and profit information regarding business segments for the financial years ended 31 March 2002 and 2001 and certain assets and liabilities information of the business segments as at those dates.

Notes to the Financial Statements

31 March 2002

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

Business segments

	Airline operations		Airport terminal services		Engineering services	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01	2001 - 02	2000 - 01
TOTAL REVENUE						
External revenue	8,825.3	9,326.4	375.8	372.5	145.9	131.6
Inter-segment revenue	62.0	81.6	526.4	519.5	704.7	542.2
	8,887.3	9,408.0	902.2	892.0	850.6	673.8
RESULT						
Segment result	442.2	934.9	265.0	193.2	210.1	125.2
Surplus on disposal of aircraft, spares and spare engines	65.0	180.6	–	–	–	–
Dividends from subsidiary and associated companies	138.8	67.8	–	–	–	–
Share of profits of joint venture companies	24.2	26.3	–	–	(3.7)	0.7
Share of (losses)/profits of associated companies	(134.8)	60.7	22.5	17.7	46.1	3.3
Exceptional items	(236.7)	442.8	–	–	–	–
Taxation	(159.6)	(199.7)	(74.7)	(40.3)	(29.3)	(13.4)
Profit after taxation	139.1	1,513.4	212.8	170.6	223.2	115.8

	2002	2001	2002	2001	2002	2001
OTHER INFORMATION						
AT 31 MARCH						
Segment assets	15,499.4	14,700.9	1,287.7	1,174.5	651.7	523.7
Investment in equity method joint venture and associated companies	278.6	668.7	131.1	80.4	257.2	208.1
Tax prepayments	346.5	455.6	–	–	–	–
Total assets	16,124.5	15,825.2	1,418.8	1,254.9	908.9	731.8
Segment liabilities	5,176.2	4,138.6	325.2	403.2	182.7	240.2
Tax liabilities	2,596.8	2,557.8	162.9	113.1	41.6	23.0
Total liabilities	7,773.0	6,696.4	488.1	516.3	224.3	263.2
Capital expenditure	3,733.9	2,437.6	80.7	126.1	47.2	20.2

	2001 - 02	2000 - 01	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Depreciation	888.7	1,082.0	56.8	40.0	21.2	20.8
Impairment	1.7	9.0	–	–	–	–
Non-cash expenses other than depreciation	115.5	(184.8)	0.4	(2.0)	1.1	(0.9)

* Relates to inter-segment transactions eliminated on consolidation.

Relates to the recognition of deferred gain on divestment of 51% equity interest in Eagle Services Asia.

Notes to the Financial Statements

31 March 2002

Others		Total of segments		Elimination*		Consolidated	
2001 - 02	2000 - 01	2001 - 02	2000 - 01	2001 - 02	2000 - 01	2001 - 02	2000 - 01
100.8	120.8	9,447.8	9,951.3	–	–	9,447.8	9,951.3
188.9	58.9	1,482.0	1,202.2	(1,482.0)	(1,202.2)	–	–
289.7	179.7	10,929.8	11,153.5	(1,482.0)	(1,202.2)	9,447.8	9,951.3
27.3	30.8	944.6	1,284.1	(5.2)	25.1	939.4	1,309.2
–	0.2	65.0	180.8	1.0	0.5	66.0	181.3
–	–	138.8	67.8	(138.8)	(67.8)	–	–
–	–	20.5	27.0	–	–	20.5	27.0
–	–	(66.2)	81.7	–	–	(66.2)	81.7
202.6#	–	(34.1)	442.8	–	(137.3)	(34.1)	305.5
(4.1)	(4.5)	(267.7)	(257.9)	33.9	15.5	(233.8)	(242.4)
225.8	26.5	800.9	1,826.3	(109.1)	(164.0)	691.8	1,662.3
2002	2001	2002	2001	2002	2001	2002	2001
172.0	355.7	17,610.8	16,754.8	(39.8)	(252.9)	17,571.0	16,501.9
0.1	–	667.0	957.2	(4.1)	(2.8)	662.9	954.4
–	–	346.5	455.6	–	–	346.5	455.6
172.1	355.7	18,624.3	18,167.6	(43.9)	(255.7)	18,580.4	17,911.9
74.6	57.3	5,758.7	4,839.3	(63.1)	193.9	5,695.6	5,033.2
8.2	7.7	2,809.5	2,701.6	–	–	2,809.5	2,701.6
82.8	65.0	8,568.2	7,540.9	(63.1)	193.9	8,505.1	7,734.8
3.2	5.1	3,865.0	2,589.0	(2.1)	–	3,862.9	2,589.0
2001 - 02	2000 - 01	2001 - 02	2000 - 01	2001 - 02	2000 - 01	2001 - 02	2000 - 01
3.4	3.5	970.1	1,146.3	(0.7)	(1.2)	969.4	1,145.1
0.1	–	1.8	9.0	–	–	1.8	9.0
(1.5)	5.6	115.5	(182.1)	–	(9.4)	115.5	(191.5)

Notes to the Financial Statements

31 March 2002

4 Segment Information (in \$ million)

Geographical segments

The following table presents revenue information regarding geographical segments for the financial years ended 31 March 2002 and 2001.

	By area of original sale	
	2001 - 02	2000 - 01
East Asia	4,589.5	5,049.9
Europe	1,578.9	1,524.2
South West Pacific	883.1	852.4
Americas	750.5	851.6
West Asia and Africa	655.1	708.6
Systemwide	8,457.1	8,986.7
Non-scheduled services and incidental revenue	430.2	421.3
	8,887.3	9,408.0

Assets, which consist principally of flight and ground equipment, support the entire worldwide transportation system. Expenses such as depreciation of fixed assets, fuel and salaries are incurred principally in Singapore. An analysis of assets and profits of the Group by geographical distribution has therefore not been included.

5 Operating Profit (in \$ million)

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

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Income from investments and deposits (note 3)	(64.6)	(127.5)	(65.6)	(110.7)
Income from lease of aircraft	(27.9)	(33.8)	(27.9)	(33.8)
Provision for diminution in value of investments	1.1	3.4	1.1	14.4
Provision for impairment in value of associated companies	–	3.5	–	9.4
Provision for loans to associated companies	–	2.6	–	–
Provision for impairment of fixed assets	1.8	9.0	–	–
Write-back of provision for aircraft maintenance and overhaul, net	–	(104.8)	–	(109.4)
Amortization of deferred gain on sale and leaseback of aircraft and spare engines	(121.2)	(100.8)	(121.0)	(100.8)
Amortization of goodwill	5.1	–	–	–
Emoluments for directors of the Company	2.6	2.2	2.6	2.2
Auditors' remuneration				
Auditor of the Company				
Audit fees	0.8	0.7	0.4	0.4
Non-audit fees	1.2	1.0	0.6	0.6
Exchange (gains)/losses, net	(3.2)	13.5	(6.1)	19.1

Notes to the Financial Statements

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6 Finance Charges (in \$ million)

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Interest expense:				
– bonds	8.8	–	8.8	–
– leases	23.9	34.9	23.6	34.9
– subsidiaries	–	–	9.2	7.5
– short-term loans	5.2	–	5.2	–
– others	6.0	2.6	–	2.0
	43.9	37.5	46.8	44.4
Commitment fees	0.1	–	0.1	–
	44.0	37.5	46.9	44.4

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

	The Company	
	2001 - 02	2000 - 01
Subsidiary Companies		
– Quoted	87.0	30.4
– Unquoted	40.1	17.1
	127.1	47.5
Associated Companies		
– Quoted	–	0.9
– Unquoted	11.5	11.4
	138.6	59.8

8 Exceptional Items (in \$ million)

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Provision for impairment in value of investment in Air New Zealand	(266.9)	–	(380.6)	–
Recognition of deferred gain on divestment of Eagle Services Asia	202.6	–	–	–
Profit on disposal of investments in Equant N.V.	30.2	–	29.0	–
Profit on disposal of investment in Cargo Community Network	–	–	0.7	–
Gain on liquidation of Auspice	–	–	191.4	–
Loss on liquidation of Star Kingdom	–	–	(8.6)	–
Profit on disposal of 13.0% equity interests in SATS and SIAEC	–	440.1	–	574.6
Ex-gratia bonus payment	–	(134.6)	–	(131.8)
	(34.1)	305.5	(168.1)	442.8

Notes to the Financial Statements

31 March 2002

9 Taxation (in \$ million)

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Current taxation	94.7	140.0	40.4	113.5
Overprovision in prior years	(57.6)	(1.9)	(55.0)	–
Deferred taxation	206.5	91.3	188.1	71.5
Share of joint venture companies' taxation	3.0	2.9	–	–
Share of associated companies' taxation				
– Current	(42.1)	10.1	–	–
– Underprovision in prior years	29.3	–	–	–
	233.8	242.4	173.5	185.0

The current year's taxation charge for the Group and the Company is computed after taking into account expenses not deductible for tax purposes and income not assessable to tax and therefore differs from the amount determined by applying the statutory tax rate to the financial year's profit (refer note 34 to the financial statements for subsequent event in relation to taxation).

A reconciliation of the statutory tax rate to the Group and the Company's effective tax rate applicable to pre-tax profits was as follows:

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Profit before taxation for the year	925.6	1,904.7	740.7	1,607.2
Taxation at statutory tax rate of 24.5%	226.8	466.7	181.5	393.8
Adjustments				
Income not subject to tax	(117.6)	(178.1)	(55.0)	(166.9)
Expenses not deductible for tax purposes	162.2	21.3	101.0	19.8
Higher effective tax rates of other countries	(2.2)	11.6	6.3	12.0
Overprovision in prior years	(28.3)	(1.9)	(55.0)	–
Effect of change in statutory tax rates	–	(90.9)	–	(87.3)
Others	(7.1)	13.7	(5.3)	13.6
Current financial year's taxation charge	233.8	242.4	173.5	185.0

10 Dividends Paid and Proposed (in \$ million)

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Dividends paid :				
Final dividend of 20.0 cents per share				
less 24.5% tax in respect of previous financial year (1999-2000: 20.0 cents per share less 25.5% tax)	184.2	186.3	184.2	186.3
Interim dividend of 3.0 cents per share				
less 24.5% tax (2000-01: 15.0 cents per share less 25.5% tax)	27.6	136.9	27.6	136.9
	211.8	323.2	211.8	323.2

The directors propose that a final tax exempt dividend of 4.0 cents per share (\$48.7 million) and a dividend of 8.0 cents per share less tax at 22.0% (\$76.0 million) amounting to a total of \$124.7 million, be paid for the year ended 31 March 2002.

Notes to the Financial Statements

31 March 2002

11 Earnings Per Share

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Profit attributable to shareholders (in \$ million)	631.7	1,624.8	567.2	1,422.2
Weighted average number of ordinary shares in issue used for computing basic earnings per share (in million)	1,218.2	1,224.8	1,218.2	1,224.8
Adjustment for share options (in million)	–	0.4	–	0.4
Weighted average number of ordinary shares in issue used for computing diluted earnings per share (in million)	1,218.2	1,225.2	1,218.2	1,225.2
Basic earnings per share (cents)	51.9	132.7	46.6	116.1
Diluted earnings per share (cents)	51.9	132.6	46.6	116.1

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

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

12 Share Capital (in \$ million)

	The Company 31 March	
	2002	2001
Authorized share capital		
Ordinary shares		
3,000,000,000 ordinary shares of \$0.50 each (2001: \$1 each)	1,500.0	3,000.0
Special share		
1 special share of \$0.50 each (2001: \$1 each)	#	*
Preference shares		
3,000,000,000 redeemable cumulative preference shares of \$0.50 each (2001: \$1 each)	1,500.0	3,000.0
	3,000.0	6,000.0

Notes to the Financial Statements

31 March 2002

12 Share Capital (in \$ million) (continued)

	The Company 31 March	
	2002	2001
Issued share capital		
Ordinary shares		
Balance at 1 April		
1,220,197,622 (2001: 1,250,532,222) of \$1 each fully paid	1,220.2	1,250.5
Shares repurchased for cancellation during the financial year		
2,054,000 (2000 - 01: 30,334,600)	(2.1)	(30.3)
Capital reduction from \$1 each to \$0.50 each	(609.0)	—
Balance at 31 March		
1,218,143,622 of \$0.50 each (2001: 1,220,197,622 of \$1 each) fully paid	609.1	1,220.2
Special share		
Balance at 1 April		
1 of \$1 each fully paid	*	*
Capital reduction from \$1 each to \$0.50 each	#	—
Balance at 31 March		
1 of \$0.50 each (2001: 1 of \$1 each) fully paid	#	*
	609.1	1,220.2

The value is \$0.50.

