Positioned for Growth

ANNUAL REPORT 2009-10

sats
one with you

sats
one with you

We aim to be the first choice provider of Gateway Services and Food Solutions by leveraging on our capabilities to delight users and exceed customers' expectations.

Contents

Key Figures

FY 2009-10

Revenue	$1,538.9m	+45%
Operating Profit	$184.4m	+8%
PATMI	$181.2m	+23%
Free Cashflow	$190.1m	+22%
Total Assets	$1,909.1m	-7%
Economic Value Added	$67.2m	+156%
Dividend Per Share	13¢	+30%
Dividend Payout Ratio	78.1%	+4.6PPT
Earnings Per Share	16.7¢	+23%
Return On Equity	12.6%	+2.1PPT

Creating Sustainable Value

At SATS, we continue to drive excellence in our operations and processes, while strengthening our core capabilities in Gateway Services and Food Solutions to create sustainable value for our shareholders.

Left page:
Premium passengers of our airline customers can enjoy the exclusivity and convenience of checking in at SATS Premier Check-in Lounges.

Right page:
Tempting treats from UK's Farmhouse Fare, renowned for its delicious range of traditional puddings made from fresh, quality ingredients.

Enriching Relationships

It has always been our founding belief to grow with our customers, deliver superior value propositions and enable their success, as it in turn enables ours.

Left page:
SFI has been providing hearty and wholesome meals to the Singapore Armed Forces since 1986.

Right page:
Providing personalised care and attention, our frontline staff strive to create a distinctive and enjoyable experience for every passenger.

Inspiring Innovation

Innovation is the cornerstone of our continued success. We encourage creativity amongst our people and bring their passionate ideas to life with the creation of new services and products.

Left page:
Delivering quality food and service is part of Country Foods' drive to establish a unique offering in the area of hospital catering.

Right page:
Bringing freshness to the table, Coolport@Changi is the first on-airport facility to offer a secure cold chain for premium perishables including live and chilled seafood, chilled meat and temperature-sensitive pharmaceuticals.

Enabling Growth

We are poised to leverage on our core competencies to grow both organically and inorganically, in and outside of Singapore to deliver sustained profitability.

Left page:
From chilled soups and juices to fresh cut fruits, ready meals and desserts, Daniels Group continues to increase trading volumes with the major retailers in the UK.

Right page:
Working in tandem, we aim to delight users and exceed our customers' expectations.

Chairman's Statement

Dear Shareholders,

FY2009-10 has been a remarkable year for SATS for a number of reasons. We grew financially as our people continued to drive growth and delivered a strong set of financial results despite the economic downturn. We successfully acquired Singapore Food Industries (SFI) and have substantially completed the integration of this significant business unit into our Food Solutions division. We renewed our ground and cargo handling, airline catering and aviation security contracts with our major customer. We also continued to strengthen our pillars in Gateway Services and Food Solutions in preparation for the aviation upturn and for future growth.

Performance Review

The global economic downturn brought uncertainty to all sectors of the global market place, not least of all the economic bell-weather that is aviation. A core part of our business is in aviation and the myriad of news reports and analysis, especially in the first half of the financial year, painted a bleak picture.

However, that picture was not bleak for SATS. In fact, our business has continued to grow during the year, with the addition of new customers and business partners, the extension of service agreements with our existing customers as well as access to new opportunities, particularly in the tourism and hospitality sectors, through the strengthening of our core competencies in Gateway Services and Food Solutions.

In FY2009-10, SATS reported a good set of results, underpinned by the consolidation of SFI for the full 12 months. Despite a 5.4% dip in aviation revenue, our operating revenue rose 44.9% over the year before to $1.54 billion while operating profit increased 7.9% to $184.4 million.

Better performance reported by our ground handling associates, especially those in Indonesia and Hong Kong, saw contribution from our overseas associates jump 88.7% to $41.9 million. Consequently, our profit before tax grew 21.5% year-on-year to $223.0 million while our net profit attributable to equity holders rose 23.5% to $181.2 million.

In view of our financial performance and capital structure, the Board has recommended a final dividend of 8 cents per share. Including the interim dividend paid earlier on 25 November 2009, the proposed total dividend will be 13 cents per share, compared to 10 cents per share paid in FY2008-09. This represents a dividend payout ratio of 78.1% of net profit attributable to equity holders, up from 73.5% in FY2008-09. The final dividend, upon shareholders' approval at the forthcoming annual general meeting of the Company, will be paid on 18 August 2010.

Business Review

Gateway Services

For the year in review, SATS continued to handle about 80% of the scheduled flights at Singapore Changi Airport. Our strategic partnership with our major customer, Singapore Airlines (SIA), has gone from strength to strength, resulting in the renewal of several significant contracts at Singapore Changi Airport. These included the signing of comprehensive ground handling, cargo handling and aviation security contracts with SIA.

Despite the change in our parentage from SIA, we continue to drive a close association with SIA and we are grateful to SIA for its continued support and guidance.

Other contracts secured and renewed at Singapore Changi Airport included ground and cargo handling for China Eastern Airlines, Japan Airlines, Royal Brunei Airlines and Swiss World Cargo.

These contract awards are an independent affirmation of SATS' competitiveness and a testament to the strong ongoing relationships we hold with our customers.

SATS is well positioned for its future at Singapore Changi Airport and beyond. While news of the third entrant into ground handling has yet to be announced, we welcome new competition and believe our achievements with SIA and many other airline customers at Singapore Changi Airport will serve us well as the local market opens up. Furthermore, through our low-cost unit Asia-Pacific Star, we are able to effectively serve the fastest growing segment in the aviation sector.

"Today, SATS is poised to leverage on its core competencies in Gateway Services and Food Solutions to grow and become a key service provider in the hospitality and tourism sectors across the regions."

In our aspiration to help reinforce Singapore's position as the leading aviation hub, we introduced two key initiatives during the year. Coolport @ Changi, the first on-airport facility for handling terminal and transit perishables cargo, was launched in August 2009 with an ambition to become the preferred transhipment hub for perishables cargo in Asia.

Costing approximately $16 million to build, this new facility – with an annual operating capacity of about 250,000 tonnes – will offer multi-tiered zones with different temperatures to handle urgent medical cargo, pharmaceutical products and commodities such as live seafood, ornamental fish and meats. It will also present our airline customers with the opportunity to access a new revenue source.

In January 2010, we launched the ONE! Service initiative together with the new uniform for our frontline staff. Through ONE! Service, which stands for "Outstanding aNd Exceptional Service", we aim to drive a positive service culture amongst our frontline staff who are key touch points for passengers flying into Singapore Changi Airport.

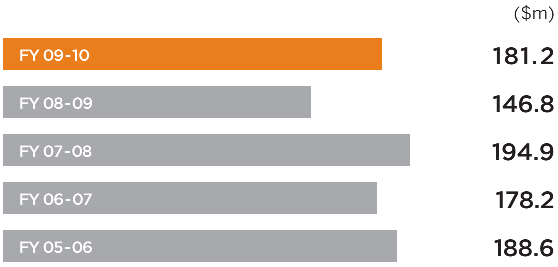
On the non-aviation side, SATS has benefited from the recent transformation of Singapore's tourism and hospitality landscape. The launch of the two Integrated Resorts in Singapore has presented new opportunities for SATS. During the year, we were awarded a contract by Resorts World Sentosa to provide armed security services at the resort.

Chairman's Statement

PATMI

$181.2m

+23%

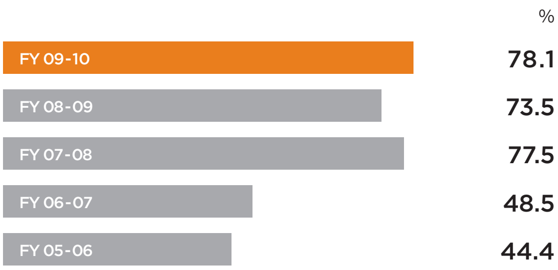


Dividend Payout Ratio

Excludes special dividend

78.1%

+4.6PPT



Food Solutions

The acquisition of SFI has strengthened SATS' ability to weather the economic turbulence, as it is both accretive to our earnings and cash generation. We now have a Food Solutions business that enables us to access new geographical markets and customer segments. Our overseas presence has increased considerably, with the Daniels Group accounting for nearly a quarter of our operating revenue.

At the close of FY2009-10, we had substantially completed the integration of SFI and attained meaningful cost savings of $7 million per annum. We expect the cost savings to reach more than $12 million per annum as we progressively complete the various integration projects across the Food Solutions division.

On the aviation Food Solutions side, SATS serves 85% of the scheduled flights at Singapore Changi Airport. During the year in review, we renewed airline catering contracts with SIA, our major customer, as well as with China Eastern Airlines and Tiger Airways.

The launch of the Integrated Resorts has also benefited our non-aviation Food Solutions business as we signed a meat supply contract with Marina Bay Sands and another with Resorts World Sentosa to provide flat sheet laundry services.

In the area of events catering, we won a contract to cater meals for athletes and games officials at the first Asian Youth Games held in Singapore in June-July 2009. In the area of hospital catering, we added St Andrew's Community Hospital to our customer list and also worked closely with our existing customer, the National University Hospital, to develop new menus for its in-patient meals.

Abroad, our UK subsidiary Daniels Group performed well in FY2009-10. It saw a 6.4% increase in sales in sterling terms, with chilled soup and ready meals each contributing 28% and chilled juices contributing 25% to its revenue.

During the year, Daniels secured new contracts with major customers such as Sainsbury's and Coop, and also added Minor Weir & Willis and UFC as its new customers in the foodservice segment.

Recognition for good service

Our success in working with our customers and delivering good service was reflected in the following awards we won:

– 'Air Cargo Terminal Operator of the Year (Asia Pacific)' in the 2009 Frost and Sullivan Asia Pacific Transportation and Logistics Awards;

- 22 Star Awards, 8 Gold Awards and 18 Silver Awards at the SPRING Singapore's Excellent Service Awards 2009; and
- 60 awards at the Singapore Airlines Transforming Customer Services Awards which recognised our frontline staff for service excellence.

Looking Ahead

With the current economic rebound in Asia, including Singapore, the aviation industry appears to be on the path to recovery. Across the regions, we expect to see an improvement in our activity levels in the new financial year as airlines gradually reinstate capacity with increased flights and cargo throughput. We expect our activity levels to surpass those seen before the downturn by the end of this financial year, barring any unforeseen circumstances.

More importantly, we remain strongly committed to our philosophy of embracing customer intimacy by developing innovative propositions for our customers. We continue to look for growth opportunities, both organic and inorganic, in and outside of Singapore to deliver sustained profitability. To this end, we have put in place a new $500 million multi-currency medium term note programme to provide access to alternative sources of funds should compelling opportunities arise.

Today, SATS is poised to leverage on its core competencies in Gateway Services and Food Solutions to grow and become a key service provider in the hospitality and tourism sectors across the regions.

In the area of Gateway Services, plans are already underway to launch new products and services, on-and off-airport. We are assessing opportunities at home for expansion into new gateways that will leverage on our core competence in facilitating people movements.

Overseas, we continue to explore new locations in Asia and the Middle East via strategic partnerships to grow our presence and serve our key customers in more locations. I am pleased to note that we have recently signed an agreement with our partner, Air India, to form a single 50:50 joint venture (JV) company, Air India SATS Airport Services (AISATS). With a legal entity now in place to house both partners' three existing ground and cargo handling JVs in Bangalore and Hyderabad, we are able to start recognising profit contribution from our ground handling operations in India in this new financial year. At the same time, we also look forward to deepening our presence in India to serve our key customers at more locations, as well as new customers.

In the area of Food Solutions, we see numerous exciting opportunities that could potentially expand our customer list and deepen our relationships with existing customers. Our target customers are in these five segments, namely carriers, government agencies, retail, hotels/resorts and institutions.

Chairman's Statement

In Singapore, we will continue to work on new contracts for catering and supply of food materials, while strengthening our product categories. We also look to broaden our food sources and to this end, I am happy to inform you that our subsidiary SFI has just entered into a JV agreement to set up a modern, integrated pig farm in China in Yongji County, Jilin Province over six years. This integrated pig farm, which will have an eventual annual production of 1 million pigs, will enable SFI to diversify its sources of pork supply as it plans to market and distribute the meat products in Singapore as well as in China and other overseas markets.

Abroad, we remain steadfast in growing our global service network in key aviation hubs in the UK, Middle East and Hong Kong, via strategic acquisitions and joint ventures. Daniels Group, our UK subsidiary, is keenly looking at new product launches and at strengthening its existing brands via acquisitions.

Last but not least, we strive to continue improving our productivity and operational excellence across the group. It is of paramount importance that we develop our people, help them grow with the organisation, and ensure that they continue to find SATS a satisfying place to work in.

Acknowledgement

On behalf of the Board, I would like to extend my gratitude to our management, union and all of our staff – who work hard every day with dedication, loyalty and momentum to help continue to drive our business and deliver enviable results. As I have stated before, we are nothing without our people and during these turbulent economic times, our gratitude to our people cannot be overstated.

I also wish to thank my fellow members of the Board for their support, contribution and good counsel. They have done an excellent job in skillfully directing the Company in this turbulent period.

Finally, to our Shareholders, thank you for your continued confidence and support. We look forward to more dialogue with you as we continue to grow and evolve, and welcome your feedback and insight as always.

Edmund Cheng Wai Wing
Chairman

1 June 2010

Significant Events

2009

17 April 2009
SATS announced the completion of its compulsory acquisition and delisting of SFI.

11 May 2009
SATS posted full-year profit of $146.8 million for the financial year ended 31 March 2009.

We renewed our comprehensive ground handling and inflight catering contracts at Singapore Changi Airport with Singapore Airlines (SIA).

23 July 2009
SATS was named Air Cargo Terminal Operator of the Year (Asia-Pacific) at the 2009 Frost & Sullivan Asia Pacific Transportation & Logistics Award.

27 July 2009
We reported higher net profit of $40.4 million for the first quarter of FY2009-10, up 17.1% from a year ago.

17 August 2009
We renewed our comprehensive cargo contract with SIA Cargo at Singapore Changi Airport.

18 August 2009
SATS announced the launch of Coolport @ Changi, Singapore's first on-airport perishables handling centre.

7 October 2009
We were conferred the Merit Award under the Singapore Corporate Governance category at the 2009 Securities Investors Association Singapore Investors' Choice Awards.

15 October 2009
We welcomed Mr David Heng Chen Seng as our new Director.

22 October 2009
Our interim net profit rose 21.5% to $81.3 million.

1 November 2010
The Board Risk Committee was formed to oversee the safety and risk management activities of SATS.

26 November 2009
We won a total of 48 awards at the annual national Excellent Service Awards (EXSA) organised by SPRING Singapore to recognise service providers for their outstanding contributions.

2010

5 January 2010
SATS launched the ONE! Service initiative together with a new uniform design for its frontline staff to improve service standards and enhance the passenger experience at Singapore Changi Airport.

21 January 2010
We officially launched our first branded chocolate outlet, Jewels Artisan Chocolate, to showcase our expertise in chocolate confectionery.

5 Feb 2010
We reported higher net profit of $53.4 million for the third quarter of FY2009-10, representing an increase of 42% year-on-year.

16 April 2010
SATS and Air India signed an agreement to form a single 50:50 joint venture company, Air India SATS Airport Services Private Limited, that would serve as the vehicle to house their three existing ground and cargo handling joint ventures in Bangalore and Hyderabad.

27 April 2010
We were awarded a technical ramp licence by Changi Airport Group.

5 May 2010
Our full-year net profit grew 23.5% to $181.2 million for the financial year ended 31 March 2010.

21 May 2010
Our wholly-owned subsidiary, SFI, signed a joint venture agreement with Jilin China-Singapore Food Zone Development Construction Investment Co. Ltd and DaChan Food (Asia) Co. Ltd to set up an integrated pig farm in Yongji County, Jilin Province, China.

Board of Directors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1. **Mr Edmund Cheng Wai Wing, 57**
Chairman

Mr Cheng is the Deputy Chairman of Wing Tai Holdings Limited and Executive Director of DNP Holdings Berhad. Apart from his experience as a property developer, Mr Cheng is also actively involved in both the public and private sectors. He is currently Chairman of Mapletree Investments Pte Ltd. Mr Cheng is also Chairman of the National Arts Council, where he is keenly involved in efforts at the national level to promote and develop an arts landscape that will enhance vibrancy and creativity in our economy and society. He also serves as Chairman of the International Advisory Panel of DesignSingapore Council. He is a member on the Board of Trustees of Nanyang Technological University and a member of the International Council for Asia Society.

Mr Cheng previously served as Chairman of the Singapore Tourism Board (1993–2001), The Old Parliament House Limited (2002–2006), The Esplanade Co Ltd (2003–2005), and as Founding Chairman of DesignSingapore Council (2003–2008). He also sat on the Boards of the Urban Redevelopment Authority (1991–1994), the Construction Industry Development Board (1992–1994) and Singapore Airlines Limited (1996–2004). A past President of the Real Estate Developers' Association of Singapore (REDAS), Mr Cheng remains a member of its Presidential Council.

Mr Cheng was conferred "Officier de l'Ordre des Arts et des Lettres" by the Government of Republic of France in March 2009. For his contributions to public service, he was awarded the Outstanding Contributor to Tourism Award in 2002 and the Public Service Star Award (BBM) in 1999 by the Singapore Government.

Mr Cheng graduated with a Bachelor of Science degree in Civil Engineering from Northwestern University and a Masters of Architecture from Carnegie Mellon University, USA.

Past principal directorships or appointments in the preceding three years: SNP Corporation Limited; DesignSingapore Council.

2. **Mr David Zalmon Baffsky, 68**
Director

Mr Baffsky is the Honorary Chairman of Accor Asia Pacific which is part of the Paris–based global hotel group, Accor. Prior to this, he was Executive Chairman of the company, a position he held from 1993 to 2008.

Mr Baffsky is the Chairman of Ariadne Australia Limited and is a director and the founder of Tourism Asset Holdings Limited, the largest hotel owning company in the Pacific.

From 1986 to 1993, he was Chairman of Citistate Corporation Limited, an Australian public listed company in property development. He was also a director of Club Mediterranée (Australia) Pty Ltd from 1985 to August 2000.

Mr Baffsky previously served on the Singapore Tourism Board and other major government and industry bodies in the Asia Pacific region. He continues to be a member of a number of government and industry bodies in diverse areas, including being actively involved in the Art Gallery of New South Wales and in national security and indigenous affairs being a Director of the Federal Government's Indigenous Land Corporation. More recently, he was appointed to the Board of the Sydney Olympic Park Authority in December 2009.

Mr Baffsky was a founding Director and is now a Life Member of the Australian Tourism Task Force. He was made an Officer in the General Division of the Order of Australia (AO) for his service to tourism and to the community in 2001. In 2003, he was awarded the Centenary Medal for 'Service to Australian Society through Business Indigenous Affairs and the Arts' and was named 'Asia Pacific Hotelier of the Year' by Jones Lang LaSalle.

Mr Baffsky graduated from the University of Sydney's law school in 1966.

Past principal directorships in the preceding three years include KSW Properties Pty Limited and Reef Corporate Services Limited.

3. **Mr David Heng Chen Seng, 43**
Director

Mr Heng is a Managing Director for Investment at Temasek Holdings (Private) Limited (Temasek), a position he has held since November 2006. Mr Heng has more than 16 years of experience in corporate finance and investment banking. Prior to joining Temasek in November

Board of Directors

2003, he was with Deutsche Bank AG as its Vice President of Investment Banking from 1998 to 2003. Mr Heng holds directorships in several companies including Cavanagh Investments Pte. Ltd., Duxton Investments Pte. Ltd. and Perikatan Asia Sdn. Bhd.

He graduated from the University of Canterbury, New Zealand with a Bachelor of Engineering degree. He holds a Masters of Business Administration degree from the University of Hull, UK.

Past principal directorships in the preceding three years: Bugis Investments (Mauritius) Pte Ltd; Sorak Financial Holdings Pte Ltd; Olyn Investments Limited.

4. Mr Khaw Kheng Joo, 61
Director

Mr Khaw is a business consultant and was, until 31 August 2009, the Chief Executive Officer and Director of Mediaring Ltd. He started his working career with Hewlett Packard Company (HP) and spent a total of 26 years with the company in various technical and managerial positions. His last assignment there was General Manager of the PDA Division. He left HP in 1999 to become the President of Omni Electronics (S) Pte. Ltd. Before joining Mediaring Ltd, he was Senior Vice President of Celestica Inc., which acquired Omni Electronics Limited.

Mr Khaw was a former board member of the Economic Development Board and served on the advisory council of Singapore Polytechnic's Business School till the end of 2009.

Mr Khaw holds a Bachelor of Science degree in Electronic and Computer Engineering from Oregon State University, USA, and a Masters degree in Business Administration from Santa Clara University, USA. Prior to that, he graduated with a Diploma in Electronics and Communications from Singapore Polytechnic.

Past principal directorships in the preceding three years: Senoko Power Limited; Mediaring Ltd.

5. Dr Rajiv Behari Lall, 52
Director

Dr Lall is the Managing Director and Chief Executive Officer of Infrastructure Development Finance Company Ltd (IDFC). He was named to his position in January 2005. Dr Lall is also a director on the boards of the National Stock Exchange of India Ltd, National Securities Depository Ltd., and a number of companies within the IDFC Group.

Dr Lall has over two decades of experience with leading global investment banks, multilateral agencies and academia. His areas of expertise include project finance, private equity/venture capital, international capital markets, trade and macroeconomic policy issues with a focus on India and China.

Prior to joining IDFC, Dr Lall was variously, a Partner with Warburg Pincus in New York, Head of Asian Economic Research with Morgan Stanley Asia Limited, Economist with the World Bank, Washington DC and the Asian Development Bank, Manila, Philippines and a member of the Economics faculty of Florida Atlantic University.

Dr Lall has a Bachelor of Arts in Politics, Philosophy and Economics from Oxford University and a Ph.D. in Economics from Columbia University.

Dr Lall has a number of publications to his credit and is fluent in French.

6. Mr Mak Swee Wah, 49
Director

Mr Mak is the Executive Vice President of Operations and Services of Singapore Airlines Limited (SIA). He has been with SIA since August 1983. He is also the Chairman and a Director of Singapore Flying College Pte. Ltd.

Mr Mak previously served on the boards of SilkAir (Singapore) Pte. Ltd. and Singapore Airlines Cargo Pte. Ltd. In his career with SIA, he has been involved in various managerial capacities covering Market Planning and Projects and Country Management. He also assumed senior executive positions such as General Manager of SilkAir (Singapore) Private Limited, Senior Vice President for South West Pacific, where he was based in Sydney, as well as Senior Vice President for Planning before he was promoted to his current position in January 2008.

An SIA scholar, Mr Mak graduated from the London School of Economics in 1982 with a Bachelor of Science (First Class Honours) degree in Accounting and Finance. He holds a Masters of Science degree in Operational Research from the same university.

Past principal directorships in the preceding three years: SilkAir (Singapore) Pte Ltd; Singapore Airlines Cargo Pte Ltd.

7. Mr Ng Kee Choe, 65
Director

Mr Ng is the Chairman of Singapore Power Limited. He is also the Chairman of SP Ausnet #. His other current directorships include being Chairman of NTUC Income Insurance Co–Operative Ltd, Director of Singapore Exchange Limited and Capitaland Limited, and President Commissioner of PT Bank Danamon Indonesia Tbk. He is also a member of the Temasek Advisory Panel of Temasek Holdings (Private) Limited and the International Advisory Council of China Development Bank as well as Chairman of Tanah Merah Country Club.

Mr Ng was formerly the Vice Chairman of DBS Group Holdings. He retired from his executive position in July 2003, after 33 years of service with DBS.

For his contributions to the public service, Mr Ng was conferred the Public Service Star Award in 2001. Mr Ng graduated with a Bachelor of Science (Honours) degree from the University of Singapore.

A stapled group comprising SP Australia Networks (Transmission) Ltd, SP Australia Networks (Distribution) Ltd and SP Australia Networks (Finance) Trust, acting through its responsible entity, SP Australia Networks (RE) Ltd. It is dual listed on the Australian Stock Exchange and the Singapore Exchange Securities Trading Limited.

8. Mr Keith Tay Ah Kee, 66
Director

Mr Tay is the Chairman of Stirling Coleman Capital Ltd and Aviva Limited.

He was the Chairman and Managing Partner of KPMG Peat Marwick Singapore from 1984 to 1993. He also served as the President of the Institute of Certified Public Accountants of Singapore (ICPAS) from 1982 to 1992.

Mr Tay was the Vice Chairman of the Singapore Institute of Directors from 1998 to 2009, and now serves as a council member. A board member of the Singapore International Chamber of Commerce since 1985, he was Chairman of the Chamber from 1995 to 1997. He holds directorships in various listed companies including Singapore Post Limited, Singapore Reinsurance Corporation Ltd and FJ Benjamin Holdings Ltd.

Mr Tay was conferred the first International Award for Outstanding Contribution to the Profession by the Institute of Chartered Accountants in England & Wales in 1988 and the Public Service Star Award (BBM) in 1990 by the President of the Republic of Singapore. In 1993, ICPAS also conferred upon Mr Tay the Gold Medal for distinguished service to the profession and made him an Honorary Fellow.

Mr Tay qualified as a Chartered Accountant in London in 1968 and is a Fellow of the Institute of Chartered Accountants in England & Wales.

Past principal directorships in the preceding three years: Singapore Power Limited; Pokka Corporation (Singapore) Limited.

9. Mr Yeo Chee Tong, 50
Director

Mr Yeo is the President and Chief Executive Officer of Toppan Leefung Pte. Ltd., previously known as SNP Corporation Pte. Ltd., (which was formerly listed on the Singapore Exchange Securities Trading Limited). He sits on the boards of Toppan Leefung Pte. Ltd. and that of various other companies within the Toppan Leefung Group.

He was formerly with Singapore Computer Systems Ltd and ST Telemedia Pte Ltd before joining Toppan Leefung as its Vice President (Development) and subsequently as its President and Chief Executive Officer in 2000.

Mr Yeo holds a Bachelor of Electrical & Electronic Engineering (Honours) degree as well as Masters in Science (Engineering) and Masters in Business Administration degrees from the National University of Singapore. He had also completed the Harvard Business School's Advanced Management Programme in 1999.

As at 1 June 2010

Board of Directors

Proposed New Director

Mr Nihal Vijaya Devadas Kaviratne CBE, 66

Mr Kaviratne's career with the Unilever Group spanned 40 years during which he held various senior level management positions in sales, marketing, brand and strategic planning and development, and as Chairman/CEO across Asia, Europe and Latin America. He retired from Unilever in March 2005.

Mr Kaviratne serves as an independent, non-executive director in various listed Indian companies including Agro Tech Foods Limited, Akzo Nobel India Limited, GlaxoSmithKline Pharmaceuticals Ltd, and Titan Industries Limited. He is also an independent, non-executive director of StarHub Limited and Wildlife Reserves Singapore. He is Advisor to Fullerton Financial Holdings Singapore and President Commissioner of PT. TVS Motor Company Indonesia.

He was chosen by Business Week in 2002 for the Stars of Asia Award as one of the '25 leaders at the forefront of change'. Cited in the Queen's 2004 New Year Honours List in the UK, Mr Kaviratne has been awarded Commander of the British Empire (CBE) for services to UK business interests and sustainable development in Indonesia.

He has a keen interest in programmes for community development, health and education. He is a Governing Board member of the non-profit organization The Bombay Mothers and Children Welfare Society, Chairman of the Indian Cancer Society, and the Founder of the St Jude India Childcare Centres in Mumbai. He was the Founder President of the International Wine & Food Society, Bombay Branch, and is a Chevalier du Tastevin.

Mr Kaviratne holds a Bachelor of Arts (Honours) with a major in Economics from Bombay University, and attended the Advanced Management Programme at Harvard Business School and the Advanced Executive Programme at the Kellogg School of Management, Northwestern University, USA.

As at 1 June 2010

CEO's Statement

Dear Shareholders,

SATS' results for FY2009-10 were positively impacted by two major developments, namely the grants under the Jobs Credit Scheme and the consolidation of Singapore Food Industries (SFI). On the other hand, our aviation business was affected by capacity cuts as well as price and cost actions initiated by the airlines to improve their load factors and yields. Even as there were signs of an aviation recovery towards the third quarter of the financial year, volumes were below that of the preceding year. The silver lining was that a bottom had been reached and the industry was en route to recovery. Therefore, in spite of the weak economic conditions and a year that saw mostly consolidation and building strength in depth through projects that we had undertaken, we delivered above average returns to our shareholders.

Performance Delivery

The Jobs Credit Scheme was Singapore's version of a stimulus package to help companies overcome the impact of the financial crisis that had begun to worsen by October 2008. In FY2009-10, we benefited from a $17.1 million grant that went towards defraying some of our employment costs. We received a comparatively higher level of grant due to our substantial headcount in Singapore.

However, since 1 April 2010, the Scheme has been discontinued and the challenge that it poses for the new financial year will be our ability to more than compensate for the grant amount. The recovery of the aviation industry as well as our focus on driving productivity and accessing growth will be essential to meet our target for year-on-year profit growth.

The integration of SFI was substantially completed in FY2009-10. Costs synergies of $7 million per annum have been achieved while sufficient projects have been identified and initiated to deliver more than $12 million of annualised savings in the coming months. The savings have resulted in the higher margins and profitability reported by SFI in FY2009-10.

During the year, SATS Catering and SFI worked together on many revenue-generating projects to showcase the combined strength of SATS' Food Solutions division. We were eventually successful in winning catering services contracts for iconic projects such as the Singapore Airshow, Asian Youth Games and the inaugural Youth Olympics Games. Co-operation in pre-processing, menu design, purchasing, production and food logistics has galvanised the two entities as one.

In May 2009, Singapore Airlines (SIA) announced the distribution of its holdings in SATS via an in specie dividend proposal that was eventually approved by its shareholders and completed in September 2009. As the founding shareholder, SIA has been instrumental in the development of SATS' core competencies. These are the bases that we intend to use to build and strengthen our market position. While we have lost the synergies that we previously enjoyed as a subsidiary of SIA, the change in our parentage does not in any way alter our aspiration to continuously improve total shareholder returns. SATS will continue to embrace the excellent service culture of SIA and at the same time, forge and strengthen relationships, anticipate emerging needs, and offer effective solutions to our customers.

FY2009-10 was a year where the effectiveness of management was put to test. Our results showed that we have been able to respond to the challenge and deliver a 23.5% growth in earnings on a largely similar capital base as the preceding year. As a result, our return on equity increased from 10.6% to 12.6% while return on invested capital increased from 13.8% to 15.6% last year. Furthermore, our free cash flow improved 22.3% to $190.1 million while earnings per share grew 22.8% to 16.7 cents. SATS is financially healthy. It has shown its resilience during the economic crisis.

Strategy Implementation

The timely approval from our Board on the strategy developed in April 2008, to mitigate concentration risks by extending our core competencies to non-aviation food, has served our stakeholders well. In retrospect, the acquisition of SFI was timely and at the right price. It clearly demonstrates the will of the Board to reallocate capital to reposition SATS as a substantial player in the broader hospitality and tourism industry, in contrast to the hitherto position of an outsource supplier in the

CEO's Statement

narrower aviation segment. Even as we continue to implement this strategy, let me record my gratitude to the group of 40 executives who proactively participated in the development of this groundbreaking strategy which laid the seeds for the "new SATS".

Transformational projects will be the vehicles to drive change and implement ideas towards our growth aspirations. To this end, Country Foods (CF), our wholly-owned subsidiary, is leading the effort to innovate a new service concept for hospital catering. We believe that a central kitchen concept will help hospitals improve their financial performance by reallocating real estate assets to their core business. CF has successfully demonstrated its capability to deliver quality food and service to several local hospitals during the year. Although we have a lot more to do before we reach a tipping point for this idea, we are confident that we are on the right track to establish a unique offering that will have implications beyond the local market. CF will continue to invest in facilities and capabilities towards achieving this goal. The institutional catering market, in which hospital catering is a segment, offers tremendous growth opportunities if we are able to deliver extraordinary value to customers in this market.

SFI made progress during the year to improve its distribution business. Inventory was better managed, which led to an improvement in its free cash flow generation. In addition, we have stepped up efforts to improve products and branding for better differentiation. We also focused on key national agencies to increase service and consequently business. During the year, we contributed to national relief efforts in the aftermath of regional disasters. In addition to the Singapore Armed Forces, we achieved sales of retort products to other friendly armed forces for their training requirements. Our deliberate efforts to understand the evolving needs of these national agencies on an ongoing basis will improve our share of their spending.

Jewels Artisan Chocolate, SATS' own branded artisan chocolate café, was officially launched in January 2010 at Orchard Central, located right in the middle of Orchard Road. Artisan chocolate was an idea that emerged from our innovation process to showcase our capability, by transforming our in-house chocolates into a branded product. Although SATS has little experience in the customer-facing retail market (B2C) in Singapore, we embarked on creating Jewels, both as a showcase of our capability and as a project that would develop our B2C competencies. Without this investment, we would not have the opportunity to develop skills and competence that are key to access this potential market. Jewels Artisan Chocolate is now a standard offering as part of our many food catering opportunities. They are also increasingly a preferred corporate gift idea for many companies.

The Jewels project is an example of our appetite for innovation and risk tolerance to bring the passionate ideas of our employees to life by taking small excursions from our established positions. It is possible that one of these investments may offer game changing opportunities for SATS one day. Management is willing to take calculated risk and be prudent in our approach to such opportunities.

In the UK, Daniels Group continues its growth trajectory with a strong showing in FY2009-10. Four out of the five Daniels' categories in the chilled food segment grew last year. While the chilled juice market size has declined, Johnson Juice had earlier in the year gained market share by winning the account of a key retailer. We also made an investment in a new soup and chilled ready meal plant in Grimsby, Lincolnshire that would increase our existing capacity by 25%.

In the new financial year, improving margins and accessing the markets in continental Europe remain our key challenges in the UK. Strategically, we can increase our trading volumes with the major retailers by expanding into new categories. We will also continue our evaluation of potential categories that are consistent with our strategic characteristics.

SATS HK, a wholly-owned subsidiary of SATS, made good progress during the year. Instead of expanding aggressively, we opted to focus on improving our service delivery both at the apron and the passenger terminals at Hong Kong International Airport (HKIA). Compliments from customers and passengers have increased and our efforts have been rewarded with new customer contracts towards the end of the financial year. Winning the confidence of SIA Cargo to subscribe to our ramp services

"Our aspiration is to be innovative in our approach, driving excellence in all our operations and processes, and embracing a culture where our customers will be at the centre of our business decisions."

further boosted our morale and also confirmed that our efforts to build a consistent and differentiated service was the right thing to do from the start. We are optimistic that with the new customer pipeline, we will be profitable even though we are the third player by market share at HKIA. Through this acquisition, we have learnt to operate as a small player in an airport, breaking the myth that we have to be the dominant player to be successful in ground handling.

Another wholly-owned subsidiary, Asia-Pacific Star (APS), led our access to the passenger growth in the low-cost carrier (LCC) segment last year. As expected, LCCs accounted for the lion's share of passenger growth at Singapore Changi Airport. However, the revenue streams from LCCs remained small as their requirements on the ground were much less compared to those of the traditional carriers. We knew from the onset that success from this segment would only be delivered if we took a differentiated approach.

While low-cost airlines aim to offer lower fares to passengers, their viability is dependent on the ability to derive ancillary revenues from passengers without increasing their back-office costs. APS offers an integrated approach for both ground handling and inflight services. Similar to Jewels Artisan Chocolate, we need B2C competencies if we are to be successful in supporting LCCs to drive inflight sales. During the year, CEO's Statement

we gained much experience in these areas, including better understanding the specific operating characteristics of LCCs. Our ambition is to be able to provide integrated inflight and ground handling services to key LCCs at more than one location. This means that eventually, APS has to go regional independently, differentiating itself from the traditional services in the SATS' network. The formula for a successful LCC handling business is taking shape nicely and we are confident that APS will contribute to our profitability very soon.

At Singapore Changi Airport, we are on the verge of being challenged by a third ground handler. Although we are mindful that there may be negative impact from this development, we will embrace the challenges of increased competition. We have observed the lessons from the entry and exit of Swissport at Changi Airport. We have learnt from our entry into HKIA as the smallest player. We have invested in product differentiation so that we can be the best at the high-end of the market. We have also invested in LCC handling so that we can offer unique services at competitive prices at the other end as well. To sum up, we are aptly prepared and we are more competitive than we were ever before.

Accessing Growth

Performances of our overseas associates had been mixed during the year as the global economy recovers. Recovery was not evenly spread and improvements were seen at only a few stations. Nevertheless, this gave rise to an overall improvement in associates' profit contribution of $41.9 million, up 88.7% from a year ago.

SATS is fully committed to participate at key gateways through similar joint ventures that allow access to long-term growth. Our experiences during the year have highlighted some weaknesses in our approach with respect to these overseas associates. We must continue to improve our engagement, to transfer successful ideas from Changi Airport and to effectively connect these regional stations as an integrated network from an operational and global marketing aspect. Our initial efforts to do these have shown promising results, confirming that the approach we have taken is a step in the right direction.

During the year, we continued to search for interesting acquisitions that could be synergistic and would extend our core competencies. Growing through acquisitions will offer a more efficient market entry with immediate scale. However, valuation has to be reasonable. While we had made a few bids, we were not successful due to pricing. Market valuation seemed to have outpaced the speed of the global economic recovery. There will not be a "must-have" acquisition in our management paradigm. Profiling targets and executing at the right time will deliver a sustainable acquisition strategy.

Managing Change

We have, in FY2009-10, improved our capability to acquire and integrate acquisitions, and delivered on cost management. We firmly believe that a strong company will not be built purely on acquisitions or on cost reductions alone. Our aspiration is to be innovative in our approach, driving excellence in all our operations and processes, and embracing a culture where our customers will be at the centre of our business decisions.

Business growth must be complemented by a strengthened infrastructure in management capability and business processes. We have worked on these aspects including intangibles such as corporate branding and company culture. The various projects that we undertook during the year not just opened doors to growth opportunities, they were the vehicles to develop our competencies. "Learning by doing", coupled with a "can do" attitude, have paved the way for continuous improvements and growth. We are excited by our future prospects brought about by this change process.

Acknowledging Support

In closing, I wish to express my appreciation and gratitude to my colleagues who have been fully committed and engaged in our efforts and change projects. Recognition and appreciation also go to all our staff and the unions for

their unstinting support and participation throughout the year. I also wish to thank our Board of Directors for their guidance and support. Their proactive engagement and spontaneous sharing of their experiences will continue to help shape the future of SATS. I am indebted to our Chairman, Mr Edmund Cheng, for his leadership of the Board and guidance to management. Last but not least, my appreciation goes to our shareholders for their support of our activities throughout the year.

Clement Woon
President & Chief Executive Officer

1 June 2010

Executive Management

Executive Management

1. Clement Woon Hin Yong, 50

Mr Woon is President and Chief Executive Officer of SATS since November 2007. Prior to this, he was the President of Geosystems Division of Leica Geosystems AG, a multinational corporation based in Switzerland. Mr Woon joined Leica in 1992 and was transferred to Switzerland in 1997. He had held senior positions as President of the Surveying & Engineering and Geosystems divisions of Leica Geosystems. He was instrumental in growing Leica's business and presence in the Asia-Pacific, Europe, Americas and Middle East regions.

Mr Woon sits on various Boards of SATS' subsidiaries and associated companies. He is also Chairman of Singapore Food Industries Pte. Ltd. and SFI Manufacturing Private Limited, Vice Chairman of Beijing Aviation Ground Services Co., Ltd and Beijing Airport Inflight Kitchen Ltd, as well as Vice President Commissioner of PT Jasa Angkasa Semesta Tbk.

He holds a Bachelor of Engineering degree and a Masters of Science degree in Industrial Engineering from the National University of Singapore. He also holds a Masters of Business Administration degree from the Nanyang Technological University.

2. Lim Chuang, 54

Mr Lim is Chief Financial Officer of SATS. He joined SATS in November 2008 and prior to that, he was the Chief Financial Officer of NCS Pte Ltd, a subsidiary of Singapore Telecommunications Limited (SingTel). He had held other senior positions in SingTel, including as its Finance Director for the Consumer Division and Deputy Chief Financial Officer for SingTel Optus Pty Ltd.

Mr Lim sits on some of the Boards of SATS' subsidiaries and associated companies. He is also the Vice Chairman of Tan Son Nhat Cargo Services Ltd. He graduated from the University of Singapore with a Bachelor of Accountancy (First Class Honours) degree and a Masters of Business Administration degree from the National University of Singapore. He is also a Fellow of the Chartered Association of Certified Accountants (UK) and a member of the Institute of Certified Public Accountants of Singapore.

3. Tan Chuan Lye, 60

Mr Tan is Executive Vice President, Food Solutions of SATS. He joined SATS in May 1976 and was appointed to his current position in October 2009. He previously held managerial positions in SIA Ground Services and SATS Airport Services Pte Ltd, and also managed Changi Airport Terminal 2 for SIA and SATS operations.

Mr Tan is the Chairman of Country Foods Pte. Ltd. He also sits on the Boards of a number of SATS' subsidiaries and associated companies. He graduated from the University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Economics.

4. Ang Lee Nah, 57

Ms Ang is Senior Vice President, Corporate Development of SATS. She joined SATS in April 2009 following its acquisition of Singapore Food Industries Limited, where she was the Chief Financial Officer prior to delisting.

Ms Ang sits on several of the Boards of SATS' subsidiaries. She holds a Bachelor of Accountancy degree from the University of Singapore and a Masters of Business Administration from the University of Hull (UK). She is also a Fellow of the UK Chartered Institute of Management Accountants and a member of the Certified Public Accountants of Singapore.

