SIA ENGINEERING COMPANY
ANNUAL REPORT 2011/12

SIA ENGINEERING COMPANY

COMPANY PROFILE

As a leading maintenance, repair and overhaul (MRO) organisation with a reputation for technical and operational excellence, SIA Engineering Company offers TOTAL SUPPORT solutions to an expanding client base of international airlines. With specialised technical expertise developed over the years, the Company offers its customers a high level of service and commitment, with faster turnaround and better cost efficiencies.

The Company actively seeks alliances and partnerships with industry specialists and original equipment manufacturers to extend the breadth and depth of its services in Singapore and beyond. The Company holds certifications from 25 airworthiness authorities worldwide, including the Civil Aviation Authority of Singapore, the Federal Aviation Administration, the European Aviation Safety Agency and the Japan Civil Aviation Bureau.

CORPORATE CALENDAR

2011

10 May 2011

Announcement of FY2010/11 full-year financial results

11 May 2011

Analyst briefing on FY2010/11 full-year financial results

27 Jun 2011

Despatch of Annual Report to shareholders

22 Jul 2011

29th Annual General Meeting

26 Jul 2011

Announcement of FY2011/12 first-quarter financial results

11 Aug 2011

Payment of FY2010/11 final dividends

28 Oct 2011

Announcement of FY2011/12 second-quarter financial results

31 Oct 2011

Analyst briefing on FY2011/12 second-quarter financial results

29 Nov 2011

Payment of FY2011/12 interim dividend

2012

7 May 2012

Announcement of FY2011/12 full-year financial results

8 May 2012

Analyst briefing on FY2011/12 full-year financial results

25 Jun 2012

Despatch of Annual Report to shareholders

19 Jul 2012

30th Annual General Meeting

24 Jul 2012

Announcement of FY2012/13 first-quarter financial results

10 Aug 2012

Payment of FY2011/12 final dividend

30 Oct 2012

Announcement of FY2012/13 second-quarter financial results

31 Oct 2012

Analyst briefing on FY2012/13 second-quarter financial results

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CHAIRMAN'S STATEMENT

Dear Shareholders,

Against a difficult operating environment in the past year, the Group registered a commendable performance.

In FY2011/2012, revenue increased by 5.7% to $1,169.9 million and net profit grew 4.1% to $269.1 million. Contributions from associated and joint ventures companies improved 8.7% to form 51.8% of the Group's pre-tax profit.

We expect stronger headwinds ahead. Global economic uncertainties and escalating fuel prices will continue to impact MRO demand and put pressure on rates. Nevertheless, the Group remains steadfast in strengthening its competitiveness by offering value propositions with high standards of service quality. Enhancing the productivity of our people, processes and performance remains our key focus.

PEOPLE: KEY TO OUR GROWTH

Needless to say, productivity is important. Faster turn-times and higher despatch reliability will enable us to gain operating efficiencies and lower costs for customers. Through two ongoing productivity enhancement programmes – Cheaper Better Faster (CBF) and Integrated Quality Programme (IQP) – we have made steady progress to stay ahead of the competition. The bottom-up approach of CBF and IQP, complemented by a sharing of the gains with the contributors, has led to several worthy initiatives by staff. These programmes will continue to infuse greater innovation and adaptability in our work culture.

In January 2012, we moved CBF and IQP a notch higher with the launch of Analytics and Dependable Service, to focus on enhancing financial performance. Analytics uses the power of data analysis to drive improvements in business operations and decision-making. Through effective communication and engagement of the workforce, Dependable Service re-affirms the commitment of staff to deliver world-class service quality. These initiatives will strengthen our resilience to business volatility.

STAYING AT THE LEADING EDGE OF TECHNOLOGY

SIA Engineering Company remains at the forefront of new technologies. In FY2011/2012, we scored another first when we performed the first 48-month check of the A380 aircraft, a major milestone for the world's largest superjumbo.

"With our established MRO hub in Singapore, supported by a robust network of joint ventures in nine countries, SIA Engineering Company is well positioned for the future."

Our network of OEM partners gives us access to OEM technology and expertise, thereby enabling the Group to develop comprehensive solutions in addressing technical issues. With two large engine overhaul centres and component shops forged with two of the world's largest engine makers, and collaborations with aircraft manufacturers, we are able to provide customers with critical entry-into-service support of new aircraft and engines.

DRIVING GROWTH WITH FLEET MANAGEMENT

Leveraging on engineering expertise gained from years of experience in meeting the high technical standards of Singapore Airlines, we offer fleet management services to other carriers. These knowledge-based services, augmented by a wide array of capabilities at our Singapore base, have established SIA Engineering Company as one of the world's largest providers of fleet management services.

In the year under review, three new fleet management contracts were secured. In November 2011, we signed a 6-year contract with Airbus to provide fleet management and MRO services for Singapore Airlines' fleet of an additional fifteen A330-300. Our A320 customer base continues to grow. We are supporting VietJet's fleet of six A320s and

Mandala's fleet of fifteen A320s under term contracts. These new contracts, with a value of $350 million, boost our fleet management order books significantly.

GROWING OUR SINGAPORE BASE & OVERSEAS NETWORK

In the face of intense competition, our aircraft and component services business performed well by securing 24 new contracts. We renewed an MRO agreement with SIA Cargo. Valued at $358 million, the contract is firm for three years, with a two-year extension. In February 2012, we clinched the MRO services contract for SIA's newly launched low-cost carrier, Scoot.

Our Singapore facility was appointed the authorised repair centre of Aircelle, a key player in the global engine nacelle market, and Messier-Bugatti-Dowty, a leading OEM in landing and brake systems. Tapping the synergies between MRO service providers and OEMs, these collaborations offer faster repair solutions.

Apart from our heavy maintenance facilities in Singapore and the Philippines, the Group has an extensive line maintenance network that spreads across seven countries, handling 650 flights for 80 airlines round-the-clock daily. In February 2012, the Company officially opened its 28th line maintenance station at San Francisco International Airport.

STRATEGIC COLLABORATIONS

We continued to stay the course in forging collaborations with OEMs and other strategic partners. In April 2011, our joint venture with the SAFRAN Group, a world leader in aircraft avionics systems, launched a state-of-the-art avionics facility in Singapore. Positioned as SAFRAN's first avionics Centre of Excellence in Asia, the facility is designed for expansion of capabilities to handle the next generation aircraft, such as the Boeing B787 Dreamliner and the Airbus A350.

In February 2012, SIA Engineering Company and Panasonic Avionics Corporation, a leading supplier of in-flight entertainment and communication systems, officially opened a facility in Singapore, the first in Asia.

DIVIDENDS

The Board is recommending a final ordinary dividend of 15 cents per share. Together with the interim dividend of 6 cents per share paid out at mid-year, the total payout for FY2011/2012 will be 21 cents per share.

APPRECIATION

We deeply appreciate the confidence of our shareholders in SIA Engineering Company. Special thanks go to our valued customers and business partners for their support. Government agencies play an important role in our business growth, product and process innovation, and training. We are particularly grateful to the Economic Development Board, Civil Aviation Authority of Singapore, Changi Airport Group, NTUC and the Workforce Development Agency for their continued support.

We adhere to best practices and good governance in all aspects of our business. Our efforts were affirmed at the Singapore Corporate Governance Awards 2011, which placed us among the top three winners for the Best Managed Board Award. This recognition underscores the commitment and active participation of my fellow Directors in the stewardship of the Company.

Mr Andrew Lim, who has been a Director since August 2006 and served as a member of the Audit Committee for the past five years and a member of the Compensation & HR Committee since 2011, is retiring from the Board at the close of the Annual General Meeting on 19 July 2012. Andrew's invaluable contributions have strengthened Board deliberations and helped the Company build a robust corporate governance framework. We are thankful to Andrew for his unstinting dedication and service.

The Company was awarded 'Best MRO' at the inaugural Aviation Awards Asia 2011. I congratulate our people for achieving this industry accolade. My thanks to our staff, management and the unions for their team work and commitment. In the face of rising competition, we must maintain our competitiveness and resilience.

With our established MRO hub in Singapore, supported by a robust network of joint ventures in nine countries, SIA Engineering Company is well positioned for the future.

Stephen Lee Ching Yen
Chairman

BOARD OF DIRECTORS

Stephen Lee Ching Yen
Chairman

Goh Choon Phong
Director

Ron Foo Siang Guan
Chairman, Audit Committee

Paul Chan Kwai Wah
Chairman, Compensation & HR Committee

Oo Soon Hee
Chairman, Nominating Committee

Andrew Lim Ming-Hui
Director

Lim Joo Boon
Director

Ng Chin Hwee
Director

William Tan Seng Koon
Director / President & CEO

EXECUTIVE MANAGEMENT

William Tan Seng Koon
President &
Chief Executive Officer

Png Kim Chiang
Executive Vice President
(Operations)

Anne Ang Lian Choo
Senior Vice President
(Finance) /
Chief Financial Officer

Jack Koh Swee Lim
Senior Vice President
(Fleet Management /
Marketing & Sales)

Zarina Piperdi
Senior Vice President
(Human Resources)

Ivan Neo Seok Kok
Senior Vice President
(Partnership Management &
Business Development)

Chow Kok Wah
Senior Vice President
(Line Maintenance & IT)
(from 1 Feb 2012)

Leck Chet Lam
Senior Vice President
(Partnership Management &
Business Development)
(until 31 Oct 2011)

STATISTICAL HIGHLIGHTS

	2011-12	2010-11	% Change
FINANCIAL STATISTICS [R1]			
Financial Results ($ million)			
Revenue	1,169.9	1,106.9	+ 5.7
Expenditure	1,040.3	971.2	+ 7.1
Operating profit	129.6	135.7	- 4.5
Profit before taxation	303.1	296.1	+ 2.4
Profit attributable to owners of the parent	269.1	258.5	+ 4.1
Financial Position ($ million)			
Equity attributable to owners of the parent	1,254.3	1,302.7	- 3.7
Total assets	1,599.3	1,621.5	- 1.4
Return on equity holders' funds (%) [R2]	21.1	20.1	+ 1.0 pts
Value added ($ million)	803.2	777.9	+ 3.3
Per Share Data (cents)			
Earnings after tax - basic [R3]	24.6	23.8	+ 3.3
- diluted [R4]	24.4	23.5	+ 3.6
Net asset value [R5]	114.3	119.4	- 4.3
Dividends (cents per share)			
Interim dividend	6.0	6.0	-
Proposed final dividend - ordinary	15.0	14.0	+ 7.1
- special	-	10.0	nm
PRODUCTIVITY AND EMPLOYEE DATA			
Average number of employees	6,149	6,152	- 0.1
Revenue per employee ($)	190,257	179,927	+ 5.7
Value added per employee ($)	130,619	126,450	+ 3.3

R1 SIA Engineering Company's financial year is from 1 April to 31 March. Throughout this report, all financial figures are in Singapore Dollars, unless stated otherwise.

R2 Return on equity holders' funds is the profit attributable to owners of the parent expressed as a percentage of the average equity attributable to owners of the parent.

R3 Earnings after tax per share (basic) is computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue.

R4 Earnings after tax per share (diluted) is computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.

R5 Net asset value per share is computed by dividing the equity attributable to owners of the parent by the number of ordinary shares in issue at 31 March.

OPERATIONS REVIEW

LINE MAINTENANCE

Flights handled at Changi Airport

FY2011/12	112,235 flights
FY2010/11	110,217 flights

During the year in review, Line Maintenance Division handled a total of 112,235 flights, an increase of 1.8% over the preceding financial year, and achieved a revenue of $400.8 million. Eight new contracts were secured and five contracts renewed with airlines by our line maintenance operations at Changi Airport.

With San Francisco coming on line in February 2012, our Line Maintenance International network now covers 28 airports in 7 countries. The global network services more than 80 customers, with 650 flights round the clock daily.

AIRCRAFT & COMPONENT SERVICES

No. of checks performed in Singapore and Bahrain facilities

	A	C	D
FY2011/12	486	110	23
FY2010/11	457	113	21

In FY2011/12, the Company performed a total of 486 'A' checks, 110 'C' checks and 23 'D" checks at its facilities in Singapore and Bahrain, contributing a 1.5% increase in revenue to $550.7 million. 24 new contracts with international and regional carriers were secured for our hangar operations in Singapore. The commissioning of the latest state-of-the-art aircraft painting facility in our hangar during the year added to the Company's expanding portfolio of Total Support services to customer airlines around the world.

FLEET MANAGEMENT

As one of the largest Fleet Management service providers in the world, SIAEC today has more than 160 aircraft from 13 airlines under its care. Revenue from our growing Fleet Management business surged 33.3% to $218.4 million, thanks to a growing customer base, which includes Airbus, Air Pacific, Cebu Pacific, China Cargo Airlines, Gulf Air, Mandala Airlines, Royal Brunei, SilkAir, Southeast Asian Airlines, Tiger Airways in Singapore and Australia, V Australia and Vietjet Air.

JOINT VENTURES

Over the years, our joint ventures and associated companies have become a significant contributor to SIAEC's financial performance. In the year just ended, the combined revenue of our joint ventures and associated companies totalled $3.4 billion, of which 78% was derived from non-SIA customers. Share of profits from the joint ventures and associated companies rose 8.7% to $156.9 million.

Key events during the year include the opening of an avionics facility by Safran Electronics Asia, a joint venture with the SAFRAN Group, and the commencement of operations of an in-flight entertainment and communications systems facility, a joint venture with Panasonic Avionics Corporation.

SIAEC continued to be appointed by leading Original Equipment Manufacturers as their Authorised Repair Centres, with Aircelle (for nacelle and thrust reverser systems) and Messier-Bugatti-Dowty (for wheels and brakes systems) adding to the list in FY2011/12.

CORPORATE SOCIAL RESPONSIBILITY

Over the years, SIA Engineering Company remains committed to its responsibility as a corporate citizen. Our Corporate Social Responsibility (CSR) Programme focuses on the following areas:

ENABLING PEOPLE IMPROVING LIFES

- EDUCATION
- COMMUNITY ENGAGEMENT (SINGAPORE)
- COMMUNITY ENGAGEMENT (OVERSEAS)
- CORPORATE GOVERNANCE
- ANNUAL FLAGSHIP EVENT

We take a keen interest in contributing towards the well being of the community at large and strongly encourage volunteerism amongst our staff. Apart from staff participation in community and charity events, the Company donates to charitable organisations and funds education programmes. A significant proportion of staff contributes monthly to the Community Chest.

In 2012, new CSR initiatives were launched aimed at greater staff awareness and participation in our CSR Programme. Together with our staff, we hope to reach out to targeted communities in Singapore and the region, helping to improve the livelihood of these communities by distributing food, building homes and providing education support for the young.

This year, we are partnering with a non-profit organisation in Singapore which specialises in feeding underprivileged families. Our CSR activities will include a flagship event - "Run For Food" – where staff participants will collect donations for the distances they cover in the Charity Run. To extend our CSR efforts overseas, we are working on various home-building projects in countries around the region.

Backed by our ISO 14001 certified Environment Management System, SIAEC closely monitors and manages the Company's environmental performance, in particular, with regard to carbon emissions, noise pollution, air quality and waste management. Our aim is to maintain a clean and healthy work environment for our staff, as well as to ensure that our work processes comply with local and international regulations which protect the long-term sustainability of our environment.

CORPORATE GOVERNANCE

SIA Engineering Company Limited (the "Company") considers good corporate governance to be the hallmark of a well-managed organisation. The focus of the Company's governance framework, which is formulated on the Company's vision and mission, is to promote accountability and transparency. These are manifested in the composition of the Board and Board Committees, division of powers and duties between the Board and Management, adoption of checks and balances, and the encouragement of sound corporate ethics across the Company and its Group.

The Board and Management are committed to achieving sustained value creation for the shareholders, by adhering to a set of well-defined corporate governance principles and maintaining effective structures and processes within the Company and its subsidiaries.

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

On 2 May 2012, the Monetary Authority of Singapore issued a revised Code of Corporate Governance ("revised Code"), which will take effect with respect to Annual Reports of listed entities relating to financial years commencing from 1 November 2012. The revised Code will apply to the 2014 Annual Report of the Company. The Company is already in compliance with many of the guidelines in the revised Code and is working to adopt the other changes, where appropriate. The Company's Audit Committee also adheres to the principles and guidelines enunciated both in the Code and the "Guidebook for Audit Committees in Singapore" issued in 2008.

THE ROLE OF THE BOARD AND CONDUCT OF ITS AFFAIRS (Principle 1)

The Board oversees the business affairs of the Company, provides entrepreneurial stewardship to Management and confers with them regularly. There is an objective decision-making process, which allows each Director to engage in constructive debate and exercise independent judgment. The Board has adopted guidelines on matters requiring its approval, which include all matters of strategic importance, corporate governance practices, legal and regulatory compliances, the adequacy of internal controls, risk management, financial reporting, financial performance and annual budgets, key operational initiatives, investment proposals and major transactions.

The Board meets at least quarterly, to review and approve, inter alia, the financial results of the Company. The Chairman meets the Independent Directors twice yearly in the absence of Management and non-independent Directors. Board meeting dates for each financial year are fixed in advance, and notified to the Directors before the start of the year to facilitate full attendance. Additional meetings are convened as and when circumstances warrant. Records of all such meetings, including key deliberations and decisions taken, are maintained by the Company Secretary and the minutes of meetings are also sent to all Directors for their information. Telephonic attendance at Board and Board Committee Meetings is permitted under the Company's Articles of Association. When circumstances warrant, decisions are also made by way of circulating resolutions.

In addition to the scheduled Board meetings, Directors attend a full-day annual strategy meeting to discuss and prioritise the Company's strategic initiatives over the short and long term. Strategy meetings are held in Singapore, or at an overseas Company facility to familiarise Directors with the Company's off-shore operations. Proposals considered at the strategy meeting are further developed by Management and discussed at subsequent Board Meetings.

CORPORATE GOVERNANCE

In the discharge of its duties, the Board is supported by four Board Committees, namely the Audit Committee, the Compensation and HR Committee, the Nominating Committee and the Board Committee, each of which has been constituted with written terms of reference which clearly describe its workscope, responsibilities of its members and other procedural matters. The Board is kept informed of the key matters discussed in each Board Committee meeting. At all times, the Board and the Board Committees have independent access to the CEO, members of Senior Management, the Company Secretary and external advisors. There is a clear demarcation of responsibilities between the Board and Management.

ORIENTATION AND TRAINING FOR DIRECTORS

The Company's Directors serve on the Boards of other companies, including listed companies. Newly appointed Directors undergo a half-day orientation session, which includes presentations by Management on the Company and the Group's businesses, operations and strategic plans. In compliance with Guideline 1.7 of the Code, the Company has also developed the terms of appointment of Directors.

Directors are also given a tour of key facilities in Singapore. From time to time, the Company arranges and funds the training of Directors and in furtherance of such training, Directors are addressed by external advisors on industry-related trends and developments, and are kept updated on relevant new laws, regulations and changing commercial risks, including directors' duties and responsibilities, corporate governance, insider trading and financial reporting standards. In February 2012, Board members were briefed by external advisors on the amendments to the Code, the Listing Rules of Singapore Exchange Securities Trading Limited ("SGX-ST") ("Listing Rules") and the Companies' Act. The Nominating Committee identifies relevant training programmes of the Stewardship and Corporate Governance Centre, the Singapore Institute of Directors and others for the consideration of the Directors.

As part of the Company's ongoing efforts to familiarise Directors with their duties and responsibilities, the Company developed a Director's Handbook. The Handbook provides a ready reference on matters relating to the Companies Act, Securities & Futures Act, the Code and other relevant statutes, regulations, bylaws, codes and directives that are of significance to Directors. It is updated from time to time as and when there are key changes to the relevant regulations, laws and guidelines.

BOARD COMPOSITION, BALANCE AND MEMBERSHIP (Principles 2, 3 & 4)

The composition of the Board and the Board Committees, and attendance at meetings held in the year under review are as shown on the next page.

CORPORATE GOVERNANCE

Board & Board Committees Composition & Attendance FY11/12

	Main Board			Audit Committee		Nominating Committee		Compensation & HR Committee		Board Committee
Name	**Status**	**Position**	**Att.**	**Position**	**Att.**	**Position**	**Att.**	**Position**	**Att.**	**Position**
Stephen Lee Ching Yen (last re-appointed on 22 July 2011, first appointed on 1 Dec 2005)	Non-executive / Non-independent	Chairman	6/6							
Goh Choon Phong (last re-appointed on 22 July 2011, first appointed on 1 Jan 2011)	Non-executive / Non-independent	Member	6/6					Member	4/4	Member
Paul Chan Kwai Wah (last re-appointed on 24 Jul 2009, first appointed on 1 Aug 2006)	Non-executive / Independent	Member	6/6			Member	4/4	Chairman	4/4	Alternate
Andrew Lim Ming-Hui (last re-appointed on 23 Jul 2010, first appointed on 1 Aug 2006)	Non-executive / Independent	Member	6/6	Member	4/4			Member (appointed on 1 July 2011)	2/3	
Ron Foo Siang Guan (last re-appointed on 23 Jul 2010, first appointed on 1 Aug 2007)	Non-executive / Independent	Member	6/6	Chairman (elected on 22 July 2011)	4/4					Member
Lim Joo Boon (last re-appointed on 22 Jul 2011, first appointed on 1 Aug 2007)	Non-executive / Independent	Member	6/6	Member (appointed on 1 July 2011)	3/3			Member	4/4	
Oo Soon Hee (last re-appointed on 22 Jul 2011, first appointed on 1 Aug 2007)	Non-executive / Independent	Member	6/6	Member	4/4	Chairman	4/4			
Ng Chin Hwee (last re-appointed on 22 Jul 2011, first appointed on 18 Jul 2008)	Non-executive / Non-Independent	Member	6/6			Member	4/4			
William Tan Seng Koon (last re-appointed on 23 Jul 2010, first appointed on 1 Mar 2010)	Executive / Non-independent	Member	6/6							
Koh Kheng Siong (retired on 22 July 2011, last re-appointed on 23 Jul 2010, first appointed on 1 Sep 2005)	Non-executive / Independent	Member	2/2	Chairman (retired on 22 July 2011)	2/2			Member (retired on 22 July 2011)	1/1	
Total Number of Meetings Held In FY11/12			6		4		4		4	-

Note:

i) "Att." refers to the number of Board and Board Committee meetings attended by Directors in FY11/12.

ii) Mr William Tan Seng Koon is the President & CEO of the Company.

CORPORATE GOVERNANCE

The Board consists of eight non-executive Directors, 5 of whom are independent. CEO is an executive non-independent Director of the Board. The high representation of independent Directors denotes a strong independent element on the Board. The four non-independent Directors bring to the Company a wealth of aviation industry background. Save for an alternate Director on the Board Committee, there are no alternates for the Directors on the Board or other Board Committees.

The Board considers the present Board size and the number of Board Committees to be sufficient for effective decision-making. The Board has the requisite blend of expertise, skills and attributes to oversee the Company's growing businesses. Collectively, the Board has competencies in areas such as airline operations, accounting, finance, law, information technology, logistics management and human resource development, and working experience in key markets. The profiles of Directors are on pages 26 to 34.

All Directors are subject to retirement and re-election at least once every three years. Annually, the Nominating Committee determines the independence of Directors according to the criteria stipulated in the Code based on each Director's declaration.

Overall, there is a clear demarcation of the roles and responsibilities of the Chairman and the CEO. The Chairman and the CEO are not related to each other. The Chairman leads the Board to ensure its overall effectiveness and encourages constructive engagement between Directors and Management.

The CEO manages the business of the Company and implements the Board's decisions. He chairs the Management Committee, comprising senior executives of the Company. The Management Committee meets weekly to discuss, inter alia, policy and operational issues, and to implement Board decisions. The CEO also chairs the Senior Management Committee ("SMC"), members of which include the Executive Vice President (Operations) and the Senior Vice Presidents. The SMC decides on specific matters delegated to it by the Board and the Board Committee.

BOARD PERFORMANCE (Principle 5)

The Board has a process for assessing the effectiveness of the Board as a whole and the contributions of individual Directors. For impartiality, the process is managed by an external firm of human resource consultants, which has no other connection with the Company or any of its Directors. The process comprises an assessment of both qualitative and quantitative criteria.

The qualitative assessment is structured to measure the overall performance of the Board and the Board Committees. There is also peer assessment of a Director's performance. This is the tenth year of the Company implementing an independent evaluation of the Board performance.

The quantitative assessment measures the Board's performance against key financial indicators, including the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index, return on equity and the economic value-add. The measures are also benchmarked against similar measures used in the assessment of the Best Managed Board Awards.

The results of the evaluation are compared with past years' results to identify areas for improvement in the performance of the Board's duties. This annual process enables the Nominating Committee and the Board to monitor performance and make continuous improvements to the effectiveness of the Board.

ACCOUNTABILITY AND ACCESS TO INFORMATION (Principles 6 and 10)

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards, as prescribed by the Accounting Standards Council. Management accounts are prepared to present a balanced and accurate assessment of the Company's performance, financial position and prospects, and are submitted to the Board on a monthly basis. Information papers on material developments or issues dealt with by Management are also submitted to the Board.

Directors are provided with papers well in advance of the meetings of the Board and the Board Committees, or deadlines for decisions, to enable them to make well-considered and informed decisions. Board procedures also enable Directors, either individually or as a group, to seek independent professional advice at the Company's expense, in furtherance of their duties.

CORPORATE GOVERNANCE

The Board has defined the role of the Company Secretary to, inter alia, include:

a) supervising, monitoring and advising on compliance by the Company with its Memorandum and Articles of Association, laws and regulations applicable in Singapore, and the SGX-ST Listing Manual;

b) ensuring an open and regular flow of communication between the Company and the SGX-ST, the Accounting & Corporate Regulatory Authority, and both institutional and individual shareholders; and

c) updating and informing the Board on the principles and best practices of corporate governance.

AUDIT COMMITTEE (Principle 11)

Chairman	Ron Foo Siang Guan (elected on 22 July 2011)
	Koh Kheng Siong (retired on 22 July 2011)
Members	Andrew Lim Ming-Hui
	Oo Soon Hee
	Lim Joo Boon (appointed on 1 July 2011)

Mr Koh Kheng Siong retired from the Audit Committee on 22 July 2011 following his retirement from the Board on the same day.

The Audit Committee met four times during the year with Management and the internal and external auditors of the Company. The attendance of individual Directors at these meetings is shown on page 10 of the Annual Report. In the course of the financial year, the Committee performed the following functions in accordance with its duties and responsibilities under its charter:

(a) Financial Reporting

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

(b) External Audit

The Audit Committee discussed with the external auditor the audit plan and the report on the audit of the year-end financial statements; reviewed the external auditor's management letter and Management's responses thereto; the non-audit fees for work undertaken by the external auditor and the external auditor's objectivity and independence from Management and the Company. In addition, the Audit Committee considered and recommended to the Board the re-appointment of the external auditor and the audit fee.

The Audit Committee confirms that it has undertaken a review of all non-audit services provided by the external auditors and they would not, in the Committee's opinion, affect the independence of the auditors.

The Company has complied with Rules 712 and 715 of the SGX Listing Manual in relation to its engagement of auditors.

CORPORATE GOVERNANCE

(c) Internal Audit

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

(d) Risk Management

The Audit Committee reviewed the Company's risk management framework and processes and provided oversight to the work of the Risk Management Committee in respect of financial risks. Business, operational and strategic risks are reviewed directly by the Board.

(e) Interested Person Transactions

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

(f) Whistle-Blowing

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

(g) Others

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

The Directors are of the opinion that the Company complies with the principles and guidelines on Audit Committees in the Code as well as the "Guidebook for Audit Committees in Singapore".

