

MOMENTUM[®]

SMRT CORPORATION LTD
ANNUAL REPORT 2014



SMRT Corporation Ltd (SMRT) is the leading multi-modal public transport operator in Singapore. SMRT serves millions of passengers daily by offering a safe, reliable and comprehensive transport network that consists of an extensive MRT and light rail system which connects seamlessly with its island-wide bus and taxi operations.

SMRT also markets and leases the commercial and media spaces within its transport network, and offers engineering consultancy and project management as well as operations and maintenance services, locally and internationally.

VISION

Moving People,
Enhancing Lives

MISSION

To be the people's choice
by delivering a world-
class transport service
and lifestyle experience
that is safe, reliable and
customer-centric.

CORE VALUES

Service Excellence,
Mastery,
Responsibility and Respect,
Teamwork,
Nurture,
Integrity

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The circle on the cover of this report is representative of the proverbial wheels of perpetual motion. SMRT continues to move in tandem with the dynamic nature of our operating environment to achieve sustainable growth. Our business and operations are therefore underscored by a keen PERSPECTIVE of sound corporate governance. We are passionate about delivering a world-class transport service and lifestyle experience through superior PERFORMANCE. This is motivated by a common PURPOSE in service excellence and giving back to the community, which in turn drives our MOMENTUM.

Milestones

1987

TRAIN
Singapore's first Mass Rapid Transit (MRT) System begins operations with inaugural service between Yio Chu Kang and Toa Payoh on the North-South Line.

1988

TRAIN
Fifteen more stations open and the MRT system is officially launched by Mr Lee Kuan Yew, Singapore's first Prime Minister.

1990

TRAIN
The opening of Boon Lay MRT Station on the East-West Line marks the completion of the system.

1996

TRAIN
The MRT system is expanded to Woodlands and the loop is completed on the North-South Line.

1999

TRAIN
Bukit Panjang Light Rail Transit, Singapore's first light rail system, opens for passenger service.

2000

CORPORATE
SMRT Corporation Ltd lists on Singapore Exchange.

2001

BUS
SMRT Corporation and TIBS Holdings merger creates Singapore's first multi-modal transport company.

CORPORATE
In collaboration with the Ministry of Education, SMRT launches its Learning Journey Programme, a structured education programme to provide students with insights into SMRT's operations.

2002

TRAIN
Changi Airport MRT Station opens, providing commuters connectivity from Tanah Merah station to the Singapore Expo, Changi Business Park and Changi Airport.

2003

TAXI
SMRT attains ISO 9001:2000 certification for achieving quality standards in the provision of taxi services.

2004

BUS
Service 950, the first SMRT cross-border service for commuters travelling to Johor Bahru, Malaysia, begins.

CORPORATE
Creation of the SMRT Corporate Volunteer Programme, which aims to build an inclusive society.

2005

BUS
Sembawang Bus Interchange, an integrated transport hub, opens.

PROPERTIES
Launch of Raffles Xchange, first MRT Station to be redeveloped for transit retail.

CORPORATE
Introduction of SMRT Courtesy and Safety Programme, a nationwide public education initiative to encourage courteous acts and safe behaviour among commuters travelling with SMRT.

2006

CORPORATE
Launch of the Citibank-SMRT Visa Credit and Debit Cards with EZ-Link functions give customers the benefit of auto top-up from card accounts and rebates with a first-of-its-kind travel rewards programme.

TRAIN
SMRT invests in the mid-life upgrading of 66 first generation trains.

TAXI
Launch of SMRT SPACE, a multi-purpose vehicle that offers group travellers the luxury of space and comfort.

2007

BUS
SMRT invests in the upgrading of 700 Mercedes buses.

Collaborates with Land Transport Authority on Bus Arrival Timing information so commuters can better plan their journey on SMRT bus services.

2008

BUS
SMRT puts Southeast Asia's first Euro V-compliant bus on the roads.

TAXI
SMRT debuts SMRT Eco taxis which use compressed natural gas.

Introduction of wheelchair-friendly SMRT SPACE taxi, the first in Singapore with automatic hydraulic ramp.

PROPERTIES
SMRT opens Choa Chu Kang Xchange, its first in the heartlands.

MEDIA
SMRT Media wins Dubai Metro Media contract under the consortium comprising SMRT Media, Dubai-based Kaasab Media and Wellmark Communications.

ENGINEERING & INTERNATIONAL
SMRT acquires 49% equity interest in Shenzhen Zona Transportation Group Co Ltd.

CORPORATE
SMRT launches Gift of Mobility Programme to assist passengers who are financially in need and less mobile with their transport needs.

'SMRT is Green' is launched organisation-wide as a commitment to environmental sustainability.

2009

TRAIN
Singapore's fourth rail line, Circle Line, commences service from Bartley to Marymount.

BUS

Wheelchair Accessible Bus services are introduced to provide commuters with greater access.

CORPORATE

SMRT achieves ISO 14001 certification for the Environmental Management System.

Establishes SMRT Institute, an accredited educational institution that develops and delivers transport related training and education services.

2010

BUS

SMRT adds Euro V Mercedes-Benz Citaro 0530 to bus fleet, which has greater fuel-efficiency and full low floor for smoother passenger flow.

PROPERTIES

Esplanade Xchange on the Circle Line, opens.

MEDIA

SMRT Media expands into digital media to offer greater interactivity and vibrance to the network.

CORPORATE

SMRT joins FTSE4Good Index, an index designed to measure the performance of companies that meet globally recognised corporate responsibility standards.

2011

TRAIN

Additional track and platform at Jurong East Station opens, shortening waiting time to 2-3 minutes during peak periods.

Train service from Caldecott to HarbourFront Circle Line stations commences, marking the completion of the line.

BUS

SMRT adds MAN A22 buses to its fleet.

TAXI

SMRT's 'Book a Taxi' smartphone application makes it easy to book a cab on the go.

SMRT Taxis adds Chevrolet Epica to its fleet.

2012

TRAIN

Train service from Bayfront to Marina Bay Circle Line stations commences.

PROPERTIES

SMRT Alpha, a joint venture between SMRT Investments and Alpha Plus Investments, wins bid to operate and manage the retail mall in Sports Hub.

ENGINEERING & INTERNATIONAL

SMRT International provides technical advisory services on a LRT system for the Republic of Mauritius.

2013

BUS

SMRT adds MAN A22 buses to its fleet, increasing fleet size to more than 1,200 buses.



TAXI

SMRT introduces 30 new wheelchair-enabled London cabs.

SMRT introduces 600 Prius Hybrid taxis, the largest hybrid fleet in Singapore.



TRAIN

Embarks on holistic network-wide predictive maintenance regime with introduction of new technologies, beginning with the North-South and East-West Lines.



TRAIN & CORPORATE

Woodlands MRT Station is the first MRT Station in Singapore to be awarded the Building and Construction Authority's Green Mark (Gold).

PROPERTIES

Woodlands Xchange opens and tenants are first shop owners in Singapore to be certified with the Project: Eco Shop label, which was jointly developed by SMRT and the Singapore Environment Council.



ENGINEERING & INTERNATIONAL

SMRT Engineering wins contract for the installation of AFC fare gates for the Tuas West Extension.

TRAIN

SMRT establishes Technical Advisory Panel comprising local and international rail engineering and transport experts to review people, processes and technology enhancements.



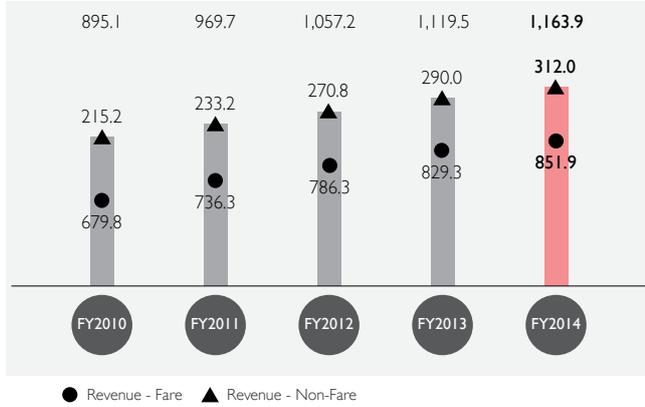
Group Financial Highlights

| | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 |
|--|----------|----------|----------|---------|---------|
| Income Statement (\$m) | | | | | |
| Revenue | 895.1 | 969.7 | 1,057.2 | 1,119.5 | 1,163.9 |
| - Revenue - Fare ¹ | 679.8 | 736.3 | 786.3 | 829.3 | 851.9 |
| - Revenue - Non-Fare ² | 215.2 | 233.2 | 270.8 | 290.0 | 312.0 |
| Other Operating Income | 43.2 | 20.2 | 22.0 | 36.3 | 42.1 |
| EBITDA ³ | 320.9 | 314.9 | 300.0 | 278.1 | 255.5 |
| EBIT ⁴ | 197.2 | 195.6 | 148.7 | 110.2 | 84.2 |
| - EBIT - Fare | 129.4 | 110.0 | 78.1 | 32.3 | (25.0) |
| - EBIT - Non-Fare | 75.6 | 85.7 | 91.6 | 94.7 | 106.4 |
| Profit after Tax and Minority Interest (PATMI) | 162.9 | 161.1 | 119.9 | 83.3 | 61.9 |
| Economic Value Added | 121.0 | 110.8 | 92.2 | 56.1 | 7.3 |
| Balance Sheet (\$m) | | | | | |
| Total Assets | 1,583.2 | 1,606.6 | 1,755.9 | 2,224.4 | 2,072.5 |
| Total Borrowings | 250.0 | 250.0 | 150.0 | 609.5 | 636.4 |
| Shareholders' Funds | 770.0 | 799.1 | 791.4 | 768.2 | 801.8 |
| Cash and Cash Equivalents | 326.0 | 376.2 | 195.3 | 546.3 | 155.5 |
| Capital Expenditure ⁵ | 114.8 | 100.8 | 496.1 | 266.1 | 397.7 |
| Cash Flow (\$m) | | | | | |
| Operating Cash Flow | 326.6 | 283.3 | 282.1 | 260.2 | 234.4 |
| Free Cash Flow ⁶ | 239.7 | 176.5 | 47.8 | 11.9 | (414.9) |
| Key Ratios (%) | | | | | |
| EBITDA Margin | 35.9 | 32.5 | 28.4 | 24.8 | 22.0 |
| EBIT Margin | 22.0 | 20.2 | 14.1 | 9.8 | 7.2 |
| - EBIT Margin - Fare | 19.0 | 14.9 | 9.9 | 3.9 | (2.9) |
| - EBIT Margin - Non-Fare | 35.1 | 36.7 | 33.8 | 32.7 | 34.1 |
| PATMI Margin | 18.2 | 16.6 | 11.3 | 7.4 | 5.3 |
| Return on Total Assets ⁷ | 10.6 | 10.1 | 7.1 | 4.2 | 2.9 |
| Return on Equity ⁸ | 21.8 | 20.5 | 15.1 | 10.7 | 7.9 |
| Net Gearing (times) | Net Cash | Net Cash | Net Cash | 0.08 | 0.60 |
| Interest Cover (times) | 40.6 | 44.2 | 48.6 | 39.4 | 24.5 |
| Per Share (cents) | | | | | |
| Basic Earnings per share | 10.7 | 10.6 | 7.9 | 5.5 | 4.1 |
| Net Asset Value per share | 50.7 | 52.6 | 52.1 | 50.5 | 52.7 |
| Net Tangible Asset per share ⁹ | 48.4 | 50.3 | 51.2 | 49.6 | 51.8 |
| Dividend per share | 8.50 | 8.50 | 7.45 | 2.50 | 2.20 |

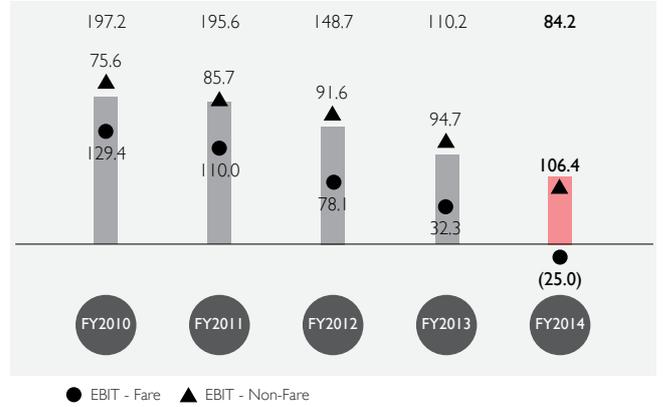
Notes:

- Fare includes Train, LRT and Bus.
- Non-Fare includes Taxi, Rental, Advertising, Engineering Services and Other Services. Excludes Investment Holding and Support Services, elimination and impairment of goodwill / impairment of interest in associate.
- Earnings before interest, tax, depreciation and amortisation. Excludes impairment of goodwill / impairment of interest in associate.
- Earnings before interest and tax.
- Capital expenditure refers to the total cost incurred during the year to acquire assets that are expected to be used for more than one year.
- Free cash flow = cash flow from operating activities – purchase of property, plant and equipment + proceeds from disposal of property, plant and equipment.
- Return on total assets = PAT / average of total assets as at end FY2013 and FY2014.
- Return on equity = PATMI / average of equity attributable to equity holders of SMRT as at end FY2013 and FY2014.
- Net tangible asset per share excludes intangible asset.

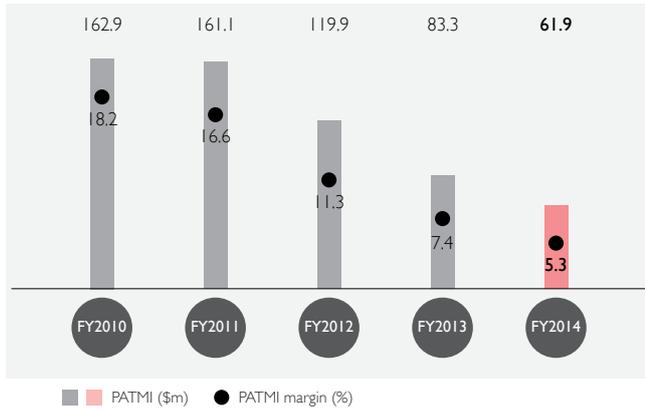
Revenue (\$m)



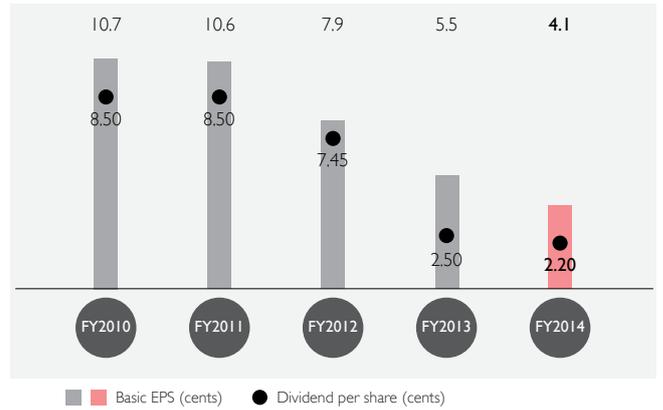
EBIT (\$m)



PATMI (\$m)



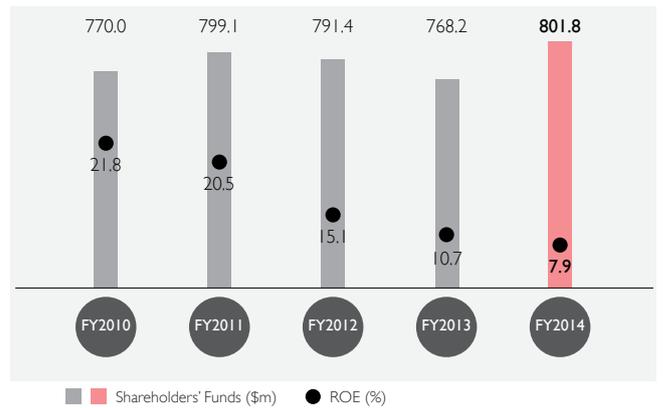
Dividend per Share (cents)



Cash and Cash Equivalents (\$m)



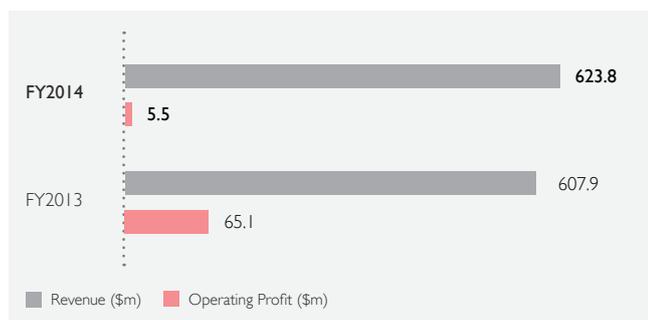
Return on Equity (%)



At A Glance

TRAINS

Improved service reliability and availability, system safety and capacity.



FACT

- Operates and maintains Singapore's first Mass Rapid Transit (MRT) system, which commenced operations in 1987.
- Network comprises the North-South and East-West Lines (NSEWL) and the Circle Line (CCL) with a total route length of over 128km across 78 stations.

HIGHLIGHTS IN FY2014

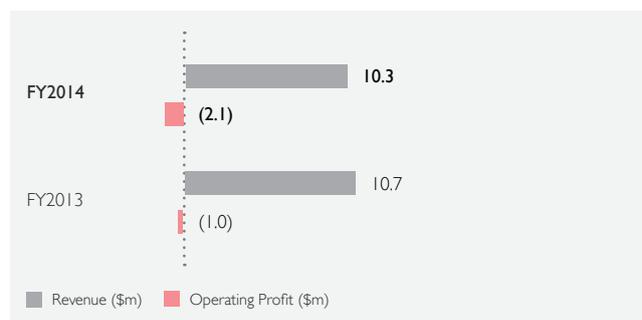
- Increased annual ridership by 2.9% to 710.8 million from 690.9 million.
- Improved withdrawal rates to 1.87 from 3.14 withdrawals per 100,000km for NSEWL and 0.76 from 1.88 withdrawals per 100,000km for CCL.
- Service availability is at a high of 99.86% against national target of 98%.
- Established Technical Advisory Panel to improve operational performance and strengthen engineering expertise.

STRATEGIC DIRECTION FOR FY2015

- Improve reliability and availability of train service through preventive and predictive maintenance and system renewal.
- Intensify work on infrastructure renewal programmes such as re-sleepering, re-signalling and traction power systems.
- Increase capacity with introduction of nine new trains.
- Engage authorities to accelerate train renewal and facility expansion programmes.
- Collaborate with agencies and institutions on energy management, reliability enhancement and customer experience.

LRT

Increased service reliability with continued efforts to improve capacity.



FACT

- Operates and maintains Singapore's first fully automated Light Rail Transit (LRT) system, which began operations in 1999.
- Network comprises 7.8 km of elevated guideways, linking 14 stations in Bukit Panjang.

HIGHLIGHTS IN FY2014

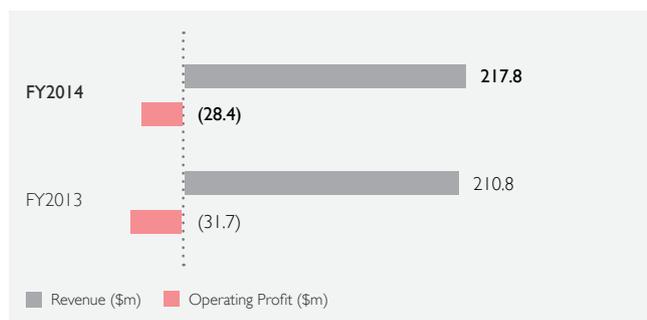
- Maintained a high service availability of 99.97% against national target of 99.5%.

STRATEGIC DIRECTION FOR FY2015

- Continue to work with authorities on projects to improve service capacity and reliability.
- Improve reliability and availability of fleet.
- Eight new cars to be operationalised by end FY2015.

BUSES

Enhanced customer experience, improved operational performance and workforce health.



FACT

- Provides 101 bus services with annual ridership of 350 million commuters, connecting the Western and North-Western areas with the rest of Singapore.
- Manages a fleet of over 1,200 buses.

HIGHLIGHTS IN FY2014

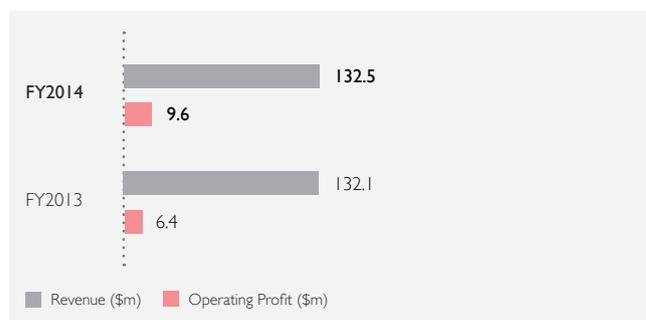
- Fulfilled all Quality of Service (QoS) standards.
- Added 157 MAN A22 buses to support Bus Service Enhancement Programme (BSEP) and replace ageing fleet.
- First in Singapore to implement the Bus Service Reliability Framework (BSRF).
- Introduced new career progression framework for Bus Captains (BCs).

STRATEGIC DIRECTION FOR FY2015

- Enhance competitiveness through participation in government contracting model for bus contestability.
- Boost capacity with addition of 12-metre buses, articulated buses and introduction of double-deckers.
- Further enhance passengers' travelling experience through heightened information accuracy, availability and reduction in waiting times.

TAXIS

Achieved significant improvement to taxi availability.



FACT

- Manages a fleet of more than 3,300 taxis, with over 20 years of experience in taxi operations.

HIGHLIGHTS IN FY2014

- Increased profit by 50% to \$9.6 million.
- Rolled out all 30 wheelchair accessible London taxis.
- Introduced environmentally friendly Toyota Prius Hybrid taxis.
- 63% increase in bookings; bookings made through mobile applications increased by 114%.

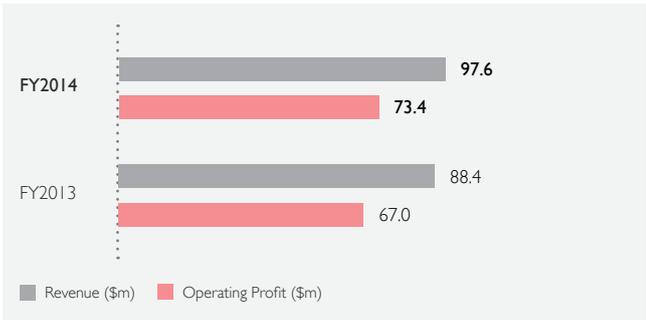
STRATEGIC DIRECTION FOR FY2015

- Maintain full hire-out rate for taxi fleet.
- Renew and grow taxi fleet for greater availability and fleet optimisation.
- Implement initiatives to meet new Taxi Availability standards.

At A Glance

RENTAL

Launched Singapore's first environmentally-friendly transit retail space; achieved 100% Project: Eco-Shop label certification of retailers at Woodlands Station, which was awarded BCA's Green Mark (Gold).



FACT

- Manages network portfolio of about 36,800 sqm in retail, F&B and innovative services that provide convenient in-transit and lifestyle choices.

HIGHLIGHTS IN FY2014

- Maintained average network occupancy rates of 98.9%.
- Added more retail space to increase rental yield at Woodlands MRT Station.
- Extended retail management expertise with over 41,000 sqm of shop, dine and play concept spaces by global brands and local retailers in Kallang WWave mall at Singapore Sports Hub.
- 46 stations refurbished to-date, resulting in increased rental yield, improved mobility around retail areas and cost-saving environmentally-friendly features.

STRATEGIC DIRECTION FOR FY2015

- Optimise retail assets and extract greater yield for properties.
- Add vibrancy to network with additional commercial spaces, consumer lifestyle offerings and tenant mix.
- Explore growth opportunities to develop retail and advertising spaces beyond network.
- Enhance branding and drive revenue growth at Kallang WWave mall at Singapore Sports Hub.

ADVERTISING

Recognised as Singapore's number one* local out-of-home (OOH) media company.



FACT

- Redefines advertiser and consumer engagement with multi-sensory innovative digital OOH solutions.

HIGHLIGHTS IN FY2014

- Won the UITP Asia-Pacific Regional 'Grow with Public Transport (GwPT)' Award for digital and lifestyle enhancements in our network.
- Launched a new wave of interactive services on iView platforms with iMob Scan + WWin.

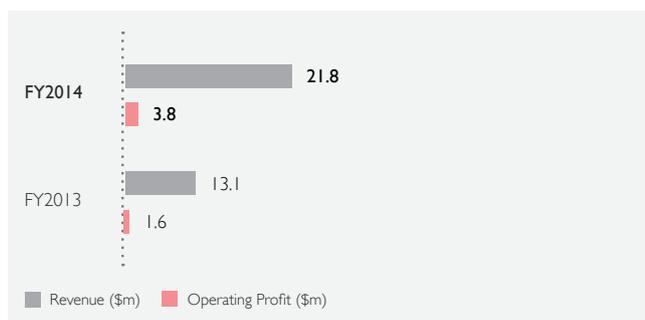
STRATEGIC DIRECTION FOR FY2015

- Grow advertising revenue through expansion of digital offerings with integrated e-commerce and advertising solutions.
- Offer more innovative digital OOH solutions for advertisers and partners.

* Ranked by Marketing Magazine 2012, 2013

ENGINEERING AND INTERNATIONAL

Ensured sustainable growth with high value engineering consultancy and project management contracts locally and internationally.



FACT

- Provides operations and maintenance (O&M), engineering consultancy and project management services locally and internationally.

HIGHLIGHTS IN FY2014

- SMRT Engineering re-appointed by Sentosa Leisure Group for three years to provide maintenance services for the Sentosa Express.
- SMRT Engineering engaged by Land Transport Authority (LTA) to design, supply, install and test STARIS on 16 new trains for the NSEWL.
- SMRT International secured contracts to provide additional services to Dalian Metro in China, as well as provide consultancy services and manage procurement matters for Mauritius' Light Rapid Transit system project.
- SMRT International joined a consortium to provide consultancy services and secured first rights to operate and maintain the Jakarta Eco Transport monorail, due to commence operations in 2017.
- SMRT International signed MOU with Huawei Enterprise Business Group to jointly develop and market products and solutions internationally.