5. Robert Burnett, 46

Mr Burnett is Chief Executive Officer, UK. He oversees and is responsible for the performance of Daniels Chilled Foods Limited, International Cuisine Limited and Farmhouse Fare Limited. He has been the Chief Executive Officer of Daniels Chilled Foods since July 2002. Prior to that, he had held various senior general management appointments with Albert Fisher Plc.

Mr Burnett sits on the Boards of SATS' subsidiaries in the UK. He holds a Higher National Diploma in Business Studies from the Aberdeen College of Commerce (UK).

6. Chang Seow Kuay, 45

Mr Chang is Chief Executive Officer of Country Foods Pte. Ltd. He is responsible for the growth of SATS' institutional catering business in Singapore.

Mr Chang joined SATS in June 1990 and had held various positions including Senior Vice President, Special Projects, Vice President, Business Planning & Development and other managerial positions in catering production and marketing. He was seconded to Beijing Airport Inflight Kitchen Ltd in 1995 to start up its catering operations.

Mr Chang is a director of Country Foods Macau, Limited. He graduated from the National University of Singapore with a Bachelor of Science (Honours) degree, majoring in Biochemistry.

7. Chi Ping Huey, 53

Ms Chi joined SATS in March 2010 as its General Counsel.

Formerly the General Counsel and Company Secretary of Singapore Power Limited and its principal operating subsidiaries (SP Group), Ms Chi was responsible, amongst others, for providing leadership in protecting the legal position and interest of the SP Group, as well as implementing policies relating to corporate governance and legal risk management. She played a key role in the acquisition of the SP Group's Australian assets.

Ms Chi was an OCBC scholar and is a member of the Singapore Law Academy. She holds a Bachelor of Law (Honours) degree from the National University of Singapore and was admitted as an advocate and solicitor to the Supreme Court in 1985.

8. Tony Goh Aik Kwang, 56

Mr Goh is Senior Vice President, Strategy and Marketing of SATS, responsible for key accounts management, global marketing, corporate branding, and market research and development.

He joined SATS in 1978 and assumed his current position in July 2008. Prior to this, he was the Vice President of SATS Marketing. He also held various executive and managerial positions in SATS, covering contracts management, materials and production planning, catering equipment maintenance, IT systems planning, customer servicing and inflight catering management, and in SIA Ground Services.

Mr Goh sits on the Boards of some of SATS' subsidiaries and associated companies. He graduated from the University of Singapore with a Bachelor of Business Administration (Honours) degree.

9. Leong Kok Hong, 59

Mr Leong is Senior Vice President, Strategic Partnership of SATS. He joined SATS in July 1976 and was appointed to his present position in June 2010. Prior to this, he was Senior Vice President, Apron Services. He also served as Senior Vice President, North Asia and Chief Representative China, responsible for business development and joint ventures for the North Asia region. He previously held several managerial capacities covering Catering, Cargo, IT Systems and Corporate Planning.

Mr Leong sits on various Boards of SATS' subsidiaries and associated companies. He graduated from the University of Singapore with a Bachelor of Science (Honours) degree in Physics.

Executive Management

10. Andrew Lim Cheng Yueh, 56

Mr Lim is Senior Vice President, Pearl River Delta Region of SATS, a position he assumed since August 2009. Prior to this, he was Senior Vice President, Apron & Passenger Services. He previously held managerial positions in SATS Cargo, Security Services, Passenger Services and Training, and SIA Cargo and was posted to Hong Kong from 1998 to 2000 as Chief Executive Officer of Asia Airfreight Terminal Co Ltd.

Mr Lim serves as a Director for a number of SATS' subsidiaries and associated companies. He graduated from the University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Sociology.

11. Philip Lim Chern Tjunn, 43

Mr Lim joined SATS in April 2010 as Senior Vice President, Apron Services. Prior to this, he served in the Singapore Armed Forces for 25 years. He held various command and staff appointments including Chief of Staff (General Staff) and Chief Armour Officer/Commander 25 Division.

Mr Lim graduated from the University of Manchester Institute of Science and Technology with a Bachelor of Science (First Class Honours) degree. He also holds a Masters of Technology (Knowledge Engineering) from the National University of Singapore, Masters of Science (Management of Technology) from the Massachusetts Institute of Technology, and Masters of Military Arts and Science from the US Army Command and General Staff College in Leavenworth.

12. Denis Suresh Kumar Marie, 47

Mr Marie is Senior Vice President, Passenger Services of SATS, a position he assumed since August 2009. He has 18 years of experience in security and law enforcement, and had held senior positions in training and security management. He left with the rank of Deputy Assistant Commissioner and in 2001 was appointed as General Manager of SATS Security Services Private Limited.

Mr Marie is a board member of SATS Security Services Private Limited. He holds a Bachelor of Science degree, majoring in Business Administration from the Oklahoma City University, USA.

13. Yacoob Bin Ahmed Piperdi, 51

Mr Piperdi is Senior Vice President, Cargo Services of SATS since January 2007. He joined SATS in April 1981 and assumed various positions including Vice President, Cargo, Vice President, Inflight Catering Centre 2 and other managerial positions in Apron & Baggage, Passenger Services and Marketing as well as SIA's Ground Services Department.

Mr Piperdi is the Chairman of Aerolog Express Pte Ltd and also serves on the Board of Maldives Inflight Catering Pte Ltd. He graduated from the National University of Singapore with a Bachelor of Arts (Honours) degree, majoring in English.

14. Poon Choon Liang, 59

Mr Poon is Chief Operating Officer of Singapore Food Industries Pte Ltd (SFI). He joined SFI in a marketing role in 1998 and was appointed to his current position in December 2009. He was formerly a senior military officer with the Singapore Armed Forces, specialising in the supply and transportation areas.

Mr Poon sits on various Boards of SATS' subsidiaries. He holds a Bachelor of Commerce (Economics) from the Nanyang University (Singapore) and a Bachelor of Social Science (Honours) degree, majoring in Economics, from the National University of Singapore.

Financial Calendar

Financial Year Ended 31 March 2010

27 July 2009
Announcement of 1Q FY2009-10 results

Results conference call with live webcast for 1Q FY2009-10

14 August 2009
Payment of final dividend

22 October 2009
Announcement of 2Q FY2009-10 results

Results conference call with live webcast for 2Q FY2009-10

25 November 2009
Payment of interim dividend

4 February 2010
Announcement of 3Q FY2009-10 results

Results conference call with live webcast for 3Q FY2009-10

5 May 2010
Announcement of 4Q FY2009-10 results

Analysts and media briefing for 4Q FY2009-10 results

25 June 2010
Despatch of Summary Report to shareholders

9 July 2010
Despatch of Annual Report to shareholders

30 July 2010
Annual General Meeting

6 August 2010
Book closure date

18 August 2010
Proposed payment of final dividend

Financial Year Ending 31 March 2011

29 July 2010
Proposed announcement of 1Q FY2010-11 results

2 November 2010
Proposed announcement of 2Q FY2010-11 results

January/February 2011
Proposed announcement of 3Q FY2010-11 results

May 2011
Proposed announcement of 4Q FY2010-11 results

Investor Relations

SATS Investor Relations (IR) aims to communicate pertinent information to shareholders and the investment community in a clear, forthcoming, detailed, prompt manner and on a regular basis, taking into consideration their views and addressing their concerns. We also ensure that the dissemination of material, price-sensitive information is made publicly available on a timely and non-selective basis.

Information is disseminated via:

- **media releases and announcements**, which are issued through SGXNet. They relate to the Group's financial performance and latest developments, and are sent to the media and the investment community. They are also posted on SATS' corporate website at www.sats.com.sg; and

- **corporate website**, which has a dedicated section for IR. Annual reports, quarterly financial results, webcasts of quarterly earnings briefings, latest corporate presentations and other information considered to be of interest to shareholders and the investment community are readily available in this section of our corporate website.

We also maintain a database of shareholders, analysts and investors that allows us to electronically disseminate media releases and financial results announcements to them on a timely basis.

For our quarterly financial results, we hold earnings conference calls with live audio webcasts to brief the media and the investment community on our financial performance and update them on important corporate developments. The webcasts are made available on our website so that those who could not participate in the calls or are in different time zones, can easily access them.

SATS IR, together with the CEO and CFO, have been actively engaging our shareholders and the investment community through frequent and constructive communications. We hold regular dialogues with them through one-on-one meetings and conference calls, and strive to improve the transparency of our disclosure to help them better understand our business model, growth strategies and strategic developments. We also organise facility visits to help them appreciate the scale of our operations.

To grow and achieve a wider geographical spread in our shareholder base, we track changes in our share register on a regular basis. Our participation in non-deal roadshows to Asia, Europe and the US, and in broker-organised investor conferences, increase the visibility of SATS amongst our shareholders and a broad spectrum of investors, giving them direct access to our management.

Held every July, our annual general meeting (AGM) provides an opportunity for us to communicate directly with our shareholders. Our board of directors and key members of management are present to address shareholders' queries during the AGM.

In our bid to reach out to retail shareholders, we became a corporate member of the Securities Investors Association Singapore (SIAS) in August 2009. We took the opportunity to communicate with retail shareholders by organising a briefing in September, with the support from SIAS. We intend to work with SIAS to maintain this outreach programme going forward.

During the year, we made progress in extending broker research coverage on SATS by actively engaging the sell-side analysts. The number of sell-side analysts covering SATS has since increased from two to 12 currently. We will continue to maintain dialogues with other leading brokerages to increase coverage on SATS further.

Accolades

Our efforts in investor communications were affirmed by the investment community at the IR Magazine South East Asia Awards 2009 in Singapore, where SATS for the first time was nominated under the category of "Best IR for a Corporate Transaction". In addition, we were conferred the Merit Award under the Singapore corporate governance category at the 2009 SIAS Investors' Choice Awards.

Investor Relations Calendar

FY2009-10

First Quarter (1 April – 30 June 2009)

- FY2008-09 results briefing
- Post-results investor lunch hosted by DBS Vickers

Second Quarter (1 July – 30 September 2009)

- 1Q FY2009-10 results conference call with live audio webcast
- AGM
- Global non-deal roadshow with HSBC
- UK non-deal roadshow with Kim Eng
- SIAS investor outreach programme

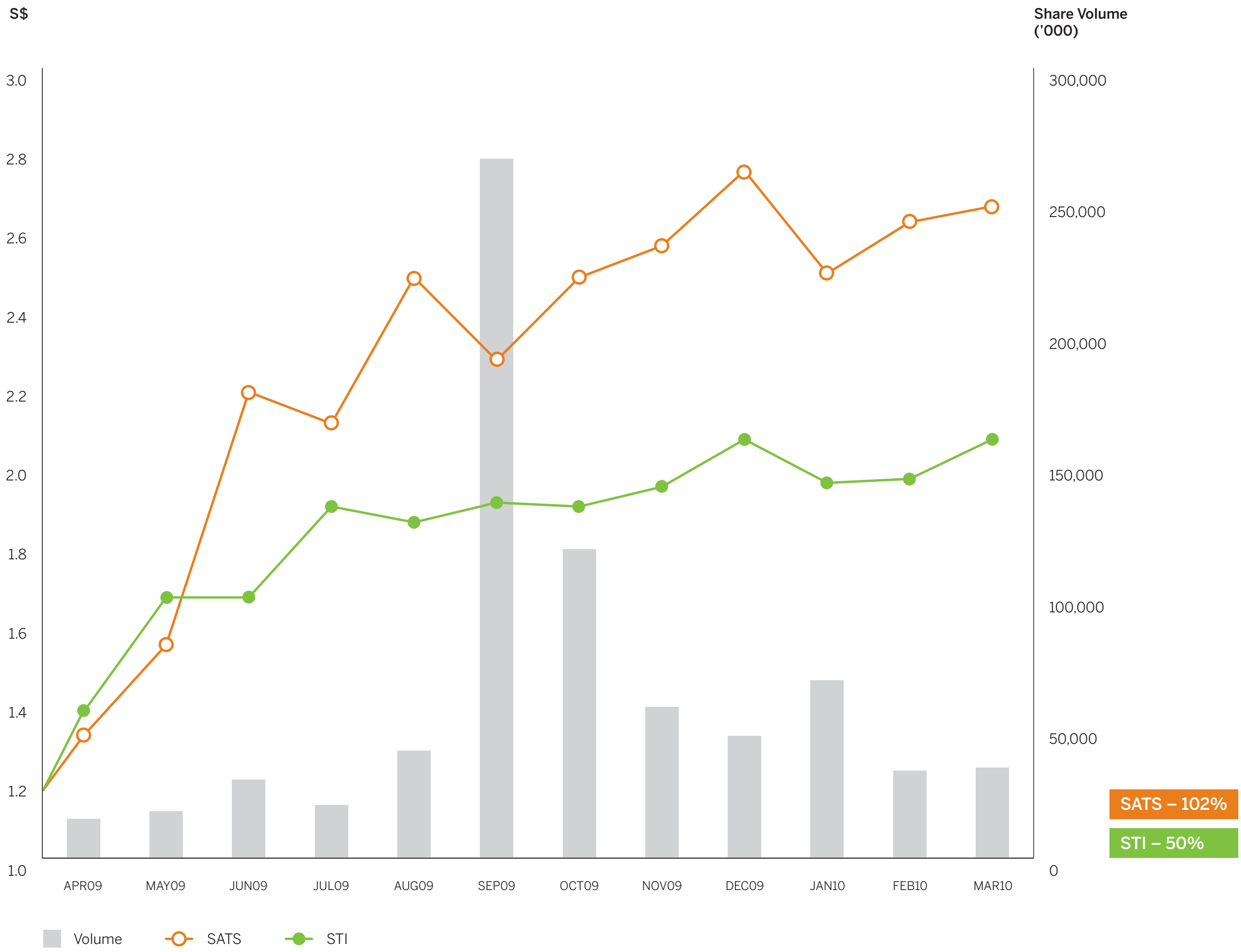
Third Quarter (1 October – 31 December 2009)

- 2Q FY2009-10 results conference call with live audio webcast
- Post-results investor lunch hosted by CLSA
- Morgan Stanley Asia Pacific Summit 2009, Singapore

Fourth Quarter (1 January – 31 March 2010)

- 3Q FY2009-10 results conference call with live audio webcast
- Post-results investor lunch hosted by BNP Paribas
- DBS Vickers Pulse of Asia 2010, Singapore

Share Price and Turnover



Share Price ($) and Volume (million stock units)	FY 09-10		FY 08-09	
Highest Closing Price	**2.74**	(31 December 2009)	2.51	(16 May 2008)
Lowest Closing Price	**1.21**	(1 April 2009)	1.11	(9 March 2009)
Closing Price for the Year	**2.65**	(31 March 2010)	1.21	(31 March 2009)
Total Volume for the Year	**745.58**		120.23	
Average Daily Volume	**2.96**		0.48	

Market Value Ratios	FY 09-10	FY 08-09
Price/Earnings	**15.83**	8.90
Price/Book Value	**1.94**	0.93
Price/Cash Earnings	**10.48**	5.99

Note:
– Book value is defined as net asset value.
– Cash earnings is defined as profit attributable to equity holders of the Company plus depreciation and amortisation.

SATS at a Glance

SATS Businesses

With over 60 years of operating experience and an emerging global presence, SATS is Singapore's leading provider of Gateway Services and Food Solutions.

Our comprehensive scope of Gateway Services encompasses airfreight handling, passenger services, ramp handling, baggage handling, aviation security and aircraft interior cleaning, while our Food Solutions business comprises airline catering, food distribution and logistics, industrial catering, chilled and frozen food manufacturing as well as airline linen laundry.

Today, we handle 80% of the scheduled flights and serve about 50 of the 68 scheduled airlines out of Singapore Changi Airport. We have a presence in 31 airports in 9 countries in Asia. With our expanding Food Solutions business, we have also extended our reach beyond Asia to the UK.

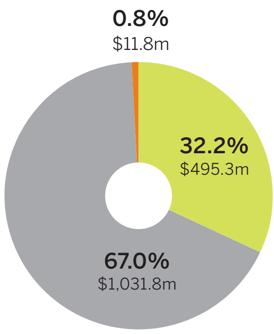
Group Revenue

$1,538.9m

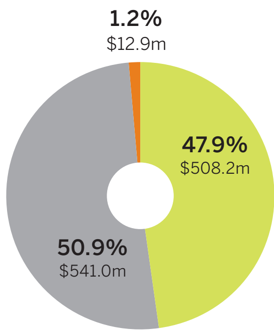
+45%

Group Revenue

By Business



Total $1,538.9m
FY 2009-10

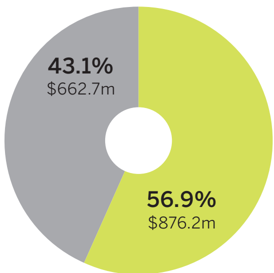


Total $1,062.1m
FY 2008-09

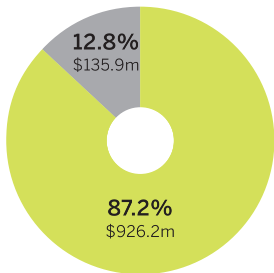
Percentage Change	%
Gateway Services	(2.6)
Food Solutions	90.7
Corporate	(8.5)
Total	44.9

Notes:
- Gateway Services: Revenues from ground and cargo handling, aviation security, aircraft interior cleaning and cargo delivery and management.
- Food Solutions: Revenues from inflight catering, food logistics, industrial catering, chilled and frozen food manufacturing, and airline linen and laundry.

By Industry



Total $1,538.9m
FY 2009-10

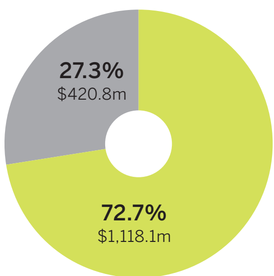


Total $1,062.1m
FY 2008-09

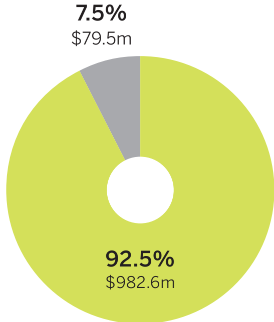
Percentage Change	%
Aviation	(5.4)
Non-Aviation	n.m.
Total	44.9

Notes:
- Aviation: Revenues from aviation-related businesses in Gateway Services and Food Solutions.
- Non-Aviation: Revenues from Singapore Food Industries, Country Foods and Country Foods Macau.
- n.m.: not meaningful

By Geographical Location



Total $1,538.9m
FY 2009-10



Total $1,062.1m
FY 2008-09

Percentage Change	%
Singapore	13.8
Overseas	n.m.
Total	44.9

Notes:
- Singapore: Revenues from Gateway Services and Food Solutions businesses within Singapore.
- Overseas: Revenues from Singapore Food Industries UK/Europe, Country Foods Macau and SATS HK.
- n.m.: not meaningful

Group Structure & Investments*

as at 1 June 2010

SUBSIDIARIES

Singapore Airport Terminal Services Limited (SATS)

Gateway Services

SINGAPORE

- 100% **SATS Airport Services Pte Ltd**
- 100% **Asia-Pacific Star Private Limited**
- 100% **SATS Security Services Private Limited**
- 70% **Aerolog Express Pte Ltd**

OVERSEAS

- 100% **SATS HK Limited** *Hong Kong*
- 100% **Singapore Airport Terminal Services (India) Co. Private Limited** *India*

Food Solutions

SINGAPORE

- 100% **SATS Catering Pte Ltd**
- 100% **Country Foods Pte. Ltd.**
  - 51% **Country Foods Macau, Limited** *Macau*
- 100% **Aero Laundry and Linen Services Private Limited**
- 100% **Singapore Food Industries Pte. Ltd.**
  - 100% **Singfood Pte. Ltd.**
  - 100% **SFI Manufacturing Private Limited**
  - 100% **SFI Food Pte. Ltd.**
  - 100% **Singapore Food Development Pte Ltd**
  - 78.5% **Primary Industries Private Limited**
    - 100% **Hog Auction Market Pte Ltd**

OVERSEAS

- 100% **S Daniels Plc** *UK*
  - 100% **Daniels Chilled Foods Limited** *UK*
    - 100% **Farmhouse Fare Limited** *UK*
- 100% **International Cuisine Limited** *UK*
- 100% **Primary Industries (Qld) Pty Ltd** *Australia*
  - 51% **Urangan Fisheries Pty Ltd** *Australia*
- 96% **Shanghai ST Food Industries Co., Ltd** *China*

* Excluding dormant/inactive companies

INVESTMENTS

Singapore Airport Terminal Services Limited (SATS)

Gateway Services

- 50% **Air India SATS Airport Services Private Limited** *India*
- 49.8% **PT Jasa Angkasa Semesta Tbk** *Indonesia*
- 49% **Asia Airfreight Terminal Co Ltd** *Hong Kong*
  - 100% **Asia Airfreight Services Limited** *Hong Kong*
    - 100% **Asia Airfreight Services (Shenzhen) Limited** *China*
- 40% **Beijing Aviation Ground Services Co., Ltd** *China*
  - 46% **Tianjin Aviation Cargo Services Co Ltd** *China*
  - 40% **Tianjin Aviation Ground Services Co Ltd** *China*
  - 37% **Beijing Airport Trucking Services Co Ltd** *China*
  - 35% **Beijing Airport Cargo Consolidation Services Co., Ltd** *China*
- 30% **Tan Son Nhat Cargo Services Ltd** *Vietnam*
- 25% **Evergreen Air Cargo Services Corporation** *Taiwan*
- 20% **Evergreen Airline Services Corporation** *Taiwan*

Food Solutions

- 49% **Servair-SATS Holding Company Pte Ltd** *Singapore*
  - 34% **Macau Catering Services Company Ltd** *Macau*
- 49% **Taj SATS Air Catering Limited** *India*
- 49% **Aviserv Limited** *Pakistan*
- 40% **Beijing Airport Inflight Kitchen Ltd** *China*
  - 60% **Tianjin Airport Kitchen Ltd** *China*
  - 50% **Shenyang Airport Inflight Kitchen Co Ltd** *China*
- 35% **Maldives Inflight Catering Pte Ltd** *Maldives*
- 30% **Taj Madras Flight Kitchen Pvt Limited** *India*
- 20% **MacroAsia Catering Services, Inc** *Philippines*
- 15% **Evergreen Sky Catering Corporation** *Taiwan*

Statistical Highlights

	2009-10	2008-09	2007-08	2006-07	2005-06
FINANCIAL STATISTICS					
Group ($million)					
Total revenue	1,538.9	1,062.1	958.0	945.7	932.0
Total expenditure	1,354.5	891.2	783.7	792.5	747.9
Operating profit	184.4	170.9	174.3	153.2	184.1
Profit before tax	223.1	183.5	248.7	219.8	246.1
Profit after tax	182.1	148.5	195.2	179.0	189.2
Profit attributable to equity holders of the Company	181.2	146.8	194.9	178.2	188.6
Equity attributable to equity holders of the Company	1,481.9	1,398.1	1,383.9	1,314.2	1,202.5
Total assets	1,909.1	*2,055.2	1,849.5	1,804.2	1,717.9
Total debt	24.1	251.5	208.0	202.8	247.5
Value added	802.8	639.3	682.5	675.1	665.1
Economic value added	67.2	26.2	53.9	60.7	79.8
Financial Ratios					
Return on average equity holders' funds (%)	12.6	10.6	14.4	14.2	16.7
Total debt equity ratio (times)	0.02	0.18	0.15	0.15	0.21
Return on total assets (%)	9.2	7.6	10.7	10.2	11.4
Per Share Data					
Earnings per share (cents) – basic	16.7	13.6	18.2	17.0	18.2
Earnings per share (cents) – diluted	16.7	13.6	17.9	16.9	18.1
Net asset value per share ($)	1.37	1.29	1.29	1.24	1.15
Interim dividend (cents per share)	5.0	4.0	4.0	4.0	4.0
Proposed dividend (cents per share)	8.0	6.0	10.0	6.0	6.0
Special dividend (cents per share)	–	–	–	5.0	–
Dividend cover (times)	1.3	1.4	1.3	1.4	2.3
Dividend payout (%)	78.1	73.5	77.5	48.5	44.4

* Restatement

	2009-10	2008-09	2007-08	2006-07	2005-06
OPERATING STATISTICS					
Employee Productivity					
Average number of employees	11,932	9,196	7,938	7,461	7,660
Revenue per employee ($)	128,974	115,495	120,961	126,747	121,675
Value added per employee ($)	67,293	69,524	85,979	90,477	86,831
Value added per $ of employment cost	1.66	1.66	1.85	1.76	1.91
Operating Data					
Airfreight throughput (million tonnes)	1.41	1.46	1.57	1.55	1.49
Passengers served (million)	32.99	30.91	31.65	29.27	27.32
Inflight meals prepared (million)	23.47	25.19	25.72	24.74	24.19
Flights handled (thousand)	95.40	88.16	85.95	84.52	84.11

Notes:
1 SATS' financial year is from 1 April to 31 March. Throughout this report, all financial figures are stated in Singapore Dollars, unless stated otherwise.
2 Return on equity holders' funds is the profit attributable to equity holders of the Company expressed as a percentage of the average equity holders' funds.
3 Total debt equity ratio is total debts divided by equity attributable to equity holders of the Company at 31 March.
4 Return on total assets is the profit attributable to equity holders of the Company expressed as a percentage of the average total assets.
5 Basic earnings per share is computed by dividing the profit attributable to equity holders of the Company by the weighted average number of fully paid shares in issue.
6 Diluted earnings per share is computed by dividing the profit attributable to equity holders of the Company by the weighted average number of fully paid shares in issue after adjusting for dilution of shares under the employee share option plan.
7 Net asset value per share is computed by dividing equity attributable to equity holders of the Company by the ordinary shares in issue at 31 March.
8 Dividend cover is profit attributable to equity holders of the Company divided by total dividend (net of tax).
9 Payout ratio is total ordinary dividend (net of tax) divided by profit attributable to equity holders of the Company.

Gateway Services

Gateway Services

SINGAPORE

SATS serves 45 scheduled airlines and close to 80% of the scheduled flights out of Singapore Changi Airport.

In FY2009-10, we handled a total of 95,400 flights, an 8.2% increase year-on-year, and 33 million passengers, representing a 6.7% increase over a year ago. Cargo throughput fell 3.7% to 1.4 million tonnes.

New contracts and renewals

For the year in review, SATS secured and renewed contracts with several airline customers including China Eastern Airlines, Japan Airlines, Myanmar Airways International, Singapore Airlines and Swiss World Cargo.

The biennial Singapore Airshow saw the addition of more flights from various customers participating in the Airshow in February 2010.

On the non-aviation side, the launch of the two Integrated Resorts in Singapore has presented new opportunities as we secured a contract to provide armed security services at Resorts World Sentosa.

New initiatives and offerings

Asia-Pacific Star (APS), our wholly-owned subsidiary serving the low-cost carriers (LCC) segment, started operating at the Budget Terminal on 1 April 2009. APS manifests our

"During the preparation for the handling of Qantas' inaugural A380 flight in Singapore, the entire Apron & Passenger Services team at SATS displayed excellent teamwork and coordination in supporting Qantas, right from the initial discussions, preparations and training, till the actual handling. Being ONE with Qantas, they have helped manage the inaugural flight and subsequent flights with extreme precision and excellence. Thank you, SATS!"

Ms Elsie Low, Airport Duty Manager, Qantas/British Airways Singapore

comprehension of the different segments within the airline industry and their differentiated needs, as it offers an alternative platform with a lower cost structure. Since July 2009, APS has extended its operations to Terminal 1 of Singapore Changi Airport. Its customers include Cebu Pacific Air, Jetstar Asia, Lion Air and Tiger Airways.

In January 2010, SATS launched ONE! Service, a new initiative driven by our frontline staff to help improve service standards at Singapore Changi Airport. As key service ambassadors and stewards of our airline customers, it is important for our frontline staff to create a distinctive experience for all passengers at every service touchpoint.

ONE! Service – which stands for "Outstanding aNd Exceptional Service" – comprises a comprehensive set of service guidelines aligned with the best practices and standards for service delivery in the hospitality and tourism industry. All of our frontline staff are required to complete the ONE! Service training and are evaluated on a regular basis to ensure consistent service delivery.

In conjunction with ONE! Service, we specially commissioned a new uniform for our frontline employees. Embodying SATS' brand attributes of being modern, personable and professional, the new peach-coloured uniform also communicates the warmth, confidence and sincerity of our service staff.

Following the success of our first Premier Check-in Lounge in Terminal 1 of Singapore Changi Airport, we opened a new Premier Check-In Lounge at Terminal 2 in March 2010 to provide additional value-added service to our airline customers. This service is complimentary to participating airlines handled by SATS at Terminal 2 including Air India, All Nippon Airways, Etihad Airways and Korean Air. The new lounge offers premium passengers of our airline customers a hassle-free travel experience with the exclusivity and convenience of checking in at a private lounge with direct access to the immigration area. They can also relax with light refreshments in a comfortable lounge seating while enjoying access to international television channels and a wide variety of newspapers and periodicals.

To speed up the processing of lost or damaged bags at the passenger terminals, we introduced the "Wireless WorldTracer" at the baggage claim area during the year. With this wireless system, passengers can file their reports for lost and damaged bags immediately at the baggage belt instead of doing so at our Lost and Found office. In addition, the processing time is reduced from 20 minutes to 5 minutes, and staff are equipped with real-time flight and baggage information to answer passengers' queries.

At our cargo services operations, we introduced a new, web-based service platform that enables cargo agents to schedule their cargo collection timing from anywhere via the internet. Self-

Gateway Services

"SATS Security Services has shown high levels of professionalism and commitment in ensuring the security of all our flights. They have been diligent in carrying out their duties to ensure that our operations are safe and secure, and can be relied on to provide advice on local aviation security directives."

Mr Rolando Delfin, Airport Services Manager, Cathay Pacific Airways

service kiosks are also available at the import counters of our airfreight terminal for cargo agents to access their schedules and input their requests within our premises. The self-service concept has taken off well as 70% of the transactions are now made through this user-friendly platform.

To elevate the service experience at our airfreight terminals, we renovated our premises and installed one-to-one service counters to provide more personalised service and facilitate better interactions with our customers.

Upgrades and improvements

Improving the effectiveness and efficiency of what we do is an ongoing endeavour for SATS. For the year in review, we upgraded the cargo management system – COSYS Intelligent Solutions (COSYS-IS) – to better meet the needs of our airline customers and freight forwarders.

The upgraded COSYS-IS enables quicker processing of cargo and enhances the monitoring and control of end-to-end cargo handling processes. This integrated system allows access to multiple applications which support functions such as events management, auto-capture of weights and billings, real-time data tracking, and direct links to the information made available to our customers in SATS CargoNet.

The system has vastly improved our service standards and reduced our response time to airlines and freight forwarders by making our workflow more efficient and transparent. It also supports E-freight, an industry-wide initiative to replace the use of paper with electronic messages, of which SATS is amongst the pioneers to embrace this initiative.

The enhanced COSYS-IS has been introduced to our joint venture partners in Beijing, Hong Kong, Taiwan and India. Most recently, it has been implemented at three Indonesian airports, namely Jakarta, Denpasar and Surabaya where our joint venture operates. In our ambition to promote COSYS-IS across the airline and cargo industry, we have entered into a partnership with NIIT Technologies, a global IT solutions provider, to jointly market this state-of-the-art solution globally.

We further harnessed technology to enhance our operations through the deployment of Radio Frequency (RF) technology for real-time tracking and updating of cargo movements and storage. In February 2010, we embarked on a trial project to track all export shipments including metal-based and liquid-based shipments using RF technology. If successfully implemented, this will help improve

the efficiency and accuracy of our cargo handling processes and provide more timely shipment updates to exporters.

On the security front, SATS has registered as a Regulated Cargo Agent (RCA) as part of the Regulated Cargo Agents Regime in Singapore, which seeks to enhance cargo security onboard passenger flights. Qualifying as a RCA is a stamp of assurance to our customers that stringent air cargo security requirements have been adhered to and all necessary security measures and procedures are in place across the entire supply chain – from storage to cargo transportation – to protect their cargo from any unlawful interference or contamination.

As part of our focus to manage costs diligently and promote 'green' efforts, we looked at various ways to minimise our energy consumption during the year. We rigorously identified areas where electricity could be saved, such as switching to energy-saving lights, alternating the usage of highbay lights during the day, optimising refrigeration facilities, upgrading office air-conditioners to energy-saving versions, and using energy-efficient compressors for the new Coolport@Changi.

Awards and Accolades

- All Nippon Airways named the Singapore station manned by SATS as its top station worldwide in its second Customer Satisfaction Survey.
- SATS was awarded the Cargo 2000 Quality Certification for its proven quality management and information systems. It earned the distinction of being one of seven ground handlers in the world to receive this certification.
- SATS garnered a total of 1 Gold, 2 Silver, 2 Bronze and 1 Team awards at the Changi Airport Services Personality of the Year Awards 2009 organised by the Changi Airport Group to recognise exceptional customer service.
- We clinched 5 awards in the SMILE Awards organised by the Changi Airport Group to recognise individuals for their positive service attitudes and excellent service delivery.
- SATS was named Air Cargo Terminal Operator of the Year (Asia Pacific) at the 2009 Frost & Sullivan Asia Pacific Transportation & Logistics awards.
- In the "Go the Extra Mile" service campaign, Jet Airways commended SATS for its efforts in serving the airline customers.
- We were conferred the Service Excellence Award for Cargo Handling by Korean Air.
- We bagged a total of 60 wins at the Singapore Airlines Transforming Customer Services Awards in recognition of our frontline staff for service excellence.
- SATS' Auxiliary Police Officers received three individual commendation awards for their efforts in making the airport a safe place for passengers at the Airport Police Commander's Awards organised by the Singapore Police Force.
- SATS won three team awards for outstanding performances at the Commissioner of Police Awards organised by the Singapore Police Force.
- At the annual Excellent Service Awards organised by SPRING Singapore, we clinched 22 Star awards, 8 Gold awards and 18 Silver awards.
- We were conferred the Operational Excellence Award by United Airlines for achieving operational excellence and improving the airline's station performance.

Gateway Services

OVERSEAS

North Asia

Beijing Aviation Ground Services Co., Ltd (BGS)

Located at Beijing Capital International Airport (BCIA), BGS is a 60:40 ground handling joint venture between Capital Airports Holding Company and SATS. A leading ground handler in BCIA, BGS serves over 50% of the airlines at the airport, offering a comprehensive suite of services including passenger, cargo, apron and technical ramp handling.

BGS' customers include major airlines such as China Southern Airlines, Dragonair, KLM Royal Dutch Airlines and Singapore Airlines. During the year, it added Afriqiyah Airways, Donghai Airlines and Polet Airlines to its list of customers and renewed contracts with Air France, British Airways and Emirates, amongst others.

BGS saw flights handled increase 16.2% year-on-year to more than 86,000 flights while cargo throughput rose 18.4% to over 522,000 tonnes. Passengers handled declined by 4.3% to 3.6 million.

Towards the end of the financial year, BGS completed its divestment of seven ground handling joint ventures formed with the respective airport companies in Changchun, Chongqing, Guiyang, Harbin, Hohhot, Nanchang and Wuhan. It reported a small investment gain from these divestments.

Looking ahead, BGS plans to increase its cargo capacity and expand its scope of services. It intends to tap on the extended facilities of the upcoming new cargo terminal at BCIA.

SATS HK Limited (SATS HK)

SATS HK, a wholly-owned subsidiary of SATS, provides passenger and ramp handling services at Hong Kong International Airport (HKIA). It serves

about 24 airlines including Asiana Airlines, Cebu Pacific Air, Delta Air Lines and Turkish Airlines.

During the year in review, SATS HK has steadily grown its market share to 13% for passenger services and 17% for ramp handling, by the number of airline customers served. It handled over 1.5 million passengers and close to 7,200 flights. These were driven by several new customer wins, including Jet Airways, Singapore Airlines Cargo and Tiger Airways, amongst others, as well as contract renewals with key customers such as Air Canada and FedEx.

Asia Airfreight Terminal Co Ltd (AAT)

AAT is an airfreight terminal operator at HKIA with an annual handling capacity of 1.5 million tonnes. With an equity stake of 49%, SATS is the largest of the five shareholders in the international consortium that owns AAT.

AAT serves over 40 carriers including major international airlines such as All Nippon Airways, Qantas Airways, Singapore Airlines, Thai Airways and United Airlines. For the year in review, AAT secured 13 new airline customers including DHL Air, Tiger Airways and Vietnam Airlines, amongst others, while inking three contract renewals with Air Mauritius, Asiana Airlines and Pakistan International Airlines. As a result, its share of airline customers at the airport has increased to nearly 35%.

In terms of tonnage, AAT reported a cargo throughput of over 554,000 tonnes, a 2% decrease over a year ago. Despite the lower cargo throughput, profit after tax increased 24% primarily due to the increased contribution from related businesses brought in by its subsidiary Asia Airfreight Services.

The year in review also saw AAT embark on a series of energy saving projects to upgrade its lighting and air conditioning systems. These initiatives helped AAT become the first air cargo terminal and the second building at HKIA to receive the Energy Efficiency Certificate awarded by the Electrical and Mechanical Services department of the Hong Kong Government. Together with the introduction of new electric vehicles, AAT achieved total annual savings of $350,000.

Evergreen Air Cargo Services Corporation (EGAC)

SATS holds a 25% equity stake in EGAC – an airfreight terminal operator which offers a comprehensive range of cargo handling services at Taiwan Taoyuan International Airport (Taoyuan Airport).

Gateway Services

EGAC has close to 30% market share by cargo throughput at Taoyuan Airport and runs a fully automated airfreight terminal that is one of the only two on-airport cargo facilities on the island. It serves more than 25 airline customers, including All Nippon Airways, China Airlines, EVA Airways, Singapore Airlines Cargo and Thai Airways.

During the year in review, EGAC renewed and secured new contracts with AirAsia, AirAsia X, FedEx and Thai AirAsia. It handled a higher cargo throughput of over 370,000 tonnes, which was driven by growth in import and export cargo arising from the direct airlinks between Taiwan and China, and new collaborations with freight forwarders such as Hecny Transportation and Schenker Logistics.

Evergreen Airline Services Corporation (EGAS)

EGAS is a ground handler based in Taoyuan Airport. Established in October 1990, it offers a comprehensive suite of services including ramp, baggage and airfreight handling as well as aircraft interior and exterior cleaning and maintenance services for airport equipment and vehicles. SATS owns a 20% equity stake in EGAS.

For the year in review, EGAS handled over 22,000 flights, an increase of 7.4% compared to the year before. It clinched new contracts with AirAsia, AirAsia X and Thai AirAsia, and inked a contract renewal with Shanghai Airlines. This brings the total number of airlines that it serves to 13, up from 10 a year ago. Other key airline customers include All Nippon Airways, Asiana Airlines, Dragonair and Singapore Airlines.

West Asia

Air India SATS Airport Services Private Limited (AISATS)

SATS formed three joint ventures with the National Aviation Company India Limited (NACIL) to offer ground and cargo handling services at the Bengaluru International Airport in Bangalore and Rajiv Gandhi International Airport in Hyderabad

"I wish to express our appreciation for all the hard work that the Asia-Pacific Star team has put in to continuously achieve on-time performance for all Cebu Pacific Air flights here in Singapore. I am so proud that we always find ourselves in the league of best recoveries amongst our regional stations. Keep up the good work!"

Ms Evelyn M. Mallari, Station Manager – Singapore, Cebu Pacific Air

in March and May 2008 respectively. Both airports began operations in 2008.

In April 2010, SATS and NACIL set up a single 50:50 joint venture company, AISATS, to house their existing operations in Hyderabad and Bangalore as well as potential operations in other metro airports in India such as Mumbai and Delhi.

Today, AISATS serves more than half of the airlines operating in Bangalore and Hyderabad. For the year in review, it renewed and clinched new contracts with several airlines including Air China, Air India, Emirates, Malaysia Airlines and Saudi Arabian Airlines.

To enhance the security of airfreight handling, AISATS has collaborated with DHL Global Forwarding in a security partnership programme. Both parties are working together to develop standard operating procedures for high-value and high-risk air cargo, as well as share information on best practices, crime trends and security awareness training materials. This is a positive step for India's airfreight industry as it is the first collaboration between a freight forwarder and a cargo terminal operator to share their expertise and ensure consistency throughout the supply chain.

Southeast Asia and Australasia

PT Jasa Angkasa Semesta Tbk (PT JAS)

Based in Indonesia, PT JAS is a ground and cargo handling company established since 1986. SATS acquired a 49.8% equity stake in the company in June 2004 to tap on the growing market for ground and cargo handling in Indonesia.

Today, PT JAS operates in 11 key stations across the archipelago. It serves more than 60% of the international airlines and close to 50% of the domestic carriers in the airports where it operates. It counts 33 airlines as its customers, including Emirates, EVA Airways and Singapore Airlines.

For the year in review, PT JAS served over 15.4 million passengers, handled more than 52,000 flights and over 213,000 tonnes of cargo. It renewed and secured new contracts with airlines such as AirAsia, Cathay Pacific Airways, Qantas Airways, Qatar Airways and Turkish Airlines.

Gateway Services

In its efforts to provide greater value to its customers, PT JAS upgraded its facilities during the year. Apart from opening a priority check-in lounge in Jakarta airport for its customers' premium passengers, it also invested more than $2.5 million to enhance its import warehouse with the addition of a coldroom and a cargo tracking system, amongst other facilities.

Tan Son Nhat Cargo Services Ltd (TCS)

Operating since 1997, TCS provides cargo terminal services at Tan Son Nhat International Airport, Vietnam's largest airport in Ho Chi Minh City. It is a joint venture between Vietnam Airlines, Southern Airport Services Company and SATS, which holds a 30% equity stake. TCS serves 37 airlines at the airport including Cathay Pacific Airways, China Airlines, Korean Air and Vietnam Airlines.