* The value is \$1.

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

Pursuant to the share buyback scheme approved by shareholders, the Company purchased 2,054,000 (2000-01: 30,334,600) ordinary shares during the financial year at an average price of \$12.48 (2000-01: \$15.70), amounting to a total cost, including brokerage, of \$25.3 million (2000-01: \$476.0 million).

The Company's ability to operate its existing route network and flight frequency is derived solely from and dependent entirely on the Air Service Agreements ("ASAs") concluded between the Government of Singapore and the governments of other countries. ASAs are therefore critical to the Company's operations. In almost all the ASAs, it is a condition that the Company must at all times be "effectively controlled" and "substantially owned" by Singapore nationals for the tenure of the respective ASAs.

In order to comply with the above requirement, one non-tradeable Special Share of \$0.50 (\$1.00 prior to the capital reduction) was issued to the Minister of Finance. The Special Share enjoys all the rights attached to ordinary shares. In addition, pursuant to Article 3A of the Articles of Association, no resolution may be passed on certain matters without prior written approval of the Special Member.

Included in the authorized share capital are 3,000,000,000 non-tradable redeemable cumulative preference shares of \$0.50 (\$1.00 prior to the capital reduction) which carry full voting rights ("ASA shares"). When issued, the ASA shares will be partially paid to \$0.01 each and will carry equal voting rights as those of ordinary shares, whether partially paid or otherwise. These shares will be issued only when the directors determine that the Company's operating rights under any of the ASAs are threatened by reason of the nationality of the majority shareholders.

Notes to the Financial Statements

31 March 2002

12 Share Capital (in \$ million) (continued)

As at 31 March 2002, the unissued ordinary shares under The Singapore Airlines Limited Employee Share Option Plan were as follows:

- (i) 13,310,630 ordinary shares at \$15.96 per share exercisable between 28 March 2001 and 27 March 2010. Consequent to the capital reduction exercise, the exercise price was adjusted to \$15.34 per share.
- (ii) 11,973,150 ordinary shares at \$17.32 per share exercisable between 3 July 2001 and 2 July 2010. Consequent to the capital reduction exercise, the exercise price was adjusted to \$16.65 per share.
- (iii) 13,286,140 ordinary shares at \$11.96 per share exercisable between 2 July 2002 and 1 July 2011.

13 Reserves

Special non-distributable reserve

In prior years, an amount of \$1,800.0 million was transferred from the general reserve to a special non-distributable reserve to meet deferred tax liabilities that had not been fully provided for in the financial statements.

Effective 1 April 2001, the Company adopted SAS 12 (2001) Income Taxes. In accordance with SAS 12 (2001), the Company recognizes deferred tax for all taxable temporary differences. With the change in this accounting policy, the \$1,800.0 million previously set-aside as a special non-distributable reserve was utilized.

14 Deferred Accounts (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Deferred gain on sale and leaseback transactions	591.9	530.8	562.2	530.8
Deferred gain on divestments	—	202.6	—	—
Deferred taxation (note 15)	2,664.5	2,425.6	2,205.9	2,298.1
Deferred revenue	196.5	157.5	196.5	157.5
	3,452.9	3,316.5	2,964.6	2,986.4

In June 1998, SIA Engineering Company Limited (SIAEC) divested its 51% interest in Eagle Services Asia Private Limited (ESA) to Pratt & Whitney Holdings LLC (PWHLLC) at a gain of \$202.6 million.

Under the various agreements effecting the transaction, PWHLLC had the option up to 2005 to require SIAEC to buy back all the ESA shares in the event that certain specified engine base loads under the SIA Maintenance Service Agreement are not achieved. SIAEC also holds the option to 2003 to require PWHLLC to sell back all its ESA shares in the event that specified fleet readiness targets under the SIA Maintenance Service Agreement were not met.

In March 2000, the Company agreed to assume the obligations to PWHLLC requiring SIAEC to repurchase all the ESA shares if the Company's engine base loads to ESA fell below certain agreed trigger levels. Since SIAEC was no longer subject to conditions under which it could be required to repurchase PWHLLC's ESA shares, it recognized an exceptional profit from the sale of ESA shares of \$202.6 million in the financial year ended 31 March 2000.

In view of the possibility that the options could still be exercised, the directors were of the view that it would be prudent not to recognize the profit from the sale of ESA shares in the Group's financial statements until such time as either the specified engine base loads or fleet readiness targets could be met and the likelihood of the options being exercised was removed or assessed to be remote. Accordingly, the profit from divestment of ESA was reflected as deferred income on the Group balance sheet as at 31 March 2001.

PWHLLC has agreed to waive the obligations requiring the Company to repurchase the ESA shares, and as a result the profit from divestment of 51% of SIAEC's interest in ESA has been recognized in the Group's financial statements for March 2002.

Notes to the Financial Statements

31 March 2002

15 Deferred Taxation (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Balance at April 1				
As previously reported	624.0	457.7	519.8	365.8
Change in accounting policies (see note 2)	1,816.3	1,876.6	1,789.8	1,860.8
As restated	2,440.3	2,334.3	2,309.6	2,226.6
Provided during the financial year	206.5	91.3	188.1	71.5
Transfer to Singapore Airlines Cargo	–	–	(309.5)	–
Underprovision of prior years	17.7	–	17.7	–
Balance at 31 March	2,664.5	2,425.6	2,205.9	2,298.1
The deferred taxation arises as a result of:				
Deferred tax liabilities				
An excess of net book value over tax written down value of fixed assets	2,769.2	2,554.2	2,257.0	2,379.8
Other timing differences	131.1	124.6	116.4	110.6
Gross deferred tax liabilities	2,900.3	2,678.8	2,373.4	2,490.4
Deferred tax assets				
Unabsorbed capital allowances and tax losses	119.5	53.5	53.8	–
Other deferred tax assets	116.3	199.7	113.7	192.3
Gross deferred tax assets	235.8	253.2	167.5	192.3
Net deferred tax liability	2,664.5	2,425.6	2,205.9	2,298.1

16 Long-Term Liabilities (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Notes payable	1,100.0	200.0	900.0	–
Repayable within one year	–	–	–	–
Repayable after one year	1,100.0	200.0	900.0	–
Loans – unsecured	223.1	4.0	220.0	–
Repayable within one year	(221.6)	(0.6)	(220.0)	–
Repayable after one year	1.5	3.4	–	–
Finance lease commitments	869.7	592.1	606.8	592.1
Repayable within one year	(42.3)	–	–	–
Repayable after one year	827.4	592.1	606.8	592.1
	1,928.9	795.5	1,506.8	592.1

Notes payable comprise unsecured long-term notes issued by the Company, which bear interest at 4.15% (2000-01: nil) per annum and are repayable on 19 December 2011, and unsecured medium-term notes issued by Singapore Airport Terminal Services Limited (SATS), which bear interest at 2.94% (2000-01: 2.94%) per annum and are repayable on 29 March 2004.

Interest rates on unsecured loans are charged at a range from 0.87% to 2.38% (2000-01: 2.47% to 3.90%) per annum.

Notes to the Financial Statements

31 March 2002

16 Long-Term Liabilities (in \$ million) (continued)

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

Company

	Amounts payable by 31 March		Debts payable to 31 March	
	2002	2001	2002	2001
Not later than two years	2,448.3	2,684.2	1,437.1	1,591.5
Later than two years but not later than five years	467.9	(9.2)	55.0	7.2
Later than five years but not later than ten years	1,041.3	603.6	170.7	157.8
	3,957.5	3,278.6	1,662.8	1,756.5

SATS

	Amounts payable by 31 March		Debts payable to 31 March	
	2002	2001	2002	2001
Not later than two years	242.2	38.4	47.6	14.2
Later than two years but not later than five years	48.0	200.0	54.2	6.9
Later than five years but not later than ten years	–	47.4	–	47.4
	290.2	285.8	101.8	68.5

Finance leases

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

During the year, SIA sub-leased both aircraft to Singapore Airlines Cargo under identical terms and conditions as part of Cargo Division's corporatization. Singapore Airlines Cargo paid the entire outstanding lease liabilities by issuing ordinary shares at par for cash to SIA.

Interest rates on the finance lease commitments are charged at a margin above the London Interbank Offer Rate (LIBOR). These ranged from 2.28% to 2.38% (2000-01 : 5.77% to 5.96%) per annum.

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

Interest on Singapore Airlines Cargo's finance lease commitment is charged at a margin above the London Interbank Offer Rate (LIBOR). This ranged from 2.75% to 5.78% (2000-01 : 5.77% to 5.96%) per annum.

Notes to the Financial Statements

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16 Long-Term Liabilities (in \$ million) (continued)

Future lease payments under these finance leases are as follows:

	The Group 31 March		2001		The Company 31 March		2001	
	2002	2001	2002	2001	2002	2001	2002	2001
	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal
Within one year	63.1	42.3	28.4	(2.3)	11.5	(2.4)	28.4	(2.3)
After one year but not more than five years	630.6	527.4	113.2	(9.2)	523.4	468.2	113.2	(9.2)
More than five years	340.0	300.0	636.2	603.6	143.4	141.0	636.2	603.6
Total future lease payments	1,033.7	869.7	777.8	592.1	678.3	606.8	777.8	592.1
Amounts representing interest	(164.0)	–	(185.7)	–	(71.5)	–	(185.7)	–
Principal value of long- term commitments under finance leases	869.7	869.7	592.1	592.1	606.8	606.8	592.1	592.1

As at 31 March 2002, there are lease obligations amounting to \$359.4 million (2001: \$1,040.0 million) which are covered by funds amounting to \$360.7 million (2001: \$1,042.3 million) placed with financial institutions under defeasance and other arrangements which have not been included in these financial statements.

The Company continues to remain the primary obligor under the lease agreements and as such, there are contingent liabilities (secured) of \$359.4 million (2001: \$1,040.0 million) in respect of unpaid lease commitments.

Operating leases

The Company has 15 B747-400s, 1 B777-200 and 6 CFM-56 engines under operating leases with fixed rental rates. The lease terms range from 4 to 10 years for the B747-400 and B777-200 aircraft, and 2 to 3.5 years for the CFM-56 engines. In 10 of the B747-400 lease agreements, the Company holds options to extend the leases for a further maximum period of 2 years. None of the operating agreements confer on the Company an option to purchase the related aircraft or engines. Sub-leasing is allowed under all the lease arrangements.