STRATEGIC DIRECTION FOR FY2015

- SMRT Engineering to market its expertise as integrator for large and complex rail projects.
- SMRT International to expand existing partnerships and consultancy projects in key markets such as China, the Middle East and Southeast Asia.

Chairman's Message



The land transport regulatory environment in Singapore continues to be challenging for SMRT as a publicly listed transport operator. The current public transport operating structure is at an inflection point. Most fundamentally, operators must be able to recover the costs of operations and asset ownership from fares. We have been engaging the authorities, and believe they recognise the macro challenges and exigent need for the industry to move expeditiously towards more sustainable rail and bus operating models. At the operational level, SMRT as the dominant public transport operator in Singapore faces the twin challenges of heightened regulatory standards and penalty regimes while operating within the constraints of an ageing rail network, rapidly increasing ridership, and increasing costs without commensurate fare adjustments. At the same time, we continue to strive to improve the quality of our service delivery to meet rising commuter expectations.

The Land Transport Masterplan 2013 will double the local rail network by 2030. It is clear that public transport is of strategic national priority. SMRT looks forward to the completion of this expanded rail system with a sustainable financing framework and will position itself to take advantage of the opportunities this presents. The move towards a contestable bus model allowing efficient operators to bid through a competitive tendering process and earn a reasonable margin, is a welcome development. SMRT is well positioned to further contribute to Singapore's land transport system and grow as a public transport operator given the appropriate regulatory environment.

SMRT takes our transportation leadership position seriously and responsibly for all of our stakeholders in the more competitive landscape in Singapore. By investing in our people, continuing to raise our performance standards and harnessing productivity gains through greater cost efficiencies across all our businesses and processes, SMRT will further strengthen

our current position. We will deliver safe and reliable service to commuters. We are also mindful that as a listed company we need to earn a fair return for our shareholders.

THE YEAR IN REVIEW

In the financial year (FY) ended 31 March 2014, our Group profits were recorded at \$61.9 million on the back of revenue of \$1.16 billion.

Whilst revenue and ridership continue to increase, our profits remain depressed because of increasing operational costs and depreciation arising from capital expenditures, primarily to meet our regulatory obligations. Operating profit in FY2014 was \$26.0 million lower than the last FY as a result of declining rail operating profit, and operating costs outpacing fare revenue growth.

Overall, our fare business suffered a loss of \$25.0 million for the first time. This loss was mitigated by lower Bus operations losses which declined by 10.6 percent on a year-on-year basis. Profit from our Non-Fare business however increased 12.4 percent, due largely to increase in profits from Taxi, Commercial and Engineering Services.

The Group ended the year with a cash balance of \$155.5 million. Cash flows of \$251.6 million were generated from operating and financing activities while total borrowings stood at \$636.4 million. Nevertheless, the Group enjoys excellent financial flexibility with total assets of \$2.1 billion and "AAA" rating.

The Board of Directors has proposed a final dividend of 1.20 cents per ordinary share. Together with the interim dividend of 1.00 cent, the total dividend for FY2014 is 2.20 cents or 54.1 percent pay-out, compared with 45.6 percent in the last FY.

We will continue to evaluate our dividend pay-out in relation to our financial performance and operational commitments over the year, as well as new investments to meet regulatory requirements and support business growth opportunities.

As part of the process of renewal in Board membership, in October 2013 we welcomed Yap Chee Meng, formerly KPMG's Chief Operating Officer in Asia-Pacific and a member of its international leadership team, on board. The appointment enhances the existing financial and commercial bench strength of SMRT's Board.

Last July, the Board bade farewell to Paul Ma. Paul served on the Board for eight years, six of which as Audit Committee (AC) Chairman.

At the conclusion of this Annual General Meeting, Ong Ye Kung will be retiring. Ye Kung was a member for seven years, five of which he spent as Chairman of the Nominating Committee (NC). We would like to extend our deepest appreciation to both Paul and Ye Kung for their contributions to SMRT. Lee Seow Hiang will succeed Ye Kung as NC Chairman.

During the year, Bob Tan relinquished his role as Chairman of the Board Risk Committee (BRC), and assumed chairmanship of the AC in July 2013. Tan Ek Kia replaced Bob as Chairman of the BRC in the same month. Patrick Ang was appointed as a member of the BRC in October 2013.

DEEPENING OUR ENGINEERING EXPERTISE

In the past year, we have placed significant emphasis on growing our engineering capabilities. This is a key component of our continuing improvement in operational performance. Our recently inaugurated Technical Advisory Panel (TAP), comprising international and local technical experts, provided advice on a range of initiatives covering rail engineering development, business process re-engineering and technological innovation. We are implementing the prioritised measures as recommended by the TAP as part of the continual improvement of our rail operations and maintenance regime.

We will also continue to raise the professional standard of our engineering manpower base with a newly-instituted engineering career scheme. With proper tutelage, we envision that these engineers will form an essential part of SMRT's drive towards technical proficiency and rail engineering expertise and excellence.

LOOKING AHEAD

SMRT has intensified discussions with the authorities in the past year and submitted a series of proposals for a new sustainable rail operating and financing framework. We will continue to work with the authorities in the coming year towards early implementation of the changes.

Even as we work through these proposals with the authorities, we need to maintain our ongoing efforts to address the current business challenges. The April 2014 fare revision will have a positive impact on our revenue in the upcoming financial year. However, it will not fully defray the increases in our operating costs, and it is therefore important that we continue with efforts to extract further efficiency gains across the company.

We are also pursuing business growth to deliver shareholder value by adopting a resourceful and diversified approach to explore opportunities in public transportation and related commercial opportunities, locally and overseas.

CONCLUSION

I would like to thank you, our shareholders, for your continued support during the past year. I am also grateful for the contributions of my fellow Board members towards effective governance and stewardship of the company.

Our continued success critically depends on the strength of our people in the Group. The CEO and his team have been instrumental in driving our company forward, and I want to express my appreciation to the management and staff of SMRT at all levels for their tireless commitment and dedication.

SMRT has made headway in recovering our standing and regaining public confidence. Moving forward, I am confident that the Company is firmly on track to realise the next phase of growth.



Koh Yong Guan
Chairman

CEO's Message



We marked SMRT's 25th anniversary last year, and resolved to build on our proud heritage and strong foundation, learning from our past, to stay relevant, resilient and ready for the future. FY2014 continued to be a financially challenging year for the Group due to increased regulatory requirements and operating cost pressures faced by our Fare businesses. Despite the difficult conditions, we did well to sustain our performance on all fronts, and will gather momentum in the coming year with efforts to capitalise on new growth opportunities across all business segments.

RESULTS

The Group's revenue increased by 4 percent to \$1.16 billion in FY2014. Non-Fare business operating profit grew by 12.4 percent to \$106.4 million, mostly driven by growth in our Taxi, Commercial and Engineering Services segments. Despite these increases and gains from our productivity efforts however, the Group's Profit After Tax and Minority Interest (PATMI) fell 26 percent to \$61.9 million. Without support from commensurate fare adjustments in the past two years, our Fare business incurred an overall loss of \$25.0 million because of rising operating costs. These higher costs primarily rose from an increase of 17 percent in staff costs in Trains and Buses due to higher headcount to meet an expanded fleet and heightened service requirements, as well as the full impact of last year's wage realignment to bring staff compensation in line with market benchmarks. Depreciation of property, plant and equipment increased by 12.4 percent as a result of additional capital expenditure pertaining to trains-related equipment, the renewal of our bus and taxi fleet, and the upgrading of our commercial spaces.

MOMENTUM

In the past year, the Group made significant progress in five strategic thrusts: to enhance Operational Performance, improve Customer Service, strengthen Workforce Health, entrench Organisational Excellence and ensure Sustainable Growth.

In **Operational Performance**, we embarked on system-wide rail renewal programmes in our track and train systems to improve service quality and reliability. In particular, we commenced work on the concrete re-sleeping of the entire North-South Line, and completed the Circle Line power cable replacement ahead of schedule. Progress is being made with a new signaling system to improve the minimum train headway to 100 seconds. The train withdrawal rate for every 100,000 km on the North-South and East-West Lines, as a measure of rail reliability, was improved by 33 percent from 3.32 in 2012 to 2.24 in 2013, and further improved to 1.87 at the end of March 2014. The Circle Line also improved its withdrawal rate by 57 percent from 2.05 in 2012, to 0.88 in 2013. A Technical Advisory Panel, comprising distinguished local and international experts in various fields of rail engineering, was constituted last year to provide an independent view of our approach in the aspects of People, Technology and Processes. The Panel concluded that SMRT is on track with its emphasis on adopting industry best practices and technologies in preventive and predictive maintenance to ensure a high level of reliability while optimising asset lifecycle costs.

Buses met all the stringent Quality of Service (QoS) standards in reliability, loading and safety set by the Public Transport Council. We also committed to the purchase of a mix of high-capacity double-decker, bendy and standard buses to better meet the needs of our commuters, and these will be delivered over the next year. Our Taxi business met the regulatory mileage requirements and peak hour availability standards, and did well with higher rental contribution and lower diesel tax from the introduction of more energy efficient hybrid taxis.

While these operational statistics allow us to meaningfully benchmark ourselves against past performance and global industry standards, we recognise that commuters' satisfaction is more substantively determined by the quality of their daily experience on the network. To improve **Customer Service**, we launched an organisation-wide training programme in partnership with NTUC Learning Hub and Disney Institute to encourage and empower all staff with a common purpose in service excellence to "build trust and bring on smiles every

day, and in everyone who journeys with us". Our compliments-to-complaints ratio has improved almost twofold to 18:1 in the past year as a result of our concerted efforts to improve operational performance and customer relations. We have also been working closely with the authorities to further enhance commuter touch-points in the stations and interchanges, and improve accessibility for physically-challenged passengers.

As a measure of **Workforce Health**, we are encouraged by the organisation climate survey findings by Towers Watson which revealed that nine in 10 of our employees are proud to be at SMRT, and 82 percent are sustainably engaged. We will continue to build on this base to nurture a high-performing and engaged workforce, and imbue our staff with a strong sense of pride, passion and purpose. A new Bus Captain Progressive Career Scheme was implemented to inculcate higher service and supervisory skills in our Bus Captains at commensurate wage levels. A similar scheme for Trains staff is currently being developed jointly with the National Transport Workers' Union for implementation this year. In addition to our existing collaborations with the Institute of Technical Education and Singapore Polytechnic, we signed a Memorandum of Understanding with Singapore Institute of Technology and the Land Transport Authority (LTA) to jointly develop an engineering degree programme for land transportation.

We continued our quest for **Organisational Excellence**, and rationalised our corporate structure and overall staffing establishment to derive greater synergies. A new Procurement department was set up for better purchasing and supply chain management. An Energy Management Committee was constituted to drive energy efficiency and environmental sustainability across the company. We saved \$5.6 million through productivity improvements across the company in the past year, and will continue to build on these efforts in the coming year. Our Woodlands MRT Station and Xchange set the stage by being the first in Singapore to receive the BCA Green Mark (Gold) award, and we pioneered, with the Singapore Environment Council, the Project: Eco-Shop nationwide certification programme.

While the Group remains committed to delivering superior operational performance and service excellence in all aspects of our public transport operations, we intend to develop new opportunities for **Sustainable Growth** over the long term.

We continue to engage the authorities on the structural issues facing our Fare businesses and the discussions have been fruitful. We have concluded our study on the transition to an asset-light arrangement under a new rail financing framework, and have submitted our proposals to Government for consideration. We expect this to address the sustainability of the rail business in a contestable network that is envisioned for rapid expansion in the near future. As for our Bus business, preparations are already underway to participate in a fee-based government contracting model that will be phased in over the next few years.

A distinct Engineering business arm is being developed to deepen our existing engineering capabilities, and strengthen our dominant position as the preferred partner for rail operations, maintenance and engineering in Singapore. Looking beyond, our International Business Development team will continue to seek overseas opportunities that will add value based on our core expertise in operations, engineering, media and retail management. There are exciting possibilities with key overseas markets in the Middle East, China, India and Southeast Asia.

Our Commercial business will continue to optimise existing network-related spaces in property and media solutions. Going forward, we will ride on our unique transit-related commercial experience to capitalise on emerging out-of-network opportunities. We will launch the *Kallang Wave* mall in the iconic Singapore Sports Hub this year, and expect that the excellent accessibility by train on SMRT's Circle and East-West Lines will greatly enhance the value proposition of the mall for all visitors.

CONCLUSION

As a multi-modal transportation company with a significant operational track record, SMRT remains an indelible part of Singapore's urban fabric. In the past year, we have set a firm foundation for a sustained future level of high performance in our core transport business. Efforts to renew our network, deepen our technical capabilities, enhance commuter touch-points, implement cost-efficient practices and processes, improve staff morale and competencies, as well as seek business growth opportunities, will continue to benefit all stakeholders.

I am grateful to the Board of Directors for their continued guidance and support in the course of the substantial stabilisation and change efforts that have been made across the Group over the past year. I would like to thank my management team and all staff for their continued commitment and hard work. As part of our leadership renewal at the senior management level, we welcome Mr Sam Ong as our Chief Financial Officer and Mr Mario Favails as Senior Vice President for Engineering.

I would also like to express my appreciation to our shareholders for their continued loyalty and support for SMRT, as we strive in our mission "to be the people's choice by delivering a world-class transport service and lifestyle experience that is safe, reliable and customer-centric".



Desmond Kuek
President & CEO

Board of Directors



KOH YONG GUAN

Chairman

Koh Yong Guan is the Chairman of SMRT Corporation Ltd. He also chairs the Board of Singapore Deposit Insurance Corporation Limited, and the Governing Board of the Cancer Science Institute of Singapore.

Mr Koh's career in the Singapore Civil Service included appointments at the Permanent Secretary level in the Ministries of Defence, Finance, Health and National Development. Mr Koh also held appointments as the Commissioner of Inland Revenue Authority of Singapore and the Managing Director of the Monetary Authority of Singapore. He was Singapore's High Commissioner to Canada from January 2008 to April 2013, and was appointed Ambassador to the Hellenic Republic (Greece) in June 2013.

Mr Koh completed his undergraduate and postgraduate studies at the University of Toronto, Canada, and received his Master of Business Administration from the Catholic University of Leuven, Belgium.



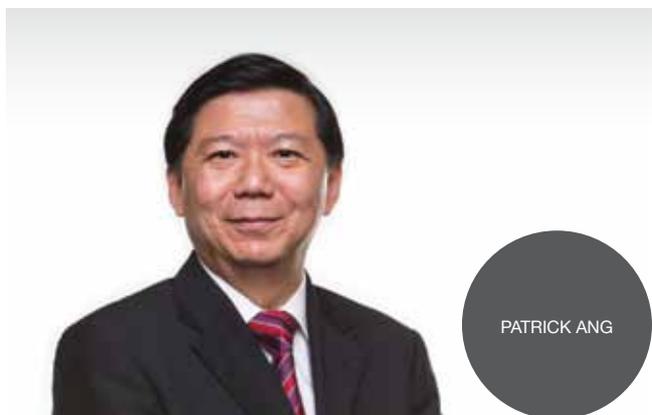
DESMOND KUEK BAK CHYE

President & Chief Executive Officer

Desmond Kuek joined SMRT Corporation Ltd in October 2012 as President & Chief Executive Officer.

Prior to SMRT, Mr Kuek served in the Singapore Armed Forces from 1982 to 2010, rising steadily through the ranks to the pinnacle leadership positions of Chief of Army in 2003 and Chief of Defence Force in 2007. From 2010 to 2012, Mr Kuek held the appointment of Permanent Secretary in the Ministry of the Environment and Water Resources. He also previously served on the Boards of Singapore Technologies Engineering Ltd and its subsidiaries, Defence Science and Technology Agency, Housing and Development Board, Jurong Town Corporation and International Enterprise Singapore.

Mr Kuek holds a Master of Arts (Engineering Science) from Oxford University and a Masters in Public Administration from Harvard University. He is currently a member of the Civil Service College Board and chairs its Audit Committee. Mr Kuek is a member of the International Advisory Panel for the Lee Kuan Yew Centre for Innovative Cities at the Singapore University of Technology and Design.



PATRICK ANG PENG KOON

Patrick Ang is the Deputy Managing Partner of Rajah & Tann LLP. Mr Ang has 24 years of experience handling both contentious and non-contentious matters. One of his key areas of expertise is in corporate restructuring and insolvency, acting for financial institutions and companies in many major and publicised cases. Some of the significant cases he has been involved in include Lehman Brothers Singapore, Nortel Networks, and China Aviation Oil Corporation.

Mr Ang has been consistently recognised as a leading lawyer internationally in his field by Asian Legal Business Legal Who's who Singapore, AsiaLaw Leading Lawyers, Euromoney Guide To The World's Leading Insolvency and Restructuring Lawyers, International Financial Law Review 1000, Asia Pacific Legal 500 and Chambers Global - The World's Leading Lawyers.

He is also an Independent Director on the Board of The Esplanade Co. Ltd and Singapore Deposit Insurance Corporation Limited, and an Independent Director of Singapore listed companies, Tiong Seng Holdings Limited and Malacca Trust Limited.



LEE SEOW HIANG

Lee Seow Hiang is the Chief Executive Officer of Changi Airport Group (CAG) and the Deputy Chairman of Changi Airports International Pte Ltd. He also sits on the Board of the Agency for Integrated Care Pte Ltd. He is also a member of the Advisory Board to the joint IATA-NTU Advanced Management Program (AMP) and the joint Executive MBA degree in Aviation Management. In addition, he is a Board member of the Governing Board of ACI World, a global trade representative of the world's airports.

Prior to joining CAG, he was the Deputy Director-General (Operations) of the Civil Aviation Authority of Singapore. From 2005 to 2008, Mr Lee was the Principal Private Secretary to Minister Mentor Lee Kuan Yew in the Prime Minister's Office. Between 1989 and 2005, he held various appointments in the Republic of Singapore Air Force (RSAF) and Ministry of Defence. His last military appointment was Deputy Head of Air Operations in HQ RSAF.

Mr Lee was awarded the SAF (Overseas)/President's Scholarship in 1989 and the SAF Postgraduate Scholarship (General Development) in 2002. He has a Bachelor of Arts (Honours) degree from the University of Cambridge, UK, and a Master of Business Administration from the Massachusetts Institute of Technology, USA.

Board of Directors



MOLIAH HASHIM

Moliyah Hashim is the Principal of Princess Elizabeth Primary School. Prior to her appointment as Principal of Princess Elizabeth Primary School, she was the Chief Executive Officer of Yayasan MENDAKI from December 2009 to December 2013 and had served 27 years with the Ministry of Education (MOE). During the span of her career, she had held several key appointments, including Principal of Northland Primary School and Superintendent of Cluster Schools, Schools of Division South.

Mdm Moliyah serves on several governing boards in the public sector, including Media Development Authority and Majlis Ugama Islam Singapura (Islamic Religious Council of Singapore).

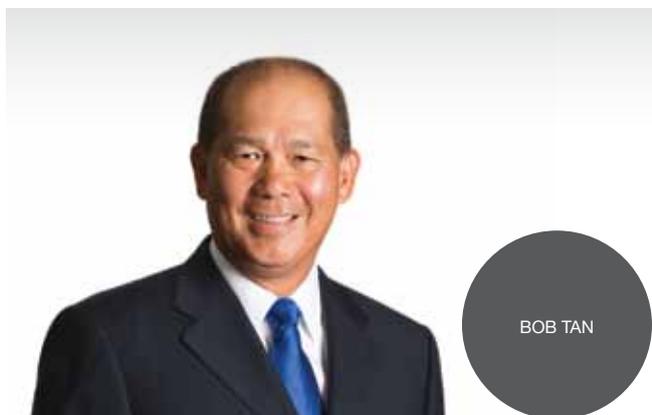
Mdm Moliyah holds a Bachelor of Arts and Social Science degree from the then University of Singapore and postgraduate diplomas in education and educational leadership.



ONGYE KUNG

Ong Ye Kung is the Director of Group Strategy at Keppel Corporation Limited. Prior to that, he was the Deputy Secretary-General of National Trades Union Congress (NTUC), the Chief Executive of the Singapore Workforce Development Agency and was the Deputy Chief Negotiator for the US-Singapore Free Trade Agreement. He continues to serve as a union advisor and Chairman of the NTUC Employment and Employability Institute. He is also an active volunteer at the Kaki Bukit Citizen Consultative Committee, and the Chinese Development Assistance Council.

Mr Ong obtained First Class Honours in Economics from the University of London, London School of Economics and Political Science (UK), and an MBA from the Institute of Management Development, Lausanne, Switzerland.



BOB TAN BENG HAI

Bob Tan is the Chairman of Jurong Engineering Limited, Singapore LNG Corporation Pte Ltd, the Singex Group of companies and a Director of CapitaMalls Asia Limited. He is also the Chairman of the Institute of Technical Education, President of the Singapore Golf Association, Vice President of the Singapore National Employers Federation and Council Member of Singapore Business Federation. He is a member of the Board at the Ong Teng Cheong Labour Leadership Institute and serves as a member of the NTUC Club Management Council. He also sits on the Board of the Inland Revenue Authority of Singapore and serves as a member of the Board of Governors of the Singapore Manufacturing Federation.

Mr Tan is a Fellow of the Institute of Chartered Accountants in England and Wales.



PETER TAN BOON HENG

Peter Tan is presently Director and Managing Partner of JP Asia Capital Partners Pte Ltd, and also sits on the boards of InnoTek Limited and Exploit Technologies Pte Ltd. He is also Co-Chairman of the Advanced Remanufacturing and Technology Centre. He has held senior management roles across a wide range of technology companies, including National Semiconductors Pte Ltd, Molex Singapore Pte Ltd, Apple Computer Inc. and Flextronics International Inc.

Mr Tan also holds an advisory function in the National University of Singapore B.Tech Programme, and is a member of the International Evaluation Panel for the Singapore National Research Foundation.

Mr Tan holds a Graduate Diploma in Management Studies from the University of Chicago and an Executive MBA Degree from the Golden Gate University, San Francisco.

Board of Directors



TAN EK KIA

Tan Ek Kia is the Chairman of City Gas Pte Ltd and Star Energy Group Holdings Pte Ltd. He is also a director on the Boards of Keppel Corporation Ltd, Keppel Offshore and Marine Ltd, PT Chandra Asri Petrochemical Tbk, Dialog Systems (Asia) Pte Ltd, KrisEnergy Ltd, Singapore LNG Corporation Pte. Ltd. and Transocean Ltd.

Mr Tan is a veteran with over 30 years in the oil and gas and petrochemicals business. Prior to his retirement in September 2006, he held senior positions in Shell including that of Managing Director of Shell Malaysia Exploration and Production, Chairman of Shell North East Asia, and Vice President of Shell Chemicals Asia Pacific and Middle East.

Mr Tan has a First Class Honours in Mechanical Engineering from Nottingham University, UK. He is a Chartered Engineer with the UK Engineering Council and a Fellow of the Institute of Engineers, Malaysia. Mr Tan has also attended a management development programme by the International Institute of Management Development, Lausanne. Mr Tan was awarded the Panglima Gemilang Bintang Kenyalang, and carries the title "Datuk", conferred by the State Government of Sarawak.



YAP CHEE MENG

Yap Chee Meng is a director of SATS Ltd, AXA Insurance Singapore Pte Ltd, The Esplanade Co. Ltd and Keppel Land Limited. He is also a board member of The Singapore National Research Foundation.

From October 2010 to September 2013, Mr Yap was KPMG International's COO for the Asia Pacific region. Prior to 1 October 2010, Mr Yap was the KPMG Head of Financial Services in Asia Pacific, a senior partner in KPMG Singapore and part of the firm's leadership team.

In a professional career that spanned over 37 years, Mr Yap served many MNCs involved in financial services, real estate and transportation. He had also served in various committees of The Accounting & Corporate Regulatory Authority and The Institute of Certified Public Accountants of Singapore (ICPAS).

Mr Yap qualified as a UK Chartered Accountant in 1981. He was a Practising Member and Fellow of the ICPAS, and a Practising Member and Fellow of the Institute of Chartered Accountants in England & Wales. He remains as a non-practising Fellow Chartered Accountant (Singapore) and a non-practising Fellow Chartered Accountant (England & Wales).



YAP KIM WAH

Yap Kim Wah is the Deputy Chairman and CEO of HyFlux Caprica Pte. Ltd. Mr Yap is a registered professional engineer. He joined Singapore Airlines in 1975 and has over 35 years of experience in a range of senior management positions including Marketing, Cabin Crew, Human Resource, Regional Director West Asia & Africa and Chief Executive SATS Catering.

In his last position as Senior Vice President for Product & Services, he was responsible for product design and innovation, worldwide airport and reservation services and operations, in-flight services and catering, in-flight entertainment, customer service, employee training and development.

Mr Yap has a First Class Honours in Mechanical Engineering from the then University of Singapore.