For the year in review, TCS handled close to 200,000 tonnes of cargo, an increase of 7.4% year-on-year. It also secured contract renewals with All Nippon Airways, EVA Airways, Hong Kong Airlines, Thai Airways and United Airlines.

TCS continues to explore ways to improve its services and facilities to better meet its customers' needs. The company is in the midst of expanding its facilities with the construction of a new 12,500 square metres export cargo terminal and a Customs Hub in the airport to facilitate cargo clearance. It is also collaborating with Tan Son Nhat Cargo Services and Forwarding Company, a subsidiary of Vietnam Airlines, to provide express handling services. On the IT front, TCS is currently working to implement COSYS Intelligent Solutions, an advanced cargo management system from SATS, by end 2010 to enhance its cargo handling capabilities and improve its operational efficiency.

Awards and Accolades

- AAT emerged as the second runner-up in the Power Smart competition organised by Friends of the Earth (Hong Kong) to encourage power conservation amongst corporations.
- BGS was rated by British Airways as its second most improved station and fifth best performing station amongst 21 stations, and named the best station nationally by Shenzhen Airlines. It also received outstanding service partner awards from Delta Air Lines and Hainan Airlines.
- EGAS was honoured with the Best Airport Performance Award 2009 by Dragon Airline for its Taipei station.
- AISATS was named the Best Agency for Safety by the Bengaluru International Airport, bagging eight individual awards for best aerobridge operator, best supervisor, best pushback operator, best marshaller, best driver and best foreign object disposal practices.
- PT JAS' Jakarta station emerged as one of the top three stations for SIA Cargo 2008/2009 Awards, while its Denpasar station took second place in the Group 1 Airport category.

Food Solutions

Food Solutions

SINGAPORE

SATS now has a substantially fortified Food Solutions business following the successful acquisition of Singapore Food Industries (SFI). We are able to access new geographical markets and customer segments in addition to reaping cost synergies from the integration.

During the year in review, we initiated several integration projects covering the areas of procurement, production, food supply chain logistics, central services and corporate functions. At the close of FY2009-10, we had substantially completed the integration of SFI into our Food Solutions division and attained cost savings of $7 million per annum. With the progressive completion of the remaining integration projects, we expect to deliver more than $12 million of annualised savings in the coming months.

New contracts and renewals

At Singapore Changi Airport, SATS currently serves more than 40 airlines and around 85% of the total scheduled flights.

In FY2009-10, we produced a total of 23.5 million meals, a decline of 6.8% from a year ago. Despite the aviation downturn, we managed to secure contracts with several airline customers including China Eastern Airlines, Kingfisher Airlines, Singapore Airlines and Tiger Airways.

The Singapore Airshow also boosted our inflight catering business as we received additional meal orders from chartered flights, business jets and participants of the Airshow.

Our non-aviation Food Solutions business is a beneficiary of the changing tourism and hospitality landscape in Singapore. During the year in review, we secured two contracts from the Integrated Resorts, namely a meat supply

"SATS Catering is committed to quality and efficiency. The team is always flexible in accommodating our needs and committed in presenting the best possible meals to Singapore Airlines' passengers."

Mr Hermann Freidanck, Manager Food & Beverage, Inflight Services, Singapore Airlines

contract from Marina Bay Sands and a flat sheet laundry services contract from Resorts World Sentosa.

In the area of events catering, we won a contract to cater meals for athletes and games officials at the first Asian Youth Games held in Singapore in June-July 2009.

In the area of hospital catering, we added St Andrew's Community Hospital to our customer list, bringing the total number of hospital customers to seven. We continued to secure contracts to supply food materials to ship chandlers, hospitals and other food caterers in the food distribution business.

Process improvements and facility upgrades

To improve productivity and streamline our processes, we initiated and successfully completed 12 Lean Management projects during the year. These projects involved enhancing our production scheduling, optimising our manpower deployment and minimising raw material wastages, amongst others. As a result, we achieved total cost savings of over $1.2 million per annum in FY2009-10.

One of the key Lean projects was to cut raw material wastages in the butchery section by 20%. Another project aimed to reduce the waiting time for dishing staff by 30% and food wastages by 50% at the bulk cooked food area.

To optimise manpower deployment at our inflight kitchens, we introduced a centralised roster to facilitate

staff scheduling, and streamlined preparation and cooking processes across all the kitchens. Staff from different sections were cross-trained to enable more flexible deployment across various work areas.

Another Lean project which focused on improving the delivery of catering uplifts also yielded an increase in productivity and higher customer satisfaction ratings. Monitoring of callbacks and tightening of the checking procedures at the outbound bay helped to ensure that the required items by airlines were accurately uplifted. As a result, this initiative successfully achieved a 50% reduction in callbacks during the year.

In preparation for the economic upturn, we also embarked on a series of facility upgrades including:

- reconfiguring the refrigeration system, improving the boiler efficiency by replacing gas boilers with electrical heat pumps, and expanding our outbound truck docks, holding coldrooms and foodbank at our inflight kitchen;

Food Solutions

- constructing a $5 million Integrated Meat Processing Plant to centralise our meat cutting operations. Due to be completed in July 2010, the plant will also produce Halal certified ham and sausages as part of our strategy to pursue market growth in branded and value-added products; and

- investing in a fully automated fruit processing line, the first of its kind in Singapore, to improve productivity and reduce the reliance on manual labour.

New initiatives and offerings

During the year, we continued to leverage on our competency in Food Solutions to launch new product and service offerings. Here are some of our initiatives:

- we opened our first branded chocolate outlet, Jewels Artisan Chocolate, to showcase our capability in chocolate confectionery. Located at Orchard Central, Jewels melds European artisan chocolate techniques with Asian flavours to bring a whole new experience to fine chocolate appreciation;

- we established a new event catering unit, Le Lifestyle, to provide catering services for premium events. We believe that as Singapore gears up to become a leading tourism hub, this will add more exciting premium catering opportunities for Le Lifestyle; and

- we introduced the concept of fine dining to enhance the meal experience of patients at the National University Hospital, starting with its maternity ward. New premium menus were created and the presentation of meals was also enhanced. In addition, we set up a concierge unit to offer personalised services in taking meal orders, delivering food to the wards, and preparing celebration meals for patient discharge at the hospital.

Awards and Accolades

- SATS won the Award for Excellence given by British Airways in recognition of its service and safety excellence.
- SATS was conferred the 2009 Mabuhay Best Caterer Award in the Asia Pacific region by Philippines Airlines.
- SATS clinched the Pride of SilkAir award for being the airline's best service partner in catering.
- United Airlines awarded SATS a Gold Star certificate for excellence in all areas of customer service.
- Country Foods won the IUT Award given by the National Environment Agency in recognition of its efforts in food waste recycling.
- SFI clinched the Gold award at the Community Chest Awards 2009 for its efforts in helping the less fortunate.
- SFI was one of the 11 organisations named by Hewitt Associates in its Best Employers in Singapore 2009 Study.

OVERSEAS

North Asia

Beijing Airport Inflight Kitchen Ltd (BAIK)

Established in 1993, BAIK is a 60:40 joint venture between Capital Airports Holding Company and SATS. Today, BAIK serves close to 50% of the international airlines at Beijing Capital International Airport including Scandinavian Airlines, Singapore Airlines and Turkish Airlines.

For the year in review, BAIK clinched a new contract with Ural Airlines, and renewed contracts with British Airways and Malaysia Airlines. It produced close to 6 million meals, representing a 38% increase year-on-year. Contributing to this increase was BAIK's new kitchen, which was completed in end December 2008. This new kitchen spans 40,000 square metres and has a capacity to produce 30,000 meals per day including special and Halal meals. BAIK is the first and only inflight kitchen in China to be awarded the Halal certificate from the Chinese Minorities and Religious Office.

Country Foods Macau, Limited (CF Macau)

CF Macau was incorporated In December 2007 with the aim to expand SATS' food business in the territory. Country Foods, our wholly-owned subsidiary, holds a 51% equity stake in CF Macau.

CF Macau manufactures and supplies food materials such as processed fruits and vegetables, soups, sauces, semi-processed meats, roast meats as well as ready-made meals and snacks for the Macau and Hong Kong market.

During the year in review, it won a contract to provide employee meals to Altira Macau, formerly known as Crown Macau. Its other customers include Cathay Pacific Catering Services, Hong Kong's Ocean Park and LSG Lufthansa Service Hong Kong.

Macau Catering Services Company Ltd (MCS)

Incorporated in 1995, MCS is a joint venture between Servair-SATS Holding and local Macau companies, Sociedade de Turismo e Diversoes de Macau, Wu's Group and H. Nolasco & Cia Lda. Servair-SATS, a 49:51 joint venture between SATS and Servair Group, holds a 34% stake in MCS.

Food Solutions

Located at Macau International Airport, MCS's production facility has the capacity to produce an average of 4,100 meals per day. It serves 11 airline customers including Air Macau, EVA Airways, Shanghai Airlines and TransAsia Airways.

For the year in review, MCS produced over 1.1 million meals, an 18.6% decline year-on-year.

Evergreen Sky Catering Corporation (EGSC)

SATS holds a 15% equity stake in EGSC, its first major investment in Taiwan since October 1995. EGSC commands a market share of around 40% at Taiwan Taoyuan International Airport, and serves a total of 14 airline customers including All Nippon Airways, EVA Airways, FedEx, Singapore Airlines and Thai Airways.

During the year in review, it added Shanghai Airlines to its customer list and produced over 6.4 million meals.

West Asia

Taj SATS Air Catering Limited (TSAC)

TSAC provides inflight catering services to domestic and international airlines in major cities in India including Mumbai, Delhi, Kolkata and Amritsar. It is a 49:51 joint venture between SATS and Indian Hotels, which operates the Taj Group of hotels in India.

Prominent international names in TSAC's roster of 49 airline customers include Air India, British Airways, Cathay Pacific Airways, Emirates and Singapore Airlines.

During the year in review, TSAC produced close to 16 million meals, down 2.7% from the previous year. It clinched new contracts with airlines such as Air China, American Airlines, Indian Airlines and Qatar Airways, among others. To expand out of the aviation sector, TSAC together with Taj Madras Flight Kitchen have embarked on initiatives to provide institutional catering to non-airline customers.

"SATS Catering is a partner that we can always count on. Throughout our partnership, it has always been proactive in offering support and assistance, providing valuable solutions on catering issues that we have encountered along the way."

Mr Baldev Bul, Airport Manager Singapore, Etihad Airways

Taj Madras Flight Kitchen Pvt Limited (TMFK)

TMFK is a joint venture between Indian Hotels, Malaysia Airlines and SATS, which holds a 30% equity stake. As the leading inflight caterer in Chennai, TMFK currently serves around 10 airlines including Emirates, Jet Airways and Malaysia Airlines.

During the year in review, TMFK produced over 2 million meals and renewed its contract with Indian Airlines. The global economic downturn saw a drop in its meal production as more and more airlines switched to 'sale on-board' instead of offering inflight meals to every passenger.

Maldives Inflight Catering Pte Ltd (MIC)

Located at the Malé International Airport (MIA), MIC is a 65:35 joint venture between Maldives Airports Company and SATS. MIC serves more than 80% of the airlines for inflight catering and provides aircraft interior cleaning services to all airlines at MIA. It counts airlines such as China Southern Airlines, Qatar Airways and Singapore Airlines amongst its customers.

For the year in review, MIC produced over 472,000 meals, up 2.4% from the previous year. It signed on Air China, British Airways, China Southern Airlines, Korean Air and Malaysia Airlines as new customers.

Food Solutions

"Thank you for your support, SFI. We greatly appreciate your effort and diligence in supporting us in our daily operations and during promotional activities. Your team is always there for us even during unforeseen circumstances where we require your immediate assistance to attend to the individual stores."

Ms Jessica Germaine Tok, Category Manager, Giant/Shop N Save

During the year, MIC-owned Hulhule Island Hotel (HIH) secured several crew accommodation contracts with airlines such as Condor Airlines, First Choice Airways, Qatar Airlines, Sri Lankan Airlines and XL Airways in addition to the business and leisure segments.

Southeast Asia and Australasia

MacroAsia Catering Services, Inc (MACS)

An 80:20 joint venture formed by MacroAsia Corporation and SATS, MACS is the first inflight catering facility located within Ninoy Aquino International Airport (NAIA) in Manila, Philippines. MACS also holds the distinction of being the only ISO 9001:2000 certified Halal compliant and HACCP-certified caterer in Manila.

Serving more than half of the international carriers at NAIA, MACS captures close to 60% of the market share by meal volumes. Its customers include international carriers such as Emirates, KLM Royal Dutch Airlines, Qantas Airways and Singapore Airlines.

For the year in review, MACS produced over 2.6 million meals, an increase of 6.7% over a year ago. It renewed its contract with Air Niugini and upgraded its ISO certification to ISO 9001:2008.

Europe

Daniels Group

Comprising Daniels Chilled Foods, Farmhouse Fare and International Cuisine, UK-based Daniels Group is a food manufacturer supplying branded and private label products in five categories, namely fresh soup, chilled drinks, fresh fruit, ready meals and traditional desserts.

Wholly-owned by SATS, Daniels Group is the market leader for fresh soup and chilled orange juice with a market share of about 50% and 60% respectively by sales. Amongst its key customers are major UK retailers such as Sainsbury's, Tesco, Asda, Coop, Waitrose, and Marks and Spencer.

For the year in review, Daniels Group achieved sales of £160 million, representing more than 6% growth year-on-year. It also added new customers such as EAT and Minor Weir & Willis, amongst others.

In March 2010, Daniels Group opened a new £8.5 million plant in Grimsby, Lincolnshire. This new facility will produce a wide range of soup and chilled ready meals and increase its current capacity by 25%.

Awards and Accolades

- BAIK received the Silver Culinary Team Award in a culinary competition organised by the Chinese Catering Association. It also received an award for excellence from British Airways, and best partner awards from Garuda Indonesia and Turkish Airlines.
- Daniels Group won Gold and Silver awards at the Grocer Food & Drinks Awards 2010 for New Covent Garden Food Company's fresh orange juice with bits and Farmhouse Fare's luxury rice pudding with fruit compote respectively. It also bagged the Gold award in the desserts and pudding category in the Great Taste Awards 2009 organised by the Guild of Fine Food.
- HIH clinched top awards in the Maldives' leading hotel category at the World Travel Awards 2009 and was a finalist in the Luxury Airport Hotel category at World Luxury Hotel Awards 2009. It also clinched the awards for Most Outstanding Chef and Best Maldivian Chef at the Hotel Asia Exhibition and Culinary Challenge 2009.
- MACS was conferred the Valued Partner for 2009 Award and a Special Award for Outstanding Catering Services by Korean Air. It was also named the top catering team at the Singapore Airlines CEO Transforming Customer Service Awards.
- TSAC bagged the Gold Award for Best Caterer in Delhi from Cathay Pacific Airways. It was also named the Best Middle Haul and Short Haul Caterer for 2009 in Mumbai by All Nippon Airways, as part of its Overseas Caterer Award Programme.

Corporate Social Responsibility

At SATS, we recognise the importance of protecting the environment that we work and live in. With diminishing natural resources, the urgency to conserve and protect our environment grows. So too, do our efforts to make a positive difference. From recycling to saving energy, we make it a point to reduce our carbon footprint throughout the SATS family. During the year in review, we put in place the following key initiatives:

Saving Energy

- **Optimising refrigeration system**
  We reconfigured the refrigeration system at SATS Inflight Catering Centre 1 in September 2009 to reduce the level of energy consumption, with expected savings of over $300,000 per annum.

- **Consolidating coldroom operations**
  We consolidated our coldroom operations at the airfreight terminals to reduce energy consumption and achieved cost savings of over $150,000 per annum.

- **Improving boiler efficiency**
  We replaced gas boilers with five electrical heat pumps to improve the boiler efficiency at SATS Inflight Catering Centre 1. This effectively reduced energy consumption and achieved close to $200,000 in savings per year.

- **Cutting excess usage**
  We conserved energy by switching off alternate highbay lights in our airfreight terminals during the day and achieved annual savings of close to $75,000.

- **Upgrading existing systems**
  Our Hong Kong joint venture, Asia Airfreight Terminal, upgraded its air-conditioning and lighting systems with more environmentally friendly solutions. These initiatives reaped cost savings of over $340,000 per year.

Recycling

- **Improving recyclability**
  Daniels Group embarked on a project to improve the recyclability of the plastic bottles used for its juices and smoothies. This initiative reaped annualised savings of over $130,000.

- **Recycling organic waste**
  We identified pre-preparation areas where organic waste could be segregated from inorganic waste with about 99.7% purity. The conversion of the organic waste into compost for sale translated into annualised savings of $60,000.

- **Recycling fruit waste**
  Daniels Group recycled fruit waste to sell as feed for livestock from its fruit site in Leeds. This resulted in savings of more than $80,000 per annum.

Creating Awareness

- **Pioneering E-freight**
  As a pioneer of E-freight, an initiative facilitated by IATA to replace paper documentations in air cargo, SATS helped to raise awareness among its peers and partners about the importance of reducing paper usage and the benefits of the E-freight processes.

- **Supporting Earth Hour**
  SATS Cargo supported the Earth Hour initiative in Singapore by holding its own Earth Hour a day earlier to generate greater awareness among its partners and employees. On 26 March 2010 from 1pm to 2pm, lights in its airfreight terminal and throughout the offices, lift lobbies, corridors and multi-storey carpark were switched off for an hour.

- **Supporting World Environment Day**
  In June 2009, Taj SATS Air Catering and Taj Madras Flight Kitchen celebrated World Environment Day to create greater awareness on the importance of protecting the environment. As part of the celebration, activities such as tree planting and art competition were organised for employees and their families.

Financial Review

FY2009-10

Earnings

The Group recorded revenue of $1.539 billion, an increase of $476.8 million (+44.9%) over last financial year. Net profit attributable to equity holders was $181.2 million, which was $34.5 million (+23.5%) higher over FY2008-09.

The results have been positively impacted by the full year contribution from the Singapore Food Industries ("SFI"), which accounted for $642.7 million in revenue and $52.5 million of net profit attributable to equity holders (before amortization of intangible assets).

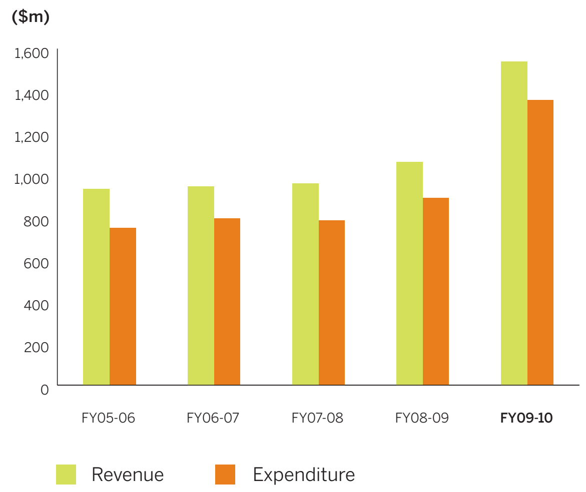
Group operating margin was 12.0% compared to 16.1% last year. The decline is attributable to a change in revenue mix, with a higher proportion from SFI, which had lower margins, and the inclusion of amortization charge of $18.9 million for intangibles compared to $3.2 million (2 months) in the last financial year.

Profit contribution from associated companies increased $19.7 million (+88.6%) to $41.9 million. Associated companies contributed 18.8% to the Group's profit before tax, an increase of 6.7 percentage points over the preceding financial year.

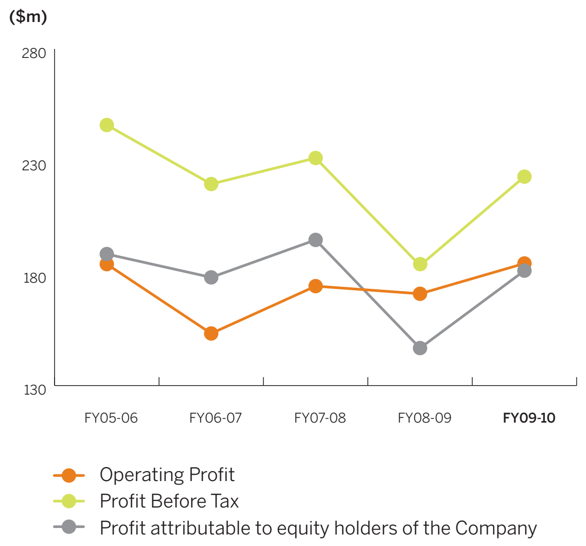
Other non-operating income improved despite a $6.2 million (-90.9%) drop in interest income. This was due to a one-off loss on disposal of short-term non-equity investments of $10.8 million recorded in the preceding year.

Profit before tax for the Group increased 21.5% to $223.0 million and net profit attributable to equity holders was 23.5% higher at $181.2 million.

Group Revenue and Expenditure



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



Financial Review
FY2009-10

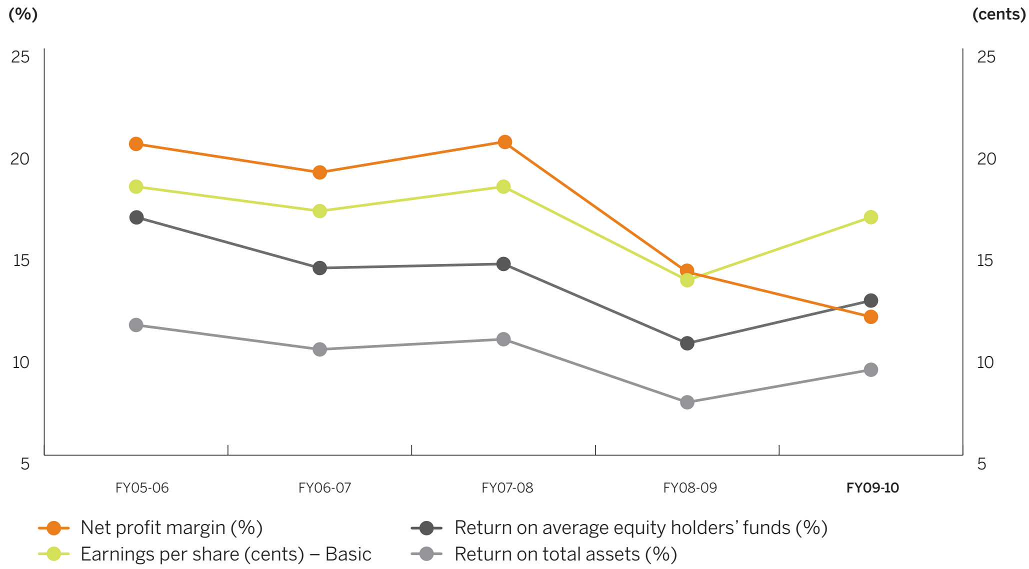
Earnings (Cont'd)

Basic earnings per share increased 3.1 cents (+22.8%) to 16.7 cents.

Profitability ratios of the Group are as follows:

	2009-10	2008-09	Change
	%	%	% points
Return on turnover	11.8	14.0	-2.2
Return on equity holders' funds	12.6	10.6	+2.0
Return on total assets	9.2	7.6	+1.6

Group Profitability Ratios



Revenue

Revenue for FY2009-10 was $1.539 billion, $476.8 million or 44.9% higher than the preceding financial year mainly due to a full year's revenue contribution from SFI, which became a subsidiary on 20 January 2009, and Country Foods Macau and SATS Hong Kong, when they became subsidiaries in the third quarter of FY2008-09.

The segmental revenue and its composition are summarised below:

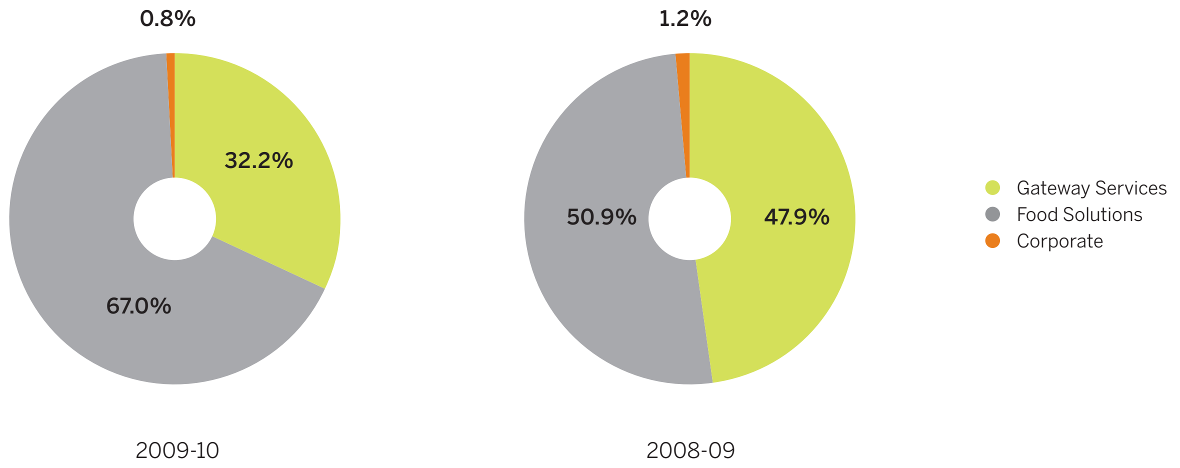
	2009-10		2008-09		
	$ million	%	$ million	%	% change
Gateway Services	**495.3**	**32.2**	508.2	47.9	-2.5
Food Solutions	**1,031.7**	**67.0**	541.0	50.9	+90.7
Corporate	**11.9**	**0.8**	12.9	1.2	-7.7
Total	**1,538.9**	**100.0**	**1,062.1**	**100.0**	**+44.9**

The segmental revenue excludes the intra-group revenue.

Financial Review
FY2009-10

Revenue (Cont'd)

Group Revenue Composition



The Gateway Services segment provides mainly airport terminal services, such as airfreight and ground handling services, aviation security and aircraft interior cleaning services to the Group's airline customers. Ground handling includes apron, passenger and baggage handling services. Airfreight and ground handling services formed the majority of this segment's revenue at 90.0%, similar to prior year's trend. Revenue saw a decrease due to lower airfreight even though there were increases in passengers served and flights handled, the increase came mainly from the low cost carrier service, where unit revenue contribution is lower compared to full service carriers.

Food Solutions segment provides mainly inflight catering, food processing and distribution services as well as airline laundry services. In FY2008-09, 72.3% of the revenue was derived from inflight catering. With the full year's contribution from SFI, inflight catering revenue fell to 34.4% of the total Food Solutions revenue.

Corporate segment revenue is derived from rental of premises. The decrease in revenue was $1.0 million (-7.7%).

Expenditure

Operating expenditure increased 52.0% (+$463.3 million) primarily due to the full year consolidation of SFI, Country Foods Macau and SATS Hong Kong. Excluding SFI, the Group's operating expenses had declined by 2.0% over last year.

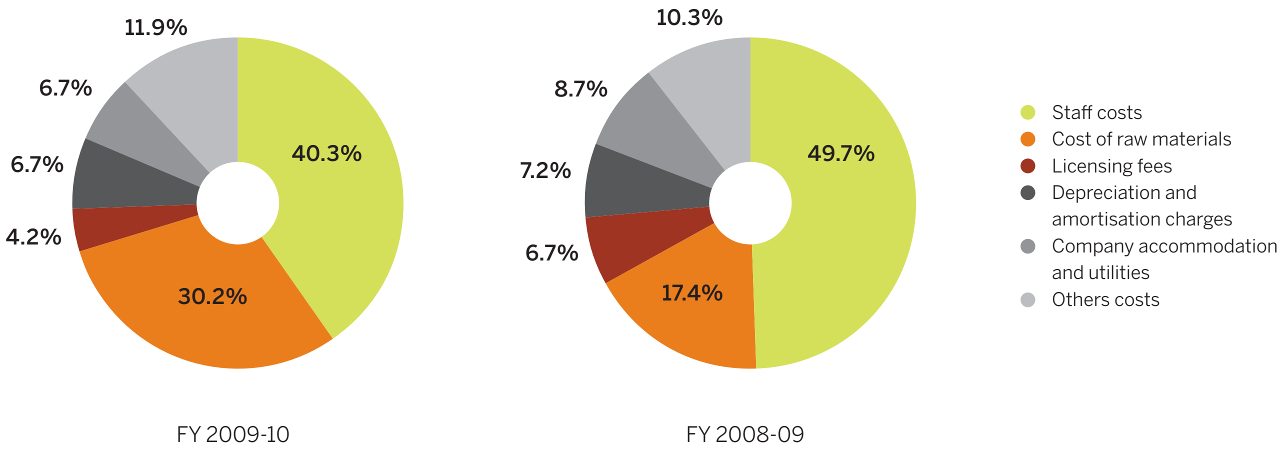
The Group continued with the cost management measures introduced in the last financial year. The jobs credit scheme benefit of $17.1 million ($12.3 million in the preceding year) has also helped cushion the impact of the economic downturn.

Financial Review
FY2009-10

Expenditure (Cont'd)

Group Expenditure Composition

	2009-10		2008-09		
	$ million	%	$ million	%	% change
Staff costs	**545.4**	**40.3**	442.7	49.7	+23.2
Cost of raw material	**409.5**	**30.2**	155.4	17.4	+163.5
Licensing fees	**56.8**	**4.2**	59.9	6.7	-5.2
Depreciation and amortisation charges	**90.8**	**6.7**	64.6	7.2	+40.5
Company accommodation and utilities	**90.8**	**6.7**	77.1	8.7	+17.8
Other costs	**161.2**	**11.9**	91.5	10.3	+76.2
Total	**1,354.5**	**100.0**	**891.2**	**100.0**	+52.0



Profit Contribution from Associated Companies

Profit contribution from associated companies rose significantly by 88.7% to $41.9 million, reflecting improvement in volumes and the absence of one-off charges. The main contributors to the improvement were PT Jasa Angkasa Semesta Tbk and Asia Airfreight Terminal Co Ltd, which contributed $11.9 million and $7.8 million respectively to the year on year increment.

Associated companies contributed 18.8% of the Group's profit before tax, an increase of 6.7 percentage points over the preceding financial year.

Taxation

Tax expense was $40.9 million, which was $5.9 million higher than the preceding year. The increase was in tandem with the increase in profits. The effective tax rate was reduced from 19.1% in FY2008-09 to 18.3% in FY2009-10.

Financial Review

FY2009-10

Dividends

The Company paid an interim dividend of 5 cents per share, amounting to $54.2 million on 25 November 2009. The directors proposed that a final dividend of 8 cents per share, amounting to $87.4 million, be paid.

The total dividend of $141.6 million, payable out of profits for financial year 2009-10, represents a dividend payout of 78.1%, an increase over the 73.5% payout ratio for FY2008-09.

Financial Position

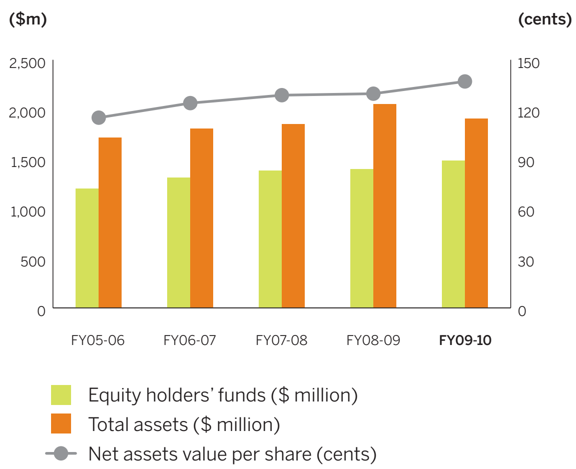
At 31 March 2010, the equity attributable to equity holders of the Group was $1,481.9 million, an increase of $83.8 million or 6.0% compared to $1,398.1 million at 31 March 2009. The return on equity for the Group was 12.6% for FY2009-10, 2.0 percentage point higher than the preceding financial year.

The Group's total assets were $1,909.1 million at 31 March 2010, which is $146.1 million or 7.1% lower than that as at 31 March 2009.

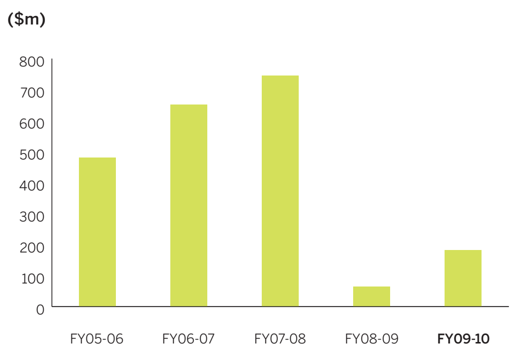
The net asset value per share was $1.37, 8 cents or 6.2% higher than the preceding year.

Net liquid assets of the Group increased $118.7 million to $182.7 million. Net liquid assets is calculated as financial liquid assets less current liabilities. The debt equity ratio for the Group at 31 March 2010 decreased from 0.18 to 0.02 due to the repayment of the Medium Term Notes and certain term loans in September 2009.

Equity Holders' Funds, Total Assets and Net Asset Value Per Share



Net Liquid Assets



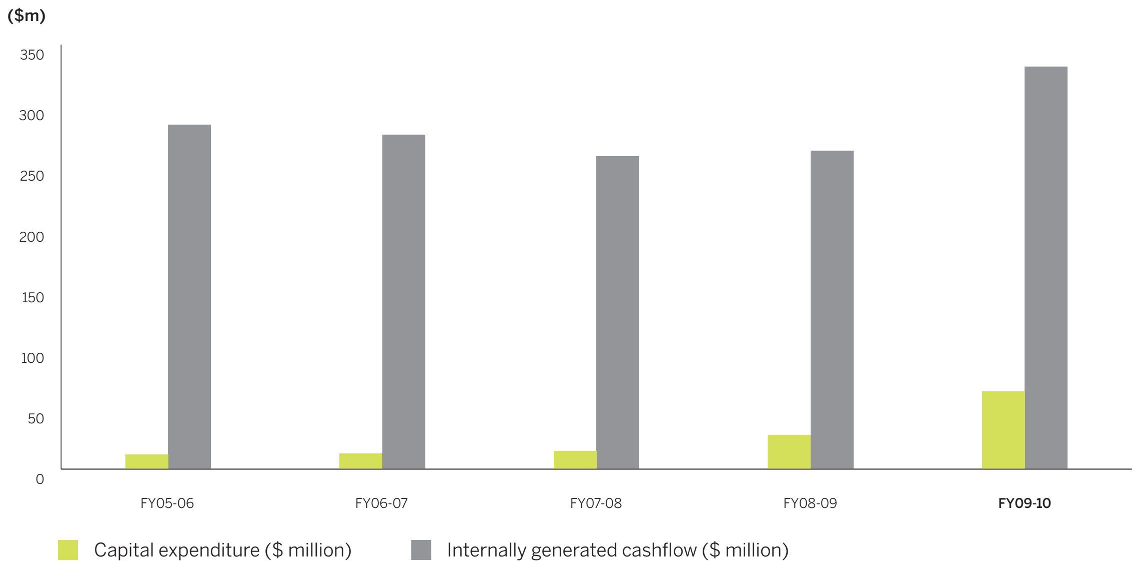
Financial Review
FY2009-10

Capital Expenditure and Cash Flow

The Group's capital expenditure and internally generated cash flow were $64.1 million and $331.9 million respectively for the current financial year, an increase of $36.0 million and $69.7 million from the preceding financial year. Internally generated cash flow is the sum of cash generated from operations, gross dividends from associated companies and proceeds from sale of fixed assets.

The Group's cash and cash equivalents was $195.7 million as at 31 March 2010, a decrease of $80.0 million compared to a year ago due to the repayment of the Medium Term Notes in September 2009.

Capital Expenditure and Internally Generated Cash Flow



Value Added

The value added of the Group was $802.8 million, an increase of $163.5 million compared to the preceding financial year. $483.4 million (60.2%) went to salaries and other staff costs while shareholders received $118.9 million (14.8%) in dividends. Interest on borrowings and corporate taxes accounted for $5.3 million (1.0%) and $40.9 million (5.1%) respectively. $153.4 million (19.1%) was retained for future capital requirement, and $0.9 million was attributable to minority interests.

Financial Review
FY2009 -10

Value Added (Cont'd)

Statement of Value Added and Its Distribution

	2009-10 $ million	2008-09 $ million	2007-08 $ million	2006-07 $ million	2005-06 $ million
Total Revenue	**1,538.9**	1,062.1	958.0	945.7	932.0
Less: Purchases of goods & services	**779.5**	441.7	355.7	343.3	335.5
	759.4	620.4	602.3	602.4	596.5
Add/(less):					
Interest income	**0.6**	6.9	15.7	18.2	9.3
Share of results of associated companies	**41.9**	22.2	44.7	52.1	57.3
Amortisation of deferred income	**0.9**	(0.5)	1.4	1.4	1.4
Income from long-term investments	**–**	(9.7)	1.1	1.0	0.6
Exceptional items	**–**	–	17.3	–	–
Total value added available for distribution	**802.8**	639.3	682.5	675.1	665.1
Applied as follows:					
To employee					
– Salaries and other staff costs	**483.4**	384.5	368.4	383.4	347.5
To government					
– Corporate taxes	**40.9**	35.0	53.5	40.8	56.9
To supplier of capital					
– Dividend	**118.9**	151.1	140.0	83.9	83.1
– Minority interests	**0.9**	1.7	0.3	0.8	0.6
– Interest on borrowings	**5.3**	6.7	6.2	6.2	6.3
Retained for future capital requirements					
– Depreciation and amortisation	**90.8**	64.6	59.2	65.7	65.3
– Retained earnings	**62.6**	(4.3)	54.9	94.3	105.4
Total value added	**802.8**	**639.3**	**682.5**	**675.1**	**665.1**
Value added per $ revenue	**0.52**	0.60	0.71	0.71	0.71
Value added per $ employment costs	**1.66**	1.66	1.85	1.76	1.91
Value added per $ investment in fixed assets	**0.58**	0.47	0.53	0.52	0.52

Staff Strength and Productivity

The Group's average staff strength for the current financial year was 11,932. This was 29.7% higher than the preceding financial year, reflecting the assimilation of staff from SFI. The breakdown of the average staff strength is as follows:

	2009-10	2008-09*	% change
Gateway Services	**6,529**	6,118	+6.7
Food Solutions	**5,137**	2.831	+81.4
Corporate	**266**	247	+7.7
Total	**11,932**	9,196	+29.7

* FY2008-09 average staff strength has been recomputed using the formula consistent with that applied to FY2009-10.

Financial Review
FY2009-10

Staff Strength and Productivity (Cont'd)

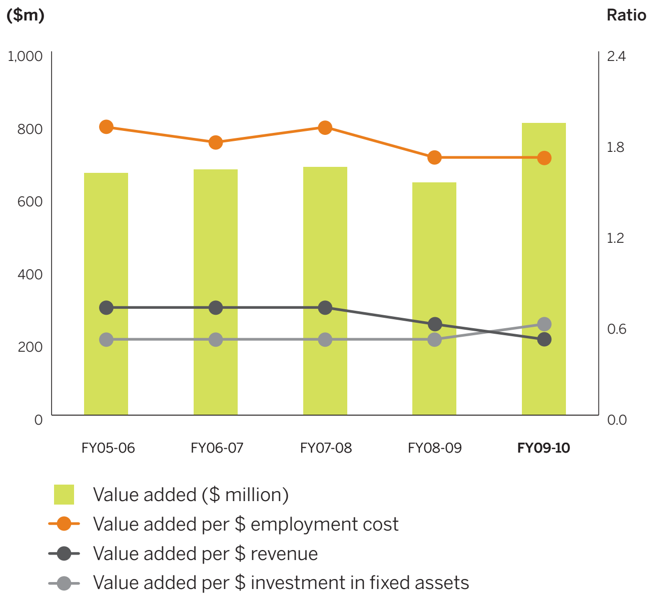
The staff productivity measured by value added per employee for the current financial year decreased 3.2% to $67,293. Productivity in term of value added expressed per dollar of employment cost was maintained at 1.66.

Revenue increased 11.7% and while staff cost per employee decreased 3.1%.

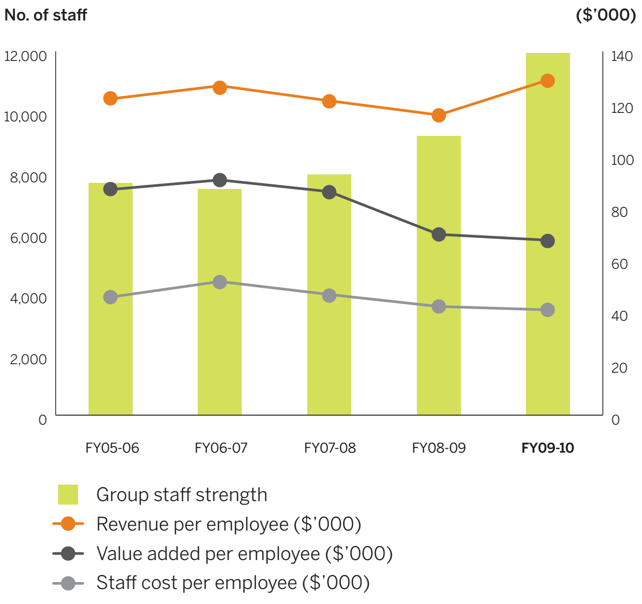
	2009-10	2008-09	% change
Value Added Per Employee ($'000)	**67,293**	69,524 *	-3.2
Value Added Per $ of Employment cost	**1.66**	1.66	–
Revenue Per Employee ($'000)	**128,974**	115,495 *	+11.7
Staff Cost Per Employee ($'000)	**40,532**	41,814 *	-3.1

* The staff productivity indicators for FY2008-09 have been recomputed using the formula consistent with that applied to FY2009-10.

Group Value Added Productivity Ratios



Group Staff Strength and Productivity



Economic Value Added (EVA)

EVA for the Group was $67.2 million, $41.0 million or 156.5% higher than the preceding financial year mainly due to higher operating profit and share of profit from associated companies.