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

Aircraft

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Within one year	445.4	357.0	445.4	357.0
After one year but not more than five years	1,315.6	1,285.8	1,315.6	1,285.8
More than five years	325.9	290.1	325.9	290.1
Total future lease payments	2,086.9	1,932.9	2,086.9	1,932.9

Property and equipment

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Within one year	10.0	11.5	7.2	8.0
After one year but not more than five years	21.3	22.2	10.5	10.0
More than five years	41.6	44.0	–	–
Total future lease payments	72.9	77.7	17.7	18.0

Notes to the Financial Statements

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17 Fixed Assets (in \$ million)

The Group

	1 April 01	Additions	Disposals/ Transfer	Provision for impairment	31 March 02
Cost					
Aircraft	13,654.7	3,425.7	(1,747.6)	–	15,332.8
Aircraft spares	1,276.2	480.2	(366.0)	(1.7)	1,388.7
Aircraft spare engines	554.7	60.2	(75.4)	–	539.5
Freehold land and buildings	234.2	–	–	–	234.2
Leasehold land and buildings	1,239.7	218.3	(1.6)	–	1,456.4
Plant and equipment	902.2	145.4	(15.2)	–	1,032.4
Office and computer equipment	446.5	134.6	(24.6)	(0.1)	556.4
	18,308.2	4,464.4	(2,230.4)	(1.8)	20,540.4
Advances and progress payments	2,594.3	2,725.5	(3,327.0)	–	1,992.8
	20,902.5	7,189.9	(5,557.4)	(1.8)	22,533.2
Accumulated depreciation					
Aircraft	5,745.6	691.1	(826.2)	–	5,610.5
Aircraft spares	618.6	74.7	(26.6)	–	666.7
Aircraft spare engines	182.6	28.7	(25.8)	–	185.5
Freehold land and buildings	110.7	6.3	–	–	117.0
Leasehold land and buildings	420.6	47.0	(1.4)	–	466.2
Plant and equipment	594.4	75.0	(18.7)	–	650.7
Office and computer equipment	367.0	46.6	(19.9)	–	393.7
	8,039.5	969.4	(918.6)	–	8,090.3
Net book value	12,863.0				14,442.9

	Depreciation		Net Book Value	
	2001 - 02	2000 - 01	31 March 02	31 March 01
Aircraft	691.1	890.9	9,722.3	7,909.1
Aircraft spares	74.7	67.7	722.0	657.6
Aircraft spare engines	28.7	40.2	354.0	372.1
Freehold land and buildings	6.3	6.3	117.2	123.5
Leasehold land and buildings	47.0	40.4	990.2	819.1
Plant and equipment	75.0	65.1	381.7	307.8
Office and computer equipment	46.6	34.5	162.7	79.5
	969.4	1,145.1	12,450.1	10,268.7
Advances and progress payments			1,992.8	2,594.3
			14,442.9	12,863.0

Notes to the Financial Statements

31 March 2002

17 Fixed Assets (in \$ million) (continued)

The Company

	1 April 01	Additions	Disposals/ Transfer	31 March 02
Cost				
Aircraft	13,309.7	2,774.3	(3,541.7)	12,542.3
Aircraft spares	1,222.8	473.3	(363.7)	1,332.4
Aircraft spare engines	531.7	60.2	(112.8)	479.1
Freehold land and buildings	238.0	–	–	238.0
Leasehold land and buildings	535.3	3.9	–	539.2
Plant and equipment	311.9	26.6	(9.4)	329.1
Office and computer equipment	362.8	98.4	(16.6)	444.6
	16,512.2	3,436.7	(4,044.2)	15,904.7
Advances and progress payments	2,296.7	2,699.9	(3,250.2)	1,746.4
	18,808.9	6,136.6	(7,294.4)	17,651.1
Accumulated depreciation				
Aircraft	5,704.9	591.7	(1,281.7)	5,014.9
Aircraft spares	597.8	70.3	(23.4)	644.7
Aircraft spare engines	178.7	26.5	(49.2)	156.0
Freehold land and buildings	110.0	6.2	–	116.2
Leasehold land and buildings	262.2	15.8	–	278.0
Plant and equipment	191.7	34.1	(8.3)	217.5
Office and computer equipment	301.9	35.1	(14.4)	322.6
	7,347.2	779.7	(1,377.0)	6,749.9
Net book value	11,461.7			10,901.2

	Depreciation		Net Book Value	
	2001 - 02	2000 - 01	31 March 02	31 March 01
Aircraft	591.7	869.2	7,527.4	7,604.8
Aircraft spares	70.3	66.3	687.7	625.0
Aircraft spare engines	26.5	37.3	323.1	353.0
Freehold land and buildings	6.2	6.3	121.8	128.0
Leasehold land and buildings	15.8	15.6	261.2	273.1
Plant and equipment	34.1	33.4	111.6	120.2
Office and computer equipment	35.1	26.7	122.0	60.9
	779.7	1,054.8	9,154.8	9,165.0
Advances and progress payments			1,746.4	2,296.7
			10,901.2	11,461.7

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Net book value of fixed assets acquired under finance leases – aircraft	410.8	517.0	–	517.0
	410.8	517.0	–	517.0

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

Notes to the Financial Statements

31 March 2002

18 Subsidiary Companies (in \$ million)

	The Company 31 March	
	2002	2001
Investment in subsidiary companies (at cost)		
Quoted equity investments	*	*
Unquoted equity investments	1,710.3	317.0
	1,710.3	317.0
Impairment loss	(9.8)	(9.8)
	1,700.5	307.2
Loans to subsidiary companies	693.2	722.3
Funds from subsidiary companies	(712.1)	(349.4)
	1,681.6	680.1
Amounts owing by subsidiary companies	196.5	18.9
Amounts owing to subsidiary companies	(243.6)	(231.9)
	1,634.5	467.1
Market value of quoted equity investments	3,506.1	2,227.2

* The value is \$2

Loans to subsidiary companies are unsecured and have repayment terms of up to 10 years. Funds from subsidiary companies are unsecured and have varying repayment terms. Interest on loans to subsidiary companies is computed using variously LIBOR, SIBOR and SGD Swap-Over Rates, and applying agreed margins. Interest on funds from subsidiary companies is computed using prevailing market rates which range from 0.22% to 3.73% (2000-01: 1.06% to 3.88%) per annum for SGD funds, and from 1.70% to 5.25% (2000-01: 4.92% to 6.80%) per annum for USD funds. Interest on loans to subsidiary companies is computed using variously LIBOR, SIBOR and SGD Swap-Over Rates, and applying agreed margins.

Amounts owing to/by subsidiary companies are trade-related and are interest-free.

Notes to the Financial Statements

31 March 2002

18 Subsidiary Companies (in \$ million) (continued)

The subsidiary companies at 31 March 2002 were:-

Principal activities		Country of incorporation & place of business	Cost (in \$ million)		Percentage of equity held by the Group	
			2002	2001	2002	2001
Singapore Airport Terminal Services Limited	Investment holding company	Singapore	#	#	87	87
SATS Airport Services Pte Ltd	Airport cargo, apron and passenger services	– do –	16.50	16.50	87	87
SATS Catering Pte Ltd	Catering services	– do –	14.00	14.00	87	87
SATS Security Services Private Limited	Security services	– do –	3.00	3.00	87	87
Aero Laundry & Linen Services Private Limited	Laundry services	– do –	2.52	2.52	87	87
Asia-Pacific Star Pte Ltd	Dormant company	– do –	–	–	87	87
Aerolog Express Pte Ltd	Air cargo delivery services	– do –	1.26	–	61	–
SIA Engineering Company Limited	Engineering services	– do –	#	#	87	87
Singapore Jamco Private Limited	Manufacture of aircraft cabin equipment	– do –	3.82	2.86	57	44
SIAEC Services Pte Ltd	Investment holding company	– do –	1.46	1.46	87	87
Singapore Airlines Cargo Private Limited	Air cargo transportation	– do –	1,405.00	##	100	100
SilkAir (Singapore) Private Limited	Air transportation	– do –	240.00	240.00	100	100
Tradewinds Tours & Travel Private Limited	Tour wholesaling	– do –	4.00	4.00	100	100
Singapore Aviation and General Insurance Company (Pte) Limited	Aviation insurance	– do –	20.00	20.00	100	100
SIA Properties (Pte) Ltd	Provision of building management	– do –	24.00	24.00	100	100
Singapore Flying College Pte Ltd	Training of pilots	– do –	8.00	8.00	100	100
Sing-Bi Funds Private Limited	Dormant company	– do –	0.01	0.01	100	100
Singapore Airport Duty-Free Emporium (Private) Limited	Dormant company	– do –	11.73	11.73	97	97
Abacus Travel Systems Pte Ltd	Marketing of Abacus reservations systems	– do –	2.44	2.44	61	61
Cargo Community Network Pte Ltd	Provision and marketing of Cargo Community Systems	– do –	3.06	3.06	51	51
Auspice Limited	Liquidated	Channel Islands	–	0.03	–	100
Star Kingdom Investment Limited*	Voluntary liquidation	Hong Kong	–	8.61	–	100
SH Tours Ltd**	Liquidated	United Kingdom	–	0.87	–	100
Singapore Airlines (Mauritius) Ltd*	Aircraft Leasing	Mauritius	###	###	100	100
SIA Mauritius Ltd**	Pilot recruitment	– do –	#	#	100	100
Aviation Software Development Consultancy India Ltd@	Airline software development	India	0.82	0.82	51	51

The value is \$1

The value is \$2

The value is \$3

* Audited by associated firms of Ernst & Young, Singapore.

** Not required to be audited in country of incorporation.

@ Audited by another firm.

Notes to the Financial Statements

31 March 2002

19 Associated Companies (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Investment in associated companies (at cost)				
Quoted equity investment (Air NZ)	–	403.4	–	403.4
Unquoted equity investments	1,937.2	1,909.7	1,689.6	1,698.2
	1,937.2	2,313.1	1,689.6	2,101.6
Impairment loss	(25.6)	(25.6)	(9.4)	(9.4)
	1,911.6	2,287.5	1,680.2	2,092.2
Goodwill written-off	(1,604.4)	(1,706.3)	–	–
Amortization of goodwill	(5.1)	–	–	–
Currency realignment	20.8	12.9	–	–
Share of post acquisition profits less losses of associated companies	43.0	100.1	–	–
	365.9	694.2	1,680.2	2,092.2
Loans to associated companies	19.6	20.7	7.2	7.2
Amounts owing by associated companies	0.3	0.5	–	–
	385.8	715.4	1,687.4	2,099.4
Market value of quoted equity investment	–	192.5	–	192.5

On 18 January 2002, Air NZ issued an additional 2,166,666,667 ordinary shares and 1,279,866,438 convertible preference shares at NZ\$0.27 and NZ\$0.24 each respectively, to the Government of New Zealand pursuant to the recapitalization package. Consequently, the Company's equity interest in Air NZ was diluted from 25.0% to 6.47%. As a result, the Group ceased to equity account the results of Air NZ and reclassified the net carrying amount of the Air NZ investment under long-term investments (refer note 21 to the financial statements).

The share of Virgin Atlantic's 2001-02 results in the Group profit and loss account included the share of exceptional one-off costs relating to the 11 September 2001 incident, including the costs of redundancy payments, parking fees, and other disruption costs.

During the year, Singapore Airport Terminal Services Limited (SATS) entered into the following transactions:

- (i) increased its stake in Evergreen Airline Services Corporation (EGAS) from 19.2% to 20.0% on 14 May 2001 at a cost of \$4.9 million on 14 May 2001, and reclassified the EGAS investment from long-term investment to associated companies; and
- (ii) acquired a 20.0% equity interest in Evergreen Air Cargo Services Corporation at a cost of \$13.1 million on 23 May 2001.
- (iii) acquired a 49.0% equity interest in TAJ SATS Air Catering at a cost of \$31.3 million on 1 October 2001. Goodwill arising from this acquisition amounting to \$8.6 million was capitalized and amortized over a period of ten years.

During the year, pursuant to the satisfaction of conditions stipulated in the sale and purchase agreement by the vendor, the consideration for SIA Engineering Company Limited (SIAEC)'s acquisition of its 30% interest in Rohr Aero Services-Asia Pte Ltd was adjusted and an additional \$1.0 million was paid. The additional consideration paid gave rise to a goodwill of \$1.0 million which was written off to the profit and loss account.

As part of its capital reduction exercise, \$5.4 million was returned to SIAEC by Combustor Airmotive Services Pte Ltd (CAS). SIAEC's equity interest in CAS remained unchanged at 49%.

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

Amounts owing by associated companies are trade-related and are interest free.