RISK MANAGEMENT (Principle 12)

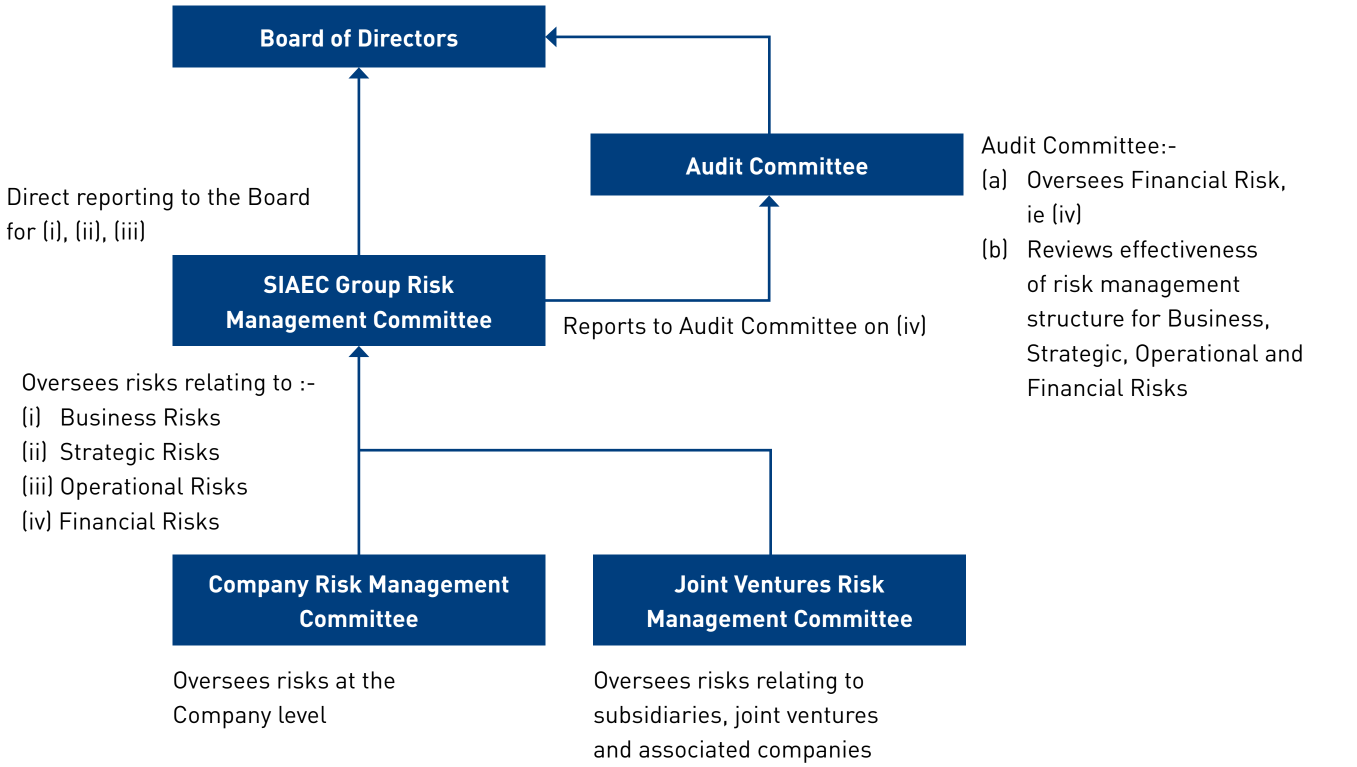
The Risk Management Committee was formed in 2001 to assist the Audit Committee and the Board to drive risk management activities within the Company.

In October 2011, the risk management structure was enhanced with the formation of two additional committees, namely the SIAEC Group Risk Management Committee and the Joint Ventures Risk Management Committee.

The Group Risk Management Committee has oversight of risks faced by the SIAEC Group. While the Company Risk Management Committee continues to oversee risks at the Company level, the Joint Ventures Risk Management Committee oversees the management of key risks associated with subsidiaries, joint venture and associated companies.

CORPORATE GOVERNANCE

The enhanced risk reporting structure is as follows:-



RISK PROCESSES AND ACTIVITIES

The following risk-related processes and activities were carried out by the Company in FY11/12:-

a) Risk Reviews

The Company carried out its half-yearly risk reviews in August 2011 and January 2012 respectively. Business units were involved in identifying and assessing risks, which were subsequently consolidated and prioritised for review by the Company Risk Management Committee. Separately, the Joint Ventures Risk Management Committee also identified top risks associated with the subsidiaries, joint venture and associated companies for regular monitoring.

b) Review of Second-tier Risks

To maintain adequate oversight of second-tier risks, the Company Risk Management Committee progressively reviewed such risks and their mitigation plans and controls for effectiveness.

c) Risk Control and Audit

To ensure that risk controls are effective and being complied with, SIA Internal Audit was engaged to carry out an independent audit on the Company's risk management processes. The audit has assessed the risk management processes to be good.

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d) Independent Review by Aon Singapore Pte Ltd

In December 2011, the Company engaged an external risk management consultant, Aon Singapore Pte Ltd ("Aon"), to conduct an independent review and assessment of the enhanced risk management structure and safety processes. Aon concluded that the enhanced structure is more robust, and that the risk management approach of the Company reflects a good understanding of the major risks in its operating environment. Aon benchmarked the terms of reference of the three Risk Management Committees based on their experience with other organisations, and assessed them to be adequate to review and manage risks under their respective purview. It assessed the Company's risk management structure and practices to be well developed and mature.

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

INTERNAL AUDIT (Principle 13)

The Company has an internal audit function, which is undertaken by the Internal Audit Department of SIA ("SIA Internal Audit Department"), the Company's parent. It is designed to provide reasonable assurance about the effectiveness and efficiency of operation controls, reliability of financial information processes, and compliance with policies and procedures, applicable laws and regulations in the Company, its subsidiaries and joint venture and associated companies. The internal auditors report directly to the Company's Audit Committee. In situations where the audit work to be carried out by SIA Internal Audit Department could give rise to potential conflicts of interest, such as audit work relating to transactions between the Company and SIA, the Audit Committee may authorise such audit work to be carried out by an independent third party as it deems appropriate. The Company's internal audit function meets the standards set by the Institute of Internal Auditors.

Information technology audits are managed by SIA Internal Audit employees, who are Certified Information System Auditors.

INTERNAL CONTROLS (Principle 12)

The Company's internal control structure consists of policies and procedures established to provide reasonable assurance that transactions undertaken are aligned with the achievement of the Company's objectives. This includes approval limits for every banking and finance transaction, having regard to the nature of the transaction. The Company also has an established Whistle-blowing Programme for the reporting and investigation of any wrongdoing.

A Control Self Assessment ("CSA") Programme, established since FY03/04, provides a tangible control framework that establishes control ownership among functional managers and staff in their areas of responsibilities. The self assessments made by functional managers provide the assurance that key controls are working to address the financial, operational and compliance risks identified to be relevant and material to the Company's operations. Internal audits complement the CSA Programme by providing an independent and objective assessment of the processes and controls which may have a material financial impact on the Company. Internal Audit and CSA results are reviewed by the Audit Committee. The Company also has in place a risk management programme that provides oversight on business, strategic, operational and financial risks within the Group. The risk management structure is set out on page 14.

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Additionally, as the SIAEC Group operates in a regulated industry, we are also subject to regular audits by airworthiness authorities and customers. The Company holds certifications from 25 airworthiness regulators worldwide, including the Civil Aviation Authority of Singapore, the Federal Aviation Administration and the European Aviation Safety Agency. These regulators, as well as our customer airlines, conduct regular audits of the operations of the Company to ensure adherence to operational and safety procedures. In FY11/12, the Company underwent 81 audits by the regulators and 77 audits by customer airlines. All of the certifications and approvals under the audits had been renewed.

Based on the framework of internal controls established and maintained by the Company, work performed by the internal and external auditors and airworthiness regulators, and reviews performed by Management and the relevant Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that SIAEC Group's internal controls, addressing financial, operational and compliance risks, which the Group considers relevant and material to its operations, were adequate for the financial year ended 31 March 2012.

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

COMPENSATION & HR COMMITTEE (Principle 7)

The Compensation & HR Committee comprises four non-executive Directors, three of whom (including the Chairman) are independent. The members of the Committee during FY11/12 were:

Chairman:	Paul Chan Kwai Wah
Members:	Goh Choon Phong
	Koh Kheng Siong (retired on 22 July 2011)
	Lim Joo Boon
	Andrew Lim Ming-Hui (appointed on 1 July 2011)

The Committee, guided by the principles of the Code, regularly reviews the recruitment, appointment, development and compensation of senior staff with reference to market data provided by recognised surveys of comparative groups in the aerospace and general sectors. The Committee consults an independent consultant to provide advice on market practices and benchmark data and recommendations on senior executive remuneration, including incentive and share plans. For FY11/12, Carrots Consulting was engaged to provide such services; the principal consultant providing the services was Mr Johan Grundlingh. Carrots Consulting only provides remuneration consulting services to the Company, and has no other relationship with the Company.

The Committee is responsible for reviewing the eligibility, guidelines, allotment and awards of the Company's Restricted Share Plan ("RSP") and Performance Share Plan ("PSP"). The Committee also reviews and recommends the fees payable to Directors serving on the Board and Board Committees.

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During FY11/12, the Committee held four meetings and performed, inter alia, the following main functions:

(a) Conducted a review of the FY09/10 and FY10/11 RSP performance to-date

(b) Conducted a review of the FY08/09, FY09/10 and FY10/11 PSP performance to-date

(c) Determined the allotment for the 6th RSP and PSP grants for FY11/12

(d) Reviewed and approved the total compensation framework for senior management staff

(e) Conducted the annual performance and compensation review of senior management staff

(f) Reviewed the HR Strategy for FY11/12 and FY12/13

(g) Reviewed and endorsed the 2012 Succession Development Plan for the Company, including the CEO Succession Plan

(h) Reviewed the fees payable to Company Directors for FY11/12

(i) Reviewed the adjustments to ESOPs and RSP/PSP awards arising from the special dividend in August 2011

(j) Reviewed the proposed alterations to the ESOP rules to accommodate the implementation of the UBS On-Line System for administration of ESOP

(k) Reviewed the 2010 Organisational Climate Survey report and the specific engagement plans for the year ahead plans for the year ahead

REMUNERATION REPORT (Principles 8 & 9)

The fee for non-Executive Directors reflects the scope and extent of a Director's increasing responsibilities and obligations. It is measured against relevant benchmarks and is competitive. The Board believes that it is imperative to remunerate Directors equitably to attract and retain individuals with the necessary talents and capabilities.

Non-Executive Directors' remuneration for FY11/12 was derived using the same rates as FY10/11. Information on the rates and the actual fees paid are shown in the tables below:

Type Of Appointment		**Scale of Directors' Fees**
Board of Directors		**S$**
Member's Fee ("Basic Fee")		45,000
Chairman's Allowance		40,000
Board Meeting Attendance Fee	- for each Board Meeting held locally	1,000
	- for each Board Meeting held overseas	3,000
Board Committee		
Member's Allowance		10,000
Audit Committee		
Chairman's Allowance		30,000
Member's Allowance		20,000
Other Board Committees		
Chairman's Allowance		20,000
Member's Allowance		10,000

Note:
If a Director occupies a position for part of a financial year, the fee or allowances due to him shall be pro-rated accordingly.

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The remuneration in respect of each Director for FY11/12 are as shown:

	Fee $	Salary $	Bonuses[4] $	Benefits $	Total $	Base Awards under SIAEC RSP granted during the year[5] No. of Shares	Base Awards under SIAEC PSP granted during the year[5] No. of shares
Stephen Lee Ching Yen	91,000	-	-	-	91,000	-	-
Goh Choon Phong[1]	71,000	-	-	-	71,000	-	-
Paul Chan Kwai Wah	81,000	-	-	-	81,000	-	-
Andrew Lim Ming-Hui	78,514	-	-	-	78,514	-	-
Ron Foo Siang Guan	87,940	-	-	-	87,940	-	-
Lim Joo Boon	76,027	-	-	-	76,027	-	-
Oo Soon Hee	91,000	-	-	-	91,000	-	-
Ng Chin Hwee[1]	61,000	-	-	-	61,000	-	-
Koh Kheng Siong[2]	28,316	-	-	-	28,316	-	-
William Tan Seng Koon[3]	-	551,136	624,625	62,945	1,238,706	64,469	41,956

1 *Directors' fees in respect of Mr Goh Choon Phong and Mr Ng Chin Hwee were paid to and retained by SIA (the majority shareholder of the Company).*

2 *Mr Koh Kheng Siong retired as Director on 22 July 2011.*

3 *As Chief Executive Officer, Mr William Tan Seng Koon does not receive any Director's fees.*

4 *Includes Economic Value Added (EVA)-based incentive plan (EBIP) payment and profit-sharing bonus. The amount paid in the reporting year under EBIP is a percentage of the EVA Bank. See below for additional information on the EBIP.*

5 *Shares awarded under the PSP and RSP are subject to performance targets and other terms and conditions being met under the respective share plans.*

Other than the foregoing, no other remuneration is paid to non-executive Directors of the Company, nor do they receive any share options or share awards which are granted only to the employees of the Company.

None of the immediate family members of a Director was employed by the Company and its principal subsidiaries in a managerial position for the period 1 April 2011 to 31 March 2012.

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Key Executives' Remuneration

The Company's key executives' remuneration structure is designed to include short-term and long-term incentives, which motivate and reward key executives, and allows the Company to align executive compensation with the market. The key executives' remuneration structure includes the components of an Economic Value Added (EVA)-based Incentive Plan (EBIP) and profit-sharing bonus (PSB), and share awards under the SIAEC RSP and the SIAEC PSP, in addition to a fixed basic salary and fixed allowances. The payment of EBIP, PSB and grants of share awards are dependent on the achievement of the executives' individual performance and prescribed Company performance measures.

The remuneration of the Company's key executives for FY11/12 is shown in the table on the previous page (for CEO) and in the table below (for Senior Management):

Remuneration Bands[1] & Senior Management Executives	Salary (%)	Bonuses[2] (%)	Benefits (%)	Total (%)	Base Awards under SIAEC RSP[3] granted during the year No. of Shares	Base Awards under SIAEC PSP[3] granted during the year No. of shares
$500,001 - $750,000						
Png Kim Chiang EVP Operations	53	42	5	100	25,583	25,583
Jack Koh Swee Lim SVP (Fleet Management/ Marketing & Sales)	54	43	3	100	20,466	17,908
$250,001 - $500,000						
Zarina Piperdi SVP Human Resources	52	45	3	100	20,466	17,908
Ivan Neo Seok Kok SVP Partnership Management & Business Development	54	43	3	100	20,466	17,908
Anne Ang Lian Choo SVP Finance/CFO	56	41	3	100	20,466	17,908
Leck Chet Lam[4] DVP Engineering, SIA	41	56	3	100	20,466	17,908

1 *The above remuneration bands do not include the value of the share awards under SIAEC RSP and SIAEC PSP.*
2 *Includes Economic Value Added (EVA)-based incentive plan (EBIP) payment and profit-sharing bonus. The amount paid in the reporting year under EBIP is a percentage of the EVA Bank. See below for additional information on the EBIP.*
3 *Shares awarded under the PSP and RSP are subject to performance targets and other terms and conditions being met under the respective share plans.*
4 *Mr Leck Chet Lam was seconded to Singapore Airlines Limited on 1 November 2011, and thus his remuneration is for a partial year.*

Details of the SIAEC RSP and SIAEC PSP, and the awards granted can be found on page 45 of the Report by the Board of Directors and page 125 in this Annual Report. Please see below for additional information on EBIP.

Additional Information on Economic Value Added (EVA)-based Incentive Plan (EBIP)

One of the incentive plans included in the remuneration of key executives of the Company is the EVA-Based Incentive Plan (EBIP), which forms the main portion of the annual performance-related bonus for these executives. Under this plan, one-third of the accumulated EBIP bonus, comprising the EBIP bonus for the year, and the balance of the EBIP bonus brought forward from preceding years, is paid out in cash each year. The remaining two-thirds are carried forward in each individual executive's EBIP account for

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payment in future years. Amounts in the EBIP account are at risk because a significant reduction in EVA in any year will result in retraction of the EBIP bonus earned in preceding years. The EBIP encourages key executives to work for sustained EVA generation, and to take actions that are aligned with the long-term interests of shareholders.

The rules of the EBIP are subject to review and amendment by the Compensation & HR Committee.

PROFILE OF SENIOR EXECUTIVES

Mr William Tan Seng Koon
President & Chief Executive Officer

Mr William Tan is a Director and the President & Chief Executive Officer of SIA Engineering Company (SIAEC). The SIAEC Group of companies, with its main operations in Singapore and 25 joint ventures in nine countries, caters to a global customer base of more than 80 international airlines.

Prior to his appointment as President & CEO of SIAEC in May 2001, Mr Tan served in various senior management positions in Singapore Airlines Ltd from 1978, including Senior Vice President Engineering from 1999 to 2001.

He is the Chairman of Singapore JAMCO Pte Ltd and SIA Engineering (Philippines) Corporation, Deputy Chairman of Eagle Services Asia Pte Ltd and Singapore Aero Engine Services Pte Ltd, and a Director of SIAEC Global Pte Ltd.

Mr Tan graduated from the University of Singapore with a Bachelor of Science (Engineering) degree and holds a Diploma in Business Administration from the National University of Singapore. He is a Fellow of the Singapore Academy of Engineering.

Mr Png Kim Chiang
Executive Vice President (Operations)

Mr Png joined Singapore Airlines Ltd (SIA) in 1975 and served in various departments of the Engineering Division of SIA. He was appointed Vice President Engineering Supplies in 1998. In April 2001, Mr Png was transferred to SIA Engineering Company as its Senior Vice President (Services). He was appointed Senior Vice President (Commercial) in September 2005 and Senior Vice President (Aircraft and Component Services) in April 2009. In April 2010, he was appointed as Executive Vice President (Operations), taking charge of the operations of Aircraft and Component Services, Line Maintenance and Fleet Management, as well as the support services of Marketing & Sales, Quality and Safety.

Mr Png is the Chairman of Aerospace Component Engineering Services Pte Ltd and JAMCO Aero Design & Engineering Pte Ltd, NexGen Network (1) Holding Pte Ltd and NexGen Network (2) Holding Pte Ltd, Deputy Chairman of Goodrich Aerostructures Service Centre - Asia Pte Ltd and a Director of Goodrich Aerostructures Service (China) Co. Ltd and SIA Engineering (Philippines) Corporation.

Mr Png holds a Bachelor of Science (Honours) degree in Computation from the University of Manchester Institute of Science and Technology, as well as a Master of Business Administration degree from the National University of Singapore.

Mr Jack Koh Swee Lim
Senior Vice President (Fleet Management / Marketing and Sales)

Mr Jack Koh joined Singapore Airlines Ltd (SIA) in 1971, served as Vice President Technical Projects in 1999 and was appointed Divisional Vice President Engineering in 2001 before joining SIA Engineering Company.

Mr Koh was appointed Senior Vice President (Line Maintenance and Materials) in SIA Engineering Company in September 2005, Senior Vice President (Line Maintenance and Business Development) in October 2007 and Senior Vice President (Commercial) in April 2009. He is currently Senior Vice President (Fleet Management / Marketing & Sales), responsible for Fleet Management, Marketing and Sales, Continuing Airworthiness Management and Engineering Divisions.

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Mr Koh is the Chairman of Aviation Partnership (Philippines) Corporation, Vice-President Commissioner of PT JAS Aero-Engineering Services and a Director of Hong Kong Aero Engine Services Ltd and Singapore Aero Engine Services Pte Ltd.

Mr Koh holds a Bachelor of Business degree from Curtin University (Australia) and a Master of Business Administration degree from Monash University, Australia.

Ms Zarina Piperdi
Senior Vice President (Human Resources)

Ms Piperdi joined Singapore Airlines Ltd (SIA) in 1983 and had been posted to various positions in the Finance Division. In 1991, she was posted to Los Angeles as SIA's Regional Finance & Admin Manager America. She joined SIA Cargo Pte Ltd in 1997 to spearhead the formation of the cargo airline and was appointed as Vice President Finance & Human Resources in 2001. In March 2006, Ms Piperdi was transferred to SIA Engineering Company and was appointed Senior Vice President (Human Resources) in November 2006. She is currently responsible for the Human Resources, Productivity & Industrial Relations, and Training Academy Divisions.

Ms Piperdi is the Chairman of Fuel Accessory Service Technologies Pte Ltd and a Director of Combustor Airmotive Services Pte Ltd, International Engine Component Overhaul Pte Ltd and SIAEC Global Pte Ltd.

Ms Piperdi holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and has completed a Senior Executive Programme at London Business School. She is also a Fellow of the Institute of Certified Public Accountants.

Mr Ivan Neo Seok Kok
Senior Vice President (Partnership Management and Business Development)

Mr Neo joined Singapore Airlines Ltd (SIA) in 1975. He served in various capacities in the Engineering Division of SIA before his transfer to SIA Engineering Company in 1993.

In SIA Engineering Company, Mr Neo was appointed Vice President in charge of Quality & Safety in 2001, and Base Maintenance and China Projects in 2004. In October 2007, he was appointed as Senior Vice President (Aircraft & Component Services). He was appointed Senior Vice President (Line Maintenance and Business Development) in April 2009 and Senior Vice President (Line Maintenance Singapore and International) in April 2010. He is currently Senior Vice President (Partnership Management & Business Development), responsible for Partnership Management, Business Development and Facilities Development Divisions.

Mr Neo is the Chairman of Aircraft Maintenance Services Australia Pty Ltd and Pan Asia Pacific Aviation Services Ltd (Hong Kong), and a Director of Panasonic Avionics Services Singapore Pte Ltd and Southern Airports Aircraft Maintenance Services Company Ltd (Vietnam).

In addition to possessing an Aircraft Maintenance Engineer's Licence, Mr Neo holds a Bachelor of Science degree (Honours) from the University of London and a Master of Business and Technology degree from the University of New South Wales.

Ms Anne Ang Lian Choo
Senior Vice President (Finance) / Chief Financial Officer

Ms Ang was appointed as SIA Engineering Company's Chief Financial Officer on 16 May 2008. She joined the Company from Singapore Airlines Ltd (SIA), where she has worked since 1989. She has served in various capacities in SIA's Finance and Internal Audit divisions, including her last appointment as Vice President Revenue Accounting. Prior to joining SIA, Ms Ang was Manager of Singapore Aviation and General Insurance Co. Pte Ltd (SAGI), a wholly owned subsidiary of SIA.

Ms Ang is a Director of Aviation Partnership (Philippines) Corporation, Eagle Services Asia Pte Ltd, Pan Asia Pacific Aviation Services Ltd and Singapore JAMCO Pte Ltd.

Ms Ang has a Bachelor of Accountancy (Honours) degree and a Master of Business Administration degree from the National University of Singapore.

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Mr Leck Chet Lam
Senior Vice President (Partnership Management & Business Development) (until 30 October 2011)

Mr Leck was Senior Vice President (Partnership Management & Business Development) until he was seconded to Singapore Airlines on 1 November 2011 as its Divisional Vice President Engineering (Operations). Mr Leck joined SIA Engineering Company in 2000 and served in various capacities in the Business Development Division. He became Vice President Business Development in 2004 and moved to Line Maintenance in 2009 as Vice President (Line Maintenance, Customer Operations). In April 2010, he was appointed Senior Vice President (Partnership Management & Business Development), and was responsible for Partnership Management, Business Development, Facilities Development and Information Technology Divisions.

Mr Leck is a Director of Aerospace Component Engineering Services Pte Ltd, NexGen Network (1) Holding Pte Ltd, NexGen Network (2) Holding Pte Ltd and Turbine Coating Services Pte Ltd.

Prior to joining SIA Engineering Company, Mr Leck worked in the Economic Development Board of Singapore and the Republic of Singapore Air Force.

Mr Leck holds a Bachelor (with Distinction) degree and a Master's degree in Aerospace Engineering from Iowa State University, USA. He also holds a Master's degree in Business Administration from Nanyang Technological University, Singapore.

Mr Chow Kok Wah
Senior Vice President (Line Maintenance and Information Technology) (from 1 February 2012)

Mr Chow Kok Wah joined Singapore Airlines Ltd (SIA) in 1971. He was appointed Vice President Technical Services in July 1999 and Divisional Vice President Engineering (Operations) in January 2001, and had served in various capacities in the Engineering Division of SIA. In March 2010, he was appointed as Divisional Vice President Cabin Crew Operations and in November 2010, as Acting Senior Vice President Cabin Crew, prior to his secondment to SIA Engineering Company.

Mr Chow was appointed Senior Vice President (Line Maintenance and Information Technology) in SIA Engineering Company in February 2012, and is currently responsible for Line Maintenance Division's operations in Singapore and overseas, and the Information Technology Division.

Mr Chow is a Director of International Aerospace Tubes-Asia Pte Ltd.

Mr Chow holds a Bachelor of Engineering degree (Honours) in Electrical Engineering from Monash University (Australia).

NOMINATING COMMITTEE (Principle 4)

Three non-executive Directors, two of whom are independent (including the NC Chairman), make up the Nominating Committee. The members of the Nominating Committee are:

Chairman	Oo Soon Hee
Members	Paul Chan Kwai Wah
	Ng Chin Hwee

The Nominating Committee reviews Board composition and makes recommendations for the appointment of new Directors. The Nominating Committee is focused on maintaining a strong element of independence in the composition of the Board and the Board Committees. Relying on a set of stringent criteria approved by the Board, Directors are carefully selected to augment core competencies of the Board to ensure overall effectiveness and informed decision-making. The Nominating Committee regularly reviews the Board's Skills Matrix, which denotes the experience and expertise of the current Directors, in relation to the business and strategic goals of the Company. The Skills Matrix is a useful aid in the Nominating Committee's search for new appointments to the Board.

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Pursuant to Article 83 of the Company's Articles of Association, one third of Directors for the time being shall retire at each Annual General Meeting ("AGM"). Retiring Directors are those who have been longest in office since their last election. They are eligible to offer themselves for re-election under Article 84 subject to the approval of the Nominating Committee and the Board.

At the 30th AGM to be held on 19 July 2012, Mr Paul Chan Kwai Wah, Mr Andrew Lim Ming-Hui and Mr Ron Foo Siang Guan will retire under Article 83.

After assessing their respective contributions, including their attendance, preparedness and participation at Board and Committee meetings, the Nominating Committee recommends the re-election of Directors who are willing to serve an additional term.

During the year under review, the Nominating Committee also attended, inter alia, to the following:

(a) reviewed the composition of the Board and Board Committees, Board size and the skills matrix;

(b) recommended the appointment of Mr Lim Joo Boon as member of the Audit Committee with effect from 1 July 2011;

(c) recommended the appointment of Mr Andrew Lim Ming-Hui as member of the Compensation & HR Committee with effect from 1 July 2011;

(d) reviewed and affirmed the independence/non-independence of Directors based on individual Director's declaration;

(e) considered and recommended Directors to retire by rotation and seek re-election at the AGM; and

(f) considered on-going training of Directors.

BOARD COMMITTEE

The Board Committee deputises for the Board on routine matters to facilitate day-to-day administration and to expedite decisions thereon, including opening of bank accounts, affixing the Company's seal on documents requiring the Company's seal, and authorising specific officers to sign pertinent documents on behalf of the Company. The Board Committee also approves capital expenditures from $1.5 million to $5 million. Approvals of values below the base level of $1.5 million are referred to the Senior Management Committee. The members of the Board Committee are:

Members	Goh Choon Phong
	Ron Foo Siang Guan
Alternate	Paul Chan Kwai Wah

The Board Committee does not hold physical meetings. Papers seeking the Board Committee's approval are circulated and resolutions approved by the Board Committee are reported to the Board at its meeting following the circulation.