Share Capital and Share Options of the Company

The issued and paid-up capital of the Company increased from S$255,176,777 as at 31 March 2009 to S$288,017,756 as at 31 March 2010. The increase was due to new ordinary shares of the Company ("Shares") allotted and issued pursuant to the exercise of options granted under the SATS Employee Share Option Plan ("Plan"), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees. In addition, ordinary shares were vested and issued during the financial year under the Restricted Share Plan and Performance Share Plan.

Financial Review

FY2009 -10

Share Capital and Share Options of the Company (Cont'd)

Employee Share Option Plan

There were no options granted during the year.

During the year, 13,592,720 share options were exercised by employees. As at 31 March 2010, there were 49,195,130 unexercised employee share options.

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

At the extraordinary general meeting of the Company held on 19 July 2005, the shareholders approved the adoption of two new share plans, namely the RSP and the PSP, in addition to the Employee Share Option Plan.

As at 31 March 2010, the number of outstanding shares granted under the Company's RSP and PSP were 1,410,353 and 502,816 respectively.

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

Breakdown by Business Activities

	Revenue		Operating Profit	
	2009-10	2008-09	2009-10	2008-09
	$ million	$ million	$ million	$ million
Gateway Services	**495.3**	508.2	**57.8**	70.9
Food Solutions	**1,031.7**	541.0	**143.5**	96.5
Corporate	**11.9**	12.9	**(16.9)**	3.5
	1,538.9	**1,062.1**	**184.4**	**170.9**

	Profit Before Tax		Profit After Tax	
	2009-10	2008-09	2009-10	2008-09
	$ million	$ million	$ million	$ million
Gateway Services	**95.0**	85.4	**75.7**	72.2
Food Solutions	**147.5**	104.3	**121.8**	86.1
Corporate	**(19.5)**	(6.2)	**(15.3)**	(9.9)
	223.1	**183.5**	**182.1**	**148.4**

	Total Assets		Capital Expenditure	
	2009-10	2008-09	2009-10	2008-09
	$ million	$ million	$ million	$ million
Gateway Services	**575.0**	670.6	**16.2**	18.5
Food Solutions	**740.9**	656.3	**43.1**	12.4
Corporate	**593.2**	728.3	**7.4**	1.8
	1,909.1	**2,055.2**	**66.7**	**32.7**

Financial Review

FY2009-10

Performance by Major Business Units

Gateway Services

In the Gateway Services segment, airfreight and ground handling services formed the majority of the segment revenue at 90.0%, similar to prior year's trend. Revenue saw a decrease due to lower airfreight even though there were increases in passengers served and flights handled, the increase came mainly from the low cost carrier service, where unit revenue contribution is lower compared to full service carriers.

The savings from cost management measures and jobs credit scheme benefit were offset by the building up of operational capacity by SATS Hong Kong to cater for higher volume anticipated for the next financial year and the commencement of operations of the low cost carrier ground handling services. As such, the expenditure for the financial year saw no change.

Operating profit decreased 18.5% to $57.8 million.

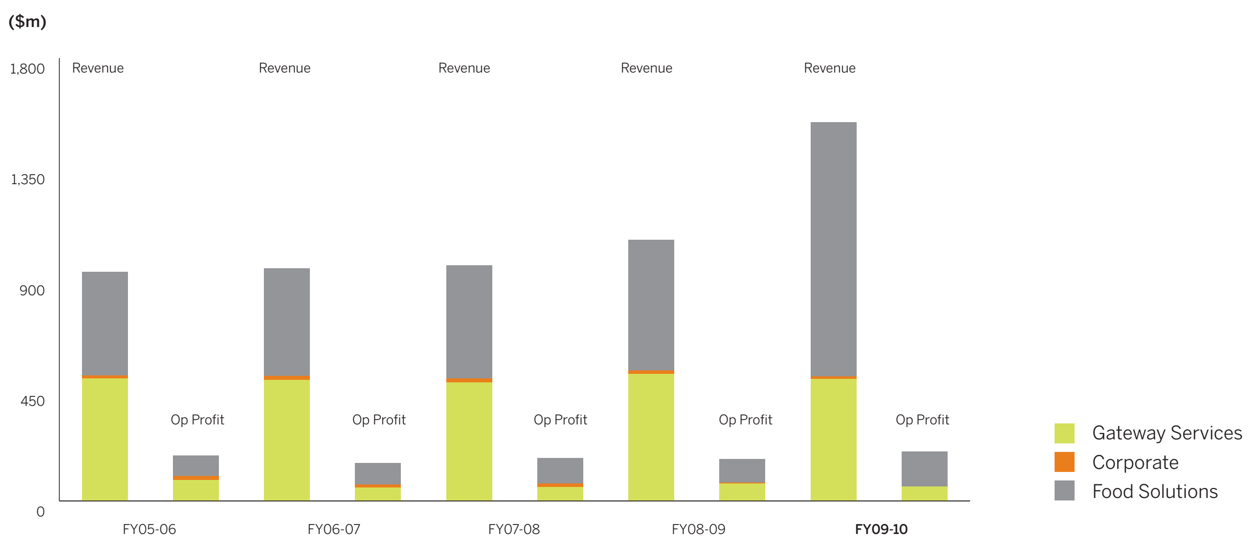
Food Solutions

In FY2008-09, 72.3% of the revenue was derived from inflight catering. With the full year contribution from SFI, inflight catering revenue fell to 34% of the total Food Solutions revenue.

Expenditure for the financial year increased 99.8% to $888.2 million mainly from cost of raw materials due to higher volumes and revenue.

Operating profit for Food Solutions increased 48.7% to $143.5 million.

Revenue and Operating Profit by Business Activities



Corporate Governance

Code of Corporate Governance 2005
Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference
Guideline 1.3 Delegation of authority, by the board to any board committee, to make decisions on certain board matters.	Pages 70 to 73, 76, 77, 81 and 82
Guideline 1.4 The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings.	Page 71
Guideline 1.5 The type of material transactions that require board approval under internal guidelines.	Page 72
Guideline 2.2 Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reason for considering him as independent should be disclosed.	Not applicable
Guideline 3.1 Relationship between the chairman and chief executive officer where they are related to each other.	Not applicable
Guideline 4.1 Composition of nominating committee.	Pages 70 and 73
Guideline 4.5 Process for the selection and appointment of new directors to the board.	Page 75
Guideline 4.6 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent.	Pages 70, 72 and 75
Guideline 5.1 Process for assessing the effectiveness of the board as a whole and the contribution of each individual director to the effectiveness of the board.	Page 75
Principle 9 Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance.	Pages 77 to 81 and 85
Guideline 9.1 Composition of remuneration committee.	Pages 70 and 76
Guideline 9.2 Name and remuneration of each director. The disclosure of remuneration should be in bands of S$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives.	Page 79
Guideline 9.2 Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure should be in bands of S$250,000 and include a breakdown of remuneration.	Page 80
Guideline 9.3 Remuneration of employees who are immediate family members of a director or the chief executive officer, and whose remuneration exceed S$150,000 during the year. The disclosure should be made in bands of S$250,000 and include a breakdown of remuneration.	Page 81
Guideline 9.4 Details of employee share schemes.	Pages 81 and 85
Guideline 11.8 Composition of audit committee and details of the committee's activities.	Pages 70, 81 and 82
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.	Pages 82, 83, 86 to 88

Corporate Governance

Singapore Airport Terminal Services Limited ("**SATS**" or the "**Company**") continually strives to maintain high standards of corporate governance within the Company and its subsidiaries (the "**Group**") by promoting corporate performance and accountability in order to enhance long term shareholder value.

This report ("**Report**") describes SATS' corporate governance policies and practices with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2005 (the "**2005 Code**"). This Report has been structured in accordance with the sequence of principles and guidelines as set out in the 2005 Code.

Principle 1: Company to be headed by an effective board to lead and control the company

The Board is responsible to oversee the business, performance and affairs of the Group. Management has the role of ensuring that the day-to-day operation and administration of the Group is carried out in accordance with the policies and strategy determined by the Board, and in that respect, Management is fully accountable to the Board.

The key functions of the Board are to:
- set the overall business strategies and direction of the Group to be implemented by Management, and to provide leadership and guidance to Management;
- monitor the performance of Management;
- oversee and conduct regular reviews of the business, financial performance and affairs of the Group;
- evaluate and approve important matters such as major investments, funding needs and expenditure;
- have overall responsibility for corporate governance, including the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- ensure communication with all stakeholders; and
- protect and enhance the reputation of the Group.

The Board is supported in its functions by the following Board Committees which have been established to assist in the discharge of the Board's oversight function:
- Board Executive Committee
- Audit Committee (renamed on 1 November 2009, formerly known as the Audit and Risk Management Committee)
- Nominating Committee
- Remuneration and Human Resource Committee
- Board Risk Committee (established on 1 November 2009)

The current members of the Board and their membership on the Board Committees of the Company are as follows:

Board Member	Board Membership	Board Executive Committee	Audit Committee	Nominating Committee	Remuneration and Human Resource Committee	Board Risk Committee
Mr Edmund Cheng Wai Wing	Non-Executive Chairman & Independent Director	Chairman			Chairman	
Mr David Zalmon Baffsky	Independent Director		Member			
Mr David Heng Chen Seng[1]	Non-Executive, Non-Independent Director	Member				Member
Mr Khaw Kheng Joo[2]	Independent Director			Chairman		Member
Dr Rajiv Behari Lall	Independent Director			Member		
Mr Mak Swee Wah[3]	Non-Executive, Non-Independent Director	Member				Chairman
Mr Ng Kee Choe	Non-Executive, Non-Independent Director	Member			Member	
Mr Keith Tay Ah Kee	Independent Director		Chairman	Member		
Mr Yeo Chee Tong	Independent Director		Member		Member	

Notes:
1 Appointed as a Director on 15 October 2009, and as a member of both the Board Executive Committee and Board Risk Committee with effect from 1 November 2009.
2 Appointed as a member of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Audit Committee with effect from 1 November 2009.
3 Appointed as the Chairman of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Remuneration and Human Resource Committee with effect from 1 November 2009.

Corporate Governance

Principle 1: Company to be headed by an effective board to lead and control the company (Cont'd)

Further details on each of the Board Committees along with a summary of their respective terms of reference can be found subsequently in this Report.

In addition, an *ad hoc* Board Committee (namely, the SATS-SFI Integration Board Committee or "**SSIBC**") was established by the Board in the previous financial year ended 31 March 2009 ("**FY2008-09**") to oversee the integration of the SATS and Singapore Food Industries Limited (now known as Singapore Food Industries Pte. Ltd.) ("**SFI**") groups of companies and their respective operations following the completion of the acquisition of SFI by the Company. The SSIBC's members comprised Mr Edmund Cheng Wai Wing (Chairman of the SSIBC), Mr Mak Swee Wah, Mr Ng Kee Choe, Mr Keith Tay Ah Kee and Mr Yeo Chee Tong. The SSIBC met five times during the financial year ended 31 March 2010 ("**FY2009-10**") to review integration-related matters together with Management and it was subsequently disbanded on 31 December 2009 upon substantial completion of the integration exercise.

Fixed Board meetings on a quarterly basis are scheduled in advance. In addition, *ad hoc* Board meetings are convened if there are pressing matters requiring the Board's deliberation and decision in between the scheduled meetings. During FY2009-10, in addition to the quarterly scheduled Board meetings, there were two *ad hoc* Board meetings convened. Since 2003, the Board has also conducted annual Board strategy meetings to have more focused discussions on key strategic issues facing the Group.

The Company's Articles of Association ("**Articles**") allow Directors to participate in Board and Board Committee meetings by way of telephone conference or other similar means of communication equipment whereby all persons participating in the meeting are able to hear each other, without requiring their physical presence at the meeting. The Company has set up telephone and video conference facilities to enable alternative means of participation in Board and Board Committee meetings. During FY2009-10, various Directors have participated in Board or Board Committee meetings by way of telephone conference or video conference.

In respect of FY2009-10, a total of seven Board meetings, including a three-day Board strategy meeting and two *ad hoc* Board meetings, were held. The Directors' attendance at Board and Board Committee meetings for FY2009-10 is set out below.

		No. of Board Committee Meetings Attended					
	No. of Board Meetings Attended (No. of meetings held: 7)	**Board Executive Committee** (No. of meetings held: 5)	**Audit Committee** (No. of meetings held: 5)	**Nominating Committee** (No. of meetings held: 2)	**Remuneration and Human Resource Committee** (No. of meetings held: 8)	**Board Risk Committee** (No. of meetings held: 1)	**SATS-SFI Integration Board Committee** (No. of meetings held: 5)
Mr Edmund Cheng Wai Wing	7 (1 via teleconference)	5	Not applicable	Not applicable	8	Not applicable	5
Mr David Zalmon Baffsky	7 (2 via teleconference)	Not applicable	5 (2 via teleconference)	Not applicable	Not applicable	Not applicable	Not applicable
Mr David Heng Chen Seng [4]	2	2	Not applicable	Not applicable	Not applicable	0	Not applicable
Mr Khaw Kheng Joo [5]	6	Not applicable	2 (1 via teleconference)	2	Not applicable	1	Not applicable
Dr Rajiv Behari Lall	5	Not applicable	Not applicable	1 (via teleconference)	Not applicable	Not applicable	Not applicable
Mr Mak Swee Wah [6]	6	5	Not applicable	Not applicable	6	1	4
Mr Ng Kee Choe	7	4	Not applicable	Not applicable	8	Not applicable	5
Dr Ow Chin Hock [7]	3	Not applicable	Not applicable	1	Not applicable	Not applicable	Not applicable
Mr Keith Tay Ah Kee	7	Not applicable	5 (1 via teleconference)	2 (1 via teleconference)	Not applicable	Not applicable	5
Mr Yeo Chee Tong	7 (2 via video conference)	Not applicable	5 (1 via teleconference; 1 via video conference)	Not applicable	6 (6 via video conference)	Not applicable	3 (2 via video conference)

Notes:

4 Appointed as a Director on 15 October 2009, and as a member of both the Board Executive Committee and Board Risk Committee with effect from 1 November 2009. Mr Heng attended two out of three Board meetings and all meetings of the Board Executive Committee which were held during his term of Directorship in FY2009-10.

5 Appointed as a member of the Board Risk Committee with effect from 1 November 2009 and stepped down as a member of the Audit Committee with effect from 1 November 2009. Mr Khaw attended two out of three meetings of the Audit Committee which were held during his term as a member of the Audit Committee in FY2009-10.

6 Appointed as the Chairman of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Remuneration and Human Resource Committee with effect from 1 November 2009. Mr Mak attended all meetings of the Remuneration and Human Resource Committee which were held during his term as a member of the Remuneration and Human Resource Committee in FY2009-10.

7 Retired as Director at the Company's 36th Annual General Meeting held on 28 July 2009 and did not stand for re-election. At the time of his retirement, Dr Ow was a member of the Nominating Committee. Dr Ow had attended all Board meetings and all meetings of the Nominating Committee which were held during his term of Directorship in FY2009-10.

Corporate Governance

Principle 1: Company to be headed by an effective board to lead and control the company (Cont'd)

All members of the Board actively participate in Board discussions and help develop proposals on business strategies and goals for the Group. Board members meet regularly with Management, and review and monitor the performance of Management in meeting the goals and objectives set for them.

The Board has adopted a set of guidelines on matters that require its approval, which include all matters of strategic importance, corporate governance practices, legal and regulatory compliance, risk management, maintenance of performance standards, corporate strategy, approval of business plans, approval of manpower establishment, operating and capital expenditure budgets, and approval and monitoring of major investment and strategic commitments.

Board Executive Committee

In this regard, the Board has delegated to the Board Executive Committee the function of reviewing and approving certain matters, *inter alia*, guiding Management on business, strategic and operational issues, undertaking an initial review of the three- to five-year forecast/business plan and annual capital and operating expenditure budgets for the Group, granting initial or final approval (depending on the value of the transaction) of transactions of the Company or its subsidiaries relating to the acquisition or disposal of businesses, assets or undertakings, joint ventures, mergers, amalgamations or similar corporate transactions, establishing bank accounts, granting powers of attorney, affixation of the Company's seal, and nominating board members to the Company's subsidiaries and associated companies. Minutes of the meetings of the Board Executive Committee are forwarded to all Directors for their information.

The Board Executive Committee currently comprises Mr Edmund Cheng Wai Wing (who is the Chairman of the Committee), Mr David Heng Chen Seng, Mr Mak Swee Wah and Mr Ng Kee Choe. The Chairman of the Board Executive Committee is an independent Director.

The Board Executive Committee is required under its terms of reference to meet at least once in each financial year and met five times in FY2009-10. Regular reports are presented to the Committee at each meeting on the performance of the Group's subsidiaries, associated companies and joint ventures, and the operational performance of the Group. The President & Chief Executive Officer ("**PCEO**") and Chief Financial Officer ("**CFO**") are usually invited and present at the meetings of the Board Executive Committee.

Orientation and training for Directors

Newly-appointed Directors undergo an orientation programme, which includes site visits and presentations by members of Management, to facilitate their understanding of the Group's businesses, operations and processes. In addition, all Directors are encouraged to attend relevant and useful seminars on leadership and industry-related matters, and corporate governance for their continuing education and skills improvement, conducted by external organizations, at the Company's cost.

Newly-appointed Directors are each also sent a formal letter setting out directors' duties and obligations. They are also provided with other material relating to the Board and Board Committees (including the terms of reference of the various Board Committees as well as relevant guidelines and policies).

Principle 2: Strong and independent element on the board to exercise objective judgement

The present Board comprises all non-executive Directors. Of the nine Directors, six are considered by the Nominating Committee and the Board to be independent Directors based on the 2005 Code's criteria for independence.

The Board, through the Nominating Committee, reviews the structure, size and composition of the Board. The Nominating Committee has developed a set of principles to guide it in carrying out its responsibilities of reviewing and determining an appropriate Board size and composition. The Nominating Committee reviews the composition of the Board to ensure that the Board comprises Directors who as a group provide core competencies such as accounting or finance, legal, business or management (including human resource development and management) experience, industry knowledge, strategic planning experience, and customer-based experience or knowledge, required for the Board to be effective.

The Nominating Committee, as part of its continuing review of the Board's size and composition, recommended the appointment of Mr David Heng Chen Seng as a Director of the Company in October 2009, to supplement and strengthen the collective competency of the Board.

Corporate Governance

Principle 2: Strong and independent element on the board to exercise objective judgement (Cont'd)

The Nominating Committee is currently considering the appointment of additional directors with specific areas of expertise to supplement and strengthen the collective competency of the Board as well as for Board rejuvenation, and in this regard, with the endorsement of the Board of Directors, is recommending the appointment of Mr Nihal Vijaya Devadas Kaviratne CBE as a Director of the Company for approval by the Company's shareholders at the Company's 37th Annual General Meeting to be held on 30 July 2010 ("**AGM**").

To facilitate open discussion and review on the effectiveness of Management, the Board members also meet up for informal discussions prior to the scheduled Board meetings, without Management being present.

Principle 3: Roles of the chairman and chief executive officer to be separate to ensure a balance of power and authority

The roles of Chairman and PCEO are clearly separate to ensure appropriate check and balance, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the PCEO are not related to each other, and further, the PCEO is not a member of the Board.

The Chairman of the Board continues to lead the Board to ensure its effectiveness on all aspects of its role and sets its agenda, guides the dissemination of accurate, timely and clear information amongst Board members, promotes effective communication with shareholders, encourages constructive relations between the Board and Management, facilitates the effective contributions of the Directors, encourages constructive relations amongst all Directors and promotes high standards of corporate governance.

Principle 4: Formal and transparent process for appointment of new directors

Nominating Committee

The Board has established a Nominating Committee with written terms of reference which include the following:
- reviewing and making recommendations to the Board on the structure, size and composition of the Board;
- making recommendations to the Board regarding the process for selection of new Directors and identification of new Directors;
- making recommendations to the Board on re-nominations and re-elections of existing Directors;
- evaluating the independence of Directors on an annual basis;
- determining if Directors who hold directorships on other boards are able to and have been adequately carrying out their duties as Directors of the Company; and
- doing all things as may form part of the responsibilities of the Nominating Committee under the provisions of the 2005 Code.

The Nominating Committee currently comprises the following three members, all of whom (including the Chairman), are independent Directors:
- Mr Khaw Kheng Joo (Chairman)
- Dr Rajiv Behari Lall (Member)
- Mr Keith Tay Ah Kee (Member)

The Chairman of the Nominating Committee is not associated with Temasek Holdings (Private) Limited ("**Temasek**"), the substantial shareholder of the Company.

The Nominating Committee is required by its terms of reference to hold meetings twice in each financial year. It held two meetings in FY2009-10.

Corporate Governance

Principle 4: Formal and transparent process for appointment of new directors (Cont'd)

Re-nomination and re-election of Directors

Details of the Directors' dates of first appointment to the Board and last re-election as Directors are indicated below:

Name of Director	Position Held on the Board	Date of First Appointment to the Board	Date of Last Re-election as a Director
Mr Edmund Cheng Wai Wing [8]	Chairman	22 May 2003 (as Director and Chairman)	24 July 2008
Mr David Zalmon Baffsky	Director	15 May 2008	24 July 2008
Mr David Heng Chen Seng [8]	Director	15 October 2009	Not applicable
Mr Khaw Kheng Joo [8]	Director	19 July 2005	24 July 2008
Dr Rajiv Behari Lall	Director	5 May 2008	24 July 2008
Mr Mak Swee Wah	Director	24 July 2008 (appointed at the Company's 35th Annual General Meeting)	Not applicable
Mr Ng Kee Choe	Director	1 March 2000	28 July 2009
Mr Keith Tay Ah Kee [8]	Director	26 July 2007 (appointed at the Company's 34th Annual General Meeting)	Not applicable
Mr Yeo Chee Tong	Director	19 May 2006	28 July 2009

Note:
8 Mr Edmund Cheng Wai Wing, Mr Khaw Kheng Joo, Mr Keith Tay Ah Kee and Mr David Heng Chen Seng will be retiring and standing for re-election at the AGM. Other than Mr David Heng Chen Seng, who is regarded by the Nominating Committee to be a non-independent Director, Mr Edmund Cheng Wai Wing, Mr Khaw Kheng Joo and Mr Keith Tay Ah Kee are all considered by the Nominating Committee to be independent Directors. Mr Edmund Cheng Wai Wing is the Chairman of the Board and is also the Chairman of both the Board Executive Committee and the Remuneration and Human Resource Committee. Mr Khaw Kheng Joo is the Chairman of the Nominating Committee and a member of the Board Risk Committee. Mr Keith Tay Ah Kee is the Chairman of the Audit Committee and a member of the Nominating Committee. Mr David Heng Chen Seng is a member of both the Board Executive Committee and the Board Risk Committee.

The Articles require one-third (or the number nearest one-third rounded upwards to the next whole number) of the Directors for the time being to retire from office at each Annual General Meeting. Retiring Directors are selected on the basis of those who have been longest in office since their last election, and as between those persons who became Directors on the same day, they will be selected by agreement or by lot. They are eligible for re-election under the Articles. All Directors are required to retire from office at least once every three years. Further, Directors who are appointed by the Board of Directors since the last Annual General Meeting of the Company hold office only until the following Annual General Meeting and shall then be eligible for re-election under the Articles.

The Directors standing for re-election at the AGM are Mr Keith Tay Ah Kee, Mr Khaw Kheng Joo, Mr Edmund Cheng Wai Wing and Mr David Heng Chen Seng. The Nominating Committee (after having taken the principles for the determination of the Board's size and composition adopted by it into consideration) recommend their re-election, after assessing their contribution and performance (including attendance, preparedness, participation and candour) as Directors, and the Board has endorsed the recommendation.

With effect from the financial year ending 31 March 2011 ("**FY2010-11**"), newly appointed Directors would be appointed to serve an initial term of three years. Based on the principle that regular renewal and rejuvenation of the Board is generally beneficial, the tenure of a Director would be considered at the juncture when he approaches on or about his sixth anniversary on the Board, taking into account the recommendations of the Nominating Committee as to whether any further renewal of the Director's term would be appropriate and in the Company's best interests, and subject to the Board's approval.

Principle 4: Formal and transparent process for appointment of new directors (Cont'd)

Annual independence review

The Nominating Committee is tasked to determine on an annual basis whether or not a Director is independent, bearing in mind the 2005 Code's definition of an "independent Director" and guidance as to which existing relationships would deem a Director not to be independent.

In this regard, the following Directors are regarded as non-independent Directors of the Company:
- Mr David Heng Chen Seng, in view of his being an executive officer of Temasek, being the single largest substantial shareholder of the Company;
- Mr Mak Swee Wah, in view of his being an executive officer of Singapore Airlines Limited ("**SIA**"), which was prior to 1 September 2009, the majority shareholder of the Company and which till todate remains a major customer of SATS; and
- Mr Ng Kee Choe, with effect from 1 September 2009, the date on which SIA effected a distribution *in specie* of all or substantially all of the Company's shares held by SIA to SIA's shareholders, whereby Temasek became a direct and the single largest substantial shareholder of the Company on such date, in view that he is a member of the Temasek Advisory Panel.

Save for the abovenamed Directors, all the other six Directors on the Board are considered by the Nominating Committee and the Board to be independent Directors.

Selection and appointment of new Directors

The Nominating Committee regularly reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board. This assists the Nominating Committee in identifying and nominating suitable candidates for appointment to the Board.

The Nominating Committee is in charge of making recommendations to the Board regarding the selection of new Directors and identification of new Directors. Taking into consideration the desired qualifications, skillsets, competencies and experience which are required to supplement the Board's existing attributes, if need be, the Nominating Committee may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. The Nominating Committee, together with the Chairman of the Board, then meet with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations as to the appointment of any candidate to the Board for its approval.

Key information regarding the Directors

More information on each of the Directors, their respective backgrounds (such as academic and professional qualifications) and fields of expertise as well as their present and past directorships or chairmanships in other listed companies and other major appointments over the preceding three years can be found in the "**Board of Directors**" section of this Annual Report. Information on their shareholdings in the Company can be obtained in the "**Report by the Board of Directors**" in the "**Financials**" section of this Annual Report.

Principle 5: Formal assessment of effectiveness of the board

The Board has implemented a process for assessing the effectiveness of the Board as a whole, with the objective of continuous improvement. A consulting firm specializing in Board evaluation and human resource assists the Board in the design and implementation of the process, comprising two parts – a structured qualitative assessment of the functioning of the Board, and a review of selected financial performance indicators. Both sets of performance criteria, recommended by the consultants, have been adopted by the Nominating Committee and the Board. The qualitative assessment process utilizes a confidential questionnaire submitted by each Director individually. As for the quantitative performance criteria, the Board has adopted, in line with the 2005 Code, performance criteria comprising the Company's share price performance over a five-year period vis-à-vis The Straits Times Index, return on assets, return on equity, return on investment, and economic value added over the preceding five years for the collective Board evaluation.

A process for individual Director assessment and feedback is in place. Other than the collective Board evaluation exercise, the Chairman meets with each Director in a private session to discuss and evaluate the individual performance of the Director. These one-to-one sessions provide a forum for the Chairman to raise and address with each Director, in a conducive setting, issues or matters pertaining to the Board and the individual Director's performance on the Board, and for free and constructive dialogue on an individual basis. It also enables the Chairman and each Director, respectively, to give mutual feedback on individual performance of both the Director as well as the Chairman, in order to identify areas for individual improvement as well as to assess how each Director may contribute more effectively to the collective performance of the Board (and, in the case of the Chairman, enhance the leadership of the Board).

Corporate Governance

Principle 6: Board's access to information

The Board is issued with detailed Board papers by Management giving the background, explanatory information, justification, risks and mitigation for each decision and mandate sought by Management, including, where applicable, relevant budgets, forecasts and projections, and issues being dealt with by Management. Information papers on material matters and issues being dealt with by Management, and quarterly reports on major operational matters, market updates, business development activities and potential investment opportunities, are also circulated to the Board. In addition, various Board Committees receive minutes and reports from Management relating to their specific areas of oversight, which may contain more detailed and specific information than what is circulated to the rest of the Board members.

As part of good corporate governance, Board papers for decision or discussion at Board meetings are circulated, to the extent practicable, a reasonable period in advance of the meetings for Directors' review and consideration, and key matters requiring decision are largely reserved for resolution at Board meetings rather than by circulation to facilitate discussion. The detailed agenda of each Board meeting, prepared by Management and approved by the Chairman, contain specific matters for the decision and information of the Board.

The Board has separate access to the PCEO, CFO, General Counsel and other key Management, as well as the Company's internal and external auditors. Queries by individual Directors on circulated papers are directed to Management who will respond accordingly. Where relevant, Directors' queries and Management's responses are circulated to all Board members for their information.

The Directors also have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and minutes the proceedings. The role of the Company Secretary has been defined by the Board to include supervising, monitoring and advising on compliance by the Company with its Memorandum and Articles of Association, laws and regulations, and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); communicating with relevant regulatory authorities and bodies and shareholders on behalf of the Company; and performing such other duties of a company secretary, as required under laws and regulations or as specified in the Listing Manual or the Articles, or as required by the Chairman of SATS or the Chairman of any Board Committee or the Directors (or any of them), as the case may be. In addition, the Company Secretary assists the Chairman to ensure that there are good information flows within the Board and the Board Committees, and between senior Management and the Directors. She facilitates orientation and assists with professional development of the Directors as may be required. The appointment and removal of the Company Secretary are matters subject to the approval of the Board.

There is also a Board-endorsed procedure for Directors, either individually or collectively, in furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors

Remuneration and Human Resource Committee

The Board has established a Remuneration and Human Resource Committee which presently comprises three members, all of whom are non-executive Directors and of which the majority including the Chairman are considered by the Nominating Committee to be independent Directors. It is chaired by Mr Edmund Cheng Wai Wing and its other members are Mr Ng Kee Choe and Mr Yeo Chee Tong. The Remuneration and Human Resource Committee is required by its terms of reference to meet at least twice each financial year, with additional meetings to be convened as and when required.

The written terms of reference of the Remuneration and Human Resource Committee include the following:
- reviewing and recommending the remuneration framework for the Board (including Directors' fees and allowances);
- overseeing the terms of appointment, scope of duties and remuneration of the PCEO, as well as any other appointment of equivalent seniority to the PCEO or Chief Operating Officer within the Company, and the remuneration packages of those occupying the position of Senior Vice President and above within the Group;
- implementing and administering the Company's Employee Share Option Plan, the Restricted Share Plan and the Performance Share Plan (collectively, the "**Share Plans**") in accordance with the prevailing rules of the Share Plans, requirements of the SGX-ST and applicable laws and regulations;
- overseeing the recruitment, promotion and distribution within the Group, of staff talent;
- reviewing, overseeing and advising on the structure, organization and alignment of the functions and management of the Group;
- reviewing succession planning of the Group;
- overseeing industrial relations matters; and
- doing all other things and exercising all other discretions as may form part of the responsibilities of the remuneration committee under the provisions of the 2005 Code.

Corporate Governance

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors (Cont'd)

Remuneration and Human Resource Committee (Cont'd)

More details of each of the Share Plans can be found in the Annexure to this Report, and also in the "**Report by the Board of Directors**" in the "**Financials**" section of this Annual Report.

The Remuneration and Human Resource Committee's recommendations regarding Directors' remuneration have been submitted to, and endorsed by the Board.

Where required, the Remuneration and Human Resource Committee has access to expert advice in the field of executive compensation outside the Company.

Principle 8: Level of directors' remuneration should be appropriate to attract, retain and motivate but not be excessive

Every Director will receive the basic fee. In addition, he will receive the Chairman's fee if he was the Chairman of the Board, as well as the relevant Board Committee fee (depending on whether he served in the capacity as the Chairman or a member of the relevant Board Committee) for each position he held on a Board Committee, during FY2009-10. If he occupied a position for part of a financial year, the fee payable would be prorated accordingly. Directors would also receive an attendance fee for each Board meeting attended by a Director during the financial year, on account of the time and effort of each of the Directors to avail himself for Board meetings. The attendance fees for Board meetings vary according to whether the Board meeting was held in the state/country in which the Director is ordinarily resident. Prior to FY2009-10, no attendance fees were payable to Directors in respect of their attendance at Board Committee meetings.

The structure for attendance fees is proposed to be revised for FY2009-10, such that attendance fees would be paid in respect of attendances at Board Committee meetings as well as at Board meetings, and to differentiate fees payable in respect of attendances in person or via teleconference/video conference at Board meetings or Board Committee meetings, with a view to having the Directors' remuneration more equitably commensurate with the amount of time that they spend on the Group's affairs. Payment of competitive and equitable remuneration would better serve the Company's need to attract and retain Directors with the necessary experience and capabilities and desired attributes who can contribute to the Company's future development and growth. With the recent acquisition of SFI resulting in the expansion of the Company's scale, size and complexities of business operations and staff, internal re-organisation and the re-orientation of the Company's core businesses as Gateway Services and Food Solutions as well as the recent divestment by SIA of its shareholdings in the Company vide the distribution of the Company's shares by way of dividend *in specie*, resulting in a doubling of the Company's shareholders, the nature and scope of responsibilities and accountability of the Directors have materially increased since FY2009-10.

Further, in view of the contributions of the SSIBC in supervising and reviewing the integration efforts of SATS and SFI, it is also proposed for a one-off lump sum payment of S$25,000 to be paid to each member of the SSIBC for their services in respect of FY2009-10. The SSIBC conducted a total of 7 meetings over FY2008-09 and FY2009-10 and no fees were paid to its members in respect of their services on the SSIBC for FY2008-09. No attendance fees would be payable in respect of attendances at meetings of the SSIBC.

The Board believes that the proposed revised fee structure is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors.

Corporate Governance

Principle 8: Level of directors' remuneration should be appropriate to attract, retain and motivate but not be excessive (Cont'd)

Other than as stated above, the scale of fees proposed to be paid to the Directors for FY2009-10 remains unchanged from that of the previous financial year and is as follows:

Type of Appointment	Existing scale of Directors' fees S$	Proposed revised scale of Directors' fees (from FY2009-10) S$
BOARD OF DIRECTORS		
Basic fee	45,000	45,000
Board Chairman's fee	40,000	40,000
Board Deputy Chairman's fee	30,000	30,000
AUDIT COMMITTEE		
Committee Chairman's fee	30,000	30,000
Member's fee	20,000	20,000
BOARD EXECUTIVE COMMITTEE		
Committee Chairman's fee	30,000	30,000
Member's fee	10,000	10,000
OTHER BOARD COMMITTEES (EXCEPT SSIBC)		
Committee Chairman's fee	20,000	20,000
Member's fee	10,000	10,000
SATS-SFI INTEGRATION BOARD COMMITTEE (SSIBC)		
Committee Chairman/Member's fee	–	25,000 (one-off payment only applicable for FY2009-10)
BOARD MEETING ATTENDANCE FEE [9]		
Attendance via teleconference/video conference	–	1,000
Attendance in person in home city (up to 4 hours for travel within home city)	1,000	2,500
Attendance in person outside home city	2,000	5,000
BOARD COMMITTEE MEETING ATTENDANCE FEE (EXCEPT SSIBC)		
Attendance via teleconference/video conference	–	500
Attendance in person in home city (up to 4 hours for travel within home city)	–	1,200
Attendance in person outside home city	–	2,500

Note:

9 In respect of FY2008-09, Board meeting attendance fees were classified according to whether the Board meeting attended was held within or outside the state/country in which the Director was ordinarily resident in.

Corporate Governance

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration

Directors' remuneration

The Board will be recommending the following fees of the Directors in respect of FY2009-10 for approval by shareholders at the AGM, based on the proposed scale of fees set out above:

Name of Director	Total fees payable in respect of FY2009-10 based on the proposed revised scale of Directors' fees (S$)
Mr Edmund Cheng Wai Wing	194,100
Mr David Zalmon Baffsky	100,500
Mr David Heng Chen Seng [10]	36,386
Mr Khaw Kheng Joo [11]	101,163
Dr Rajiv Behari Lall	80,500
Mr Mak Swee Wah [12]	126,037
Mr Ng Kee Choe	124,400
Dr Ow Chin Hock [13]	26,632
Mr Keith Tay Ah Kee	137,000
Mr Yeo Chee Tong	124,600
Proposed total fees payable to all Directors in office during FY2009-10	**1,051,318**

Notes:

10 Appointed as a Director on 15 October 2009, and as a member of both the Board Executive Committee and Board Risk Committee with effect from 1 November 2009. Directors' fees and allowances for Mr David Heng Chen Seng will be paid to Temasek.

11 Appointed as a member of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Audit Committee with effect from 1 November 2009.

12 Appointed as the Chairman of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Remuneration and Human Resource Committee with effect from 1 November 2009. Directors' fees and allowances for Mr Mak Swee Wah will be paid to SIA.

13 Retired as Director at the Company's 36th Annual General Meeting held on 28 July 2009 and did not stand for re-election. At the time of his retirement, Dr Ow was a member of the Nominating Committee.

While the above proposed total fees payable to all Directors in office during the course of FY2009-10 is an increase over that paid for FY2008-09 which was S$749,357, it is noted that the increase in absolute fees payable is due to: (i) the proposed revised structure for attendance fees as explained in Principle 8 above; (ii) the one-off lump sum payment proposed for the members of the SSIBC for FY2009-10; (iii) the formation of a new Board Committee, being the Board Risk Committee, during FY2009-10; and (iv) a total of 21 Board Committee meetings (other than SSIBC meetings for which no attendance fees are payable) being held in FY2009-10 as compared to a total of 13 Board Committee meetings (other than SSIBC meetings) held in FY2008-09.

Thus far, the Company has been seeking shareholders' approval to pay Directors' fees at the Company's Annual General Meeting held after the end of each financial year. With a view to ensuring that the Company offers more timely remuneration to attract high-calibre Directors, the Company is seeking the approval of shareholders at the AGM to approve the payment of Directors' fees up to a stipulated amount for the current financial year so that Directors' fees can be paid in arrears on a half-yearly basis during the course of the financial year.

Key executives' remuneration

The Company's key executives' remuneration system is designed so as to include long-term incentives to allow the Company to better align executive compensation with creating more value for shareholders. The key executives' remuneration system includes the components of variable bonus and share awards under the SATS Restricted Share Plan ("**SATS RSP**") and/or the SATS Performance Share Plan ("**SATS PSP**"), in addition to fixed basic salary and fixed allowances. With the introduction of share awards under the SATS RSP and the SATS PSP for staff of managerial grade and above in the Company, including key executives, in 2006, the Company had phased out the award of employee share options under the Senior Executive Share Option Scheme (one of the two schemes under the SATS Employee Share Option Plan ("**ESOP**") which was adopted by the Company in 2000) as part of the key executives' remuneration system with effect from FY2007-08, and the final grant of share options for all employees other than senior executives under the ESOP was in July 2008. The payment of variable bonuses and grants of share awards under the SATS RSP and the SATS PSP are in turn dependent on the Company's financial performance as well as the executives' individual performance through their achievement of certain key performance indicators set for them.

Corporate Governance

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration (Cont'd)

Key executives' remuneration (Cont'd)

The remuneration of key executives of the Group during FY2009-10 was as follows:

Name of Key Executive	Remuneration Band[14]	Salary (%)	Bonuses Fixed (%)	Bonuses Variable[15] (%)	Benefits (%)	Total (%)	Award under SATS RSP[16]	Award under SATS PSP[16]
Clement Woon Hin Yong PCEO	S$500,001 – 750,000	73	6	12	9	100	52,000	72,000
Lim Chuang[17] CFO	S$250,001 – 500,000	70	7	13	10	100	27,000	–
Tan Chuan Lye[17] Executive Vice President, Food Solutions	S$250,001 – 500,000	73	7	13	7	100	27,000	–
Ang Lee Nah Senior Vice President, Corporate Development	S$250,001 – 500,000	60	5	24	11	100	27,000	–
Robert Burnett[18] Chief Executive Officer, UK	S$1,000,001 – 1,250,000	45	0	53	2	100	27,000	–
Chang Seow Kuay Chief Executive Officer, Country Foods Pte. Ltd.	Below S$250,000	74	7	13	6	100	27,000	–
Chi Ping Huey[19] General Counsel	Below S$250,000	79	0	13	8	100	–	–
Tony Goh Aik Kwang Senior Vice President, Strategy & Marketing	S$250,001 – 500,000	75	7	12	6	100	27,000	–
Leong Kok Hong[20] Senior Vice President, Strategic Partnership	S$250,001 – 500,000	76	7	12	5	100	18,900	–
Andrew Lim Cheng Yueh Senior Vice President, Pearl River Delta Region	S$250,001 – 500,000	73	6	12	9	100	18,900	–
Denis Suresh Kumar Marie[21] Senior Vice President, Passenger Services	Below S$250,000	75	7	13	5	100	33,000	–
Poon Choon Liang Chief Operating Officer, Singapore Food Industries Pte Ltd	S$250,001 – 500,000	59	4	28	9	100	27,000	–
Frankie Tan Chiew Kuang Senior Vice President, Special Projects	S$250,001 – 500,000	72	6	15	7	100	–	–
Yacoob bin Ahmed Piperdi Senior Vice President, Cargo Services	S$250,001 – 500,000	75	7	12	6	100	18,900	–
Karmjit Singh[22]	Below S$250,000	65	9	11	15	100	–	–
Rebecca Tan-Loke Won Moi[23]	Below S$250,000	77	7	10	6	100	–	–

Notes:
14 Remuneration bands as indicated do not include the value of any awards granted under the SATS RSP and/or the SATS PSP.
15 Includes profit-sharing bonus paid or determined on an accrual basis for FY2009-10.
16 Denotes the base awards of shares granted under the SATS RSP and the SATS PSP for FY2009-10 on 12 November 2009. Final number of shares awarded to the recipient could range between 0% and 150% of the base award granted under the SATS RSP, and between 0% to 200% of the base award granted under the SATS PSP. All awards of shares will vest in the award holder subject to the achievement of pre-determined targets over a two-year period for the SATS RSP and a three-year period for the SATS PSP.
17 Promoted to the grade of Executive Vice President with effect from 1 October 2009.
18 UK-based senior executive whose remuneration has for the purposes of this Report been converted at the exchange rate of £1: S$2.09.
19 Joined SATS on 16 March 2010. Remuneration is in respect of her period of service during FY2009-10.
20 Appointed as Senior Vice President, Strategic Partnership with effect from 1 June 2010. He served as Senior Vice President, Apron Services immediately prior to his new appointment.
21 Promoted to the grade of Senior Vice President with effect from 1 January 2010.
22 Served as Chief Operating Officer, West Asia during FY2009-10 until his retirement on 11 September 2009. Remuneration is in respect of his period of service during FY2009-10.
23 Served as Senior Vice President, Human Resource during FY2009-10 up to and including 31 December 2009. Remuneration is in respect of her period of service during FY2009-10.