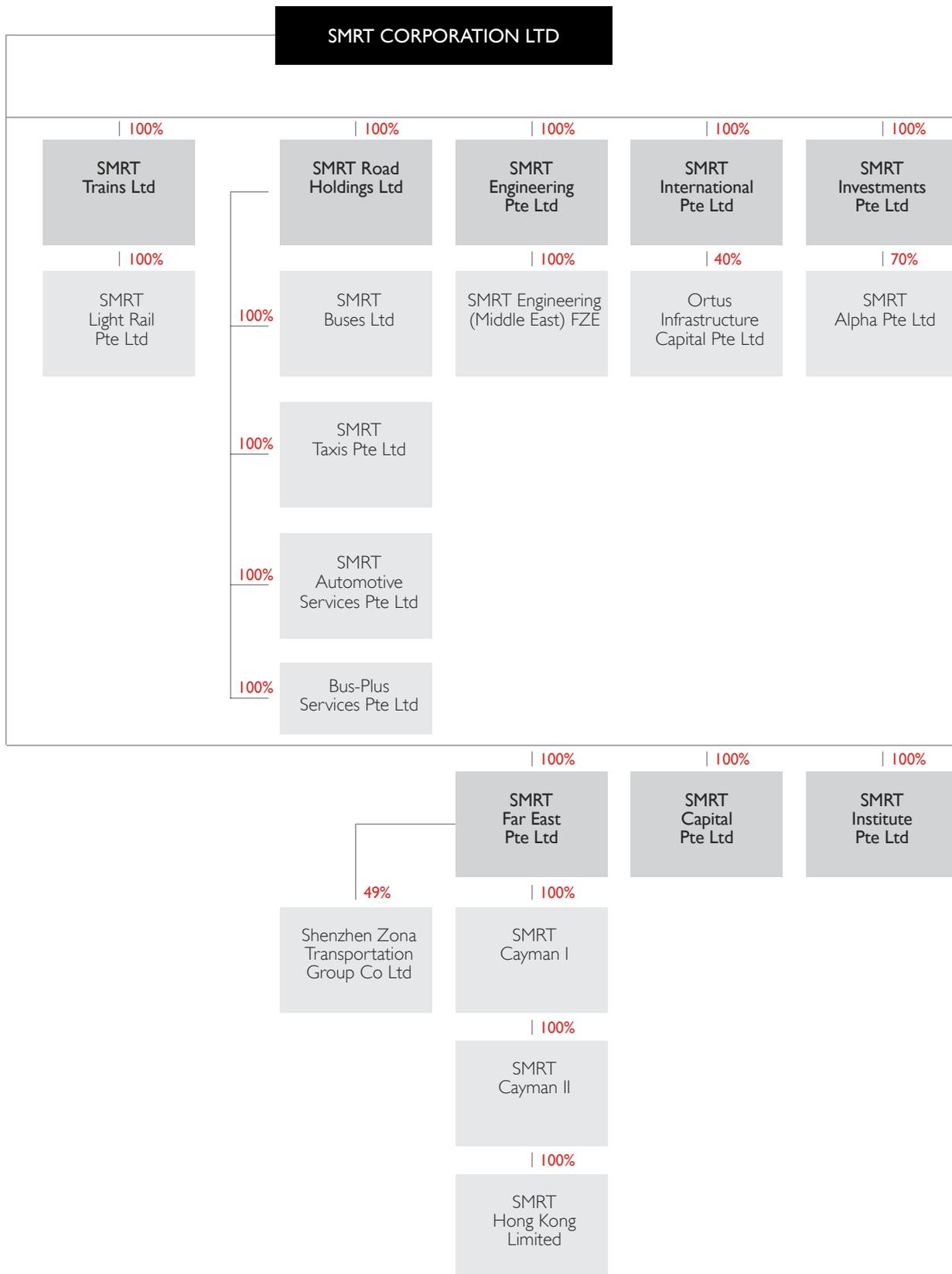




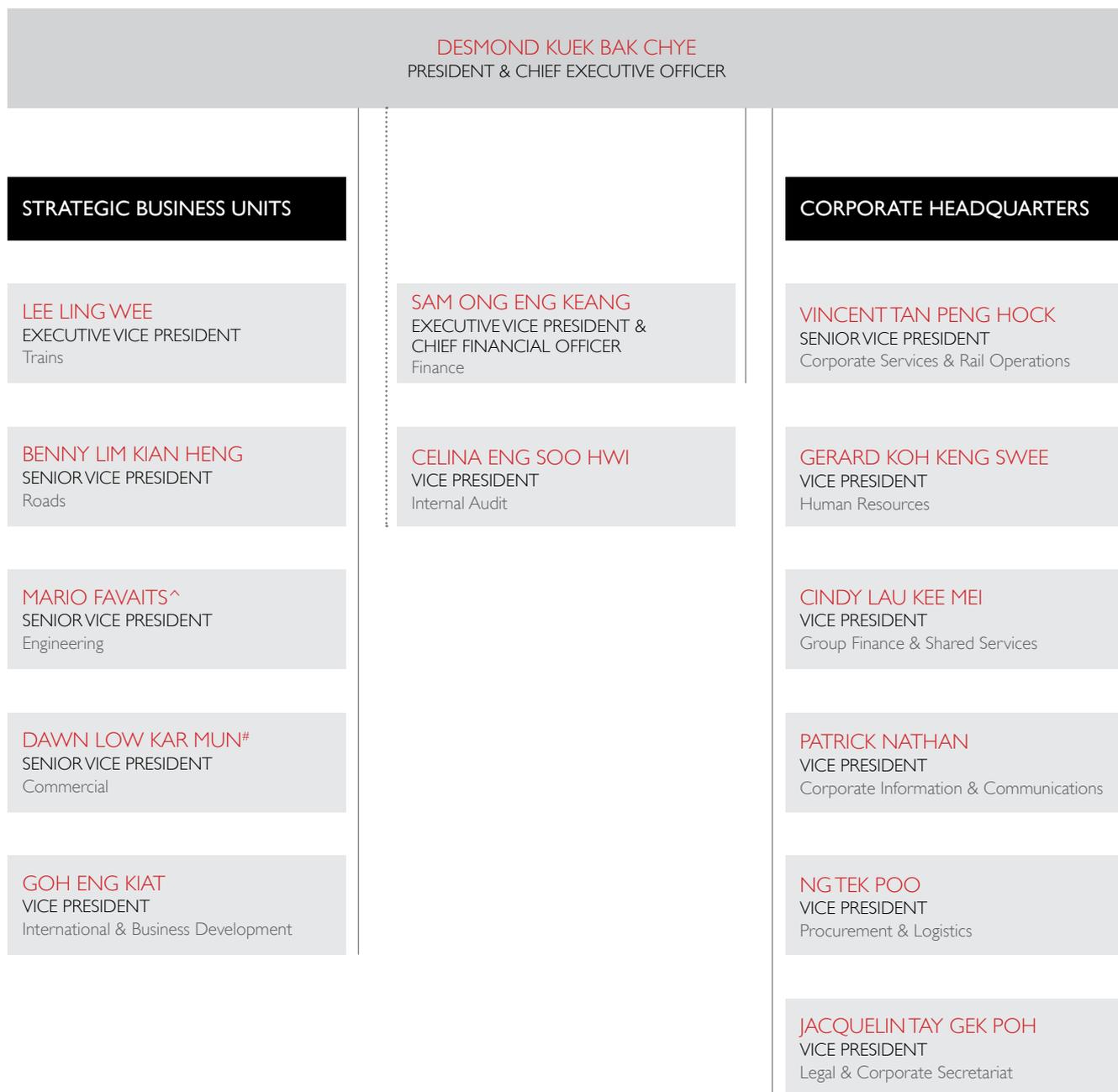
PERSPECTIVE

Our commitment to provide a world-class transport system is supported by our responsibility and keen perspective. With organisational excellence, sound governance and an engaged workforce, we forge ahead to tackle new challenges.

Group Structure



Organisational Structure



Note:
[^] Mario Favaits joined SMRT on 23 April 2014.
[#] Dawn Low Kar Mun was promoted to SVP Commercial effective 5 May 2014.

Group Senior Management

Trains



DESMOND KUEK BAK CHYE

President & Chief Executive Officer

Desmond Kuek joined SMRT Corporation Ltd in October 2012 as President & Chief Executive Officer.

Prior to SMRT, Mr Kuek served in the Singapore Armed Forces from 1982 to 2010, rising steadily through the ranks to the pinnacle leadership positions of Chief of Army in 2003 and Chief of Defence Force in 2007. From 2010 to 2012, Mr Kuek held the appointment of Permanent Secretary in the Ministry of the Environment and Water Resources. He also previously served on the Boards of Singapore Technologies Engineering Ltd and its subsidiaries, Defence Science and Technology Agency, Housing and Development Board, Jurong Town Corporation and International Enterprise Singapore.

Mr Kuek holds a Master of Arts (Engineering Science) from Oxford University and a Masters in Public Administration from Harvard University. He is currently a member of the Civil Service College Board and chairs its Audit Committee. Mr Kuek is a member of the International Advisory Panel for the Lee Kuan Yew Centre for Innovative Cities at the Singapore University of Technology and Design.



SAM ONG ENG KEANG

Executive Vice President & Chief Financial Officer

Sam Ong is responsible for the Group's Corporate Governance portfolio.

Before joining SMRT, Mr Ong was the Group Deputy CEO of Hyflux Ltd where he spearheaded the development of global partnerships and water projects with an emphasis on the Middle East and Africa. He also served as the Group's CFO and Chief Investment Officer. Mr Ong was on the Board of Hyflux Water Trust and the Chairman of SingSpring.

In the 15 years before Hyflux Ltd, Mr Ong held regional and global leadership positions at Dow Chemical with responsibilities ranging from treasury, project financing, pension fund management and mergers and acquisitions to strategic business planning in support of growth and productivity initiatives.

Mr Ong holds a Bachelor's degree in Economics from the University of Alberta, Canada and a Master of Business Administration from Drake University, United States of America.



LEE LING WEE

Executive Vice President
Trains

Lee Ling Wee is responsible for SMRT's Trains business, and oversees all corporate and operational matters including engineering and maintenance for the North-South and East-West Lines, Circle Line and the Bukit Panjang Light Rail Transit.

Prior to joining SMRT, Mr Lee was Head of Air Engineering and Logistics with the Republic of Singapore Air Force (RSAF). Mr Lee was with the RSAF for over 20 years and during his time there, he held various senior leadership roles and directed fleet management, competency and resource optimisation programmes. He also honed his expertise in engineering and maintenance, airworthiness, integrated supply chain and life cycle management for the entire fleet of aircraft and weapons systems.

Mr Lee holds a degree in Aeronautical Engineering from the Ecole Nationale de l'Aviation Civile in France, and an Executive Master of Business Administration from the National University of Singapore.

Roads

**BENNY LIM KIAN HENG**

Senior Vice President
Roads

Benny Lim heads the Roads business group which includes Automotive Services, Bus-Plus, Buses and Taxis businesses. He is a Board Member of SMRT Roads Holdings, SMRT Buses, SMRT Taxis, SMRT Automotive Services as well as Shenzhen Zona Transportation Group Co. Ltd.

Mr Lim has over 25 years of experience in the Transportation and Automotive industries leading the management, sales, marketing, after-sales service, business development and supply chain management in multiple countries across Asia-Pacific.

Prior to joining SMRT, Mr Lim was the Group General Manager of Audi and Volkswagen Centre in Qatar, where he was instrumental in setting up the greenfield business operations. He also served as the President & CEO of MAN Truck and Bus China and was responsible for business operations in China and North Asia.

Mr Lim earned his Master of Business Administration in International Management from Royal Melbourne Institute of Technology, Australia, where he also received his Bachelor of Business Administration majoring in Business Finance. Mr Lim also completed a one-year Foreign Integration Program for International Executives with Audi AG in Germany.

Engineering

**MARIO FAVAITS**

Senior Vice President
Engineering

Mario Favaits leads SMRT's efforts to develop a suite of rail engineering and system integration capabilities, to position SMRT for rail engineering projects in Singapore and overseas.

Before joining SMRT, he served as the Global Director of Services Sales & Marketing at Faiveley Transport. Between 2011 and 2014, Mr Favaits was Director of Services at Alstom Transport in Asia-Pacific. He was a member of the Asia-Pacific Management team and was responsible for the Maintenance, Repair & Overhaul projects and operations in the region. He was invited to be part of a global team tasked with driving and implementing a culture change programme at Alstom Transport.

In the 10 years prior to joining Alstom, Mr Favaits held senior leadership positions at Siemens and Continental in Europe, the U.S. and Asia. His responsibilities focused on business development and growth, building a sustainable competitive advantage and driving change.

Mr Favaits holds a Master of Science in Mechanical and Electrical Engineering from the University of Brussels, a Master of Business Administration from the University of Antwerp Management School and a Master of Laws from the University of Liverpool.

Commercial

**DAWN LOW KAR MUN**

Senior Vice President
Commercial

Dawn Low heads SMRT's commercial business in the areas of properties, commercial development, media and digital, new business, marketing and partnership. She is also a Board Member of SMRT Alpha Pte Ltd, a joint venture between SMRT Investments and Alpha Plus Investments.

She previously led the Company's branding, strategic marketing, corporate social responsibility (CSR) and environmental sustainability strategies. In 2008, she headed marketing and partnership to drive business growth for SMRT Taxis.

Ms Low was previously with the Ministry of Defence and City Developments Limited.

She holds a Bachelor of Social Science (Honours) from the National University of Singapore, and a Master in Mass Communications from the Nanyang Technological University. She is also an Accredited Member of the Institute of Public Relations of Singapore.

Group Senior Management

Corporate Services



VINCENT TAN PENG HOCK

Senior Vice President
Corporate Services & Rail Operations

Vincent Tan is responsible for Corporate Services comprising Health, Safety & Security, and Infocomm & Organisation Excellence. He is concurrently responsible for Rail Operations, and is a board member of Bus-Plus Services and SMRT Light Rail.

Mr Tan first joined the Mass Rapid Transit Corporation in 1985, before it became SMRT Corporation Ltd. Prior to his current appointment, he oversaw the Projects & Technology as well as Maintenance departments as Senior Vice President, Engineering & Projects.

Mr Tan holds an Honours degree in Mechanical Engineering from King's College, University of London and a Master of Science in Technological Economics from the University of Stirling in Scotland. He is a member of the Industrial Advisory Committee for Sustainable Infrastructure Engineering at the Singapore Institute of Technology.

International & Business Development



GOH ENG KIAT

Vice President
International & Business Development

Goh Eng Kiat oversees SMRT's international business and business development. He is a Director on the Boards of Shenzhen Zona Transportation Group Co Ltd and SMRT International Pte Ltd.

Before joining SMRT, Mr Goh was Executive Director of MSIG Holdings (Asia) Pte Ltd for nine years. He held key positions in the company and was seconded to China between 2009 and 2011. He also served on the Board of Sinatay China Life Insurance from 2010 to 2012. He has diverse experience in business development, human resource, service excellence, branding, corporate communication, risk management and compliance.

Prior to that, Mr Goh was with Aviva Asia as Executive Director and has held various senior positions in Western Digital and Seagate.

Mr Goh holds a Bachelor of Business Studies and a Master of Business Administration from Charles Sturt University, Australia.

Corporate Services



CELINA ENG SOO HWI

Vice President
Internal Audit

Celina Eng leads the Group's internal audit division. Ms Eng is also SMRT's Whistleblowing Investigation Officer.

Prior to SMRT, Ms Eng was Associate Director at KPMG where she was tasked with several regional internal audit outsourcing projects, enterprise risk management and CSA projects. She also performed external quality assurance reviews on internal audit functions.

Ms Eng graduated from the Nanyang Technological University with a Bachelor of Accountancy. She is a Member of the Institute of Internal Auditors (Singapore), and a Non-Practising Member of the Institute of Certified Public Accountants of Singapore.

Corporate Services

**GERARD KOH KENG SWEE**

Vice President
Human Resources

Gerard Koh oversees the transformation of SMRT's human capital development, organisation structure and culture. He is also responsible for ensuring workforce health and meeting the challenges of the current operational demands amidst the changes in demographic and national labour policy shifts.

Before SMRT, he served with the Singapore Armed Forces for 24 years, with his last appointment as a Colonel. Mr Koh has held key leadership appointments in a variety of HR roles including strategic workforce planning, change management and implementation, recruitment, HR business partnering, employee engagement and resource management. He also held various field commander positions including Commander of an Armoured Brigade.

Mr Koh holds a Master of Science in Management with Distinction from the U.S. Naval Postgraduate School and a Bachelor of Business Administration from the National University of Singapore.

Corporate Services

**CINDY LAU KEE MEI**

Vice President
Group Finance & Shared Services

Cindy Lau is responsible for the Group's financial strategy and management, including treasury, capital management, tax and shared services.

Prior to joining SMRT, Ms Lau was Vice President Corporate Finance at PT Telekomunikasi Selular Tbk. She worked in various international accounting firms and has held Finance leadership positions in various commercial and public-listed companies where her key responsibilities included management reporting, group consolidation, financial accounting, cost accounting and budgeting, forecasting, corporate finance, treasury, tax and investor relations.

Ms Lau holds a Bachelor of Commerce and Administration majoring in Accountancy from the Victoria University of Wellington, New Zealand. She is a Provisional Chartered Accountant with the New Zealand Institute of Chartered Accountants.

Corporate Services

**PATRICK NATHAN**

Vice President
Corporate Information & Communications

Patrick Nathan heads the Corporate Information and Communications Division which includes the Corporate Marketing and Communications departments, the Passenger Service department as well as the Information Fusion Centre.

Mr Nathan first joined SMRT as Director, Security and Emergency Planning in 2011 where he provided strategic perspectives on issues concerning security, contingency planning and crisis management before assuming his current role.

Mr Nathan has over 25 years' experience in the areas of defence relations and security. He served on the National Security Secretariat from 2002 until 2004, when he was seconded to the National Security Coordination Centre, Prime Minister's Office as its Deputy Director, a post he held until he joined SMRT. At the Centre, his primary duty was strategic policy development. He was also responsible for Corporate Marketing and Communications for the Centre.

Mr Nathan holds a Bachelor of Social Science (Honours) in Political Science from the National University of Singapore and a Master of Science in Strategic Studies from the Nanyang Technological University.

Group Senior Management

Corporate Services



NG TEK POO

Vice President
Procurement & Logistics

Ng Tek Poo is responsible for central procurement and logistics at SMRT. In this role, Mr Ng oversees supply chain management which includes procurement, inventory management and warehouse operation.

Since joining SMRT in 2000 as a maintenance manager in building services, Mr Ng has taken on several roles including overseeing station operations for the East-West Line and cultivating organisation-wide safety culture and implementing processes. Prior to his current role, Mr Ng was with the maintenance department where he introduced enhancement plans and improved the reliability of the trains systems.

Mr Ng has a First-Class Honours degree in Electrical Engineering from the National University of Singapore. He has a Master of Business Administration from the National University of Singapore Business School and is also a trained Workplace Safety and Health professional.

Corporate Services



JACQUELINTAY GEK POH

Vice President
Legal & Corporate Secretariat

Jacquelin Tay is Vice President, Legal and Corporate Secretariat and a Board Member of SMRT Alpha Pte Ltd, a joint venture between SMRT Investments Pte Ltd and Alpha Plus Investments Pte Ltd.

Prior to joining SMRT, Ms Tay was the Senior Legal Director and Deputy General Counsel in SingTel where she supported various businesses and functions over a span of 10 years. Her responsibilities included the oversight and management of legal support relating to info-communications, multi-media and digital life services.

She began her legal practice in Shook Lin & Bok and accumulated diverse experience in litigation, corporate and retail banking and conveyancing before moving to ST Kinetics Ltd where she was the Legal Manager.

Ms Tay holds a Bachelor of Law (Honours) degree from the National University of Singapore.

Corporate Directory

SUBSIDIARIES

SINGAPORE

SMRT Trains Ltd
SMRT Investments Pte Ltd
SMRT Capital Pte Ltd
SMRT Far East Pte Ltd
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SMRT Engineering Pte Ltd
SMRT International Pte Ltd
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 Singapore 579828
 Telephone: (65) 6554 8535
 Facsimile: (65) 6453 7645
www.smrt.com.sg

SMRT Light Rail Pte Ltd
 1 Woodlands Road
 #03-01 Junction 10
 Singapore 677899
 Telephone: (65) 6893 6456
 Facsimile: (65) 6762 6732
www.smrt.com.sg

SMRT Road Holdings Ltd
SMRT Buses Ltd
 6 Ang Mo Kio Street 62
 Singapore 569140
 Telephone: (65) 6331 1000
 Facsimile: (65) 6482 3842
www.smrt.com.sg

SMRT Taxis Pte Ltd
 60 Woodlands Industrial Park E4
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 Telephone: (65) 6369 0111
 Facsimile: (65) 6369 3639
www.smrt.com.sg

SMRT Automotive Services Pte Ltd
 60 Woodlands Industrial Park E4
 Singapore 757705
 Telephone: (65) 6362 3422
 Facsimile: (65) 6368 7420
www.smrt.com.sg

Bus-Plus Services Pte Ltd
 6 Ang Mo Kio Street 62
 Singapore 569140
 Telephone: (65) 6481 0166
 Facsimile: (65) 6484 0129
www.busplus.com.sg

SMRT Institute Pte Ltd
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 Telephone: (65) 6554 8110
 Facsimile: (65) 6552 8974
www.smrtinstitute.com.sg

SMRT Alpha Pte Ltd
 251 North Bridge Road
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CAYMAN ISLANDS

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HONG KONG

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MIDDLE EAST

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ASSOCIATED COMPANIES

CHINA

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 Futian District, Shenzhen,
 People's Republic of China, PC 518049
 Telephone: (0086-755) 8393 8342
 Facsimile: (0086-755) 8351 2347
www.zona.com.cn

SINGAPORE

Ortus Infrastructure Capital Pte. Ltd.
 29B Club Street
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 Telephone: (65) 6222 1700
 Facsimile: (65) 6222 0170

BRANCH OFFICE

MIDDLE EAST

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 Abu Dhabi, United Arab Emirates
 Telephone: (9712) 6777 424
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Corporate Information

Registered Office

251 North Bridge Road
Singapore 179102
Telephone: (65) 6331 1000
Facsimile: (65) 6334 0247
Website: www.smrt.com.sg

Place of Incorporation

Singapore

Company Registration Number

200001855H

Date of Incorporation

6 March 2000

Board of Directors

Koh Yong Guan,
Chairman
Desmond Kuek Bak Chye,
President & CEO
Patrick Ang Peng Koon
Moliah Hashim
Lee Seow Hiang
Ong Ye Kung
Bob Tan Beng Hai
Peter Tan Boon Heng
Tan Ek Kia
Yap Chee Meng
Yap Kim Wah

Company Secretary

Jacquelin Tay Gek Poh

Audit Committee

Bob Tan Beng Hai,
Chairman
Peter Tan Boon Heng
Yap Chee Meng
(Appointed on 1 October 2013)
Yap Kim Wah

Remuneration Committee

Koh Yong Guan,
Chairman
Moliah Hashim
Lee Seow Hiang
Tan Ek Kia

Nominating Committee

Ong Ye Kung,
Chairman
Koh Yong Guan
Lee Seow Hiang
Bob Tan Beng Hai

Board Risk Committee

Tan Ek Kia,
Chairman
Patrick Ang Peng Koon
(Appointed on 1 October 2013)
Peter Tan Boon Heng
Yap Kim Wah

Executive Committee

Koh Yong Guan,
Chairman
Desmond Kuek Bak Chye
Ong Ye Kung
Bob Tan Beng Hai
Tan Ek Kia

Auditors

PricewaterhouseCoopers LLP
8 Cross Street
#17-00 PwC Building
Singapore 048424

Audit Partner-in-charge:

Mr Choo Eng Beng
(Appointed in FY2011)

Principal Bankers

DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Investor Relations

Telephone: (65) 6331 1225
Email: investors_r@smrt.com.sg

Corporate Governance Report (“Report”)

The Board and Management of SMRT Corporation Ltd (the “Company”, and together with its subsidiaries, the “Group”) believe in and are firmly committed to ensuring high standards of corporate governance, which are essential to sustaining the Group’s businesses. The Group’s corporate governance guidelines and practices are regularly reviewed and improved where necessary to reinforce our corporate governance framework and maintain its relevancy and currency.

The Group’s corporate governance framework adheres to the guidelines of the Code of Corporate Governance 2012 (“Code”), unless where specifically explained otherwise.

As an extension of its continued efforts to enhance the Group’s corporate governance framework, the following initiatives have been implemented by the Group during the year under review:

- Term limits for non-executive Directors – This allows for progressive renewal of the Board so that it is in a position to respond to future opportunities and circumstances.
- Limits on the total number of directorships that can be held by each Director concurrently - This ensures that each Director is able to devote sufficient time and attention to the affairs of the Company and the Group as a whole.

THE BOARD’S CONDUCT OF AFFAIRS (GUIDELINE 1)

Guideline 1.1: Principal role of the Board

The Board oversees the overall strategy and business direction of the Group. In addition to its statutory duties, the Board:

- provides entrepreneurial leadership, sets strategic objectives, and ensures that the necessary financial and human resources are in place for the Group to meet its objectives;
- establishes and maintains a guiding framework of prudent and effective controls which in turn enables risks to be assessed, managed, and contained in order to safeguard shareholders’ interests and the Group’s assets;
- reviews Management performance;
- identifies the key stakeholder groups and recognises that their perceptions affect the Group’s reputation;
- sets the Group’s values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and
- considers sustainability issues, e.g. environmental and social factors, as a component of its strategic formulation.

Guideline 1.2: Discharge of duties and responsibilities

Directors must discharge their duties and responsibilities in the best interests of the Group at all times and are expected to make decisions independently and objectively. The Chairman, in turn, assesses each Director’s decisiveness and preparedness to take a firm and independent stand on difficult issues when he evaluates the performance of each Director.

Guideline 1.3: Delegation of authority by the Board

Various Board Committees, namely the Audit, Board Risk, Nominating, Remuneration, and Executive Committees, have been established to assist the Board in discharging its responsibilities to oversee the Group’s affairs and enhancing overall corporate governance. Every Board Committee has its own charter (hereinafter referred to collectively as the “Charters”) which sets out, *inter alia*, the Board Committee’s terms of reference, composition and responsibilities. The Charters of the respective Board Committees have been recently amended to meet the needs of the Company. The responsibilities of the respective Board Committees are disclosed at pages 52 to 54 of this Report.

Minutes of Board Committee meetings are circulated to the Board to keep all Directors updated on the activities of each Board Committee.

Guideline 1.4: Meetings of the Board

The dates of Board, Board Committee and Annual General Meetings (“AGM”) are scheduled 1 year in advance. To ensure optimal attendance rates, the Company Secretary will consult every Director before fixing the dates of these meetings. Board meetings are scheduled quarterly for the purpose of, *inter alia*, approving the release of the Group’s financial results. A Board meeting is also scheduled at the end of each financial year for Directors to consider the Group’s annual budget for the following financial year. In addition to these scheduled meetings, *ad hoc* Board meetings are also held whenever the Board’s guidance or approval is required. To give Directors the opportunity of having in-depth discussions with Management on the Group’s longer-term strategies, an off-site Board Strategy Retreat is held annually.