The Board Committee has relieved the Board of routine day-to-day matters that require Board approval. The swiftness of their deliberation and decision-making enables the Company to deal with these matters expeditiously in its daily operations.

MANAGEMENT COMMITTEES

Management oversees specific areas of the Company's operations and businesses through various committees, holding meetings with varying frequencies, from daily, weekly, bi-weekly to monthly. These include the Senior Management Committee, the Management Committee, the Staff Committee, the Investments Committee, the Partnership Review Committee, the Group Risk Management Committee, the Company Risk Management Committee and the JV Risk Management Committee.

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COMMUNICATION WITH SHAREHOLDERS (Principles 14 and 15)

The Company is committed to the disclosure of material or price-sensitive information in a clear, detailed and timely manner. The Company holds analyst briefings for its mid-year and full-year results. At other times, meetings with analysts and investors are held to facilitate their understanding of the Company's business. The Company's quarterly, mid-year and full-year results are published through SGXNET and press releases, and on the Company's website at www.siaec.com.sg. The Company's Annual Reports and other information of interest to investors are posted on its website.

At shareholders' meetings, every matter requiring approval is proposed as a separate resolution. For details on resolutions, please refer to the 'Notice of AGM' in this Annual Report, which is also found on the Company's website. Shareholders have a right to appoint proxies to attend and vote at General Meetings on their behalf. For the AGM on 19 July 2012, resolutions will be put to vote by electronic poll and the results will be announced showing the number of votes cast for and against each resolution. The Company's Articles of Association currently do not provide for shareholders to vote at General Meetings in absentia. The Company will consider amending its relevant Articles of Association if the Board is of the view that there is justifiable demand for absentia voting, and after the Company has evaluated and put in place the necessary measures to facilitate such voting and protection against errors, fraud and other irregularities.

Directors and external auditors are in attendance at the Company's General Meeting to address questions from shareholders. The Company's minutes of shareholders' meetings are made available to shareholders on request.

SECURITIES TRANSACTIONS

As prescribed in the Listing Manual, the Company has adopted a set of Policy and Guidelines for dealings in the Company's securities, which are posted on the Company's Intranet for easy access by employees. The heads of divisions and departments are responsible for ensuring that the information is brought to the attention of employees who do not have ready Intranet access.

The Policy and Guidelines restrict Directors and employees from trading in the Company's securities during the period two weeks prior to the announcement of corporate results for the first three quarters of the financial year, and one month prior to the announcement of full-year results.

The Policy and Guidelines also remind employees and Directors to avoid trading in the Company's securities for short-term considerations and to be mindful of the insider trading prohibitions under the Securities and Futures Act (Cap. 289) when trading in the Company's or any other related corporation's securities.

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THE COMPANY'S SCORE-CARD ON COMPLIANCE WITH THE CODE

The following table summarises the Company's compliance with the Code as issued by the Ministry of Finance in July 2005.

Code Principles & Commentaries	Page Reference of this Report	Compliance
Principle 1: The Board's Conduct of Affairs Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.	8	✓
Principle 2: Board Composition and Guidance There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.	9	✓
Principle 3: Chairman and Chief Executive Officer There should be a clear division of responsibilities at the top of the Company – the working of the Board and the executive responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.	11	✓
Principle 4: Board Membership There should be a formal and transparent process for the appointment of new Directors to the Board.	11, 22	✓
Principle 5: Board Performance There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.	11	✓
Principle 6: Access to Information In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an ongoing basis.	11	✓
Principle 7: Procedures for Developing Remuneration Policies There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.	16	✓
Principle 8: Level and Mix of Remuneration The level of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the Company successfully but Companies should avoid paying more than is necessary for this purpose.	17	✓
Principle 9: Disclosure of Remuneration Each Company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.	17	✓
Principle 10: Accountability The Board should present a balanced and understandable assessment of the company's performance, position and prospects.	11	✓
Principle 11: Audit Committee The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.	12	✓
Principle 12: Internal Controls The Board should ensure that Management maintains a sound system of internal controls to safeguard the shareholders' investments and the Company's assets.	13, 15	✓
Principle 13: Internal Audit The Company should establish an internal audit function that is independent of the activities it audits.	15	✓
Principle 14: Communication with Shareholders Companies should engage in regular, effective and fair communication with shareholders.	24	✓
Principle 15: Greater Shareholder Participation Companies should encourage greater shareholder participation at annual general meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.	24	✓

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FURTHER INFORMATION ON BOARD OF DIRECTORS

MR STEPHEN LEE CHING YEN
CHAIRMAN

Mr Lee was appointed Director on 1 December 2005 and Chairman on 1 January 2006. He is the Chairman of Singapore Airlines Ltd, Managing Director of Shanghai Commercial and Savings Bank Ltd (Taiwan) and Great Malaysia Textile Investments Pte Ltd. He is also the President of the Singapore National Employers Federation.

Amongst several other appointments, Mr Lee is a member of the Advisory Panel of Temasek Holdings (Private) Limited and an Alternate Member of the Council of Presidential Advisers. He was Chairman of the Singapore Business Federation from 2002 to 2008 and International Enterprise Singapore from 1995 to 2002. He was a Nominated Member of Parliament from 1994 to 1997. Mr Lee was awarded the Public Service Star in 1998 and the Distinguished Service Order in 2006 for his contributions to both the public and private sectors.

Age: 65

Academic and Professional Qualifications:
- Master of Business Administration, Northwestern University, Illinois

Current Directorships In Other Listed Companies

	Company	Title
1.	Singapore Airlines Ltd	Chairman

Other Major Appointments

	Organisation/Company	Title
1.	Shanghai Commercial & Savings Bank Ltd, Taiwan	Managing Director
2.	Great Malaysia Textile Investments Pte Ltd	Managing Director
3.	Singapore National Employers Federation	President

Others

	Organisation/Company	Title
1.	Singapore Labour Foundation	Director
2.	Shanghai Commercial Bank Ltd, Hong Kong	Director
3.	COFCO Corporation, China	Director
4.	Chinese Development Assistance Council	Board Member
5.	National Wages Council	Council Member
6.	SLF Strategic Advisers Pte Ltd	Director

Directorships/Appointments in the past 3 years

	Organisation/Company	Title
1.	Baosteel Group Corporation, China	Director

CORPORATE GOVERNANCE

MR RON FOO SIANG GUAN

CHAIRMAN, AUDIT COMMITTEE (elected on 22 July 2011)

Mr Foo was appointed Director on 1 August 2007. He has more than 35 years of extensive auditing, accounting and financial experience in Singapore and overseas. He had been a partner in PricewaterhouseCoopers, Singapore for 22 years before retiring in December 2005.

Mr Foo is presently a Director of SembCorp Marine Ltd. He was previously a council member in the Institute of Certified Public Accountants of Singapore (ICPAS) and was awarded the ICPAS Gold Medal 2004 for his distinguished service to the accounting profession and the community.

Age: 64

Academic and Professional Qualifications:
- Bachelor of Arts (Economics), University of Manitoba, Canada
- Fellow, Institute of Certified Public Accountants, Singapore
- Member, Canadian Institute of Chartered Accountants

Current Directorships In Other Listed Companies

	Company	Title
1.	SembCorp Marine Ltd	Director

Other Major Appointments

	Organisation/Company	Title
1.	Alliance Consultancy Corporation	Director

Directorships/Appointments in the past 3 years

	Organisation/Company	Title
1.	Singapore Deposit Insurance Corporation Ltd	Director
2.	NTUC Income Insurance Co-Operative Ltd	Director
3.	Competition Appeal Board	Board Member

CORPORATE GOVERNANCE

MR PAUL CHAN KWAI WAH

CHAIRMAN, COMPENSATION & HR COMMITTEE

Mr Chan was appointed Director on 1 August 2006. He stepped down as Senior Vice President and Managing Director of Hewlett-Packard Asia Pacific Pte Ltd on 1 May 2006. He was with Hewlett-Packard for 28 years, including seven years with Compaq Computer Asia Pacific Pte Ltd, where he held a number of senior executive positions and led the successful regional integration of Tandem Computers, Digital Equipment Corporation and Compaq Computers.

Mr Chan is also the Chairman of SP Services Ltd and a Director of National Healthcare Group Pte Ltd and Integrated Health Information Systems Pte Ltd. Mr Chan served as Director of the Singapore Economic Development Board from 2004 to 2006. He was awarded the Public Service Star (PBM) in 2005.

Age: 58

Academic and Professional Qualifications:

- Bachelor of Science (Physics), University of Singapore
- Diploma in Marketing, Chartered Institute of Marketing, U.K.
- Advanced Management Programme, University of Hawaii

Other Major Appointments

	Organisation/Company	Title
1.	SP Services Ltd	Chairman
2.	Integrated Health Information Systems Pte Ltd	Director
3.	National Healthcare Group Pte Ltd	Director

Others

	Organisation/Company	Title
1.	Bethesda (Katong) Church	Director

Directorships/Appointments in the past 3 years

	Organisation/Company	Title
2.	Singapore Power Ltd	Director

CORPORATE GOVERNANCE

MR OO SOON HEE

CHAIRMAN, NOMINATING COMMITTEE

Mr Oo was appointed Director on 1 August 2007. He was previously the President of NatSteel Asia Pte Ltd and was appointed as Director, South East Asia of Tata Steel Ltd on 1 January 2008. Upon his retirement on 31 May 2009, he was appointed as Adviser to the Managing Director of Tata Steel on 1 June 2009. Mr Oo has more than 30 years of extensive experience in businesses operating locally and in Asia.

Mr Oo is presently an Executive Director of NSL Ltd and a Director on the Boards of ComfortDelGro Corporation Ltd, Bangkok Cogeneration Company Ltd, Bangkok Synthetics Co., Ltd, BST Specialty Co., Ltd, BST Elastomers Co., Ltd, Eastern Pretech Pte Ltd, NSL Chemicals Ltd, NatSteel Asia Pte Ltd and Natsteel Holdings Pte Ltd.

Age: 68

Academic and Professional Qualifications:
- Bachelor of Science (Honours) in Applied Chemistry, University of Singapore
- Diploma in Business Administration, University of Singapore

Current Directorships In Other Listed Companies

	Company	Title
1.	ComfortDelGro Corporation Ltd	Director

Other Major Appointments

	Organisation/Company	Title
1.	Bangkok Cogeneration Company Limited	Director
2.	Bangkok Synthetics Co., Ltd	Director
3.	BST Specialty Co., Ltd	Director
4.	BST Elastomers Co., Ltd	Director
5.	Eastern Pretech Pte Ltd	Director
6.	NSL Chemicals Ltd	Director
7.	NatSteel Asia Pte Ltd	Director
8.	NatSteel Holdings Pte Ltd	Director

Directorships/Appointments in the past 3 years

	Organisation/Company	Title
1.	TRF Singapore Pte Ltd	Director
2.	York Transport Equipment (Asia) Pte Ltd	Director
3.	NSA Holdings Pte Ltd	Director
4.	Tata Steel Global Minerals Holdings Pte Ltd	Director
5.	Tata Steel (Thailand) Public Company Ltd	Director
6.	Southern Steel Berhad	Alternate Director

CORPORATE GOVERNANCE

MR GOH CHOON PHONG

DIRECTOR

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

Age: 48

Academic and Professional Qualifications:

- Master of Science in Electrical Engineering and Computer Science
- Bachelor of Science in Computer Science & Engineering
- Bachelor of Science in Management Science
- Bachelor of Science in Cognitive Science

  Massachusetts Institute of Technology

Current Directorships In Other Listed Companies

	Company	Title
1.	Singapore Airlines Limited	Director and CEO

Other Major Appointments

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

Directorships/Appointments in the past 3 years

	Organisation/Company	Title
1.	SilkAir (Singapore) Pte Ltd	Chairman
2.	Great Wall Airlines Company Ltd	Director
3.	Singapore Airlines Cargo Pte Ltd	Director

CORPORATE GOVERNANCE

MR ANDREW LIM MING-HUI

DIRECTOR

Mr Lim was appointed Director on 1 August 2006. He is a Partner of Allen and Gledhill where he is Co-Head of the Corporate Mergers & Acquisitions Department. He has extensive experience in domestic and cross-border mergers and acquisitions, domestic and regional joint ventures, and corporate, regulatory and commercial law.

Mr Lim is a member of the Council for Private Education, a statutory board of the Ministry of Education. Mr Lim is also a Director of Jurong Engineering Ltd and the National University of Singapore, Board of Trustees. Mr Lim serves on the Board of Governors for his alma mater, St. Andrew's Junior College and on the Education Board of the Anglican Diocese of Singapore.

Age: 50

Academic and Professional Qualifications:

- Master of Laws, National University of Singapore
- Bachelor of Laws, National University of Singapore

Other Major Appointments

	Organisation/Company	Title
1.	Jurong Engineering Ltd	Director

Others

	Organisation/Company	Title
1.	Anglican Diocese of Singapore Education Board	Board Member
2.	Council for Private Education (a statutory board of the Ministry of Education)	Council Member
3.	National University of Singapore	Director, Board of Trustees
4.	St. Andrew's Junior College	Member, Board of Governors
5.	Singapore Golf Association	Member, Executive Board and Chairman, Disciplinary Committee

Directorships/Appointments in the past 3 years

	Organisation/Company	Title
1.	SPTL Holdings Pte Ltd	Director
2.	Morton's of Chicago (Singapore) Pte Ltd	Director
3.	Morton's of Chicago Asia (Singapore) Pte Ltd	Director

CORPORATE GOVERNANCE

MR LIM JOO BOON

DIRECTOR

Mr Lim was appointed Director on 1 August 2007. He held various senior leadership positions within Accenture organisations in Singapore and the Asia Pacific region, including Country Managing Partner in Accenture Taiwan, Head Electronics and High Technology Industries in Accenture Asia Pacific and Head Supply Change Management. Mr Lim was a Senior Partner of Accenture Singapore before his retirement in 2003. His professional expertise is in organisational transformation, business process re-engineering and large-scale mission critical IT system implementation.

Mr Lim is presently the Chairman of Pteris Global Ltd and a Director of Phillip Ventures Enterprise Fund 3 Ltd, JurongHealth Fund Ltd, Jurong Health Services Pte Ltd, Singapore Pools Pte Ltd, Singapore Turf Club, Star Softcomm Pte Ltd, the Inland Revenue Authority of Singapore and Asia Philanthropic Ventures Private Limited. He is also an Adjunct Associate Professor at the National University of Singapore.

Age: 58

Academic and Professional Qualifications:

- Bachelor of Accountancy (Honours), University of Singapore
- Graduate, Chartered Institute of Management Accountants, UK
- Fellow, Chartered Association of Certified Accountants, UK
- Founder Member, Institute of Management Consultants, Singapore

Current Directorships In Other Listed Companies

	Company	Title
1.	Pteris Global Ltd	Chairman

Other Major Appointments

	Organisation/Company	Title
1.	Asia Philanthropic Ventures Private Ltd	Director
2.	Phillip Ventures Enterprise Fund 3 Ltd	Director
3.	JurongHealth Fund Ltd	Director
4.	Jurong Health Services Pte Ltd	Director
5.	Singapore Pools Pte Ltd	Director
6.	Singapore Turf Club	Director
7.	Start Softcomm Pte Ltd	Director

Others

	Organisation/Company	Title
1.	Inland Revenue Authority of Singapore	Director
2.	National University of Singapore	Adjunct Associate Professor

Directorships/Appointments in the past 3 years

Nil

CORPORATE GOVERNANCE

MR NG CHIN HWEE

DIRECTOR

Mr Ng Chin Hwee was appointed Director on 18 July 2008. He is the Executive Vice President for Human Resources and Operations in Singapore Airlines (SIA). He joined SIA in 1985 and has been appointed to various senior positions in Singapore and overseas. Among the overseas stints, Mr Ng served as Manager Myanmar for SIA's regional carrier Tradewinds (later renamed as SilkAir), SIA's Manager Victoria and Tasmania in Australia, and General Manager Germany.

Upon his return to Singapore in 1998, he served as Vice President Ground Services. He was then promoted to Divisional Vice President in 1999 and Senior Vice President Americas in 2001. In 2004, he returned to Singapore to take up the position of President & Chief Executive Officer of Singapore Airport Terminal Services Ltd (SATS). He left SATS to rejoin SIA and was promoted to Executive Vice President for Human Resources and Planning on 1 January 2008.

Mr Ng is presently the Chairman of Singapore Airlines Cargo Pte Ltd, SIA Properties (Pte) Ltd and Scoot Pte Ltd, and a Director of Virgin Atlantic Ltd, Virgin Atlantic Airways Ltd and Virgin Travel Group Ltd.

Age: 51

Academic and Professional Qualifications:
- Master of Science in Management, Massachusetts Institute of Technology, USA
- Bachelor of Engineering (1st Class Honours), National University of Singapore

Other Major Appointments

	Organisation/Company	Title
1.	Singapore Airlines Cargo Pte Ltd	Chairman
2.	SIA Properties (Pte) Ltd	Chairman
3.	Scoot Pte Ltd	Chairman
4.	Virgin Atlantic Ltd	Director
5.	Virgin Atlantic Airways Ltd	Director
6.	Virgin Travel Group Ltd	Director
7.	Virgin Trademark Two Ltd	Director
8.	Virgin Trademark Three Ltd	Director
9.	Virgin Trademark Four Ltd	Director
10.	Virgin Trademark Five Ltd	Director

Directorships/Appointments in the past 3 years

Nil

CORPORATE GOVERNANCE

MR WILLIAM TAN SENG KOON

DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr Tan was appointed Director on 1 March 2010. He is the President & Chief Executive Officer of SIA Engineering Company (SIAEC). The SIAEC Group of companies, with its main operations in Singapore and 25 joint ventures in 9 countries, caters to a global customer base of more than 80 international airlines. Prior to his appointment as President & CEO of SIAEC in May 2001, Mr Tan served in various senior management positions in Singapore Airlines Ltd from 1978, including Senior Vice President Engineering from 1999 to 2001.

Mr Tan is also the Chairman of Singapore JAMCO Pte Ltd and SIA Engineering (Philippines) Corporation, Deputy Chairman of Eagle Services Asia Pte Ltd and Singapore Aero Engine Services Pte Ltd, and a Director of SIAEC Global Pte Ltd.

Age: 59

Academic and Professional Qualifications:

- Bachelor of Science (Engineering), National University of Singapore
- Diploma in Business Administration, National University of Singapore
- Fellow, Singapore Academy of Engineering

Other Major Appointments

	Organisation/Company	Title
1.	SIA Engineering (Philippines) Corporation	Chairman
2.	Singapore JAMCO Pte Ltd	Chairman
3.	Eagle Services Asia Pte Ltd	Deputy Chairman
4.	Singapore Aero Engine Services Pte Ltd	Deputy Chairman

Others

	Organisation/Company	Title
1.	SIAEC Global Pte Ltd	Director

Directorships/Appointments in the past 3 years

	Organisation/Company	Title
1.	Jamco Aero Design and Engineering Pte Ltd	Chairman

FINANCIALS

FINANCIAL REVIEW

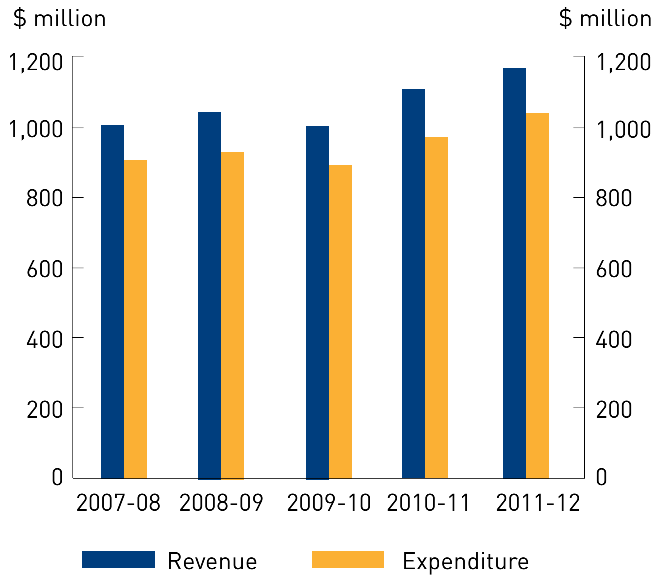
EARNINGS

Profit attributable to owners of the parent of $269.1 million in 2011-12 grew by $10.6 million (+4.1%) over the last financial year. This was mainly contributed by an increase in share of profits from our associated and joint venture companies of $12.5 million (+8.7%). Share of profits from our associated and joint venture companies accounted for 51.8% of the Group's pre-tax profits in 2011-12.

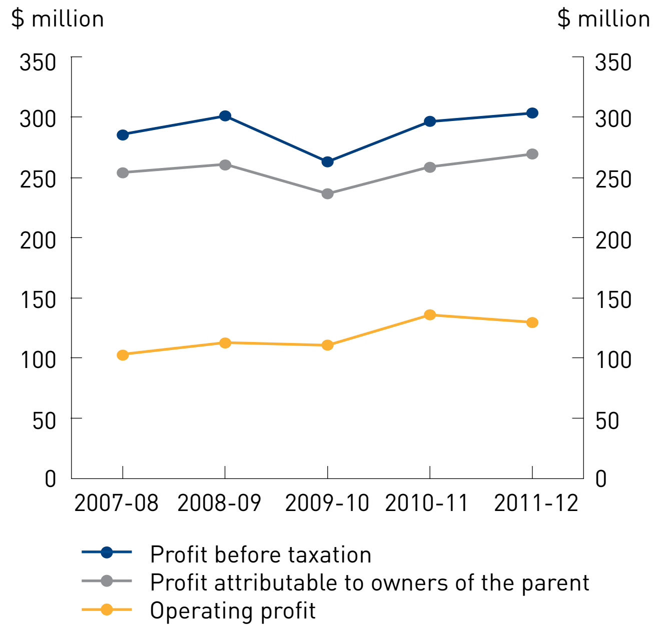
Group revenue was $63.0 million (+5.7%) higher at $1,169.9 million while expenditure increased by $69.1 million (+7.1%) to $1,040.3 million. The resulting operating profit of $129.6 million for 2011-12 decreased by $6.1 million (-4.5%) compared to a year ago.

Basic earnings per share for the Group increased by 0.8 cents (+3.3%) to 24.6 cents.

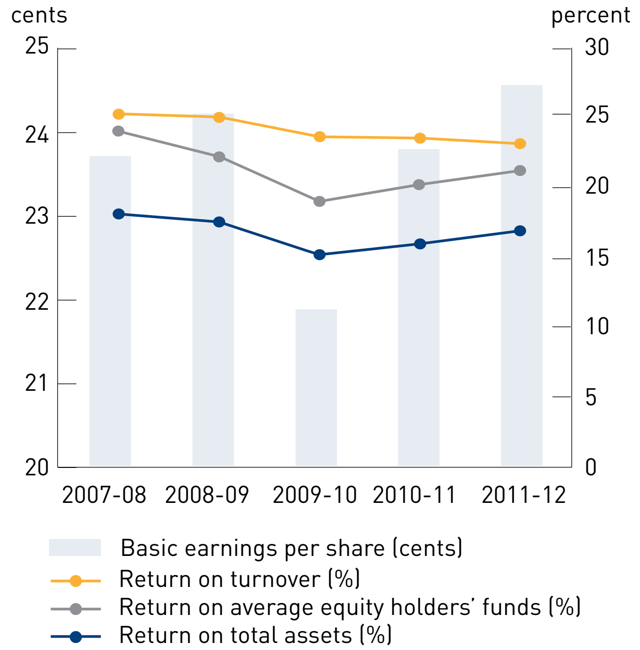
Group Revenue and Expenditure



Group Operating Profit, Profit Before Taxation and Profit Attributable to Owners of the Parent



Group Profitability Ratios



Profitability ratios of the Group are as follows:

	2011-12 %	2010-11 %	Change % points
Return on turnover	23.0	23.4	- 0.4
Return on average equity holders' funds	21.1	20.1	+ 1.0
Return on total assets	16.8	15.9	+ 0.9

FINANCIAL REVIEW

REVENUE

The composition of the Group's revenue is as follows:

	2011-12 $ million	2010-11 $ million	Change $ million	%
Airframe maintenance and component overhaul services	550.7	542.5	+ 8.2	+ 1.5
Fleet management programme	218.4	163.8	+ 54.6	+ 33.3
Repair and overhaul	769.1	706.3	+ 62.8	+ 8.9
Line maintenance	400.8	400.6	+ 0.2	+ 0.1
Total	1,169.9	1,106.9	+ 63.0	+ 5.7

Revenue from repair and overhaul segment grew by $62.8 million (+8.9%) to $769.1 million. This was contributed by higher fleet management programme revenue with an increase in fleet size, more airframe and component overhaul work and a cabin interior reconfiguration project during the year.

EXPENDITURE

The increase in the Group's expenditure came from:

	2011-12 $ million	2010-11 $ million	Change $ million	%
Staff costs	471.2	452.9	+ 18.3	+ 4.0
Material costs	219.0	223.9	- 4.9	- 2.2
Overheads	350.1	294.4	+ 55.7	+ 18.9
Total	1,040.3	971.2	+ 69.1	+ 7.1

Staff costs increased by $18.3 million (+4.0%) to $471.2 million and this was mainly due to service increments and higher contributions to mandatory provident funds. Material costs declined by $4.9 million (-2.2%) as a consequence of lower material usage. Overheads were $55.7 million (+18.9%) higher in 2011-12 mainly due to higher subcontract costs incurred to support revenue growth in the repair and overhaul segment.

SHARE OF PROFITS OF ASSOCIATED AND JOINT VENTURE COMPANIES

Share of profits of associated and joint venture companies rose by $12.5 million (+8.7%) to $156.9 million. This represents a contribution of 51.8% to the Group's pre-tax profits.

In 2011-12, the Company and Panasonic Avionics Corporation together formed a joint venture in Singapore – Panasonic Avionics Services Singapore ("PACSS"). The Company invested approximately $2.7 million for a 42.5% equity stake in PACSS, bringing the total number of joint venture and associated companies to 18 as at 31 March 2012.

TAXATION

The Group's provision for tax was $31.1 million for the financial year 2011-12, a reduction of $3.8 million (-10.9%) compared to last year. This was mainly due to a write-back of tax provision of $3.1 million arising from a change in the tax rules relating to an overseas associated company during the year.

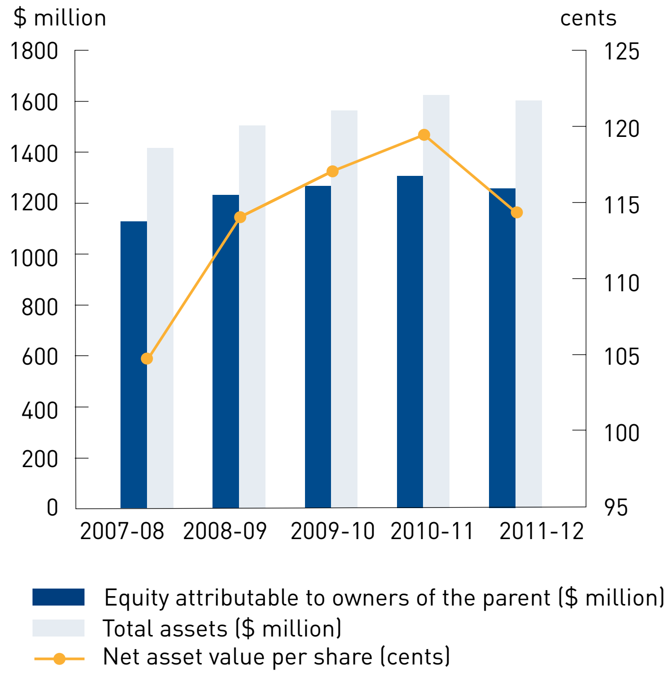
FINANCIAL REVIEW

FINANCIAL POSITION

Equity attributable to owners of the parent amounted to $1,254.3 million as at 31 March 2012, a decrease of $48.4 million (-3.7%) from a year ago. This was mainly due to the payment of a special dividend for 2010-11. As a result, net asset value per share of the Group fell by 5.1 cents (-4.3%) to 114.3 cents as at 31 March 2012.