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration (Cont'd)

Key executives' remuneration (Cont'd)

None of the immediate family members of a Director or of the PCEO was employed by the Company or its related companies at a remuneration exceeding S$150,000 during FY2009-10.

Further details regarding each of the Share Plans are provided in the Annexure to this Report, and also in the "**Report by the Board of Directors**" and "**Notes to Financial Statements**" in the "**Financials**" section of this Annual Report.

Principle 10: Board is accountable to shareholders and management is accountable to the board, to provide information/ assessment on the company's performance, position and prospects

Shareholders are presented with the quarterly and full-year financial results within 45 days of the end of the quarter or financial year (as the case may be). Through the release of its financial results, the Board aims to present shareholders with a balanced and understandable assessment of SATS' performance, position and prospects. The Company has in place a process to support Management's representations to the Board on the integrity of the Group's financial statements and internal control systems in relation to the requirement under the Listing Manual of the SGX-ST for the Board to issue a negative assurance statement that accompanies the Company's announcement of its quarterly and full year financial statements.

Monthly management accounts of the Group (covering, *inter alia*, consolidated unaudited profit and loss accounts, revenue breakdown by client, consolidated balance sheet and explanatory notes explaining any variance) are circulated to the Board for their information.

Principle 11: Establishment of audit committee with written terms of reference

Audit Committee

Following the formation of the Board Risk Committee on 1 November 2009, the Audit and Risk Management Committee was renamed the Audit Committee with effect from 1 November 2009.

The Audit Committee comprises three members, all of whom are independent Directors. The Chairman of the Audit Committee is Mr Keith Tay Ah Kee, and its other members are Mr David Zalmon Baffsky and Mr Yeo Chee Tong.

The Board is of the view that the members of the Audit Committee have the necessary and appropriate expertise and experience to discharge their duties as the Audit Committee.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and co-operation of Management, and full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to discharge its functions.

Under the terms of reference of the Audit Committee, its responsibilities include the review of the following:
- quarterly and annual financial statements and financial announcements as required under the Listing Manual of the SGX-ST;
- the audit plan, the external auditors' management letter and the scope and results of the external audit;
- independence and objectivity of the external auditors, their appointment and reappointment and audit fee;
- adequacy of resources for the internal audit function, ensuring it has appropriate standing within the Company and has a primary line of reporting to the Chairman of the Audit Committee (with secondary administrative reporting to the PCEO);
- adequacy of the internal audit function, scope of internal audit work and audit programme;
- major findings on internal audit during the year and Management's responses thereto, difficulties encountered during the course of the audit, significant changes to the audit programme and compliance with relevant professional internal audit standards, with the Head of Internal Audit and Management;
- effectiveness of the Company's material internal controls, on an annual basis with Management and the internal and/or external auditors;
- suspected fraud or irregularity or suspected infringement of any Singapore law, rule or regulation of which the Audit Committee is aware, which has or is likely to have a material impact on the Company's or Group's operating results or financial position, and the findings of any internal investigations and Management's response thereto; and
- interested person transactions as required under the Listing Manual of the SGX-ST and the Company's shareholders' mandate for interested person transactions.

Corporate Governance

Principle 11: Establishment of audit committee with written terms of reference (Cont'd)

Audit Committee (Cont'd)

The Audit Committee is also tasked to perform all other functions and responsibilities of an audit committee that may be imposed by the Companies Act, the Listing Manual of the SGX-ST, the 2005 Code and other relevant laws and regulations.

The Audit Committee is required by its terms of reference to meet at least four times a year, with the internal and external auditors of the Company present, including at least once without the presence of Management. The Audit Committee met five times in the course of FY2009-10, and also had a session without the presence of Management.

The Audit Committee reviews the independence of the external auditors annually. It has also reviewed the nature and volume of non-audit services provided by its external auditors to the Group during FY2009-10, and the fees, expenses and emoluments provided to the external auditors, and is satisfied that they have no significant impact on the independence and objectivity of the external auditors.

Principle 12: Sound system of internal controls to safeguard shareholders' investments and the company's assets

The Board recognizes the importance of a sound system of internal controls to safeguard shareholders' interests and investments and the Group's assets, and to manage risks. The Board, through the Audit Committee oversees and reviews the adequacy and effectiveness of the Group's internal control functions as well as assesses financial risks, and through the Board Risk Committee generally oversees and reviews the other risks faced by the Group.

Board Risk Committee

The Board had on 1 November 2009 established the Board Risk Committee, which presently comprises three members, being Mr Mak Swee Wah (Chairman), Mr David Heng Chen Seng and Mr Khaw Kheng Joo, all of whom are non-executive Directors, to oversee and review the adequacy and effectiveness of the Group's risk management systems as well as its safety systems and programmes. Prior to the establishment of the Board Risk Committee, the oversight and review of the risk management systems of the Company were under the purview of the then Audit and Risk Management Committee.

The written terms of reference of the Board Risk Committee include the review of the following:
- adequacy of resources for the risk management functions and that they have appropriate standing within the Group;
- the risk management policies and practices and the types and level of risks faced by the Group;
- the activities of the SATS Group Risk Management Committee which is responsible for putting in place risk management processes and methodologies, identifying risks and instilling mitigation plans, updating risk registers and profiles and monitoring implementation of the risk management plans;
- SATS' safety system and programmes for effectiveness and compliance with regulatory requirements and best industry practices for food safety, workplace safety and occupational health;
- regular reports on safety, initiation of remedial actions and assessment of level of compliance with the safety management plan; and
- food safety and accident investigation findings and implemention of recommendations by Management.

The Board Risk Committee is required under its terms of reference to meet at least four times a year.

The "**Internal Controls Statement**" section in this Annual Report sets out details of the Group's system of internal controls and risk management structure and processes, and the Board's views on the adequacy of the Group's internal controls.

Corporate Governance

Principle 12: Sound system of internal controls to safeguard shareholders' investments and the company's assets (Cont'd)

Whistle-blowing policy

The Company has also put in place a "Policy on Reporting Wrongdoing" to institutionalize procedures on reporting possible improprieties involving the Company, and for allowing independent investigation of such matters, and appropriate and consistent follow-up action. A dedicated email address and hotline have been set up to allow employees who discover or suspect impropriety to report the same. All information received is treated confidentially. Results of the investigation would not be disclosed or discussed with anyone other than those who have a legitimate right to know.

Anonymous complaints may be considered, taking into account factors such as the seriousness of the issues raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources.

Banking transaction procedures

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

Principle 13: Independent internal audit function

For FY2009-10, the Company's internal audit function was undertaken by a dedicated section within the Internal Audit department of SIA. It is designed to provide reasonable assurance on the adequacy and effectiveness of controls over operations, reliability of financial information and compliance with the Company's policies and procedures, applicable laws and regulations.

The internal auditors report directly to the Company's Audit Committee. In situations where the audit work to be carried out by the internal auditors may potentially give rise to conflicts of interest, it will be brought to the attention of the Audit Committee. The Audit Committee may authorise such audit work to be carried out by an independent third party as it deems appropriate.

The Internal Audit department of SIA meets all the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Company established its own Internal Audit department in FY2009-10 which will take over the function of performing internal audit on the Group with effect from FY2010-11. The Company's Internal Audit department meets all the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Audit Committee is satisfied that the internal audit function is adequately resourced and has appropriate standing within SATS, and that the internal audit function is adequate.

Principle 14: Regular, effective and fair communication with shareholders

The Company strives to convey to shareholders pertinent information in a clear, forthcoming, detailed, timely manner and on a regular basis, takes into consideration their views and inputs, and address shareholders' concerns. While the Company's Investor Relations department communicates with analysts regularly, the Company monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Material information is published on SGXNET and on the Company's website (www.sats.com.sg), and where appropriate, through media releases.

The Company's dedicated Investor Relations department manages the dissemination of corporate information to the media, the public, as well as institutional investors and public shareholders, and promotes relations with and acts as a liaison point for such entities and parties. More details of the Company's investor relations programme can be found in the "**Investor Relations**" section of this Annual Report.

Corporate Governance

Principle 15: Greater shareholder participation at annual general meetings

While shareholders have a right to appoint up to two proxies to attend and vote at General Meetings on their behalf, the Articles currently do not provide for shareholders to vote at General Meetings in absentia such as by mail, email or fax. The Company will consider implementing the relevant amendment to the Articles if the Board is of the view that there is a demand for the same, and after the Company has evaluated and put in place the necessary security and other measures to facilitate absentia voting and protect against errors, fraud and other irregularities.

At shareholders' meetings, each distinct issue is proposed as a separate resolution.

Chairmen of the various Board Committees, or members of the respective Board Committees standing in for them, as well as the external auditors, will be present and available to address questions at the AGM.

Dealings in securities

In line with the rules of the Listing Manual of the SGX-ST, the Company has in place a policy and guidelines on dealings in the securities of the Company, which have been disseminated to employees of the Group and directors of the companies within the Group. The policy and guidelines restrict certain employees (including all administrative officers and employees of managerial grade and above, and employees in departments which are likely to be privy to confidential material price-sensitive information, such as the offices of the PCEO, Executive Vice Presidents and Senior Vice Presidents, the Legal and Finance departments, and departments or units of companies in the Group having charge of business development and/or marketing activities), from trading in the Company's securities during the period falling two weeks before the announcement of the Company's quarterly financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. The policy and guidelines also remind employees and directors of the Group that they should not deal in the Company's securities on short term considerations, and to be mindful of the insider trading prohibitions under the Securities and Futures Act whenever trading in the Company's or any other corporation's securities.

Corporate Governance

Annexure

Share Plans

(I) ESOP

The Company has ceased to issue further grants of share options under the ESOP since the last grant in July 2008. Please refer to the "**Report by the Board of Directors**" and "**Notes to Financial Statements**" in the "**Financials**" section of this Annual Report for more details relating to the ESOP.

(II) SATS RSP and SATS PSP

The Company introduced two new share plans, the SATS RSP and the SATS PSP, which were approved by shareholders at the Extraordinary General Meeting of the Company held on 19 July 2005. These plans were introduced with a view to further strengthening the Company's competitiveness in attracting and retaining talented key senior management and senior executives. The SATS RSP and the SATS PSP aim to more directly align the interests of key senior management and senior executives with the interests of shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior management and senior executives. These plans contemplate the award of fully paid shares of the Company, when and after pre-determined performance or service conditions are accomplished. Non-executive Directors of the Group are not eligible to participate in the SATS RSP and the SATS PSP.

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

Awards granted under the SATS RSP, which is intended to apply to a broader base of senior executives, will vest only after the satisfactory completion of time-based service conditions, that is, after the participant has served the Group for a specified number of years (time-based restricted awards) or, where the award is performance-based (performance-based restricted awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the SATS RSP, and the length of the vesting period(s) in respect of each award will be determined on a case-by-case basis. Award of such performance-based restricted awards is intended to ensure that the earning of shares under the SATS RSP is aligned with the pay-for-performance principle. The use of time-based restricted awards will only be made on a case-by-case basis where business needs justify such awards.

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

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

The aggregate number of shares which may be issued pursuant to awards granted under the SATS RSP or the SATS PSP, when added to the number of new shares issued and issuable in respect of all options granted under the ESOP, and all awards under the SATS RSP and the SATS PSP, may not exceed 15 percent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company on the day preceding the relevant date of award.

The aggregate number of shares under awards which may be granted pursuant to the SATS RSP and/or the SATS PSP during the period from the date of the AGM to the date of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required to be held, whichever is the earlier, will not exceed 1 percent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company from time to time.

Internal Controls Statement

Responsibility

SATS' Board recognises the importance of, and its role in, ensuring a proper internal controls environment for the Company and its subsidiaries (collectively, the "**Group**"). SATS Management is responsible for establishing and maintaining a sound system of internal controls over the delivery of accurate, objective and transparent financial reporting, and for the assessment of the effectiveness of internal controls.

The Board is responsible for overseeing and reviewing the adequacy and effectiveness of the Group's internal controls and risk management system. This system by its nature can only provide reasonable, but not absolute, assurance to investors regarding:

- the safeguarding and protection of the Group's assets against unauthorised or improper use or disposal;
- protection against material misstatements or losses;
- the maintenance of proper accounting records;
- the reliability of financial information used within the business and for publication;
- the compliance with appropriate legislations, regulations and best practices; and
- the identification and containment of business risks.

Risk Management Organisational Structure

Effective 1 November 2009, the oversight function on risk management activities was transferred from the Audit and Risk Management Committee ("**ARMC**") to a newly established Board Risk Committee ("**BRC**"), and the ARMC was subsequently renamed the Audit Committee ("**AC**"). More information on the AC's and BRC's authorities and duties can be found in the "**Corporate Governance**" section of this Annual Report.

Audit Committee

The Board, through the AC, oversees and reviews the adequacy and effectiveness of the Group's internal control functions, the Group Corporate Governance, the system of ensuring integrity of financial reporting and assessing financial risk management.

The AC is made up of three Directors, all of whom are independent, and is chaired by an independent non-executive Director. The AC meets quarterly to exercise oversight of the management of financial risks, corporate governance and internal controls within the Group.

The Group's internal audit function continually strives to improve efforts in ensuring the compliance with the risk management practices and policies. The Company's internal audit process provides an independent assessment and perspective to the AC, on the processes and controls which may have material financial impact on the Company. There are formal procedures in place for both internal and external auditors to report independently their conclusions and recommendations to the AC.

The Group has its own approval limits and procedures for every banking and finance transaction, having regard to the nature of the transaction concerned. All banking and finance transactions undertaken by the Group must be properly authorised, including the opening of new bank accounts and the taking up of any proposed credit facilities. These approval limits and procedures are updated from time to time and are available on request to the bankers of and lenders to the Group.

Management also monitors internal controls through Control Self Assessments (CSA) that have been developed based on the principle of minimum acceptable controls. During the course of the year a number of the questionnaires used in conducting the Control Self Assessments were updated to reflect the changes in the organisation and increase the strength of the control environment. CSA verification audits were also carried out to provide an independent evaluation of the assessments conducted by the business units.

Board Risk Committee

The Board through the BRC generally oversees and reviews the other risks faced by the Group. The BRC assists the Board in reviewing the effectiveness of the system of safety and risk management, and in doing so, the BRC considers the results of the risk management activities carried out for the Group.

The BRC is made up of three Directors, all of whom are non-executive directors. The BRC is scheduled to meet four times a year to exercise oversight of the management of operational risks within the Group.

Internal Controls Statement

Risk Management Organisational Structure (Cont'd)

Board Risk Committee (Cont'd)

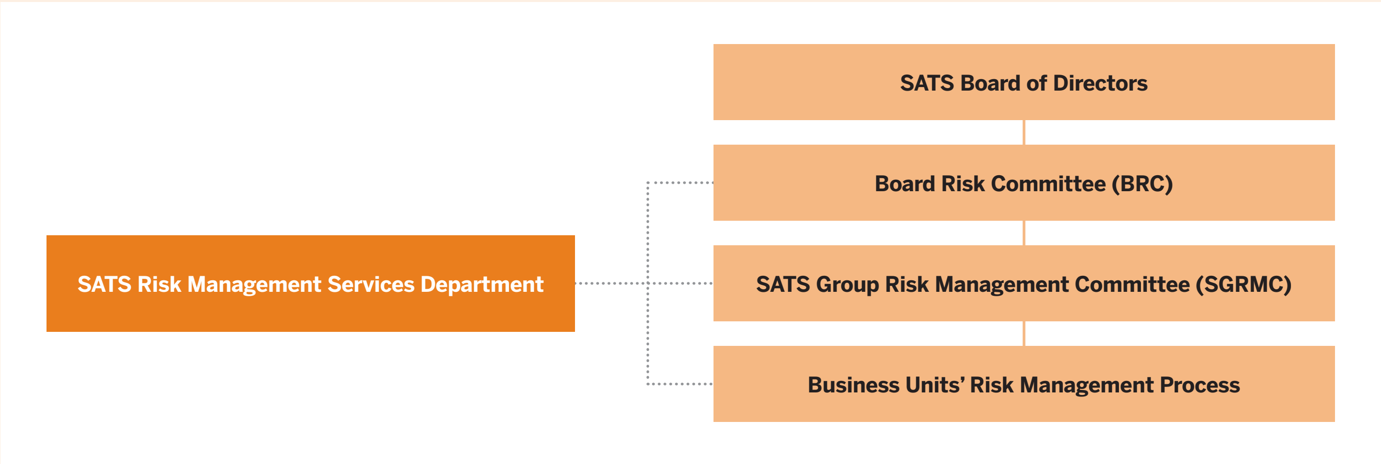
The involvement of the BRC is key to the safety and risk management programme. Under its oversight, the safety and risk management programme is executed with an integrated view of the organisation and its needs in mind.

The BRC is supported by the SATS Group Risk Management Committee ("**SGRMC**"). The BRC reviews the activities of the SGRMC, including regular risk management reports, updates on risk management initiatives, processes and exercises. Management or the SGRMC will report to the BRC on any major changes to the business and external environment that affect the Group's key risks, and the BRC will in turn report the same to the Board if it considers the matter sufficiently significant to do so.

The SGRMC, which meets on a quarterly basis, is vested with specific accountability for reviewing the system of risk management for reporting key risks and their associated mitigating factors to the BRC, for considering what changes to risk management and control processes, and methodologies of risk management, should be recommended, and for ensuring that processes and the methodologies of risk management are put in place.

A centralised Risk Management Services Department, headed by the Group's Risk Manager, coordinates and facilitates the risk management processes within the Group. It provides support to the SGRMC in carrying out its functions.

The Group has formalised its risk management reporting structure as depicted in the diagram below. Additionally, there are established channels of communications for individuals to report on any wrongdoing or impropriety.



Control Environment and Control Activities

The key elements of the Group's comprehensive internal control framework encompass having:

- written terms of reference for Management's and the Board's various committees;
- written policies, procedures and guidelines including guidelines on matters requiring the Board's approval which are subjected to regular review and improvement;
- defined roles and responsibilities including authorisation levels for all aspects of the business that are set out in the authority matrix;
- appropriate organisational and risk management structures in place;
- considered Business Continuity Management processes that meets the nature, scale and complexity of the Group's businesses, including the establishment of the Crisis Management Directorate for the purpose of effective management of crisis;
- a planned and coordinated budgeting process where operating units prepare budgets for the coming year that are approved both by Management and by the Board; and
- the Group's key insurance coverage, the adequacy of which is reviewed on a yearly basis.

Internal Controls Statement

Control Environment and Control Activities (Cont'd)

The risk management function continually strives to improve efforts in ensuring the compliance with, and implementation of, the risk management practices and policies.

The following are some of the key risk management activities carried out within the Group:

- risk review and identification exercises conducted at the business units and departments, to review the existing risks in the risk register and to identify new risks that may have emerged;

- business continuity/contingency plans were tested during the financial year under review. The procedures were fine tuned and enhanced for improvements further to the post mortem briefings held;

- Control Self Assessments carried out by the various business units which questionnaires were revised for applicability and completeness.

Risk Assessment and Monitoring

The risk management system concentrates on those key risks which may have a significant influence on the Group's assets, finances and profits, and those that may potentially endanger the continued existence of the Group companies. Procedures used facilitate early detection and control of risks.

The operational business units meet regularly to review risk and control matters including ascertaining that there are effective follow-up procedures. The outcome and status are reported to the BRC and AC for review and information.

The Group carried out its bi-annual review of the key risk profiles of the Group. The preventive and mitigating control actions were further refined and developed for adequacy and effectiveness.

The on-going process to identify, assess, monitor and manage business risks that will impede the achievement of the Group's objectives is continuously reviewed for improvements. The key risks are evaluated based on probability and consequence of a preset scale and ranked accordingly, and this enables the Group to allocate its resources to deal with the different levels of business risks. The risk management process, which has been put in place throughout the year and up to the date of this statement, is firmly embedded within the Group's business operations and is every employee's responsibility.

Written assurances and representations together with an attached checklist of key elements of internal controls approved by the Board, have been obtained from all the executive heads of all the Company's operating subsidiaries as well as from the Chairman, Board, executive head or other appropriate officer of all of the Company's active associated companies, that their respective companies' internal controls were adequate during the financial year under review.

Conclusion

The Board believes that, in the absence of any evidence to the contrary, taking into account the views of the AC and BRC in the exercise of their responsibilities under their respective Charter and terms of reference, the system of internal controls including financial, operational and compliance controls, and risk management system maintained by the Group's Management and that was in place throughout FY2009-10 and up to and as of the date of this Annual Report, provides reasonable, but not absolute, assurance against material financial misstatement or loss, and on the whole is adequate to meet the needs of the Group in its current business environment.

Financials

Report by the Board of Directors

The directors have pleasure in presenting their report together with the audited financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 March 2010.

1. Directors of the Company

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

Edmund Cheng Wai Wing	–	Chairman
David Zalmon Baffsky		
David Heng Chen Seng	–	(Appointed on 15 October 2009)
Khaw Kheng Joo		
Rajiv Behari Lall		
Mak Swee Wah		
Ng Kee Choe		
Keith Tay Ah Kee		
Yeo Chee Tong		

Note: Dr Ow Chin Hock was a director of the Company until his retirement on 28 July 2009.

2. 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 Companies Act, Cap. 50, an interest in the ordinary shares, share options and debentures of the Company as stated below:

	Direct interest		Deemed interest	
Name of director	**1.4.2009**	**31.3.2010**	**1.4.2009**	**31.3.2010**
Interest in Singapore Airport Terminal Services Limited				
Ordinary shares				
Ng Kee Choe	11,000	**11,000**	–	**–**
Keith Tay Ah Kee	35,000	**35,000**	–	**–**
Yeo Chee Tong	200,000	**200,000**	–	**–**

Except as disclosed in this report, no 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 corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

3. 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 corporation 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.

Report by the Board of Directors

4. Options on Shares in the Company

(i) Employee Share Option Plan

The SATS Employee Share Option Plan (the "Plan"), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees, was adopted in connection with the initial public offering undertaken by the Company in 2000 and a summary of which was set out in the Prospectus issued by the Company dated 4 May 2000. The Plan was modified at an Extraordinary General Meeting held on 7 July 2001 and was subsequently modified by the Company (as announced on 4 June 2003) and at Extraordinary General Meetings held on 19 July 2003 and 20 July 2004.

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

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

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

At the date of this report, the Remuneration and Human Resource Committee administering the Plan comprises the following directors:

Edmund Cheng Wai Wing	–	Chairman
Ng Kee Choe	–	Member
Yeo Chee Tong	–	Member

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

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

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

The option scheme has since been terminated.

At the end of the financial year, options to take up 49,195,130 unissued ordinary shares in the Company were outstanding:

Date of grant	Balance at 1.4.2009/ date of grant	Cancelled	Exercised	Balance at 31.3.2010	Exercise price*	Exercisable period
28.3.2000	5,023,900	(1,819,700)	(3,204,200)	**–**	$2.15	28.3.2001 – 27.3.2010
3.7.2000	1,833,350	(303,700)	(436,300)	**1,093,350**	$1.75	3.7.2001 – 2.7.2010
2.7.2001	501,250	(104,200)	(117,350)	**279,700**	$1.19	2.7.2002 – 1.7.2011
1.7.2002	1,227,950	(323,200)	(284,000)	**620,750**	$1.55	1.7.2003 – 30.6.2012
1.7.2003	1,391,500	(296,700)	(319,200)	**775,600**	$1.42	1.7.2004 – 30.6.2013
1.7.2004	5,109,900	(754,550)	(1,030,950)	**3,324,400**	$2.04	1.7.2005 – 30.6.2014
1.7.2005	10,665,050	(103,600)	(2,459,450)	**8,102,000**	$2.22	1.7.2006 – 30.6.2015
3.7.2006	14,123,325	(108,625)	(5,741,270)	**8,273,430**	$2.05	3.7.2007 – 2.7.2016
2.7.2007	13,718,000	(217,300)	–	**13,500,700**	$3.01	2.7.2009 – 1.7.2017
1.7.2008	13,407,100	(181,900)	–	**13,225,200**	$2.17	1.7.2010 – 30.6.2018
	67,001,325	(4,213,475)	(13,592,720)	**49,195,130**		

* Following approval by the Company's shareholders of the declaration of a special dividend of $0.05 per share on 26 July 2007, the Committee administering the Plan has approved a $0.05 reduction in the exercise prices of all share options outstanding on 30 July 2007. The exercise prices reflected here are the exercise prices after such adjustment. The Company has accounted for the modification in accordance to FRS102. As the incremental fair value of the share options resulted from the modification is $NIL, no adjustment is made to the share-based payment expenses.

Report by the Board of Directors

4. Options on Shares in the Company (Cont'd)

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

At the Extraordinary General Meeting of the Company held on 19 July 2005, the shareholders approved the adoption of two new share plans, namely the RSP and the PSP, in addition to the Employee Share Option Plan.

Depending on the achievement of pre-determined targets over a two-year period for the RSP and a three-year period for the PSP, the final number of restricted shares and performance shares awarded in respect of FY2007-08 and prior years could range between 0% and 120% of the initial grant of the restricted shares and between 0% and 150% of the initial grant of the performance shares. In respect of RSP and PSP grants for FY2008-09 and FY2009-10, the final number of restricted shares and performance shares awarded could range between 0% and 150% of the initial restricted grants and between 0% and 200% of the initial grant of performance shares.

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

At the date of this report, the Remuneration and Human Resource Committee which administers the RSP and PSP comprises the following directors:

Edmund Cheng Wai Wing	–	Chairman
Ng Kee Choe	–	Member
Yeo Chee Tong	–	Member

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

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

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

RSP

Date of grant	Balance at 1.4.2009/ date of grant	Vested	Cancelled	Adjustments #	Balance at 31.3.2010
2.10.2006	84,044	(57,070)	(641)	–	**26,333**
27.7.2007	322,350	(72,824)	(500)	(203,906)	**45,120**
1.11.2007	41,000	(10,300)	–	(20,500)	**10,200**
28.7.2008	511,600	–	(22,900)	–	**488,700**
17.11.2008	50,000	–	–	–	**50,000**
12.11.2009	813,800	–	(23,800)	–	**790,000**
	1,822,794	(140,194)	(47,841)	(224,406)	**1,410,353**

Report by the Board of Directors

4. Options on Shares in the Company (Cont'd)

(ii) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") (Cont'd)

PSP

		Number of ordinary shares		
Date of grant	Balance at 1.4.2009/later date of grant	Vested	Adjustments#	Balance at 31.3.2010
2.10.2006	85,651	–	(85,651)	**–**
12.2.2007*	181,538	(181,538)	–	**–**
27.7.2007	98,200	–	–	**98,200**
1.11.2007	55,000	–	–	**55,000**
15.4.2008*	185,616	–	–	**185,616**
28.7.2008	92,000	–	–	**92,000**
12.11.2009	72,000	–	–	**72,000**
	770,005	(181,538)	(85,651)	**502,816**

* These relate to the PSP plan granted under Singapore Food Industries ("SFI") which were converted to Singapore Airport Terminal Services Limited ("SATS") shares in the financial year ended 31 March 2010.

\# Adjustments at the end of the two-year and three-year performance period upon meeting/(not meeting) stated performance targets for RSP and PSP respectively.

Based on the Monte Carlo simulation model, the estimated fair value at the date of grant for each share granted under the RSP ranges from $2.01 to $2.18 (2008-09: $1.65 to $1.86) and the estimated fair value at the date of grant for each share granted under the PSP is $3.03 (2008-09: $1.62).

The number of contingent shares granted but not released as at 31 March 2010 were 1,410,353 (2008-09: 1,008,994) and 502,816 (2008-09: 330,851) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from 81,653 (2008-09: 84,044) to a maximum of 2,074,803 (2008-09: 1,362,464), and zero to a maximum of 743,416 (2008-09: 542,277) fully-paid ordinary shares of SATS, for RSP and PSP respectively.

5. Audit Committee

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

6. Auditors

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

On behalf of the Board,

Edmund Cheng Wai Wing
Chairman

Keith Tay Ah Kee
Director

Dated this 4th day of May 2010

Statement by the Directors

pursuant to section 201(15)

We, EDMUND CHENG WAI WING and KEITH TAY AH KEE, being two of the directors of SINGAPORE AIRPORT TERMINAL SERVICES LIMITED, do hereby state that in the opinion of the directors:

a) the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company, 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 2010, the changes in equity of the Group and of the Company, the results of the business and the cash flows of the Group 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,

EDMUND CHENG WAI WING
Chairman

KEITH TAY AH KEE
Director

Dated this 4th day of May 2010

Independent Auditors' Report

to the members of Singapore Airport Terminal Services Limited

We have audited the accompanying financial statements of Singapore Airport Terminal Services Limited (the Company) and its subsidiaries (collectively, the Group) set out on pages 96 to 160, which comprise the balance sheets of the Group and the Company as at 31 March 2010, 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 notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes 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 account and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

ERNST & YOUNG LLP
Public Accountants and Certified Public Accountants

SINGAPORE
Dated this 4th day of May 2010

Consolidated Income Statement

for the year ended 31 March 2010 (in $ Thousand)

		GROUP	
	Note	2009-10	2008-09
Revenue	4	**1,538,906**	1,062,094
Expenditure			
Staff costs	5	**(545,417)**	(442,758)
Cost of raw materials		**(409,512)**	(155,427)
Licensing fees		**(56,788)**	(59,889)
Depreciation and amortisation charges		**(90,796)**	(64,594)
Company accommodation and utilities		**(90,790)**	(77,093)
Other costs		**(161,239)**	(91,446)
		(1,354,542)	(891,207)
Operating profit	6	**184,364**	170,887
Interest on borrowings	7	**(5,313)**	(6,708)
Interest income	8	**628**	6,872
Dividend from long-term investment, gross		**–**	1,167
Share of profits of associated companies		**41,934**	22,231
Share of loss of joint venture company		**(3)**	(1)
Loss on sale of investment in subsidiary		**–**	(44)
Gain on disposal of property, plant and equipment		**538**	470
Amortisation of deferred income, net of expenses		**929**	(538)
Loss on sale of short-term non-equity investment		**(5)**	(10,821)
Profit before tax		**223,072**	183,515
Taxation	9	**(40,951)**	(35,059)
Profit after taxation		**182,121**	148,456
Profit attributable to:			
Equity holders of the company		**181,241**	146,775
Minority interests		**880**	1,681
Profit for the year		**182,121**	148,456
Basic earnings per share (cents)	10	**16.7**	13.6
Diluted earnings per share (cents)	10	**16.7**	13.6

The notes on pages 104 to 160 form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010 (in $ Thousand)

	GROUP	
	2009-10	2008-09
Profit after taxation	**182,121**	148,456
Other comprehensive income		
Net fair value changes on available-for-sale assets	**326**	358
Foreign currency translation	**(12,012)**	5,709
	(11,686)	6,067
Total comprehensive income	**170,435**	154,523
Total comprehensive income attributable to:		
Equity holders of the company	**170,420**	152,794
Minority interests	**15**	1,729
Total comprehensive income	**170,435**	154,523

The notes on pages 104 to 160 form an integral part of the financial statements.

Balance Sheets

at 31 March 2010 (in $ Thousand)

	Note	GROUP 31.3.2010	GROUP 31.3.2009 (Restated)	COMPANY 31.3.2010	COMPANY 31.3.2009
Share capital	12	**288,018**	255,177	**288,018**	255,177
Reserves					
Revenue reserve		**1,224,444**	1,161,762	**905,397**	907,684
Foreign currency translation reserve		**(59,642)**	(48,495)	**–**	–
Share-based compensation reserve	13	**22,601**	23,824	**22,601**	23,824
Fair value reserve	13	**–**	(326)	**–**	(326)
Statutory reserve	13	**6,477**	6,123	**–**	–
		1,193,880	1,142,888	**927,998**	931,182
Equity attributable to equity holders of the company		**1,481,898**	1,398,065	**1,216,016**	1,186,359
Minority interests		**18,299**	18,284	**–**	–
Total equity		**1,500,197**	1,416,349	**1,216,016**	1,186,359
Deferred taxation	14	**98,591**	104,226	**28,505**	27,882
Term loans	16	**5,796**	11,294	**–**	–
Finance leases	17	**4,154**	5,580	**–**	–
Other long term liability		**4,000**	4,000	**4,000**	4,000
Deferred income	18	**19,134**	20,957	**19,134**	20,957
		1,631,872	1,562,406	**1,267,655**	1,239,198
Represented by:					
Property, plant and equipment	19				
Freehold land and buildings		**13,459**	14,195	**–**	–
Leasehold land and buildings		**429,668**	460,780	**–**	–
Progress payments		**29,806**	4,864	**1,421**	295
Others		**121,391**	128,544	**171**	333
		594,324	608,383	**1,592**	628
Investment properties	20	**6,459**	7,001	**385,869**	410,383
Subsidiary companies	21	**–**	–	**540,754**	540,722
Long-term investment	22	**7,905**	7,904	**7,886**	7,886
Joint venture company	23	**–**	266	**–**	–
Associated companies	24	**334,781**	333,465	**270,819**	270,819
Loan to a subsidiary		**–**	–	**1,227**	726
Loan to an associated company	24	**140**	760	**140**	760
Intangible assets	25	**461,952**	479,816	**6,021**	1,146
Other non-current assets	26	**12,125**	12,064	**12,012**	12,064
Deferred tax assets	14	**5,687**	5,174	**680**	680

The notes on pages 104 to 160 form an integral part of the financial statements.

Balance Sheets

at 31 March 2010 (in $ Thousand)

	Note	GROUP 31.3.2010	GROUP 31.3.2009 (Restated)	COMPANY 31.3.2010	COMPANY 31.3.2009
Current assets					
Trade debtors	27	**219,438**	123,756	**7,368**	5,956
Other debtors	28	**16,650**	11,697	**1,851**	2,721
Prepayments		**9,091**	13,131	**1,263**	2,124
Related companies	29	**–**	236,631	**22,354**	157,025
Amount owing by associated companies	24	**516**	248	**517**	248
Loan to an associated company	24	**560**	608	**560**	608
Inventories	30	**43,161**	56,624	**360**	218
Short-term non-equity investments		**–**	20,400	**–**	20,400
Fixed deposits	31	**132,588**	83,872	**119,053**	83,083
Cash and bank balances	31	**63,761**	53,404	**12,087**	8,004
		485,765	600,371	**165,413**	280,387
Less:					
Current liabilities					
Bank overdraft – secured	31	**599**	1,805	**–**	–
Trade creditors		**154,758**	136,892	**22,664**	19,608
Other liabilities	32	**64,472**	67,410	**3,146**	9,515
Related companies	29	**–**	–	**92,179**	44,516
Provision for taxation		**43,858**	53,857	**6,769**	13,364
Term loans	16	**12,841**	31,927	**–**	–
Notes payable	15	**–**	200,000	**–**	200,000
Finance leases – current	17	**738**	907	**–**	–
		277,266	492,798	**124,758**	287,003
Net current assets/(liabilities)		**208,499**	107,573	**40,655**	(6,616)
		1,631,872	1,562,406	**1,267,655**	1,239,198

The notes on pages 104 to 160 form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 March 2010 (in $ Thousand)

	Note	Share capital	Revenue reserve	Share-based compensation reserve	Fair value reserve	Statutory reserve *	Foreign currency translation reserve	Total	Minority interests	Total equity
		ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
GROUP										
Balance at 31 March 2009		255,177	1,161,762	23,824	(326)	6,123	(48,495)	1,398,065	18,284	1,416,349
Profit for the year		–	181,241	–	–	–	–	181,241	880	182,121
Other comprehensive income for the year		–	–	–	326	–	(11,147)	(10,821)	(865)	(11,686)
Total comprehensive income for the year		–	181,241	–	326	–	(11,147)	170,420	15	170,435
Transfer to statutory reserve		–	(354)	–	–	354	–	–	–	–
Share-based payment		–	–	4,340	–	–	–	4,340	–	4,340
Share options exercised and lapsed		32,081	740	(4,803)	–	–	–	28,018	–	28,018
Award of performance and restricted shares		760	–	(760)	–	–	–	–	–	–
Dividends, net	11	–	(118,945)	–	–	–	–	(118,945)	–	(118,945)
Balance at 31 March 2010		**288,018**	**1,224,444**	**22,601**	**–**	**6,477**	**(59,642)**	**1,481,898**	**18,299**	**1,500,197**
GROUP										
Balance at 31 March 2008		250,079	1,165,972	16,796	(684)	5,900	(54,156)	1,383,907	3,996	1,387,903
Profit for the year		–	146,775	–	–	–	–	146,775	1,681	148,456
Other comprehensive income for the year		–	–	–	358	–	5,661	6,019	48	6,067
Total comprehensive income for the year		–	146,775	–	358	–	5,661	152,794	1,729	154,523
Transfer to statutory reserve		–	(223)	–	–	223	–	–	–	–
Share-based payment		–	–	7,632	–	–	–	7,632	–	7,632
Share options exercised and lapsed		796	313	(422)	–	–	–	687	–	687
Award of restricted shares		182	–	(182)	–	–	–	–	–	–
Issuance of shares		4,120	–	–	–	–	–	4,120	–	4,120
Issuance of share capital by subsidiary		–	–	–	–	–	–	–	525	525
Acquisition of shares in subsidiary		–	15	–	–	–	–	15	11,821	11,836
Disposal of shares in subsidiary		–	–	–	–	–	–	–	333	333
Dividends, net	11	–	(151,090)	–	–	–	–	(151,090)	(120)	(151,210)
Balance at 31 March 2009		255,177	1,161,762	23,824	(326)	6,123	(48,495)	1,398,065	18,284	1,416,349

* Certain countries in which some of the Group's associated companies are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves.

The notes on pages 104 to 160 form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 March 2010 (in $ Thousand)

	Note	Share capital	Revenue reserve	Share-based compensation reserve	Fair value reserve	Total equity
COMPANY						
Balance at 31 March 2009		255,177	907,684	23,824	(326)	1,186,359
Profit for the year		–	115,918	–	–	115,918
Other comprehensive income for the year		–	–	–	326	326
Total comprehensive income for the year		–	115,918	–	326	116,244
Share-based payment		–	–	4,340	–	4,340
Share options exercised and lapsed		32,081	740	(4,803)	–	28,018
Award of performance and restricted shares		760	–	(760)	–	–
Dividends, net	11	–	(118,945)	–	–	(118,945)
Balance at 31 March 2010		**288,018**	**905,397**	**22,601**	**–**	**1,216,016**
COMPANY						
Balance at 31 March 2008		250,079	914,041	16,796	(684)	1,180,232
Profit for the year		–	144,420	–	–	144,420
Other comprehensive income for the year		–	–	–	358	358
Total comprehensive income for the year		–	144,420	–	358	144,778
Share-based payment		–	–	7,632	–	7,632
Share options exercised and lapsed		978	313	(604)	–	687
Issuance of shares		4,120	–	–	–	4,120
Dividends, net	11	–	(151,090)	–	–	(151,090)
Balance at 31 March 2009		255,177	907,684	23,824	(326)	1,186,359

The notes on pages 104 to 160 form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2010 (in $ Thousand)

	Note	2009-10	2008-09
Cash flows from operating activities			
Profit before taxation		**223,072**	183,515
Adjustments for:			
Interest income		**(629)**	(6,872)
Interest on borrowings		**5,313**	6,708
Dividend from long-term investment		**–**	(1,167)
Depreciation and amortisation charges		**90,796**	64,594
Gain on disposal of property, plant and equipment		**(536)**	(470)
Share of profits of associated companies		**(41,934)**	(22,231)
Share of loss of joint venture company		**3**	1
Share-based payment expense		**4,340**	7,632
Amortisation of deferred income, net of expenses		**(929)**	538
Loss on sale of joint venture company		**8**	–
Impairment of property, plant and equipment		**18**	–
Negative goodwill arising from acquisition of subsidiary		**–**	(2,507)
Income from purchase price warranty claim		**–**	(1,112)
Gain on disposal of held for sale assets		**–**	(2,025)
Loss on disposal of long-term investment		**–**	44
Loss on disposal of short-term non-equity investments		**–**	10,821
Change in fair value reserve		**326**	–
Operating profit before working capital changes		**279,848**	237,469
Changes in working capital:			
(Increase)/decrease in debtors		**(100,846)**	18,367
Decrease/(increase) in prepayments		**4,040**	(10,219)
Decrease in inventories		**13,463**	9,851
Decrease in amounts owing by related companies		**96,363**	8,214
Increase/(decrease) in creditors		**11,438**	(25,874)
(Increase)/decrease in amounts due from associated companies		**(268)**	178
Cash generated from operations		**304,038**	237,986
Interest paid to third parties		**(5,293)**	(6,708)
Income taxes paid		**(44,553)**	(47,445)
Net cash from operating activities		**254,192**	183,833
Cash flows from investing activities			
Capital expenditure	31	**(64,122)**	(28,079)
Repayment of loan from associated company		**668**	427
Dividends from associated companies		**24,374**	18,311
Dividend from long-term investment		**–**	1,167
Proceeds from disposal of property, plant and equipment		**2,837**	1,817
Proceeds from purchase price warranty claim		**–**	556
Interest received from deposits		**828**	7,028
Proceeds from disposal of short-term non-equity investments		**20,400**	13,573
Capital expenditure for setting up associated companies		**–**	(3,862)
Proceeds from disposal of held for sale assets		**–**	5,176
Investment in subsidiaries, net of cash acquired		**–**	(457,829)
Acquisition of shares in subsidiary		**–**	(627)
Proceeds from sale of joint venture company		**255**	–
Net cash used in investing activities		**(14,760)**	(442,342)

The notes on pages 104 to 160 form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2010 (in $ Thousand)

	Note	2009-10	2008-09
Cash flows from financing activities			
Bank charges on sale and leaseback arrangement		**(894)**	(2,360)
Repayment of medium-term notes and term loans		**(228,014)**	(14,073)
Repayment of finance leases		**(1,620)**	(319)
Drawdown of term loan		**3,377**	–
Proceeds from exercise of share options		**28,018**	687
Dividends paid		**(118,945)**	(151,090)
Dividends paid by subsidiary companies to minority interests		**–**	(120)
Proceeds from issuance of shares by subsidiary to minority interests		**–**	525
Net cash used in financing activities		**(318,078)**	(166,750)
Net decrease in cash and cash equivalents		**(78,646)**	(425,259)
Effect of exchange rate changes		**(1,343)**	675
Cash and cash equivalents at beginning of financial year		**275,739**	700,323
Cash and cash equivalents at end of financial year	31	**195,750**	275,739

Notes to Financial Statements

31 March 2010

1. General

Singapore Airport Terminal Services Limited (the "Company") is a limited liability company incorporated in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company ceased to be a subsidiary of Singapore Airlines Limited with effect from 1 September 2009. Transactions with Singapore Airlines Group were recorded as third party transactions from thereon.