Notes to the Financial Statements

31 March 2002

19 Associated Companies (in \$ million) (continued)

The associated companies at 31 March 2002 were:-

		Country of incorporation & place of business	Cost (in \$ million)		Percentage of equity held by the Group	
Principal activities			2002	2001	2002	2001
Service Quality (SQ) Centre Pte Ltd	Quality service training	Singapore	#	#	50	50
Asian Frequent Flyer Pte Ltd	Voluntary liquidation	– do –	0.05	0.05	33.3	33.3
Ritz-Carlton, Millenia Singapore Properties Private Limited	Hotel ownership and management	– do –	30.30	30.28	20	20
Servair-SATS Holding Company Pte Ltd	Investment holding company	– do –	0.51	0.51	43	43
Combustor Airmotive Services Pte Ltd	Repair of engine combustion chambers	– do –	3.01	8.41	43	43
Fuel Accessory Service Technologies Pte Ltd	Repair and overhaul engine fuel components and accessories	– do –	5.07	5.07	43	43
Messier Services Asia Pte Ltd	Repair and overhaul of landing gear	– do –	13.97	13.97	35	35
Rohr Aero-Services-Asia Pte Ltd	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	– do –	27.18	26.13	26	26
Asian Surface Technologies Pte Ltd	Fan blade repair and coating services	– do –	6.38	6.38	25	25
Turbine Coating Services Pte Ltd	Perform PW400 turbine airfoil repair	– do –	5.67	5.67	21	21
Eagle Services Asia Private Limited	Repair and overhaul of aircraft engines	– do –	71.59	71.59	43	43
Maldives Inflight Catering Private Limited	Catering services	Maldives	0.29	0.29	30	30
Beijing Airport Inflight Kitchen Limited	Catering services	People's Republic of China	13.88	13.88	35	35
Beijing Aviation Ground Services Company Ltd	Ground handling	– do –	5.71	5.71	35	35
Asia Leasing Limited	Aircraft leasing	Bermuda	10.88	10.88	21	21
PT Purosani Sri Persada	Hotel ownership and management	Indonesia	5.80	5.80	20	20
PT Pantai Indah Tatelli	Hotel ownership and management	– do –	7.10	7.10	20	20
Aviserv Ltd	Catering services	Pakistan	3.31	3.31	43	43
Asia Airfreight Terminal Company Ltd	Cargo handling services	Hong Kong	16.16	16.16	21	21
Pan Asia Pacific Aviation Services Limited	Engineering services	– do –	5.37	5.37	41	41
Tan Son Nhat Cargo Services Ltd	Cargo handling services	Vietnam	1.96	1.96	26	26
TAJ SATS Air Catering	Catering services	India	31.26	–	43	–
Taj Madras Flight Kitchen Private Limited	Catering services	– do –	1.90	1.90	26	26

Notes to the Financial Statements

31 March 2002

19 Associated Companies (in \$ million) (continued)

The associated companies at 31 March 2002 were:-

			Cost (in \$ million)		Percentage of equity held by the Group	
	Principal activities	Country of incorporation & place of business	2002	2001	2002	2001
Evergreen Air Cargo Services Corporation @	Cargo handling services	Taiwan	13.06	8.54	17	20
Evergreen Airline Services Corporation	Ground handling	– do –	4.89	–	17	–
Asian Compressor Technology Services Company Ltd	Repair of aircraft engines and compressors	– do –	4.10	4.10	21	21
MacroAsia-Eurest Catering Services	Catering services	Philippines	2.03	2.03	17	17
PWA International Limited	Re-manufacture of aircraft turbine engine cases, component thereof and related parts	Ireland	6.22	6.22	43	43
Virgin Atlantic Limited	Air transportation	UK	1,648.39	1,648.39	49	49
Air New Zealand Limited *	Air transportation	New Zealand	–	403.42	–	25

The value is \$1.

* Air New Zealand (Air NZ) was reclassified as a long-term investment following the dilution of the equity interest from 25% to 6.47% arising from Air NZ's recapitalization package in January 2002.

@ The Company's equity interest in Evergreen Air Cargo Services Corporation was sold to Singapore Airport Terminal Services Limited in May 2001.

20 Joint Venture Companies (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Investment in joint venture companies (unquoted, at cost)	158.4	144.8	107.9	107.9
Share of post acquisition reserves				
– general reserve	76.7	59.6	–	–
– foreign currency translation reserve	35.1	27.7	–	–
– capital reserve	6.9	6.9	–	–
	277.1	239.0	107.9	107.9

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

	The Group 31 March	
	2002	2001
Profit before taxation	20.5	27.0
Taxation	(3.0)	(2.9)
	17.5	24.1

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

	The Group 31 March	
	2002	2001
Fixed and other non-current assets	1,185.8	893.6
Current assets	85.0	57.9
Current liabilities	(257.7)	(77.0)
Long-term liabilities	(736.0)	(635.5)
	277.1	239.0

Notes to the Financial Statements

31 March 2002

20 Joint Venture Companies (in \$ million) (continued)

The joint venture companies at 31 March 2002 were:-

	Principal activities	Country of incorporation & place of business	Cost (in \$ million)		Percentage of equity held by the Group	
			2002	2001	2002	2001
Singapore Aircraft Leasing Enterprise Pte Ltd	Aircraft leasing	Singapore	107.92	107.92	35.5	35.5
International Engine Component Overhaul Pte Ltd	Repair of aircraft components	– do –	11.97	11.97	44	44
Singapore Aero Engine Services Pte Ltd	Repair and maintain Trent aero engines	– do –	38.52	24.88	44	44

During the financial year, SIA Engineering Company Limited (SIAEC) made additional capital contribution of \$13.6 million in Singapore Aero Engine Services Private Limited in accordance with the joint venture agreement.

21 Long-Term Investments (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Quoted investments at cost				
Equity investments	432.0	28.7	432.0	28.7
Amount written-down	(380.6)	–	(380.6)	–
	51.4	28.7	51.4	28.7
Non-equity investments	375.6	340.9	375.6	340.9
	427.0	369.6	427.0	369.6
Unquoted investments at cost				
Trade investments	76.0	77.7	48.2	42.8
Non-equity investments	44.2	70.3	44.2	70.3
	120.2	148.0	92.4	113.1
Amounts written-down	(16.5)	(20.3)	(16.5)	(15.4)
	103.7	127.7	75.9	97.7
Long-term loan	59.7	58.7	–	–
	590.4	556.0	502.9	467.3
Market value of quoted investments				
Equity investments	95.0	38.7	95.0	38.7
Non-equity investments	372.7	337.7	372.7	337.7
	467.7	376.4	467.7	376.4

During the financial year, Air New Zealand (Air NZ) was reclassified as a long-term investment following the dilution of the Group's equity interest from 25% to 6.47% arising from Air NZ's recapitalization package (refer note 19 to the financial statements).

Non-equity investments of \$419.8 million (2001 : \$411.2 million) relates to interest-bearing investments with an effective annual interest rate of 4.21% (2000-01 : 6.68%).

Notes to the Financial Statements

31 March 2002

22 Trade Debtors (in \$ million)

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

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Balance at 1 April	91.7	111.9	59.8	56.4
(Write-back)/charged to profit and loss account	(6.9)	(20.2)	0.5	3.4
Balance at 31 March	84.8	91.7	60.3	59.8
Bad debts (recovered)/written-off directly to profit and loss account	—	(5.8)	0.9	1.1

Loans to directors of the Company and its subsidiary companies in accordance with schemes approved by shareholders of the Company amounted to \$0.9 million (2001: \$0.9 million).

23 Stocks (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Technical stocks and stores	20.4	16.2	7.1	6.3
Catering and general stocks	29.7	30.1	22.5	20.2
Work-in-progress	16.9	8.1	—	—
	67.0	54.4	29.6	26.5

24 Investments (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Quoted at cost				
Government securities	2.4	247.2	—	—
Equity investments	18.9	18.0	—	—
Non-equity investments	13.6	248.0	—	—
	34.9	513.2	—	—
(Write-down)/write-back of diminution in value				
Government securities	—	(2.7)	—	—
Equity investments	—	(0.7)	—	—
Non-equity investments	(0.7)	1.6	—	—
	(0.7)	(1.8)	—	—
	34.2	511.4	—	—
Market value of quoted investments				
Government securities	2.4	244.5	—	—
Equity investments	21.9	17.4	—	—
Non-equity investments	13.1	249.9	—	—
	37.4	511.8	—	—

25 Cash and Bank Balances (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Fixed deposits	531.5	1,136.1	438.0	760.4
Cash on hand and in banks	560.1	136.2	416.9	106.6
	1,091.6	1,272.3	854.9	867.0

Notes to the Financial Statements

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26 Trade Creditors (in \$ million)

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Trade creditors	1,769.9	2,354.3	1,166.4	1,838.2
Provision for aircraft maintenance and overhaul	–	110.8	–	97.7
	1,769.9	2,465.1	1,166.4	1,935.9

Effective 1 April 2001, the Company and the Group recognize the cost incurred for engine overhaul and heavy maintenance visits on an incurred basis. The change in the accounting policy resulted in a pre-tax write-back of \$59.9 million for the Group and \$46.8 million for the Company to the opening balance of the general reserves for 2001-02. The tax effect of \$14.8 million for the Group and \$11.5 million for the Company had also been adjusted against the opening balance of the general reserves for 2001-02.

27 Cash Flow from Operating Activities (in \$ million)

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Operating profit	983.4	1,346.7	482.3	983.4
Adjustments for:-				
Depreciation of fixed assets	969.4	1,145.1	779.7	1,054.8
Income from investments and deposits	(64.6)	(127.5)	(65.6)	(110.7)
Write-back of provision for aircraft maintenance and overhaul, net	–	(104.8)	–	(109.4)
Provision for diminution in value of long-term investments	1.1	14.4	1.1	14.4
Provision for impairment in value of associated companies	–	3.5	–	9.4
Amortization of goodwill	5.1	–	–	–
Provision for loans to associated companies	–	2.6	–	–
Surplus on sale of long-term investments	(5.0)	(3.1)	(4.3)	(0.1)
Surplus on sale of fixed assets other than aircraft and spares	(2.9)	(2.4)	(0.1)	(2.2)
Surplus on sale of associated companies	–	–	(0.2)	–
Exchange differences	(0.8)	(6.4)	(9.4)	(5.6)
Provision for impairment of fixed assets	1.8	9.0	–	–
Amortization of deferred gain on sale and leaseback of aircraft and spare engines	(121.2)	(100.8)	(121.0)	(100.8)
Operating profit before working capital changes	1,766.3	2,176.3	1,062.5	1,733.2
(Decrease)/Increase in trade creditors and deferred accounts	(765.4)	255.8	(813.2)	116.2
Decrease in investments	477.2	200.2	–	–
Increase in sales in advance of carriage	34.0	67.6	59.7	65.5
(Increase)/decrease in debtors	(117.6)	(57.9)	185.4	(28.0)
(Increase)/decrease in stocks	(12.6)	2.3	(3.1)	1.9
Increase in amounts owing to subsidiary and associated companies	–	–	47.6	280.7
Increase in deferred revenue	39.0	–	39.0	–
Decrease in amounts owing by subsidiary and associated companies	0.2	0.4	–	–
Cash generated from operations	1,421.1	2,644.7	577.9	2,169.5
Interest paid	(22.3)	(37.2)	(25.1)	(44.1)
Income taxes paid	(40.7)	(280.5)	(6.6)	(224.7)
Interest/dividends received from investments and deposits	76.4	124.1	74.1	90.5
Net cash provided by operating activities	1,434.5	2,451.1	620.3	1,991.2

Notes to the Financial Statements

31 March 2002

28 Analysis of Capital Expenditure Cash Flow (in \$ million)

	The Group		The Company	
	2001 - 02	2000 - 01	2001 - 02	2000 - 01
Purchase of fixed assets	3,862.9	2,589.0	2,882.2	2,336.1
Less: Assets acquired under credit terms	(330.5)	(33.5)	–	–
Cash invested in capital expenditure	3,532.4	2,555.5	2,882.2	2,336.1

29 Capital and Other Commitments (in \$ million)

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

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Authorized and contracted for	16,267.0	17,638.5	14,501.8	17,333.5
Authorized but not contracted for	672.0	946.1	4.7	13.7
	16,939.0	18,584.6	14,506.5	17,347.2

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

	Joint venture company 31 March	
	2002	2001
Authorized and contracted for	1,021.2	1,169.2

The commitments relate principally to the acquisition of aircraft fleet and related equipment. Included in the Group's share of capital commitments of the joint venture company are certain commitments assigned by the Company to the joint venture company. The Company remains contingently liable for those commitments of \$420.6 million (2001: \$654.4 million).

30 Contingent Liabilities

Flight SQ006

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

Flight MI 185

Following the crash of flight MI 185 en route from Jakarta to Singapore on 19 December 1997, which resulted in the tragic loss of the aircraft and all its 104 passengers and crew, the directors have considered its likely impact on the financial position of the Company and the Group. Taking into account the remaining 6 outstanding claims resulting from the accident and the insurance cover carried, the directors do not consider that the final settlement of the remaining claims will result in a material adverse financial effect on the Company and the Group.