Total assets of the Group declined by $22.2 million (-1.4%) to $1,599.3 million as at 31 March 2012. The Company had no borrowings and the cash balance of the Group stood at $497.9 million at the end of 2011-12.

Equity Attributable to Owners of the Parent, Total Assets and Net Asset Value Per Share



DIVIDENDS

The Group paid an interim dividend of 6.0 cents per share, amounting to $65.8 million, on 29 November 2011. The Board proposes a final ordinary dividend of 15.0 cents per share for 2011-12. Upon approval of the final dividend by shareholders during the Annual General Meeting to be held on 19 July 2012, the dividend (amounting to approximately $164.6 million) will be paid on 10 August 2012.

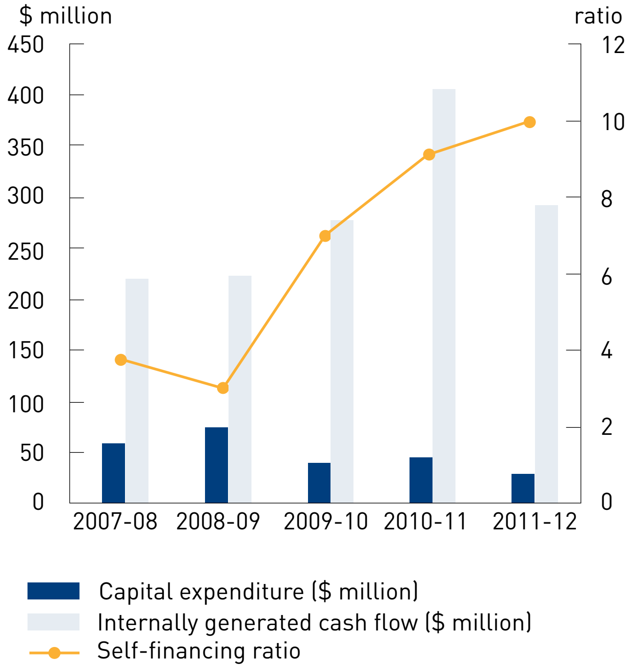
FINANCIAL REVIEW

CAPITAL EXPENDITURE AND CASH FLOW

Capital expenditure by the Group fell by $15.8 million (-35.4%) to $28.8 million for the financial year 2011-12. Approximately 62% of the expenditure was spent on plant, equipment and tooling and building projects, while 31% was on aircraft rotable spares.

Internally generated cash flow in 2011-12 amounted to $287.1 million. The self-financing ratio of cash flow to capital expenditure rose from 9.1 times last year to 10.0 times in 2011-12.

Capital Expenditure, Internally Generated Cash Flow and Self-Financing Ratio



STAFF STRENGTH AND INDICES

The Group's average staff strength decreased from 6,152 in 2010-11 to 6,149 in 2011-12.

	2011-12	2010-11	% Change
Average number of employees	6,149	6,152	- 0.1
Revenue per employee ($)	190,257	179,927	+ 5.7
Value added per employee ($)	130,619	126,450	+ 3.3
Staff costs per employee ($)	76,630	73,609	+ 4.1

FINANCIAL REVIEW

STATEMENT OF VALUE ADDED AND ITS DISTRIBUTION (in $ million)

	2011-12	2010-11
Revenue	1,169.9	1,106.9
Less:		
Purchase of goods and services	(529.5)	(479.0)
Value added on operations	640.4	627.9
Add:		
Dividend income from long-term investment	13.6	12.5
Net interest income	1.4	1.4
Other (expense) / income	(0.4)	1.6
Surplus on disposal of property, plant and equipment	1.9	0.5
Share of profits of associated and joint venture companies	146.3	134.0
Total value added available for distribution	803.2	777.9
Applied as follows:		
To employees		
- Salaries and other staff costs	471.2	452.9
To government		
- Corporate taxes	20.5	24.5
To suppliers of capital		
- Ordinary dividends	230.4	218.1
- Special dividend	-	109.1
- Non-controlling interests	2.9	2.7
Retained for future capital requirements / (applied from the business)		
- Depreciation	37.8	37.7
- Amortisation of intangibles	1.7	1.6
- Retained profit	38.7	(68.7)
Total value added	803.2	777.9
Value added per $ revenue ($)	0.69	0.70
Value added per $ employment cost ($)	1.70	1.72
Value added per $ investment in property, plant and equipment ($)	1.20	1.18

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 2012.

1. DIRECTORS OF THE COMPANY

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

Stephen Lee Ching Yen	–	Chairman
Goh Choon Phong		(Non-independent)
Paul Chan Kwai Wah		(Independent)
Andrew Lim Ming-Hui		(Independent)
Ron Foo Siang Guan		(Independent)
Lim Joo Boon		(Independent)
Oo Soon Hee		(Independent)
Ng Chin Hwee		(Non-independent)
William Tan Seng Koon	–	Chief Executive Officer

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end, nor at any time during the financial year, did there subsist any arrangement 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 SIA Engineering Company Limited Employee Share Option Plan, the SIA Engineering Company Limited Restricted Share Plan and the SIA Engineering Company Limited Performance Share Plan.

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES

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

	Direct interest		Deemed interest	
Name of Director	1.4.2011/ date of appointment	31.3.2012	1.4.2011/ date of appointment	31.3.2012
Interest in Singapore Airlines Limited				
Ordinary shares				
Stephen Lee Ching Yen	9,400	9,400	–	–
Goh Choon Phong	52,569	82,510	–	–
Paul Chan Kwai Wah	–	–	18,800	18,800
Ron Foo Siang Guan	–	–	22,200	22,200
Ng Chin Hwee	6,855	44,053	–	–
William Tan Seng Koon	3,800	3,800	–	–
Options to subscribe for ordinary shares				
Goh Choon Phong	319,275	319,275	–	–
Ng Chin Hwee	130,525	56,325	–	–

REPORT BY THE BOARD OF DIRECTORS

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

Name of Director	Direct interest 1.4.2011/ date of appointment	Direct interest 31.3.2012	Deemed interest 1.4.2011/ date of appointment	Deemed interest 31.3.2012
Interest in Singapore Airlines Limited (continued)				
Conditional award of Restricted Share Plan (RSP) shares (Note 1)				
Goh Choon Phong				
- Base Awards	131,560	166,288	–	–
- Final Awards (Pending Release)	11,188	11,106	–	–
Ng Chin Hwee				
- Base Awards	136,040	145,105	–	–
- Final Awards (Pending Release)	6,855	12,706	–	–
Conditional award of Performance Share Plan (PSP) shares (Note 2)				
Goh Choon Phong – Base Awards	34,712	83,631	–	–
Ng Chin Hwee – Base Awards	48,600	56,982	–	–
Interest in SIA Engineering Company Limited				
Ordinary shares				
Ron Foo Siang Guan	15,000	15,000	25,000	25,000
Oo Soon Hee	–	–	2,000	2,000
Ng Chin Hwee	10,000	10,000	–	–
William Tan Seng Koon	98,876	205,592	–	–
Options to subscribe for ordinary shares				
William Tan Seng Koon	892,200	672,200	–	–
Conditional award of Restricted Share Plan (RSP) shares (Note 1)				
William Tan Seng Koon				
- Base Awards	91,000	128,938	–	–
- Final Awards (Pending Release)	29,316	32,419	–	–
Conditional award of Performance Share Plan (PSP) shares (Note 2)				
William Tan Seng Koon – Base Awards	114,800	117,477	–	–
Interest in Singapore Telecommunications Limited				
Ordinary shares				
Stephen Lee Ching Yen	190	190	190	190
Goh Choon Phong	1,610	1,610	–	–
Paul Chan Kwai Wah	122,600	122,600	1,550	1,550
Andrew Lim Ming-Hui	3,566	3,566	1,550	1,550
Ron Foo Siang Guan	20,000	20,000	–	–

Notes:

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

REPORT BY THE BOARD OF DIRECTORS

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

	Direct interest		Deemed interest	
Name of Director	1.4.2011/ date of appointment	31.3.2012	1.4.2011/ date of appointment	31.3.2012
Interest in Singapore Telecommunications Limited (continued)				
Ordinary shares				
Lim Joo Boon	8,140	8,140	1,120	1,120
Oo Soon Hee	9,010	9,010	5,480	5,480
Ng Chin Hwee	2,840	2,840	1,360	1,360
William Tan Seng Koon	3,431	3,431	2,420	2,420
Interest in Singapore Technologies Engineering Limited				
Ordinary shares				
Goh Choon Phong	6,000	6,000	–	–
Paul Chan Kwai Wah	81,000	81,000	–	–
Ron Foo Siang Guan	45,000	45,000	–	–
Oo Soon Hee	–	–	5,000	5,000
Interest in Neptune Orient Lines Limited				
Ordinary shares				
Stephen Lee Ching Yen	30,000	30,000	–	–
Paul Chan Kwai Wah	1,000	1,000	1,000	1,000
Interest in Mapletree Logistics Trust				
Units				
Paul Chan Kwai Wah	296,796	296,796	–	–
Oo Soon Hee	23,000	23,000	83,486	83,486
Ng Chin Hwee	2,000	2,000	–	–
Interest in Mapletree Industrial Trust				
Units				
Paul Chan Kwai Wah	11,000	11,880	–	–
Interest in SP AusNet				
Ordinary shares				
Oo Soon Hee	100,000	142,432	10,000	–
Ng Chin Hwee	2,000	2,000	–	–

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

There were no changes in any of the above-mentioned interests between the end of the financial year and 21 April 2012.

REPORT BY THE BOARD OF DIRECTORS

4. DIRECTORS' CONTRACTUAL BENEFITS

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

5. EQUITY COMPENSATION PLANS OF THE COMPANY

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

At the date of this report, the Compensation & HR Committee administering the ESOP, RSP and PSP comprises the following directors:

Paul Chan Kwai Wah – Chairman
Goh Choon Phong
Lim Joo Boon
Andrew Lim Ming-Hui

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

Details of the ESOP are disclosed in Note 10 to the financial statements.

At the end of the financial year, options to take up 41,376,903 unissued shares in the Company were outstanding:

	Number of options to subscribe for unissued ordinary shares					
Date of grant	Balance at 1.4.2011	Cancelled	Exercised	Balance at 31.3.2012	Exercise price *	Exercisable period
02.07.2001	220,000	(24,000)	(196,000)	–	$1.01	02.07.2002 - 01.07.2011
01.07.2002	2,398,600	(15,600)	(1,281,400)	1,101,600	$1.88	01.07.2003 - 30.06.2012
01.07.2003	581,925	(5,000)	(110,100)	466,825	$1.25	01.07.2004 - 30.06.2013
01.07.2004	2,499,925	(11,500)	(400,725)	2,087,700	$1.59	01.07.2005 - 30.06.2014
01.07.2005	5,239,525	(44,200)	(849,550)	4,345,775	$2.15	01.07.2006 - 30.06.2015
03.07.2006	10,203,125	(93,650)	(1,280,450)	8,829,025	$3.34	03.07.2007 - 02.07.2016
02.07.2007	14,587,250	(91,600)	(10,800)	14,484,850	$4.57	02.07.2008 - 01.07.2017
01.07.2008	11,191,000	(46,400)	(1,083,472)	10,061,128	$3.64	01.07.2010 - 30.06.2018
	46,921,350	(331,950)	(5,212,497)	41,376,903		

* *At the extraordinary general meeting of the Company held on 26 July 2004, the Company's shareholders approved an amendment to the Plan to allow for adjustment to the exercise prices of the existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. Following approval by the Company's shareholders of the declaration of a special dividend of $0.20 on 26 July 2004 and again on 21 July 2006, the said Committee approved a reduction of $0.20 in the exercise prices of all share options outstanding on 28 July 2004 and on 25 July 2006 respectively. The said Committee approved another $0.10 reduction in the exercise prices of the outstanding share options on 29 July 2011 following approval by the Company's shareholders of the declaration of a special dividend of $0.10 on 22 July 2011. The exercise prices reflected here are the exercise prices after such adjustments.*

REPORT BY THE BOARD OF DIRECTORS

5. EQUITY COMPENSATION PLANS OF THE COMPANY (continued)

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

Details of options granted to and exercised by directors of the Company are as follows:

Name of participant	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding at end of financial year under review
William Tan Seng Koon	1,511,200	839,000	672,200

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

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

The last grant of the share options under the ESOP was made in July 2008.

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

Details of the RSP and PSP are disclosed in Note 10 to the financial statements.

The RSP and PSP were approved by the shareholders of the Company on 25 July 2005.

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

Half of the RSP Final Awards of fully paid ordinary shares will be released to the participants upon vesting. The balance will be released equally over the subsequent two years with fulfilment of service requirements and performance conditions. All the PSP Final Awards of fully paid ordinary shares will be released to the participants at the end of the three-year performance period.

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

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

REPORT BY THE BOARD OF DIRECTORS

5. EQUITY COMPENSATION PLANS OF THE COMPANY (continued)

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

RSP Base Awards

Details of awards granted under the RSP and PSP to directors of the Company are as follows:

Name of Participant	Balance as at 1 April 2011 (a)	Base Awards granted during the financial year (b)	Modifications # (c)	Base Awards vested during the financial year (d)	Balance as at 31 March 2012 = (a)+(b)+(c)-(d)	Aggregate Base Awards granted since commencement of RSP to end of financial year under review
William Tan Seng Koon	91,000	63,000	2,938	28,000	128,938	237,138

RSP Final Awards (Pending Release) (Note 1)

Name of Participant	Balance as at 1 April 2011 (a)	Final Awards granted during the financial year* (b)	Modifications # (c)	Final Awards released during the financial year (d)	Balance as at 31 March 2012 = (a)+(b)+(c)-(d)	Aggregate ordinary shares released to participant since commencement of RSP to end of financial year under review
William Tan Seng Koon	29,316	38,080	739	35,716	32,419	100,012

PSP Base Awards (Note 2)

Name of Participant	Balance as at 1 April 2011 (a)	Base Awards granted during the financial year (b)	Modifications # (c)	Base Awards vested during the financial year^ (d)	Balance as at 31 March 2012 = (a)+(b)+(c)-(d)	Aggregate Base Awards granted since commencement of PSP to end of financial year under review	Aggregate ordinary shares released to participant since commencement of PSP to end of financial year under review
William Tan Seng Koon	114,800	41,000	2,677	41,000	117,477	194,977	63,580

Notes:

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

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

^ *41,000 PSP Final Awards of SIAEC ordinary shares were released to Mr Tan pursuant to the vesting of 41,000 PSP Base Awards during the financial year.*

\# *Following approval by the Company's shareholders of the declaration of a special dividend of $0.10 on 22 July 2011, the Committee approved an increase in all outstanding RSP / PSP on 29 July 2011.*

REPORT BY THE BOARD OF DIRECTORS

6. AUDIT COMMITTEE

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

7. AUDITORS

Our auditors, Ernst & Young LLP, Public Accountants and Certified Public Accountants, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board,

STEPHEN LEE CHING YEN
Chairman

WILLIAM TAN SENG KOON
Chief Executive Officer

Dated this 7th day of May 2012

STATEMENT BY THE DIRECTORS

Pursuant to Section 201(15) of the Singapore Companies Act, Cap. 50

We, Stephen Lee Ching Yen and William Tan Seng Koon, being two of the directors of SIA Engineering Company Limited, do hereby state that, in the opinion of the directors:

(a) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2012 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

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

On behalf of the Board,

STEPHEN LEE CHING YEN
Chairman

WILLIAM TAN SENG KOON
Chief Executive Officer

Dated this 7th day of May 2012

INDEPENDENT AUDITORS' REPORT

To the Members of SIA Engineering Company Limited

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of SIA Engineering Company Limited (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages 50 to 126, which comprise the balance sheets of the Group and the Company as at 31 March 2012, the statements of changes in equity of the Group and the Company, and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT OF OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

Dated this 7th day of May 2012

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 March 2012 (in thousands of $)

	Notes	The Group 2011-12	The Group 2010-11
REVENUE	3	1,169,887	1,106,911
EXPENDITURE			
Staff costs	4	471,200	452,846
Material costs		218,975	223,925
Depreciation	14	37,826	37,715
Amortisation of intangibles	15	1,677	1,619
Company accommodation		48,015	47,402
Subcontract costs		169,260	126,769
Other operating expenses		93,324	80,930
		1,040,277	971,206
OPERATING PROFIT	5	129,610	135,705
Interest income	6	1,488	1,389
Interest on external borrowings		(55)	(33)
Surplus on disposal of property, plant and equipment		1,925	510
Other (expense) / income		(389)	1,651
Dividend from long-term investment		13,610	12,497
Share of profits of associated companies		82,175	69,765
Share of profits of joint venture companies		74,760	74,599
PROFIT BEFORE TAXATION		303,124	296,083
Taxation expense	7	(31,104)	(34,853)
PROFIT FOR THE FINANCIAL YEAR		272,020	261,230
PROFIT ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		269,132	258,520
Non-controlling interests		2,888	2,710
		272,020	261,230
BASIC EARNINGS PER SHARE (CENTS)	8	24.6	23.8
DILUTED EARNINGS PER SHARE (CENTS)	8	24.4	23.5

The accompanying accounting policies and explanatory notes on pages 58 to 126 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2012 (in thousands of $)

	The Group	
	2011-12	**2010-11**
PROFIT FOR THE FINANCIAL YEAR	272,020	261,230
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		
Foreign currency translation	(1,000)	(50,828)
Net fair value adjustment on cash flow hedges	(4,178)	3,642
Share of other comprehensive income of associated / joint venture companies	(676)	568
Other comprehensive income, net of tax	(5,854)	(46,618)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	266,166	214,612
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
OWNERS OF THE PARENT	263,306	213,885
Non-controlling interests	2,860	727
	266,166	214,612

The accompanying accounting policies and explanatory notes on pages 58 to 126 form an integral part of the financial statements.

BALANCE SHEETS

As at 31 March 2012 (in thousands of $)

	Notes	The Group 2012	The Group 2011	The Company 2012	The Company 2011
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital	10	317,295	297,830	317,295	297,830
Share-based compensation reserve	11	38,218	40,680	38,218	40,680
Foreign currency translation reserve	11	(129,223)	(128,611)	–	–
Fair value reserve	11	(819)	4,395	(351)	3,827
General reserve		1,028,855	1,088,396	721,657	804,509
		1,254,326	1,302,690	1,076,819	1,146,846
NON-CONTROLLING INTERESTS		25,452	25,492	–	–
TOTAL EQUITY		1,279,778	1,328,182	1,076,819	1,146,846
DEFERRED TAXATION	12	26,422	31,150	24,225	26,394
		1,306,200	1,359,332	1,101,044	1,173,240
Represented by:					
PROPERTY, PLANT AND EQUIPMENT	14	308,835	318,685	274,478	283,770
INTANGIBLES	15	37,700	25,099	2,645	2,160
SUBSIDIARY COMPANIES	16	–	–	75,954	67,462
ASSOCIATED COMPANIES	17	304,800	296,026	181,953	179,268
JOINT VENTURE COMPANIES	18	113,246	102,774	56,599	56,599
LONG-TERM INVESTMENT	19	14,606	14,606	14,606	14,606
CURRENT ASSETS					
Trade debtors	20	91,528	81,523	77,053	68,259
Prepayments and other debtors	21	16,150	14,325	11,523	11,399
Immediate holding company	22	47,024	44,317	45,125	43,121
Amount owing by related parties	23	49,971	35,839	43,530	35,057
Inventories	24	53,505	53,002	43,004	41,782
Work-in-progress		64,084	53,950	61,815	52,672
Short-term deposits	25	460,475	529,847	458,114	528,102
Cash and bank balances	26	37,393	51,561	26,001	40,410
		820,130	864,364	766,165	820,802
Less:					
CURRENT LIABILITIES					
Trade and other creditors	27	263,837	235,445	236,259	219,415
Amount owing to related parties	23	–	–	9,600	7,677
Bank loans	28	2,451	1,701	–	–
Finance lease commitments					
– repayable within one year	13	–	5	–	–
Tax payable		26,829	25,071	25,497	24,335
		293,117	262,222	271,356	251,427
NET CURRENT ASSETS		527,013	602,142	494,809	569,375
		1,306,200	1,359,332	1,101,044	1,173,240

The accompanying accounting policies and explanatory notes on pages 58 to 126 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2012 (in thousands of $)

		Attributable to Owners of the Parent							
	Notes	Share Capital	Share-based compensation reserve	Foreign currency translation reserve	Fair value reserve	General reserve	Total	Non-controlling interests	Total equity
The Group									
Balance at 1 April 2011		297,830	40,680	(128,611)	4,395	1,088,396	1,302,690	25,492	1,328,182
Profit for the year		–	–	–	–	269,132	269,132	2,888	272,020
Foreign currency translation		–	–	(972)	–	–	(972)	(28)	(1,000)
Net fair value adjustment on cash flow hedges		–	–	–	(4,178)	–	(4,178)	–	(4,178)
Share of other comprehensive income of associated / joint venture companies		–	–	360	(1,036)	–	(676)	–	(676)
Other comprehensive income for the year, net of tax		–	–	(612)	(5,214)	–	(5,826)	(28)	(5,854)
Total comprehensive income for the financial year		–	–	(612)	(5,214)	269,132	263,306	2,860	266,166
Share-based compensation expense	11	–	3,403	–	–	–	3,403	–	3,403
Share awards released	10, 11	2,633	(2,633)	–	–	–	–	–	–
Share options exercised	10, 11	16,832	(2,978)	–	–	–	13,854	–	13,854
Share options lapsed	11	–	(254)	–	–	254	–	–	–
Dividends	9	–	–	–	–	(328,927)	(328,927)	(2,900)	(331,827)
Total contributions by and distributions to owners		19,465	(2,462)	–	–	(328,673)	(311,670)	(2,900)	(314,570)
Balance at 31 March 2012		317,295	38,218	(129,223)	(819)	1,028,855	1,254,326	25,452	1,279,778

The accompanying accounting policies and explanatory notes on pages 58 to 126 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2012 (in thousands of $)

		Attributable to Owners of the Parent							
	Notes	Share Capital	Share-based compensation reserve	Foreign currency translation reserve	Fair value reserve	General reserve	Total	Non-controlling interests	Total equity
The Group									
Balance at 1 April 2010		262,898	45,393	(79,766)	185	1,036,085	1,264,795	26,908	1,291,703
Profit for the year		–	–	–	–	258,520	258,520	2,710	261,230
Foreign currency translation		–	–	(48,845)	–	–	(48,845)	(1,983)	(50,828)
Net fair value adjustment on cash flow hedges		–	–	–	3,642	–	3,642	–	3,642
Share of other comprehensive income of associated / joint venture companies		–	–	–	568	–	568	–	568
Other comprehensive income for the year, net of tax		–	–	(48,845)	4,210	–	(44,635)	(1,983)	(46,618)
Total comprehensive income for the financial year		–	–	(48,845)	4,210	258,520	213,885	727	214,612
Share-based compensation expense	11	–	4,351	–	–	–	4,351	–	4,351
Share awards released	10, 11	2,252	(2,252)	–	–	–	–	–	–
Share options exercised	10, 11	32,680	(6,477)	–	–	–	26,203	–	26,203
Share options lapsed	11	–	(335)	–	–	335	–	–	–
Dividends	9	–	–	–	–	(206,544)	(206,544)	(2,143)	(208,687)
Total contributions by and distributions to owners		34,932	(4,713)	–	–	(206,209)	(175,990)	(2,143)	(178,133)
Balance at 31 March 2011		297,830	40,680	(128,611)	4,395	1,088,396	1,302,690	25,492	1,328,182

The accompanying accounting policies and explanatory notes on pages 58 to 126 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2012 (in thousands of $)

	Notes	Share Capital	Share-based compensation reserve	Fair value reserve	General reserve	Total
The Company						
Balance at 1 April 2011		297,830	40,680	3,827	804,509	1,146,846
Profit for the year		–	–	–	245,821	245,821
Other comprehensive income for the year, net of tax						
Net fair value adjustment on cash flow hedges		–	–	(4,178)	–	(4,178)
Total comprehensive income for the financial year		–	–	(4,178)	245,821	241,643
Share-based compensation expense	11	–	3,403	–	–	3,403
Share awards released	10, 11	2,633	(2,633)	–	–	–
Share options exercised	10, 11	16,832	(2,978)	–	–	13,854
Share options lapsed	11	–	(254)	–	254	–
Dividends	9	–	–	–	(328,927)	(328,927)
Total contributions by and distributions to owners		19,465	(2,462)	–	(328,673)	(311,670)
Balance at 31 March 2012		317,295	38,218	(351)	721,657	1,076,819

The accompanying accounting policies and explanatory notes on pages 58 to 126 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2012 (in thousands of $)

The Company	Notes	Share Capital	Share-based compensation reserve	Fair value reserve	General reserve	Total
Balance at 1 April 2010		262,898	45,393	185	721,988	1,030,464
Profit for the year		–	–	–	288,730	288,730
Other comprehensive income for the year, net of tax						
Net fair value adjustment on cash flow hedges		–	–	3,642	–	3,642
Total comprehensive income for the financial year		–	–	3,642	288,730	292,372
Share-based compensation expense	11	–	4,351	–	–	4,351
Share awards released	10, 11	2,252	(2,252)	–	–	–
Share options exercised	10, 11	32,680	(6,477)	–	–	26,203
Share options lapsed	11	–	(335)	–	335	–
Dividends	9	–	–	–	(206,544)	(206,544)
Total contributions by and distributions to owners		34,932	(4,713)	–	(206,209)	(175,990)
Balance at 31 March 2011		297,830	40,680	3,827	804,509	1,146,846

The accompanying accounting policies and explanatory notes on pages 58 to 126 form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 March 2012 (in thousands of $)

	Notes	The Group 2011-12	The Group 2010-11
NET CASH PROVIDED BY OPERATING ACTIVITIES	29	135,175	218,979
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(28,750)	(44,603)
Purchase of intangible assets		(14,044)	(12,363)
Proceeds from disposal of property, plant and equipment		676	576
Investment in an associated company		(2,685)	(1,117)
Dividend received from long-term investment		13,610	12,497
Dividends received from associated companies		66,585	97,910
Dividends received from joint venture companies		62,138	67,383
Interest received from deposits		1,594	1,162
NET CASH PROVIDED BY INVESTING ACTIVITIES		99,124	121,445
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(328,927)	(206,544)
Dividends paid by subsidiary companies to non-controlling interests		(2,900)	(2,143)
Proceeds from exercise of share options		13,854	26,203
Interest paid		(55)	(33)
Repayment of finance lease obligations		(5)	(33)
Net proceeds from bank loan		771	1,701
NET CASH USED IN FINANCING ACTIVITIES		(317,262)	(180,849)
NET CASH (OUTFLOW) / INFLOW		(82,963)	159,575
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		581,408	425,842
Effect of exchange rate changes		(577)	(4,009)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		497,868	581,408
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short-term deposits	25	460,475	529,847
Cash and bank balances	26	37,393	51,561
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		497,868	581,408

The accompanying accounting policies and explanatory notes on pages 58 to 126 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

1. GENERAL

SIA Engineering Company Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company is a subsidiary company of Singapore Airlines Limited and its ultimate holding company is Temasek Holdings (Private) Limited, both incorporated in the Republic of Singapore.