The Company is an associated company of Venezio Investments Pte Ltd, a subsidiary of Temasek Holdings (Private) Limited, both incorporated in the Republic of Singapore.

The registered office of the Company is at 20 Airport Boulevard, SATS Inflight Catering Centre 1,Singapore 819659.

The Company is principally an investment holding company. Its other activities include rental of premises and provision of management services to related companies.

The principal activities of the subsidiaries are disclosed in Note 21 to the financial statements.

The consolidated financial statements for the financial year ended 31 March 2010 were authorised for issue in accordance with a resolution of the Directors on 4 May 2010.

2. Accounting Policies

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

(a) Basis of preparation

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 ($) and all values in the tables are rounded to the nearest thousands ($ thousand) as indicated.

(b) New and revised standards

In the current financial year, the Group has adopted all of the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective from 1 April 2009. Adoption of these new/revised FRS and INT FRS did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

FRS 1: Presentation of financial statements – revised presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

FRS 107: Amendments to FRS 107 financial instruments – disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. Financial assets and liabilities measured at fair value are not material to the Group. Liquidity risk disclosures are presented in Note 35 and Note 36 to the financial statements respectively.

Notes to Financial Statements
31 March 2010

2. Accounting Policies (Cont'd)

(b) New and revised standards (Cont'd)

FRS 108: Operating segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 38, including revised comparative information.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

FRS 1: Presentation of financial statements

Assets and liabilities classified as held for trading in accordance with FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisable of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

FRS 16: Property, plant and equipment

Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

Notes to Financial Statements
31 March 2010

2. Accounting Policies (Cont'd)

(b) New and revised standards (Cont'd)

FRS 23 Borrowing costs

The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

At the date of authorisation of these financial statements, the following FRS, INT FRS and amendments to FRS that are relevant to the Group were issued but not effective. The Group has not applied the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 27:	Consolidated and Separate Financial Statements	1 July 2009
FRS 39:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
FRS 103:	Business Combinations	1 July 2009
FRS 105:	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
INT FRS 117:	Distributions of Non-Cash Assets to Owners	1 July 2009
Improvements to FRSs issued in 2009:		
FRS 38:	Intangible Assets	1 July 2009
FRS 102:	Share-based Payment	1 July 2009
FRS 108:	Operating Segments	1 July 2009
INT FRS 109:	Reassessment of Embedded Derivatives	1 July 2009
INT FRS 116:	Hedges of a Net Investment in a Foreign Operation	1 July 2009
FRS 1:	Presentation of Financial Statements	1 January 2010
FRS 7:	Statement of Cash Flows	1 January 2010
FRS 17:	Leases	1 January 2010
FRS 36:	Impairment of Assets	1 January 2010
FRS 39:	Financial Instruments: Recognition and Measurement	1 January 2010
FRS 105:	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
FRS 108:	Operating Segments	1 January 2010

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application except for the following:

Revised FRS 103: Business Combinations
Amendments to FRS 27: Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

Notes to Financial Statements
31 March 2010

2. Accounting Policies (Cont'd)

(c) Basis of consolidation

The consolidated financial statements comprise the separate financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. A list of the Group's subsidiary companies is shown in Note 21 to the financial statements.

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

Acquisitions of subsidiaries are accounted for using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of the business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2 (f)(i). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of the business combination is recognised in the profit and loss account on the date of acquisition.

Subsidiaries 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.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated profit and loss account and within equity in the consolidated balance sheet, separately from shareholders' equity. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised in goodwill. Gain or loss on disposal of minority interests is recognised in profit and loss account.

(d) Subsidiary, associated and joint venture companies

In the Company's separate financial statements, investment in subsidiary and associated 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. An investment in a subsidiary company is 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 between and including 20% and 50% of the voting rights. A list of the Group's associated companies is shown in Note 24 to the financial statements.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is measured in the 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. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associated company in the period in which the investment is acquired.

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.

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. The Group's joint venture company is shown in Note 23 to the financial statements.

Notes to Financial Statements
31 March 2010

2. Accounting Policies (Cont'd)

(d) Subsidiary, associated and joint venture companies (Cont'd)

The Group's share of the results of the joint venture company is recognised in the consolidated financial statements under the equity method on the same basis as associated companies, from the date that joint venture commences until the date it ceases. When the Group's share of losses exceeds the carrying amount of the joint venture company, the carrying amount is reduced to zero and recognition of further losses is discontinued unless the Group has incurred obligations in respect of the joint venture company.

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

(e) Functional and foreign currencies

(i) Functional currency

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

(ii) Foreign currency transactions

Foreign currency transactions are converted into Singapore dollars at exchange rates which approximate bank rates prevailing at dates of transactions. All foreign currency monetary assets and liabilities are translated into Singapore dollars using year-end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Gains and losses arising from conversion of monetary assets and liabilities are dealt with in the profit and loss account.

(iii) Foreign currency translations

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

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

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

2. Accounting Policies (Cont'd)

(f) Intangible asset

(i) Goodwill

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

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

The cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised in the profit and loss account. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

(ii) 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.

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 at least at each financial year-end. 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 accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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 useful life from indefinite to finite is made on a prospective basis.

Notes to Financial Statements
31 March 2010

2. Accounting Policies (Cont'd)

(f) Intangible asset (Cont'd)

(ii) Other intangible assets (Cont'd)

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 the profit or loss when the asset is derecognised.

• ***Computer software***

Computer software is stated at cost less accumulated amortisation and impairment losses, if any. The cost is amortised using the straight-line method over the estimated useful life of 5 years.

• ***Transferable fishing licences***

Fishing licences are acquired in a business combination. It has indefinite life and is tested annually for impairment or whenever there is indication of impairment, as described in Note 2(y).

• ***Abattoir licence***

The abattoir licence is acquired in a business combination. It is amortised on a straight line basis over its estimated useful life of 14 years.

• ***Brand names and customer relationships***

Brand names and customer relationships are acquired in a business combination. The useful lives of some of the brands acquired are estimated to be indefinite because based on the current market share of the brands, the management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the Group. For those brand names and customer relationships with finite lives, their useful lives are as follows:

Brand names	17 years
Customer relationships	5 years

(g) Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their costs, accumulated depreciation and accumulated impairment losses, if any, are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Notes to Financial Statements

31 March 2010

2. Accounting Policies (Cont'd)

(h) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis at rates which are calculated to write-down their costs to their estimated residual values at the end of their operational lives. Operational lives and residual values are reviewed annually in the light of experience and changing circumstances, and adjusted as appropriate at each balance sheet date. The estimated useful lives are as follows:

Freehold buildings	–	50 years
Leasehold land and buildings	–	according to the lease period or 30 years whichever is the shorter
Office fittings and fixtures and office and commercial equipment	–	1 to 5 years
Fixed and mobile ground support equipment and motor vehicles	–	1 to 12 years

No depreciation is provided for progress payments.

Fully-depreciated property, plant and equipment 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.

The residual value, useful life and depreciation methods are reviewed at each financial year end and adjusted prospectively, if appropriate.

(i) Investment properties

Investment properties are stated at cost, net of depreciation and any impairment loss. Depreciation is provided on the straight line basis so as to write off the cost of the leasehold investment properties over its estimated useful lives according to the lease period or 30 years whichever is shorter.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of retirement or disposal.

For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2(g) up to the date of change in use.

Notes to Financial Statements

31 March 2010

2. Accounting Policies (Cont'd)

(j) Leases

Finance lease – as lessee

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

For sale and finance leaseback, differences between sales proceeds and net book values are taken to the balance sheet as deferred gain on sale and leaseback transactions, included under "deferred income" and amortised over the minimum lease terms.

Operating lease – as lessee

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

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

Operating lease – as lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2(w).

(k) Inventories

Inventories, which consist mainly of equipment spare parts and food supplies, are stated at the lower of cost and net realisable value. Cost for fresh and chilled products are determined on a first-in-first-out basis while costs for all other remaining products are determined using the weighted average cost basis. Costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

(l) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the profit and loss account. Gains are not recognised in excess of any cumulative losses.

Notes to Financial Statements

31 March 2010

2. Accounting Policies (Cont'd)

(m) Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets classified as fair value through profit and loss are recognised initially at fair value. Financial assets classified as loans and receivables, held to maturity investments, or available-for-sale are recognised initially at fair value plus directly attributable transaction costs. The Group determines the classifications of its financial assets after initial recognition, and where allowed and appropriate, re-evaluates this designation at each financial year-end.

A financial asset is de-recognised when the contractual right to receive cash flows from the asset has expired. On de-recognition 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 equity is recognised in the profit and loss account.

All regular way purchases and sales of financial assets are recognised or de-recognised 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.

Financial assets at fair value through profit and loss

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

Assets in this category are classified as current assets if they 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. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are de-recognised or impaired, as well as through the amortisation process. Receivables are included in trade debtors on the balance sheet (Note 2 (n)).

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are either designated in this category, or not classified in any other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets 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 and loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

Short-term non-equity investments and unquoted equity investments are classified as available-for-sale investments.

Notes to Financial Statements

31 March 2010

2. Accounting Policies (Cont'd)

(n) Trade debtors and other debtors

Trade debtors, which generally have 30-90 day terms, other debtors and amounts owing by the holding company and the related companies are classified and accounted for as loans and receivables.

(o) Cash and bank balances

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

Cash on hand, demand deposits and short-term deposits are classified and accounted for as loans and receivables.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

(p) 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 substantially enacted by the balance sheet date.

Current taxes are being 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.

Deferred tax

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

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

– Where the deferred tax 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;

– In respect of 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; and

– In respect of deductible temporary differences and carry forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

Deferred taxes are recognised in the profit and loss except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on consolidation.

Notes to Financial Statements
31 March 2010

2. Accounting Policies (Cont'd)

(q) Loans, notes payable and borrowings

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

(r) Borrowing cost

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use.

(s) Employees benefits

Equity compensation plan

The Group has in place an Employee Share Option Plan (the "Plan") for the granting of share options to senior executives and all other employees to subscribe for ordinary shares in the Company. The exercise price approximates the market value of the ordinary shares on the date of grant.

The Group 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 Plan are disclosed in Note 12 to the financial statements.

Equity-settled transactions

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

This cost is recognised in the profit and loss account, 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 each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the profit and loss account, 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 vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The share-based compensation reserve is transferred to revenue 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, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

Defined contribution plan

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

Notes to Financial Statements
31 March 2010

2. Accounting Policies (Cont'd)

(t) Financial liabilities

Financial liabilities include trade creditors, which are normally settled on 30-90 day terms, other creditors, amount owing to related companies and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is de-recognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the profit and loss account when the liabilities are de-recognised or impaired, and through the amortisation process. Any gains and losses arising from changes in fair value of derivatives are recognised in profit and loss. Net gains or losses on derivatives include exchange differences.

(u) Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate 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. The fair value of these instruments is determined by reference to market values for similar instruments. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments for the Group are classified as held for trading and any gains or losses arising from changes in fair value on derivative financial instruments are taken to the profit and loss account for the year.

(v) Provisions

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

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

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

(w) Revenue

Revenue from ground handling, inflight catering, aviation security services, airline laundry and airport cargo delivery management services is recognised upon rendering of services. Revenue from manufacturing and exporting chilled and frozen processed foods is recognised upon delivery and acceptance of goods sold. Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms.

(x) Income from investments

Dividend income from investments is recognised when the shareholders' right to receive payments is established.

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

Notes to Financial Statements
31 March 2010

2. Accounting Policies (Cont'd)

(y) Impairment of non-financial and financial assets

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

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation credited to other comprehensive income, in which case it is charged to equity. An impairment loss is reversed only if there has been a change in estimates used to determine the recoverable amount, since the last impairment loss was recognised.

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

Financial assets

Assets carried at amortised cost

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

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 amount charged to the allowance account is written off against the carrying value of the financial asset.

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

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

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.

Available-for-sale financial assets

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

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

Notes to Financial Statements
31 March 2010

2. Accounting Policies (Cont'd)

(z) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management of the Group. The senior management are responsible for allocating resources and assessing performance of the operating segments. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

(aa) Sale and leaseback

When a series of transactions that involved the legal form of a lease is linked, and the overall economic effect cannot be understood without reference to the series of transactions taken as a whole, these transactions should be accounted for as one transaction. Subsequent to entering into the series of transactions, the Group determines if, in substance, a separate investment account and lease payment obligations meet the definitions of an asset and a liability under the FRS Framework. Indicators that collectively demonstrate that, in substance, a separate investment account and lease payment obligations do not meet the definitions of an asset and a liability and should not be recognized by the Group include:

– The Group is not able to control the investment account in pursuit of its own objective and is not obligated to pay the lease payments. This occurs when, for example, a prepaid amount is placed in a separate investment account to protect the investor and may only be used to pay the investor. The investor agrees that the lease is to be paid from the fund and the Group has no ability to withhold the payments to the investor from the investment account;

– The Group has only a remote risk of reimbursing the entire amount of any fee received from an investor, as well as, paying an amount under their obligations (eg guarantee).

– Other than the initial cash flows at inception of the arrangement, the only cash flows expected under the arrangement are the lease payments that are satisfied solely from funds withdrawn from the separate investment account established with the initial cashflows.

3. Significant Accounting Estimates and Judgements

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

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

(a) Carrying value of associated companies

The Group acquired certain investments in associated companies at a premium to their net asset value. As at 31 March 2010, the carrying value of investments in associates exceeded the underlying net asset value by $92.9 million (2009: $85.6 million).

The above carrying value is supported by the value that is expected to be derived from these associated companies in the future or their value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from these associated companies and also to adopt a suitable discount rate to calculate the present value of the cash flows. Changes in these estimates could have a significant impact on the value-in-use and therefore the carrying amount of these investments in associated companies.

Notes to Financial Statements

31 March 2010

3. Significant Accounting Estimates and Judgements (Cont'd)

(b) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Management 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. The carrying amount of the Group's tax payables at 31 March 2010 was $43.9 million (2009: $53.9 million).

(c) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and brands, are given in Note 25 to the financial statements.

(d) Useful lives of property, plant and equipment and investment properties

The Group reviews the useful lives of property, plant and equipment and investment properties at each balance sheet date, in accordance with the accounting policy stated in Note 2(g) and Note 2(i) respectively.

Judgement is required in determining the useful lives of property, plant and equipment and investment properties. In determining useful lives, which is based on the period over which an asset is expected to be available for efficient use, the Group considers factors like insurance coverage requirement, maintenance and repair cost, technical or commercial obsolescence and legal or similar limits to the use of the property, plant and equipment and investment properties.

4. Revenue (in $ Thousand)

(a) Revenue

Revenue represents rental income, gateway services and food solutions by the Company and the Group. Gateway services include ground handling and aviation security services while food solutions refer to inflight catering, food processing and distribution services. It excludes dividends, interest income and, in respect of the Group, intra-Group transactions. Revenue is analysed as follows:

	GROUP	
	2009-10	2008-09
Revenue	**1,538,906**	1,062,094

(b) Analysis by activity

	GROUP	
	2009-10	2008-09
Food Solutions	**1,031,753**	540,977
Gateway services	**495,266**	508,241
Corporate	**11,887**	12,876
	1,538,906	1,062,094

Notes to Financial Statements
31 March 2010

5. Staff Costs (in $ Thousand)

	GROUP 2009-10	GROUP 2008-09
Staff costs:		
Salaries, bonuses and other costs *	**523,094**	414,887
CPF and other defined contributions ^	**17,983**	20,239
Share-based compensation expense #	**4,340**	7,632
	545,417	442,758
Number of employees at end of year	**12,176**	11,577

* Included in salaries, bonuses and other costs are contract labour expenses of $61,783,856 (2008-09: $58,232,000).
^ Included in the Central Provident Fund ("CPF") are job credits from the Government of $17,134,000 (2008-09: $12,284,000).
\# Disclosures relating to share-based compensation expense are in Note 12.

6. Operating Profit (in $ Thousand)

	GROUP 2009-10	GROUP 2008-09
Operating profit for the financial year is stated after charging/(crediting):		
Directors' emoluments		
– Directors of the Company	**1,051**	749
– Directors of subsidiary companies	**555**	731
Auditors' remuneration		
– Audit fee	**912**	375
– Audit fee paid to auditors of subsidiary companies (other than auditors of the company)	**–**	117
– Non – audit fee paid to auditors of the company	**489**	834
Maintenance of equipment and vehicles	**27,940**	18,945
IT expenses	**12,345**	11,539
Lease of ground support equipment	**4,640**	4,309
Leasehold land rental	**7,237**	3,547
Exchange loss/(gain), net	**1,983**	(1,804)

7. Interest on Borrowings (in $ Thousand)

	GROUP 2009-10	GROUP 2008-09
Interest expenses on:		
Loan from third parties	**1,474**	708
Notes payable	**3,839**	6,000
	5,313	6,708

Notes to Financial Statements

31 March 2010

8. Interest Income (in $ Thousand)

	GROUP 2009-10	GROUP 2008-09
Interest income from:		
Singapore Airlines Limited	**–**	916
Third parties	**606**	5,889
Associated companies	**22**	67
	628	6,872

9. Taxation (in $ Thousand)

	GROUP 2009-10	GROUP 2008-09
Current taxation:		
Provision in respect of profit for the year	**38,993**	37,215
Over provision in respect of prior years	**(4,450)**	(1,834)
Deferred taxation:		
Movement in temporary differences	**(5,394)**	(6,370)
Under provision of deferred taxation in respect of prior years	**171**	271
Effects of change in tax rates	**–**	(2,669)
Share of associated companies' taxation	**10,226**	8,395
Provision for withholding tax expense on share of associated companies' profits	**1,405**	51
	40,951	35,059

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

	GROUP 2009-10	GROUP 2008-09
Profit before taxation	**223,070**	183,515
Taxation at statutory tax rate of 17% (2009: 17%)	**37,922**	31,198
Adjustments		
Expenses not deductible for tax purposes	**5,526**	6,614
Effect of different tax rates in other countries	**5,893**	4,099
Over provision of current taxation in respect of prior years	**(4,450)**	(1,834)
Effects of change in tax rates	**–**	(2,669)
Under provision of deferred taxation in respect of prior years	**171**	271
Utilisation of previously unrecognised tax losses	**(3,871)**	–
Tax exempt income	**(2,108)**	(3,438)
Provision for withholding tax expense on share of associated companies' profits	**1,405**	51
Other withholding tax paid	**110**	934
Others	**353**	(167)
Current financial year's taxation charge	**40,951**	35,059

Notes to Financial Statements
31 March 2010

10. Earnings Per Share (in $ Thousand)

	GROUP	
	2009-10	2008-09
Profit attributable to equity holders of the Company	**181,241**	146,775

	GROUP 31 March	
	2010	2009
Weighted average number of ordinary shares in issue used for computing basic earnings per share	**1,082,849,836**	1,079,144,807
Adjustment for share options, RSP and PSP	**3,110,963**	563,495
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	**1,085,960,799**	1,079,708,302

Basic earnings per share (cents)	**16.7**	13.6
Diluted earnings per share (cents)	**16.7**	13.6

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company 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 effect of dilutive options of the Company.

32,583,467 (2009: 4,390,555) of the share options granted to employees under the existing employee share option plans have not been included in the calculation of the diluted earnings per share because they are anti-dilutive for the current and previous financial periods presented.

11. Dividends Paid and Proposed (in $ Thousand)

	GROUP AND COMPANY	
	2009-10	2008-09
Dividends paid:		
Final dividend of 6 cents (2009: 10 cents) per ordinary share in respect of previous financial year	**64,767**	107,921
Interim dividend of 5 cents (2009: 4 cents) per ordinary share in respect of current financial year	**54,178**	43,169
	118,945	151,090

The Directors proposed the following dividends for the financial year ended 31 March 2010:

	2009-10
Final dividend of 8 cents per ordinary share (one-tier tax exempt)	87,456

Notes to Financial Statements

31 March 2010

12. Share Capital (in $ Thousand)

	GROUP AND COMPANY 31 March 2010	2009
Issued and fully paid share capital		
Ordinary shares		
Balance at beginning of the year		
1,079,236,594 (2009: 1,076,502,080) ordinary shares	**255,177**	250,079
13,592,720 (2009: 357,700) share options exercised during the year	**32,081**	796
321,732 (2009: 87,910) restricted and performance shares vested and issued during the year	**760**	182
Nil (2009: 2,288,904) ordinary shares issued during the year	**–**	4,120
Balance at end of the year		
1,093,151,046 (2009: 1,079,236,594) ordinary shares	**288,018**	255,177

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 13,592,720 (2009: 357,700) ordinary shares upon exercise of options granted under the Employee Share Option Plan. In addition, 321,732 (2009: 87,910) ordinary shares were vested and issued during the financial year under the Restricted Share Plan and Performance Share Plan.

Share option plan

The SATS Employee Share Option Plan (the "Plan"), which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, grants non-transferrable options to selected employees. Options are granted for terms of 10 years to purchase the ordinary shares of the Company at an exercise price equivalent to the average of the last dealt prices of the Company's ordinary shares on the SGX-ST for the five consecutive market days immediately preceding the date of grant.

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

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

There are no cash settlement alternatives.

Information with respect to the number of options granted under the Plan is as follows:

	GROUP 31 March 2010 Number of options	2010 Weighted average exercise price	2009 Number of options	2009 Weighted average exercise price
Outstanding at beginning of the year	**67,001,325**	**$2.27**	55,873,275	$2.28
Granted	**–**	**–**	13,517,300	$2.17
Exercised	**(13,592,720)**	**$2.54**	(357,700)	$2.17
Lapsed	**(4,213,475)**	**$2.02**	(2,031,550)	$2.02
Outstanding at end of the year	**49,195,130**	**$2.35**	67,001,325	$2.27
Exercisable at end of the year	**35,807,617**	**$2.41**	39,201,075	$2.04

Notes to Financial Statements
31 March 2010

12. Share Capital (in $ Thousand) (Cont'd)

Share option plan (Cont'd)

Fair values of the options

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted each year under the SATS ESOP. The estimate of the fair value of the services received is measured based on a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. There is no option granted during the year. The following table lists the inputs to the model used for the July 2008 grant:

	July 2008 grant
Expected dividend yield (%)	Management's forecast
Expected volatility (%)	25.1
Risk-free interest rate (%)	2.89
Expected life of options (years)	6.0
Exercise price ($)	2.17
Share price at date of grant ($)	2.21

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value.

Proceeds received from share options exercised during the year were:

	GROUP	
	2009-10	2008-09
Aggregate proceeds from ordinary shares issued	**28,018**	687
Details of share options granted during the financial year:		
Expiry date	**Nil**	30.6.2018
Exercise price	**Nil**	$2.17

Terms of share options outstanding as at 31 March 2010:

Exercise period	Exercise price	Number outstanding	Number exercisable
03.07.2001 to 02.07.2010	$1.75	106,250	106,250
03.07.2002 to 02.07.2010	$1.75	676,800	676,800
03.07.2003 to 02.07.2010	$1.75	155,150	155,150
03.07.2004 to 02.07.2010	$1.75	155,150	155,150
02.07.2002 to 01.07.2011	$1.19	4,350	4,350
02.07.2003 to 01.07.2011	$1.19	237,250	237,250
02.07.2004 to 01.07.2011	$1.19	4,400	4,400
02.07.2005 to 01.07.2011	$1.19	33,700	33,700
01.07.2003 to 30.06.2012	$1.55	6,300	6,300
01.07.2004 to 30.06.2012	$1.55	482,400	482,400
01.07.2005 to 30.06.2012	$1.55	63,850	63,850
01.07.2006 to 30.06.2012	$1.55	68,200	68,200
01.07.2004 to 30.06.2013	$1.42	28,325	28,325
01.07.2005 to 30.06.2013	$1.42	595,275	595,275
01.07.2006 to 30.06.2013	$1.42	70,725	70,725
01.07.2007 to 30.06.2013	$1.42	81,275	81,275
01.07.2005 to 30.06.2014	$2.04	252,400	252,400
01.07.2006 to 30.06.2014	$2.04	2,523,500	2,523,500
01.07.2007 to 30.06.2014	$2.04	267,350	267,350
01.07.2008 to 30.06.2014	$2.04	281,150	281,150
01.07.2006 to 30.06.2015	$2.22	306,825	306,825
01.07.2007 to 30.06.2015	$2.22	7,162,625	7,162,625
01.07.2008 to 30.06.2015	$2.22	316,275	316,275
01.07.2009 to 30.06.2015	$2.22	316,275	316,275

Notes to Financial Statements

31 March 2010

12. Share Capital (in $ Thousand) (Cont'd)

Share option plan (Cont'd)

Exercise period	Exercise price	Number outstanding	Number exercisable
03.07.2007 to 02.07.2016	$2.05	144,237	144,237
03.07.2008 to 02.07.2016	$2.05	7,816,743	7,816,743
03.07.2009 to 02.07.2016	$2.05	150,137	150,137
03.07.2010 to 02.07.2016	$2.05	162,313	–
02.07.2009 to 01.07.2017	$3.01	13,500,700	13,500,700
01.07.2010 to 30.06.2018	$2.17	13,225,200	–
		49,195,130 @	35,807,617

@ The total number of options outstanding includes 5,127,025 (2009: 7,272,850) share options not exercised by employees who have retired or ceased to be employed by SATS or any of its subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Remuneration Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of five years from the date of retirement or cessation of employment, whichever is earlier.

Details of movements of share options:

Date of grant	Balance at 1.4.2009/ date of grant	Cancelled	Exercised	Balance at 31.3.2010	Exercise price *	Exercisable period
28.3.2000	5,023,900	(1,819,700)	(3,204,200)	–	$2.15	28.3.2001 – 27.3.2010
3.7.2000	1,833,350	(303,700)	(436,300)	1,093,350	$1.75	3.7.2001 – 2.7.2010
2.7.2001	501,250	(104,200)	(117,350)	279,700	$1.19	2.7.2002 – 1.7.2011
1.7.2002	1,227,950	(323,200)	(284,000)	620,750	$1.55	1.7.2003 – 30.6.2012
1.7.2003	1,391,500	(296,700)	(319,200)	775,600	$1.42	1.7.2004 – 30.6.2013
1.7.2004	5,109,900	(754,550)	(1,030,950)	3,324,400	$2.04	1.7.2005 – 30.6.2014
1.7.2005	10,665,050	(103,600)	(2,459,450)	8,102,000	$2.22	1.7.2006 – 30.6.2015
3.7.2006	14,123,325	(108,625)	(5,741,270)	8,273,430	$2.05	3.7.2007 – 2.7.2016
2.7.2007	13,718,000	(217,300)	–	13,500,700	$3.01	2.7.2009 – 1.7.2017
1.7.2008	13,407,100	(181,900)	–	13,225,200	$2.17	1.7.2010 – 30.6.2018
	67,001,325	(4,213,475)	(13,592,720)	49,195,130		

* Following approval by the Company's shareholders of the declaration of a special dividend of $0.05 per share on 26 July 2007, the Committee administering the Plan has approved a $0.05 reduction in the exercise prices of all share options outstanding on 30 July 2007. The exercise prices reflected here are the exercise prices after such adjustment. The Company has accounted for the modification in accordance to FRS 102. As the incremental fair value of the share options resulted from the modification is $NIL, no adjustment is made to the share-based payment expenses in the current year.

The range of exercise prices for options outstanding at the end of the year is $1.19 – $3.01 (2008-09:$1.19 – $3.01). The weighted average remaining contractual life for these options is 6.51 years (2008-09: 6.74 years).

There are no options granted during the year. The option scheme has since been terminated.

The weighted average share price for options exercised during the year was $2.54 (2008-09: $2.17).

Share-based incentive plans

The Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") are share-based incentive plans for senior management staff, which were approved by the shareholders of the Company on 19 July 2005.

Notes to Financial Statements

31 March 2010

12. Share Capital (in $ Thousand) (Cont'd)

Share-based incentive plans (Cont'd)

The details of the two plans are described below:

	Restricted Share Plan ("RSP")	Performance Share Plan ("PSP")
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on position and individual performance targets set at the start of a two-year performance period based on stretched medium-term Group and Company objectives.	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year overlapping performance period based on stretched long-term corporate objectives.
Performance Conditions	At Group level • EBITDA# Margin • Value Added per $ Employment Cost	• Absolute Total Shareholder Return (TSR) • Absolute 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, Amortisation

Fair values of RSP and PSP

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

The following table lists the inputs to the model used for the awards:

RSP

	Nov 2009	Nov 2008	Jul 2008
Expected dividend yield (%)		Management's forecast	
Expected volatility (%)	34.4 – 42.1	22.0 – 25.4	22.0 – 25.4
Risk-free interest rate (%)	0.7 – 1.1	1.1 – 1.9	1.1 – 1.9
Expected term (years)	1.6 – 3.6	1.9 – 3.9	1.9 – 3.9
Cost of equity (%)	N.A.	N.A.	N.A.
Share price at date of grant ($)	2.37	1.50	2.09

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12. Share Capital (in $ Thousand) (Cont'd)

Share-based incentive plans (Cont'd)

PSP

	Nov 2009	Jul 2008
Expected dividend yield (%)	Management's forecast	
Expected volatility (%)	38.2	24.1
Risk-free interest rate (%)	0.83	1.44
Expected term (years)	2.6	2.9
Cost of equity (%)	8.08	8.2
Share price at date of grant ($)	2.37	2.09

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

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

RSP

	NUMBER OF ORDINARY SHARES				
Date of grant	Balance at 1.4.2009/later date of grant	Vested	Cancelled	Adjustments#	Balance at 31.3.2010
02.10.2006	84,044	(57,070)	(641)	–	26,333
27.07.2007	322,350	(72,824)	(500)	(203,906)	45,120
01.11.2007	41,000	(10,300)	–	(20,500)	10,200
28.07.2008	511,600	–	(22,900)	–	488,700
17.11.2008	50,000	–	–	–	50,000
12.11.2009	813,800	–	(23,800)	–	790,000
	1,822,794	(140,194)	(47,841)	(224,406)	1,410,353

Adjustments at the end of the two-year and three-year performance period upon meeting/(not meeting) stated performance targets for RSP and PSP respectively.

Based on the Monte Carlo simulation model, the estimated fair values at date of grant for each share granted under the RSP ranges from $2.01 to $2.18 (2009: $1.65 to $1.86).

PSP

	NUMBER OF ORDINARY SHARES			
Date of grant	Balance at 1.4.2009/later date of grant	Vested	Adjustments#	Balance at 31.3.2010
02.10.2006	85,651	–	(85,651)	–
12.02.2007*	181,538	(181,538)	–	–
27.07.2007	98,200	–	–	98,200
01.11.2007	55,000	–	–	55,000
15.04.2008*	185,616	–	–	185,616
28.07.2008	92,000	–	–	92,000
12.11.2009	72,000	–	–	72,000
	770,005	(181,538)	(85,651)	502,816

* These relate to the PSP plan granted under Singapore Food Industries ("SFI") which were converted to Singapore Airport Terminal Services Limited ("SATS") shares in the financial year ended 31 March 2010.

Adjustments at the end of the two-year and three-year performance period upon meeting/(not meeting) stated performance targets for RSP and PSP respectively.

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31 March 2010

12. Share Capital (in $ Thousand) (Cont'd)

Share-based incentive plans (Cont'd)

The estimated weighted average fair value at date of grant for each share granted under the PSP is $3.03 (2009: $1.62) based on the Monte Carlo simulation model.

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

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

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

The number of contingent shares granted but not released as at 31 March 2010, were 1,410,353 (2009: 1,008,994) and 502,816 (2009: 330,851) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from 81,653 (2009: 84,044) to a maximum of 2,074,803 (2009: 1,362,464) and zero to a maximum of 743,416 (2009: 542,277) fully-paid ordinary shares of the Company, for RSP and PSP respectively.

For the current financial year, the Group has provided $556,518(2009: $685,679) in respect of the RSP and PSP based on the fair values determined on grant date and estimation of share grants that will ultimately vest.

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

	GROUP	
	2009-10	2008-09
Share-based compensation expense		
Share options expense	**3,306**	6,946
Restricted share plan	**410**	552
Performance share plan	**624**	134
	4,340	7,632

13. Other Reserves (in $ Thousand)

(a) Share-based compensation reserve

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

	GROUP AND COMPANY 31 March	
	2010	2009
Balance at 1 April	**23,824**	16,796
Expense of shared-based payments	**4,340**	7,632
Exercised and lapsed share options	**(4,803)**	(422)
Award of performance and restricted shares	**(760)**	(182)
Balance at 31 March	**22,601**	23,824

Notes to Financial Statements

31 March 2010

13. Other Reserves (in $ Thousand) (Cont'd)

(b) Fair value reserve

Fair value reserve records the cumulative fair value changes of available-for-sale financial assets.

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

	GROUP AND COMPANY 31 March 2010	2009
Balance at 1 April	**(326)**	(684)
Net change in the reserve	**326**	358
Balance at 31 March	**–**	(326)
Net change in the reserve arises from:		
Net gain on fair value changes	**326**	358

(c) Statutory reserve

Certain countries in which some of the Group's associated companies are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves.

	GROUP 31 March 2010	2009
Balance at 1 April	**6,123**	5,900
Transferred from revenue reserve	**354**	223
Balance at 31 March	**6,477**	6,123

14. Deferred Taxation (in $ Thousand)

	GROUP Consolidated balance sheet 31 March		Consolidated profit and loss account	
	2010	2009 (restated)	2009-10	2008-09
Deferred tax liabilities				
Differences in depreciation and amortisation	**39,710**	42,158	**(5,864)**	(5,514)
Identified intangible assets (as previously stated)	**49,846**	56,518	**(827)**	(748)
Completion of initial purchase accounting (Note 25)	**4,821**	4,821	**–**	–
As restated	**54,667**	61,339	**(827)**	(748)
Unremitted foreign dividend and interest income	**5,883**	5,020	**426**	(651)
Other temporary differences	**(1,669)**	(4,291)	**1,750**	(708)
Balance at end of year	**98,591**	104,226		
Deferred tax assets				
Provisions	**2,775**	2,226	**(507)**	(1,147)
Unutilised tax losses	**2,912**	2,948	**(201)**	–
Balance at end of year	**5,687**	5,174		
Deferred income tax expense			**(5,223)**	(8,768)

Notes to Financial Statements

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14. Deferred Taxation (in $ Thousand) (Cont'd)

	COMPANY Balance sheet 31 March 2010	2009
Deferred tax liabilities		
Differences in depreciation and amortisation	**25,875**	26,420
Unremitted foreign dividend and interest income	**5,883**	5,020
Other taxable temporary differences	**(3,253)**	(3,558)
Balance at end of year	**28,505**	27,882
Deferred tax assets		
Provisions	**680**	680

15. Notes Payable

Notes payable refers to the unsecured medium-term notes which bore fixed interest at 3.0% per annum and was fully repaid on 2 September 2009.

16. Term Loans (in $ Thousand)

	GROUP 31 March 2010	2009
Unsecured:		
Repayable within one year	**390**	22,384
Repayable after one year	**2,600**	2,990
	2,990	25,374
Secured:		
Repayable within one year	**12,451**	9,543
Repayable after one year	**3,196**	8,304
	15,647	17,847
Total term loans	**18,637**	43,221

Two of the unsecured term loans, which commenced on 10 April 2003 and 26 February 2008, are repayable in 240 and 60 installments respectively. Interest on the unsecured term loans are charged at the bank's commercial financing rate on monthly rests. The effective interest rates ranged from 4.2% to 4.5% (2009: 4.2% to 4.5%) per annum.

There are six secured term loans held by the Group as at 31 March 2010 and they are secured on the property, plant and equipment and other assets of certain subsidiaries with a total carrying value at 31 March 2010 of $154,561,000 (2009: $141,191,000). The terms and interest rates are as follows:

	Effective interest rate	Maturity date	Outstanding as at 31 March 2010	2009
Secured term loans:				
GBP floating rate	1.5% to 2.5%	June 2011 to May 2020	14,727	15,864
GBP fixed rate	5.8%	December 2010	553	1,138
EUR floating rate	2.21% to 4.83%	March 2011	340	787
AUD floating rate	9.8% to 10.2%	December 2011 to March 2012	27	58
			15,647	17,847

Intra-group financial guarantees

There were no intra-group financial guarantees comprising guarantees granted by any group to banks in respect of banking facilities secured by subsidiaries (2009: $4,689,000).

Notes to Financial Statements

31 March 2010

17. Finance Lease

The Group entered into a finance lease agreement for the lease of tractors for a period of 10 years from March 2008. The principal is payable by instalments over a period of 120 months, at an interest rate of 5.1% per annum.

In addition, the Group also has finance leases for certain items of plant, machinery, equipment and motor vehicle. These lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

Future minimum lease payments under these finance leases together with the present value of the net minimum lease payments are as follows:

	GROUP 31 March			
	2010		2009	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Not later than one year	**1,143**	**738**	1,540	907
Later than one year but not later than five years	**3,343**	**2,210**	4,322	2,702
Later than five years	**2,283**	**1,944**	3,529	2,878
Total future lease payments	**6,769**	**4,892**	9,391	6,487
Amounts representing interest	**(1,877)**	**–**	(2,904)	–
Present value of minimum lease payments	**4,892**	**4,892**	6,487	6,487

The average discount rate implicit in the leases is 9.45% (2009: 9.45%) per annum for the lease of tractors, 3.98% – 10.20% (2009: 5.31% to 8.10%) per annum for the lease of plant, machinery and equipment.

18. Deferred Income (in $ Thousand)

The deferred income comprises gain on sale and leaseback arrangement for the Company.

	GROUP AND COMPANY 31 March	
	2010	2009
Balance as at 1 April	**20,957**	22,779
Amount recognised as income during the year	**(1,823)**	(1,822)
Balance as at 31 March	**19,134**	20,957

19. Property, Plant and Equipment (in $ Thousand)

GROUP

	At 1.4.09	Translation	Reclassi-fications	Additions	Disposals	At 31.3.10
Cost						
Freehold land and buildings	14,329	(924)	1,159	–	–	**14,564**
Leasehold land and buildings	741,170	(739)	(1,216)	810	(155)	**739,870**
Office fittings and fixtures	48,210	–	1,094	2,050	(910)	**50,444**
Fixed ground support equipment	370,057	(4,158)	307	9,573	(3,679)	**372,100**
Mobile ground support equipment	56,052	4,131	293	3,612	(7,907)	**56,181**
Office and commercial equipment	56,386	(413)	(3,317)	16,270	(2,751)	**66,175**
Motor vehicles	29,966	22	953	2,257	(5,912)	**27,286**
	1,316,170	(2,081)	(727)	34,572	(21,314)	**1,326,620**
Progress payments	4,864	–	(3,426)	28,368	–	**29,806**
	1,321,034	(2,081)	(4,153) *	62,940	(21,314)	**1,356,426**

Notes to Financial Statements

31 March 2010

19. Property, Plant and Equipment (in $ Thousand) (Cont'd)

GROUP

	At 1.4.09	Translation	Reclassi-fications	Additions	Disposals	At 31.3.10
Accumulated depreciation						
Freehold land and buildings	134	(144)	728	387	–	**1,105**
Leasehold land and buildings	297,580	(263)	(745)	28,003	(155)	**324,420**
Office fittings and fixtures	31,020	–	–	5,316	(110)	**36,226**
Fixed ground support equipment	278,961	(3,444)	17	23,050	(3,257)	**295,327**
Mobile ground support equipment	40,645	4,236	–	3,944	(7,095)	**41,730**
Office and commercial equipment	39,728	(354)	–	6,012	(2,547)	**42,839**
Motor vehicles	24,583	12	–	1,709	(5,849)	**20,455**
	712,651	43	–	68,421	(19,013)	**762,102**
Net book value	608,383					**594,324**

Net book value of property, plant and equipment under finance lease is $39,961,000 (2009: $55,414,000). In addition to assets held under finance leases, the Group's property, plant and equipment with a carrying amount of $57,716,000 (2009: 45,951,000) are pledged to secure the Group's bank loan.