There are contingent liabilities in respect of guarantees given by the Group and the Company at 31 March 2002 amounting to \$125.2 million (2001 : \$47.3 million) and \$52.8 million (2001 : \$25.0 million) respectively. \$34.7 million of the Group's liabilities are secured with a deposit placement.

Notes to the Financial Statements

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31 Employee Benefits

	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Number of employees at 31 March	29,515	29,114	14,254	14,744
<u>Staff costs (including Executive Directors) (in \$ million)</u>				
Salary, bonuses and other costs	1,629.2	1,949.2	1,046.9	1,269.6
CPF and other defined contributions	150.0	144.2	82.0	77.4
	1,779.2	2,093.4	1,128.9	1,347.0

Share option plans

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

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

- (a) one year after the date of grant for 25% of the ordinary shares subject to the options;
- (b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
- (c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
- (d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

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

	SIA ESOP		SATS ESOP		SIAEC ESOP	
	2002	2001	2002	2001	2002	2001
Outstanding at 1 April	25,668,300	13,562,150	32,452,600	18,435,900	29,339,600	15,204,050
Granted	13,348,840	12,258,890	15,350,200	14,788,900	15,516,700	14,246,950
Exercised	–	–	–	–	–	–
Cancelled	(447,220)	(152,740)	(492,100)	(119,900)	(277,900)	(27,200)
Adjustments	–	–	–	(652,300)	–	(84,200)
Outstanding at 31 March	38,569,920	25,668,300	47,310,700	32,452,600	44,578,400	29,339,600
Exercisable at 31 March	12,210,541	1,288,237	17,959,200	275,150	14,997,511	322,012

Details of share options granted during the financial year:-

	SIA ESOP		SATS ESOP		SIAEC ESOP	
	2002	2001	2002	2001	2002	2001
Expiry date	1.7.2011	2.7.2010	1.7.2011	2.7.2010	1.7.2011	2.7.2010
Exercise price	\$11.96	\$16.65	\$1.54	\$2.10	\$1.41	\$1.95

Notes to the Financial Statements

31 March 2002

31 Employee Benefits (continued)

Terms of share options outstanding as at 31 March 2002:-

SIA ESOP

Exercise period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	\$15.34	1,288,237	1,288,237
28.3.2002 – 27.3.2010	\$15.34	9,445,917	9,445,917
28.3.2003 – 27.3.2010	\$15.34	1,288,237	–
28.3.2004 – 27.3.2010	\$15.34	1,288,239	–
3.7.2001 – 2.7.2010	\$16.65	1,476,387	1,476,387
3.7.2002 – 2.7.2010	\$16.65	7,543,987	–
3.7.2003 – 2.7.2010	\$16.65	1,476,387	–
3.7.2004 – 2.7.2010	\$16.65	1,476,389	–
2.7.2002 – 1.7.2011	\$11.96	1,770,886	–
2.7.2003 – 1.7.2011	\$11.96	7,973,481	–
2.7.2004 – 1.7.2011	\$11.96	1,770,886	–
2.7.2005 – 1.7.2011	\$11.96	1,770,887	–
Total number of options issued		38,569,920	12,210,541

SATS ESOP

Exercise period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	\$2.50	275,150	275,150
28.3.2002 – 27.3.2010	\$2.50	17,324,550	17,324,550
28.3.2003 – 27.3.2010	\$2.50	275,150	–
28.3.2004 – 27.3.2010	\$2.50	275,150	–
3.7.2001 – 2.7.2010	\$2.10	359,500	359,500
3.7.2002 – 2.7.2010	\$2.10	12,838,800	–
3.7.2003 – 2.7.2010	\$2.10	359,500	–
3.7.2004 – 2.7.2010	\$2.10	359,500	–
2.7.2002 – 1.7.2011	\$1.54	469,300	–
2.7.2003 – 1.7.2011	\$1.54	13,835,500	–
2.7.2004 – 1.7.2011	\$1.54	469,300	–
2.7.2005 – 1.7.2011	\$1.54	469,300	–
Total number of options issued		47,310,700	17,959,200

SIAEC ESOP

Exercise period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	\$2.05	322,012	322,012
28.3.2002 – 27.3.2010	\$2.05	14,113,612	14,113,612
28.3.2003 – 27.3.2010	\$2.05	322,013	–
28.3.2004 – 27.3.2010	\$2.05	322,013	–
3.7.2001 – 2.7.2010	\$1.95	561,887	561,887
3.7.2002 – 2.7.2010	\$1.95	12,382,087	–
3.7.2003 – 2.7.2010	\$1.95	561,888	–
3.7.2004 – 2.7.2010	\$1.95	561,888	–
2.7.2002 – 1.7.2011	\$1.41	772,550	–
2.7.2003 – 1.7.2011	\$1.41	13,113,350	–
2.7.2004 – 1.7.2011	\$1.41	772,550	–
2.7.2005 – 1.7.2011	\$1.41	772,550	–
Total number of options issued		44,578,400	14,997,511

The Company contributes to several post-employment defined benefit plans for certain employees at several overseas locations. Employees may contribute in some of these plans and these contributions are matched in varying amounts by the Company. Defined benefit expenses for the Company were \$4.1 million for 2001-02 and \$4.9 million for 2000-01. As these only represent 5.0% and 6.3% of the Company's total contributions to post-employment plans for 2001-02 and 2000-01 respectively, additional disclosures of these defined benefit plans have not been shown due to their immateriality.

32 Financial Instruments (in \$ million)

(a) Financial risk management objectives and policies

The Group operates globally and generates revenue in various currencies. The Group's airline operations carry certain financial and commodity risks, including the effects of changes in jet fuel prices, foreign currency exchange rates, interest rates and the market value of its investments. The Group's overall risk management approach is to minimize the effects of such volatility on its financial performance.

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

(b) Jet fuel price risk

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

(c) Foreign currency risk

The Group is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenues and expenses. These generally account for about 79.3% of total revenue and 53.5% of total operating expenses. The Group's largest exposures are from USD, UK Sterling Pound ("GBP"), Japanese Yen, Euro, Swiss Franc, Australian Dollar, New Zealand Dollar, Indian Rupee, Hong Kong Dollar, Taiwan Dollar, Chinese Renminbi, Korean Won, Thai Baht and Malaysian Ringgit. The Group generates a surplus in all of these currencies, except for USD. The deficits in USD are attributable to capital expenditure, leasing costs and fuel costs – all conventionally denominated and payable in USD.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for USD and SGD. The Group also uses forward foreign currency contracts to hedge a portion of its future foreign exchange exposure.

(d) Interest rate risk

The Group's earnings are also affected by changes in interest rates due to the impact such changes have on interest income and expense from cash, short-term deposits and interest-bearing financial assets and liabilities. The Group's interest-bearing financial liabilities with maturities above two years have predominantly fixed rates of interest or are hedged by matching interest-bearing financial assets.

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

(e) Market price risk

The Group owned \$480.7 million (2001: \$369.6 million) in quoted equity and non-equity investments as of 31 March 2002. The estimated market value of these investments was \$467.7 million (2001: \$376.4 million) as of 31 March 2002.

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

(f) Counter-party risk

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

(g) Liquidity risk

As at 31 March 2002, the Group had at its disposal cash and short-term deposits amounting to \$1,091.6 million (2001 : \$1,272.3 million). In addition, the Group has available short-term credit facilities of about \$1,700.0 million.

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

32 Financial Instruments (in \$ million) (continued)

(h) Derivative financial instruments

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

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

The Group's strategy for managing the risk on fuel price, as defined by BFC, aims to provide the Group with protection against sudden and significant increases in 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 counter-parties and within approved limits.

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

The Group has a number of foreign exchange contracts outstanding as of 31 March 2002 that have been entered into as a hedge of forecast sales denominated in GBP, Japanese Yen, Euros, Swiss Francs, Australian Dollars, New Zealand Dollars, Indian Rupees, Hong Kong Dollars, Taiwan Dollars, Chinese Renminbi, Korean Won, Thai Baht and Canadian Dollars. The foreign exchange contracts provide for the Group to sell these currencies at predetermined forward rates, buying either USD or SGD depending on forecast requirements, with settlement dates that range from one month up to one year.

The Group had outstanding forward transactions to hedge foreign currencies and jet fuel purchases as follows:-

	2002	The Group 31 March 2001
Foreign currency contracts:-		
6 months or less	268.6	279.0
Over 6 months to 24 months	314.4	154.9
	583.0	433.9
Jet fuel swap/option contracts:-		
6 months or less	304.3	386.4
Over 6 months to 24 months	176.8	399.9
	481.1	786.3
Gains/(losses) not recognized in the financial statements	14.4	(42.9)

Notes to the Financial Statements

31 March 2002

32 Financial Instruments (in \$ million) (continued)

(i) Net fair values

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

	Total carrying amount on Balance sheet 31 March		Aggregate net fair value 31 March	
	2002	2001	2002	2001
Group				
<u>Financial Assets</u>				
Long-term investments	590.4	556.0	631.1	562.8
Short term investments	34.2	511.4	37.4	511.8
<u>Financial Liabilities</u>				
Notes payable	1,100.0	200.0	1,086.2	200.0
<u>Derivative financial instruments</u>				
Foreign currency contracts	*	*	(3.4)	(21.2)
Jet fuel swap contracts	*	*	17.6	(21.7)
Jet fuel option contracts	*	—	0.2	—

	Total carrying amount on Balance sheet 31 March		Aggregate net fair value 31 March	
	2002	2001	2002	2001
Company				
<u>Financial Assets</u>				
Long-term investments	502.9	467.3	543.6	474.1
<u>Financial Liabilities</u>				
Notes payable	900.0	—	884.9	—
<u>Derivative Financial Instruments</u>				
Foreign currency contracts	*	*	(3.4)	(21.0)
Jet fuel swap contracts	*	*	14.4	(21.4)
Jet fuel option contracts	*	—	0.2	—

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

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

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

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

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

Notes to the Financial Statements

31 March 2002

33 Related Party Transactions (in \$ million)

The followings are transactions entered into by the Group with related parties:-

	2001 - 02	The Group 2000 - 01
Purchases of services from associated companies	296.4	440.9
Services rendered to associated companies	(1.1)	–
Purchases of services from joint venture companies	12.7	12.6
Commission received from a joint venture company	(1.7)	(5.9)

34 Subsequent Events

- (a) On 3 April 2002, one A310-300 passenger aircraft was traded-in to Rolls Royce Aircraft Management.
- (b) On 2 May 2002, it was announced that Singapore Airlines (SIA) and Virgin Investments SA have agreed to subscribe for additional shares in Virgin Atlantic Limited (VAL), amounting to GBP25.0 million (S\$65.7 million). In line with SIA's 49.0% stake in VAL, SIA's portion of this subscription amounts to GBP12.3 million (S\$32.2 million). The additional capital is for the purpose of increasing VAL's working capital and funding future capital expenditure requirements.
- (c) Corporate tax rate, as announced on 3 May 2002, is reduced to 22.0% with effect from Year of Assessment 2003. In accordance with SAS 12 (2001) Income Taxes, and SAS 10 (2000) Events After The Balance Sheet Date, this is a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the 31 March 2003 financial year.

The current period taxation charge of \$233.8 million and \$173.5 million for the Group and the Company respectively, are computed based on the year end prevailing tax rate of 24.5%. Applying the reduced tax rate of 22.0%, the taxation charge for the year, including write-back of deferred tax balances provided in the prior years, would be \$138.7 million and \$99.5 million for the Group and the Company respectively.

In compliance with SAS 12 (2001) Income Taxes, the Group has with effect from this financial year provided for full deferred taxation. Thus, the deferred tax liability as at 31 March 2002 is computed based on the taxable temporary differences at year end using the prevailing tax rate of 24.5%. Applying the reduced tax rate of 22.0%, the deferred tax liability at 31 March 2002 would be \$2,392.6 million and \$1,980.8 million for the Group and the Company respectively.

The aggregate adjustments in the next financial year of the current and deferred taxation charges are estimated to be \$277.8 million and \$225.1 million for the Group and the Company respectively.