The registered office of the Company is at 31 Airline Road, Singapore 819831.

The principal activities of the Company are the provision of airframe maintenance and component overhaul services, the provision of line maintenance and technical ground handling services, fleet management programme and investment holdings. The principal activities of the subsidiary companies are disclosed in Note 16 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements for the financial year ended 31 March 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 7 May 2012.

2. ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except as mentioned under Note 2(b).

(a) Basis of accounting

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

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

The financial statements are presented in Singapore Dollars ($) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

(b) New and revised standards

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

On 1 April 2011, the Group has adopted all new and revised standards and interpretations of FRS ("INT FRS") that are effective for annual financial periods beginning on or after 1 April 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

<u>Revised FRS 24 Related Party Disclosures</u>

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(b) New and revised standards (continued)

Revised FRS 24 Related Party Disclosures (continued)

From 1 April 2011, the Group has applied the revised FRS 24 Related Party Disclosures to identify parties that are related to the Group and to determine the disclosures to be made on the transactions and outstanding balances between the Group and its related parties. The adoption of the revised FRS 24 has resulted in additional parties being identified as related to the Group. Transactions and outstanding balances with these related parties for the current and comparative years have been disclosed accordingly in the notes 20, 23, 29, 31(a), 32(c), 32(d) and 35, to the financial statements.

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 101 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 Deferred Tax – Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2013
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2013
FRS 110 Consolidated Financial Statements	1 January 2013
FRS 111 Joint Arrangements	1 January 2013
FRS 112 Disclosure of Interests in Other Entities	1 January 2013
FRS 113 Fair Value Measurements	1 January 2013

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

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(b) New and revised standards (continued)

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

(c) Significant accounting estimates

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

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

Depreciation of plant, equipment and tooling, and aircraft rotable spares

The cost of plant, equipment and tooling, and aircraft rotable spares are depreciated on a straight-line basis over the expected useful lives. Management estimates the useful lives of these assets to be within 3 to 15 years. The carrying amount of the Group's and Company's plant, equipment and tooling, and aircraft rotable spares as at 31 March 2012 was $128,238,000 (2011: $136,662,000) and $117,796,000 (2011: $126,323,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(c) Significant accounting estimates (continued)

Income taxes (continued)

The carrying amount of the Group's current tax payable and deferred tax liabilities as at 31 March 2012 was approximately $26,829,000 (2011: $25,071,000) and $26,422,000 (2011: $31,150,000) respectively.

The carrying amount of the Company's current tax payable and deferred tax liabilities as at 31 March 2012 was approximately $25,497,000 (2011: $24,335,000) and $24,225,000 (2011: $26,394,000) respectively.

Work-in-progress

Work-in-progress is stated at cost plus estimated profit earned, based on the estimated percentage of completion and total estimated budgeted costs. Management made reference to labour hours incurred and the physical stage of maintenance, repair and overhaul in estimating the percentage of completion and budgeted cost. The carrying amount of the Group's and Company's work-in-progress as at 31 March 2012 was approximately $64,084,000 (2011: $53,950,000) and $61,815,000 (2011: $52,672,000) respectively.

Impairment of deferred engine development costs

Management performs impairment testing annually for deferred engine development costs which is not yet available for use.

Management estimated the recoverable amount using value in use calculation which is based on a discounted cash flow model. The cash flows are derived from the budget for the next 50 years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows. Further details of the key assumptions applied in the impairment assessment of deferred engine development costs, are given in Note 15 to the financial statements.

(d) Basis of consolidation and business combinations

Basis of consolidation

The consolidated financial statements comprise the separate financial statements of the Company and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. A list of the Group's subsidiary companies is shown in Note 16 to the financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(d) Basis of consolidation and business combinations (continued)

Basis of consolidation (continued)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. Accounting Policies (continued)

(d) Basis of consolidation and business combinations (continued)

Business combinations (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2(f). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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

(e) Subsidiary, associated and joint venture companies

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

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

An associated company is defined as an entity, not being a subsidiary company or joint venture company, in which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to not less than 20% of the voting rights. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. A list of the Group's associated companies is presented in Note 17.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(e) Subsidiary, associated and joint venture companies (continued)

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

The Group's share of the profit or loss of its associates is shown in profit or loss before tax.

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

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

A joint venture company is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. A list of the Group's joint venture companies is presented in Note 18.

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

Upon loss of significant influence over the associate or joint control of the joint venture company, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the former associate / joint venture entity upon loss of significant influence / joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

(f) Intangible assets

Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(f) Intangible assets (continued)

Goodwill (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed annually.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in the accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(f) Intangible assets (continued)

Other intangible assets (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Computer software

Computer software acquired separately is measured initially at cost. Following initial acquisition, computer software is stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised using the straight-line method over their estimated useful lives of 3 to 5 years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortisation period and method are reviewed annually.

Deferred engine development costs

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

Others

This includes costs relating to license acquired in business combination. This intangible is amortised on a straight-line basis over its estimated useful life of 3 years.

(g) Functional and foreign currencies

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore Dollar. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in Singapore Dollar. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates that existed when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(g) Functional and foreign currencies (continued)

Transactions and balances (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

Consolidated financial statements

For the purposes of the consolidated financial statements, the assets and liabilities of the foreign operations are translated into Singapore dollars at the exchange rates ruling at the end of the reporting period and their profit or loss are translated into Singapore dollars at the prevailing exchange rates at the date of the transactions. The resulting gains or losses on exchange are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve.

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

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

On disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(h) Property, plant and equipment

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewal is capitalised and expenditure for maintenance and repair costs are recognised in profit or loss as incurred. The borrowing costs that is directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment is also capitalised. The accounting policy for borrowing costs is set out in Note 2 (aa).

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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

(i) Depreciation of property, plant and equipment

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

Advance and progress payments are not depreciated.

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

<u>Leasehold land and buildings</u>

Leasehold land and buildings are amortised over the lease period or 30 years, whichever is the shorter.

<u>Plant, equipment and tooling</u>

These are depreciated over 3 to 15 years.

<u>Engine overhaul tooling</u>

These are depreciated over 5 or 7 years.

<u>Aircraft rotable spares</u>

These are depreciated over 3 to 15 years.

<u>Other fixed assets</u>

This covers office furniture and computer equipment, and motor vehicles. These are depreciated over 1 to 7 years.

(j) Leased assets – as lessee

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

2. ACCOUNTING POLICIES (continued)

(j) Leased assets – as lessee (continued)

Finance lease

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease

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

(k) Inventories

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

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

(l) Work-in-progress

Work-in-progress is stated at cost plus a proportion of estimated profit earned to-date, based on the percentage of completion of projects. Cost comprises direct materials, direct labour and other direct overheads. Anticipated losses, if any, are provided for in full as and when they are determined.

(m) Financial assets

Initial recognition and measurement

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

Financial assets are initially recognised at fair value plus directly attributable transaction costs except for financial assets at fair value through profit or loss, for which transaction costs are expensed off immediately.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(m) Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

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

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

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from change in fair value of the financial instruments are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investment classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously reported in other comprehensive income is reclassified from equity to profit or loss when the financial asset is derecognised.

Investments in equity investments whose fair value cannot be reliably measured are stated at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(n) Financial liabilities

Initial recognition and measurement

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

Financial liabilities are initially recognised at fair value plus directly attributable transaction costs except for financial liabilities at fair value through profit or loss, for which transaction costs are expensed off immediately.

Subsequent measurement

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

<u>Financial liabilities at fair value through profit or loss</u>

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

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

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

<u>Other financial liabilities</u>

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

(o) Derecognition of financial assets and liabilities

<u>Financial assets</u>

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

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

Financial liabilities

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

(p) Long-term investment

Long-term investment held by the Group is classified as available-for-sale financial asset. As there is no active market for the trading of this investment and fair value cannot be reliably measured, this investment is stated at cost less impairment loss, if any. The accounting policy for this category of financial assets is stated in Note 2(m).

(q) Trade debtors and other debtors

Trade debtors and other debtors are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2(m).

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

(r) Cash and bank balances

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

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits with immediate holding company and banks. The accounting policy for this category of financial assets is stated in Note 2(m).

(s) Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

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

The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(s) Taxation (continued)

Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiary, associated and joint venture companies, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiary, associated and joint venture companies, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

2. ACCOUNTING POLICIES (continued)

(s) Taxation (continued)

Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(t) Loans and borrowings

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

(u) Employee benefits

Equity compensation plans

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

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

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

Details of the plans are disclosed in Note 10.

Equity-settled transactions

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

2. ACCOUNTING POLICIES (continued)

(u) Employee benefits (continued)

Equity compensation plans (continued)

Equity-settled transactions (continued)

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

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

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

Defined contribution plans

As required by law, the companies in Singapore make contributions to the Central Provident Fund scheme ("CPF") in Singapore, a defined contribution scheme. Certain of the Group's subsidiary companies outside Singapore make contributions to their respective country's pension schemes. Such contributions are recognised as expenses in the period in which the related services are performed.

Defined benefit plan

The Group contributes to unfunded, non-contributory, defined benefit pension plans for some of the regular employees. The cost of providing benefits includes the Group's contribution for the year plus any unfunded liabilities under the plan. Contributions to the plan over the expected average remaining working lives of the employees participating in the plans are expensed as incurred.

(v) Trade creditors

Trade creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(w) Provisions

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

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

Provision for warranty claims is made for airframe maintenance and component overhaul services based on past experience of the level of repairs.

(x) Share capital

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

(y) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

Revenue from line maintenance and technical ground handling is recognised upon rendering of services.

Revenue from Fleet Management Programme is recognised on a time proportion basis and in accordance with the period in which services have been rendered.

(z) Income from investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(aa) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(ab) Impairment of non-financial assets

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

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

The Group bases its impairment calculation on detailed budgets and / or forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years, except for the deferred engine development costs as disclosed in note 2 (c). For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill and those with indefinite lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(ac) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss is recognised in profit or loss.

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

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

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

Financial assets carried at cost

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(ac) Impairment of financial assets (continued)

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant', is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value had been below its original cost.

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

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

(ad) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risk associated with foreign currency fluctuations.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

The fair value of forward currency contracts is determined by reference to current forward prices for contracts with similar maturity profiles.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

2. ACCOUNTING POLICIES (continued)

(ad) Derivative financial instruments and hedging (continued)

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

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

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised initially in other comprehensive income and accumulated under the fair value reserve (Note 11), while the ineffective portion is recognised immediately in profit or loss.

Amounts taken to the fair value reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs.

(ae) Segmental Reporting

For management purposes, the Group is organised into operating segments based on the nature of the services provided which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segments' results in order to allocate resources to the segments and to assess the segments' performance.

The Company and its subsidiaries operate in Singapore, Philippines, Australia and United States of America. The significant operating segments of the Group are repair and overhaul, and line maintenance. Additional disclosures on each of these segments are shown in Note 33 including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

2. ACCOUNTING POLICIES (continued)

(af) Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly-controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

3. REVENUE (in thousands of $)

	The Group	
	2011-12	2010-11
Airframe maintenance and component overhaul services	550,705	542,501
Line maintenance and technical ground handling	400,841	400,611
Fleet management programme	218,341	163,799
	1,169,887	1,106,911

4. STAFF COSTS (in thousands of $)

	The Group	
	2011-12	2010-11
Salary, bonuses and other costs	432,312	418,243
CPF and other defined contributions	35,485	30,289
Share-based compensation expense	3,403	4,314
	471,200	452,846

Under the Jobs Credit Scheme which ceased in June 2010, the total grant received in the previous financial year was $1,196,000 and this was accounted as a reduction in the CPF contribution.

The Group contributes to unfunded, non-contributory, defined benefit pension plans for some of the regular employees. Defined benefit expenses for the Group were approximately $253,000 (2010-11: $192,000). As these amounts are not material to the total staff costs of the Group for 2011-12 and 2010-11, additional disclosures of the defined benefit plan are not presented. Disclosures relating to share-based compensation expense are in Note 10.

5. OPERATING PROFIT (in thousands of $)

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

	The Group	
	2011-12	2010-11
Exchange (gain) / loss *	(2,721)	3,551
Operating lease expenses	7,626	5,295
Provision for obsolete stocks, net	3,505	2,479
Provision / (write-back) for warranty claims, net	18	(324)
Professional fee paid to a firm in which a director is a member	103	126
Audit fees		
- Auditors of the Company	226	224
- Other auditors	61	52
Non-audit fees		
- Auditors of the Company	121	109
- Other auditors	104	39

* Amount includes a net fair value gain on forward currency contracts used for hedging purposes of $3,183,000 (2010-11: $4,832,000), which are realised in current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

6. INTEREST INCOME (in thousands of $)

	The Group	
	2011-12	2010-11
Deposits placed with immediate holding company	1,423	1,345
Deposits placed with banks	65	43
Staff loans	*	1
	1,488	1,389

* less than $1,000

7. TAXATION EXPENSE (in thousands of $)

The major components of income tax expense for the years ended 31 March 2012 and 2011 are as follows:

	The Group	
	2011-12	2010-11
Current tax		
Provision for the financial year	(24,881)	(23,526)
Over-provision in respect of prior years	557	1,348
Share of associated companies' tax	(9,430)	(7,390)
Share of joint venture companies' tax	(1,222)	(2,954)
	(34,976)	(32,522)
Deferred tax		
Movement in temporary differences	3,827	331
Over / (Under) provision in respect of prior years	45	(2,662)
	3,872	(2,331)
Income tax expense recognised in profit or loss	(31,104)	(34,853)
Deferred tax related to other comprehensive income:		
Net change in the fair value of derivative financial instruments designated as cash flow hedges	72	(784)

On 3 December 2003, the Company was granted a 10-year Development and Expansion Incentive (Relief from Income Tax), subject to the Company's compliance with the conditions imposed by the relevant authorities. This Development and Expansion Incentive ("DEI") was terminated on 31 May 2005 and a new 10-year DEI has been awarded, commencing on 1 June 2005, whereby a concessionary tax rate of 5% shall be imposed on qualifying income in excess of a certain 'base' level of taxable income. The base, as well as any income from non-qualifying activities, shall be taxed at the prevailing corporate tax rate.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

7. TAXATION EXPENSE (in thousands of $) (continued)

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

	The Group	
	2011-12	2010-11
Profit before taxation	303,124	296,083
Taxation at statutory tax rate of 17.0% (2011: 17.0%)	(51,531)	(50,334)
Adjustments		
Income not subject to tax	18,401	16,632
Income subject to concessionary tax rate	2,371	4,632
Deferred tax assets not recognised	(650)	(496)
Expenses not deductible for tax purposes	(1,385)	(2,080)
Effects of difference in tax rates of other countries	(972)	(836)
Over / (Under) provision in relation to prior years	602	(1,314)
Write-back / (provision) of additional tax payable on repatriation of profits of certain associated companies	1,717	(1,286)
Others	343	229
Taxation	(31,104)	(34,853)

8. EARNINGS PER SHARE

	The Group	
	2011-12	2010-11
Profit attributable to owners of the parent (in thousands of $)	269,132	258,520
Weighted average number of ordinary shares in issue used for computing basic earnings per share	1,095,740,371	1,087,597,715
Adjustment for dilutive potential ordinary shares	9,098,899	12,007,354
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	1,104,839,270	1,099,605,069
Basic earnings per share (cents)	24.6	23.8
Diluted earnings per share (cents)	24.4	23.5

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

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the effects of dilutive options.

14,484,850 (2011: 14,587,250) of share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous years presented.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

9. DIVIDENDS PAID AND PROPOSED (in thousands of $)

	The Group and Company	
	2011-12	2010-11
Dividends Paid:		
Final dividend of 14.0 cents per share in respect of 2010-11 (2010-11: 13.0 cents per share in respect of 2009-10)	153,492	141,136
Special dividend of 10.0 cents per share in respect of 2010-11 (2010-11: nil)	109,637	–
Interim dividend of 6.0 cents per share in respect of 2011-12 (2010-11: 6.0 cents per share in respect of 2010-11)	65,798	65,408
	328,927	206,544

The directors propose a final dividend of 15.0 cents per share (2010-11: 24.0 cents, comprising an ordinary dividend of 14.0 cents per share and a special dividend of 10.0 cents per share), amounting to approximately $164,600,000 (2010-11: $153,492,000 and $109,637,000 respectively) to be paid for the financial year ended 31 March 2012.

10. SHARE CAPITAL (in thousands of $)

	The Group and Company 31 March	
	2012	2011
Issued and fully paid		
Balance at 1 April		
1,091,429,317 shares (2010: 1,081,468,197 shares)	297,830	262,898
5,212,497 share options exercised during the year (2010-11: 9,291,013)	16,832	32,680
993,667 share awards released during the year (2010-11: 670,107)	2,633	2,252
Balance at 31 March		
1,097,635,481 shares (2011: 1,091,429,317 shares)	317,295	297,830

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

During the financial year, the Company issued 5,212,497 shares (2011: 9,291,013) upon the exercise of options granted under the Employee Share Option Plan. In addition, the Company issued 993,667 shares (2011: 670,107) upon release of share awards granted under the restricted and performance share plan.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

10. SHARE CAPITAL (in thousands of $) (continued)

(a) Share Option Plan

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

Under the Plan, options are granted for 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:

(i) one year after the date of grant for 25% of the ordinary shares subject to the options;

(ii) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;

(iii) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and

(iv) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

There are no cash settlement alternatives.

The following table illustrates the number and weighted average exercise prices of, and movements in, the ESOP during the financial year:

	2011-12		2010-11	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 April	46,921,350	$3.56	56,666,363	$3.44
Exercised	(5,212,497)	$2.59	(9,291,013)	$2.82
Cancelled	(331,950)	$3.23	(454,000)	$3.55
Outstanding at 31 March	41,376,903	$3.57	46,921,350	$3.56
Exercisable at 31 March	41,376,903	$3.57	46,619,125	$3.55

The range of exercise prices for options outstanding at the end of the year was $1.25 - $4.57 (2010-11: $1.01 - $4.67). The weighted average remaining contractual life for these options is 4.74 years (2010-11: 5.56 years).

The weighted average share price for options exercised during the year was $3.86 (2010-11: $4.14).

Following the expiry of the share option plans in March 2009, the Company ceased to grant options under ESOP.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

10. SHARE CAPITAL (in thousands of $) (continued)

(a) Share Option Plan (continued)

Terms of share options outstanding as at 31 March 2012:

Exercisable period	Exercise price ($)	Number outstanding	Number exercisable
01.07.2003 - 30.06.2012	1.88	103,325	103,325
01.07.2004 - 30.06.2012	1.88	827,925	827,925
01.07.2005 - 30.06.2012	1.88	84,800	84,800
01.07.2006 - 30.06.2012	1.88	85,550	85,550
01.07.2004 - 30.06.2013	1.25	40,250	40,250
01.07.2005 - 30.06.2013	1.25	332,450	332,450
01.07.2006 - 30.06.2013	1.25	43,125	43,125
01.07.2007 - 30.06.2013	1.25	51,000	51,000
01.07.2005 - 30.06.2014	1.59	188,500	188,500
01.07.2006 - 30.06.2014	1.59	1,417,700	1,417,700
01.07.2007 - 30.06.2014	1.59	221,625	221,625
01.07.2008 - 30.06.2014	1.59	259,875	259,875
01.07.2006 - 30.06.2015	2.15	269,750	269,750
01.07.2007 - 30.06.2015	2.15	3,347,025	3,347,025
01.07.2008 - 30.06.2015	2.15	334,000	334,000
01.07.2009 - 30.06.2015	2.15	395,000	395,000
03.07.2007 - 02.07.2016	3.34	278,000	278,000
03.07.2008 - 02.07.2016	3.34	7,922,375	7,922,375
03.07.2009 - 02.07.2016	3.34	311,325	311,325
03.07.2010 - 02.07.2016	3.34	317,325	317,325
02.07.2008 – 01.07.2017	4.57	298,975	298,975
02.07.2009 – 01.07.2017	4.57	13,585,425	13,585,425
02.07.2010 – 01.07.2017	4.57	300,225	300,225
02.07.2011 – 01.07.2017	4.57	300,225	300,225
01.07.2010 – 30.06.2018	3.64	10,061,128	10,061,128
Total number of options outstanding / exercisable		41,376,903 @	41,376,903

@ The total number of options outstanding includes 5,644,628 (2010-11: 6,140,950) share options not exercised by employees who have retired or ceased to be employed by the Company or any of the subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

10. SHARE CAPITAL (in thousands of $) (continued)

(b) Share-based incentive plans

The Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") are share-based incentive plans approved by the shareholders of the Company on 25 July 2005. The details of the two plans are described below:

	Restricted Share Plan	Performance Share Plan
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on position and individual performance targets set at the start of a two-year performance period based on medium-term Company objectives with some degree of stretch.	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year overlapping performance period based on stretched long-term corporate objectives for senior management.
Performance conditions	• EBITDA# Margin • Value Added per $ Employment Cost	• Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE) • Return on Equity (ROE)
Vesting Condition	Based on meeting stated performance conditions over a two-year performance period, 50% of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements.	Vesting based on meeting stated performance conditions over a three-year performance period.
Payout	0% - 150% depending on the achievement of pre-set performance targets over the performance period.	0% - 200% depending on the achievement of pre-set performance targets over the performance period.

EBITDA denotes Earnings before Interest, Taxes, Depreciation and Amortisation

The movement of the shares awarded during the financial year is as follows:

RSP

	Number of Restricted shares					
Date of grant	Balance at 1.4.2011/ date of grant	Adjustment *	Cancelled	Released	Modification#	Balance at 31.3.2012
02.07.2007	66,072	–	(1,012)	(65,060)	–	–
01.07.2008	469,190	–	(1,903)	(251,430)	5,049	220,906
01.07.2009	702,800	253,008	(70,119)	(481,597)	9,408	413,500
13.07.2009	98,000	35,280	(5,556)	(70,484)	1,333	58,573
01.07.2010	702,000	–	–	–	16,374	718,374
01.07.2011	808,100	–	–	–	18,849	826,949
	2,846,162	288,288	(78,590)	(868,571)	51,013	2,238,302

* Adjustment at the end of two-year performance period upon meeting stated performance targets.

Following approval from the Company's shareholders of the declaration of a special dividend of $0.10 on 22 July 2011, the Committee approved an increase in all outstanding RSP on 29 July 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

10. SHARE CAPITAL (in thousands of $) (continued)

(b) Share-based incentive plans (continued)

PSP

	Number of Performance shares					
Date of grant	Balance at 1.4.2011/ date of grant	Adjustment *	Cancelled	Released	Modification#	Balance at 31.3.2012
01.07.2008	128,500	(3,404)	–	(125,096)	–	–
13.07.2009	102,800	–	–	–	2,395	105,195
01.07.2010	171,000	–	–	–	3,987	174,987
01.07.2011	153,500	–	–	–	3,579	157,079
	555,800	(3,404)	–	(125,096)	9,961	437,261

* Adjustment at the end of three-year performance period upon meeting stated performance targets.

\# Following approval from the Company's shareholders of the declaration of a special dividend of $0.10 on 22 July 2011, the Committee approved an increase in all outstanding PSP on 29 July 2011.

Fair value of RSP and PSP awards

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

The following table lists the key inputs to the model used for the July 2011 and July 2010 award:

	July 2011 Award		July 2010 Award	
	RSP	PSP	RSP	PSP
Expected dividend yield (%)	Management's forecast in line with dividend policy			
Expected volatility (%)	29.48	29.48	31.61	31.61
Risk-free interest rate (%)	0.42 – 0.75	0.52	0.48 – 0.67	0.54
Expected term (years)	2.00 – 4.00	3.00	2.00 – 4.00	3.00
Share price at date of grant ($)	4.40	4.40	3.92	3.92

For non-market conditions, achievement factors have been estimated based on inputs from the Compensation and HR Committee for the purpose of accrual for the RSP and PSP until the achievement of the targets can be accurately ascertained.

Based on the Monte Carlo simulation model, the estimated fair value at date of grant for each share granted under the RSP ranges from $3.59 to $3.91 (2010-11: $3.19 to $3.53) and the estimated fair value at date of grant for each share granted under the PSP is $4.17 (2010-11: $3.50).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

10. SHARE CAPITAL (in thousands of $) (continued)

(b) Share-based incentive plans (continued)

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

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

Under the RSP and PSP, eligible key executives are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2012, were 2,238,302 (2011: 2,038,062) and 437,261 (2011: 402,300) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 3,010,964 (2011: 2,789,462) and 874,522 (2011: 804,600) fully-paid ordinary shares for RSP and PSP respectively.

For the current financial year, the Group has provided approximately $3,377,000 (2010-11: $3,107,000) in respect of the RSP and PSP based on the fair values determined on grant date and estimation of share grants that will ultimately vest.

The total amount recognised in profit or loss for share-based compensation transactions with employees are as follows:

	The Group and Company	
	2011-12	2010-11
Share-based compensation expense		
- Employee share option plan	26	1,207
- Restricted share plan	2,955	2,846
- Performance share plan	422	261
	3,403	4,314

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

11. OTHER RESERVES (in thousands of $)

(a) Share-based compensation reserve

Share-based compensation reserve represents the equity-settled share options and awards granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and awards, and is reduced by the release of share awards and exercise / lapse of share options.

	The Group and Company 31 March	
	2012	2011
Balance at 1 April	40,680	45,393
Grant of equity-settled share options and awards	3,403	4,351
Release of share awards	(2,633)	(2,252)
Exercise of share options	(2,978)	(6,477)
Share options lapsed	(254)	(335)
Balance at 31 March	38,218	40,680

(b) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Fair value reserve

Fair value reserve records the cumulative fair value of the portion of the fair value changes (net of tax) on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

	The Group 31 March	
	2012	2011
Balance at 1 April	4,395	185
Net (loss) / gain on fair value adjustment	(995)	8,474
Recognised in "other operating expenses" in profit or loss on occurrence of the foreign currency contracts	(3,183)	(4,832)
Share of other comprehensive income of joint venture companies	(1,036)	568
Balance at 31 March	(819)	4,395

	The Company 31 March	
	2012	2011
Balance at 1 April	3,827	185
Net (loss) / gain on fair value adjustment	(995)	8,474
Recognised in "other operating expenses" in profit or loss on occurrence of the foreign currency contracts	(3,183)	(4,832)
Balance at 31 March	(351)	3,827

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

12. DEFERRED TAXATION (in thousands of $)

Deferred tax relates to the following items:

	The Group				The Company	
	Consolidated balance sheet 31 March		Consolidated income statement		Balance sheet 31 March	
	2012	2011	2011-12	2010-11	2012	2011
Deferred tax liability						
Differences in depreciation	25,240	26,590	(1,350)	1,640	24,804	26,120
Revaluation of forward currency contracts to fair value	(72)	784	–	–	(72)	784
Undistributed profits of a subsidiary company	261	192	69	192	–	–
Undistributed profits of overseas associated companies	1,736	4,286	(2,550)	363	–	–
Deferred tax asset						
Other items	(743)	(702)	(41)	136	(507)	(510)
	26,422	31,150			24,225	26,394
Deferred income tax expense			(3,872)	2,331		

The Group has tax losses of approximately $2,138,000 (2010-11: $1,444,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax assets are recognised due to uncertainty of its recoverability. The use of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

At the end of the reporting period, deferred tax liability of $261,000 (2011: $192,000) has been recognised for taxes that would be payable on the undistributed earnings of one of the Group's subsidiaries. For the other subsidiaries of the Group, no deferred tax liability has been recognised as the Group has determined that undistributed earnings of these subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $2,735,000 (2011: $1,631,000). The deferred tax liability is estimated to be $821,000 (2011: $489,000).