* Reclassification to intangible assets (Note 25).

GROUP

	At 1.4.08	Acquisition of subsidiaries (Note 21)	Trans-lation	Reclassi-fications	Additions	Disposals	At 31.3.09
Cost							
Freehold land and buildings	–	13,644	685	–	–	–	14,329
Leasehold land and buildings	724,474	34,386	837	(16,293)	8	(2,242)	741,170
Office fittings and fixtures	37,896	–	–	2,681	8,996	(1,363)	48,210
Fixed ground support equipment	337,142	22,514	3,626	244	7,392	(861)	370,057
Mobile ground support equipment	60,635	4,736	314	(23)	4,300	(13,910)	56,052
Office and commercial equipment	54,155	2,433	263	490	2,642	(3,597)	56,386
Motor vehicles	29,306	1,196	87	267	2,788	(3,678)	29,966
	1,243,608	78,909	5,810	(12,632)	26,126	(25,651)	1,316,170
Progress payments	5,462	–	–	(4,325)	3,727	–	4,864
	1,249,070	78,909	5,811	(16,957)*	29,853	(25,651)	1,321,034
Accumulated depreciation							
Freehold land and buildings	–	–	79	–	55	–	134
Leasehold land and buildings	283,259	–	341	(9,021)	25,242	(2,241)	297,580
Office fittings and fixtures	27,992	–	–	–	4,102	(1,074)	31,020
Fixed ground support equipment	258,420	–	2,724	–	18,636	(819)	278,961
Mobile ground support equipment	49,680	–	307	(33)	4,186	(13,495)	40,645
Office and commercial equipment	38,072	–	226	33	4,885	(3,488)	39,728
Motor vehicles	26,822	–	78	–	1,111	(3,428)	24,583
	684,245	–	3,755	(9,021)*	58,217	(24,545)	712,651
Net book value	564,825						608,383

Net book value of property, plant and equipment under finance lease is $55,414,000 (2008: $67,093,000). In addition to assets held under finance leases, the Group's property, plant and equipment with a carrying amount of $45,951,000 (2008: Nil) are pledged to secure the Group's bank loans.

* Reclassification to investment properties (Note 20) and intangible assets (Note 25).

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19. Property, Plant and Equipment (in $ Thousand) (Cont'd)

COMPANY

	At 1.4.09	Reclassi-fications	Additions	Disposals	At 31.3.10
Cost					
Fixed ground support equipment	1,221	–	4	(1)	**1,224**
Mobile ground support equipment	6,227	–	–	(5,047)	**1,180**
Office and commercial equipment	4,994	(3,941)	3,966	(55)	**4,964**
Motor vehicles	4,017	–	–	(3,823)	**194**
	16,459	(3,941)	3,970	(8,926)	**7,562**
Progress payments	295	(279)	1,405	–	**1,421**
	16,754	(4,220)*	5,375	(8,926)	**8,983**
Accumulated depreciation					
Fixed ground support equipment	1,221	–	1	(1)	**1,221**
Mobile ground support equipment	6,224	–	1	(5,047)	**1,178**
Office and commercial equipment	4,721	–	160	(39)	**4,842**
Motor vehicles	3,960	–	13	(3,823)	**150**
	16,126	–	175	(8,910)	**7,391**
Net book value	628				**1,592**

	At 1.4.08	Reclassi-fications	Additions	Disposals	Transfer from subsidiary companies	At 31.3.09
Cost						
Fixed ground support equipment	1,221	–	–	–	–	1,221
Mobile ground support equipment	7,956	–	–	(1,729)	–	6,227
Office and commercial equipment	5,047	38	25	(136)	20	4,994
Motor vehicles	3,990	–	–	–	27	4,017
	18,214	38	25	(1,865)	47	16,459
Progress payments	698	(585)	182	–	–	295
	18,912	(547)*	207	(1,865)	47	16,754
Accumulated depreciation						
Fixed ground support equipment	1,221	–	–	–	–	1,221
Mobile ground support equipment	7,952	–	1	(1,729)	–	6,224
Office and commercial equipment	4,586	–	247	(132)	20	4,721
Motor vehicles	3,920	–	13	–	27	3,960
	17,679	–	261	(1,861)	47	16,126
Net book value	1,233					628

* Reclassification to investment properties (Note 20) and intangible assets (Note 25).

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19. Property, Plant and Equipment (in $ Thousand) (Cont'd)

	GROUP		COMPANY	
	2009-10	2008-09	2009-10	2008-09
Depreciation charge for the financial year				
Freehold land and buildings	**387**	55	**–**	–
Leasehold land and buildings	**28,003**	25,242	**–**	–
Office fittings and fixtures	**5,316**	4,102	**–**	–
Fixed ground support equipment	**23,050**	18,636	**1**	–
Mobile ground support equipment	**3,944**	4,186	**1**	1
Office and commercial equipment	**6,012**	4,885	**160**	247
Motor vehicles	**1,709**	1,111	**13**	13
	68,421	58,217	**175**	261

	GROUP		COMPANY	
	2009-10	2008-09	2009-10	2008-09
Reclassification of property, plant and equipment to:				
Intangible assets (Note 25)	**(4,153)**	(664)	**(4,063)**	(349)
Investment property (Note 20)	**–**	(16,293)	**(157)**	(198)
	(4,153)	(16,957)	**(4,220)**	(547)

20. Investment Properties (in $ Thousand)

	GROUP	COMPANY
At cost		
Balance at 1 April 2009	16,293	719,186
Reclassification (Note 19)	–	157
Addition	–	882
Transfer from subsidiary companies	–	67
Disposal	–	(51)
Balance at 31 March 2010	**16,293**	**720,241**
Accumulated depreciation		
Balance at 1 April 2009	9,292	308,803
Depreciation	542	25,502
Transfer from subsidiary companies	–	67
Balance at 31 March 2010	**9,834**	**334,372**
Net book value	**6,459**	**385,869**
At cost		
Balance at 1 April 2008	–	718,138
Reclassification (Note 19)	16,293	198
Addition	–	900
Disposal	–	(50)
Balance at 31 March 2009	16,293	719,186
Accumulated depreciation		
Balance at 1 April 2008	–	283,629
Reclassification (Note 19)	9,021	–
Depreciation	271	25,174
Balance at 31 March 2009	9,292	308,803
Net book value	7,001	410,383

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20. Investment Properties (in $ Thousand) (Cont'd)

The property rental income earned by the Group and Company for the year ended 31 March 2010 from its investment properties which are leased out under operating leases, amounted to $2,529,000 and $44,152,000 (2009: $2,138,000 and $45,132,000) respectively.

Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties amounted to $801,000 and $33,557,000 (2009: $733,000 and $34,745,000) for the Group and Company respectively.

The Directors estimated the fair value of the investment properties of the company as at 31 March 2009 and 31 March 2010 to approximate the net book value.

21. Subsidiary Companies

	COMPANY 31 March 2010	2009
Unquoted shares, at cost	**540,754**	540,722

The subsidiary companies are:

Name of companies (Country of incorporation)	Principal activities (Place of business)	Cost to Company 2010	2009	Percentage of equity held 2010 %	2009 %
Held by the Company					
SATS Airport Services Pte Ltd* (Singapore)	Airport ground handling services (Singapore)	**16,500**	16,500	**100**	100
SATS Catering Pte Ltd* (Singapore)	Inflight catering services (Singapore)	**14,000**	14,000	**100**	100
SATS Security Services Private Limited* (Singapore)	Security handling services (Singapore)	**3,000**	3,000	**100**	100
Aero Laundry and Linen Services Private Limited* (Singapore)	Providing and selling laundry and linen services (Singapore)	**2,515**	2,515	**100**	100
Aerolog Express Pte Ltd* (Singapore)	Airport cargo delivery management services (Singapore)	**1,260**	1,260	**70**	70
Country Foods Pte Ltd* (Singapore)	Manufacturing and sale of chilled and frozen food, and providing food catering services (Singapore)	**11,030**	11,030	**100**	100
Asia-Pacific Star Private Limited* (Singapore)	Airport ground handling services (Singapore)	**#**	#	**100**	100
SATS HK Limited^ (Hong Kong)	Airport ramp handling and passenger services (Hong Kong)	**5,157**	5,157	**100**	100
Singapore Food Industries Pte Ltd* (Singapore)	Food processing and distribution services (Singapore)	**487,260**	487,260	**100**	100

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21. Subsidiary Companies (Cont'd)

Name of companies (Country of incorporation)	Principal activities (Place of business)	Cost to Company 2010	Cost to Company 2009	Percentage of equity held 2010 %	Percentage of equity held 2009 %
Held by the Company (Cont'd)					
SATS Investment Pte Ltd (Singapore)	Investment holding (Singapore)	**–**	–	**100**	–
Singapore Airport Terminal Services (India) Co. Private Limited ^ (India)	Administrative, management and other services relating to airport terminal services in India (India)	**32**	–	**100**	–
		540,754	540,722		
Held through Country Foods Pte Ltd					
Country Foods Macau, Limited ^ (Macau)	Manufacturing and sale of chilled and frozen food, and providing food catering services (Macau)	**–**	–	**51**	51
Held through Singapore Food Industries Limited					
International Cuisine Limited and its subsidiaries ^ (United Kingdom)	Production and marketing of chilled ready cooked food (United Kingdom)	**–**	–	**100**	100
– Cresset Limited (Republic of Ireland)	Investment holding (Republic of Ireland)	**–**	–	**100**	100
– Swissco Manufacturing Limited (Republic of Ireland)	Inactive (Republic of Ireland)	**–**	–	**100**	100
Singfood Pte Ltd * (Singapore)	Contract manufacturing of food products and food distribution (Singapore)	**–**	–	**100**	100
Myanmar ST Food Industries Limited ^ (Myanmar)	Dormant (Myanmar)	**–**	–	**100**	100
Primary Industries Pte Ltd and its subsidiaries * (Singapore)	Provision of abattoir services (Singapore)	**–**	–	**78.5**	78.5
– Farmers Abattoir Pte Ltd	Meat processing and other related activities	**–**	–	**78.5**	78.5
– Hog Auction Market Pte Ltd	Auctioneers of pigs	**–**	–	**78.5**	78.5
Primary Industries (Qld) Pty Ltd and its subsidiary ^ (Australia)	Provision of land logistics support services (Australia)	**–**	–	**100**	100
– Urangan Fisheries Pty Ltd (Australia)	Processing and sale of seafood	**–**	–	**51**	51
Shanghai ST Food Industries Co., Ltd ^ (People's Republic of China)	Manufacture and sale of frozen foodstuff (People's Republic of China)	**–**	–	**96**	96

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21. Subsidiary Companies (Cont'd)

Name of companies (Country of incorporation)	Principal activities (Place of business)	Cost to Company 2010	Cost to Company 2009	Percentage of equity held 2010 %	Percentage of equity held 2009 %
Held through Singapore Food Industries Limited (Cont'd)					
Singapore Food Development Pte Ltd * (Singapore)	Investment holding (Singapore)	**–**	–	**100**	100
SFI Food Pte Ltd * (Singapore)	Provision of technical and management services for agri-food business (Singapore)	**–**	–	**100**	100
SFI Manufacturing Pte Ltd * (Singapore)	Supply of food products and provision of cookhouse services (Singapore)	**–**	–	**100**	100
S Daniels plc and its subsidiaries ^ (United Kingdom)	Investment holding (United Kingdom)	**–**	–	**100**	100
– Farmhouse Fare Limited	Manufacture and sale of pudding	**–**	–	**100**	100
– All Square Foods Limited	Inactive	**–**	–	**100**	100
– Bilash Foods Limited	Inactive	**–**	–	**100**	100
– Brash Brothers Limited	Inactive	**–**	–	**100**	100
– Daniels Chilled Foods Limited	Production and marketing of chilled soup, freshly squeezed juices, smoothies and prepared fruits	**–**	–	**100**	100
– Daniels Foods Limited	Inactive	**–**	–	**100**	100
– Daniels Group Limited	Inactive	**–**	–	**100**	100
– Get Fresh Limited	Inactive	**–**	–	**100**	100
– Johnsons Fresh Products Limited	Inactive	**–**	–	**100**	100
– Johnsons Freshly Squeezed Juice Limited	Inactive	**–**	–	**100**	100
– Juice Limited	Inactive	**–**	–	**100**	100
– New Covent Garden Food Company Limited	Inactive	**–**	–	**100**	100
– Sun-Ripe Limited	Inactive	**–**	–	**100**	100

Amount is $2.
* Audited by Ernst & Young LLP, Singapore
^ All the overseas subsidiaries, with the exception of Myanmar ST Food Industries Ltd and Shanghai ST Food Industries Co., Ltd are audited by member firms of Ernst & Young Global in the respective countries.

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22. Long-term Investment (in $ Thousand)

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Unquoted equity investment, at cost	**7,905**	7,904	**7,886**	7,886

The long-term investment is classified as available-for-sale investment.

23. Joint Venture Company (in $ Thousand)

	GROUP 31 March	
	2009-10	2008-09
Unquoted ordinary shares, at cost	**–**	50
Share of post-acquisition reserves	**–**	216
	–	266

Details of the joint venture company are as follows:

Name of joint venture company	–	SembCorp Network Pte Ltd *
Principal activities	–	Provision of logistics support and services
Place of incorporation and business	–	Singapore
Effective equity held by the group	–	Nil (2008-09: 50%)

* Audited by KPMG LLP Singapore

During the financial year, the Group completed the voluntary liquidation proceedings of SembCorp Network Pte Ltd.

24. Associated Companies (in $ Thousand)

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Unquoted shares, at cost	**275,554**	275,554	**275,554**	275,554
Impairment loss	**(3,313)**	(3,313)	**(4,735)**	(4,735)
Goodwill on acquisition	**(153,759)**	(153,759)	**–**	–
	118,482	118,482	**270,819**	270,819
Share of post-acquisition profits of associated companies	**156,141**	147,220	**–**	–
Goodwill on acquisition	**92,895**	83,825	**–**	–
Intangible assets, net of amortisation	**–**	1,732	**–**	–
Share of statutory reserves of associated companies	**6,239**	6,123	**–**	–
Foreign currency translation adjustments	**(32,761)**	(19,107)	**–**	–
Deferred tax liabilities	**(6,215)**	(4,810)	**–**	–
	216,299	214,983	**–**	–
	334,781	333,465	**270,819**	270,819

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24. Associated Companies (in $ Thousand) (Cont'd)

	Goodwill	Customer-related intangible assets	Total
At cost			
Balance at 1 April 2008	90,800	32,624	123,424
Currency realignment	(6,975)	(54)	(7,029)
Balance at 31 March 2009	83,825	32,570	116,395
Currency realignment	9,070	(29)	9,041
Balance at 31 March 2010	**92,895**	**32,541**	**125,436**
Accumulated amortisation			
Balance at 1 April 2008	–	24,428	24,428
Amortisation	–	6,483	6,483
Currency realignment	–	(73)	(73)
Balance at 31 March 2009	–	30,838	30,838
Amortisation	–	1,703	1,703
Balance at 31 March 2010	**–**	**32,541**	**32,541**
Net carrying amount			
Balance at 31 March 2009	83,825	1,732	85,557
Balance at 31 March 2010	**92,895**	**–**	**92,895**

Intangible assets

The customer-related intangible assets arose from the acquisition of associated companies. The Company engaged an independent third party to perform a fair valuation of these separately identified intangible assets. The useful life of these intangible assets was determined to be 5 years and the assets are amortised on a straight-line basis over the useful life. The amortisation is included in the line of "share of profits of associated companies" in the consolidated income statement.

Loan to an associated company

The loan due from an associated company is unsecured and bears interest ranging from 2.251% to 2.595% (2009: 3.425% to 6.052%) per annum, and is repayable on 31 March 2011.

Amount owing by associated companies (current account)

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

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24. Associated Companies (in $ Thousand) (Cont'd)

The associated companies are:

Name of companies (Country of incorporation)	Principal activities (Place of business)	Cost to Company 2010	 2009	Percentage of equity held 2010 %	 2009 %
Maldives Inflight Catering Pte Ltd [@@] (Republic of Maldives)	Inflight catering services (Republic of Maldives)	**287**	287	**35.0**	35.0
Beijing Airport Inflight Kitchen Ltd [***^] (Peoples' Republic of China)	Inflight catering services (Peoples' Republic of China)	**13,882**	13,882	**40.0**	40.0
Beijing Aviation Ground Services Co., Ltd [***^] (Peoples' Republic of China)	Airport ground handling services (Peoples' Republic of China)	**5,710**	5,710	**40.0**	40.0
Aviserv Limited [###^] (Ireland)	Inflight catering services (Pakistan)	**3,313**	3,313	**49.0**	49.0
Tan Son Nhat Cargo Services Ltd [+^] (Vietnam)	Air cargo handling services (Vietnam)	**1,958**	1,958	**30.0**	30.0
Asia Airfreight Terminal Co Ltd [++] (Hong Kong)	Air cargo handling services (Hong Kong)	**92,662**	92,662	**49.0**	49.0
Servair–SATS Holding Company Pte Ltd [*^] (Singapore)	Investment holding company (Singapore)	**509**	509	**49.0**	49.0
MacroAsia Catering Services, Inc [##^] (Philippines)	Inflight catering services (Philippines)	**2,027**	2,027	**20.0**	20.0
Taj Madras Flight Kitchen Pvt Limited [+++] (India)	Inflight catering services (India)	**1,901**	1,901	**30.0**	30.0
Singapore Airport Duty-Free Emporium (Pte) Ltd [@] (Singapore)	Inactive (Singapore)	**1,560**	1,560	**24.0**	24.0
Evergreen Airline Services Corporation [**^] (Taiwan)	Airport ground handling services (Taiwan)	**5,404**	5,404	**20.0**	20.0
Evergreen Air Cargo Services Corporation [++++^] (Taiwan)	Air cargo handling services (Taiwan)	**16,163**	16,163	**25.0**	25.0
Taj SATS Air Catering Limited [+++] (India)	Catering services (India)	**24,646**	24,646	**49.0**	49.0
PT Jasa Angkasa Semesta Tbk [#^] (Indonesia)	Ground and cargo handling (Indonesia)	**105,532**	105,532	**49.8**	49.8
		275,554	275,554		

@ Audited by Ernst & Young LLP, Singapore
@@ Audited by Ernst & Young, Maldives
+ Audited by Deloitte Vietnam Co. Limited
++ Audited by KPMG, Hong Kong
+++ Audited by Deloitte Haskins & Sells
++++ Audited by PricewaterhouseCoopers, Taiwan
# Audited by Osman Ramli Setrio and Rekan - Member Firm of Deloitte Touche Tohmatsu, Indonesia
Audited by Sycip Gorres Velayo & Co
Audited by Messrs Riaz Ahmed, Saqib, Gohar and Co, Pakistan
* Audited by Deloitte and Touche LLP, Singapore
** Audited by Deloitte and Touche, Taiwan
*** Audited by Zhongrui Yuehua Certified Public Accountants Co., Ltd
^ Financial year ends on 31 December

Notes to Financial Statements
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24. Associated Companies (in $ Thousand) (Cont'd)

The summarised financial information of the associated companies are as follows:

	GROUP 31 March 2010	2009
Assets and liabilities		
Current assets	**394,960**	339,926
Non-current assets	**609,174**	665,486
	1,004,134	1,005,412
Current liabilities	**269,915**	250,120
Non-current liabilities	**63,048**	91,057
	332,963	341,177

	2009-10	2008-09
Results		
Revenue	**637,870**	615,648
Profit for the period	**82,233**	52,711

25. Intangible Assets (in $ Thousand)

GROUP

	Goodwill	Software	Brands	Customer relationships	Licenses	Total
At cost						
Balance at 1 April 2009 as previously stated	242,326	41,874	125,041	77,074	27,320	513,635
Completion of initial purchase accounting	4,821	–	–	–	–	4,821
Balance at 1 April 2009 as restated	247,147	41,874	125,041	77,074	27,320	518,456
Additions	–	3,758	–	–	–	3,758
Reclassification (Note 19)	–	4,153	–	–	–	4,153
Translation adjustments	–	–	(3,345)	(597)	–	(3,942)
Balance at 31 March 2010	**247,147**	**49,785**	**121,696**	**76,477**	**27,320**	**522,425**
Accumulated amortisation						
Balance at 1 April 2009	–	35,341	36	2,943	320	38,640
Amortisation	–	2,930	198	16,790	1,915	21,833
Balance at 31 March 2010	**–**	**38,271**	**234**	**19,733**	**2,235**	**60,473**
Net book value	**247,147**	**11,514**	**121,462**	**56,744**	**25,085**	**461,952**
At cost						
Balance at 1 April 2008	1,363	39,209	–	–	–	40,572
Acquisition of subsidiary as restated	244,128	–	126,588	77,519	27,320	475,555
Acquisition of minority interest	1,656	–	–	–	–	1,656
Additions	–	2,809	–	–	–	2,809
Reclassification (Note 19)	–	664	–	–	–	664
Disposal	–	(808)	–	–	–	(808)
Translation adjustments	–	–	(1,547)	(445)	–	(1,992)
Balance at 31 March 2009	247,147	41,874	125,041	77,074	27,320	518,456

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31 March 2010

25. Intangible Assets (in $ Thousand) (Cont'd)

	Goodwill	Software	Brands	Customer relationships	Licenses	Total
Accumulated amortisation						
Balance at 1 April 2008	–	33,032	–	–	–	33,032
Amortisation	–	2,876	36	2,943	320	6,175
Disposal	–	(567)	–	–	–	(567)
Balance at 31 March 2009	–	35,341	36	2,943	320	38,640
Net book value	247,147	6,533	125,005	74,131	27,000	479,816

Completion of initial purchase accounting

The Group completed the initial accounting for the acquisition of Singapore Food Industries Limited during the year. The adjustments to the initial accounting were as follows:

Increase	
Deferred taxation (Note 14)	4,821
Goodwill	4,821

Brands, licences and customer relationships

Brands relate to the "New Covent Garden", "Johnsons" and "Farmhouse Fare" brand names (acquired in January 2009) for the Group's food preparation, manufacturing and processing operations that were acquired in the acquisition of SFI Group. As explained in Note 2(f)(ii), the useful life of the first two brands is estimated to be indefinite while "Farmhouse Fare" brand name has an estimated useful life of 17 years.

Licenses refer to the only abattoir and hog auction licence granted by the AVA in Singapore and transferable fishing licence in Australia. The customer relationships relate to the economic benefits that are expected to derive from trading with the existing customers in the Singapore and United Kingdom operations. These are acquired as part of the acquisition of the SFI group. The relationships include catering and supply contracts with customers as well as other non-contractual customer relationships which past transactions provide evidences that the Group is able to benefit from the future economic inflows from such relationships.

Amortisation expense

The amortisation of brands, licences and customer relationships is included in the "Depreciation and amortisation charges" line item in the consolidated income statement.

Impairment testing of goodwill and brands

Goodwill arising from business combinations and brands with indefinite useful lives have been allocated to the following cash-generating units (CGU) for impairment testing:

- Food Solutions
- New Covent Garden products
- Johnsons products

The carrying amounts of goodwill and brands allocated to each CGU are as follows:

	Food Solutions 31 March		New Covent Garden Products 31 March		Johnsons Products 31 March	
	2010	2009	2010	2009	2010	2009
Goodwill	**247,147**	247,147	**–**	–	**–**	–
New Covent Garden brand	**–**	–	**100,300**	103,021	**–**	–
Johnson brand	**–**	–	**–**	–	**18,300**	18,805

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25. Intangible Assets (in $ Thousand) (Cont'd)

The New Covent Garden Products CGU and the Johnsons products CGU are part of the food solutions CGU for impairment testing purposes.

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial forecast approved by management covering a five-year period. The discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the forecast are as follows:

	Food Solutions 31 March		New Covent Garden Products 31 March		Johnsons Products 31 March	
	2010 %	2009 %	2010 %	2009 %	2010 %	2009 %
Growth rate	**1**	N/A*	**1**	N/A*	**1**	N/A*
Discount rate	**9**	N/A*	**10**	N/A*	**11**	N/A*

* No impairment testing was carried out as at 31 March 2009 as the acquisition was only completed in March 2009 and the fair values of the acquired assets and liabilities have been determined on a provisional basis and might be adjusted accordingly on a retrospective basis when the valuations are finalised.

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

Forecasted revenue and gross margins – Revenue and gross margins are based on average values achieved in the recent years preceding the start of the forecast period. These are increased over the forecast period for anticipated expansion in business, synergies and efficiency improvements.

Growth rates – The forecasted growth rates are based on relevant industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Discount rates – Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by the Group to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each CGU, consideration has been given to the yield on a ten-year government bond at the beginning of the forecasted year.

Market share assumptions – In addition to using industry data to estimate the growth rates (as noted above), the Group assesses how the CGU's position, relative to its competitors, might change over the forecast period. The Group expects its share of the food solutions segment to be stable over the forecast period.

COMPANY

	Software
At cost	
Balance at 1 April 2009	3,442
Reclassification (Note 19)	4,063
Addition	1,166
Balance at 31 March 2010	**8,671**
Accumulated amortisation	
Balance at 1 April 2009	2,296
Amortisation	354
Balance at 31 March 2010	**2,650**
Net book value	**6,021**
At cost	
Balance at 1 April 2008	2,709
Reclassification (Note 19)	349
Addition	626
Disposal	(242)
Balance at 31 March 2009	3,442

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25. Intangible Assets (in $ Thousand) (Cont'd)

COMPANY

	Software
Accumulated amortisation	
Balance at 1 April 2008	2,162
Amortisation	134
Balance at 31 March 2009	2,296
Net book value	1,146

The remaining amortisation period of the software ranged from 1 to 5 years.

26. Other Non-current Assets

Other non-current assets relate to capital expenditure incurred for the setting up of associated companies that are not legally incorporated as at year-end.

27. Trade Debtors (in $ Thousand)

The table below is an analysis of trade debtors:

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Not past due and not impaired	**133,393**	91,697	**1,236**	254
Past due but not impaired*	**91,071**	36,499	**6,132**	5,702
	224,464	128,196	**7,368**	5,956
Impaired trade debts – collectively assessed	**199**	1,514	**–**	–
Less: Accumulated impairment losses	**(199)**	(1,514)	**–**	–
	–	–	**–**	–
Impaired trade debts – individually assessed	**4,068**	1,252	**1,666**	–
Customers who default in payment within stipulated framework of IATA Clearing House or BSP	**99**	99	**–**	–
Less: Accumulated impairment losses	**(4,167)**	(1,351)	**(1,666)**	–
	–	–	**–**	–
Less: Allowance for trade discount	**(5,026)**	(4,440)	**–**	–
Total trade debtors, net	**219,438**	123,756	**7,368**	5,956
* Aging of trade debtors that are past due but not impaired				
Less than 30 days	**66,920**	21,348	**203**	1,689
30 days to 60 days	**10,766**	7,970	**776**	512
61 days to 90 days	**3,120**	3,777	**525**	2,316
More than 90 days	**10,265**	3,404	**4,628**	1,185
	91,071	36,499	**6,132**	5,702

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 90 days aging of debtor balances) are considered indicators that the debt owing by the trade debtor is impaired. Individual trade debtor amount is written off when management deems the amount not collectible.

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27. Trade Debtors (in $ Thousand) (Cont'd)

Trade debtors are stated after impairment. Analysis of the impairment account is as follows:

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Balance at 1 April	**2,865**	–	**–**	–
Acquisition of a subsidiary	**–**	2,530	**–**	–
Exchange differences	**(577)**	255	**–**	–
Charge/(write-back) to profit and loss account	**2,078**	80	**1,666**	–
Balance at 31 March	**4,366**	2,865	**1,666**	–
Bad debts written-off directly to profit and loss account	**935**	2	**–**	–

28. Other Debtors (in $ Thousand)

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Staff loans	**313**	556	**299**	547
Sundry receivables	**16,337**	11,141	**1,552**	2,174
	16,650	11,697	**1,851**	2,721

These loans were granted in accordance with schemes approved by the shareholders of the Company. The interest rate on the staff loans is 3% (2009: 3%).

29. Related Companies (in $ Thousand)

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Deposits with Singapore Airlines Limited	**–**	140,268	**–**	140,268
Amounts owing by Singapore Airlines Limited	**–**	67,098	**–**	3,671
Amounts owing by/(to) related companies	**–**	29,265	**–**	(921)
Amounts owing by subsidiary companies	**–**	–	**22,354**	13,086
Deposits placed by subsidiary companies	**–**	–	**(92,179)**	(43,595)
	–	236,631	**(69,825)**	112,509
Disclosed as:				
Current assets	**–**	236,631	**22,354**	157,025
Current liabilities	**–**	–	**(92,179)**	(44,516)
	–	236,631	**(69,825)**	112,509

There were no deposits placed with Singapore Airlines Limited as at 31 March 2010. The interest rates of the deposits placed with Singapore Airlines Limited in prior year ranged from 0.07% to 1.55% per annum.

The amounts owing by/(to) Singapore Airlines Limited and related companies are trade-related and non-interest bearing. The 2010 balances are part of the third party trade debtor account following the change of the corporate shareholder as explained in Note 1.

The amounts owing by subsidiary companies are unsecured, interest-free and are repayable on demand. The deposits placed by subsidiary companies bear interest rates ranging from 0.12% to 0.44% (2009: 0.125% to 1.31%) per annum.

Included in amount owing by subsidiary companies is an impairment loss of $1,444,000 (2009: $1,444,000).

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30. Inventories (in $ Thousand)

	GROUP 31 March 2010	GROUP 31 March 2009	COMPANY 31 March 2010	COMPANY 31 March 2009
Food supplies and dry stores	**36,560**	50,436	**–**	–
Technical spares	**3,293**	3,289	**–**	–
Other consumables	**3,308**	2,899	**360**	218
Total inventories at lower of cost and net realisable value	**43,161**	56,624	**360**	218

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

	GROUP 31 March 2010	GROUP 31 March 2009	COMPANY 31 March 2010	COMPANY 31 March 2009
Balance at 1 April	**2,797**	2,574	**–**	–
Provided during the year	**305**	957	**–**	–
Allowance no longer required	**(455)**	–		
Allowance utilized during the year	**(1,107)**	(749)	**–**	–
Translation differences	**(119)**	15	**–**	–
Balance at 31 March	**1,421**	2,797	**–**	–

During the financial year, the Group wrote off $2,970,000 (2009: $717,000) of inventories that were expensed to the profit and loss account directly.

31. Cash and Cash Equivalents (in $ Thousand)

(a) Cash and cash equivalents included in the Group's consolidated cash flow statement comprise the following balance sheet amounts:

	GROUP 31 March 2010	GROUP 31 March 2009
Fixed deposits	**132,588**	83,872
Cash and bank balances	**63,761**	53,404
Deposits with Singapore Airlines Limited (Note 29)	**–**	140,268
Bank overdraft	**(599)**	(1,805)
	195,750	275,739

(b) Analysis of capital expenditure cash flows:

	GROUP 31 March 2009-10	GROUP 31 March 2008-09
Addition of property, plant and equipment	**62,940**	29,853
Addition of intangible assets	**3,758**	2,809
Adjustment for property, plant and equipment acquired under credit terms	**(2,576)**	(4,583)
Cash invested in property, plant and equipment and intangible assets	**64,122**	28,079

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31. Cash and Cash Equivalents (in $ Thousand) (Cont'd)

Cash at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.015% to 1.75% (2009: 0.04% to 3.60%) per annum. Short-term deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate for short-term deposits is 0.34% (2009: 1.51%) per annum.

The bank overdraft is part of the secured banking facilities of the Group and it is secured on the property, plant and equipment and other assets of certain subsidiaries with a total carrying value at 31 March 2010 of $165,137,000 (2009: $141,191,000).

32. Other Liabilities (in $ Thousand)

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Tender deposits	**2,422**	2,471	**1,057**	955
Accrued expenses	**60,111**	56,930	**1,902**	8,297
Purchase of property, plant and equipment	**1,718**	6,484	**187**	263
Others	**221**	1,525	**–**	–
	64,472	67,410	**3,146**	9,515

33. Related Party Transactions (in $ Thousand)

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Singapore Airlines Limited and companies owned and controlled by it were considered as related companies, before the Company was divested by Singapore Airlines Limited on 31 August 2009.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties during the financial year:

	GROUP		COMPANY	
	2009-10	2008-09	2009-10	2008-09
Services rendered by:				
Singapore Airlines Limited (Up to 31.8.2009)	**6,095**	18,329	**1,128**	3,471
Subsidiary companies	**–**	–	**173**	161
Related companies	**104**	49	**–**	–
	6,199	18,378	**1,301**	3,632
Sales to:				
Singapore Airlines Limited (Up to 31.8.2009)	**167,017**	451,295	**297**	741
Subsidiary companies	**–**	–	**64,230**	64,255
Related companies	**59,780**	159,570	**1,130**	2,012
Associated companies	**1,436**	1,458	**1,436**	1,458
	228,233	612,323	**67,093**	68,466

Notes to Financial Statements

31 March 2010

33. Related Party Transactions (in $ Thousand) (Cont'd)

Directors' and key executives' remuneration of the Company:

	COMPANY 2009–10	2008–09
Key executives		
Salary, bonuses and other costs	**5,600**	2,754
CPF and other defined contributions	**149**	54
Share-based compensation expense	**333**	330
	6,082	3,138
Directors		
Directors' fees (Note 6)	***1,051**	749

* Proposed

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

Name of participant	Aggregate options granted since commencement of scheme to end of financial year	Aggregate options exercised since commencement of scheme to end of financial year	Aggregate options outstanding at end of financial year
Tan Chuan Lye	624,500	(272,000)	352,500
Chang Seow Kuay	98,700	(50,200)	48,500
Tony Goh Aik Kwang	284,100	(124,100)	160,000
Leong Kok Hong	592,500	(353,500)	239,000
Andrew Lim Cheng Yueh	258,200	(45,950)	212,250
Denis Suresh Kumar Marie	80,600	(21,750)	58,850
Yacoob Bin Ahmed Piperdi	377,950	(68,000)	309,950

Shares awarded under the new share plans during the year since the commencement of the Restricted Share Plan and Performance Share Plan are as follows:

Name of participant	Shares granted during financial year	Aggregate shares granted since commencement of plan to end of financial year	Aggregate shares vested since commencement of plan to end of financial year	Aggregate shares not released at end of financial year
Clement Woon Hin Yong	124,000	344,000	(10,300)	333,700
Lim Chuang	27,000	77,000	–	77,000
Tan Chuan Lye	27,000	94,768	(9,700)	85,068
Ang Lee Nah	27,000	27,000	–	27,000
Robert Burnett	27,000	27,000	–	27,000
Chang Seow Kuay	27,000	90,503	(9,500)	81,003
Tony Goh Aik Kwang	27,000	81,107	(8,900)	72,207
Leong Kok Hong	18,900	68,052	(5,200)	62,852
Andrew Lim Cheng Yueh	18,900	61,707	(8,200)	53,507
Denis Suresh Kumar Marie	33,000	58,335	(2,300)	56,035
Yacoob Bin Ahmed Piperdi	18,900	79,561	(12,000)	67,561
Poon Choon Liang	27,000	27,000	–	27,000
Frankie Tan Chiew Kuang	18,900	18,900	–	18,900

Notes to Financial Statements

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34. Capital and Other Commitments (in $ Thousand)

(a) The Group and the Company have commitments for capital expenditure. Such commitments aggregated to $32.5 million (2009: $19.3 million) for the Group and $6.3 million (2009: $2.6 million) for the Company. In aggregate, these commitments are not at prices in excess of current market prices.

(b) The Group has entered into operating lease agreements for ground support equipment and leasehold land and buildings. The Group leases several pieces of leasehold land under lease agreements. The lease periods ranged from 13 to 999 years. The remaining lease periods ranged from 1 to 987 years. The leases of the leasehold properties contain provision for rental adjustments. The future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Within one year	**12,607**	12,126	**1,515**	1,313
After one year but not more than five years	**26,802**	25,891	**6,062**	6,060
Later than five years	**46,786**	34,203	**12,442**	13,960
	86,195	72,220	**20,019**	21,333

(c) In the year 2002, the Group entered into a sale and leaseback arrangement with two investors whereby two subsidiary companies sold and leaseback certain fixed ground support equipment. The net book value of these equipment as at 31 March 2010 is $36.2 million (2009: $49.5 million). The gain arising from this sale and leaseback is deferred and amortised over the lease period of 18 years commencing on October 2002. As at 31 March 2010, the balance of the deferred gain is $19,134,000 (2009: $20,957,000) (Note 18).

Under the terms of the agreement, the subsidiary companies have, in 2002, prepaid an amount equivalent to the present value of their future lease obligations to two financial institutions who act as payment undertaking agents. The Company has also guaranteed the repayment of these future lease obligations by the financial institutions to the investors.

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31 March 2010

35. Financial Risk Management Objectives and Policies (in $ Thousand)

The Group operates principally in Singapore and generates revenue mainly in Singapore dollars. The Group also has investments overseas and operates in more than ten countries. The Group's operations carry certain financial and commodity risks, including the effects of changes in foreign exchange rates and interest rates. The Group's overall risk management approach is to minimise the effects of such volatility on its financial performance. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments for specific exposures where appropriate and cost-efficient. While the Group currently has not used any forward contracts to hedge its foreign exchange exposure, it would consider using derivative instruments, depending on their merits, as valid and appropriate risk management tools. The Group has entered into an interest rate cap and floor contract to hedge its interest rate exposure. The Group and the Company do not apply hedge accounting.

Financial risk management policies are periodically reviewed and approved by the Board of Directors.

(a) Foreign currency risk

The Group is exposed to the effect of foreign exchange rate fluctuation because of its foreign currency denominated operating revenue and expenses. However, the effects of foreign exchange rate fluctuations on the Group's operations are not significant because the Group's sales and purchases are mainly denominated in the respective functional currencies of the Group's entities.

The tax effects on profit before taxation and equity on a 5% strengthening or weakening of SGD against foreign currencies (United States Dollar, Euro and Hong Kong Dollar) in which the Group has major transactions in are as follows:

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Effect of strengthening of SGD				
Profit before taxation	**(1,882)**	(91)	**(1,414)**	(46)
Equity	**(1,562)**	(79)	**(1,174)**	(38)
Effect of weakening of SGD				
Profit before taxation	**1,882**	91	**1,414**	46
Equity	**1,562**	79	**1,174**	38

(b) Interest rate risk

The Group's earnings are affected by changes in interest rates due to the impact that such changes have on its interest income from cash, short-term deposits, short-term non-equity investments and associated companies, and its interest expense on the notes payable and term loans.

The Group has an interest rate cap and floor contract with a notional amount of $15.6 million (2009: $15.6 million). Under this contractual arrangement, the interest rate cap and floor are 6.50% and 4.15% (2009: 6.50% and 4.15%) respectively. The cumulative fair value loss on this instrument is $1.4 million (2009: $1.5 million) and the amount has been recognised in the financial statements.

The Group's interest-bearing assets and interest-bearing liabilities are predominantly denominated in SGD and GBP. Short-term non-equity investments and fixed deposits earned interest rates ranging from nil (2009: 1.81% to 4.00%) and 0.015% to 1.75% (2009: 0.04% to 3.60%) respectively. Information relating to other interest-bearing assets and liabilities are disclosed in the notes on associated companies, related companies, notes payable and term loans.

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or finance charges of variable interest financial instruments.

- Changes in market interest rates affect the carrying value of financial instruments with fixed interest rates if these are recognised at their fair value.

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31 March 2010

35. Financial Risk Management Objectives and Policies (in $ Thousand) (Cont'd)

(b) Interest rate risk (Cont'd)

Under these assumptions, an increase or decrease in market interest rates of 50 basis points for all currencies in which the Group had borrowings at 31 March would have the following effects:

	GROUP 31 March		COMPANY 31 March	
	2010	2009	2010	2009
Effect of an increase in 50 basis points in market interest rates				
Profit before taxation	**(77)**	(79)	**4**	7
Equity	**(64)**	(71)	**3**	6
Effect of a decrease in 50 basis points in market interest rates				
Profit before taxation	**77**	77	**(4)**	(7)
Equity	**64**	71	**(3)**	(6)

(c) Counter-party risk

The Group's maximum exposure to credit risk in the event that counter-parties fail to perform their obligations as at 31 March 2010 in relation to each class of recognised financial assets was the carrying amount of those assets as indicated in the balance sheet.

The Group only transacts with credit-worthy counter-parties. Surplus funds are placed as interest-bearing deposits with reputable financial institutions and the immediate holding company, or invested in high quality short-term liquid investments. Counter-party risks are managed by limiting aggregate exposure on all outstanding financial instruments to any individual counter-party, taking into account its credit rating. Such counter-party exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising in the event of non-performance by counter-parties.