Notes to the Financial Statements

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35 Comparative Figures (in \$ million)

The presentation and classification of items in the financial statements have been changed to conform to the requirements of SAS 10 (2000) Events After the Balance Sheet Date, SAS 12 (2001) Income Taxes, SAS 17 (2001) Employee Benefits, SAS 22 (2000) Business Combinations, SAS 31 (2000) Provisions, Contingent Liabilities and Contingent Assets, SAS 32 Financial Instruments: Disclosure and Presentation and SAS 36 Impairment of Assets.

As a result, additional line items and disclosures have been included in the notes to the financial statements and the statement of changes in equity as required by these standards. Also, see note 2 for financial effects arising from the adoption of these standards. Where required, comparative figures have been adjusted to provide proper comparison with the current year's presentation.

The corporatization of Singapore Airlines Cargo took effect from 1 July 2001. The Company's revenue for 2001-02 includes cargo revenue for the first 3 months of April to June 2001, and bellyhold revenue from Singapore Airlines Cargo for the period July 2001 to March 2002. Financial results for July 2000 to March 2001 have been restated to exclude cargo operations and to include notional bellyhold revenue to allow meaningful year-on-year comparisons:

	The Company	
	2001 - 02	2000 - 01 (Restated)
Revenue	7,765.0	8,265.4
Expenditure	(7,282.7)	(7,357.3)
Operating Profit	482.3	908.1

Additional Information

required by The Singapore Exchange Securities Trading Limited

1 Directors' Emoluments

The number of directors of the Company whose emoluments fall within the following bands:-

	The Company	
	2001 - 02	2000 - 01
\$500,000 and above	1	1
\$250,000 to \$499,999	—	—
Below \$250,000	12	13
	13	14

Two directors have waived their entitlements which amounted to \$92,650 (FY2000-01 : \$116,000). The directors' fees payable will therefore amount to \$467,350 (FY2000-01 : \$514,000).

The directors' emoluments for the financial year ended 31 March 2002 include directors' fees of \$560,000 (\$630,000 in FY2000-01) which are derived using the following rates:-

	The Company	
	2001 - 02	2000 - 01
	\$	\$
Type of appointment		
(i) Board of Directors		
– Basic fee	34,000	40,000
– Chairman's allowance	34,000	40,000
– Deputy Chairman's allowance	—	20,000
(ii) Board Executive Committee		
– Chairman's allowance	17,000	20,000
– Member's allowance	8,500	10,000
(iii) Audit Committee		
– Chairman's allowance	20,400	20,000
– Member's allowance	10,200	10,000
(iv) Board Finance Committee		
– Chairman's allowance	17,000	20,000
– Member's allowance	8,500	10,000
(v) Other Board Committees		
– Chairman's allowance	10,200	20,000
– Member's allowance	5,100	10,000

2 Interested Persons Transactions (in \$ million)

Interested persons transactions under the shareholders' mandate for the financial year are as follows:-

	The Company	
	2001 - 02	2000 - 01
Property-based transactions:		
MCH Services (Sydney) Pte Ltd	3.6	
Tincel Properties (Pte) Ltd	1.7	
Ascott International Management (2001) Pte Ltd	1.4	
Beijing Hong Gong Garden Villa House Property Development Co. Ltd	0.3	7.0
Other services and products transactions:		
Singapore Petroleum Company Ltd	343.3	
Asprecise.com Pte Ltd	8.4	
Keppel Engineering Pte Ltd	8.3	
SembCorp. Industries Ltd	4.5	
Invo-Tech Engineering Pte Ltd	1.9	
S-Net Freight (Singapore) Pte Ltd	1.1	
Safe2 Travel.com Pte Ltd	0.6	
National Computer Systems Pte Ltd	0.5	
Changi International Airport Services Pte Ltd	0.5	
Semac Pte Ltd	0.4	
Singapore Post Pte Ltd	0.3	
SingTel Aeradio Pte Ltd	0.2	
Singapore Aircraft Leasing Enterprise Pte Ltd	0.1	
ST Aviation Services Co Pte Ltd	0.1	370.2
Total interested persons transactions		377.2

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

Half-Yearly Results of the Group

		First half	Second half	Total
TOTAL REVENUE				
2001-02	(\$ million)	4,768.8	4,679.0	9,447.8
	(%)	50.5	49.5	100.0
2000-01	(\$ million)	5,006.7	4,944.6	9,951.3
	(%)	50.3	49.7	100.0
TOTAL EXPENDITURE				
2001-02	(\$ million)	4,284.2	4,180.2	8,464.4
	(%)	50.6	49.4	100.0
2000-01	(\$ million)	4,250.3	4,354.3	8,604.6
	(%)	49.4	50.6	100.0
OPERATING PROFIT				
2001-02	(\$ million)	484.6	498.8	983.4
	(%)	49.3	50.7	100.0
2000-01	(\$ million)	756.4	590.3	1,346.7
	(%)	56.2	43.8	100.0
PROFIT BEFORE TAX				
2001-02	(\$ million)	288.0	637.6	925.6
	(%)	31.1	68.9	100.0
2000-01	(\$ million)	1,383.3	521.4	1,904.7
	(%)	72.6	27.4	100.0
PROFIT ATTRIBUTABLE TO SHAREHOLDERS				
2001-02	(\$ million)	134.8	496.9	631.7
	(%)	21.3	78.7	100.0
2000-01	(\$ million)	1,141.4	483.4	1,624.8
	(%)	70.2	29.8	100.0
EARNINGS (AFTER TAX) PER SHARE				
2001-02	(cents)	11.1	40.8	51.9
	(%)	21.4	78.6	100.0
2000-01	(cents)	93.1	39.6	132.7
	(%)	70.2	29.8	100.0

Five-year Financial Summary of the Group

	2001 - 02	2000 - 01	1999 - 00	1998 - 99	1997 - 98
PROFIT AND LOSS ACCOUNT (\$ million)					
Total revenue	9,447.8	9,951.3	9,018.8	7,895.8	7,821.8
Total expenditure	(8,464.4)	(8,604.6)	(7,850.0)	(7,011.9)	(6,794.9)
Operating profit	983.4	1,346.7	1,168.8	883.9	1,026.9
Finance charges	(44.0)	(37.5)	(28.8)	(29.5)	(28.2)
Surplus on disposal of aircraft, spares and spare engines	66.0	181.3	98.4	211.3	157.1
Share of profits of joint venture companies	20.5	27.0	21.0	13.9	7.1
Share of (losses)/profits of associated companies	(66.2)	81.7	33.2	23.1	8.9
Profit on sale of investments	30.2	–	171.3	–	–
Provision for diminution in value of investment in Air New Zealand	(266.9)	–	–	–	–
Recognition of deferred gain on divestment of 51% equity interests in Eagle Services Asia	202.6	–	–	–	–
Profit on disposal of vendor shares (13% equity interests in SATS and SIAEC)	–	440.1	–	–	–
Ex-gratia bonus payment	–	(134.6)	–	–	–
Surplus on liquidation of Abacus Distribution Systems	–	–	–	14.1	–
Profit before tax	925.6	1,904.7	1,463.9	1,116.8	1,171.8
Profit attributable to shareholders	631.7	1,624.8	1,163.8	1,033.2	1,034.7
BALANCE SHEET (\$ million)					
Share capital	609.1	1,220.2	1,250.5	1,282.5	1,282.5
Distributable reserves ^{R1}	8,719.0	8,256.0	7,531.7	8,821.8	7,986.4
Non-distributable reserves					
Share premium	447.2	447.2	447.2	447.2	447.2
Capital redemption	64.4	62.3	32.0	–	–
Capital reserve	6.9	6.9	6.9	6.3	6.3
Shareholders' funds	9,846.6	9,992.6	9,268.3	10,557.8	9,722.4
Minority interests	228.7	184.5	19.6	18.3	14.1
Deferred income	788.4	890.9	786.0	578.2	177.1
Deferred taxation ^{R2}	2,664.5	2,425.6	2,333.2	2,247.2	2,241.5
Fixed assets	14,442.9	12,863.0	11,882.0	11,666.8	11,398.0
Associated companies	385.8	715.4	305.7	223.0	102.8
Joint venture companies	277.1	239.0	188.2	152.8	125.5
Long-term investments	590.4	556.0	537.8	943.7	936.5
Current assets	2,884.2	3,538.5	3,504.2	4,181.4	3,110.6
Total assets	18,580.4	17,911.9	16,417.9	17,167.7	15,673.4
Long-term liabilities	1,928.9	795.5	566.5	565.6	523.3
Current liabilities ^{R1}	3,123.3	3,622.8	3,444.3	3,200.6	2,995.0
Total liabilities	5,052.2	4,418.3	4,010.8	3,766.2	3,518.3
Net (debt)/liquid assets	(656.4)	1,417.8	1,647.1	2,493.0	1,511.8
Net debt equity ratio (times)	0.07	–	–	–	–
CASH FLOW STATEMENT (\$ million) ^{R3}					
Cash flow from operations	1,421.1	2,644.7	2,429.0	1,772.9	2,070.4
Internally generated cash flow	3,054.1	3,438.7	3,239.3	2,798.1	3,144.3
Capital expenditure	3,862.9	2,589.0	1,911.5	2,053.1	2,120.5

Five-year Financial Summary of the Group

	2001 - 02	2000 - 01	1999 - 00	1998 - 99	1997 - 98
PER SHARE DATA					
Earnings before tax (cents)	76.0	155.5	115.0	87.1	91.4
Earnings after tax (cents) – basic	51.9	132.7	91.4	80.6	80.7
– diluted	51.9	132.6	91.4	80.6	80.7
Cash earnings (\$) ^{R4}	1.31	2.26	1.86	1.72	1.64
Net tangible assets (\$)	8.08	8.19	7.41	8.23	7.58
SHARE PRICE ^{R5}					
High	14.90	19.20	20.80	13.60	13.90
Low	7.00	12.90	12.40	6.40	9.20
Closing	14.40	13.60	16.00	12.50	11.50
DIVIDENDS					
Gross dividends (cents per share)	15.0 ^{R6}	35.0	30.0 ^{R7}	25.0 ^{R8}	22.5
Dividend cover (times)	4.1	5.1	3.9	4.3	4.8
PROFITABILITY RATIOS (%)					
Return on shareholders' funds	6.4	16.9	11.7	10.2	10.9
Return on total assets	3.8	9.7	7.0	6.3	6.9
Return on turnover	7.3	16.7	12.9	13.1	13.3
PRODUCTIVITY AND EMPLOYEE DATA					
Value added (\$ million)	2,718.2	5,180.7	4,551.5	4,097.6	4,108.4
Value added per employee (\$)	126,832	182,831	165,431	146,836	146,917
Revenue per employee (\$)	322,275	351,189	327,801	282,943	279,710
Average employee strength	29,316	28,336	27,513	27,906	27,964
US\$/S\$ exchange rate as at 31 March	1.8405	1.8029	1.7185	1.7295	1.6155

^{R1} Distributable reserves were restated for 2000-01 and prior years to comply with Statement of Accounting Standard (SAS) 10 (2000) Events after the Balance Sheet Date. Accordingly, the proposed final dividend less tax (previously shown under current liabilities) was added back to distributable reserves since it is no longer recognised as a liability at balance sheet date under SAS 10.

^{R2} Deferred taxation was restated for 2000-01 and prior years to comply with SAS 12 (2001) Income Taxes which requires full provision for deferred tax liability. Accordingly, a cumulative amount of \$1,800 million previously retained in a special non-distributable reserve to meet deferred tax liabilities that were not provided for in previous financial years was transferred to deferred taxation account.

^{R3} Internally generated cash flow comprises cash generated from operations, dividends from associated companies, and proceeds from sale of aircraft and other fixed assets.

^{R4} Cash earnings is defined as profit after tax and minority interests plus depreciation.

^{R5} SIA local share and SIA foreign share were merged (following approval of the merger by shareholders at the Company's extraordinary general meeting) on 11 September 1999. For comparison, the share prices for 1997-98 and 1998-99 were that of SIA foreign share.

^{R6} Including 4.0 cents per share tax-exempt dividend.

^{R7} Including 4.75 cents per share tax-exempt dividend.

^{R8} Including 1.0 cent per share tax-exempt dividend.