The number of Board and Board Committee meetings for the year under review as well as Board members’ attendance thereat is set out in the following page.

Corporate Governance Report

Board and Board Committee Meetings and Attendance From 1 April 2013 to 31 March 2014

| Board Of Directors | Board | | | Board Committees | | | | | | | | | |
|--------------------------------------|------------------------------|---------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|
| | Meetings held while a member | No. of scheduled meetings | Meetings attended | Audit ("AC") | | Board Risk ("BRC") | | Remuneration ("RC") | | Nominating ("NC") | | Executive Committee ("EXCO") | |
| | | | | Meetings held while a member | Meetings attended | Meetings held while a member | Meetings attended | Meetings held while a member | Meetings attended | Meetings held while a member | Meetings attended | Meetings held while a member | Meetings attended |
| Koh Yong Guan (Chairman) | 9 | 4 | 9 | | | | | 2 | 2 | 2 | 2 | 3 | 3 |
| Desmond Kuek Bak Chye (CEO) | 9 | 4 | 9 | | | | | | | | | 3 | 3 |
| Patrick Ang Peng Koon ^(a) | 9 | 4 | 8 | | | 2 | 1 | | | | | | |
| Lee Seow Hiang | 9 | 4 | 5 | | | | | 2 | 2 | 2 | 2 | | |
| Moliah Hashim | 9 | 4 | 6 | | | | | 2 | 1 | | | | |
| Ong Ye Kung | 9 | 4 | 7 | | | | | | | 2 | 2 | 3 | 2 |
| Bob Tan Beng Hai ^(b) | 9 | 4 | 9 | 5 | 5 | 1 | 1 | | | 1 | 1 | 3 | 3 |
| Tan Ek Kia | 9 | 4 | 9 | | | 3 | 3 | 2 | 2 | | | 3 | 3 |
| Peter Tan Boon Heng | 9 | 4 | 6 | 5 | 5 | 3 | 3 | | | | | | |
| Yap Kim Wah | 9 | 4 | 8 | 5 | 4 | 3 | 3 | | | | | | |
| Yap Chee Meng ^(c) | 5 | 2 | 5 | 2 | 2 | | | | | | | | |

(a) Appointed Board Member on 1 April 2013 and BRC Member on 1 October 2013.

(b) Appointed AC Chairman on 31 July 2013 and NC Member on 1 October 2013.

(c) Appointed Board Member on 1 October 2013 and AC Member on 1 October 2013.

To encourage and ensure optimal participation and input by Directors, the Company's Articles of Association allow Board meetings to be conducted via telephone conference, video conference or other means of similar communication. Directors who are unable to attend any Board meeting which is convened at short notice will be able to participate in the meeting via such means.

Guideline 1.5: Internal guidelines for matters requiring Board approval

The Company, and the Group as a whole, has adopted internal guidelines setting forth matters that require Board's approval. These internal guidelines are set out in the form of a comprehensive framework of financial procedures - the Financial Procedures Manual ("FPM"). The FPM provides the Group with clear guidelines on all financial matters and ensures that outlined authority limits govern all financial transactions. The Board is the highest level of authority in the FPM and any project which involves equity investment, is of a high-risk or non-core in nature requires the Board's approval regardless of the amount of investment involved.

The FPM undergoes regular review and updates to facilitate growth and operational relevancy with respect to the changing needs within the Company and the Group as a whole.

Guidelines 1.6 and 1.7: Board orientation and training

Upon appointment as a Director, the Chairman sends the Director a formal letter of appointment which explains in detail a Director's role, duties and responsibilities. When a Director is appointed onto a Board Committee, the appointed Director is provided with a copy of the charter of that Board Committee.

As part of the Company's continuing education for all Directors, the Company Secretary circulates to the Board articles, reports and press releases relevant to the Group's businesses to keep all Directors updated on current industry trends and issues. News releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to Directors are also circulated to the Board. The Company Secretary informs Directors of upcoming conferences, courses and seminars relevant to their roles as Directors. In the year under review, some Directors attended the following courses and seminars:

- 1) Corporate Governance: From Form to Value Creation;
- 2) 2013 Hay Group Survey on Director & Evaluating Pay – Re-evaluating Rewards and Board of Directors;
- 3) Survey 2013 Real Governance Issues for Singapore, Inc.

These courses and seminars were conducted by the Singapore Institute of Directors. All training and seminars attended by the Directors were arranged and funded by the Company.

Our external auditors, PricewaterhouseCoopers, routinely update the AC and the Board on new and revised financial reporting standards relevant to the Company.

Management conducts a comprehensive orientation programme for newly appointed Directors. This programme includes briefings on the Group's businesses and strategic plans and objectives, its financial performance, and meetings with the Group's Senior Management team. Site visits to the Group's train and bus depots help to orientate newly appointed Directors to the operational aspects of the Group. First-time Directors are also provided comprehensive training on the roles, duties and obligations of Directors. In FY2013, two first-time Directors were briefed on topics relating to the Code, the Airocean appeal judgment in relation to Directors' disclosure obligations under the Securities & Futures Act and

the Listing Manual of the SGX-ST, and the prohibition against insider trading and Disclosure of Interests of Directors and Substantial Shareholders.

BOARD COMPOSITION AND GUIDANCE (GUIDELINE 2)

Guidelines 2.1, 2.2, 2.3 and 2.4: Board independence

As a cornerstone to achieving high standards of corporate governance, there is a strong and independent element on the Board, with independent Directors making up nine out of 11 members of the Board.

The Directors believe in having members who can exercise judgement independently, in good faith and in the best interests of the Company. Hence, out of the 11 Directors on the Board, only the CEO, Mr Desmond Kuek Bak Chye, and Mr Tan Ek Kia (who was previously the Interim CEO) are non-independent. The composition of the Company's Board and Board Committees is set out below:

Composition of Board & Board Committees

| Name of Director | Board Appointments - Executive or Non-Executive Director - Independent or Non-Independent Director | Board Committees As Chairman or Member | | | | |
|--------------------------------------|--|--|------------|--------------|------------|----------|
| | | Audit | Board Risk | Remuneration | Nominating | EXCO |
| Koh Yong Guan (Chairman) | Non-Executive / Independent | | | Chairman | Member | Chairman |
| Desmond Kuek Bak Chye (CEO) | Executive / Non-Independent | | | | | Member |
| Patrick Ang Peng Koon ^(a) | Non-Executive / Independent | | Member | | | |
| Lee Seow Hiang | Non-Executive / Independent | | | Member | Member | |
| Moliah Hashim | Non-Executive / Independent | | | Member | | |
| Ong Ye Kung | Non-Executive / Independent | | | | Chairman | Member |
| Bob Tan Beng Hai ^(b) | Non-Executive / Independent | Chairman | | | Member | Member |
| Tan Ek Kia | Non-Executive / Non-Independent | | Chairman | Member | | Member |
| Peter Tan Boon Heng | Non-Executive / Independent | Member | Member | | | |
| Yap Kim Wah | Non-Executive / Independent | Member | Member | | | |
| Yap Chee Meng ^(c) | Non-Executive / Independent | Member | | | | |

(a) Appointed Board Member on 1 April 2013 and BRC Member on 1 October 2013.

(b) Appointed AC Chairman on 31 July 2013 and NC Member on 1 October 2013.

(c) Appointed Board Member on 1 October 2013 and AC Member on 1 October 2013.

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The task of reviewing and evaluating the independence of Directors is delegated to the NC. The Board will then determine the independence of Directors, taking into account the evaluation by the NC. Annually, each Director is required to complete a Director's Independence Checklist ("Checklist") to confirm his independence. The Checklist is based on the guidelines provided in the NC Charter and the Code. Each Director must also declare in the Checklist whether he considers himself independent despite not having any of the relationships identified in the Code. The NC reviews the Checklist completed by each Director to determine whether a Director is independent. Newly-appointed Directors are also requested to complete the Checklist to confirm their independence. For the year under review, the Board has determined, after taking into account the NC's evaluation, that out of the 11 Directors on the Board, only Mr Desmond Kuek Bak Chye, who is the CEO, and Mr Tan Ek Kia, who was previously the Interim CEO, are non-independent.

No Director has served on the Board for more than 9 years.

Guidelines 2.5 and 2.6: Board size and composition

The Board consists of Directors with core competencies in areas such as accounting, finance, audit, law, management, engineering and customer-centric experience. In addition, the Directors' combined work experience spans the areas of risk management, strategic planning and business development. The Directors' academic and professional qualifications are shown on pages 55 to 59 of this Report. The Board believes that given the scope and nature of the Group's operations, the present Board size and composition are appropriate for the foreseeable requirements of the Group's businesses.

The NC is responsible for examining the size and composition of the Board to ensure that the total number of Directors is appropriate for effective decision-making and that the Directors as a group possess core competencies in relevant areas. The NC also takes into account factors such as the scope and nature of the Group's operations, balance of skills, perspectives, knowledge and experience of Directors, and the balance of executive and non-executive Directors. Annually, the NC reviews the Directors who are due to retire in accordance with the Company's Articles of Association and, based on factors such as a Director's contribution, his performance as well as his length of service on the Board, makes the relevant recommendation on their re-election.

Guidelines 2.7 and 2.8: Role of non-executive Directors

At Board meetings, there is a deliberate culture of having Directors and Management openly discuss and debate issues. Board meetings are held in a candid and constructive environment, and Directors make decisions using their collective wisdom whilst at all times acting in the best interests of the Company and the Group as a whole. As recommended by the Code, non-executive Directors also meet regularly without the presence of Management to facilitate a more open evaluation of Management's performance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (GUIDELINE 3)

Guidelines 3.1 and 3.2: Separation of the roles of Chairman and Chief Executive Officer

The Chairman and CEO of the Company are separate persons and are not related. The roles of the Chairman and the CEO are deliberately kept distinct through a clear division of responsibilities to ensure effective oversight, appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. Since FY2007, the Board has provided the Chairman and the CEO each with a Role Statement for greater transparency and clearer division of responsibilities.

The Role Statement for the Chairman clearly sets out that the Chairman is responsible for:

- providing leadership and upholding the highest standards of integrity and probity;
- constructively determining and approving the Group's strategies, together with the Board;
- ensuring that Board matters are effectively organised to enable Directors to receive timely and clear information in order to make sound decisions;
- promoting constructive relations amongst Directors and within Board Committees as well as between Directors and Senior Management;
- promoting high standards of corporate governance;
- establishing a relationship of trust with the CEO; and
- ensuring effective communication with shareholders.

The current Chairman is Mr Koh Yong Guan.

The CEO is the highest-ranking Executive officer of the Company and his primary role is to effectively manage and supervise the day-to-day business operations of the Group in accordance with the strategies and policies, budgets and business plans as approved by the Board. The Role Statement for the CEO describes the CEO's principal responsibilities as follows:

- managing the Group's businesses and developing the Group's vision, mission, core values, strategies and business objectives;
- providing quality leadership and guidance to employees of the Group;
- reporting to the Board on all aspects of the Group's operations and performance (including overall financial performance, internal controls and risk management);
- managing and cultivating good relationships and effective communication with regulators, shareholders, the media and the public; and
- ensuring effective and robust succession planning for all key positions within the Group.

The current CEO is Mr Desmond Kuek Bak Chye.

The NC reviews the Chairman's performance and remuneration while the RC reviews the CEO's performance and remuneration. This arrangement ensures decisions are not based on a considerable concentration of power in any single individual.

With the existence of various committees imbued with the power and authority to perform key functions, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in any single individual.

Guidelines 3.3 and 3.4: Appointment of lead independent Director

The Chairman, Mr Koh Yong Guan, who is independent and non-executive, does not have any relationship with the executive management of the Group. Accordingly, there is no requirement for a lead independent Director.

BOARD MEMBERSHIP (GUIDELINE 4)

Guideline 4.1: Composition of the NC

The NC is chaired by Mr Ong Ye Kung. The other members of the NC are Mr Koh Yong Guan, Mr Lee Seow Hiang and Mr Bob Tan Beng Hai. All members of the NC are non-executive and independent Directors. Mr Ong Ye Kung is not

directly associated with the Company's substantial shareholder, Temasek Holdings (Private) Limited. The NC's terms of reference are set out on pages 52 to 53 of this Report.

Guideline 4.2: The role of the NC on board appointments

The NC evaluates and reviews the board succession plans for Directors, in particular, the Chairman and the CEO to ensure progressive renewal of the Board. The NC also ensures that there is a formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the Board.

The NC recommends to the Board, on an annual basis, various processes for the evaluation of the performance of the Board, the Board Committees and individual Directors as well as the composition of the Board. The performance of each individual Director (including levels of competencies, commitment, contribution, attendance, preparedness, participation and candour) as well as the skills and experience that each Director possesses is evaluated by the Chairman of the Board to ensure that diversity is maintained on the Board and Board Committees.

The NC is also responsible for re-nomination of Directors, taking into account the contributions of each Director, and the needs of the Company at the relevant time.

Pursuant to the Company's Articles of Association, 1/3 of the Board of Directors, including the CEO who also sits on the Board, are required to retire and are subject to re-election at every AGM of the Company ("**One-third Retirement Rule**"). All Directors are required to retire from office at least once every 3 years. A newly appointed Director must also subject himself for retirement and re-election at the AGM immediately following his appointment. Thereafter he is subject to the One-third Retirement Rule.

At the forthcoming AGM, the NC has nominated and recommended that Mr Koh Yong Guan, Mr Ong Ye Kung, Madam Moliyah Hashim, and Mr Peter Tan Boon Heng will retire by rotation pursuant to the Company's Articles of Association. Except for Mr Ong Ye Kung, all of them, being eligible for re-election, have offered themselves for re-election. Mr Yap Chee Meng will submit himself for retirement and re-election at the forthcoming AGM as he is a newly appointed Director.

As a matter of policy, a non-executive Director would generally serve a maximum of two 3-year terms unless extended for another 3-year term by the NC and the Board, taking into account the contribution of the Director and the needs of the Company at the relevant time.

Corporate Governance Report

In respect of the year under review, 3 out of 11 members of the Board have served 6 years or more. Given the nature and complexity of the on-going businesses and operations of the Group, the NC recognises the need for the continued presence of some Directors who have the institutional knowledge of and deep insights into the Group's businesses and operations. As more than half of the Board members presently were appointed in FY2011 and FY2012, the longer serving Directors provide the necessary continuity and smooth transition for the Board moving forward.

Guideline 4.3: Assessment of independence of Directors

Procedures and control mechanisms are in place to ensure that the independence of the Directors is monitored at regular intervals and updated expeditiously. Directors are required to submit declarations of independence annually and are required to immediately report to the Company any changes in their external appointments, interests in shares and other pertinent information (including any corporate developments relating to their external appointments) which may affect their independence.

The NC is tasked to review and evaluate the independence of each Director. The Board will then, in turn, determine the independence of Directors, taking into account the evaluation by NC.

For the year under review, the Board has determined, after taking into account the NC's views, that all the Directors are independent (except for Mr Desmond Kuek Bak Chye who is the CEO, and Mr Tan Ek Kia who was previously the Interim CEO).

Guidelines 4.4 and 4.5: Multiple board representations and appointment of alternate Directors

With respect to the year under review, the Board, upon the recommendation of the NC, has adopted the guideline that if a Director is holding a full-time commitment, the maximum number of directorships he may hold in listed companies is 4, and if he is not holding a full-time commitment, the maximum number of directorships he may hold in listed companies is 6. In the year under review, all Directors have adhered to this guideline.

The NC monitors and determines annually whether Directors who have multiple board representations and other principal commitments, give sufficient time and attention to the affairs of the Company and adequately carry out their duties as a director of the Company. The NC takes into account both the results of the assessment of the effectiveness of individual Directors and their actual conduct on the Board when making this determination.

The NC was satisfied that for the year under review, where a Director had other listed company board representations and/or other principal commitments, each such Director was able to carry out and had been adequately carrying out, his duties as a Director of the Company.

No alternate Director has been appointed to the Board in the year under review.

Guideline 4.6: Process for selection, appointment and re-appointment of Directors

The NC annually reviews the size and composition of the Board to take stock of the expertise within the Board, and identify the Board's current and future needs, taking into consideration the evolving business requirements of the Group. The NC considers, *inter alia*, the range of skills, knowledge, experience and attributes of the existing Directors, the retirement and re-election of Directors, each Director's contribution, performance and commitment (such as attendance, preparedness, participation and candour) and whether new competencies are required to enhance the Board's effectiveness. When the need for a new Director arises, either to replace a retiring Director or to enhance the Board's bench strength, the NC will shortlist and meet potential candidates. The criteria and guidelines for appointment of Directors are as follows:

Background

- Candidates should have good reputation as persons of integrity.

Experience

- Candidates should have core competencies to meet the current or foreseeable needs of the Group and complement the skills and competencies of the existing Directors on the Board.
- Candidates should have varied experience from different industries to enhance the bench strength of the Board.

Directorships

- Candidates' other directorships will be considered in determining whether the candidates are able to commit time and effort to carry out their duties and responsibilities effectively and whether there are any conflicts, or potential conflicts of interest that may arise.

Independence

- Candidates must be impartial, objective and be flexible and independent in their thinking.
- Candidates must have the courage to voice their independent opinions free from the influence or pressure of other Directors or Management.

The NC recommends the most suitable candidate to the Board for appointment as a Director. With respect to the annual retirement and re-election of Directors, the NC reviews each of the retiring Director's contribution to the Board and makes the relevant recommendations to the Board for subsequent shareholders' approval at the AGM.

Guideline 4.7: Key information on Directors

All key information on the Directors are set out on pages 55 to 59 of this Report.

BOARD PERFORMANCE (GUIDELINE 5)

Guidelines 5.1, 5.2 and 5.3: Process for assessing Board performance

The NC sets objective performance criteria for evaluating the Board's performance annually. These performance criteria are reviewed and approved by the Board to ensure that they allow for comparison with industry peers and address how the Board has enhanced long-term shareholder value.

In FY2010, FY2012, and FY2013, the Company engaged an independent external consultant to conduct the Board evaluation. The use of an independent external consultant not only encourages Directors to be more candid in their evaluation of the Board's performance but also enhances the objective and transparent assessment of the evaluation process.

In the year under review, Egon Zehnder International Pte Ltd ("Egon Zehnder") was appointed as the Company's external facilitator to assist in the Board evaluation process. Egon Zehnder does not have any relationship with the Company or any of its Directors.

(a) Evaluation of the Board and Board committees

For the year under review, the NC and the Board, having taken into consideration a balance of factors relevant to the Company, determined that a qualitative approach to Board evaluation, focusing on key selected areas and case studies, was more appropriate for the Board to reflect on the performance and effectiveness of the Board given the unique issues and challenges it faced. It was considered that as almost half of the Board comprised relatively new Directors appointed in FY2013 and FY2014, such a qualitative approach would have the advantage of drawing the attention of the newly-appointed Directors (who had not participated in the board evaluation exercises previously) to key issues facing the Board. Such an approach

would also be more conducive to familiarising the newly-appointed Directors with the existing Board dynamics and practices. To enhance the Board evaluation process, Egon Zehnder was also appointed to guide and facilitate the Board evaluation.

Accordingly, the Board evaluation process was reviewed and revised for the year under review. A discussion was held between the NC Chairman and Egon Zehnder, *inter alia*, to fine-tune the evaluation framework. Past Board decisions on key matters were identified for further evaluation as case studies. Key areas of focus, including decision making processes and the relevance of the board agenda were also identified for evaluation. Following the evaluation, a report was prepared by Egon Zehnder which recommended initiatives which were used to enhance the Board's decision making processes and overall effectiveness.

(b) Evaluation of individual Directors

At the end of each financial year, the Chairman evaluates the performance of each Director. The criteria taken into consideration include the degree of preparedness, commitment to the role, effectiveness and value of contribution to the development of strategy and risk management and the Director's knowledge and experience.

The NC also sets objective performance criteria for the Board to evaluate the CEO. Every year, the Directors will evaluate the CEO and provide feedback on his performance. Clear key performance indicators are set out at the beginning of each year which are measured and assessed during his performance evaluation. The Chairman will then compile the results of the evaluation and conduct an open assessment with the CEO.

The NC assesses the independence of Directors in the manner set out under Guideline 2 above.

In particular, to ensure that each Director gives time and attention to the affairs of the Group, the NC has imposed a limit on the maximum number of directorships that can be held concurrently by any Director (see Guideline 4 above). The NC also considers a Director's level of participation in the Company, such as attendance and levels of participation at meetings or company events, levels of engagement when discussing issues at meetings or over e-mails, and whether sufficient individual time and attention has been given in addressing matters or issues raised to the Board.

Corporate Governance Report

ACCESS TO INFORMATION (GUIDELINE 6)

Guidelines 6.1 and 6.2: Adequacy of information provided to the Board

To give Directors sufficient time to prepare for Board and Board Committee meetings, the agenda and Board papers for these meetings, including background, related materials, copies of disclosure documents, budgets, forecasts and monthly internal financial statements, are generally sent to Directors several days in advance of the relevant meeting. Where there are material variances between projections and actual results, these are disclosed and explained to Directors.

Directors receive monthly operational and financial reports on the performance of each business unit and key corporate departments. These monthly reports which include key performance indicators such as financial and productivity indicators, and debtors ageing and turnover analyses are given to Directors to provide the Board with a better view of each business unit's actual performance, both on a month-on-month and year-on-year basis. The Board is also apprised of any significant developments on business initiatives, industry developments, regulatory regime and analysts and press commentaries. SMS messages are sent to all Directors when critical safety and security issues arise.

During the year under review, Management implemented an online Management Operations Dashboard ("MOD"), with key information and operations metrics to track trends and provide analyses on the Group's key performance indicators. The Board has access to the MOD and is also provided with a monthly executive summary highlighting the key issues.

Directors have separate, independent and unrestricted access to the CEO, the Company's Senior Management, Company Secretary and internal and external auditors via telephone, e-mail and face-to-face meetings. When major incidents occur, Directors are immediately informed via SMS and provided with a report within 24 hours. Where additional information is requested by Directors, such information is provided by Management in a timely manner.

Guidelines 6.3 and 6.4: Access to and appointment of the Company Secretary

Directors have separate and independent access to the Company Secretary.

As a matter of good corporate governance practice, the role of the Company Secretary is one that is clearly defined. The Company Secretary administers and prepares minutes of the

Board and the various Board Committees acting in the capacity of the meeting secretary and is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The agenda for Board and Board Committee meetings are prepared in consultation with the Chairman, the respective chairpersons of the Board Committees, and the CEO to ensure good information flow within the Board and Board committees, as well as between Management and non-executive Directors.

The Company Secretary assists the Chairman and the Directors chairing the various Board Committees in scheduling Board and Board Committee meetings respectively, advises the Board on all governance matters, as well as facilitates orientation and professional development of Directors as required.

Guideline 6.5: Ability to take independent professional advice

Where a Director deems necessary, in the furtherance of the relevant Director's duties, a Director can seek independent professional advice at the Company's expense.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (GUIDELINE 7)

Guideline 7.1 and 7.2: Establishment of the Remuneration Committee and its Role

The RC is chaired by Mr Koh Yong Guan. The other members of the RC are Mr Lee Seow Hiang, Madam Moliyah Hashim and Mr Tan Ek Kia. All members of the RC are non-executive and independent Directors, save for Mr Tan Ek Kia who is a non-executive and non-independent Director.

The primary function of the RC is to assist the Board in implementing a formal and transparent procedure for developing policies on remuneration matters in the Company and to formulate and review the Company's succession plans for Senior Management (excluding the CEO) with the aim of building talent and renewing strong and sound leadership. The RC also gives guidance to the Senior Management on talent development in the organisation with the aim of building and reinforcing leadership succession for key positions. The RC's terms of reference are set out on pages 53 to 54 of this Report.

In addition to the above, the RC performs the following functions:

- (i) Reviews and recommends to the Board the remuneration framework for compensation to each Director and Senior Management, and ensures that the level of remuneration offered commensurates with the level of contribution;
- (ii) Ensures that the overall remuneration package is attractive to retain and motivate Senior Management; and
- (iii) Approves the participants and determine the quantum of shares to be granted under SMRT Restricted Share Plan (“SMRT RSP”) and SMRT Performance Share Plan (“SMRT PSP”), and administers the SMRT RSP and SMRT PSP.

Guideline 7.3: Remuneration consultant

In determining the remuneration of the Directors, the Company employed the services of an external remuneration consultant, Aon Hewitt (“Remuneration Consultant”). The RC undertook a review of the independence and objectivity of the Remuneration Consultant and has confirmed that the Remuneration Consultant had no relationships with the Company which would affect their independence.

Guideline 7.4: Termination clauses

The RC reviews the Company’s obligations arising in the event of termination of the Executive Director’s and Senior Management’s contracts of service to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous.

LEVEL AND MIX OF REMUNERATION (GUIDELINE 8)

Guideline 8.1: Performance-related remuneration

The Company has ensured that the level and structure of the remuneration are aligned with the long-term interests and risk policies of the Company. The remuneration is able to attract, retain and motivate the Board to provide good stewardship of the Company and Senior Management to successfully manage the Company and the Group as a whole.

In determining the remuneration of the Senior Management the Company employs the services of an external consultant. Appropriate pay benchmarks are used to guide the remuneration of Senior Management. The RC is also of the view that the remuneration is competitive and fair.

The Company has in place performance-centric remuneration for Senior Management. Such performance-centric remuneration is aligned with the interests of the shareholders

and promote the sustainable growth of the Company. The remuneration structure takes into account the risk policies of the Company, is symmetric with risk outcomes, and sensitive to the time horizon of risks.

The Company has put in place appropriate and meaningful measures for assessing the Directors and Senior Management’s performance.

Guideline 8.2: Short-term and long-term incentive schemes

In a competitive landscape for talent and an economy with low unemployment, the Group continues to require actively engaged employees with high calibre to propel its business strategies forward and to build a progressive and high performing organisation that constantly creates value for shareholders. In its effort to attract and retain key talent, the RC ensures that the Group’s compensation strategies are market-competitive and linked to performance outcomes. The RC recognises that the compensation strategies adopted must be flexible and adaptable in order to align with the prevailing economic environment. The RC ensures that there is a strong correlation between bonuses payable, and the achievement and performance of both Group and individual’s performance. More details of the short-term incentive schemes are set out in page 41 of this Report.