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect the group of counter-parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

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

GROUP

	Outstanding balance		Percentage of total financial assets	
Counter-party profiles	2010	2009	2010	2009
By industry				
Airlines	**117,539**	268,766	**26.6%**	49.8%
Financial institutions	**196,350**	139,653	**44.5%**	25.9%
Others	**101,899**	89,244	**23.1%**	16.6%
	415,788	497,663	**94.2%**	92.3%
By region				
Singapore	**342,565**	422,229	**77.6%**	78.3%
Europe	**58,484**	58,186	**13.2%**	10.8%
Others	**14,739**	17,248	**3.3%**	3.2%
	415,788	497,663	**94.2%**	92.3%
By Moody's credit ratings				
Investment grade (A to AAA)	**156,436**	136,516	**35.4%**	25.3%
Non-rated	**259,352**	361,147	**58.7%**	67.0%
	415,788	497,663	**94.2%**	92.3%

Notes to Financial Statements
31 March 2010

35. Financial Risk Management Objectives and Policies (in $ Thousand) (Cont'd)

(c) Counter-party risk (Cont'd)

COMPANY

Counter-party profiles	Outstanding balance 2010	Outstanding balance 2009	Percentage of total financial assets 2010	Percentage of total financial assets 2009
By industry				
Airlines	**4,768**	144,197	**2.8%**	50.2%
Financial institutions	**131,140**	103,483	**75.7%**	36.0%
Others	**24,954**	12,828	**14.4%**	4.4%
	160,862	260,508	**92.8%**	90.6%
By region				
Singapore	**153,293**	260,504	**88.5%**	90.6%
Others	**7,569**	4	**4.4%**	–
	160,862	260,508	**92.8%**	90.6%
By Moody's credit ratings				
Investment grade (A to AAA)	**131,140**	103,483	**75.7%**	36.0%
Non-rated	**29,722**	157,025	**17.2%**	54.6%
	160,862	260,508	**92.8%**	90.6%

(d) Liquidity risk

As at 31 March 2010, the Group had at its disposal, cash and cash equivalents amounting to $195.8 million (2009: $275.7 million) and nil (2009: $20.4 million) short-term non-equity investments. In addition, the Group has available short-term credit facilities of approximately $171.8 million (2009: $257.7 million) from open-ended revolving credit facilities granted by commercial banks. The Group also has an alternative facility to issue notes up to $500 million (2009: $300 million), with maturity dates between one month to ten years, under the Medium Term Note Programme.

The Group's holdings of cash, short-term deposits and investments, together with non-committed funding facilities and net cash flow from operations, are expected to be sufficient to cover the cost of all capital expenditure due in the next financial year. The shortfall, if any, could be met by bank borrowings or public market funding.

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

Notes to Financial Statements

31 March 2010

35. Financial Risk Management Objectives and Policies (in $ Thousand) (Cont'd)

(d) Liquidity risk (Cont'd)

GROUP

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2010							
Notes payable	–	–	–	–	–	–	–
Other long-term liability	–	–	–	–	–	4,000	4,000
Term loans	12,841	2,945	458	229	232	1,932	18,637
Finance lease commitments	738	648	607	489	466	1,944	4,892
Trade creditors	154,758	–	–	–	–	–	154,758
Other creditors	64,485	–	–	–	–	–	64,485
Bank overdrafts	599	–	–	–	–	–	599
	233,421	**3,593**	**1,065**	**718**	**698**	**7,876**	**247,371**
2009							
Notes payable	202,548	–	–	–	–	–	202,548
Other long-term liability	–	–	–	–	–	4,000	4,000
Term loans	32,331	5,445	3,154	474	240	2,223	43,867
Finance lease commitments	1,408	1,182	1,168	1,087	911	3,635	9,391
Trade creditors	136,892	–	–	–	–	–	136,892
Other creditors	66,699	537	292	–	–	–	67,528
Bank overdrafts	1,805	–	–	–	–	–	1,805
	441,683	7,164	4,614	1,561	1,151	9,858	466,031

COMPANY

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2010							
Notes payable	–	–	–	–	–	–	–
Other long-term liability	–	–	–	–	–	4,000	4,000
Related companies	44,516	–	–	–	–	–	44,516
Trade creditors	19,608	–	–	–	–	–	19,608
Other creditors	9,515	–	–	–	–	–	9,515
	73,639	**–**	**–**	**–**	**–**	**4,000**	**77,639**
2009							
Notes payable	202,548	–	–	–	–	–	202,548
Other long-term liability	–	–	–	–	–	4,000	4,000
Related companies	44,516	–	–	–	–	–	44,516
Trade creditors	19,608	–	–	–	–	–	19,608
Other creditors	9,515	–	–	–	–	–	9,515
	276,187	–	–	–	–	4,000	280,187

Notes to Financial Statements
31 March 2010

36. Financial Instruments (in $ Thousand)

(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:

GROUP

	Loans and receivables	Available for-sale financial assets	Financial liabilities at amortised costs	Financial liabilities at fair value	Total
2010					
Assets					
Long term investment	–	7,905	–	–	7,905
Loan to an associated company	700	–	–	–	700
Trade debtors	219,438	–	–	–	219,438
Other debtors	16,650	–	–	–	16,650
Amounts owing by associated companies	516	–	–	–	516
Fixed deposits	132,588	–	–	–	132,588
Cash and bank balances	63,761	–	–	–	63,761
	433,653	**7,905**	**–**	**–**	**441,558**
Total non-financial assets					1,467,580
Total assets					**1,909,138**
Liabilities					
Other long-term liability	–	–	4,000	–	4,000
Term loans	–	–	18,637	–	18,637
Finance lease commitments	–	–	4,892	–	4,892
Trade creditors	–	–	154,758	–	154,758
Other liabilities	–	–	64,472		64,472
Bank overdrafts	–	–	599	–	599
	–	**–**	**247,358**	**–**	**247,358**
Total non-financial liabilities					161,583
Total liabilities					**408,941**

Notes to Financial Statements

31 March 2010

36. Financial Instruments (in $ Thousand) (Cont'd)

(a) Classification of financial instruments (Cont'd)

GROUP

	Loans and receivables	Available for-sale financial assets	Financial liabilities at amortised costs	Financial liabilities at fair value	Total
2009					
Assets					
Long term investment	–	7,904	–	–	7,904
Loan to an associated company	1,368	–	–	–	1,368
Related companies	236,631	–	–	–	236,631
Trade debtors	123,756	–	–	–	123,756
Other debtors	11,697	–	–	–	11,697
Amounts owing by associated companies	248	–	–	–	248
Short-term non-equity investments	–	20,400	–	–	20,400
Fixed deposits	83,872	–	–	–	83,872
Cash and bank balances	53,404	–	–	–	53,404
	510,976	28,304	–	–	539,280
Total non-financial assets					1,515,924
Total assets					2,055,204
Liabilities					
Notes payable	–	–	200,000	–	200,000
Other long-term liability	–	–	4,000	–	4,000
Term loans	–	–	43,221	–	43,221
Finance lease commitments	–	–	6,487	–	6,487
Trade creditors	–	–	136,892	–	136,892
Other liabilities	–	–	65,885	1,525	67,410
Bank overdrafts	–	–	1,805	–	1,805
	–	–	458,290	1,525	459,815
Total non-financial liabilities					179,040
Total liabilities					638,855

COMPANY

	Loans and receivables	Available for-sale financial assets	Financial liabilities at amortised costs	Total
2010				
Assets				
Long term investment	–	7,886	–	7,886
Loan to an associated company	700	–	–	700
Loan to a subsidiary company	1,227	–	–	1,227
Related companies	22,354	–	–	22,354
Trade debtors	7,625	–	–	7,625
Other debtors	1,851	–	–	1,851
Amounts owing by associated companies	517	–	–	517
Fixed deposits	119,053	–	–	119,053
Cash and bank balances	12,087	–	–	12,087
	165,414	**7,886**	**–**	**173,300**
Total non-financial assets				1,219,371
Total assets				**1,392,671**

Notes to Financial Statements
31 March 2010

36. Financial Instruments (in $ Thousand) (Cont'd)

(a) Classification of financial instruments (Cont'd)

COMPANY

	Loans and receivables	Available for-sale financial assets	Financial liabilities at amortised costs	Total
2010				
Liabilities				
Notes payable	–	–	–	
Other long-term liability	–	–	4,000	4,000
Related companies	–	–	92,179	92,179
Trade creditors	–	–	22,921	22,921
Other liabilities	–	–	3,146	3,146
	–	**–**	**122,246**	**122,246**
Total non-financial liabilities				54,409
Total liabilities				**176,655**

COMPANY

	Loans and receivables	Available for-sale financial assets	Financial liabilities at amortised costs	Total
2009				
Assets				
Long term investment	–	7,886	–	7,886
Loan to an associated company	1,368	–	–	1,368
Loan to a subsidiary company	726	–	–	726
Related companies	157,025	–	–	157,025
Trade debtors	5,956	–	–	5,956
Other debtors	2,721	–	–	2,721
Amounts owing by associated companies	248	–	–	248
Short-term non-equity investments	–	20,400	–	20,400
Fixed deposits	83,083	–	–	83,083
Cash and bank balances	8,004	–	–	8,004
	259,131	28,286	–	287,417
Total non-financial assets				1,238,784
Total assets				1,526,201
Liabilities				
Notes payable	–	–	200,000	200,000
Other long-term liability	–	–	4,000	4,000
Related companies	–	–	44,516	44,516
Trade creditors	–	–	19,608	19,608
Other liabilities	–	–	9,515	9,515
	–	–	277,639	277,639
Total non-financial liabilities				62,203
Total liabilities				339,842

Notes to Financial Statements
31 March 2010

36. Financial Instruments (in $ Thousand) (Cont'd)

(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.

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	TOTAL CARRYING AMOUNT 31 March		AGGREGATE NET FAIR VALUE 31 March	
	2010	2009	2010	2009
Financial liabilities				
Finance leases (non-current)	**4,154**	5,580	**4,154**	5,580
Fixed rate-secured term loan	**553**	1,138	**564**	1,187

The fair value of the secured term loan is obtained from discounting the estimated cash flows using current market interest rate.

The carrying value of the unquoted equity instrument held as a long-term investment is stated at a cost of $7,905,000 because the fair value cannot be measured reliably. These equity instruments represent ordinary shares in a company that is not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future. The fair value of this investment is expected to be above its carrying values.

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other debtors (Note 27 and 28), Amounts owing by/(to) associated and related companies (Note 24 and 29), Loan to an associated company (Note 24), Cash and cash equivalents (Note 31), Trade creditors and other liabilities (Note 32), Term loans (Note 16) and Finance leases – current (Note 17).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

37. Capital Management (in $ Thousand)

The primary objective of management of the Group's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The Directors have reviewed the Group's capital structure. The Directors will continue to regularly review the Group's capital structure in line with this objective.

The Group did not breach any debt covenants during the financial years ended 31 March 2010 or 31 March 2009. In the same period, no changes were made in the objectives, policies or processes relating to the management of the Group's capital structure.

The Group monitors capital based on the total debt equity ratio, which is total debt divided by equity attributable to equity holders of the Company. The Group keeps the total debt equity ratio at a level above the required ratio under its debt covenants. The Group includes within total debt, loans and borrowings, finance lease commitments and bank overdraft.

Notes to Financial Statements
31 March 2010

37. Capital Management (in $ Thousand) (Cont'd)

	GROUP 31 March 2010	GROUP 31 March 2009	COMPANY 31 March 2010	COMPANY 31 March 2009
Notes payable (Note 15)	**–**	200,000	**–**	200,000
Term loans (Note 16)	**18,637**	43,221	**–**	–
Finance leases (Note 17)	**4,892**	6,487	**–**	–
Bank overdraft (Note 31)	**599**	1,805	**–**	–
Total debt	**24,128**	251,513	**–**	200,000
Equity attributable to equity holders of the Company	**1,481,898**	1,398,065	**1,216,016**	1,186,359
Total debt equity ratio	**0.02**	0.18	**–**	0.17

38. Segment Reporting (in $ Thousand)

For management purposes, the Group's operating businesses are organised and managed according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and services. The Group has three reportable operating segment as follows:

1. The food solutions segment provides mainly inflight catering, food processing and distribution services.
2. The gateway services segment provides mainly airport terminal services, such as airfreight handling services, passenger services, aviation security services, baggage handling services and apron services to the Group's airline customers.
3. The corporate segment provides rental of premises.

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 revenue and profit after taxation.

Segment accounting policies are the same as the policies described in Note 2. Segment assets comprise primarily of property, plant and equipment, investment properties, intangible assets, inventories receivables, operating cash and other investments. Segment liabilities comprise primarily of operating liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, excluding those acquired through business combinations and finance leases.

The Group generally accounts for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

BY BUSINESS

	Food Solutions	Gateway Services	Corporate	Eliminations	Total
Financial year ended 31 March 2010					
Revenue					
External revenue	1,031,753	495,266	11,887	–	1,538,906
Operating profit	143,472	57,795	(16,903)	–	184,364
Interest income	252	87	478	(189)	628
Interest on borrowings	(1,491)	(4)	(4,007)	189	(5,313)
Gross dividend from long-term investment					
Share of profits of associated companies	5,104	36,829	1	–	41,934
Share of loss of joint venture company	(3)	–	–	–	(3)
Gain on disposal of property, plant and equipment	179	334	25	–	538
Amortisation of deferred income	–	–	929	–	929
Loss on sale of short-term non-equity investment	(5)	–	–	–	(5)
Profit before taxation	147,508	95,041	(19,477)	–	223,072
Taxation	(25,719)	(19,385)	4,153	–	(40,951)
Profit after taxation	**121,789**	**75,656**	**(15,324)**	**–**	**182,121**

Notes to Financial Statements

31 March 2010

38. Segment Reporting (in $ Thousand) (Cont'd)

	Food Solutions	Gateway Services	Corporate	Eliminations	Total
As at 31 March 2010					
Segment assets	617,973	387,722	100,877	–	1,106,572
Associated companies	70,768	180,453	83,557	–	334,778
Deferred tax assets	2,296	2,711	680	–	5,687
Loan to an associated company	140	–	–	–	140
Intangibles (include goodwill)	49,701	4,155	408,107	–	461,963
Total assets	**740,878**	**575,041**	**593,221**	**–**	**1,909,140**
Current liabilities	152,818	53,554	27,056	–	233,428
Long-term liabilities	6,009	3,941	23,134	–	33,084
Tax liabilities	32,016	20,218	90,223	–	142,457
Total liabilities	**190,843**	**77,713**	**140,413**	**–**	**408,969**
Capital expenditure	43,055	16,220	7,423	–	66,698
Depreciation and amortisation charges	35,581	35,631	19,576	–	90,788
Financial year ended 31 March 2009					
Revenue					
External revenue	540,977	508,241	12,876	–	1,062,094
Inter-segment revenue	2,800	2,718	64,255	(69,773)	–
Total revenue	543,777	510,959	77,131	(69,773)	1,062,094
Operating profit	96,523	70,861	3,503	–	170,887
Interest income	350	172	6,817	(467)	6,872
Interest on borrowings	(708)	(2)	(6,465)	467	(6,708)
Gross dividend from long-term investment	–	–	1,167	–	1,167
Share of profits of associated companies	8,193	14,036	2	–	22,231
Share of loss of joint venture company	(1)	–	–	–	(1)
Gain on disposal of property, plant and equipment	39	365	66	–	470
Amortisation of deferred income	–	–	(538)	–	(538)
Loss on sale of short-term non-equity investment	–	–	(10,821)	–	(10,821)
Loss on sale of subsidiary	(50)	–	–	6	(44)
Profit before taxation	104,346	85,432	(6,269)	6	183,515
Taxation	(18,255)	(13,198)	(3,606)	–	(35,059)
Profit after taxation	86,091	72,234	(9,875)	6	148,456
As at 31 March 2009					
Intangible (include goodwill)	53,278	4,412	422,127	–	479,817
Segment assets	529,045	401,021	305,314	–	1,235,380
Associated companies	71,041	262,223	201	–	333,465
Deferred tax assets	1,546	2,948	680	–	5,174
Loan to an associated company	1,368	–	–	–	1,368
Total assets	656,278	670,604	728,322	–	2,055,204
Current liabilities	164,093	45,659	29,123	–	238,875
Long-term liabilities	11,644	5,296	24,957	–	41,897
Notes payable	–	–	200,000	–	200,000
Tax liabilities	37,326	24,258	96,499	–	158,083
Total liabilities	213,063	75,213	350,579	–	638,855
Capital expenditure	12,435	18,495	1,732	–	32,662
Depreciation and amortisation charges	24,631	36,029	3,934	–	64,594

Notes to Financial Statements

31 March 2010

38. Segment Reporting (in $ Thousand) (Cont'd)

BY GEOGRAPHICAL LOCATION

	Singapore	UK	Others	Total
Financial year ended 31 March 2010				
Revenue	**1,118,082**	**366,100**	**54,724**	**1,538,906**
As at 31 March 2010				
Segment assets	942,499	144,722	19,351	1,106,572
Associated companies	189	–	334,589	334,778
Deferred tax assets	1,618	705	3,364	5,687
Intangibles (include goodwill)	461,219	–	744	461,963
Loan to an associated company	–	–	140	140
Total assets	**1,405,525**	**145,427**	**358,188**	**1,909,140**
Capital expenditure	**43,508**	**22,297**	**893**	**66,698**

	Singapore	UK	Others	Total
Financial year ended 31 March 2009				
Revenue	982,591	62,332	17,171	1,062,094
As at 31 March 2009				
Intangibles (include goodwill)	479,246	–	571	479,817
Segment assets	1,031,384	177,231	26,765	1,235,380
Associated companies	201	–	333,264	333,465
Deferred tax assets	1,649	160	3,365	5,174
Loan to an associated company	–	–	1,368	1,368
Total assets	1,512,480	177,391	365,333	2,055,204
Capital expenditure	29,444	2,708	510	32,662

39. Subsequent Events

"National Aviation Company of India Limited ("NACIL"), the merged entity of Air India Limited and Indian Airlines Limited, and the Company has in prior years commenced operations in Bangalore and Hyderabad. In the current financial year ended 31 March 2010, NACIL and the Company have decided to consolidate the cargo handling and ground handling businesses at Bangalore and the ground handling business at Hyderabad under a single joint venture, with each party holding a 50% stake in the joint venture. The joint venture company, Air India SATS Airport Services Private Limited ("AI-SATS"), has been incorporated on 20 April 2010 and NACIL and the Company are in the process of transferring the jointly controlled businesses at Bangalore and Hyderabad to AI-SATS.

40. Comparative Figures (in $ Thousand)

Certain comparative figures have been restated to effect the completion of initial accounting for the acquisition of Singapore Food Industries Limited during the year (Note 25):

	2009 as restated	As previously reported
Balance sheet		
Deferred taxation	104,226	99,405
Intangible assets	479,816	474,995

Additional Information

required by the Singapore Exchange Securities Trading Limited ("SGX-ST")

1. Interested Person Transactions (in $ Thousand)

The interested person transactions entered into during the financial year ended 31 March 2010 are as follows:

Name of interested person	Aggregate value of all interested person transactions entered into during the financial year (excluding transactions of value less than S$100,000 and transactions conducted under the shareholders'mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions entered into during the financial year under the shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions of value less than S$100,000)
Singapore Airlines Limited	–	1,378,390
Singapore Airlines Cargo Pte Ltd	–	607,700
Tiger Airways Pte Ltd	–	20,480
SMRT Taxis Pte Ltd	–	9,000
ST Synthesis Pte Ltd	–	3,700
NCS Pte Ltd	–	2,980
Great Wall Airlines Company Limited	–	1,040
Singapore Telecommunications Limited	–	550
Certis Cisco Security Pte Ltd	–	350
Total	–	2,024,190

Note: All the transactions set out in the above table were based on records from the Group'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

Except as disclosed above and in the financial statements for the financial year ended 31 March 2010, there were no material contracts entered into by the Company and its subsidiaries involving the interests of its President and Chief Executive Officer, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Five-year Financial Summary of the Group

(in Singapore Dollars)

		2009-10	2008-09	2007-08	2006-07	2005-06
Profit and loss account ($ million)						
Total revenue		**1,538.9**	1,062.1	958.0	945.7	932.0
Expenditure		**(1,354.5)**	(891.2)	(783.7)	(792.5)	(747.9)
Operating profit		**184.4**	170.9	174.3	153.2	184.1
Other income		**38.7**	12.6	57.1	66.6	62.0
Profit before tax and exceptional items		**223.1**	183.5	231.4	219.8	246.1
Exceptional items		**–**	–	17.3	–	–
Profit before tax		**223.1**	183.5	248.7	219.8	246.1
Profit after tax		**182.1**	148.5	195.2	179.0	189.2
Profit attributable to equity holders of the Company		**181.2**	146.8	194.9	178.2	188.6
Balance sheet ($ million)						
Share capital		**288.0**	255.2	250.1	215.6	179.8
Revenue reserve		**1,224.4**	1,161.8	1,166.0	1,111.3	1,018.2
Share-based compensation reserve		**22.6**	23.8	16.8	13.0	10.0
Foreign currency translation reserve		**(59.6)**	(48.5)	(54.2)	(31.2)	(9.5)
Statutory reserve		**6.4**	6.1	5.9	5.6	4.1
Fair value reserve		**–**	(0.3)	(0.7)	(0.1)	(0.1)
Equity holders' funds		**1,481.9**	1,398.1	1,383.9	1,314.2	1,202.5
Deferred taxation		**98.6**	104.2	47.9	53.5	65.6
Deferred income		**19.1**	21.0	22.8	24.6	26.3
Minority interests		**18.2**	18.3	4.0	3.9	3.3
Fixed assets		**594.4**	608.4	564.8	600.4	669.2
Investment properties		**6.5**	7.0	–	21.3	–
Other non-current assets		**17.8**	17.2	8.2	–	–
Loan to third parties		**–**	–	–	–	–
Associated companies		**334.9**	334.3	334.5	342.7	342.2
Long-term investments		**7.9**	8.2	7.9	7.9	7.9
Intangible assets		**461.9**	479.8	7.5	9.9	14.5
Current assets		**485.8**	600.4	926.6	822.0	684.1
Total assets	[Note 3]	**1,909.1**	#2,055.2	1,849.5	1,804.2	1,717.9
Long-term liabilities		**14.0**	20.9	207.2	202.5	203.9
Current liabilities		**277.6**	492.8	183.7	205.5	216.3
Total liabilities		**291.5**	513.7	390.9	408.0	420.2
Net liquid assets		**182.7**	64.0	744.6	651.3	480.2
Cash flow statement ($ million)						
Cash flow from operations		**304.0**	238.0	200.0	257.2	259.9
Internally generated cash flow	[Note 1]	**331.9**	262.5	258.2	275.8	283.9
Capital expenditure		**64.1**	32.7	20.6	13.7	13.0
Profitability ratios (%)						
Return on equity holders' funds		**12.6**	10.6	14.4	14.2	16.7
Return on total assets		**9.2**	7.6	10.7	10.2	11.4
Return on turnover		**11.8**	14.0	20.4	18.9	20.3

Five-year Financial Summary of the Group

(in Singapore Dollars)

		2009-10	2008-09	2007-08	2006-07	2005-06
Productivity and employee data						
Value added ($ million)		**802.8**	639.3	682.5	675.1	665.1
Value added per employee ($)		**67,283**	69,524	85,979	90,477	86,831
Value added per $ employment cost (times)		**1.66**	1.66	1.85	1.76	1.91
Revenue per employee ($)		**128,974**	115,495	120,961	126,747	121,675
Staff cost per employee ($)		**40,533**	41,814	46,410	51,390	45,369
Average employee strength		**11,932**	9,196	7,938	7,461	7,660
Per share data (cents)						
Earnings before tax		**20.6**	17.0	23.2	20.9	23.7
Earnings after tax						
– Basic		**16.7**	13.6	18.2	17.0	18.2
– Diluted		**16.7**	13.6	17.9	16.9	18.1
Net asset value		**136.9**	129.5	128.6	123.8	115.0
Dividends						
Gross Dividends (cents per share)	[Note 2]	**13.0**	10.0	14.0	*15.0	10.0
Dividend cover (times)		**1.3**	1.4	1.3	1.4	2.3

Notes:
1. Internally generated cash flow comprises cash generated from operations, dividends from associated companies, and proceeds from sale of fixed assets.
2. * include special dividend of 5 cents per share.
3. # Restatement

Five-year Operational Summary of the Group

	2009-10	2008-09	2007-08	2006-07	2005-06
Airfreight throughput (million tonnes)	**1.41**	1.46	1.57	1.55	1.49
Passengers served (million)	**32.99**	30.91	31.65	29.27	27.32
Inflight meals prepared (million)	**23.47**	25.19	25.72	24.74	24.19
Flights handled (thousand)	**95.40**	88.16	85.95	84.52	84.11

Quarterly Results of the Group

(in Singapore Dollars)

		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Total revenue						
2009-10	($ million)	**351.7**	**362.2**	**434.4**	**390.6**	**1,538.9**
2008-09	($ million)	244.0	249.2	242.4	326.5	1,062.1
Expenditure						
2009-10	($ million)	**308.0**	**319.9**	**376.3**	**350.3**	**1,354.5**
2008-09	($ million)	205.8	205.6	199.0	280.8	891.2
Operating profit						
2009-10	($ million)	**43.7**	**42.4**	**58.0**	**40.3**	**184.4**
2008-09	($ million)	38.2	43.6	43.4	45.7	170.9
Profit before tax						
2009-10	($ million)	**51.8**	**50.9**	**67.5**	**52.9**	**223.1**
2008-09	($ million)	44.1	42.5	50.4	46.5	183.5
Profit attributable to equity holders of the Company						
2009-10	($ million)	**40.4**	**40.9**	**53.4**	**46.5**	**181.2**
2008-09	($ million)	34.5	32.4	37.6	42.2	146.8
Earnings (after tax) per share – Basic						
2009-10	(cents)	**3.7**	**3.8**	**4.9**	**4.3**	**16.7**
2008-09	(cents)	3.2	3.0	3.5	3.9	13.6

Quarterly Operational Summary of the Group

		1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Flights handled						
2009-10	(thousands)	**23.52**	**23.72**	**24.68**	**23.48**	**95.40**
2008-09	(thousands)	22.10	22.17	22.68	21.21	88.16
Cargo and mail processed						
2009-10	(thousand tonnes)	**325.81**	**350.17**	**377.33**	**353.57**	**1,406.88**
2008-09	(thousand tonnes)	396.27	401.72	358.63	304.24	1,460.86
Passenger served						
2009-10	(millions)	**7.60**	**8.00**	**8.88**	**8.51**	**32.99**
2008-09	(millions)	7.92	7.81	8.16	7.02	30.91
Meals produced						
2009-10	(millions)	**5.44**	**5.87**	**6.18**	**5.98**	**23.47**
2008-09	(millions)	6.48	6.45	6.56	5.70	25.19

Information on Shareholdings

as at 27 May 2010

Number of shares in issue	:	1,095,269,259
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per share

Analysis of Shareholdings

Range of shareholdings	No. of shareholders	%	Amount of shareholdings	%
1 – 999	8,179	21.97	4,709,785	0.43
1,000 – 10,000	26,066	70.02	72,452,287	6.62
10,001 – 1,000,000	2,960	7.95	104,086,200	9.50
1,000,001 and above	24	0.06	914,020,987	83.45
Total	37,229	100.00	1,095,269,259	100.00

Major Shareholders

No.	Name	No. of shares held	%
1	Venezio Investments Pte. Ltd.	479,096,858	43.74
2	Citibank Nominees Singapore Pte Ltd	122,518,152	11.19
3	DBS Nominees Pte Ltd	102,089,154	9.32
4	HSBC (Singapore) Nominees Pte Ltd	47,761,247	4.36
5	Raffles Nominees (Pte) Ltd	45,667,362	4.17
6	DBSN Services Pte Ltd	38,432,686	3.51
7	United Overseas Bank Nominees Pte Ltd	35,979,351	3.28
8	Morgan Stanley Asia (Singapore)	6,474,166	0.59
9	DBS Vickers Securities (S) Pte Ltd	4,440,299	0.41
10	BNP Paribas Securities Services Singapore	4,420,065	0.40
11	DB Nominees (S) Pte Ltd	3,622,028	0.33
12	Leong Khuen Nyean	2,740,000	0.25
13	Wong Kong Choo	2,715,000	0.25
14	OCBC Nominees Singapore Private Limited	2,483,893	0.23
15	Merrill Lynch (Singapore) Pte Ltd	2,399,099	0.22
16	Phillip Securities Pte Ltd	2,306,715	0.21
17	Capital Intelligence Limited	2,000,000	0.18
18	UOB Kay Hian Pte Ltd	1,687,869	0.15
19	Societe Generale Singapore Branch	1,637,440	0.15
20	Western Properties Pte Ltd	1,191,068	0.11
		909,662,452	83.05

Information on Shareholdings
as at 27 May 2010

Substantial Shareholders

As at 27 May 2010, the substantial shareholders of the Company and their direct and deemed interests, as shown in the Company's Register of Substantial Shareholders, were as follows:

Name of substantial shareholder	No. of shares in which the substantial shareholder has a direct interest (representing percentage of total shareholding**)	No. of shares in which the substantial shareholder has a deemed interest (representing percentage of total shareholding**)	Total no. of shares in which the substantial shareholder is interested (representing percentage of total shareholding**)
Temasek Holdings (Private) Limited	–	*479,577,172 (approximately **43.79%)	479,577,172 (approximately **43.79%)
Tembusu Capital Pte. Ltd.	–	*479,096,858 (approximately **43.74%)	479,096,858 (approximately **43.74%)
Napier Investments Pte. Ltd.	–	*479,096,858 (approximately **43.74%)	479,096,858 (approximately **43.74%)
Venezio Investments Pte. Ltd.	479,096,858 (approximately **43.74%)	–	479,096,858 (approximately **43.74%)

* Derived mainly through the direct interest of Venezio Investments Pte. Ltd.
** The shareholding percentages have been calculated based on a total issued share capital of 1,095,269,259 shares as at 27 May 2010.

Shareholding held by the Public

Based on information available to the Company as at 27 May 2010, approximately 55% of the issued shares of the Company is held by the public (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST")). The Company hence confirms that Rule 723 of the Listing Manual of the SGX-ST has been complied with.

Notice of Annual General Meeting

Singapore Airport Terminal Services Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

NOTICE IS HEREBY GIVEN that the 37th Annual General Meeting of the Company will be held at the Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594, on Friday 30 July 2010 at 9.30 a.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 March 2010 and the Auditors' Report thereon.

2. To declare a final tax-exempt (one-tier) dividend of 8 cents per share for the year ended 31 March 2010.

3. To re-elect Mr Keith Tay Ah Kee, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.

4. To re-elect Mr Khaw Kheng Joo, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.

5. To re-elect Mr Edmund Cheng Wai Wing, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.

6. To re-elect Mr David Heng Chen Seng, who will retire in accordance with Article 90 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.

7. To appoint Mr Nihal Vijaya Devadas Kaviratne CBE as Director pursuant to Article 89 of the Company's Articles of Association.

8. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration.

9. To approve payment of Directors' fees of S$1,051,318 for the year ended 31 March 2010.

10. To approve payment of Directors' fees of up to S$1,308,200 for the year ending 31 March 2011.

Special Business

Ordinary resolutions

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

11. That 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

Singapore Airport Terminal Services Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 percent of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 5 percent 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 employee 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, 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.

12. That the Directors be and are hereby authorised to:

(a) grant awards in accordance with the provisions of the SATS Performance Share Plan ("**Performance Share Plan**") and/or the SATS Restricted Share Plan ("**Restricted Share Plan**"); and

(b) allot and issue from time to time such number of ordinary shares in the capital of the Company ("**Shares**") as may be required to be issued pursuant to the exercise of options under the SATS Employee Share Option Plan ("**Share Option Plan**") and/or such number of fully paid Shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Share Plan (the Share Option Plan, the Performance Share Plan and the Restricted Share Plan, together the "**Share Plans**"),

provided that:

(i) the aggregate number of new Shares to be allotted and issued pursuant to the Share Plans shall not exceed 15 percent of the total number of issued Shares (excluding treasury shares) from time to time; and

(ii) the aggregate number of Shares under awards to be granted pursuant to the Performance Share Plan and/or the 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, shall not exceed 1 percent of the total number of issued Shares (excluding treasury shares) from time to time.

13. To transact any other business which may arise and can be transacted at an annual general meeting.

Notice of Annual General Meeting

Singapore Airport Terminal Services Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

Closure of Books

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders of the final dividend being obtained at the 37th Annual General Meeting of the Company to be held on 30 July 2010, the Transfer Books and Register of Members of the Company will be closed on 6 August 2010 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 5 August 2010 will be registered to determine shareholders' entitlements to the proposed final dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 5 August 2010 will be entitled to the proposed final dividend.

The final dividend, if approved by shareholders, will be paid on 18 August 2010.

BY ORDER OF THE BOARD

Shireena Johan Woon
Company Secretary

Dated this 25th day of June 2010
Singapore

Explanatory Notes

1. In relation to Ordinary Resolution Nos. 3, 4 and 5, Mr Keith Tay Ah Kee, Mr Khaw Kheng Joo and Mr Edmund Cheng Wai Wing 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. Please refer to the sections on "**Board of Directors**" and "**Corporate Governance**" in the SATS Annual Report for FY2009-10 for more information relating to Mr Tay, Mr Khaw and Mr Cheng. Mr Tay is currently the Chairman of the Audit Committee and is also a member of the Nominating Committee. Mr Khaw is currently the Chairman of the Nominating Committee and is also a member of the Board Risk Committee. Mr Cheng is the Chairman of the Board and is also the Chairman of both the Board Executive Committee and the Remuneration and Human Resource Committee. Mr Tay, Mr Khaw and Mr Cheng are considered by the Nominating Committee to be independent Directors.

2. In relation to Ordinary Resolution No. 6, Mr David Heng Chen Seng will be retiring from office at the Annual General Meeting pursuant to Article 90 of the Company's Articles of Association, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on "**Board of Directors**" and "**Corporate Governance**" in the SATS Annual Report for FY2009-10 for more information relating to Mr Heng. Mr Heng is currently a member of both the Board Executive Committee and the Board Risk Committee. Mr Heng is considered by the Nominating Committee to be a non-independent Director.

3. In relation to Ordinary Resolution No. 7, Mr Kaviratne is proposed to be appointed as an additional Director pursuant to Article 89 of the Company's Articles of Association. Please refer to the section on "**Board of Directors**" in the SATS Annual Report for FY2009-10 for more information relating to Mr Kaviratne. Upon his appointment, the Nominating Committee will consider Mr Kaviratne to be an independent Director.

4. Ordinary Resolution No. 9 is to approve the payment of Directors' fees of S$1,051,318 for the year ended 31 March 2010, for services rendered by Directors on the Board as well as on various Board Committees. The scale of fees for computation of the said Directors' fees is set out in the section on "**Corporate Governance**" in the SATS Annual Report for FY2009-10.

Notice of Annual General Meeting

Singapore Airport Terminal Services Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

5. Ordinary Resolution No. 10 is to approve the payment of Directors' fees of up to S$1,308,200 for the current financial year ("**FY2010-11**"). If approved, the proposal will facilitate the payment of Directors' fees during the financial year in which such fees are incurred. The amount of Directors' fees has been computed on the basis of the anticipated number of Board and Board Committee meetings for FY2010-11, assuming attendance in person by all the Directors at such meetings, at the scale of fees set out in the section on "**Corporate Governance**" in the SATS Annual Report for FY2009-10, and also caters for additional fees (if any) which may be payable due to additional Board or Board Committee members being appointed in the course of FY2010-11. If for unforeseen reasons, payments are required to be made to the Directors in excess of the amount proposed, the Company will revert to shareholders for approval at the subsequent Annual General Meeting before any such payments are made.

6. Ordinary Resolution No. 11, if passed, will empower Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, from the date of the above Meeting until the date of the next Annual General Meeting. The number of shares which the Directors may issue under this Ordinary Resolution will not exceed 50 percent of the issued shares (excluding treasury shares) in the capital of the Company with a sub-limit of 5 percent for issues other than on a *pro rata* basis. The 5 percent sub-limit for non-*pro rata* issues is lower than the 20 percent sub-limit allowed under the Listing Manual of the SGX-ST and the Articles of Association of the Company. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the 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, consolidation or subdivision of shares.

7. Ordinary Resolution No. 12, if passed, will empower the Directors to offer and grant awards pursuant to the Performance Share Plan and/or the Restricted Share Plan and to allot and issue Shares pursuant to the Share Option Plan, the Performance Share Plan and the Restricted Share Plan, provided that:

   (a) the aggregate number of new Shares which may be issued under the Share Option Plan, the Performance Share Plan and the Restricted Share Plan is limited to 15 percent of the total number of issued Shares (excluding treasury shares) from time to time; and

   (b) the aggregate number of Shares under awards which may be granted pursuant to the Performance Share Plan and/or the Restricted Share Plan from this Annual General Meeting to the next Annual General Meeting shall not exceed 1 percent of the total number of issued Shares (excluding treasury shares) from time to time.

   The Share Option Plan was adopted by the Company in February 2000 and the last grant of options thereunder was made on 1 July 2008. The Performance Share Plan and the Restricted Share Plan were adopted at an Extraordinary General Meeting of the Company held on 19 July 2005 and were amended in 2006 and 2010.

Notes

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 not less than 48 hours before the time appointed for the Meeting.

Proxy Form

Singapore Airport Terminal Services Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

IMPORTANT
1 For investors who have used their CPF monies to buy the Company's shares, this 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.

*I/We, ______________________ (NRIC/Passport No. ____________)

of ______________________ (Address)
being a *member/members of Singapore Airport Terminal Services Limited (the "**Company**"), hereby appoint

Name	Address	NRIC/ Passport No.	No. of Shares Represented	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	No. of Shares Represented	Proportion of Shareholdings (%)

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 on 30 July 2010 and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary 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 to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder, for *me/us and on *my/our behalf and, if necessary, to demand a poll, at the AGM and at any adjournment thereof.

No.	Resolution	**For	**Against
Ordinary Business			
1	Adoption of the Directors' Report, Audited Accounts and the Auditors' Report		
2	Declaration of final dividend		
3	Re-election of Mr Keith Tay Ah Kee as Director		
4	Re-election of Mr Khaw Kheng Joo as Director		
5	Re-election of Mr Edmund Cheng Wai Wing as Director		
6	Re-election of Mr David Heng Chen Seng as Director		
7	Appointment of Mr Nihal Vijaya Devadas Kaviratne CBE as Director		
8	Re-appointment and remuneration of Auditors		
9	Approval of Directors' fees for the year ended 31 March 2010		
10	Approval of Directors' fees for the year ending 31 March 2011		
Special Business			
11	Authority for Directors to issue additional shares and convertible instruments pursuant to Section 161 of the Companies Act, Cap 50		
12	Authority for Directors to offer and grant awards and issue shares in accordance with the provisions of the SATS Employee Share Option Plan, SATS Performance Share Plan and SATS Restricted Share Plan		

* Delete accordingly.
** Indicate your vote "For" or "Against" with a (✓) within the box provided.

Total Number of Shares Held

Dated this ________ day of ____________ 2010

____
Signature(s) of Member(s) or Common Seal

Important: Please read notes on the reverse

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 in his stead. Such proxy need not be a member of the Company.
2. Where a member appoints two proxies, he must specify the proportion of his shareholding to be represented by each proxy, failing which the appointments will be deemed to have been made in the alternative.
3. The instrument appointing a proxy or representative 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 also appoint by resolution of its directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote on its behalf.
5. The instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 at least 48 hours before the time appointed for the AGM.
6. On a show of hands, the Chairman of the AGM, who may be appointed as proxy by one or more members and who may also be a member in his own name, may vote as he deems fit, subject to applicable law.
7. 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, Chapter 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 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.
8. The Company shall be entitled to reject this instrument of proxy 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 which has been lodged if such member is not shown to have Shares entered against his name in the Depository Register at least 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

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Please
Affix
Postage
Stamp

3rd fold along line and glue overleaf. Do not staple

The Company Secretary
Singapore Airport Terminal Services Limited
c/o M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

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Corporate Information

as at 1 June 2010

BOARD OF DIRECTORS

Edmund Cheng Wai Wing
Chairman
David Zalmon Baffsky
David Heng Chen Seng
Khaw Kheng Joo
Rajiv Behari Lall
Mak Swee Wah
Ng Kee Choe
Keith Tay Ah Kee
Yeo Chee Tong

BOARD COMMITTEES

Audit Committee

Keith Tay Ah Kee
Chairman

David Zalmon Baffsky
Member

Yeo Chee Tong
Member

Board Executive Committee

Edmund Cheng Wai Wing
Chairman

David Heng Chen Seng
Member

Mak Swee Wah
Member

Ng Kee Choe
Member

Board Risk Committee

Mak Swee Wah
Chairman

David Heng Chen Seng
Member

Khaw Kheng Joo
Member

Nominating Committee

Khaw Kheng Joo
Chairman

Rajiv Behari Lall
Member

Keith Tay Ah Kee
Member

Remuneration and Human Resource Committee

Edmund Cheng Wai Wing
Chairman

Ng Kee Choe
Member

Yeo Chee Tong
Member

COMPANY SECRETARY

Shireena Johan Woon

SHARE 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
North Tower #18-01
Singapore 048583

Audit Partner
Winston Ngan
(appointed for FY2005-06
to FY2009-10)

Nagaraj Sivaram
(appointed with effect from
FY2010-11)

COMPANY REGISTRATION NO.

197201770G

REGISTERED OFFICE

20 Airport Boulevard
SATS Inflight Catering Centre 1
Singapore 819659

EXECUTIVE MANAGEMENT

Clement Woon Hin Yong
President & Chief Executive Officer

Lim Chuang
Chief Financial Officer

Tan Chuan Lye
Executive Vice President, Food Solutions

Ang Lee Nah
Senior Vice President, Corporate Development

Robert Burnett
Chief Executive Officer, UK

Chang Seow Kuay
Chief Executive Officer, Country Foods Pte. Ltd.

Chi Ping Huey
General Counsel

Tony Goh Aik Kwang
Senior Vice President, Strategy & Marketing

Leong Kok Hong
Senior Vice President, Strategic Partnership

Andrew Lim Cheng Yueh
Senior Vice President, Pearl River Delta Region

Philip Lim Chern Tjunn
Senior Vice President, Apron Services

Denis Suresh Kumar Marie
Senior Vice President, Passenger Services

Yacoob Bin Ahmed Piperdi
Senior Vice President, Cargo Services

Poon Choon Liang
Chief Operating Officer, Singapore Food Industries
Pte. Ltd.

Registered Office
Singapore Airport Terminal Services Limited (SATS)
20 Airport Boulevard
SATS Inflight Catering Centre 1
Singapore 819659

Company Registration No.
197201770G

General Line
Phone 65-6542 5555

Investor Relations
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Fax 65-6541 8204

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