13. FINANCE LEASE COMMITMENTS (in thousands of $)

The Group has finance leases for certain equipment and vehicles which matured in 2011. Future lease payments under these finance leases are as follows:

	The Group 31 March			
	2012		2011	
	Minimum payments	Repayment of Principal	Minimum payments	Repayment of Principal
Not later than one year	–	–	5	5
Later than one year but not later than five years	–	–	–	–
Total future lease payments	–	–	5	5

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

14. PROPERTY, PLANT AND EQUIPMENT (in thousands of $)

	Leasehold land and buildings	Plant, equipment & tooling	Engine overhaul tooling	Aircraft rotable spares	Office and computer equipment	Motor vehicles	Advance and progress payments #	Total
The Group								
Cost								
At 1 April 2010	218,430	225,221	5,126	107,719	25,201	7,302	45,869	634,868
Additions	192	8,157	162	21,625	734	709	13,024	44,603
Transfers	45,361	9,953	–	–	1,492	–	(56,806)	–
Disposals	(482)	(9,565)	(56)	(646)	(1,050)	(418)	–	(12,217)
Exchange differences	(2,091)	(1,072)	(66)	(385)	(97)	(38)	–	(3,749)
At 31 March 2011	261,410	232,694	5,166	128,313	26,280	7,555	2,087	663,505
Additions	404	8,692	248	8,812	1,053	349	9,192	28,750
Transfers	(234)	548	–	–	1,081	–	(1,395)	–
Transfers to intangibles	–	–	–	–	–	–	(4)	(4)
Disposals	–	(4,703)	(4,199)	(829)	(1,838)	(734)	–	(12,303)
Exchange differences	(50)	19	(5)	(8)	(1)	3	–	(42)
At 31 March 2012	261,530	237,250	1,210	136,288	26,575	7,173	9,880	679,906
Accumulated depreciation								
At 1 April 2010	78,825	178,704	4,744	29,813	21,888	5,395	–	319,369
Depreciation	8,897	18,093	97	8,029	2,132	467	–	37,715
Disposals	(287)	(9,507)	(54)	(209)	(1,049)	(333)	–	(11,439)
Exchange differences	(141)	(425)	(33)	(153)	(62)	(11)	–	(825)
At 31 March 2011	87,294	186,865	4,754	37,480	22,909	5,518	–	344,820
Depreciation	8,970	17,088	113	8,925	2,225	505	–	37,826
Disposals	–	(4,550)	(4,197)	(524)	(1,812)	(512)	–	(11,595)
Exchange differences	–	17	–	(1)	1	3	–	20
At 31 March 2012	96,264	199,420	670	45,880	23,323	5,514	–	371,071
Net book value								
At 31 March 2011	174,116	45,829	412	90,833	3,371	2,037	2,087	318,685
At 31 March 2012	165,266	37,830	540	90,408	3,252	1,659	9,880	308,835

Advance and progress payments comprise mainly plant, equipment and tooling and building projects.

	The Group 31 March 2012	The Group 31 March 2011
Net book value of property, plant & equipment acquired under finance lease:		
- Plant, equipment and tooling	59	64
- Motor vehicles	36	44

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

14. PROPERTY, PLANT AND EQUIPMENT (in thousands of $) (continued)

	Leasehold land and buildings	Plant, equipment & tooling	Engine overhaul tooling	Aircraft rotable spares	Office and computer equipment	Motor vehicles	Advance and progress payments #	Total
The Company								
Cost								
At 1 April 2010	191,670	210,562	4,464	103,875	23,259	6,397	44,312	584,539
Additions	–	6,182	–	20,880	562	251	11,385	39,260
Transfers	42,226	9,953	–	–	1,431	–	(53,610)	–
Disposals	–	(9,242)	(54)	(313)	(972)	(291)	–	(10,872)
At 31 March 2011	233,896	217,455	4,410	124,442	24,280	6,357	2,087	612,927
Additions	–	6,360	–	8,045	751	217	9,172	24,545
Transfers	(234)	544	–	–	1,069	–	(1,379)	–
Disposals	–	(4,108)	(4,195)	(775)	(1,724)	(631)	–	(11,433)
At 31 March 2012	233,662	220,251	215	131,712	24,376	5,943	9,880	626,039
Accumulated depreciation								
At 1 April 2010	74,680	172,915	4,464	28,568	20,665	5,031	–	306,323
Depreciation	7,931	15,944	–	7,454	1,782	347	–	33,458
Disposals	–	(9,217)	(54)	(90)	(972)	(291)	–	(10,624)
At 31 March 2011	82,611	179,642	4,410	35,932	21,475	5,087	–	329,157
Depreciation	7,931	14,743	–	8,344	1,878	349	–	33,245
Disposals	–	(3,996)	(4,195)	(498)	(1,699)	(453)	–	(10,841)
At 31 March 2012	90,542	190,389	215	43,778	21,654	4,983	–	351,561
Net book value								
At 31 March 2011	151,285	37,813	–	88,510	2,805	1,270	2,087	283,770
At 31 March 2012	143,120	29,862	–	87,934	2,722	960	9,880	274,478

Advance and progress payments comprise mainly plant, equipment and tooling and building projects.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

15. INTANGIBLES (in thousands of $)

	Computer software	Deferred engine development costs	Other intangibles	Advance and progress payments	Total
The Group					
Cost					
At 1 April 2010	40,043	12,156	4,213	22	56,434
Additions	556	11,563	–	244	12,363
Transfers	252	–	–	(252)	–
Disposals	(38)	–	–	–	(38)
Exchange differences	(100)	(2,363)	–	–	(2,463)
At 31 March 2011	40,713	21,356	4,213	14	66,296
Additions	436	12,423	–	1,185	14,044
Transfers	593	–	–	(593)	–
Transfers from property, plant and equipment	4	–	–	–	4
Disposals	(399)	–	–	–	(399)
Exchange differences	(2)	231	–	–	229
At 31 March 2012	41,345	34,010	4,213	606	80,174
Accumulated amortisation					
At 1 April 2010	36,806	–	2,871	–	39,677
Amortisation	1,172	–	447	–	1,619
Disposals	(38)	–	–	–	(38)
Exchange differences	(61)	–	–	–	(61)
At 31 March 2011	37,879	–	3,318	–	41,197
Amortisation	1,230	–	447	–	1,677
Disposals	(399)	–	–	–	(399)
Exchange differences	(1)	–	–	–	(1)
At 31 March 2012	38,709	–	3,765	–	42,474
Net book value					
At 31 March 2011	2,834	21,356	895	14	25,099
At 31 March 2012	2,636	34,010	448	606	37,700

Impairment testing of deferred engine development costs

This relates to the Group's share of engine development payments made in connection with its participation in aircraft engine development projects with other companies. The deferred engine development costs have been allocated to a cash-generating unit ("CGU"), which is also a reportable operating segment, for impairment testing. The carrying amounts allocated to the CGU are as follows:

	Repair and overhaul segment 31 March	
	2012	2011
Deferred engine development costs	34,010	21,356

The recoverable amounts have been determined based on value in use calculations using cash flow projections from financial budget approved by management for the next 50 years. The pre-tax discount rate applied to cash flow projections is 8%.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

15. INTANGIBLES (in thousands of $) (continued)

The calculations of value in use are most sensitive to the following assumptions:

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC").

Number of engines – Number of engines represent the projected number of aircraft engines expected to be sold upon completion of the engine development. Projected engine sale is based on current aircraft orders and expectation of market development.

	Computer software	Other intangibles	Advance and progress payments	Total
The Company				
Cost				
At 1 April 2010	38,089	2,871	22	40,982
Additions	393	–	244	637
Transfers	252	–	(252)	–
Disposals	–	–	–	–
At 31 March 2011	38,734	2,871	14	41,619
Additions	265	–	1,155	1,420
Transfers	563	–	(563)	–
Disposals	(368)	–	–	(368)
At 31 March 2012	39,194	2,871	606	42,671
Accumulated amortisation				
At 1 April 2010	35,769	2,871	–	38,640
Amortisation	819	–	–	819
Disposals	–	–	–	–
At 31 March 2011	36,588	2,871	–	39,459
Amortisation	935	–	–	935
Disposals	(368)	–	–	(368)
At 31 March 2012	37,155	2,871	–	40,026
Net book value				
At 31 March 2011	2,146	–	14	2,160
At 31 March 2012	2,039	–	606	2,645

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31 March 2012

16. SUBSIDIARY COMPANIES (in thousands of $)

	The Company 31 March 2012	The Company 31 March 2011
Unquoted shares, at cost	78,473	66,128
Loan to a subsidiary company	1,497	1,334
Impairment loss	(4,016)	–
	75,954	67,462

The subsidiary companies at 31 March are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost 2012	Cost 2011	Percentage equity held by the Group 2012	Percentage equity held by the Group 2011
Aircraft Maintenance Services Australia Pty Ltd^	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Australia	213	4,229	100.0	100.0
NexGen Network (1) Holding Pte Ltd*	Investment holding	Singapore	7,388	5,709	100.0	100.0
NexGen Network (2) Holding Pte Ltd*	Investment holding	Singapore	30,690	20,024	100.0	100.0
SIA Engineering (USA), Inc.#	Provide aircraft maintenance services, including technical and non-technical handling at the airport	United States of America	1,358	1,358	100.0	100.0
SIAEC Global Pte Ltd*	Investment holding	Singapore	@	@	100.0	100.0
SIA Engineering (Philippines) Corporation^	Provide airframe maintenance and component overhaul services	Philippines	17,296	17,296	65.0	65.0
Singapore Jamco Pte Ltd*	Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys	Singapore	3,816	3,816	65.0	65.0

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31 March 2012

16. SUBSIDIARY COMPANIES (in thousands of $) (continued)

The subsidiary companies at 31 March are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost 2012	Cost 2011	Percentage equity held by the Group 2012	Percentage equity held by the Group 2011
Aerospace Component Engineering Services Pte Limited*	Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft	Singapore	10,934	10,934	51.0	51.0
Aviation Partnership (Philippines) Corporation^	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Philippines	2,762	2,762	51.0	51.0

* *Audited by Ernst & Young LLP, Singapore*
^ *Audited by member firms of Ernst & Young Global in the respective countries*
@ *Cost of investment and issued and paid-up share capital is $2*
\# *Not required to be audited under the law in the country of incorporation*

During the financial year:

1. The Company invested $1,679,000 and $10,666,000 in NexGen Network (1) Holding Pte Ltd ("NGN1") and NexGen Network (2) Holding Pte Ltd ("NGN2") respectively, in accordance to the agreement.

2. The loan is extended to a subsidiary company bearing interest at Australia LIBOR plus 2.25% per annum and is to be settled in cash. This loan is non-trade related, unsecured and repayable by 31 March 2015.

3. The Company recognised an impairment loss of $4,016,000 (2011: nil) on investment in a subsidiary company. The carrying amount of the subsidiary was reduced to its recoverable amount, which was based on the estimated cash flows from the 5-year forecast approved by the management, discounted to present value by applying a pre-tax discount rate of 7.29%.

17. ASSOCIATED COMPANIES (in thousands of $)

	The Group 31 March 2012	The Group 31 March 2011	The Company 31 March 2012	The Company 31 March 2011
Unquoted shares, at cost	181,953	179,268	181,953	179,268
Share of post-acquisition reserves	246,587	239,896	–	–
Share of other comprehensive income	360	–	–	–
Goodwill written-off to reserves	(25,237)	(25,237)	–	–
Translation adjustment	(98,863)	(97,901)	–	–
	304,800	296,026	181,953	179,268

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31 March 2012

17. ASSOCIATED COMPANIES (in thousands of $) (continued)

The associated companies at 31 March are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost 2012	Cost 2011	Percentage equity held by the Group 2012	Percentage equity held by the Group 2011
Combustor Airmotive Services Pte Ltd## +	Repair and overhaul of aircraft engine combustion chambers, guides, fuel nozzles and related parts	Singapore	3,011	3,011	49.0	49.0
Eagle Services Asia Private Limited## ++	Repair and overhaul of aircraft engines	Singapore	71,588	71,588	49.0	49.0
Fuel Accessory Service Technologies Pte Ltd## +	Repair and overhaul of engine fuel components and accessories	Singapore	5,071	5,071	49.0	49.0
PT Jas Aero-Engineering Services^^ ++	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Indonesia	3,675	3,675	49.0	49.0
PWA International Limited### +	Repair, overhaul and re-manufacture of aircraft turbine engine cases, components and related parts	Ireland	6,217	6,217	49.0	49.0
Safran Electronics Asia Pte Ltd^ ++	Provide avionics maintenance, repair and overhaul services	Singapore	13,479	13,479	49.0	49.0
Southern Airports Aircraft Maintenance Services Company Limited*** ++	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Vietnam	1,117	1,117	49.0	49.0
Pan Asia Pacific Aviation Services Ltd* +++	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Hong Kong	5,373	5,373	47.1	47.1
JAMCO Aero Design & Engineering Pte Ltd** +++	Provide turnkey solutions for aircraft interior modifications	Singapore	767	767	45.0	45.0
Panasonic Avionics Services Singapore Pte. Ltd.@@ +++	IFE maintenance, repair & overhaul and ancillary services	Singapore	2,685	–	42.5	–

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31 March 2012

17. ASSOCIATED COMPANIES (in thousands of $) (continued)

The associated companies at 31 March are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost 2012	Cost 2011	Percentage equity held by the Group 2012	Percentage equity held by the Group 2011
Goodrich Aerostructures Service Center-Asia Pte Ltd**+++	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	Singapore	37,220	37,220	40.0	40.0
Messier Services Asia Private Limited** ++	Repair and overhaul of Boeing and Airbus series landing gears	Singapore	13,971	13,971	40.0	40.0
Asian Surface Technologies Pte Ltd^ ++	Repair and overhaul of aircraft engine fan blades	Singapore	2,718	2,718	39.2	39.2
International Aerospace Tubes - Asia Pte Ltd## ++	Repair of tubes, ducts and manifolds for aircraft engines and airframe application	Singapore	5,286	5,286	33.3	33.3
Asian Compressor Technology Services Co Ltd# ++	Repair and overhaul of aircraft engine high pressure compressor stators	Taiwan	4,104	4,104	24.5	24.5
Turbine Coating Services Private Limited## +	Repair and overhaul of aircraft engine turbine airfoils	Singapore	5,671	5,671	24.5	24.5

 # Audited by PriceWaterhouseCoopers, Taiwan
Audited by PriceWaterhouseCoopers, Singapore
Audited by PriceWaterhouseCoopers, Ireland
@ Audited by Deloitte & Touche, Singapore
@@ Audited by KPMG, Singapore
** Audited by BDO Limited, Hong Kong*
*** Audited by Ernst & Young LLP, Singapore*
**** Audited by Deloitte & Touche, Vietnam*
^ Audited by RSM Chio Lim, Singapore
^^ Audited by RSM Chio Lim, Indonesia
+ Financial year end 30 November
++ Financial year end 31 December
+++ Financial year end 31 March

During the financial year, the Company and Panasonic Avionics Corporation incorporated a company, Panasonic Avionics Services Singapore ("PACSS"), in Singapore. The Company injected approximately $2,685,000 for its 42.5% equity in PACSS.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

17. ASSOCIATED COMPANIES (in thousands of $) (continued)

The Group's share of the assets and liabilities of the associated companies comprises:

	The Group 31 March	
	2012	2011
Funds employed:		
Non-current assets	324,913	316,502
Current assets	73,967	78,211
	398,880	394,713
Current liabilities	(91,635)	(95,595)
Non-current liabilities	(5,456)	(6,103)
	301,789	293,015
Financed by:		
Shareholders' equity and loans	301,789	293,015

The Group's share of the results of the associated companies is as follows:

	The Group	
	2011-12	2010-11
Results		
Revenue	888,958	676,374
Profit before taxation	82,175	69,765
Profit for the year	72,745	62,375

18. JOINT VENTURE COMPANIES (in thousands of $)

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Unquoted shares, at cost	56,599	56,599	56,599	56,599
Share of post acquisition reserves	82,211	70,649	–	–
Share of other comprehensive income	(468)	568	–	–
Translation adjustment	(25,096)	(25,042)	–	–
	113,246	102,774	56,599	56,599

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31 March 2012

18. JOINT VENTURE COMPANIES (in thousands of $) (continued)

The joint venture companies at 31 March are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost 2012	Cost 2011	Percentage equity held by the Group 2012	Percentage equity held by the Group 2011
International Engine Component Overhaul Pte Ltd	Repair and overhaul of aero engine components and parts	Singapore	10,067	10,067	50.0	50.0
Singapore Aero Engine Services Pte Ltd	Repair and overhaul of aircraft engines	Singapore	46,532	46,532	50.0	50.0

The joint venture companies are audited by Ernst and Young LLP, Singapore and have financial year end of 31 December.

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

	The Group 31 March 2012	2011
Funds employed:		
Non-current assets	194,690	138,499
Current assets	60,984	61,880
	255,674	200,379
Current liabilities	(84,144)	(52,947)
Non-current liabilities	(58,284)	(44,658)
	113,246	102,774
Financed by:		
Shareholders' equity and loans	113,246	102,774

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

	The Group 2011-12	2010-11
Results		
Revenue	754,771	728,106
Profit before taxation	74,760	74,599
Profit for the year	73,538	71,645

19. LONG-TERM INVESTMENT (In thousands of $)

	The Group and the Company 31 March 2012	2011
Unquoted equity investment, at cost	14,606	14,606

The Company holds a 10.0% (2011: 10.0%) investment in ordinary shares of Hong Kong Aero Engine Services Limited, which is incorporated and operates in Hong Kong Special Administrative Region of the People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

20. TRADE DEBTORS (in thousands of $)

The table below is an analysis of trade debtors as at 31 March:

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Not past due and not impaired	53,235	40,411	46,493	34,075
Past due but not impaired*	38,293	41,112	30,560	34,184
	91,528	81,523	77,053	68,259
Impaired trade debtors – collectively assessed	6,703	6,860	6,549	6,824
Less: Accumulated impairment losses	(6,703)	(6,860)	(6,549)	(6,824)
	–	–	–	–
Impaired trade debtors – individually assessed:				
Customers in bankruptcy or other financial reorganisation	3,151	2,526	3,151	2,486
Customers who default in payment within stipulated framework	40	29	–	–
Less: Accumulated impairment losses	(3,191)	(2,555)	(3,151)	(2,486)
	–	–	–	–
Total trade debtors, net	91,528	81,523	77,053	68,259
* Aging of trade debtors that are past due but not impaired				
Less than 30 days	19,562	22,502	17,220	19,970
30 days to 60 days	10,408	11,500	9,049	9,997
60 days to 90 days	3,565	4,561	1,849	3,481
More than 90 days	4,758	2,549	2,442	736
	38,293	41,112	30,560	34,184

Trade debtors are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The carrying amount of trade debtors impaired by credit losses is reduced through the use of an allowance account unless on the date the impairment loss is recognised, the Group ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade debtor is ascertained to be uncollectible, it is written off against the allowance account.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days aging of debtor balances) are considered indicators that the trade debtor is impaired. Individual trade debtor is written off when management deems the amount not to be collectible.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

20. TRADE DEBTORS (in thousands of $) (continued)

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

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Balance at 1 April	9,415	9,720	9,310	9,663
Charge / (Write-back) to profit or loss, net	479	(305)	390	(353)
Balance at 31 March	9,894	9,415	9,700	9,310
Bad debts written-off directly to profit or loss, net of debts recovered	15	82	–	82

As at 31 March 2012, 93% of trade debtors (2011: 83%) were held in United States dollars by the Group.

21. PREPAYMENTS AND OTHER DEBTORS (in thousands of $)

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Prepayments	8,702	6,485	7,973	6,150
Other debtors	7,448	7,840	3,550	5,249
	16,150	14,325	11,523	11,399

Included in other debtors are deposits of $901,000 (2011: $845,000) and nil fair value change of forward contracts (2011: $4,611,000) for the Group and deposits of $68,000 (2011: $99,000) and nil fair value change of forward contracts (2011: $4,611,000) for the Company.

The contract / notional amounts of the forward currency contracts as at 31 March 2011 were $131,820,000 for the Group and the Company. These contracts were entered into by the Company's immediate holding company, on behalf of the Group and the Company.

22. IMMEDIATE HOLDING COMPANY

The amounts due from the immediate holding company, which are carried at cost, are unsecured, trade-related, interest-free and are repayable based on agreed trade terms. The amounts are expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

23. AMOUNT OWING BY/ (TO) RELATED PARTIES (in thousands of $)

The amounts owing by / (to) related parties of the Group are unsecured, trade-related, interest-free and are repayable based on agreed trade terms. The amounts are expected to be settled in cash.

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Amount owing by related parties				
- Fellow subsidiaries	31,100	21,292	22,570	19,623
- Subsidiaries	–	–	2,303	1,042
- Joint venture / associated companies	6,232	4,845	6,232	4,845
- Others	12,639	9,702	12,425	9,547
	49,971	35,839	43,530	35,057
Amount owing to related parties				
- Subsidiaries	–	–	(9,600)	(7,677)
	–	–	(9,600)	(7,677)

24. INVENTORIES (in thousands of $)

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Aircraft and component spares	48,458	48,400	42,720	41,766
Consumable stores and stocks	2,346	1,880	284	16
Raw materials	2,701	2,722	–	–
Total stocks at lower of cost and net realisable value	53,505	53,002	43,004	41,782

There was no write-down of stocks in 2011-12 (2010-11: $40,000).

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

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Balance at 1 April	11,750	9,308	11,645	9,207
Charge to profit or loss, net	3,505	2,479	3,448	2,438
Provision utilised during the year	(4,003)	(37)	(3,951)	–
Balance at 31 March	11,252	11,750	11,142	11,645

Stocks are stated at:

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Cost	10,871	11,285	370	65
Net realisable value	42,634	41,717	42,634	41,717
	53,505	53,002	43,004	41,782

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

25. SHORT-TERM DEPOSITS (in thousands of $)

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Deposits placed with the immediate holding company	456,613	526,601	456,613	526,601
Fixed deposits placed with banks	3,862	3,246	1,501	1,501
	460,475	529,847	458,114	528,102

Funds surplus to the Group's working capital requirements are placed in short-term deposits with the immediate holding company and external financial institutions for varying periods depending on the immediate cash requirements of the Group. These deposits earn interest ranging from 0.01% to 2.75% (2011: 0.03% to 4%) per annum and can be withdrawn on demand. The interest rates are repriced at varying periods ranging from 1 to 12 months (2011: 1 to 12 months).

As at 31 March 2012, 1% of short-term deposits (2011: 1%) were held in United States dollars by the Group.

26. CASH AND BANK BALANCES

These balances are placed in interest-bearing current accounts earning interest at floating rates based on daily bank deposit rates ranging from 0.0% to 2.0% (2011: 0.0% to 5.2%) per annum.

As at 31 March 2012, 81% of cash and bank balances (2011: 25%) were held in United States dollars by the Group.

27. TRADE AND OTHER CREDITORS (in thousands of $)

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Trade	97,461	87,995	84,303	83,256
Accruals	165,302	145,824	151,783	136,004
Provision for warranty claims	173	155	173	155
Sundry	901	1,471	–	–
	263,837	235,445	236,259	219,415

These amounts are non-interest bearing.

Included in trade and other creditors are fair value change of forward contracts of $422,000 (2011: nil) for the Group and the Company. The contract / notional amounts of the forward currency contracts as at 31 March 2012 were $153,988,000 for the Group and the Company. These contracts are entered into by the Company's immediate holding company, on behalf of the Group and the Company.

As at 31 March 2012, 27% of trade creditors (2011: 28%) were held in United States dollars by the Group.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

27. TRADE AND OTHER CREDITORS (in thousands of $) (continued)

An analysis of the provision for warranty claims is as follows:

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Balance at 1 April	155	520	155	520
Charge / (Write-back) to profit or loss, net	18	(324)	18	(324)
Provision utilised during the year	–	(41)	–	(41)
Balance at 31 March	173	155	173	155

28. BANK LOANS (in thousands of $)

	The Group 31 March	
	2012	2011
Revolving credit facility	2,451	1,701

The revolving credit facility denominated in United States dollars taken by a subsidiary company is unsecured and bears a fixed interest at 2.5% per annum.

29. CASH FLOW FROM OPERATING ACTIVITIES (in thousands of $)

	The Group	
	2011-12	2010-11
Profit before taxation	303,124	296,083
Adjustments for:		
Interest income	(1,488)	(1,389)
Interest on external borrowings	55	33
Depreciation	37,826	37,715
Amortisation of intangibles	1,677	1,619
Share of profits of associated and joint venture companies	(156,935)	(144,364)
Dividend income from long-term investment	(13,610)	(12,497)
Surplus on disposal of property, plant and equipment	(1,925)	(510)
Exchange differences	(2,721)	3,551
Share-based compensation expense	3,403	4,314
Operating profit before working capital changes	169,406	184,555
Increase in debtors	(11,827)	(19,659)
Increase in inventories and work-in-progress	(10,637)	(13,633)
Increase in creditors	27,745	19,348
(Increase) / Decrease in amounts owing by immediate holding company	(2,814)	65,758
(Increase) / Decrease in amounts owing by related companies	(14,132)	3,697
Cash generated from operations	157,741	240,066
Income taxes paid	(22,566)	(21,087)
Net cash provided by operating activities	135,175	218,979

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

30. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure commitments

The Group and the Company have commitments for capital expenditure. Such commitments aggregated approximately $54,281,000 (2011: $71,080,000) for the Group and approximately $14,876,000 (2011: $18,619,000) for the Company.

In addition, the Group's share of a joint venture company's purchase commitments for capital expenditure totalled approximately $587,000 (2011: $1,036,000).

(b) Operating lease commitments (in thousands of $)

The Group has entered into operating lease agreements for certain equipment and leasehold land and buildings. These non-cancellable leases have lease terms of between 1 and 50 years. There are no restrictions placed upon the Group or the Company by these lease arrangements.