Guidelines 8.3: Remuneration of non-executive Directors

The non-executive Directors receive their Directors’ fees in accordance with their various levels of contribution, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board committees. In determining the remuneration of the Directors, the Company employed the services of the Remuneration Consultant. Appropriate fee benchmarks are used to guide the remuneration of Senior Management to ensure they are competitive and reflect the duties and responsibilities of the Directors. The fees are subject to the approval of shareholders at the AGM. The CEO, Mr Desmond Kuek Bak Chye, being an executive of the Group, does not receive directors’ fees but is remunerated as a member of Management.

The RC ensures that the non-executive Directors are not over-compensated to the extent that their independence may be compromised.

Guideline 8.4: Claw-back mechanism

The RC is responsible for considering the reclamation of incentive components of remuneration from executive Directors and relevant Senior Management with respect to exceptional circumstances of misstatement of financial

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results, or of misconduct that results in a financial loss to the Company. Following a review, the RC has decided to set up a policy framework with respect to the reclamation of such incentive components.

DISCLOSURE ON REMUNERATION (GUIDELINE 9)

Guideline 9.1: Report to shareholders

Guideline 9.2: Disclosure of remuneration

The Code recommends the disclosure of the remuneration of Directors, the CEO and at least the Group's top 5 key management personnel (who are not also Directors or the

CEO). As regards disclosure of the remuneration of Directors and the CEO, the Code recommends full disclosure of remuneration on a named basis, rounded off to the nearest thousand dollars for administrative convenience. After considering this matter carefully, the Board has decided that disclosure of the CEO's detailed remuneration will not be in the interests of the Company given the wage discrepancies in the industry and the competitive pressures that may result from such disclosure.

The annual remuneration of Directors of the Company for the financial year ended 31 March 2014 is proposed as follows:

| Remuneration Band | Directors' Fees (%) ¹ | Basic Monthly Salary (Including employer's CPF) (%) | Variable or Performance Related Income/ Bonuses (Including employer's CPF) (%) | Benefits-in-Kind (%) | SMRT RSP and SMRT PSP ² (%) | Total (%) |
|--|----------------------------------|---|--|----------------------|--|-----------|
| \$1,750,000 - \$1,999,999 Desmond Kuek Bak Chye | - | 37.1% | 47.9% | 0.8% | 14.2% | 100% |
| \$0 - \$250,000 10 Non-executive Directors | 100% | - | - | - | - | - |

1. Includes Directors' fees for board of subsidiary (SMRT Trains Ltd). The total aggregate remuneration payable to non-executive Directors for FY2014 is \$971,014. Of this, the Directors' fees for the board of SMRT Corporation Ltd was \$805,896.

2. 156,000 shares under the RSP and 130,000 shares under the PSP will be granted on 31 July 2014, subject to RC's approval. Vesting of the shares will be in accordance with the terms of the respective plans.

Guideline 9.3: Remuneration of Top 5 Senior Management

As stated under Guideline 9.2 above, the Code recommends the disclosure of the remuneration of Directors, the CEO and at least the Group's top 5 key management personnel (who are not also Directors or the CEO). As regards disclosure of the remuneration of the Group's top 5 Senior Management, the Code recommends that the Company should name and disclose the remuneration of the Group's top 5 key management personnel in bands of \$250,000.

After considering this matter carefully, the Board has decided that disclosure of the remuneration of the Group's top 5 key management personnel will not be in the interests of the Company given the wage discrepancies in the industry and the competitive pressures that may result from such disclosure.

The total aggregate remuneration paid to the Group's top five key management personnel during FY2014 was \$3.076 million.

| Remuneration Band | Basic Monthly Salary (Including employer's CPF) (%) | Variable or Performance Related Income/ Bonuses ¹ (Including employer's CPF) (%) | Benefits-in-Kind (%) | SMRT RSP and SMRT PSP (%) | Total (%) |
|---|---|---|----------------------|---------------------------|-----------|
| \$500,000 - \$749,999 No. of executives: 5 | 40.4% | 42.9% | 3.7% | 13.0% | 100% |

¹ Includes post-employment benefits.

Guideline 9.4: Remuneration of certain related employees

The Company does not have any employee who is an immediate family member of a Director or the CEO for the year under review.

Guideline 9.5: Employee share schemes

Details of the share awards under the SMRT RSP and SMRT PSP can be found in pages 111 to 115 of this Annual Report.

Guideline 9.6: Disclosure on link between performance and remuneration

The short-term incentives include the Annual Performance Incentive Plan (“APIP”) and the Economic Value Add-Based Incentive Plan (“EBIP”).

The APIP is the primary remuneration-based performance incentive tool of the Group. It draws upon a balanced set of financial and non-financial KPIs in order to align performance with the Group’s 5 strategic thrusts. The 5 strategic thrusts are as follows:

- 1) Operational Performance;
- 2) Customer Experience;
- 3) Organisational Excellence;
- 4) Workforce Health;
- 5) Sustainable Growth.

The APIP also aims to improve collaboration and ownership across the Group to achieve shared operational and sustainable financial growth goals.

The EBIP, which is linked to the Company’s economic value-add and financial performance forms part of the Short Term Incentives for the Senior Management.

The long term incentives comprising the SMRT RSP and the SMRT PSP constitute a portion of the total compensation structure for Senior Management.

SMRT RSP is an award of fully-paid ordinary shares of the Company, conditional on the fulfilment of the financial performance targets set at the start of a one-year performance period based on medium-term corporate objectives. Upon fulfilment of the stated performance conditions over a one-year performance period, 1/3 of the award will vest. The balance will vest equally over the subsequent 2 years with fulfilment of service requirements.

SMRT PSP is an award of fully-paid ordinary shares of the Company, conditional on the fulfilment of the financial performance targets set at the start of a three-year

performance period. These financial performance targets are linked to the Absolute and Relative Total Shareholder Returns. Vesting of PSP will be based on meeting the performance conditions over a three-year performance period. Details of SMRT RSP and SMRT PSP are set out in pages 111 to 115 of this Annual Report. Such performance-related remuneration is aligned with the interests of shareholders and promotes the long-term success of the Company and the Group as a whole.

ACCOUNTABILITY (GUIDELINE 10)

The Board is responsible for presenting to the shareholders a balanced, transparent, and understandable assessment of the Company’s and the Group’s respective performance, positions and prospects.

Guideline 10.1: Extension of Board’s responsibility

The Board provides the shareholders with quarterly and full year financial results which include a detailed explanation and analysis of the Company’s performance, position and prospects on a quarterly basis. Since the SGX-ST’s introduction of the requirement for Directors to issue a Negative Assurance Statement to accompany its quarterly financial results announcement, a process has been implemented to support Management’s representations to the Board on the integrity of the Group’s financial statements before the Negative Assurance Statement is given by the Board.

Guideline 10.2: Written policies to ensure compliance

In September 2011, the SGX-ST introduced a further requirement for a listed company to disclose in its annual report an opinion from the Board, with the concurrence of the AC, on the adequacy of the internal controls, addressing financial, operational and compliance risks. The Internal Control and Risk Assurance (“ICRA”) Declaration for the financial year ended 31 March 2014 is set out in page 47 of this Report.

The Board ensures that it is updated regularly on relevant changes to laws and regulations so that it can monitor and supervise adequate compliance by the Company with such laws and regulations and requirements of regulatory and governmental authorities.

Guideline 10.3: Monthly provision of information

Directors receive monthly operational and financial reports on the performance of each business unit and key corporate departments. These monthly reports which include key performance indicators such as financial and productivity indicators, and debtors ageing and turnover analyses are given to Directors to provide the Board with a better view of each

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business unit's actual performance, both on a month-on-month and year-on-year basis. The Board is also apprised of any significant developments on business initiatives, industry developments, regulatory regime and analysts and press commentaries. SMS messages are sent to all Directors when critical safety and security issues arise.

During the year under review, Management implemented an online MOD as a management information system, with key operations metrics to track trends and to provide analyses on the Group's key performance indicators. In place of the monthly operations summary report, the Board has access to the MOD and is also provided with a monthly executive summary highlighting the key issues.

RISK MANAGEMENT AND INTERNAL CONTROLS (GUIDELINE 11)

Guideline 11.1 and 11.4: Determination of risk tolerance/ risk policies and the establishment of a separate BRC

Risk Management

Risk management is an integral part of the way the Company and the Group as a whole manages and runs its businesses. In order to create, enhance, protect value for its shareholders, the Company proactively manages risks and embeds the risk management process into all planning and decision-making processes as well as its day-to-day operations at Company and Group levels. All major investments and overseas projects undergo a comprehensive due diligence and risk management review process. The Board sets the overall strategic direction and ensures such strategies are aligned with the risk tolerance of the Company and the Group as well as any potential emerging risks that the Company and Group may face.

The enterprise risk management structure of the Company and the Group is shown below:



Board Risk Committee

The BRC is chaired by Mr Tan Ek Kia. The other members of the BRC are Mr Peter Tan Boon Heng, Mr Yap Kim Wah and Mr Patrick Ang Peng Koon. All members of the BRC are non-executive and independent Directors, save for Mr Tan Ek Kia who is a non-executive and non-independent Director. Mr Tan Ek Kia relinquished his executive duties with effect from 1 November 2012, and consequently is presently considered non-independent under the provisions of the Code.

The primary function of the BRC is to assist the Board in fulfilling its oversight responsibility pertaining to the Group's risk profile and policies and the effectiveness of the Group's risk management system. In order to do so, the BRC regularly convenes with the Risk Management Committee ("RMC") to review the robustness of the risk management system and key organisational risks. The activities of the BRC are explained in the following section of this Report. The BRC's terms of reference are set out on page 52 of this Report.

Risk Management Committee

The RMC, chaired by the CEO and comprising heads of the Group's business and corporate functions, reports to the BRC and is responsible for identifying and managing risks. In line with our bottom-up and top-down approaches to Enterprise Risk Management ("ERM"), all the key risks are consolidated at the Group level and monitored closely by the RMC and the business units.

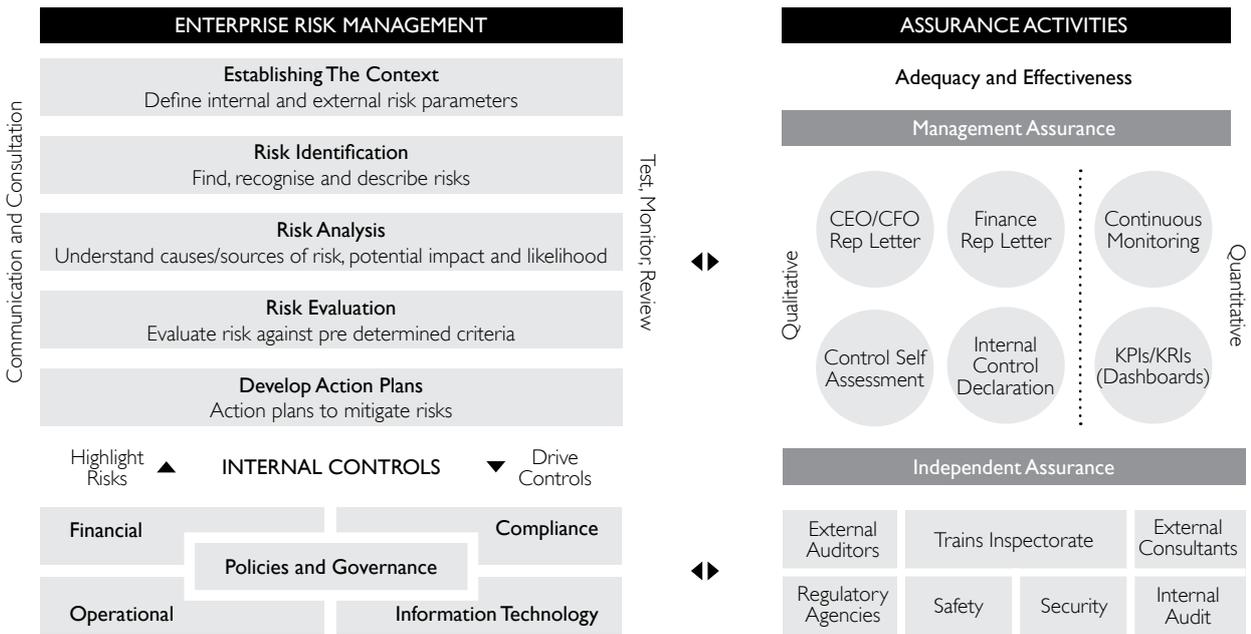
The Strategy and Risk Management ("SRM") office, a unit that is independent from business units, supports the RMC to achieve the following objectives:

- Drive initiatives to strengthen the risk management processes, policies and framework;
- Review the Group's risk profile and key risks;
- Monitor the implementation of risk mitigation strategies; and
- Promote a culture of risk awareness and sensitivity.

The Internal Audit Division ("Internal Audit") plays an independent role in checking compliance and evaluating the effectiveness of the Group's ERM process. The ICRA Declaration, as mentioned in the "Audit" section below, provides additional assurance from the business units on the adequacy of risk management systems.

Board Assurance Framework

The following diagram depicts the framework by which the Board obtains assurance on the adequacy and effectiveness of Company's and Group's risk management and internal controls which include, but is not limited to, financial, operational, compliance and IT control.



Enterprise Risk Management

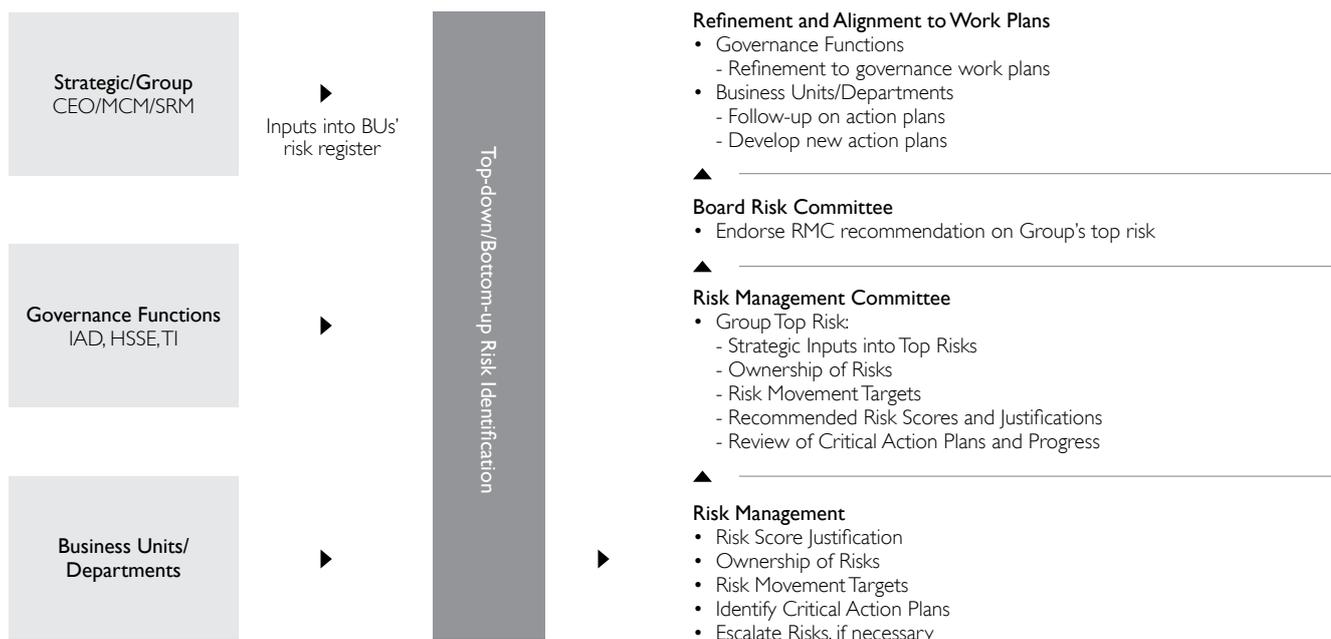
The Company strives to be one with a reputation for safety, reliability, and progressive innovation. In conducting its affairs, the Company understands that the Group's business environment ultimately carries both opportunities that need preparation and planning in order to be seized as well as uncertainties that need to be actively guarded against.

The risk management processes in the Company are largely derived from the ISO 31000 Risk Management – Principles and Guidelines (2009), which enables both the Company and the Group to deal with business opportunities and uncertainties by identifying key risks and enacting the appropriate mitigating plans and actions. The diagram below outlines the key steps used as part of the Company's risk management processes to determine the Company's risk profile and mitigate risks when dealing with emerging opportunities and on-going business operations.



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The following diagram depicts how Internal Audit (IAD), Health, Safety, Security, and Environment (HSSE), Trains Inspectorate (TI) and the other internal assurance providers, being the BRC and the AC, support the Board in providing their opinions on the adequacy of risk management systems in the Company.



Guideline 11.2: Adequacy and effectiveness of risk management and internal control systems.

Internal Controls

The key elements of both the Company's and the Group's system of controls to manage the financial, operational, compliance and IT risks are as follows:

1. Policies & Governance

Operating structure

The Group has a well-defined operating structure with clearly established lines of responsibility and delegated authority, as well as reporting mechanisms to both Senior Management and the Board thus providing good visibility on the risk control measures utilised by the Company and the wider Group.

Policies, procedures and policies

Internal controls are detailed in formal clearly stipulated procedures, instructions and manuals. The Group's internal auditors and internal assurance functions work hand-in-hand to verify compliance with these internal controls.

The Company and the Group as a whole have adopted a structured ethics programme to provide clear and understandable legal and ethical guidance in situations where ethical decisions have to be made. The Group's Code of Business Ethics and Conduct ("**Ethics Code**"), identifies the values which all Directors and employees of the Company and the Group are expected to adhere to (namely Integrity, Honesty, Care, Accountability, Timeliness and Fairness). All new employees go through compulsory on-boarding sessions to appreciate, understand and apply the Ethics Code.

2. Financial Reporting

The Board is regularly updated on both the Company and the Group's financial performance via monthly reports. These reports provide explanations for significant variances of financial performance and revised full year forecast, in comparison with budgets and financial performance of corresponding periods in the preceding year. Where relevant, these financial reports are also supplemented with additional information to highlight key operational and financial performance indicators. In addition, all business units submit monthly updates on key operational activities

and financial performance so as to provide the Board with an up-to-date situational awareness of the Company and the wider Group.

A management representation letter, which is provided in connection with due diligence exercised in the preparation of the Group consolidated financial statements, as well as a financial watch list reporting status of significant financial issues of the Group, are presented to both the AC and Board quarterly. The management representation letter is supported by declarations made individually by the business and finance heads of each business unit. As part of a two-person integrity process, compliance checklists, which are required for submission to the SGX-ST, are also jointly reviewed and confirmed by both the CFO and the Company Secretary.

The Group's financial results are reported to shareholders quarterly in accordance with the requirements of the SGX-ST. For the first 3 quarters, the financial results are released within 1 month of the close of each quarter. For the fourth quarter, the financial results of that quarter together with the full year financial results are released within 1 month of the financial year ending 31 March. These results announcements provide analyses of significant variances in financial performance. In addition, they offer guidance on the outlook of the Group and for the next 12 months.

Detailed disclosure and analyses of the full year financial performance of the Group are located within the Annual Report. This includes financial indicators such as Economic Value Added and Value Added.

3. Financial Management

Management reviews on a monthly basis the performance of each business unit, which includes significant associates and corporate functions, to instill a high-level of financial and operational discipline at all levels of the Group. The key financial risks (comprising currency, price, credit, liquidity and interest rate) which the Group is exposed to are managed by a centralised finance function for effective and coordinated oversight.

The Group actively hedges against currency fluctuations and price fluctuations arising from the purchase of diesel through forward contracts. The Group also implements a variety of credit control procedures for extending credit and monitoring of debt collection.

The Group seeks to manage liquidity risks by ensuring sufficient working capital lines and loan facilities with financial institutions, coupled with established multi-currency medium-term note programmes. When the

circumstance warrants, the Group may, from time to time, use derivative financial instruments to guard against interest rate risks.

4. Information Technology Management

Management has set the mandate that it is the responsibility of every staff to understand as well as actively pre-empt and manage IT risks in the course of their work.

Policy and process compliance

In governing risks, Management has established and implemented a clear set of IT security policies and procedures in ensuring that IT controls are implemented to prevent IT risks from occurring and containing manifested risks. These policies are benchmarked against ISO27001.

Managing IT security vulnerabilities

Management has also put in place a suite of protection systems against IT security vulnerabilities such as unauthorised hacking and cyber-attack incidents. Both the Company and the Group are comprehensively equipped with firewall protection, intrusion prevention/detection systems, application vulnerability scanning, and anti-virus protection.

Managing project risk

IT project risks are managed based on a well-established IT Project Risk Management Procedure, Vendor Management Procedure and IT risk assessment framework.

IT operations risk assessment

The IT department conducts, on a yearly basis, operational risk assessment to assess operational risks, under the Board Assurance Framework.

In addition, risk reviews are conducted on a regular basis by the risk managers of each department and business unit. These risk updates are provided ultimately to the BRC, via the RMC.

Risk awareness

Proactive actions are taken to instil and raise employee levels of risk awareness in the Company and the wider Group through regular IT security circulars covering key topics on IT risks that are relevant to the organisation.

Compliance assurance

To provide further compliance assurance, Internal Audit also conducts yearly independent reviews and audits on IT processes and systems. Any potential risks identified are then highlighted to Management for necessary actions. Any major risks identified are also tracked and reported to the AC.

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5. Fraud Risk Management

The Group has a comprehensive fraud risk management framework in place and the key elements are as follows:

(a) Fraud Prevention

Promoting an anti-fraud culture

- Management takes a serious view on non-compliance with the Group's policies, procedures and code of conduct. Disciplinary actions are swiftly meted out to staff in breach.
- Guidelines contained in the Ethics Code serve to guide staff on issues of ethical conduct that may arise in the course of their employment. These requirements are clearly set out in the employee's Employment Terms & Conditions, as well as the HR Policy which is accessible at all times on the Group intranet. The Ethics Code is also incorporated as part of the overall on-boarding process for new employees to the Group.

Implementing anti-fraud practices

- Anti-fraud controls are vigorously observed e.g. segregation of duties, access controls and appropriate key performance indicators, mandatory block leave policy for Senior Management and staff in sensitive and confidential positions such as procurement, payroll and accounts payable.
- Where relevant, company profile searches and financial evaluation are performed for new vendors.
- Employee due diligence processes include background reference checks for executive grades and above, insolvency checks for Deputy Directors and above and non-indebtedness declarations for executives and managers. Security clearance is also performed for all employees.
- Internal Audit carries out regular audits where the operating effectiveness of these anti-fraud controls is independently evaluated.

(b) Fraud Deterrence

Disciplinary examples

- Management shares lessons learnt from fraud incidents (within the Group as well as those experienced by other corporate entities) and the corresponding disciplinary action taken, in order to remind all staff to comply with the Company's policies and procedures and the Ethics Code.

Internal audit

- Internal Audit's year round intimate engagement with the business units also serves as a deterrent for any fraudulent activities. Wherever practical, Internal Audit conducts surprise site inspections to avoid predictability and to reduce the likelihood of fraudulent activity arising and/or remaining undetected for long.

Whistleblowing channels & responding to fraud

- There are clearly defined and well-established whistleblowing channels for reporting wrongful or suspect activity. Please refer to details set out below on the "Whistleblowing Programme" in page 48 of this Report.

(c) Fraud Detection

- Internal Audit actively engages with the Group business units' line management to implement the Internal Control Monitoring Programme on various high risk processes as part of the Company's on-going fraud detection measures.

CSA Programme

The CSA Programme forms an integral component of the Group's ERM Framework and aims to improve the Group's understanding, control and oversight of risks. The CSA Programme is a self-assessment exercise that provides a documented and auditable trail of accountability from line management and staff to Senior Management and the Board. The CSA Programme also places emphasis on the ownership and accountability over the established terms of reference for the respective business unit heads.

The objectives of the CSA Programme are to:

- Enhance the awareness of key process risks and controls amongst the line management and staff;
- Establish a risk-sensitive approach for the business units to assess the effectiveness of their control systems;
- Document the identified control owners for key processes and inculcate a strong sense of accountability throughout the Group; and
- Provide a tangible framework for Management to obtain assurance on the state of internal controls.

Under the CSA Programme, both line management and staff conduct introspective self-assessments on the effectiveness of their control processes during the year. The results of the CSA Programme serve to provide the basis for the respective business units' year-end declarations on the adequacy of their internal controls.

Role of Board and Board Committees

The Board recognises the importance of a robust internal control system to safeguard the assets of the Group and the Company's shareholders' interests. The Board affirms its overall responsibility for the Group's systems of internal control and risk management and for reviewing the adequacy and integrity of those systems on an annual basis.

However, it should be noted that all internal control and risk management systems contain inherent limitations and no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Accordingly, the internal control and risk management systems can provide only reasonable, and not absolute, assurance regarding the achievement of the Group's objectives in the following categories:

- (a) effectiveness and efficiency of operations,
- (b) reliability of financial reporting, and
- (c) compliance with applicable laws and regulations.

The first category addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of assets. The second category relates to the preparation of reliable published financial statements, including interim and full year financial reports and financial information derived from such statements, reported publicly. The third category deals with complying with those laws and regulations to which an entity is subject.

Guideline 11.3: Board's opinion on the adequacy and effectiveness of risk management and internal control systems.

Based on the following:

- the internal controls and risk management systems established and maintained by the Group;
- work performed by the Group's Internal Audit and external auditors;
- regular reviews performed by Management and the internal quality assurance units;
- written assurances from Heads of Business Units, the CEO and CFO; and
- reviews performed by regulatory agencies, external consultants and various Board committees (in particular our AC and BRC) and the Board;

the Board, with the concurrence of the AC and BRC, is of the opinion that the Group's financial, operational, compliance, information technology controls and risk management systems, which the Group considers relevant and material to its current business scope and environment, are adequate as at 31 March 2014. The Board is satisfied that there is a framework to address problems and monitor the implementation of action plans.