Ten-Year Statistical Record of the Company

		2001 - 02	2000 - 01	1999 - 00	1998 - 99
FINANCIAL ^{R1}					
Total revenue	(\$ million)	7,765.0	9,229.7	8,341.3	7,212.7
Total expenditure	(\$ million)	7,282.7	8,246.3	7,485.9	6,616.5
Operating profit	(\$ million)	482.3	983.4	855.4	596.2
Profit before tax	(\$ million)	740.7	1,607.2	1,641.5	882.3
Profit after tax	(\$ million)	567.2	1,422.2	1,267.1	813.7
Internally generated cash flow ^{R2}	(\$ million)	1,986.1	2,968.2	2,816.5	2,859.1
Capital disbursements	(\$ million)	2,885.7	2,777.7	3,303.7	1,850.4
Passenger – yield	(cts/pkm)	9.0	9.4	9.1	8.6
– unit cost	(cts/ask)	7.3	–	–	–
– breakeven load factor	(%)	71.1	–	–	–
PASSENGER FLEET					
Aircraft	(no.)	92	84	84	82
Average age	(months)	69	70	62	57
PASSENGER PRODUCTION					
Destination cities	(no.)	64	67	69	68
Distance flown	(million km)	288.4	289.1	280.6	258.9
Time flown	(hours)	368,204	366,784	351,560	334,172
Passenger capacity	(million seat-km)	94,558.5	92,648.0	87,728.3	83,191.7
TRAFFIC					
Passenger carried	('000)	14,765	15,002	13,782	12,777
Passengers carried	(million pax-km)	69,994.5	71,118.4	65,718.4	60,299.9
Passenger load factor	(%)	74.0	76.8	74.9	72.5
STAFF ^{R1}					
Average strength		14,499	14,254	13,720	13,690
Overall capacity per employee	(tonne-km)	–	1,265,189	1,233,032	1,143,302
Overall load carried per employee	(tonne-km)	–	910,993	877,434	786,377
Seat capacity per employee ^{R3}	(seat-km)	6,656,705	–	–	–
Passenger load carried per employee ^{R4}	(tonne-km)	471,300	–	–	–
Revenue per employee	(\$)	535,554	647,516	607,966	526,859
Value added per employee	(\$)	185,958	284,369	291,494	228,254

Ten-Year Statistical Record of the Group ^{R5}

Cargo carried	(million kg)	938.5	975.4	905.1	768.5
Cargo carried	(million tonne-km)	5,954.3	6,075.2	5,668.2	4,919.1
Cargo load factor	(%)	66.5	68.4	68.8	66.4
Mail carried	(million tonne-km)	85.5	92.4	107.2	106.6
Overall load carried	(million tonne-km)	12,734.6	12,985.3	12,038.4	10,765.5
Overall capacity	(million tonne-km)	18,305.1	18,034.0	16,917.2	15,651.8
Overall load factor	(%)	69.6	72.0	71.2	68.8

^{R1} Singapore Airlines Cargo was corporatized on 1 July 2001. Statistics for 2000-01 and prior years show the combined results of both passenger and cargo operations.

^{R2} Internally generated cash flow comprises cash generated from operations, dividends from subsidiaries and associated companies, and proceeds from sale of aircraft and other fixed assets.

^{R3} Seat capacity per employee is available seat capacity divided by average staff strength of passenger operations.

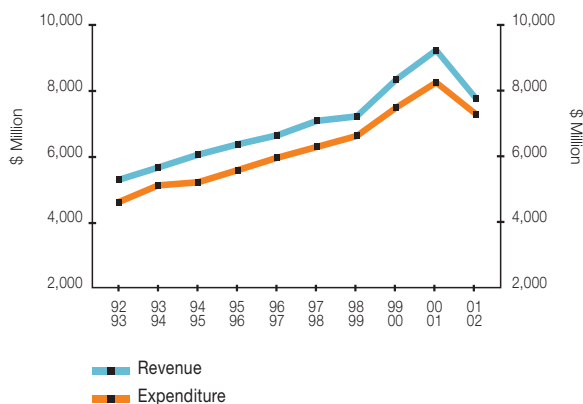
^{R4} Passenger load carried per employee is defined as passenger load and excess baggage carried divided by average staff strength of passenger operations.

^{R5} Group refers to the consolidated operating statistics of SIA Passenger Airline Company and Singapore Airlines Cargo.

1997 - 98	1996 - 97	1995 - 96	1994 - 95	1993 - 94	1992 - 93
7,077.3	6,637.6	6,361.0	6,044.5	5,655.6	5,279.4
6,284.0	5,953.8	5,575.6	5,205.5	5,111.3	4,602.3
793.3	683.8	785.4	839.0	544.3	677.1
1,032.3	933.8	903.3	950.5	733.0	794.2
919.5	901.8	875.9	939.0	722.6	741.1
2,846.8	2,163.8	1,779.2	1,942.3	1,695.5	1,366.4
1,934.0	2,365.9	1,395.1	1,790.7	1,835.4	1,619.0
9.5	9.0	9.4	9.9	10.1	10.5
–	–	–	–	–	–
–	–	–	–	–	–
80	73	65	63	59	57
62	63	68	60	60	61
73	72	73	71	69	67
240.3	223.1	203.5	185.4	174.4	153.4
311,388	293,565	267,680	241,058	221,662	197,714
77,219.3	73,507.3	68,529.4	64,074.0	59,290.4	53,077.6
11,957	12,022	11,057	10,082	9,468	8,640
54,441.2	54,692.5	50,045.4	45,414.2	42,328.3	37,860.6
70.5	74.4	73.0	70.9	71.4	71.3
13,506	13,258	12,966	12,557	12,363	11,990
1,076,107	1,018,336	962,618	889,329	821,451	749,149
743,196	717,454	668,055	620,315	570,962	507,615
–	–	–	–	–	–
–	–	–	–	–	–
524,012	500,649	490,591	481,365	457,462	440,317
236,828	221,044	210,319	215,091	195,276	187,690
735.9	674.2	603.8	550.5	483.4	399.1
4,760.9	4,249.4	3,820.1	3,389.4	2,973.4	2,411.5
68.9	68.5	68.4	71.0	70.3	66.4
98.2	99.2	89.4	72.7	64.3	55.2
10,037.6	9,512.0	8,662.0	7,789.3	7,058.8	6,086.3
14,533.9	13,501.1	12,481.3	11,167.3	10,155.6	8,982.3
69.1	70.5	69.4	69.8	69.5	67.8

Ten-Year Charts/SIA's Fleet

Company Revenue and Expenditure ^{R1}

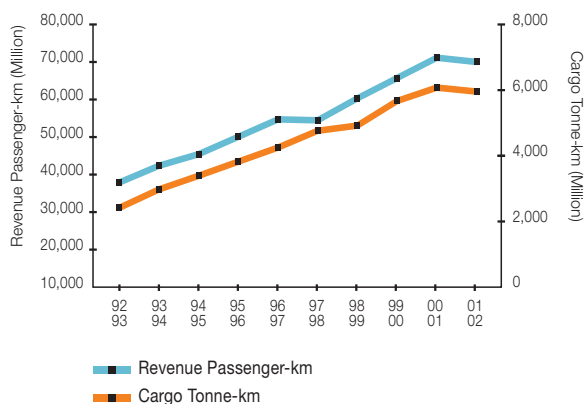


Company Profit Before and After Tax ^{R1}

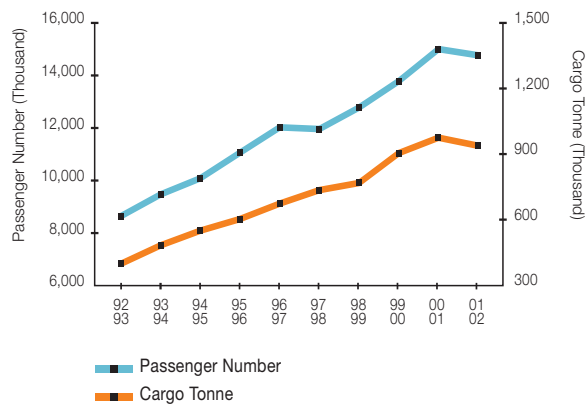


^{R1} Singapore Airlines Cargo was corporatized on 1 July 2001. Company revenue, expenditure, profit before and after tax in these charts for 2000/01 and prior years show the combined results of both passenger and cargo operations.

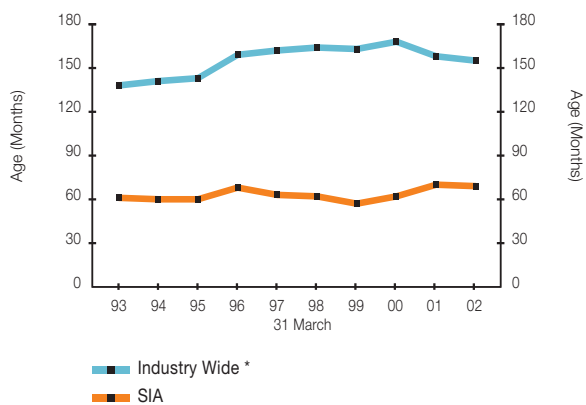
Passenger and Cargo Carried



Passenger and Cargo Carried



Average Fleet Age: SIA and Industry Wide



* Source: Avsoft Information Systems, Rugby, England

SIA's Passenger Fleet as at 31 March 2002

Aircraft	Engine	In operation	On firm order	On option
B747 - 400	PW 4056	39	—	9
B777	Rolls Royce Trent 800 Series	33	25 ^{R2}	23 ^{R3}
A310 - 300	PW 4152	12	—	—
A340 - 300	CFM 56 - 5C4	8	2	—
A340 - 500	Rolls Royce Trent 553 Series	—	5	5
A380 - 800	Rolls Royce Trent 900 Series	—	10	15
Total		92	42	52

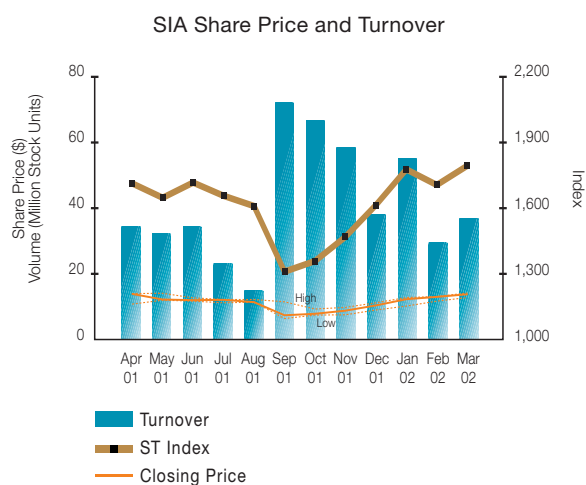
Average age of SIA passenger fleet : 5 years 9 months (as at 31 March 2002).

^{R2} Excludes 2 aircraft assigned to Singapore Aircraft Leasing Enterprise.

^{R3} Excludes 10 aircraft assigned to Singapore Aircraft Leasing Enterprise.

Singapore Airlines Cargo's fleet as at 31 March 2002 was 11 B747-400 freighters.

Share Price and Turnover



	SIA	
	2001 - 02	2000 - 01
Share Price (\$)		
Highest closing price	14.90	19.20
Lowest closing price	7.00	12.90
31 March closing price	14.40	13.60
Market Value Ratios ^{R1}		
Price/Earnings	27.75	10.25
Price/Book value	1.78	1.66
Price/Cash earnings ^{R2}	10.99	6.02

^{R1} Based on closing price on 31 March.

^{R2} Cash earnings is defined as profit after tax and minority interests plus depreciation.