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

	The Group 31 March	
	2012	2011
Within one year	13,842	13,451
After one year but less than 5 years	18,552	17,575
More than 5 years	63,142	64,699
	95,536	95,725

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

31. FINANCIAL INSTRUMENTS (in thousands of $)

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

	Loans and receivables	Available-for-sale financial assets	Derivatives used for hedging	Financial liabilities at amortised cost	Total
2012					
The Group					
Assets					
Unquoted equity investment	–	14,606	–	–	14,606
Trade debtors	91,528	–	–	–	91,528
Other debtors	7,448	–	–	–	7,448
Immediate holding company	47,024	–	–	–	47,024
Amount owing by related parties	49,971	–	–	–	49,971
Short-term deposits	460,475	–	–	–	460,475
Cash and bank balances	37,393	–	–	–	37,393
Total financial assets	693,839	14,606	–	–	708,445
Total non-financial assets					890,872
Total assets					1,599,317
Liabilities					
Trade and other creditors	–	–	422	263,242	263,664
Bank loans	–	–	–	2,451	2,451
Total financial liabilities	–	–	422	265,693	266,115
Total non-financial liabilities					53,424
Total liabilities					319,539
2011					
The Group					
Assets					
Unquoted equity investment	–	14,606	–	–	14,606
Trade debtors	81,523	–	–	–	81,523
Other debtors	3,229	–	4,611	–	7,840
Immediate holding company	44,317	–	–	–	44,317
Amount owing by related parties	35,839	–	–	–	35,839
Short-term deposits	529,847	–	–	–	529,847
Cash and bank balances	51,561	–	–	–	51,561
Total financial assets	746,316	14,606	4,611	–	765,533
Total non-financial assets					856,021
Total assets					1,621,554
Liabilities					
Finance lease commitments	–	–	–	5	5
Trade and other creditors	–	–	–	235,290	235,290
Bank loans	–	–	–	1,701	1,701
Total financial liabilities	–	–	–	236,996	236,996
Total non-financial liabilities					56,376
Total liabilities					293,372

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

31. FINANCIAL INSTRUMENTS (in thousands of $) (continued)

(a) Classification of financial instruments (continued)

	Loans and receivables	Available-for-sale financial assets	Derivatives used for hedging	Financial liabilities at amortised cost	Total
2012					
The Company					
Assets					
Unquoted equity investment	–	14,606	–	–	14,606
Loan to a subsidiary company	1,497	–	–	–	1,497
Trade debtors	77,053	–	–	–	77,053
Other debtors	3,550	–	–	–	3,550
Immediate holding company	45,125	–	–	–	45,125
Amount owing by related parties	43,530	–	–	–	43,530
Short-term deposits	458,114	–	–	–	458,114
Cash and bank balances	26,001	–	–	–	26,001
Total financial assets	654,870	14,606	–	–	669,476
Total non-financial assets					702,924
Total assets					1,372,400
Liabilities					
Trade and other creditors	–	–	422	235,664	236,086
Amount owing to related parties	–	–	–	9,600	9,600
Total financial liabilities	–	–	422	245,264	245,686
Total non-financial liabilities					49,895
Total liabilities					295,581
2011					
The Company					
Assets					
Unquoted equity investment	–	14,606	–	–	14,606
Loan to a subsidiary company	1,334	–	–	–	1,334
Trade debtors	68,259	–	–	–	68,259
Other debtors	638	–	4,611	–	5,249
Immediate holding company	43,121	–	–	–	43,121
Amount owing by related parties	35,057	–	–	–	35,057
Short-term deposits	528,102	–	–	–	528,102
Cash and bank balances	40,410	–	–	–	40,410
Total financial assets	716,921	14,606	4,611	–	736,138
Total non-financial assets					688,529
Total assets					1,424,667
Liabilities					
Trade and other creditors	–	–	–	219,260	219,260
Amount owing to related parties	–	–	–	7,677	7,677
Total financial liabilities	–	–	–	226,937	226,937
Total non-financial liabilities					50,884
Total liabilities					277,821

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

31. Financial instruments (in thousands of $) (continued)

(b) Fair values

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

Financial instruments carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1– Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and Company have carried all derivative instruments at their fair values.

The fair value of forward currency contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles.

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	The Group and the Company			
	31 March 2012			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial liability				
Derivative financial instrument				
Currency hedging contracts	–	(422)	–	(422)
	31 March 2011			
Financial assets				
Derivative financial instruments				
Currency hedging contracts	–	4,611	–	4,611

Financial instruments whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the following financial assets and liabilities are reasonable approximation of their fair values due to their short-term nature: cash and bank balances, short-term deposits, amounts owing by / to related parties, immediate holding company, loans, trade and other debtors and creditors. The carrying value of the long-term lease commitments approximates their fair values as they are repriced to market rates on or near the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

31. FINANCIAL INSTRUMENTS (in thousands of $) (continued)

(b) Fair values (continued)

Financial instruments carried at other than fair value

	The Group and the Company			
	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Long-term investment	14,606	#	14,606	#
	The Company			
Financial assets				
Loan to a subsidiary company	1,497	1,712*	1,334	1,546*

Unquoted shares in the long-term investment stated at cost have no market prices and the fair value cannot be reliably measured using valuation techniques. The Group and the Company have no intention to dispose of their interests in the above investment in the foreseeable future.

* The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of $)

The Group operates principally in Singapore and generates revenue mainly in Singapore dollars. The Group also has investments in subsidiary, associated and joint venture companies that operate in nine countries. The Group's operations carry certain financial risks, including the effects of changes in foreign exchange rates and interest rates. The Group's risk management approach is to moderate the effects of such volatility on its financial performance. The Group's policy permits the use of derivatives to hedge specific exposures.

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

The Audit Committee provides oversight to the work of the Risk Management Committee in respect of financial risks.

(a) Foreign currency risk

The Group has transactional currency exposures arising from operating revenues and expenses that are denominated in a currency other than the respective functional currencies of Group entities, primarily, Singapore dollar (SGD), Australian dollar (AUD), Philippine Peso (PHP), and United States dollars (USD). The foreign currencies in which these transactions are denominated are mainly United States dollars. For the financial year ended 31 March 2012, these accounted for 35% of total revenue (2010-11: 31%) and 16% of total operating expenses (2010-11: 14%). The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group and Company also hold cash and cash equivalents in foreign currency, denominated mainly in USD, for working capital purposes. At the end of the reporting period, such USD balances amounted to $33,842,000 (2011: $19,036,000) and $25,330,000 (2011: $11,346,000) for the Group and the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of $) (continued)

(a) Foreign currency risk (continued)

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 Singapore dollars. The Group also uses forward foreign currency contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell United States dollars at predetermined forward rates, depending on forecast requirements, with settlement dates that range up to one year. The Group uses forward contracts purely as a hedging tool. It does not take positions in currencies with a view to make speculative gains from currency movements.

Cash flow hedges

The Company enters into forward currency contracts to hedge against foreign currency risk for a portion of the forecast net cash generation of USD in the next 12 months.

The cash flow hedges of the expected inflows and outflows in USD in the next 12 months were assessed to be highly effective and at 31 March 2012, a net fair value loss before tax of $422,000 (2011: net fair value gain before tax of $4,611,000) with a related deferred tax charge of $72,000 (2010-11: $784,000), were included in fair value reserve in respect of these contracts.

The cash flows arising from these derivatives are expected to occur and enter into the determination of profit or loss in the next financial year.

Foreign currency sensitivity analysis

The foreign currency risk sensitivity analysis is based on the assumption that all cash flow hedges are highly effective; hence there will be no impact on profit before taxation from the cash flow hedges.

The following table details the sensitivity of a 1% strengthening or weakening of SGD exchange rate against the USD with all other variables held constant. The sensitivity analysis includes only the USD currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rate.

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Effect of strengthening of SGD				
Profit before taxation	(373)	(260)	(330)	(162)
Equity	1,544	1,272	1,544	1,272
Effect of weakening of SGD				
Profit before taxation	373	260	330	162
Equity	(1,544)	(1,272)	(1,544)	(1,272)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of $) (continued)

(b) Interest rate risk

The Group's exposure to market risk for changes in the interest rates relates primarily to the Group's short-term deposits with the immediate holding company and banks and other interest-bearing financial assets and liabilities. As most of the borrowings / deposits are short-term, the Group has minimal interest rate exposure risk.

(c) Credit and Counterparty risk

The Group's and Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 31 March 2012 in relation to each class of recognised financial assets are as follows:

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Unquoted equity investment	14,606	14,606	14,606	14,606
Loan to a subsidiary company	–	–	1,497	1,334
Trade debtors	91,528	81,523	77,053	68,259
Other debtors	7,448	7,840	3,550	5,249
Immediate holding company	47,024	44,317	45,125	43,121
Amount owing by related parties	49,971	35,839	43,530	35,057
Short-term deposits	460,475	529,847	458,114	528,102
Cash and bank balances	37,393	51,561	26,001	40,410
	708,445	765,533	669,476	736,138

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

Concentrations of credit risk with respect to trade debtors are limited to the entities comprising the Group's customer base. The Group carefully assesses the financial strength of its customers and where appropriate, obtains collaterals, including bank guarantees and letters of credit, from customers. In addition, the Group monitors the receivable balances on an ongoing basis, providing allowance for doubtful accounts whenever risks are identified. At 31 March 2012, the only trade debtor exceeding 10% of the Group's trade debtors was an amount of approximately $47,024,000 (2011: $44,317,000) due from its immediate holding company, Singapore Airlines Limited.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of $) (continued)

(c) Credit and Counterparty risk (continued)

The Group determines concentrations of credit risk by monitoring the industry, country and credit rating of its counterparties. The table below shows an analysis of credit risk exposure of balances that exceed 5% of the financial assets of the Group and the Company as at 31 March:

	The Group				The Company			
	Outstanding balance		Percentage of total financial assets		Outstanding balance		Percentage of total financial assets	
	2012	2011	2012	2011	2012	2011	2012	2011
Counterparty profiles								
By industry:								
Airlines	617,841	633,028	87%	83%	592,767	618,675	89%	84%
Financial institutions	41,254	54,790	6%	7%	27,502	41,909	4%	6%
Others	27,296	19,430	4%	2%	29,554	19,308	4%	2%
	686,391	707,248	97%	92%	649,823	679,892	97%	92%
By region:								
East Asia	619,347	654,582	87%	85%	586,708	632,515	88%	86%
Europe	25,213	19,076	4%	2%	25,190	19,072	4%	2%
South West Pacific	16,025	12,486	2%	2%	15,170	9,469	2%	1%
Americas	4,752	7,123	1%	1%	1,824	5,037	0%	1%
West Asia and Africa	21,054	13,981	3%	2%	20,931	13,799	3%	2%
	686,391	707,248	97%	92%	649,823	679,892	97%	92%
By Moody's credit ratings:								
Investment grade (A to Aaa)	37,760	52,160	5%	7%	27,502	41,909	4%	6%
Non-rated	648,631	655,088	92%	85%	622,321	637,983	93%	86%
	686,391	707,248	97%	92%	649,823	679,892	97%	92%

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of $) (continued)

(d) Liquidity risk

The Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and credit facilities from financial institutions. As at 31 March 2012, the Group had at its disposal, cash and short-term deposits amounting to approximately $497,868,000 (2011: $581,408,000). In addition, the Group had available short-term credit facilities of approximately $10,500,000 (2011: $15,500,000).

The Group's holding of cash and short-term deposits, together with credit facilities and net cash flow from operations, are expected to be sufficient for working capital purposes as well as future capital commitments. The shortfall, if any, could be met by bank borrowings.

The maturity profile of the financial assets and liabilities of the Group and the Company is as follows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2012							
The Group							
Financial assets							
Unquoted equity investment	–	–	–	–	–	14,606	14,606
Trade and other debtors	98,976	–	–	–	–	–	98,976
Immediate holding company	47,024	–	–	–	–	–	47,024
Amount owing by related parties	49,971	–	–	–	–	–	49,971
Short-term deposits	460,475	–	–	–	–	–	460,475
Cash and bank balances	37,393	–	–	–	–	–	37,393
Total undiscounted financial assets	693,839	–	–	–	–	14,606	708,445
Financial liabilities							
Trade and other creditors	263,242	–	–	–	–	–	263,242
Derivative financial instruments:							
Forward currency contracts – gross receipts	(153,988)	–	–	–	–	–	(153,988)
Forward currency contracts – gross payments	154,410	–	–	–	–	–	154,410
Bank loans	2,474	–	–	–	–	–	2,474
Total undiscounted financial liabilities	266,138	–	–	–	–	–	266,138
Net total undiscounted financial assets	427,701	–	–	–	–	14,606	442,307

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of $) (continued)

(d) Liquidity risk (continued)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2012							
The Company							
Financial assets							
Unquoted equity investment	–	–	–	–	–	14,606	14,606
Loan to a subsidiary company	147	147	1,643	–	–	–	1,937
Trade and other debtors	80,603	–	–	–	–	–	80,603
Immediate holding company	45,125	–	–	–	–	–	45,125
Amount owing by related parties	43,530	–	–	–	–	–	43,530
Short-term deposits	458,114	–	–	–	–	–	458,114
Cash and bank balances	26,001	–	–	–	–	–	26,001
Total undiscounted financial assets	653,520	147	1,643	–	–	14,606	669,916
Financial liabilities							
Trade and other creditors	235,664	–	–	–	–	–	235,664
Derivative financial instruments:							
Forward currency contracts – gross receipts	(153,988)	–	–	–	–	–	(153,988)
Forward currency contracts – gross payments	154,410	–	–	–	–	–	154,410
Amount owing to related parties	9,600	–	–	–	–	–	9,600
Total undiscounted financial liabilities	245,686	–	–	–	–	–	245,686
Net total undiscounted financial assets	407,834	147	1,643	–	–	14,606	424,230

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of $) (continued)

(d) Liquidity risk (continued)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2011							
The Group							
Financial assets							
Unquoted equity investment	–	–	–	–	–	14,606	14,606
Trade and other debtors	84,752	–	–	–	–	–	84,752
Immediate holding company	44,317	–	–	–	–	–	44,317
Amount owing by related parties	35,839	–	–	–	–	–	35,839
Short-term deposits	529,847	–	–	–	–	–	529,847
Cash and bank balances	51,561	–	–	–	–	–	51,561
Derivative financial instruments:							
Forward currency contracts – gross receipts	131,820	–	–	–	–	–	131,820
Forward currency contracts – gross payments	(127,209)	–	–	–	–	–	(127,209)
Total undiscounted financial assets	750,927	–	–	–	–	14,606	765,533
Financial liabilities							
Finance lease commitments	5	–	–	–	–	–	5
Trade and other creditors	235,290	–	–	–	–	–	235,290
Bank loans	1,714	–	–	–	–	–	1,714
Total undiscounted financial liabilities	237,009	–	–	–	–	–	237,009
Net total undiscounted financial assets	513,918	–	–	–	–	14,606	528,524

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of $) (continued)

(d) Liquidity risk (continued)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2011							
The Company							
Financial assets							
Unquoted equity investment	–	–	–	–	–	14,606	14,606
Loan to a subsidiary company	135	135	135	1,469	–	–	1,874
Trade and other debtors	68,897	–	–	–	–	–	68,897
Immediate holding company	43,121	–	–	–	–	–	43,121
Amount owing by related parties	35,057	–	–	–	–	–	35,057
Short-term deposits	528,102	–	–	–	–	–	528,102
Cash and bank balances	40,410	–	–	–	–	–	40,410
Derivative financial instruments:							
Forward currency contracts – gross receipts	131,820	–	–	–	–	–	131,820
Forward currency contracts – gross payments	(127,209)	–	–	–	–	–	(127,209)
Total undiscounted financial assets	720,333	135	135	1,469	–	14,606	736,678
Financial liabilities							
Trade and other creditors	219,260	–	–	–	–	–	219,260
Amount owing to related parties	7,677	–	–	–	–	–	7,677
Total undiscounted financial liabilities	226,937	–	–	–	–	–	226,937
Net total undiscounted financial assets	493,396	135	135	1,469	–	14,606	509,741

33. SEGMENT INFORMATION (in thousands of $)

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

- The repair and overhaul segment provides airframe maintenance, component overhaul, and engine repair and overhaul services, and fleet management programme. These services include scheduled routine maintenance and overhaul, specialised and non-routine maintenance, modification and refurbishment programs. Fleet management programme encompasses fleet technical management and inventory technical management services, which include the provision of comprehensive engineering and MRO solutions that can be customised to provide maintenance support to airlines.

- The line maintenance segment provides aircraft certification and technical ground handling services such as push-back and towing, and the provision of aircraft ground support equipment and rectification work.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

33. SEGMENT INFORMATION (in thousands of $) (continued)

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

All other unallocated items will be disclosed in the consolidated financial statement.

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

Segment liabilities are not available as the information is not used by management to make operating decisions.

Transfer prices between operating segments are on agreed terms between the operating segments.

The Group's businesses are organised and managed separately according to the nature of the services provided. The following tables present revenue and profit information regarding operating segments for the financial years ended 31 March 2012 and 31 March 2011 and certain assets information of the operating segments as at those dates.

Operating segments

	Notes	Repair and overhaul	Line maintenance	Total segments	Consolidation eliminations & adjustments	Per consolidated financial statements
2011-12						
TOTAL REVENUE						
External revenue		769,046	400,841	1,169,887	–	1,169,887
Inter-segment revenue	(a)	19,947	757	20,704	(20,704)	–
		788,993	401,598	1,190,591	(20,704)	1,169,887
RESULTS						
Segment results		45,533	84,077	129,610		129,610
Interest income						1,488
Dividend income from long-term investment						13,610
Share of results of associated companies		81,011	1,164	82,175		82,175
Share of results of joint venture companies		74,760	–	74,760		74,760
Other unallocated (expense) / income	(b)					1,481
Profit before taxation						303,124
Taxation						(31,104)
Profit for the financial year						272,020
Other segment items						
Depreciation		31,095	6,731	37,826		37,826
Amortisation of intangibles		930	747	1,677		1,677
Segment assets						
Property, plant and equipment		280,209	28,626	308,835		308,835
Intangibles		36,335	1,365	37,700		37,700
Investment in associated / joint venture companies		408,951	9,095	418,046		418,046
Other unallocated assets	(c)					834,736
Total assets		725,495	39,086	764,581		1,599,317

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

33. SEGMENT INFORMATION (in thousands of $) (continued)

Operating segments

	Notes	Repair and overhaul	Line maintenance	Total segments	Consolidation eliminations & adjustments	Per consolidated financial statements
2010-11						
TOTAL REVENUE						
External revenue		706,300	400,611	1,106,911	–	1,106,911
Inter-segment revenue	(a)	19,003	851	19,854	(19,854)	–
		725,303	401,462	1,126,765	(19,854)	1,106,911
RESULTS						
Segment results		41,198	94,507	135,705		135,705
Interest income						1,389
Dividend income from long-term investment						12,497
Share of results of associated companies		68,982	783	69,765		69,765
Share of results of joint venture companies		74,599	–	74,599		74,599
Other unallocated (expense) / income	(b)					2,128
Profit before taxation						296,083
Taxation						(34,853)
Profit for the financial year						261,230
Other segment items						
Depreciation		31,137	6,578	37,715		37,715
Amortisation of intangibles		936	683	1,619		1,619
Segment assets						
Property, plant and equipment		284,807	33,878	318,685		318,685
Intangibles		23,620	1,479	25,099		25,099
Investment in associated / joint venture companies		389,820	8,980	398,800		398,800
Other unallocated assets	(c)					878,970
Total assets		698,247	44,337	742,584		1,621,554

Notes:

(a) Inter-segment revenues are eliminated on consolidation.

(b) The following items are added to / (deducted from) segment result to arrive at "profit before taxation" presented in the consolidated income statement:

	The Group 2011-12	The Group 2010-11
Interest on external borrowings	(55)	(33)
Surplus on disposal of property, plant and equipment	1,925	510
Other (expense) / income	(389)	1,651
	1,481	2,128

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

33. SEGMENT INFORMATION (in thousands of $) (continued)

(c) The following items are added to / (deducted from) segment assets to arrive at total assets reported in the consolidated balance sheet:

	The Group 31 March	
	2012	2011
Long-term investment	14,606	14,606
Current assets	820,130	864,364
	834,736	878,970

Geographical segments

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2011-12	2010-11	2012	2011
East Asia	835,637	827,195	712,436	703,433
Europe	146,579	71,423	16,137	15,396
South West Pacific	71,478	38,394	1,438	2,061
Americas	17,922	42,242	34,570	21,694
West Asia and Africa	98,271	127,657	–	–
Total	1,169,887	1,106,911	764,581	742,584

Non-current assets' information presented above consists of property, plant and equipment, intangibles and investments in associates and joint venture companies as presented in the consolidated balance sheet.

Major customers

Revenue from one major customer amounted to approximately $486,960,000 (2010-11: $515,400,000), arising from sales by repair & overhaul and line maintenance segments.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

34. CAPITAL MANAGEMENT (in thousands of $)

The primary objective of the management of the Company's capital structure is to maintain an appropriate capital base while retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The Directors regularly review the Company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments.

During the financial year ended 31 March 2012, the Company made a total dividend payment to shareholders of approximately $328,927,000.

No significant changes were made in the objective, policies or processes relating to the management of the Company's capital structure during the years ended 31 March 2012 and 31 March 2011.

Capital for the Group and Company is tabulated below:

	The Group 31 March		The Company 31 March	
	2012	2011	2012	2011
Bank loans	2,451	1,701	–	–
Finance lease commitments	–	5	–	–
Total debt	2,451	1,706	–	–
Share capital	317,295	297,830	317,295	297,830
Reserves	937,031	1,004,860	759,524	849,016
Total capital	1,254,326	1,302,690	1,076,819	1,146,846
Capital and total debt	1,256,777	1,304,396	1,076,819	1,146,846

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

35. RELATED PARTY TRANSACTIONS (in thousands of $)

In addition to the related party information disclosed elsewhere in the financial statements, these were the following significant related party transactions between the Group and related parties that took place at terms agreed between the parties during the financial year:

Sale and purchase of goods and services

	The Group		The Company	
	2011-12	2010-11	2011-12	2010-11
Income				
Sales of services and related materials to:				
- the immediate holding company and fellow subsidiaries	618,367	640,333	604,507	629,726
- associated companies	9,602	9,027	8,743	8,198
- joint venture companies	11,474	11,896	11,474	11,896
- others	43,558	42,719	43,344	42,696
Interest income from the immediate holding company	1,423	1,345	1,423	1,345
Equipment fee charged to the immediate holding company	2,876	3,608	2,876	3,608
Rental of office space charged to the immediate holding company	271	964	271	964
Expense				
Management fees charged by the immediate holding company for corporate, general and administrative, technical and insurance services and equipment leases	8,612	9,462	8,612	9,462
Rental of hangars, workshops and office space charged by the immediate holding company	19,338	20,466	19,338	20,466
Purchases of materials from the immediate holding company	125,947	140,732	125,947	140,732
Purchases of goods from:				
- associated companies	29,098	21,136	29,096	21,129
- joint venture companies	*	31	*	31
- others	19,465	18,316	19,440	18,279
Services rendered by:				
- the immediate holding company	12,635	12,289	12,635	12,289

* less than $1,000

NOTES TO THE FINANCIAL STATEMENTS
31 March 2012

35. RELATED PARTY TRANSACTIONS (in thousands of $) (continued)

Compensation of key management personnel

Directors' and key executives' remuneration of the Company

	The Company	
	2011-12	2010-11
Directors		
Directors' fees	666	737
Key executives		
Salary, bonuses and other costs	3,771	4,226
CPF and other defined contributions	58	45
Share based compensation expense	1,132	854

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

Name of participant	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding at end of financial year under review
William Tan Seng Koon	1,511,200	839,000	672,200
Png Kim Chiang	738,900	655,700	83,200
Jack Koh Swee Lim	71,700	–	71,700
Ivan Neo Seok Kok	454,900	260,600	194,300
Zarina Piperdi	106,700	–	106,700
Anne Ang Lian Choo	–	–	–
Leck Chet Lam	293,900	27,200	266,700

The details of RSP and PSP granted to directors and key executives of the Company are as follows:

(a) RSP Base Awards

Name of Participant	Balance as at 1 April 2011 (a)	Base Awards granted during the financial year (b)	Modifications # (c)	Base Awards vested during the financial year (d)	Balance as at 31 March 2012 = (a)+(b)+(c)-(d)	Aggregate Base Awards granted since commencement of RSP to end of financial year under review
William Tan Seng Koon	91,000	63,000	2,938	28,000	128,938	237,138
Png Kim Chiang	39,000	25,000	1,166	14,000	51,166	102,366
Jack Koh Swee Lim	34,000	20,000	932	14,000	40,932	92,132
Zarina Piperdi	34,000	20,000	932	14,000	40,932	94,032
Ivan Neo Seok Kok	34,000	20,000	932	14,000	40,932	92,132
Anne Ang Lian Choo	42,800	20,000	932	22,800	40,932	86,532
Leck Chet Lam	42,800	20,000	932	22,800	40,932	107,232

Following approval from the Company's shareholders of the declaration of a special dividend of $0.10 on 22 July 2011, the Committee approved an increase in all outstanding RSP on 29 July 2011.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2012

35. RELATED PARTY TRANSACTIONS (in thousands of $) (continued)

Compensation of key management personnel (continued)

(b) RSP Final Awards (Pending Release)

Name of Participant	Balance as at 1 April 2011 (a)	Final Awards granted during the financial year* (b)	Modifications # (c)	Final Awards released during the financial year (d)	Balance as at 31 March 2012 = (a)+(b)+(c)-(d)	Aggregate ordinary shares released to participant since commencement of RSP to end of financial year under review
William Tan Seng Koon	29,316	38,080	739	35,716	32,419	100,012
Png Kim Chiang	15,172	19,040	369	18,372	16,209	46,212
Jack Koh Swee Lim	15,172	19,040	369	18,372	16,209	46,212
Zarina Piperdi	15,172	19,040	369	18,372	16,209	48,416
Ivan Neo Seok Kok	15,172	19,040	369	18,372	16,209	46,212
Anne Ang Lian Choo	14,328	31,008	527	22,700	23,163	37,100
Leck Chet Lam	19,110	31,008	553	26,372	24,299	58,212

(c) PSP Base Awards

Name of Participant	Balance as at 1 April 2011 (a)	Base Awards granted during the financial year (b)	Modifications # (c)	Base Awards vested during the financial year (d)	Balance as at 31 March 2012 = (a)+(b)+(c)-(d)	Aggregate Base Awards granted since commencement of PSP to end of financial year under review	Aggregate ordinary shares released to participant since commencement of PSP to end of financial year under review
William Tan Seng Koon	114,800	41,000	2,677	41,000	117,477	194,977	63,580
Png Kim Chiang	56,500	25,000	1,492	17,500	65,492	98,392	27,020
Jack Koh Swee Lim	49,000	17,500	1,142	17,500	50,142	83,042	27,020
Zarina Piperdi	49,000	17,500	1,142	17,500	50,142	77,242	24,700
Ivan Neo Seok Kok	49,000	17,500	1,142	17,500	50,142	67,642	17,500
Anne Ang Lian Choo	17,500	17,500	816	-	35,816	35,816	-
Leck Chet Lam	17,500	17,500	816	-	35,816	35,816	-

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

Following approval from the Company's shareholders of the declaration of a special dividend of $0.10 on 22 July 2011, the Committee approved an increase in all outstanding RSP/ PSP on 29 July 2011.

ADDITIONAL INFORMATION

Required By The Singapore Exchange Securities Trading Limited

1. INTERESTED PERSON TRANSACTIONS (in thousands of $)

The aggregate value of interested person transactions ("IPTs") entered into during the financial year 2011/12 are as follows:

Name of interested person	Aggregate value of all IPTs (excluding transactions less than $100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all IPTs conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,000)
Singapore Airlines Cargo Pte Ltd	-	371,385
P.T. Mandala Airlines	-	71,370
Scoot Pte Ltd	-	14,700
Singapore Airlines Ltd	-	7,241
SATS Security Services Pte Ltd	-	4,095
Tiger Airways Singapore Pte Ltd	-	880
SilkAir (Singapore) Pte Ltd	-	178
Total	-	469,849

Note:
All the transactions set out in the above are based on records from the Company's Register of Interested Person Transactions for the financial period under review, and include transactions whose durations exceed the financial period under review and / or multiple transactions with the same interested person. The transactions were based on actual or estimated values of the transactions for the entire duration of the relevant transactions in the case of fixed term contracts or annual / periodic values of the transactions in the case of open-ended contracts, taking into account agreed rates.

All the above interested person transactions were done on normal commercial terms.