AUDIT COMMITTEE (GUIDELINE 12)

Guidelines 12.1 and 12.2: Composition and expertise of the AC

The AC is chaired by Mr Bob Tan Beng Hai. The other members of the AC are Mr Peter Tan Boon Heng, Mr Yap Kim Wah and Mr Yap Chee Meng. All members of the AC are non-executive and independent Directors. Mr Bob Tan Beng Hai and Mr Yap Chee Meng have accounting and related financial management expertise and experience. The Board considered that Mr Peter Tan Boon Heng and Mr Yap Kim Wah have sufficient financial management knowledge and experience to discharge their responsibilities as AC members. Details of the Board profile are set out in page 55 of this Report.

The activities of the AC are described in pages 47 to 48 of this Report. The AC's terms of reference are set out in page 52 of this Report.

Guideline 12.3: Authority of the AC

The AC has the explicit authority to investigate any matter within its terms of reference, as well as full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC met 5 times during the year under review. The CEO, CFO, Vice President (Internal Audit), Company Secretary and the external auditors attended these meetings.

In addition, whenever necessary, Management will be invited to attend the AC meetings to answer queries and provide detailed insights into their areas of operations. The AC is provided with all necessary information to enable them to make informed decisions.

Guideline 12.4: Role of the AC

The AC Charter provides guidance for the effective operation of the AC by setting out, amongst other things, the AC's terms of reference, authority, composition, conduct of meetings and responsibilities. Annually, the AC will review its Charter to ensure that it remains relevant and is in line with best practices.

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The AC reviews the following:

- the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- the adequacy and effectiveness of the Company's internal controls, including financial and accounting controls, operational, compliance controls and information technology controls;
- the effectiveness and adequacy of internal audit function, scope and results of the internal procedures and internal audit reports;
- the scope and results of the external audit, external audit reports and the independence and objectivity of the external auditors;
- the Group's compliance with laws and regulations, particularly those of the Companies Act and the SGX-ST Listing Manual;
- the appropriateness of quarterly and full year financial results announcements; and
- interested person transactions.

The AC also makes recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

Guideline 12.5: Private discussion with external and internal auditors

During the financial year, the AC had 2 meetings with the external auditors and 4 meetings with the auditors from Internal Audit, without the presence of Management. The deliberate absence of Management at these meetings is designed to provide a forum where auditors can feel free to raise any potential issues encountered in the course of their work without any possibility of influence by Management.

Guideline 12.6: Review of independence of external auditors

The external auditors for the year under review are PricewaterhouseCoopers (PwC).

The AC conducts a review of the independence of the external auditors annually, prior to their re-appointment.

The AC has reviewed and is satisfied with the standard of the external auditors' work. Additionally, having reviewed the volume of non-audit services provided to the Group by the external auditors and its affiliates, and being satisfied that the nature and extent of such services will not prejudice their independence and objectivity, the AC is recommending their re-appointment.

The AC has recommended the re-appointment of the external auditors at the forthcoming AGM.

The Company has complied with Rule 712 and Rule 715 read with Rule 716 of the SGX-ST Listing Manual in relation to its external auditors.

Guideline 12.7: Whistleblowing programme

The Group's Whistleblowing Programme sets out the procedures for raising concerns about possible improprieties in financial reporting or other matters and ensures such concerns can be raised and independently investigated and appropriate follow-up actions taken. The Whistleblowing Programme is reviewed by the AC annually and is in place to encourage the good faith reporting of any suspected improper conduct whilst protecting the whistleblowers from reprisals within the limits of the law. The policy and processes, which conform to the guidelines set out in the Code and market best practices, are communicated via intranet and a variety of media platforms. The secured and protected disclosure channels include an independent e-mail address and a direct phone hotline which is manned by the Vice President (Internal Audit) with consideration given to strict confidentiality. In addition, a whistleblower is able to disclose suspected improper conduct directly to the AC Chairman via a dedicated and secured e-mail channel if the whistleblower is of the view that the case has not been handled satisfactorily or if there is an apparent conflict of interest.

All cases reported are objectively investigated and where warranted, appropriate remedial measures are taken. Any and all whistleblowing matters are jointly reviewed quarterly by the CEO and the AC. The CEO also provides guidance to the Whistleblowing Investigation Officer to ensure that disclosures are managed in accordance with the Whistleblowing Programme and that prompt actions are taken in respect of disclosures requiring immediate or urgent attention.

Overview of Whistleblowing Structure

The following is a pictorial presentation of the whistleblowing structure:



Guideline 12.8: Disclosure of AC activities

During the financial year, the AC examined and reviewed the following items:

- the quarterly financial statements prior to approving or recommending their release to the Board, as applicable;
- the annual audit plan of the external and internal auditors and the results of the audits performed by them;
- the list of interested person transactions and non-audit services rendered by the external auditors; and,
- the re-appointment of the external auditors and its remuneration.

For the year under review, the AC has also taken active measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements by, amongst other things, attending training conducted by professionals or external consultants.

Guideline 12.9: Exclusion from membership of AC

No former partner or a director of the Group's existing auditing firm was appointed as an AC member within 12 months commencing on the date of the relevant member ceasing to be a partner of the auditing firm or director of the auditing corporation and in any case, for as long as he has any financial interest in the auditing firm or auditing corporation.

INTERNAL AUDIT (GUIDELINE 13)

Guideline 13.1: Independence of the internal audit function

Internal Audit's mission statement and charter empower it to provide independent and objective assessments and consulting services which are designed to evaluate the adequacy and effectiveness of the Group's system of internal controls and risk management.

The Company's internal audit function is serviced in-house. Internal Audit is an independent function that reports directly to the AC Chairperson on internal controls relating to financial and accounting matters. Internal Audit also reports administratively to the CEO.

The AC is responsible for approving the hiring, removal, evaluation and compensation of the head of internal audit function. As an extension of its function and in keeping with good corporate governance practices, Internal Audit has unfettered access to all Company's documents, records, properties and personnel, including access to the AC.

Guideline 13.2: Adequate resources of the internal audit function

Headed by the Vice President (Internal Audit), Internal Audit comprises 13 staff members. When required, Internal Audit also outsources audit projects to reputable firms with project-appropriate resources and specialised skills.

The AC reviews the annual audit plan ("Audit Plan") proposed by Internal Audit. The Audit Plan includes, amongst others, the audit scope, objectives, and resources to be allocated for the Audit Plan. The AC, for the year under review, is satisfied that Internal Audit is adequately resourced and has the appropriate standing within the Company.

Guideline 13.3: Staff qualification and experience

Internal Audit employs suitably qualified and experienced personnel with at least 4 years of audit experience to provide audit and consulting services. In conjunction with industry experience obtained from reputable public accounting and auditing firms, Internal Audit personnel either possess a recognised undergraduate or postgraduate degrees in Accountancy, in lieu of which, equivalent professional and industry qualifications. In addition, they are Certified Internal Auditors ("CIA"), Certified Fraud Examiners ("CFE"), Certified Information Systems Auditors ("CISA"), Certified Risk Management Auditors ("CRMA"), Certified Public Accountants ("CPA") or hold Certification in Control Self-Assessment ("CCSA"). The certification bodies that govern

Corporate Governance Report

these professional accreditations require their members to maintain a program of continuing education. A structured and customised training and development roadmap is also in place to ensure that Internal Audit is equipped with technical knowledge and skillsets that are current, relevant and appropriate to their seniority. In addition to in-house trainings, Internal Audit staff also attend trainings and seminars conducted by reputable public accounting and auditing firms, professional service providers and professional associations such as Institute of Internal Auditors Incorporated, USA ("IIA"), Institute of Certified Public Accountants ("ICPAS"), Information System Audit and Control Association ("ISACA") and Association of Certified Fraud Examiners ("ACFE").

Guideline 13.4: Internal audit standards

As a corporate member of the Singapore branch of the IIA, Internal Audit is committed to performing its work in accordance with the International Standards for the Professional Practice of Internal Auditing ("Standards") pronounced by the IIA. Internal Audit also applies the ISACA standards in Information Technology ("IT") audits. An ongoing quality assurance programme comprising of internal and external assessments also helps to ensure that all audits are performed in accordance with the Standards.

Guideline 13.5: Annual review of the adequacy and effectiveness of the internal audit function

On an annual basis, Internal Audit completes a self-assessment on the adequacy of its internal audit activities against its charter, the Standards, and industry standards. The AC, having reviewed Internal Audit's self-assessment in conjunction with the Audit Plan for the year under review, is satisfied with the adequacy of Internal Audit and that Internal Audit is effective.

SHAREHOLDER RIGHTS (GUIDELINE 14)

Guideline 14.1: Disclosure of information to shareholders

The Company is committed to ensuring that shareholders are sufficiently informed of changes in the Group or its businesses which would be likely to materially affect the price or value of the Company by disclosing as much relevant information as possible, in a timely, fair and transparent manner to shareholders through various media communications, such as SGXNet and the Company's website. The CEO and Senior Management attended investors' conferences and seminars which were held during the year under review, as part of the engagement with investors and shareholders.

Guideline 14.2: Rights at general meetings

Shareholders are invited to attend, participate and vote at the general meetings. The notice of the meetings together with the relevant rules and voting procedures of the meetings are given within the stipulated timeline.

Guideline 14.3: Appointment of proxies for nominee corporations

To encourage greater shareholders' participation in the general meetings, the Company's Articles of Association allows the shareholders to appoint up to 2 proxies so that the shareholders who hold shares through corporation can attend and participate in general meetings as proxies.

COMMUNICATION WITH SHAREHOLDERS (GUIDELINE 15)

Guideline 15.1: Investor relations policy

The Group is committed to maintaining high standards of corporate transparency and disclosure and believes that it should provide regular, effective and fair communication with members of the investment community and investing public. A comprehensive investor relations (IR) programme has been put in place to provide clear, timely and fair disclosure of information about the Group's business developments and performance.

Guideline 15.2: Timely disclosure of information

The Company does not practise selective disclosure. The Company is committed to disclosing material information on a timely basis through the SGXNet and the Company's website. The Company reports financial results on a quarterly basis: within 1 month after the end of each financial quarter for the first 3 quarters, and after the end of the financial year. Briefings/conference calls are held every quarter for analysts and media for the results announcements. The Company notifies the date of the release of its quarterly and full year results at least 1 week prior to the date of the results announcements through the SGXNet.

In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, an announcement will be released to the public via SGXNET.

Guideline 15.3: Dialogue with shareholders

Management has taken steps to solicit and understand the view of the shareholder by proactively engaging shareholders and investors through face-to-face meetings, e-mail communication and teleconferences to address concerns and update them on any latest corporate and industry developments.

Guideline 15.4: Investor Relations activities

The Company's IR page on its corporate website (<http://www.smrt.com.sg/AboutSMRT/InvestorRelations>) is the key source of information for the investment community. Apart from financial results, it has other investor-related information, including presentations, operating matrix, annual reports and other major announcements made by the Company. The IR

team is available to address shareholder and investor queries. Contact details are listed on the website and Annual Report.

For details on the Group's IR activities, please refer to the Investor Relations section of the Annual Report.

Guideline 15.5: Dividend payment policy

Our dividend policy is set out in page 82 of this Annual Report. For every dividend declaration made, shareholders will be notified via announcement made through the SGXNet.

CONDUCT OF SHAREHOLDER MEETINGS (GUIDELINE 16)

Guideline 16.1: Greater shareholder participation

The Group fully supports active shareholder participation at AGMs and Extraordinary General Meetings ("EGM") and views such general meetings as important engagement sessions with shareholders. The Summary Report and the Notice of AGM are dispatched to all shareholders prior to the meeting. The Notice of AGM, where relevant, may include explanatory notes or a circular on items of special business. The full Annual Report is also available to all shareholders on the corporate website or upon request. Notices of general meetings are also published in The Business Times.

To encourage greater shareholder participation at AGMs, the Company holds its AGMs at centrally located venues that are easily accessible via public transport.

The Company has not implemented absentia voting methods such as by mail, facsimile or e-mail because such voting methods need to be carefully reviewed for feasibility to ensure there is no compromise on the integrity of the information and the proper authentication of the identity of the shareholders.

Guideline 16.2: Separate resolutions

The Group notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's guideline with regards to the "bundling" of resolutions. The Group treats shareholders' issues, particularly those that require shareholders' approval, such as re-election of Directors and approval of Directors' fees, as distinct subjects and submits them to the general meetings as separate resolutions.

Guideline 16.3: Attendance of Directors and other key persons at AGMs

The Chairman, CEO, Chairperson of each Board Committee, Board Members, the CFO, the Company Secretary and members of Senior Management are in attendance at AGMs to take questions and feedback from shareholders. Shareholders present are given the opportunity to take

questions and receive feedback on issues pertaining to the proposed resolutions before they are voted on. The external auditors, PricewaterhouseCoopers, are also invited to attend AGMs and will assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditors' report.

Guideline 16.4: Minutes

The Company prepares detailed minutes of general meetings, which include substantive comments or queries from shareholders and responses from the Chairman, Board Members and Management. These minutes are available to shareholders upon their request.

Guideline 16.5: Voting by poll

The Company has adopted the practice of voting by poll and reporting the detailed poll results in all its AGMs and EGMs since 2012. If any shareholder is unable to attend, he/she is allowed to appoint up to 2 proxies to vote on his/her behalf at the meetings through proxy forms sent in advance.

DEALINGS IN SECURITIES

Since 2003, the Group has in place an internal code of conduct for Directors and employees on securities transactions when they are in possession of unpublished price-sensitive information on the Company's securities.

In accordance with SGX-ST's Listing Rule 1207(19), Directors and employees are advised not to deal in the Company's securities during the period commencing 2 weeks before the announcement of the Group's first, second and third quarter financial results, and 1 month before the announcement of the Group's full year financial results, and ending on the date of the announcement of the relevant results.

Directors and employees are also advised not to deal in the Company's securities on short-term considerations. They are routinely advised to be mindful of the law on insider trading and ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, or the Companies Act. In addition, the Company Secretary circulates to the Board articles, reports and press releases relevant to the Group's businesses to keep all Directors updated on current industry trends and issues. News releases issued by the SGX-ST and the ACRA which are relevant to Directors are also circulated to the Board. First-time Directors are also provided comprehensive training on the roles, duties and obligations of Directors.

Corporate Governance Report

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and those transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. The Company's disclosure according to Rule 907 of the Listing Manual in respect of interested person transactions for the year under review can be found in page 189 of this Annual Report.

BOARD COMMITTEES – TERMS OF REFERENCE AUDIT COMMITTEE

1. To review the accounting policies of the Company to ensure that the policies are in compliance with accounting standards and in accordance with applicable laws and regulations;
2. To review, with the internal and external auditors, their audit plans;
3. To review, with the internal and external auditors, the adequacy of the Company's internal controls, namely financial and accounting controls, operational and compliance controls, information technology controls, and risk management policies and systems, with the purpose of safeguarding the Company's assets and enhancing shareholder value;
4. To review, with internal and external auditors, their audit reports;
5. To review the cooperation given by the Company's officers to the internal and external auditors;
6. To review the scope and results of the internal audit procedures;
7. To review the balance sheet of the Company and the consolidated balance sheet and profit and loss account of the Group and to submit them to the Board;
8. To nominate and review the appointment or re-appointment of the external auditors;
9. To review transactions with interested persons ("Interested Person Transactions"); and
10. To examine all other matters which may be referred to the Committee by the Board or which may be imposed on the Committee by applicable laws or regulations (including without limitation the Listing Manual).

BOARD RISK COMMITTEE

1. To review the adequacy and effectiveness of policies, procedures and methodologies for identifying, measuring, monitoring and managing risks;
2. To review risk mitigation strategies with Management with regard to the major risks faced by the Group;
3. To review the risk profile and the levels of risk (risk appetite) that the Group takes on to achieve its business objectives and strategies;
4. To report to the Board on material matters, findings and recommendations pertaining to risk management; and
5. To review other risk related matters which may be referred to the BRC by the Board.

EXECUTIVE COMMITTEE

1. To approve transactions within a designated financial limit in accordance to the Financial Procedures Manual;
2. To act on behalf of the Board in urgent situations, when it is not feasible to convene a meeting of the entire Board;
3. To carry out such other functions as may be delegated to it by the Board; and
4. To sub-delegate any of its powers within its terms of reference as listed above, from time to time, as the EXCO may deem fit.

NOMINATING COMMITTEE

1. To annually review the size, composition and core competencies of and skills required by the Board and Board Committees;

2. To identify and review all nominations of any person for the following positions:
 - (a) Director (both appointments and re-appointments, the latter to take place at regular intervals and at least once every three (3) years);
 - (b) membership of the Remuneration Committee, the Audit Committee and other Board committees that may be established from time to time;
 - (c) the Chairman; and
 - (d) the Chief Executive Officer ("CEO");
3. To review and determine annually, and as and when circumstances require, the independence of each Director; and to make appropriate disclosure;
4. To review the performance of Directors serving on multiple boards and determine if such Directors are able to adequately carry out his/her duties as director;
5. To oversee the conduct of an annual evaluation of the Board;
6. To formulate succession plans for Board appointments; and
7. To examine all other matters which may be referred to the Committee by the Board or which may be imposed on the Committee by applicable laws or regulations (including without limitation the listing manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited).

REMUNERATION COMMITTEE

1. Remuneration for the Company's Board and key management personnel.
 - (a) To review and recommend to the Board the general framework or broad policy of remuneration for the Company's Board and key management personnel and the specific remuneration packages (including but not limited to director's fees, salaries, allowances, merit increments, bonuses, share option grants, share plan awards, other share-based awards and incentives

and benefits in kind) for each Director and the key management personnel:

- (i) Directors;
- (ii) CEO; and
- (iii) Senior Management,¹

having regard that no person shall be involved in any decisions as to his own remuneration;

- (b) To ensure that, in determining such remuneration policy, the CEO and the Senior Management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- (c) To review the ongoing appropriateness and relevance of the remuneration policy, taking into account any relevant legal requirements and the provisions and recommendations in the CCG (including, without limitation, that a significant and appropriate proportion of executive Directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance, that such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the Company, and that the performance-related remuneration should take into account of the risk policies of the Company, be symmetric with risk outcomes and be sensitive to the time horizon of risks);
- (d) To review whether executive Directors and key management personnel should be eligible for benefits under long-term incentive schemes;
- (e) To consider and review the pros and cons of schemes to encourage non-executive Directors to hold shares in the Company and to make recommendations to the Board accordingly;
- (f) To consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company;

¹ The term "Senior Management" shall mean the position of "Vice President" and any position above that.

Corporate Governance Report

- (g) To approve the design of, and determine targets for, any performance-related remuneration schemes operated by the Company and approve the total annual payments made under such schemes;
 - (h) To review the design and terms of all employee share option plans, employee share plans and other incentive plans for approval by the Board and shareholders. For any such plans, to determine annually whether grants/awards will be made, and if so, the overall amount of such grants/awards, the individual grants/awards to the CEO and Senior Management and the performance targets to be used;
 - (i) To review the Company's obligations arising in the event of termination of the executive Directors' and key management personnel's contracts of service, to ensure that the contracts of service contain fair and reasonable contractual terms which are not overly generous, that any payments made are fair to both the individual and the Company, that poor performance is not rewarded and that the duty to mitigate loss is fully recognised;
 - (j) To establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee; and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations; and
 - (k) To recommend to the Board matters relating to the continuation in office of the CEO and Senior Management, including the suspension or termination of service as an employee of the Company subject to the provisions of the law and their service contract;
2. Nomination, Appointment and Promotion of Senior Management
 - (a) To identify and review all:
 - (i) nominations and appointments of Senior Management (excluding the CEO); and
 - (ii) promotions of Senior Management; and
 to recommend their key roles to the Board; and
 - (b) To formulate and review succession plans for Senior Management (excluding the CEO whose succession is under the purview of the Nominating Committee) and to oversee Senior Management's development of leadership and management talent with the aim of building talent and renewing strong and sound leadership to ensure the continued success of the Company; and
 3. Other Terms of Reference

To examine all other matters which may be referred to the Committee by the Board or which may be imposed on the Committee by applicable laws or regulations (including without limitation the listing manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited).

Particulars of Directors

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|-------------------------|---|---|
| Koh Yong Guan 68 yrs | <ul style="list-style-type: none"> - Bachelor of Applied Science, Mechanical Engineering (1st Class Hons), University of Toronto, Canada - Master of Applied Science, Mechanical & Biomedical Engineering, University of Toronto, Canada - Master of Business Administration, Catholic University of Leuven, Belgium | 02.04.2007 12.07.2012 |

Present Directorships
(As at 31 March 2014)

SMRT Group
SMRT Corporation Ltd
SMRT Trains Ltd

Others

Governing Board of the Cancer Science Institute of Singapore (*Chairman*)
Singapore Deposit Insurance Corporation Limited (*Chairman*)

Past directorships over the preceding three years
(from 1 April 2011 to 31 March 2014)

SMRT Road Holdings Ltd
SMRT Buses Ltd
SMRT Light Rail Pte Ltd
Central Provident Fund Board (*Chairman*)

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|---------------------------------|---|---|
| Desmond Kuek Bak Chye 50 yrs | <ul style="list-style-type: none"> - Bachelor of Arts (Honours), Engineering Science, Oxford University - Master of Arts, Oxford University - Masters in Public Administration, Harvard University | 01.10.2012 29.07.2013 |

Present Directorships
(As at 31 March 2014)

SMRT Group
SMRT Corporation Ltd
SMRT Trains Ltd
SMRT Road Holdings Ltd
SMRT Buses Ltd
SMRT Investments Pte Ltd
SMRT International Pte Ltd
SMRT Taxis Pte Ltd
SMRT Automotive Services Pte Ltd
SMRT Far East Pte Ltd
SMRT Capital Pte Ltd
SMRT Institute Pte Ltd
SMRT Hong Kong Limited
Shenzhen Zona Transportation Group Co Ltd

Others

Civil Service College Board
(*Board Member and Chairman of Audit Committee*)
International Advisory Panel, The Lee Kuan Yew Centre for Innovative Cities (*Member*)
Society of Oxford University Engineers (*Member*)

Past directorships over the preceding three years
(from 1 April 2011 to 31 March 2014)

Nil

Corporate Governance Report

Particulars of Directors

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|---------------------------------|--|---|
| Patrick Ang Peng Koon 50 yrs | - LLB (Hons), National University of Singapore | 01.04.2013 29.07.2013 |

Present Directorships (As at 31 March 2014)

SMRT Group
SMRT Corporation Ltd

Others

The Esplanade Co. Ltd
Tiong Seng Holdings Limited
Malacca Trust Limited
Singapore Deposit Insurance Corporation Limited
Rajah & Tann LLP (*Deputy Managing Partner*)

Past directorships over the preceding three years (from 1 April 2011 to 31 March 2014)

Insolvency Practitioners Association of Singapore Limited

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|--------------------------|--|---|
| Lee Seow Hiang 44 yrs | - Bachelor of Arts (Hons), University of Cambridge, UK - Master of Business Administration, Massachusetts Institute of Technology, USA | 19.01.2011 29.07.2013 |

Present Directorships (As at 31 March 2014)

SMRT Group
SMRT Corporation Ltd

Others

Agency for Integrated Care Pte Ltd
Changi Airports International Pte Ltd (*Deputy Chairman*)
IATA-NTU Advisory Board (*Member*)
ACI World Governing Board (*Board Member*)

Past directorships over the preceding three years (from 1 April 2011 to 31 March 2014)

SMRT Trains Ltd
SMRT Buses Ltd
SMRT Road Holdings Ltd

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|-------------------------|---|---|
| Moliah Hashim 56 yrs | - Bachelor of Arts and Social Science, University of Singapore | 01.10.2012 29.07.2013 |

Present Directorships (As at 31 March 2014)

SMRT Group
SMRT Corporation Ltd

Others

Media Development Authority (*Member of Audit Committee*)
Majlis Ugama Islam Singapura
(*Islamic Religious Council of Singapore*)
Princess Elizabeth Primary School (*Principal*)
Transplant Ethics Committee

Past directorships over the preceding three years (from 1 April 2011 to 31 March 2014)

Yayasan MENDAKI
MENDAKI Sense Pte Ltd
MENDAKI Holdings Pte Ltd
OnePeople.Sg Management Committee
Working Committee on Racial & Religious Harmony
Marriage Central Advisory Board
3rd National Committee on Youth Guidance & Rehabilitation
Health Promotion Board (*Member of Audit & Risk Management Committee*)
Khoo Teck Puat Hospital Medifund Committee
Northlight School Board of Governors
National Council Against Drug Abuse (NCADA)
SW Comcare Local Network (CLN) Steering Committee

Particulars of Directors

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|-----------------------|---|---|
| Ong Ye Kung 44 yrs | - Bachelor of Science (Economics), (1 st Class Hons), University of London, London School of Economics and Political Science - Master of Business Administration, Institute of Management Development, Lausanne, Switzerland | 01.08.2006 29.07.2013 |

Present Directorships
(As at 31 March 2014)
SMRT Group

SMRT Corporation Ltd
SMRT Trains Ltd

Others

Chinese Development Assistance Council (CDAC) (Member)
Employment and Employability Institute Pte Ltd (e2i)
(Chairman)
Alexandra Health System (AHS) Board (Member)
Alexandra Health Pte Ltd
Singapore Business Advisors and Consultants Council (SBACC)
Keppel Funds Investment Pte Ltd
(formerly known as Kepindia Investment Pte Ltd)
Ocean Mineral Singapore Pte Ltd
Ocean Mineral Singapore Holding Pte Ltd
Keppel Infrastructure Holdings Pte Ltd
Keppel Oil & Gas Pte Ltd

Past directorships over the preceding three years
(from 1 April 2011 to 31 March 2014)

SPRING Singapore (Member)
Ngee Ann Polytechnic Council (Member)
NTUC Investment Co-operative Ltd (Member)
NTUC LearningHub Pte Ltd (Member)
JTC Corporation (Member)
Northlight School (Member of Board of Governors)