Group Corporate Structure

at 31 March 2002

Singapore Airlines Limited	87%	Singapore Airport Terminal Services Limited	
	87%	SIA Engineering Company Limited	
	100%	Singapore Airlines Cargo Private Limited	51% Cargo Community Network Pte Ltd
	100%	SIA Properties (Pte) Ltd	20% PT Purosani Sri Persada
	100%	Singapore Flying College Pte Ltd	20% PT Pantai Indah Tateli
	100%	Sing-Bi Funds Private Limited	
	100%	SIA Mauritius Ltd	
	100%	Singapore Airlines (Mauritius) Ltd	
	100%	Singapore Aviation and General Insurance Company (Pte) Limited	
	100%	SilkAir (Singapore) Private Limited	100% Tradewinds Tours & Travel Private Limited
	56%	Abacus Travel Systems Pte Ltd	5% Abacus Travel Systems Pte Ltd
	76%	Singapore Airport Duty-Free Emporium (Private) Limited	
	51%	Aviation Software Development Consultancy India Ltd	
	50%	Service Quality (SQ) Centre Pte Ltd	
	49%	Virgin Atlantic Limited	
	35.5%	Singapore Aircraft Leasing Enterprise Pte Ltd	
	21%	Asia Leasing Limited	
	20%	Ritz-Carlton, Millenia Singapore Properties Private Limited	

			100%	SATS Catering Pte Ltd
			100%	SATS Airport Services Pte Ltd
			100%	SATS Security Services Private Limited
			100%	Aero Laundry & Linen Services Private Limited
			100%	Asia - Pacific Star Pte Ltd
			70%	Aerolog Express Pte Ltd
			49%	Servair-SATS Holding Company Pte Ltd
			49%	Aviserv Ltd
			49%	Taj SATS Air Catering
			40%	Beijing Airport Inflight Kitchen Limited
			40%	Beijing Aviation Ground Services Company Ltd
			35%	Maldives Inflight Catering Private Limited
			30%	Tan Son Nhat Cargo Services Ltd
			30%	Taj-Madras Flight Kitchen Private Limited
			24.5%	Asia Airfreight Terminal Company Ltd
			24%	Singapore Airport Duty-Free Emporium (Private) Limited
			20%	MacroAsia-Eurest Catering Services
			20%	Evergreen Air Cargo Services Corporation
			20%	Evergreen Airline Services Corporation
65%	Singapore Jamco Private Limited			
50%	International Engine Component Overhaul Pte Ltd			
50%	Singapore Aero Engine Services Pte Ltd			
49%	Pratt & Whitney Airmotive International Ltd			
49%	Fuel Accessory Service Technologies Pte Ltd			
49%	Combustor Airmotive Services Pte Ltd			
47.1%	Pan Asia Pacific Aviation Services Limited			
40%	Messier Services Asia Pte Ltd			
30%	Rohr Aero-Services - Asia Pte Ltd			
29%	Asian Surface Technologies Pte Ltd			
24.5%	Asian Compressor Technology Services Company Ltd			
24.5%	Turbine Coating Services Pte Ltd			
100%	SIAEC Services Pte Ltd	1%	Eagle Services Asia Private Limited	
48%	Eagle Services Asia Private Limited			

Notes

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

2) Asian Frequent Flyer Pte Ltd and Star Kingdom Investment Limited are under voluntary liquidation and not included in this chart.

Information on Shareholdings

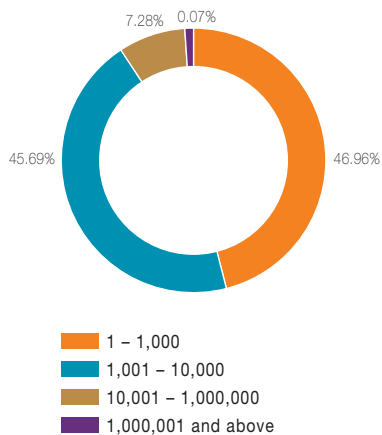
as at 10 May 2002

Authorized share capital	\$3,000,000,000.50
Issued and fully paid capital	\$609,071,811.50
Class of shares	a) 3,000,000,000 ordinary shares of \$0.50 each b) One special share of par value \$0.50 each c) 3,000,000,000 Air Services Agreements (ASA) shares of par value \$0.50 each

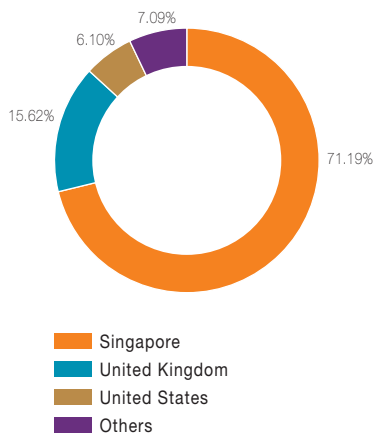
Range of shareholdings	Number of shareholders	%	Number of shares	%
1 - 1,000	10,210	46.96	7,930,337	0.65
1,001 - 10,000	9,935	45.69	35,477,959	2.91
10,001 - 1,000,000	1,582	7.28	67,803,927	5.57
1,000,001 and above	16	0.07	1,106,931,400	90.87
Total	21,743	100.00	1,218,143,623	100.00

Location of accounts	Number of shares	%	Number of accounts	%
Singapore	867,188,587	71.19	21,950	91.59
United Kingdom	190,240,820	15.62	155	0.65
United States	74,370,135	6.10	290	1.21
Others	86,344,081	7.09	1,569	6.55
Total	1,218,143,623	100.00	23,964	100.00

Range of Shareholdings



Location of Accounts



Information on Shareholdings

as at 10 May 2002

Major shareholders	Number of shares	%
1 Temasek Holdings (Private) Ltd	691,451,172	56.76
2 Raffles Nominees Pte Ltd	139,466,120	11.45
3 DBS Nominees Pte Ltd	102,933,703	8.45
4 HSBC (Singapore) Nominees Pte Ltd	49,973,268	4.10
5 Citibank Nominees Singapore Pte Ltd	43,756,211	3.59
6 DB Nominees (S) Pte Ltd	24,930,199	2.05
7 United Overseas Bank Nominees Pte Ltd	22,494,739	1.85
8 Oversea-Chinese Bank Nominees Pte Ltd	9,241,278	0.76
9 NTUC Income Insurance Co-Operative Limited	8,745,000	0.72
10 Chang Shyh Jin	3,929,000	0.32
11 Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,053,000	0.25
12 Overseas Union Bank Nominees Pte Ltd	2,313,710	0.19
13 National University of Singapore	1,329,000	0.11
14 JM Sassoon & Company (Pte) Ltd	1,158,400	0.09
15 Kay Hian James Capel Pte Ltd	1,106,600	0.09
16 Ko Teck Siang	1,050,000	0.09
17 Phillip Securities Pte Ltd	982,201	0.08
18 BNP Nominees Singapore Pte Ltd	768,900	0.06
19 HSBC Investment Bank PLC	700,981	0.06
20 Chang Hsiu Ling	700,000	0.06
Total	1,110,083,482	91.13

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

	Number of shares	%
Temasek Holdings (Private) Limited	692,591,172*	56.86

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

Notice of Annual General Meeting

Singapore Airlines Limited (Incorporated in the Republic of Singapore)

Notice is hereby given that the Thirtieth Annual General Meeting of the Company will be held at the Marina Mandarin Ballroom Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Saturday, 13 July 2002 at 10.00 a.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 March 2002 and the Auditors' Report thereon.
2. To declare a final tax-exempt dividend of 4.0 cents per \$0.50 ordinary share and a dividend of 8.0 cents per \$0.50 ordinary share less income tax at 22% for the year ended 31 March 2002.
3. To approve Directors' Fees of \$560,000 (FY2000-2001 : \$630,000).
4. To re-elect the following Directors who are retiring by rotation in accordance with Article 84 of the Company's Articles of Association:
 - (a) Mr Lim Boon Heng
 - (b) Mr Charles B Goode
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

Ordinary Resolutions

6. To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:
 - 6.1 "That pursuant to Section 161 of the Companies Act, Cap 50, approval be and is hereby given to the Directors to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED ALWAYS THAT the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent. of the total issued share capital of the Company for the time being, of which the aggregate number of shares that may be issued other than on a pro rata basis to existing shareholders shall not exceed 20 per cent. of the total issued share capital of the Company for the time being."
 - 6.2 "That for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited:
 - 6.2.1 approval be and is hereby given for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in Appendix 2 to the Circular to Members dated 21 June 2001 (the "Circular") with any party who is of the class of Interested Persons described in Appendix 2 to the Circular, provided that such transactions are made on an arm's length basis and on normal commercial terms;
 - 6.2.2 the approval (the "IPT Mandate") shall, unless revoked or varied by the Company in General Meeting, continue in force until the next Annual General Meeting of the Company; and
 - 6.2.3 the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution."
 - 6.3 "That the Directors be and are hereby authorised to offer and grant Options in accordance with the provisions of the SIA Employee Share Option Plan (the "Plan") and to allot and issue from time to time such number of ordinary shares of \$0.50 each in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Plan PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to the Plan shall not exceed 13 per cent. of the total issued share capital of the Company from time to time."

Notice of Annual General Meeting

Singapore Airlines Limited (Incorporated in the Republic of Singapore)

Ordinary Resolutions (continued)

6.4 "That:

6.4.1 for the purposes of Sections 76C and 76E of the Companies Act, Cap.50 (the "Companies Act"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of \$0.50 each fully paid in the capital of the Company (the "Ordinary Shares") not exceeding in aggregate the Maximum Percentage (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter described), whether by way of:

(a) market purchase(s) on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and/or any other stock exchange on which the Ordinary Shares may for the time being be listed or quoted (the "Other Exchange"); and/or

(b) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, the Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buy Back Mandate");

6.4.2 unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(a) the date on which the next Annual General Meeting of the Company is held; and

(b) the date by which the next Annual General Meeting of the Company is required by law to be held;

6.4.3 in this Resolution:

"Average Closing Price" means the average of the last dealt prices of an Ordinary Share for the five consecutive days on which the Ordinary Shares are transacted on the SGX-ST or, as the case may be, the Other Exchange immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase;

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Ordinary Shares from Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Ordinary Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Maximum Percentage" means that number of Ordinary Shares representing 10 per cent. of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;

"Maximum Price" in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed, in the case of a market purchase or, as the case may be, off-market purchase of an Ordinary Share, 105 per cent. of the Average Closing Price of an Ordinary Share; and

6.4.4 the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

7. To transact any other business.

Notice of Annual General Meeting

Singapore Airlines Limited (Incorporated in the Republic of Singapore)

Closure of Books

NOTICE IS HEREBY GIVEN that the Transfer Books and the Register of Members of the Company will be closed from 19 July 2002 to 22 July 2002 (both dates inclusive) for the preparation of dividend warrants. The final dividend, if approved at the Thirtieth Annual General Meeting, will be paid on 29 July 2002 to members on the Register as at 18 July 2002. In respect of shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the said final dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

Duly completed transfers received by the Share Registrars, KPMG, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 up to 5 p.m. on 18 July 2002 will be registered to determine shareholders' entitlements to the final dividend.

By order of the Board

Mathew Samuel

Foo Kim Boon

Company Secretaries

3 June 2002

Singapore

Explanatory notes

1. Ordinary Resolution No. 3 is to approve the payment of Directors' Fees of \$560,000 (FY2000-2001: \$630,000) for the year ended 31 March 2002, for services rendered by Directors on the Board as well as on various Board Committees.
2. Ordinary Resolution No. 6.1 is to empower the Directors, from the date of the Annual General Meeting until the date of the next Annual General Meeting, to issue shares in the Company up to 50 per cent. of the Company's issued share capital with an aggregate sub-limit of 20 per cent. for issues of shares other than on a pro rata basis to all shareholders.
3. Ordinary Resolution No. 6.2 is to renew the IPT Mandate to allow the Company, its subsidiaries and target associated companies or any of them to enter into certain interested person transactions with persons who are considered "interested persons" (as defined in Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited).
4. Ordinary Resolution No. 6.3 is to empower the Directors to offer and grant options in accordance with the provisions of the SIA Employee Share Option Plan (the "Plan") and to allot and issue ordinary shares under the Plan. The Plan was approved at the Extraordinary General Meeting of the Company held on 8 March 2000 and modified at the Extraordinary General Meeting of the Company held on 14 July 2001.
5. Ordinary Resolution No. 6.4 is to seek the approval of shareholders for the renewal of the Share Buy Back Mandate. The rationale for, the authority and limitations on, and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy Back Mandate on the audited financial accounts of the Company and its subsidiaries for the financial year ended 31 March 2002 are set out in greater detail in the letter to shareholders dated 3 June 2002.

Notes

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Company's registered office at Airline House, 25 Airline Road, Singapore 819829 not less than 48 hours before the time appointed for the Meeting.