2. MATERIAL CONTRACTS

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving interests of the Chief Executive Officer, directors or controlling shareholders and no such material contracts still subsist at the end of the financial year.

QUARTERLY RESULTS OF THE GROUP

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue:						
2011-12	($ million)	277.6	272.4	303.4	316.5	1,169.9
	(%)	23.7	23.3	25.9	27.1	100.0
2010-11	($ million)	288.3	277.1	269.5	272.0	1,106.9
	(%)	26.0	25.0	24.4	24.6	100.0
Expenditure:						
2011-12	($ million)	242.9	238.4	275.0	284.0	1,040.3
	(%)	23.4	22.9	26.4	27.3	100.0
2010-11	($ million)	252.1	242.7	235.0	241.4	971.2
	(%)	26.0	25.0	24.2	24.8	100.0
Operating Profit:						
2011-12	($ million)	34.7	34.0	28.4	32.5	129.6
	(%)	26.8	26.2	21.9	25.1	100.0
2010-11	($ million)	36.2	34.4	34.5	30.6	135.7
	(%)	26.7	25.4	25.4	22.5	100.0
Profit before taxation:						
2011-12	($ million)	77.2	78.0	72.3	75.6	303.1
	(%)	25.5	25.7	23.9	24.9	100.0
2010-11	($ million)	82.5	76.0	69.7	67.9	296.1
	(%)	27.9	25.7	23.5	22.9	100.0
Profit attributable to owners of the parent						
2011-12	($ million)	68.1	71.2	63.5	66.3	269.1
	(%)	25.3	26.5	23.6	24.6	100.0
2010-11	($ million)	70.8	66.5	60.3	60.9	258.5
	(%)	27.4	25.7	23.3	23.6	100.0
Earnings (after tax) per share - basic:						
2011-12	(cents)	6.2	6.5	5.8	6.1	24.6
	(%)	25.2	26.4	23.6	24.8	100.0
2010-11	(cents)	6.6	6.1	5.5	5.6	23.8
	(%)	27.8	25.6	23.1	23.5	100.0

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

	2011-12	2010-11	2009-10	2008-09	2007-08
Income statement ($ million)					
Revenue	1,169.9	1,106.9	1,006.4	1,045.3	1,009.6
Expenditure	1,040.3	971.2	896.0	932.7	906.7
Operating profit	129.6	135.7	110.4	112.6	102.9
Other income	16.6	16.0	22.5	15.1	24.8
Share of profits of associated and joint venture companies	156.9	144.4	129.7	173.0	157.8
Profit before tax	303.1	296.1	262.6	300.7	285.5
Profit attributable to owners of the parent	269.1	258.5	236.1	260.6	253.8
Balance sheet ($ million)					
Share Capital	317.3	297.8	262.9	255.6	245.0
Share-based compensation reserve	38.2	40.7	45.4	39.6	28.5
Foreign currency translation reserve	(129.2)	(128.6)	(79.8)	(36.4)	(88.4)
Fair value reserve	(0.9)	4.4	0.2	(1.8)	2.7
General reserve	1,028.9	1,088.4	1,036.1	971.9	937.5
Equity attributable to owners of the parent	1,254.3	1,302.7	1,264.8	1,228.9	1,125.3
Non-controlling interests	25.5	25.5	26.9	26.5	14.8
Deferred taxation	26.4	31.1	28.1	24.9	21.8
Property, plant and equipment	308.8	318.7	315.5	313.2	275.7
Intangibles	37.7	25.1	16.8	6.7	11.6
Associated companies	304.8	296.0	362.6	403.7	343.6
Joint venture companies	113.2	102.8	108.2	126.7	94.4
Long-term investment	14.6	14.6	14.6	14.6	14.6
Current assets	820.2	864.3	743.3	637.3	673.6
Total assets	1,599.3	1,621.5	1,561.0	1,502.2	1,413.5
Long-term Liability	–	–	*	*	0.1
Current liabilities	293.1	262.2	241.2	221.9	251.5
Total liabilities	293.1	262.2	241.2	221.9	251.6
Cash flow statement ($ million)					
Cash flow from operations	157.7	240.1	123.4	107.1	129.9
Internally generated cash flow [R1]	287.1	405.9	277.1	222.7	220.0
Capital expenditure	28.8	44.6	39.6	74.1	58.5

* less than $0.1 million

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

	2011-12	2010-11	2009-10	2008-09	2007-08
Profitability ratios (%)					
Return on equity holders' funds R2	21.1	20.1	18.9	22.1	23.9
Return on total assets	16.8	15.9	15.1	17.4	18.0
Return on turnover	23.0	23.4	23.5	24.9	25.1
Productivity and employee data					
Value added ($ million)	803.2	777.9	711.7	757.3	755.5
Value added per employee ($)	130,619	126,450	115,273	120,999	123,528
Revenue per employee ($)	190,257	179,927	163,009	167,013	165,071
Average number of employees	6,149	6,152	6,174	6,259	6,116
Per share data (cents)					
Earnings after tax - basic R3	24.6	23.8	21.9	24.2	23.7
- diluted R4	24.4	23.5	21.8	24.1	23.3
Net asset value R5	114.3	119.4	117.0	114.0	104.7
Gross dividends (cents per share)					
Interim dividend	6.0	6.0	5.0	5.0	4.0
Final dividend - ordinary	15.0#	14.0	13.0	11.0	16.0
- special	-	10.0	-	-	-
Total dividends	21.0	30.0	18.0	16.0	20.0

proposed

Notes:

R1 *Internally generated cash flow comprises cash generated from operations, dividends from associated and joint venture companies, and proceeds from disposal of property, plant and equipment.*

R2 *Return on equity holders' funds is the profit attributable to owners of the parent expressed as a percentage of the average equity attributable to owners of the parent.*

R3 *Earnings after tax per share (basic) is computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue.*

R4 *Earnings after tax per share (diluted) is computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.*

R5 *Net asset value per share is computed by dividing the equity attributable to owners of the parent by the number of ordinary shares in issue at 31 March.*

GROUP CORPORATE STRUCTURE

as at 31 March 2012

SIA ENGINEERING COMPANY LIMITED

SUBSIDIARY COMPANIES

100%	Aircraft Maintenance Services Australia Pty Ltd
100%	SIA Engineering (USA), Inc.
100%	SIAEC Global Pte Ltd
100%	NexGen Network (1) Holding Pte Ltd
100%	NexGen Network (2) Holding Pte Ltd
65%	Singapore Jamco Pte Ltd
65%	SIA Engineering (Philippines) Corporation
51%	Aerospace Component Engineering Services Pte Limited
51%	Aviation Partnership (Philippines) Corporation

JOINT VENTURE COMPANIES

50%	International Engine Component Overhaul Pte Ltd
50%	Singapore Aero Engine Services Pte Ltd

ASSOCIATED COMPANIES

49%	Combustor Airmotive Services Pte Ltd
49%	Eagle Services Asia Private Limited
49%	Fuel Accessory Service Technologies Pte Ltd
49%	PWA International Limited
49%	PT Jas Aero-Engineering Services
49%	Safran Electronics Asia Pte Ltd
49%	Southern Airports Aircraft Maintenance Services Company Limited
47.1%	Pan Asia Pacific Aviation Services Ltd
45%	JAMCO Aero Design & Engineering Pte Ltd
42.5%	Panasonic Avionics Services Singapore Pte. Ltd.
40%	Goodrich Aerostructures Service Center - Asia Pte Ltd
40%	Messier Services Asia Private Limited
39.2%	Asian Surface Technologies Pte Ltd
33.3%	International Aerospace Tubes-Asia Pte Ltd
24.5%	Asian Compressor Technology Services Co Ltd
24.5%	Turbine Coating Services Private Limited

SHAREHOLDING STATISTICS

As at 30 May 2012

NUMBER OF SHARES IN ISSUE	:	1,098,604,481
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE FOR 1 SHARE
NO. OF TREASURY SHARES	:	NIL

Range of Shareholdings	Number of Shareholders	%	Amount of Shareholdings	%
1 - 999	215	1.56	96,535	0.01
1,000 -10,000	11,991	86.77	31,268,392	2.85
10,001 - 1,000,000	1,602	11.59	54,622,827	4.97
1,000,001 and above	11	0.08	1,012,616,727	92.17
Total	13,819	100.00	1,098,604,481	100.00

MAJOR SHAREHOLDERS

No.	Name	Number of Shares Held	%
1	SINGAPORE AIRLINES LIMITED	870,000,000	79.19
2	DBS NOMINEES PTE LTD	61,875,485	5.63
3	CITIBANK NOMINEES SINGAPORE PTE LTD	37,439,080	3.41
4	DBSN SERVICES PTE LTD	18,106,053	1.65
5	HSBC (SINGAPORE) NOMINEES PTE LTD	10,028,777	0.91
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,187,600	0.47
7	RAFFLES NOMINEES (PTE) LTD	4,278,007	0.39
8	DB NOMINEES (S) PTE LTD	2,504,544	0.23
9	GRALF MAX HANS SIEGHOLD	1,080,000	0.10
10	MERRILL LYNCH (SINGAPORE) PTE LTD	1,077,379	0.10
11	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,039,802	0.09
12	DBS VICKERS SECURITIES (S) PTE LTD	849,000	0.08
13	BANK OF SINGAPORE NOMINEES PTE LTD	762,740	0.07
14	FIRST CAPITAL INSURANCE LIMITED -INSURANCE FUND A/C	735,000	0.07
15	YIM CHEE CHONG	610,000	0.06
16	PHILLIP SECURITIES PTE LTD	572,929	0.05
17	WONG KET SEONG @ WONG KET YIN	570,000	0.05
18	PNG KIM CHIANG	558,932	0.05
19	MORGAN STANLEY ASIA (SINGAPORE)	526,125	0.05
20	LEE HUAN SHANG	468,000	0.04
	Total	1,018,269,453	92.69

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	Deemed Interest [1]	Total Interest	% [2]
Temasek Holdings (Pte) Limited	Nil	870,015,000	870,015,000	79.19
Singapore Airlines Limited	870,000,000	Nil	870,000,000	79.19

Notes:

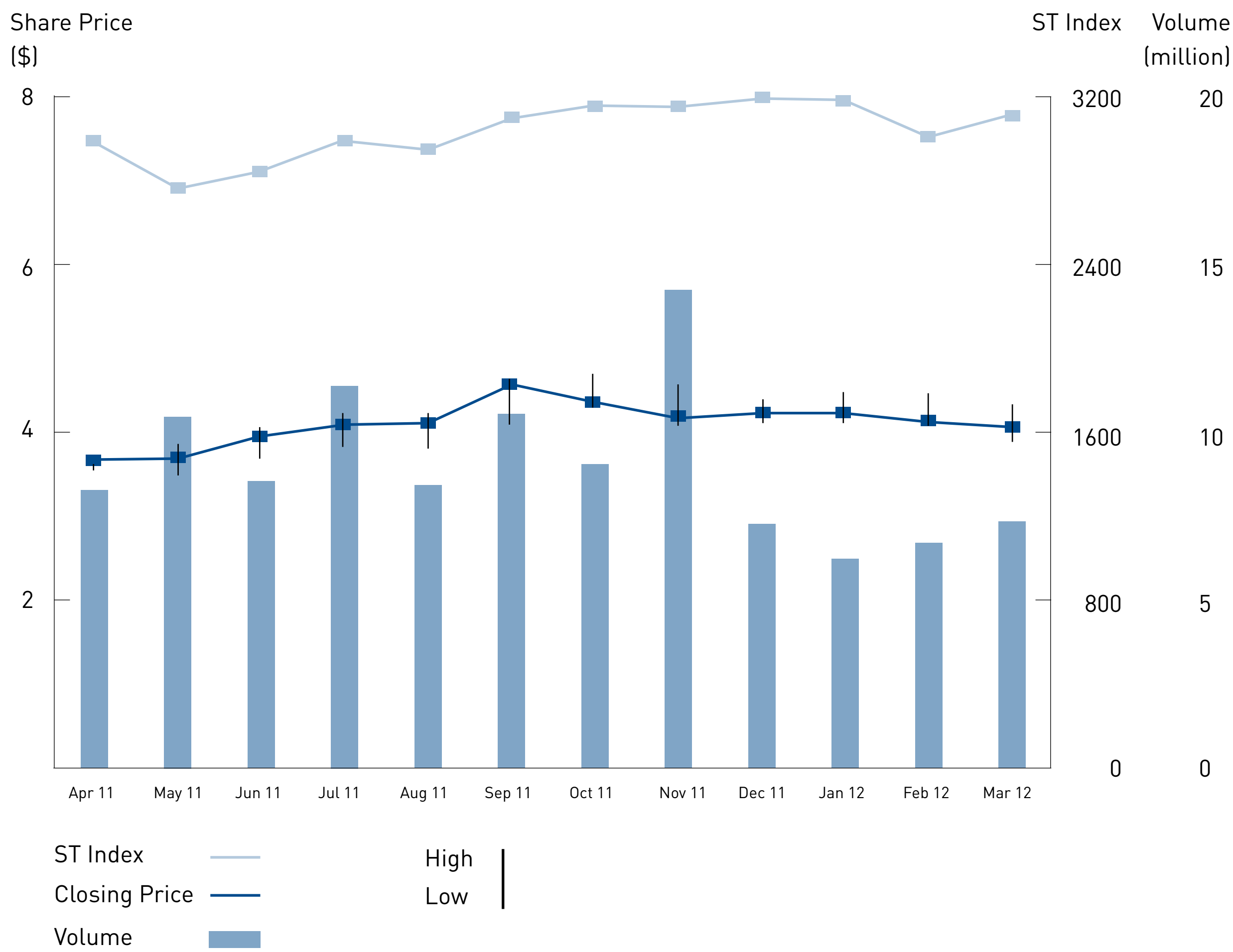
(1) Deemed interests refer to interests determined pursuant to Section 7 of the Companies Act, Chapter 50 of Singapore.

(2) Based on 1,098,604,481 issued ordinary shares as at 30 May 2012.

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as of 30 May 2012, 20.78 per cent of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

SHARE PRICE AND TURNOVER



	FY 2011/12	FY 2010/11
Share Price (S$)		
Highest closing price	4.42	4.63
Lowest closing price	3.34	3.53
31 March closing price	4.03	4.05
Market Value Ratios*		
Price/Earnings	16.41	17.04
Price/Book Value	3.53	3.39
Price/Cash Earnings**	14.31	14.79

Notes

* *Based on closing price on 31 March*

** *Cash earnings is defined as profit attributable to owners of the parent plus depreciation and amortisation of intangibles.*

NOTICE OF ANNUAL GENERAL MEETING

SIA ENGINEERING COMPANY LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198201025C

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of SIA Engineering Company Limited ("the **Company**") will be held at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Thursday, 19 July 2012 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 March 2012 and the Auditors' Report thereon.

2. To declare a final ordinary dividend of 15 cents per ordinary share for the financial year ended 31 March 2012.

3. To re-elect the following Directors who are retiring by rotation pursuant to Article 83 of the Company's Articles of Association and who, being eligible, offer themselves for re-election pursuant to Article 84 of the Company's Articles of Association:

   3.1 Mr Paul Chan Kwai Wah

   3.2 Mr Ron Foo Siang Guan

4. To approve the Directors' fees of up to $946,000 for the financial year ending 31 March 2013 (FY2011/12: up to $946,000).

5. To re-appoint Messrs Ernst & Young as Auditors of the Company to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

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

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

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

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

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

(ii) any subsequent bonus issue or consolidation or subdivision of shares;

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

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

6.2 That the Directors be and are hereby authorised to:

(a) grant awards in accordance with the provisions of the SIAEC Performance Share Plan and/or the SIAEC Restricted Share Plan; and

(b) allot and issue from time to time such number of fully paid ordinary shares as may be required to be issued pursuant to the vesting of awards under the SIAEC Performance Share Plan and/or the SIAEC Restricted Share Plan,

provided that the maximum number of new ordinary shares under awards to be granted pursuant to the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, (excluding new ordinary shares arising from any adjustments made from time to time pursuant to the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan) shall not exceed 8,232,266 ordinary shares, which represents 0.75 per cent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company as at 31 March 2012.

6.3 That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the SGX-ST, for the Company, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9), or any of them to enter into any of the transactions falling within the types of interested person transactions described in the appendix (the "**Appendix**") to the Letter to Shareholders dated 25 June 2012 (the "**Letter**") with any party who is of the class of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

NOTICE OF ANNUAL GENERAL MEETING

(b) the approval given in paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company 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.

ANY OTHER BUSINESS

7. To transact any other business of the Company which may arise and can be transacted at an Annual General Meeting.

By Order of the Board

DEVIKA RANI DAVAR
Company Secretary
25 June 2012
Singapore

CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders being obtained at the 30th Annual General Meeting of the Company for the payment of the final ordinary dividend, the Share Transfer Books and the Register of Members of the Company will be closed on 26 July 2012 for the preparation of dividend warrants.

Duly completed and stamped transfers (together with all relevant documents of or evidencing title) received by the Company's Share Registrar, M & C Services Private Limited, at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 p.m. on 25 July 2012 will be registered to determine shareholders' entitlement to the proposed dividend. Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 25 July 2012 will be entitled to the proposed dividend. The Company will pay the proposed dividend to CDP, which will, in turn, distribute the entitlements to the proposed dividend to CDP account-holders in accordance with its normal practice.

The proposed dividend, if approved by shareholders, will be paid on 10 August 2012.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. In relation to Ordinary Resolution Nos. 3.1 and 3.2, Mr Paul Chan Kwai Wah and Mr Ron Foo Siang Guan will be retiring from office at the Annual General Meeting pursuant to Article 83 of the Company's Articles of Association and will be standing for re-election at the Annual General Meeting. Mr Chan will, upon re-election, continue to serve as Chairman of the Compensation & HR Committee, a member of the Nominating Committee and as an alternate member of the Board Committee. Mr Foo will, upon re-election, continue to serve as Chairman of the Audit Committee and as a member of the Board Committee. Mr Chan and Mr Foo are considered independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the FY11/12 Annual Report for information on Mr Chan and Mr Foo.

2. Ordinary Resolution No. 4, if passed, will facilitate the payment of Directors' fees during the financial year in which the fees are incurred, that is, during FY12/13. The amount of the Directors' fees is computed based on the anticipated number of Board meetings for FY12/13, assuming full attendance by all Directors, at the fee rates shown in the Annual Report on page 17. The amount also includes an additional ten (10) per cent to cater to unforeseen circumstances, for example, the appointment of an additional Director, additional unscheduled Board meetings, additional appointments to Board Committees and/or the formation of additional Board Committees. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting for payments to meet the shortfall.

3. As disclosed on page 18 of the Annual Report, Directors' fees due to Mr Goh Choon Phong and Mr Ng Chin Hwee will be paid to and retained by Singapore Airlines Limited ("**SIA**") (the majority shareholder of the Company). Mr Goh and Mr Ng hold executive positions in SIA. No Directors' fees will be paid to Mr William Tan Seng Koon as he is the President & Chief Executive Officer of the Company.

4 Ordinary Resolution No. 6.1, if passed, will empower Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments. The number of shares which the Directors may issue under this Resolution will not exceed fifty (50) per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company with a sub-limit of ten (10) per cent for issues other than on a pro rata basis. The ten (10) per cent sub-limit for non-pro rata issues is lower than the twenty (20) per cent sub-limit allowed under the Listing Manual of the SGX-ST and the Articles of Association of the Company. The Directors believe that the lower sub-limit of ten (10) per cent would sufficiently address the Company's present need to maintain flexibility while taking into account shareholders' concerns against dilution. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed; and (b) any subsequent bonus issue or consolidation or subdivision of shares. For the avoidance of doubt, shareholders' approval will be required for any consolidation or subdivision of shares.

5. Ordinary Resolution No. 6.2, if passed, will empower the Directors to grant awards pursuant to the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan, and to allot and issue ordinary shares in the capital of the Company ("Shares") pursuant to the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan provided that the maximum number of new Shares under awards which may be granted pursuant to the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan from this Annual General Meeting to the next Annual General Meeting (excluding new ordinary shares arising from any adjustments made from time to time pursuant to the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan) shall not exceed 8,232,266, which represents 0.75% per cent of the total number of issued Shares (excluding treasury shares) as at 31 March 2012.

NOTICE OF ANNUAL GENERAL MEETING

The SIAEC Performance Share Plan and the SIAEC Restricted Share Plan were adopted at the Extraordinary General Meeting of the Company held on 25 July 2005. The SIAEC Employee Share Option Plan was approved at the Extraordinary General Meeting of the Company held on 24 March 2000 and was modified and restated at the Extraordinary General Meeting of the Company held on 7 July 2001 and further modified at the Extraordinary General Meetings of the Company held on 12 July 2003 and 26 July 2004 respectively. The last grant of options made under the SIAEC Employee Share Option Plan was on 1 July 2008, and these options are exercisable up to 30 June 2018.

As at 30 May 2012, the latest practicable date prior to the printing of this Notice (the "**Latest Practicable Date**"):

(a) 98,700,281 Shares, representing approximately 8.98 per cent of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, have been allotted and issued pursuant to the exercise of options under the SIAEC Employee Share Option Plan and the vesting of awards under the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan since the inception of the above-mentioned share plans;

(b) 40,284,503 Shares, representing approximately 3.67 per cent of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, are comprised in outstanding and unexercised options granted under the SIAEC Employee Share Option Plan; and

(c) 2,675,563 Shares, representing approximately 0.24 per cent of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, are comprised in outstanding awards granted under the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan.

The maximum number of new Shares which may be issued under the SIAEC Employee Share Option Plan, the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan is limited to fifteen (15) per cent of the total number of issued Shares (excluding treasury shares), as determined in accordance with the respective plans.

6. Ordinary Resolution No. 6.3, if passed, will allow the Company, its subsidiaries and relevant associated companies or any of them to enter into certain interested person transactions with certain classes of interested persons as described in the Appendix to the Letter.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

2. The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must be deposited at the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 not less than 48 hours before the time appointed for holding the Annual General Meeting.

PROXY FORM

SIA ENGINEERING COMPANY LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198201025C

IMPORTANT:
1. For investors who have used their Central Provident Fund ("CPF") monies to buy the Company's shares, the FY2011/12 Annual Report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR THEIR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the 30th Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company's Registrar. (Please see Note No. 8 on the next page).

*I/We ______________________________(NRIC / Passport No.___________________________) of ______________________________

________________________being *a member/members of SIA Engineering Company Limited (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%
and/or (delete as appropriate)				

or failing *him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as *my/our *proxy/proxies to attend and to vote for *me/us and on *my/our behalf and, if necessary, to demand a poll, at the AGM of the Company to be held at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Thursday, 19 July 2012 at 2.30 pm and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the AGM shall be *my/our *proxy/proxies to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder, for *me/us and on *my/our behalf at the AGM and at any adjournment thereof.

No.		**For	**Against
	Ordinary Business		
1.	Adoption of the Directors' Report, Audited Financial Statements and the Auditors' Report		
2.	Declaration of ordinary dividend		
3.	Re-election of Directors retiring by rotation pursuant to Articles 83 and 84 of the Articles of Association of the Company:		
	3.1 Mr Paul Chan Kwai Wah		
	3.2 Mr Ron Foo Siang Guan		
4.	Approval of Directors' fees for financial year ending 31 March 2013		
5.	Re-appointment and remuneration of Auditors		
	Special Business		
6.1	Authority for Directors to issue shares or make or grant offers, agreements or options requiring shares to be issued		
6.2	Authority for Directors to grant awards and issue shares in accordance with the provisions of the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan		
6.3	To approve the proposed renewal of the Mandate for Interested Person Transactions		
	Any Other Business		
7.	To approve any other business		

* Delete accordingly
** Please indicate your vote "For" or "Against" with a "✓" within the box provided

Dated this ______ day of ______________________ 2012

Total number of Ordinary Shares held:

____
Signature(s) of Shareholder(s) or Common Seal

IMPORTANT
Please read Notes on the reverse.

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NOTES:-

1. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company. The appointment of a proxy of proxies by this instrument shall not preclude a member from attending and voting in person at the meeting. If a member attends the meeting in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the meeting.

2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

5. The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must be deposited at the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, at least 48 hours before the time appointed for the AGM.

6. A member should insert the total number of Shares held. If the member has Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act. Cap. 50 of Singapore, he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members, he should insert that number of Ordinary Shares. If the member has Shares entered against his name in the Depository Register as well as Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by the member.

7. The Company shall be entitled to reject this instrument of proxy or proxies if it is incomplete, or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of a member whose Shares are entered in the Depository Register, the Company shall be entitled to reject this instrument of proxy or proxies which has been lodged if such member is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

8. Agent Banks acting on the request of the CPF investors who wish to attend the meeting as Observers are requested to submit in writing, a list with details of the investors' names, NRIC/Passport numbers, addresses and number of Shares held. The list, signed by an authorised signatory of the relevant Agent Bank, should reach the Company's Registrar, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, at least 48 hours before the time appointed for holding the AGM.

2nd Fold Here

Affix
Postage
Stamp

The Company Secretary
SIA Engineering Company
c/o M & C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

3rd Fold Here

CORPORATE DATA

BOARD OF DIRECTORS

Chairman
Stephen Lee Ching Yen

Directors
Goh Choon Phong
Paul Chan Kwai Wah
Andrew Lim Ming-Hui
Ron Foo Siang Guan
Lim Joo Boon
Oo Soon Hee
Ng Chin Hwee
William Tan Seng Koon
Koh Kheng Siong (until 22 July 2011)

Company Secretary
Devika Rani Davar

AUDIT COMMITTEE

Chairman
Ron Foo Siang Guan (from 22 July 2011)
Koh Kheng Siong (until 22 July 2011)

Members
Andrew Lim Ming-Hui
Oo Soon Hee
Lim Joo Boon (from 1 July 2011)

NOMINATING COMMITTEE

Chairman
Oo Soon Hee

Members
Paul Chan Kwai
Ng Chin Hwee

COMPENSATION & HR COMMITTEE

Chairman
Paul Chan Kwai Wah

Members
Lim Joo Boon
Goh Choon Phong
Andrew Lim Ming-Hui (from 1 July 2011)
Koh Kheng Siong (until 22 July 2011)

BOARD COMMITTEE

Members
Ron Foo Siang Guan
Goh Choon Phong

Alternate
Paul Chan Kwai Wah

REGISTRAR

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

AUDITORS

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
One Raffles Quay
Level 18, North Tower
Singapore 048583

AUDIT PARTNER

Winston Ngan Wan-Sing
(appointed from FY2010/11)

EXECUTIVE MANAGEMENT

President &
Chief Executive Officer
William Tan Seng Koon

Executive Vice President (Operations) /
Senior Vice President
(Aircraft & Component Services)
Png Kim Chiang

Senior Vice President
(Fleet Management / Marketing & Sales)
Jack Koh Swee Lim

Senior Vice President
(Human Resources)
Zarina Piperdi

Senior Vice President
(Partnership Management & Business
Development)
Ivan Neo Seok Kok

Senior Vice President
(Finance) / Chief Financial Officer
Anne Ang Lian Choo

Senior Vice President
(Line Maintenance & Information
Technology)
Chow Kok Wah

REGISTERED OFFICE

SIA Engineering Company Limited
31 Airline Road
Singapore 819831
Email: siaec@singaporeair.com.sg
Website: www.siaec.com.sg
Tel: (65) 6541 5151
Fax: (65) 6546 0679

Contact Persons:
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Company Secretary/ Vice President
Corporate
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devikarani_davar@singaporeair.com.sg
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Fax: (65) 6546 0679

Chia Peck Yong
Senior Manager Public Affairs
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