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|----------------------------|--|---|
| Bob Tan Beng Hai 62 yrs | - Fellow of the Institute of Chartered Accountants in England & Wales | 01.08.2006 29.07.2013 |

Present Directorships
(As at 31 March 2014)
SMRT Group

SMRT Corporation Ltd
SMRT Trains Ltd

Others

CapitaMalls Asia Limited
SINGEX Holdings Pte Ltd (Chairman)
Singapore LNG Corporation Pte Ltd (Chairman)
SBF Holdings Pte Ltd
Jurong Engineering Limited (Chairman)
Singapore Business Federation (Council Member)
Singapore Manufacturing Federation (Member of BOG)
Inland Revenue Authority of Singapore
Singapore Golf Association (President)
Institute of Technical Education (Chairman)
Sentosa Golf Club (General Committee Member and Captain)
NTUC Club Management Council (Council Member)
Ong Teng Cheong Labour Leadership Institute
(Board Member and Chairman of Audit Committee)
Singapore National Employers Federation (Vice President)

Past directorships over the preceding three years
(from 1 April 2011 to 31 March 2014)

SMRT Buses Ltd
SMRT Road Holdings Ltd
Asia Pacific Breweries Limited
SINGEX Venues Pte Ltd (Chairman)
SINGEX Exhibition Pte Ltd (Chairman)
SINGEX Exhibition Ventures Pte Ltd (Chairman)
Singapore Business Federation (Honorary Treasurer)

Corporate Governance Report

Particulars of Directors

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|-------------------------------|---|---|
| Peter Tan Boon Heng 65 yrs | <ul style="list-style-type: none"> - Master of Business Administration, Golden Gate University, San Francisco, USA - Diploma in Management Studies (Distinction), University of Chicago | 12.02.2010 12.07.2012 |

Present Directorships (As at 31 March 2014)

SMRT Group

SMRT Corporation Ltd

Others

Innotek Limited
JP Asia Capital Pte Ltd
JP Asia Capital Partners Pte Ltd
Exploit Technologies Pte Ltd
National Research Foundation – Competitive Research Program (*International Evaluation Panel Member*)
National University of Singapore – B.Tech Program (*Advisor*)
SolarEdge Technologies, Inc (Israel) (*Advisor*)
Zhenghua Secondary School (*School Advisory Committee Member*)
Advanced Remanufacturing & Technology Centre (ARTC) (*Co-Chairman*)

Past directorships over the preceding three years (from 1 April 2011 to 31 March 2014)

Varioptic SA
GISIL Devices Pte Ltd
Petitecellar Dot Com (Private) Limited
Vacuumschmelze (VAC) Luxembourg S.a.r.l.
SMRT Trains Ltd
SMRT Road Holdings Ltd
SMRT Buses Ltd
Dialog Semiconductor PLC
MIR Investment Management Ltd (*Advisor*)
SPRING Policy Advisory Committee (*Policy Advisory Committee Member*)
PolyTechnos European Growth Fund I (*Advisor*)

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|-----------------------|--|---|
| Tan Ek Kia 66 yrs | <ul style="list-style-type: none"> - Bachelor of Science Mechanical Engineering, (1st Class Hons), Nottingham University, United Kingdom - Fellow of Institute of Engineers, Malaysia - Chartered Engineer; United Kingdom Engineering Council | 24.07.2009 29.07.2013 |

Present Directorships (As at 31 March 2014)

SMRT Group

SMRT Corporation Ltd
SMRT Trains Ltd

Others

Singapore LNG Corporation Pte Ltd
City Gas Pte Ltd (*Chairman*)
Dialog Systems (Asia) Pte Ltd
Keppel Corporation Limited
Keppel Offshore & Marine Ltd
PT Chandra Asri Petrochemical Tbk (*VP Commissioner*)
Transocean Ltd
Star Energy Group Holdings Pte Ltd (*Chairman*)
KrisEnergy Ltd

Past directorships over the preceding three years (from 1 April 2011 to 31 March 2014)

SMRT Light Rail Pte Ltd
SMRT Investments Pte Ltd
SMRT International Pte Ltd
SMRT Taxis Pte Ltd
SMRT Automotive Services Pte Ltd
SMRT Far East Pte Ltd
SMRT Capital Pte Ltd
SMRT Institute Pte Ltd
SMRT Hong Kong Limited
Shenzhen Zona Transportation Group Co Ltd
SMRT Buses Ltd
SMRT Road Holdings Ltd
City Spring Infrastructure Management Pte Ltd

Particulars of Directors

| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
|--|---|---|
| Yap Chee Meng 58 yrs | <ul style="list-style-type: none"> - Fellow of the Institute of Chartered Accountants in England & Wales - Fellow of the Institute of Singapore Chartered Accountants | 01.10.2013 |
| Present Directorships (As at 31 March 2014) | Past directorships over the preceding three years (from 1 April 2011 to 31 March 2014) | |
| SMRT Group SMRT Corporation Ltd | PARK Indemnity Limited KPMG Asia Pacific Limited | |
| Others SATS Ltd. AXA Insurance Singapore Pte Ltd The Esplanade Co Ltd Keppel Land Limited Singapore National Research Foundation (<i>Board Member</i>) | | |
| Name of Director /Age | Academic & Professional Qualifications | Directorship: Date first appointed Date last re-elected |
| Yap Kim Wah 65 yrs | <ul style="list-style-type: none"> - Degree in Mechanical Engineering, (1st Class Hons), University of Singapore | 08.10.2012 29.07.2013 |
| Present Directorships (As at 31 March 2014) | Past directorships over the preceding three years (from 1 April 2011 to 31 March 2014) | |
| SMRT Group SMRT Corporation Ltd SMRT Trains Ltd | Raffles Education Corporation Limited | |
| Others Hyflux Caprica Pte Ltd | | |

Key Dynamics & Risk Management

RISK MANAGEMENT

SMRT strives to be a world-class transport service provider that is safe, reliable and progressive. In providing transport solutions, SMRT understands that the Group's business environment carries with it both strategic potential and risks.

The Risk Management Process in SMRT, based on the ISO 31000:2009 Risk Management – Principles and Guidelines, enables the Group to optimally deal with business uncertainties by identifying key risks and implementing the appropriate mitigating plans and actions. The diagram below outlines the key steps in SMRT's Risk Management Process that are used to identify risks and develop any mitigating actions.



Risk Identification, Analysis, Evaluation and Mitigation

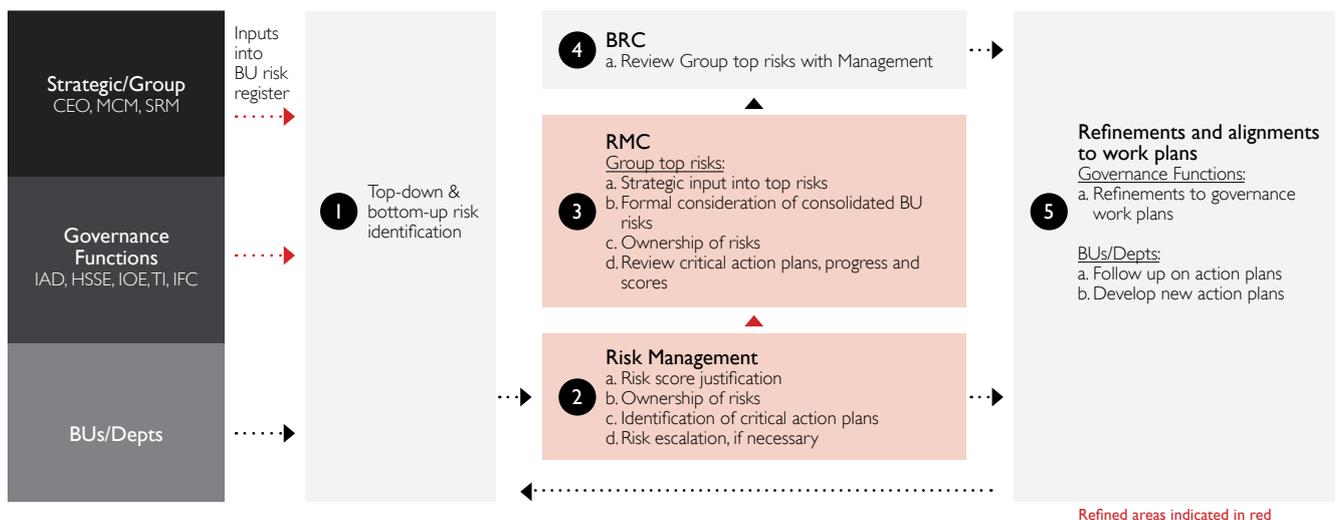
As part of the Group's periodic review of its enterprise risk management, a risk identification and assessment review was conducted in 3Q FY2014. The processes involved all business unit Heads conducting a risk identification exercise with their staff to review existing risks and surface new risks pertinent to their business areas. The Risk Management Committee (RMC) then consolidated and prioritised the key risks material to the Group.

These key risks are addressed within and across business units and functional departments, and mitigating efforts are reviewed regularly by the RMC and subsequently by the Board Risk Committee (BRC) to ensure robustness and strategic alignment.

Refined Enterprise Risk Management Framework

To complement and sustain the organisation-wide effort to identify, analyse, evaluate and mitigate risks, the Enterprise Risk Management (ERM) framework (see below) was refined to:

- Promote closer integration between governance functions and business units;
- Embed risk management considerations within existing management processes;
- Apply enhanced risk management evaluation processes;
- Increase the levels of transparency across the organisation.



With the ERM framework, governance functions such as Internal Audit (IAD), Health, Safety, Security, and Environment (HSSE), Information Fusion Centre (IFC), Infocomms and Organisational Excellence (IOE) and Trains Inspectorate (TI) have greater visibility and situational understanding of the entire risk universe that the Group experiences. These governance functions are well-positioned to pre-empt and prepare for potentially challenging scenarios as they maintain situational awareness of emerging risks in the Group's economic, political and business operating environments.

MANAGING OUR RISKS

Energy Cost Risks

The Group is exposed to fluctuating energy prices, such as oil and diesel prices that affect its energy costs but are outside of its sphere of control. The Group mitigates these rising electricity costs by procuring electricity from both the spot market and/or entering into fixed price electricity contracts over fixed tenures. The Group may, where deemed appropriate, engage in short-term diesel hedging contracts to partially mitigate any market price fluctuations. Such hedging practices adhere to the Group's Dealing Mandate approved by the Board of Directors. In addition, the Group engages in fuel-conservation and fuel-efficiency efforts, including conducting feasibility studies for alternate energy resources and emerging technologies, to efficiently manage electricity and diesel utilisation throughout the organisation. Where appropriate, in order to mitigate any currency risk from the purchase of diesel in a foreign currency, forward exchange contracts are also employed.

Security and Business Continuity Risks

The Group continues to invest in and enhance the security and resilience of its network. A holistic Security Management approach works in tandem with a comprehensive Operations Readiness doctrine. This ensures that SMRT maintains organisational vigilance and readiness so as to swiftly respond to and recover from any threat to the public transport system.

With the understanding that security risks are a key consideration in the larger corporate risk framework, comprehensive and rigorous assessments are conducted and discussed on a regular basis by Management and the Board. In addition to regular regulatory compliance reporting, internal and external audits and peer evaluations provide the Group with a broader and more objective perspective in its security health and emergency preparedness.

Drills and Red Teaming Exercises are conducted regularly at SMRT's premises to enhance the Group's capacity to react to and deal with potential threats of terrorism and major transport service disruptions. Inter-agency collaboration with the Singapore Police Force, Singapore Armed Forces and Singapore Civil Defence Force is also a central component of such exercises to rehearse, ensure and entrench security best practices. The Group also works closely with the authorities and Government bodies to enhance security infrastructure and procedures.

To further strengthen societal resilience against major incidents within the public transport network, the longstanding SMRT Community Emergency Preparedness programme has been incorporated into the revised Learning Journey programme. SMRT's ISO 22301 certification in Business Continuity Management Systems is an extension of SMRT's commitment to adopt best practices in business continuity management.

Regulatory and Operational Risks

The Group's rail, bus and taxi operations are subject to extensive regulation by the authorities and the Public Transport Council (PTC). The terms of the current Licence and Operating Agreement (LOA) for the North-South and East-West Lines and the Bukit Panjang Light Rail Transit (BPLRT), the Licence to Operate the Circle Line, and the Bus Service Operator's Licence (BSOL) are described in the Background – Regulatory Framework section of the Operating and Financial Review section, and further detailed in the Notes to the Financial Statements.

In its rail operations, SMRT is required to comply with Operating Performance Standards (OPS) governing train service delivery, train punctuality, safety and equipment reliability. As a rail operator, SMRT also complies with a set of Code of Practice (COP) issued by LTA.

Under the current BSOL, SMRT is also required to comply with the Quality of Service (QoS) standards for reliability, safety and availability in relation to the provision of bus services. From September 2012, the Bus Service Enhancement Programme (BSEP) has progressively introduced new buses to enhance SMRT's existing bus capacity. Accordingly, passengers can expect more frequent, more reliable and less crowded buses. With the implementation of the trial Bus Services Reliability Framework (BSRF), the authorities incentivise (and penalise)

Key Dynamics & Risk Management

operators against a set of standards for selected services. SMRT has established SOPs and measures designed to earn the maximum incentive from this framework.

SMRT's taxi operations are also subject to regulatory operating standards like the recently implemented Taxi Availability standards. The standards seek to increase the percentage of taxis that need to be on the roads during peak periods and the minimum daily mileage run. In addition to assisting and incentivising taxi hirers to achieve the service and availability standards, marketing efforts to recruit more hirers to join the company is a key priority for SMRT Taxis. SMRT Taxis takes great effort to cultivate and maintain its good relationship with hirers and to make sure initiatives are effectively communicated and implemented.

Fares charged by SMRT Trains, SMRT Light Rail and SMRT Buses are also subject to approval by PTC. Details on the fare structure are shown in the Background – Regulatory Framework section of the Operating and Financial Review.

These business units mitigate non-compliance risks by undergoing stringent and regular operational and maintenance regimes to sustain operational excellence and efficiency. The importance of safety awareness, customer service excellence and adherence to standing operating procedures are also inculcated in every employee through continual training, incentive schemes and on-the-job supervision and coaching.

Overall ridership across our different transport modalities is dependent on the evolving transportation network, socio-economic factors, and seasonal ridership variations. To determine the optimal level of resources needed to adequately meet commuter demand, SMRT analyses ridership data and patterns, and engages with the regulators on related QoS standards.

Safety Risks

SMRT believes that safety is paramount and takes seriously its duty to protect commuters and employees in its delivery of a transport service and lifestyle experience that is safe, reliable and customer-centric. SMRT's Safety System is continually reviewed to mitigate against systemic safety risks. The Safety System emphasises the need to systematically and methodically manage risks in all work processes. It requires swift investigation of the causal factors of any incident and promotes a culture of open reporting and organisational learning. As part of the system, all employees must adhere to authorised instructions, be trained competently, and be educated on safety awareness before being put to work.

The system has been rigorously audited by internal and external auditors to confirm the continual effectiveness of its Safety Management System and Environmental Management System in meeting the OHSAS 18001 and ISO 14001 standards, respectively. These certifications, as well as the BizSAFE STAR certificate, reflect SMRT's ongoing commitment and efforts to reduce risk and to make safety an integral part of its business for the benefit of its employees, partners and commuters.

A Safety Steering Committee, chaired by the CEO, governs SMRT's safety system and drives a clear emphasis on safety across the entire Group. This is integrated at all levels through safety forums held at respective Business Unit levels. Division Safety Officers are deployed to directly assist the Rail and Roads Divisions in planning, organising, directing, coordinating and evaluating all safety efforts in the divisions. They serve as a conduit between Management and Line Units to promote tighter safety-operation integration, encourage ground engagement, and deepen partnership within and amongst business units. Technical Safety Boards in the Trains and Roads Divisions have also been established to govern any modifications of SMRT's transport system to ensure the design integrity of equipment and facilities.

As part of the effort to inculcate a culture of safety mindfulness, SMRT regularly reviews its safety risks in operational and strategic-level meetings. These are complemented by a comprehensive safety education campaign, which includes biennial safety quizzes, regular safety alerts, the sharing of lessons learnt, the practice of open reporting and the conduct of bottom-up risk assessments to instil individual accountability. SMRT has also adopted a Risk Based Maintenance approach using Risk Centric Maintenance and Failure Mode, Effects and Criticality Analysis methodology which is in turn supported by automated condition monitoring and tracking systems. This helps SMRT anticipate required maintenance interventions, in addition to existing corrective and preventive maintenance regimes, in order to identify and address potential technical issues before they give rise to system-level risks.

Hazards related to systems or equipment are addressed at the planning and development stages where controllable aspects of hazards are reviewed and negated. Where these hazards are not able to be completely eliminated, safety and warning devices are employed to minimise and detect hazardous conditions alongside the use of appropriate operational procedures. These measures ensure the adoption of safe work procedures.

Workforce Health Risks

Significant efforts have been committed to enhance Workforce Health, including measures to professionalise human capital, strengthen employee engagement, and build a sustainable workforce profile.

In FY2014, SMRT focused on professionalising its workforce through career development and training. The Group implemented a competency-based career progression plan for SMRT Bus Captains based on the Progressive Wage Model in order to provide meaningful career roadmaps with integrated competency development plans. Likewise, SMRT is currently reviewing the career paths of its employees in Rail Operations and Rail Engineering. Additionally, all employees are required to attend a training module on service excellence. SMRT continues to closely collaborate with academic institutions to develop its workforce through customised NITEC, diploma, and undergraduate degree programmes with specialisations relevant to its operations. For example, in FY2014, SMRT signed a Memorandum of Understanding (MOU) with Singapore Institute of Technology to provide a specialised degree programme in Rail Engineering.

The Management devotes significant time to engage employees through townhall and group dialogue sessions in order to communicate the company's vision, mission and core values, and promote employee feedback on operational issues. SMRT also partners with National Transport Workers' Union (NTWU) and Union members to enhance industrial relations and mutual trust. As a result of these efforts, SMRT's annual voluntary attrition rate has reduced by 45%, and the Organisation Climate Survey conducted in August 2013 also showed that its sustainable engagement scores are above the national average and amongst the best globally for companies undergoing significant internal change.

In order to mitigate the risks of disruption to business continuity, SMRT implemented a Group-wide management framework for Critical and Sensitive positions. In addition, to ensure that organisational knowledge is captured, retained, developed and shared effectively, SMRT has developed a Knowledge Management (KM) framework that is focused on its people, business processes and technology. KM efforts include the promotion of Communities of Practice, the implementation of governance frameworks, the creation of relevant Standing Operating Procedures, and the protection of SMRT's Intellectual Property.

These Workforce Health initiatives help to ensure that SMRT is well positioned to deliver on its business outcomes via a sustainable workforce that is professional and proud to serve in SMRT.

Investment Risks

The Group's investment risks relate largely to capital investments made for the maintenance, upgrading and replacement of operating assets, and acquisitions or investments in business entities. The capital investment projects, including the selection of suppliers and contractors, are subject to financial procedures and internal selection criteria for the purpose of expenditure control. Investment activities relating to acquisitions or investments in business entities are supported by experienced employees and, where necessary, by external professionals for specialised services. The business proposals for such activities are also guided by operational and financial procedures and presented to the Management and, where relevant, the Board for approval.

SMRT's wholly-owned subsidiary, SMRT Far East Pte Ltd, has a 49% equity interest in Shenzhen Zona. As an associated company of the Group, the performance of Zona has an impact on the Group's profit. The risks that Shenzhen Zona face include the following:

- Regulatory risk in the form of changes to transport policies and fares, and other operational performance requirements;
- Increase in operating costs due to factors beyond our control such as compliance with regulatory obligations to maintain, renew and/or replace operating assets and/or licences;
- Compliance with safety and operating performance standards;
- Intense competition in the transport sector.

The risks are mitigated through measures including the review of internal controls, approving authorities and limits, as well as ensuring proper communications at all levels. Management of Shenzhen Zona leverages the relationships built with the local authorities, industry players and related associations to mitigate regulatory risks. The Group continues to monitor the performance of Zona closely by exercising its oversight, to the extent practicable as a minority shareholder.

Key Dynamics & Risk Management

Financial Risks

The Group's activities are exposed to a variety of financial risks including credit, foreign currency, market, interest rate and liquidity risks. The Group's risk management strategy features a system of controls to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Audit Committee oversees the Group's financial risk management process through timely reviews of the adequacy and effectiveness of the financial risk management policy, tools, practices, strategies and treatments. The management of these risks is discussed in the Financial Risk Management section of the Notes to the Financial Statements.

Property and Liability Risks

The Group has an insurance programme with reputable insurance companies to insure its exposure to property damage, business interruption and general liability risks. Professional indemnity insurance is also undertaken in respect of professional advice and services rendered by the Group. The Group adopts a proactive approach with advice and recommendations from its appointed insurance brokers. The risk exposure is reviewed periodically to ensure that SMRT's insurance coverage continues to be appropriate and adequate in light of the cost of premiums as well as the relevant risk profiles of the Group's businesses.

Human Resources

TOWARDS A PROFESSIONAL AND ENGAGED WORKFORCE

In FY2014, SMRT invested significant resources to further enhance and develop a high performance and people-oriented workforce, as this is vital to us achieving our business objectives. This was done by building upon and strengthening our service excellence and engineering capabilities whilst simultaneously ensuring that SMRT employees enjoy meaningful work in an enabling, positive, professional environment.

SMRT focused on five key Human Resource (HR) areas in FY2014, and will continue to build upon these key efforts in FY2015:

- 1) Promoting strategic workforce planning and organisation readiness
- 2) Professionalising human capital and encouraging competency-building
- 3) Emphasising competency-based career progression
- 4) Enhancing and deepening employee engagement and industrial relations
- 5) Fostering a values-based culture

Strategic Workforce Planning and Organisation Review

In order to ensure high business relevancy and resource optimisation, SMRT constantly reviews and adjusts our organisation and workforce profile where appropriate. In FY2014, a review of the organisation design of various parts

of SMRT's business (including Corporate functions, Trains and Roads business units) was conducted to optimise the delivery of operational performance, improve collaboration across engineering and operations, and ensure organisational readiness for future growth. The review has enabled us to realise greater synergies in work processes and increase productivity levels.

Professionalising Human Capital and Encouraging Competency-building

SMRT recognises that serving our customers well is central to our success and developing our people is a critical component of service excellence. Accordingly, the SMRT Service Excellence training was developed in collaboration with Disney Institute and NTUC Learning Hub to enhance the service standards of all SMRT employees. This has been part of the drive to reinforce and inculcate service excellence as a central pillar of SMRT's organisational culture.

SMRT has also focused on strengthening the core Rail Engineering and Operations competencies to further improve and enhance the reliability of our trains and network. New investments in SMRT Institute, SMRT's training arm, help to refine our existing training regime and raise the standards of instruction to ensure SMRT's workforce competencies are up-to-date with the latest industry best practices.



SMRT's OCS results showed that 82% of our employees are sustainably engaged.

Human Resources



Our senior and middle management touching base with the ground during the Lunar New Year walkabout.

A review of SMRT’s Engineering Talent management plan was also conducted to deepen the level of collaboration with academic institutes such as the Institute of Technical Education, Singapore Polytechnic, and Singapore Institute of Technology (SIT). This helps us to secure a work-ready resource pool for the future and ensure high levels of competency and training for the existing workforce. In FY2014, SMRT also worked closely with SIT to develop and launch a new undergraduate degree programme in Sustainable Infrastructure Engineering (Land Transport) which will commence in 2014. A review of SMRT’s Performance Management framework was also carried out to ensure timely performance feedback, and support the identification of development needs for our employees.

Competency Based Career Progression

In line with the Tripartite Alliance for Fair Employment Practice, and progressive HR practices, SMRT rewards employees fairly based on their performance, contribution and experience. SMRT seeks to continually review and implement competency-based career progression roadmaps for our employees in order to provide attractive career propositions for our employees. This in turn will enable SMRT to build a Singaporean core of dedicated and competent employees in order to further drive service reliability and business sustainability.

One example of such a competency-based career progression was the new SMRT Bus Captain Scheme launched in November 2013, which is aligned to the Progressive Wage Model advocated by NTUC. Similarly, competency-based career progression schemes for SMRT’s Rail Engineering and Operations employees are currently being reviewed and will be implemented by the end of 2014. Additionally, SMRT recently underwent a review and improvement of our remuneration structure to further strengthen the link between productivity, performance and reward.

Employee Relations and Industrial Relations

In FY2014, SMRT implemented our Engagement 5Cs Framework in order to deepen employee engagement within the organisation. This framework aims to engage employees by encouraging:

- Contribution from staff through well designed and meaningful jobs that provide opportunities for growth
- Communication of policies and their rationale, and encouraging feedback
- Celebration of our heritage and achievements, and building pride
- Credit and recognition of exemplary effort by staff
- Cohesion and teamwork, with a strong sense of ownership and belonging

Working from the foundation of this framework, numerous Townhall sessions and workplace visits were conducted by SMRT's CEO and Management to engage our employees and partners in the Union at SMRT's train and bus stations, depots, maintenance workshops, and at our headquarters.

The SMRT Organisational Climate Survey (OCS) conducted in partnership with Towers Watson in August 2013 showed very positive engagement scores – 82% of SMRT's employees were sustainably engaged. Every nine out of 10 employees expressed that they felt proud to work in SMRT. Notably, the company's voluntary attrition rate decreased significantly from 10% to 5.5% per annum.

The regular engagement and consultation between the management and union also enhanced SMRT's industrial relations with the National Transport Workers' Union (NTWU). To build a culture of open communication, we also developed an Industrial Relations framework with the NTWU that set in place a series of industrial relations interactions, rules of engagement, and which provide avenues for dialogue, feedback and redress.

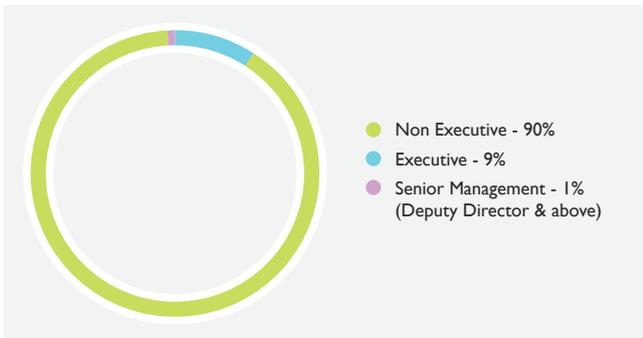
Fostering a Values-based Culture

We also launched various awareness and values inculcation programmes to foster a values-based culture. The core values of SMRTnI (**S**ervice Excellence, **M**astery, **R**esponsibility and **R**espect, **T**eamwork, **N**urture and **I**ntegrity) now form the anchor of SMRT's Orientation and On-boarding programme for new employees. Flowing from its Service Excellence campaign, SMRT has prioritised our service standards towards Safety, Reliability, Care and Comfort, and will continue to drive these service values in daily activities in order to better serve our customers.

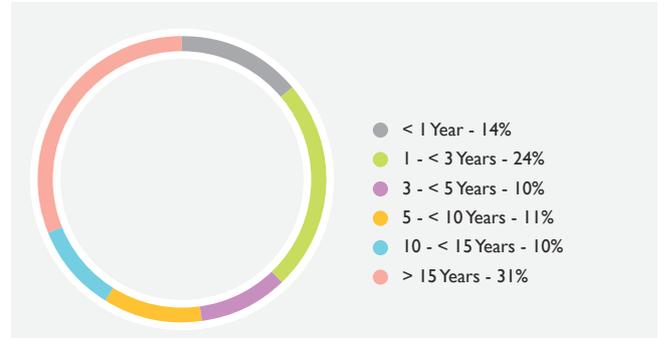
ENHANCING EFFICIENCY IN HR PROCESSES

SMRT has streamlined our HR processes to raise standards of efficiency, governance and service excellence for the benefit of our employees. Processes and policies have also been reviewed to be compliant with the latest changes in the Employment Act, Employment Fair Practices guidelines and Personal Data Protection Act.

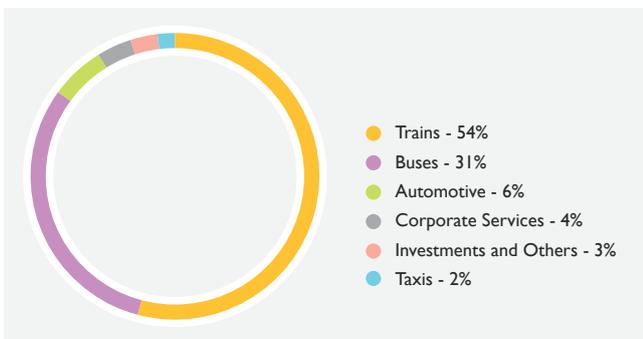
Headcount by Employee Group



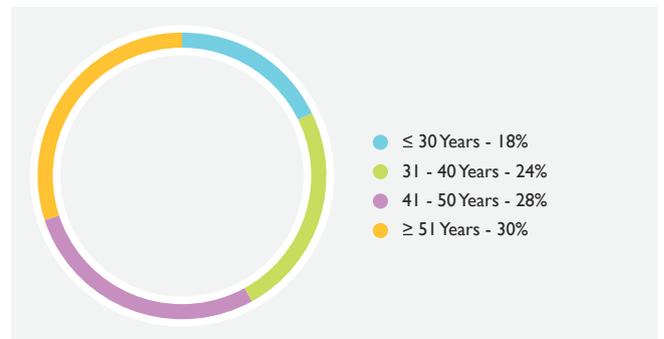
Staff Profile by Completed Years of Service



Headcount by Business Unit



Staff Profile by Age





Raffles Place

Financial
PERFORMANCE 

Our performance in a dynamic business environment is achieved through sustainable growth. We are motivated by productivity and efficiency, and driven to adapt and seize opportunities.



Company Overview

COMPANY OVERVIEW AND STRUCTURE

SMRT Corporation Ltd (the Company) and its subsidiaries (together, the Group) are in the business of providing transport services through the operation of the Mass Rapid Transit (MRT) and Light Rail Transit (LRT) systems, buses, as well as the rental of taxis. The Group also offers engineering consultancy, maintenance and project management services in Singapore and overseas.

In addition, the Group leases commercial and advertising spaces within the transport network it operates, and has extended this expertise to managing retail spaces within standalone properties such as the Kallang Wave mall at the Singapore Sports Hub.

The Group's origins lie with the establishment of Singapore MRT Ltd in 1987, which started operating the North-South and East-West Lines (NSEWL) of Singapore's first MRT system in the same year. In 1997, Singapore LRT Pte Ltd was set up and became the first operator of Singapore's pioneer LRT system in Bukit Panjang (BPLRT) two years later. In 2001, the Company won the bid to operate the Circle Line (CCL) which commenced operations in 2009.

The Company was incorporated on 6 March 2000, and was listed on the Mainboard of the Singapore Exchange Securities Trading Limited on 26 July 2000. SMRT Trains Ltd (SMRT Trains) (formerly known as Singapore MRT Ltd), and SMRT Light Rail Pte Ltd (SMRT Light Rail) (formerly known as Singapore LRT Pte Ltd), are the licensed operators of the MRT and LRT respectively and are wholly-owned by the Company.

In December 2001, the Company acquired SMRT Road Holdings Ltd (formerly known as TIBS Holdings Ltd). SMRT Buses Ltd (SMRT Buses) and SMRT Taxis Pte Ltd (SMRT Taxis), are the licensed operators of bus and taxi services respectively, and are wholly-owned subsidiaries of SMRT Road Holdings Ltd. Following such acquisition, the Company became Singapore's first multi-modal land transport operator, providing bus and taxi services in addition to its MRT and LRT services.

SMRT Properties and SMRT Media are two business divisions of SMRT Investments Pte Ltd (SMRT Investments), which is a wholly-owned subsidiary of the Company. SMRT Properties' primary business activity comprises the development, leasing

and marketing of spaces at train stations and bus interchanges, while SMRT Media is the advertising arm of the Group and promotes advertising across the Group's fleet of trains, buses, and taxis and network of train stations and bus interchanges.

Engineering and other services are undertaken through SMRT Engineering Pte Ltd (SMRTE), SMRT Engineering (Middle East) FZE (SMRTE FZE), SMRT International Pte Ltd (SMRT International), SMRT Automotive Services Pte Ltd (SMRT Automotive) and SMRT Institute Pte Ltd (SMRT Institute), all of which are wholly-owned subsidiaries of the Company. SMRTE, SMRTE FZE and SMRT International provide engineering consultancy, fibre optic leasing, project management, operations and maintenance services while SMRT Automotive provides fleet maintenance services. SMRT Institute provides training to the Company's employees as well as external customers.

SMRT Capital Pte Ltd was incorporated in 2008 to provide depository and financing services to the SMRT Group. SMRT Far East Pte Ltd holds a 49% equity interest in Shenzhen Zona Transportation Group Co., Ltd (Shenzhen Zona), a transport company in Shenzhen, People's Republic of China.

In October 2012, SMRT Alpha Pte Ltd (SMRT Alpha) was incorporated as the joint venture vehicle of SMRT Investments Pte Ltd and Alphaplus Investments Pte Ltd (Alphaplus), a wholly-owned subsidiary of NTUC Fairprice Co-operative Ltd. SMRT Investments and Alphaplus own 70% and 30% respectively of the share capital in SMRT Alpha. SMRT Alpha manages and operates the Kallang Wave mall at the Singapore Sports Hub.

A list of all the subsidiaries of the Company is set out at the Group Structure section of this Annual Report.

REGULATORY FRAMEWORK¹

North-South and East-West Lines

SMRT Trains and the Land Transport Authority of Singapore (LTA) entered into a License and Operating Agreement (LOA) on 27 August 1987, pursuant to which SMRT Trains was granted a licence to operate the NSEWL for an initial period of 10 years (subsequently extended to 31 March 1998).

¹ The salient terms and conditions of the NSEWL Operating Licence and CCL Licences are stated under the Licence and Operating Agreements section in the Notes to the Financial Statements.

On 1 April 1998, SMRT Trains was granted a fresh licence to operate the NSEWL for a period of 30 years until 2028 (NSEWL Licence) pursuant to a new LOA. In consideration for the licence to operate, SMRT Trains shall pay to LTA an annual licence fee in the amount as prescribed under the Rapid Transit Systems Act (RTSA) or its subsidiary legislation.

Under the NSEWL Licence, SMRT is responsible for, *inter alia*, the maintenance, repair, replacement, renewal or refurbishment of all or any part of the working network, which comprises the operating assets and infrastructure required to operate the train system. SMRT may apply to LTA for asset replacement grants for eligible operating assets and may request LTA to fund major replacement or renewal of part or whole of the infrastructure.

While SMRT Trains owns and maintains the operating assets, the infrastructure of the NSEWL (which includes tunnels, tracks, viaducts and station structures) remains the property of LTA and is leased to SMRT Trains at a nominal annual fee or such other amount which LTA may stipulate in the future on the first working day of each calendar year during the term of the lease.

Under the RTSA, the LTA may impose certain conditions to the grant of the NSEWL Operating Licence, one of which relates to operating performance standards (OPS). The NSEWL Licence sets out certain OPS which relate to service quality, safety assurance and key equipment performance. Any failure by SMRT Trains to meet such standards constitutes a default event that could lead to cancellation of the NSEWL Licence. A financial penalty is also payable by SMRT Trains for such failure and such penalty is capped at 10% of fare revenue.

CIRCLE LINE

The LTA granted a licence (CCL Licence) to SMRT Trains to operate the CCL for an initial term of 10 years (Initial Licence Term) commencing from 4 May 2009. The CCL Licence may be renewed by LTA, if it deems fit, for a further period of 30 years from the expiry of the Initial Licence Term, subject to any other terms and conditions as LTA may impose. In consideration for the licence to operate, SMRT Trains shall pay to LTA an annual licence fee in the amount as prescribed under the RTSA or its subsidiary legislation.

SMRT Trains is obliged to purchase the operating assets of the CCL on 4 May 2019, based on the net book value recorded in LTA's latest audited accounts. The infrastructure of the CCL MRT system (which includes tunnels, tracks and station structures) remains the property of LTA and is leased to SMRT Trains at a nominal annual fee.

SMRT Trains is required to repair and maintain the working network comprising the operating assets and infrastructure of the CCL MRT system as stipulated in a separate lease and maintenance agreement. SMRT Trains may also apply for replacement grants for eligible operating assets as set out in the CCL Licence.

The CCL Licence sets out certain OPS which relate to service quality, safety assurance and key equipment performance. Any failure by SMRT Trains to meet such standards constitutes a default event that could lead to cancellation of the CCL Licence. A financial penalty is also payable by SMRT Trains for such failure and such penalty will be determined in accordance with the parameters, principles and penalty computation framework set out in the OPS.

SMRT LIGHT RAIL

SMRT Light Rail (SMRT LRT) entered into a Licence and Operating Agreement with LTA, pursuant to which an operating licence was granted to SMRT LRT for the operation of the BPLRT system (BPLRT Licence) with effect from 6 November 1999 and expiring on 31 March 2028. The BPLRT Licence may be extended for a period of 30 years upon request by SMRT LRT. LTA currently owns all the operating assets and infrastructure required to operate the BPLRT.

SMRT LRT is required to purchase the operating assets of the BPLRT system from LTA at book value by 25 October 2015 or within such other period as may be agreed in writing between LTA and SMRT LRT. SMRT LRT may defer such purchase if SMRT LRT can satisfy LTA that it is not economically viable to do so.

The BPLRT Licence sets out certain OPS which relate to service quality, safety assurance and key equipment performance. Any failure by SMRT LRT to meet such standards constitutes a default event that could lead to cancellation of the BPLRT Licence. A financial penalty is also payable by SMRT LRT for such failure and such penalty will be determined in accordance with the parameters, principles and penalty computation framework set out in the OPS.

Company Overview

SMRT BUSES

SMRT Buses was granted a 10-year Bus Service Operator's Licence (BSOL) on 1 September 2006 by the Public Transport Council (PTC), an independent statutory authority, to operate bus services subject to the terms and conditions set out in the BSOL, the PTC Act and any subsidiary legislation made thereunder.

The BSOL will, among other things, require operators to comply with a set of operating conditions which includes the Quality of Service (QoS) standards in respect of Basic Bus Services, provision of service performance and financial information and codes of practices. Any non-compliance with the QoS standards may result in a financial penalty being imposed on SMRT Buses.

SMRT TAXIS

SMRT Taxis was granted a 10-year term Taxi Service Operator Licence (TSOL) by LTA on 1 June 2003. On 1 June 2013, SMRT Taxis was granted a new 10-year TSOL. Pursuant to the Road Traffic (Taxi Service Operator Licence) Rules, the licence fee payable is 0.1% of the gross revenue payable on a yearly basis.

The TSOL, among other things, includes conditions to comply with a set of Taxi QoS standards, Taxi Availability (TA) standards, codes of practices and audit directions. The Taxi QoS standards specify the level of performance which operators have to meet in three areas: the availability of taxis through radiophone bookings, safety and taxi partners' conduct. TA standards specify the requirements on minimum daily mileage¹ and percentage² of taxis on the road during peak periods. Taxi service operators are also limited to a growth rate of 2%, subject to meeting the TA standards.

FARE ADJUSTMENT

Fares charged by SMRT Trains, SMRT Light Rail and SMRT Buses are subject to approval by PTC.

The maximum allowable annual fare adjustment each year is based on a formula recommended by the Government-appointed Fare Review Mechanism Committee (FRMC). The new fare adjustment formula (as set below) was reviewed and revised in 2013, applicable for five years until 2017:

$$\text{Maximum Allowable Fare Adjustment} = 0.4\text{cCPI} + 0.4\text{WI} + 0.2\text{EI} - 0.5\% \text{ where}$$

cCPI = Change in core Consumer Price Index over the preceding year.

WI = Change in Wage Index. This refers to the Average Monthly Earnings (Annual National Average) over the preceding year, adjusted to account for any change in the employer's CPF contribution rate.

EI = Change in Energy Index. This refers to a composite of cost changes and diesel.

0.5% = Productivity extraction based on a sharing of productivity gains achieved by Public Transport Operators (PTO), valid from 2013 to 2017.

The process for annual fare review begins with the PTO submitting applications for fare adjustments, based on the above formula, to PTC. PTC will deliberate and decide on the quantum of fare adjustments, taking into consideration affordability of the fares and the financial viability of the operators.

¹ 80% of taxi fleet is required to clock a daily mileage of 250 kilometres

² 60% of taxi fleet will have to ply the roads during the first and last hour of the defined peak period; 80% of the fleet is required during the remaining peak period timings

TRAVEL DEMAND MANAGEMENT SCHEMES

To encourage commuters to make changes to their travel patterns and ease crowding during the morning peak hours, the early morning travel discount was first introduced by SMRT in 1997. The discount has increased over the years from the initial 10 cents to 30 cents in October 2011, to 50 cents in August 2012. Both enhancements were mandated by PTC as conditions for the fare adjustment.

From 24 June 2013, LTA embarked on a one-year trial to provide free travel on the rail network for commuters who end their journey before 7.45am on weekdays at 16 designated MRT stations. The 16 designated stations are Bugis, Chinatown, City Hall, Clarke Quay, Dhoby Ghaut, Lavender, Orchard, Outram Park, Raffles Place, Somerset, Tanjong Pagar, Bayfront, Bras Basah, Esplanade, Marina Bay and Promenade.

In addition, commuters exiting the stations from 7.45am to 8am will be given a discount of up to 50 cents off their train fare. The scheme was extended to exits at Downtown and Telok Ayer stations from 22 December 2013, in conjunction with the opening of Downtown Line Stage 1.

It has since been announced that this scheme will be extended for another year, until June 2015.

The above initiatives are aimed at encouraging commuters to change their travel pattern, by spreading out the morning peak hour crowds to the pre-peak period with the objective of easing the crowding situation on city-bound stretches of the MRT network during morning peak hours.

In October 2011, PTC mandated that SMRT commit \$5 million annually in support of the travel demand management schemes.

CONCESSIONS

The PTOs provide travel concessions to help certain commuter groups with transport costs, subject to approval by PTC.

SMRT currently offers travel concessions for trains and buses for senior citizens, students, children and full time National Servicemen. The amount of concessions has increased over the years, and in FY2014 amounted to about \$91 million.

The PTC has also announced the introduction of two concession schemes, which took effect in July 2014, for persons with disabilities and recipients of the Workfare Income Supplement (WIS). These concessions are funded by the Government and PTO's will be reimbursed the difference between the concession fare charged and the full adult fare.

Group Performance

OVERVIEW

Group Revenue increased 4.0% to \$1,163.9 million in FY2014 compared to FY2013 across all segments except LRT and Other Services.

Better performance from Taxi, Commercial and Engineering Services businesses was recorded in FY2014 compared to FY2013.

Operating profit, however, decreased by \$26.0 million or 23.6% in FY2014 resulting from a \$60.7 million decline in Rail operating profit, as operating costs continued to outpace fare revenue growth. This was partially offset by better performance from Bus operations.

Group profit attributable to equity holders of SMRT was lower by \$21.4 million in FY2014 compared to FY2013.

The Group ended the year with cash balance of \$155.5 million compared to \$546.3 million at the start of the year. The Group generated \$234.4 million of cash flows from operating activities and \$17.2 million from financing activities. The funds were mostly utilised to invest in property, plant and equipment. The Group's total borrowings stood at \$636.4 million, translating to a net gearing of 60%.

The Board has proposed a final dividend of 1.20 cents per ordinary share. Including the interim dividend of 1.00 cent per share, this will bring total dividend in FY2014 to 2.20 cents per share. This amounts to a 54.1% payout from FY2014 PATMI of \$61.9 million.

SEGMENTAL PERFORMANCE

Revenue from Fare business (Train, LRT and Bus) rose 2.7% to \$851.9 million underpinned by higher train and bus ridership. Fare EBIT, however, recorded a loss of \$25.0 million for FY2014 on lower Train profitability, higher LRT loss and continued losses in Bus operations.

Revenue from Non-Fare business (Taxi, Rental, Advertising, Engineering Services and Other Services) rose 7.6% to \$312.0 million on the back of higher Rental, Engineering and Advertising revenue. Consequently, Non-Fare EBIT increased by 12.4% to \$106.4 million.

Fare Business

The Group's overall Fare business recorded a loss of \$25.0 million for FY2014.

Revenue from **Train** operations increased by \$15.9 million or 2.6% to \$623.8 million, due mainly to higher ridership. Operating profit declined to \$5.5 million in FY2014 as operating expenses outgrew revenue growth. All operating expenses except for electricity increased compared to FY2013.

Higher operating loss of **LRT** operations at \$2.1 million was due mainly to lower revenue and higher staff costs.

Revenue from **Bus** operations increased by 3.3% to \$217.8 million due mainly to increased ridership. Operating loss decreased by \$3.4 million or 10.6% in FY2014 compared to FY2013 due mainly to higher revenue and lower repairs and maintenance costs.

Non-Fare Business

Taxi operating profit increased by \$3.2 million or 49.7% due to higher rental contribution from a newer fleet, and lower diesel tax as a result of a smaller diesel fleet.

Rental revenue from commercial spaces increased by \$9.2 million or 10.4% in FY2014 due to increased lettable space from the redevelopment of Woodlands Xchange and higher rental renewal rates. As a result, operating profit increased by \$6.4 million or 9.6% in FY2014.

Advertising revenue increased by \$4.7 million or 15.3% in FY2014 due mainly to increased advertising on trains, buses and stations. As a result, operating profit increased by \$2.5 million or 13.4% in FY2014.

Engineering Services revenue increased by \$8.7 million or 66.3% and operating profit increased by \$2.2 million or 137.7% in FY2014 due mainly to higher contribution from international consultancy projects as well as local engineering and project work.

Revenue of **Other Services** decreased by \$1.1 million or 4.2% in FY2014 due mainly to lower revenue from external fleet maintenance. Higher operating costs resulted in an operating loss in FY2014.

Segmental Revenue (\$m)



¹ Others include investment holding and support services

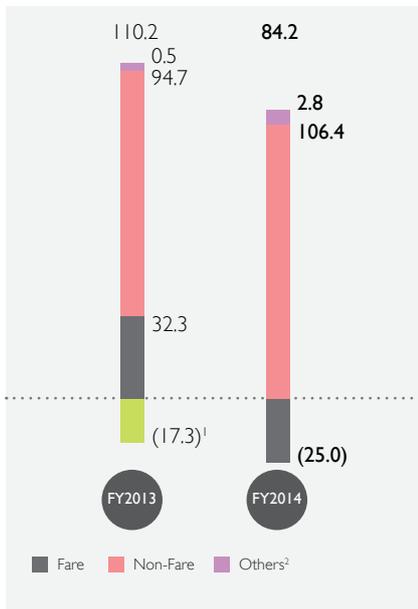
Fare Revenue (\$m)



Non-Fare Revenue (\$m)



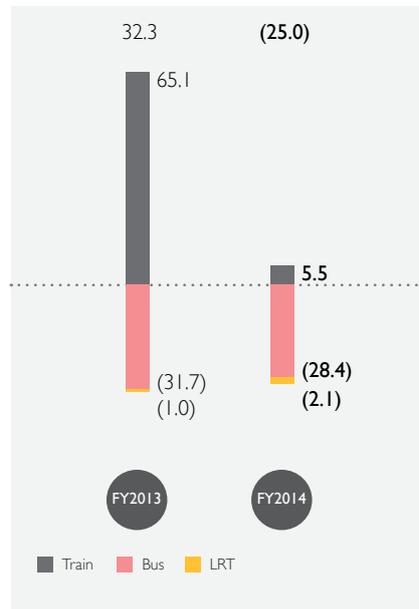
Segmental EBIT (\$m)



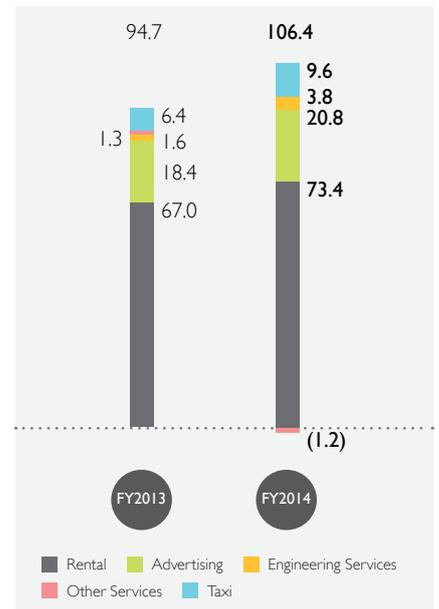
¹ Impairment of interest in associate

² Others include investment holding and support services, and elimination

Fare EBIT (\$m)



Non-Fare EBIT (\$m)



FY2013 comparatives have been restructured to reflect changes in business control and activities for bus operations, engineering services and other services.

Group Performance

OPERATING EXPENSES

Staff costs increased by 17.0% to \$462.4 million, due to increased headcount in Train and Bus operations to support a larger fleet and improve operational performance, and the wage alignment exercise in 4Q FY2013.

Depreciation net amortisation rose 13.8% to \$171.3 million due mainly to capitalisation of operating assets taken over from the authorities in 1Q FY2014, and a newer taxi and larger bus fleet.

R&M expenses remained relatively flat at \$112.9 million with the commissioning of new assets in Rail operations.

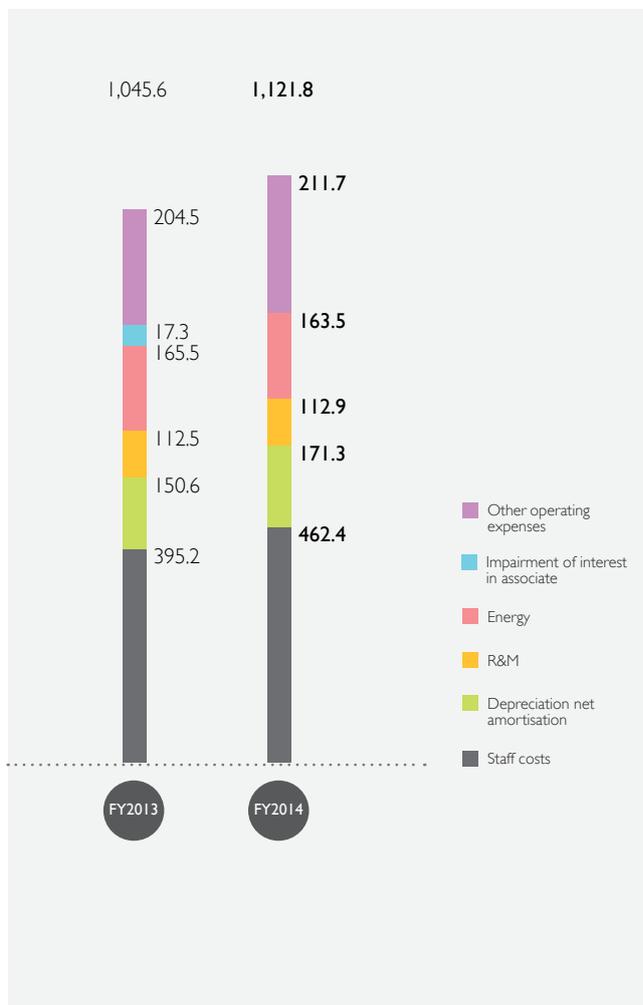
Electricity and diesel costs declined by 1.2% to \$163.5 million from \$165.5 million with lower average electricity tariff partially offset by higher diesel cost and consumption.

Other operating expenses were 3.5% higher at \$211.7 million in FY2014, due mainly to higher expenses associated with costs for schemes introduced by the authorities (including travel discounts) to incentivise commuters to shift their travel times away from the morning peak hours.

Finance costs increased by 47.6% to \$10.4 million due to the full year interest cost from the issuance of \$450 million fixed rate notes in FY2013.

The Group's **other operating income** saw a 16.1% increase to \$42.1 million due mainly to higher Bus Service Enhancement Programme (BSEP) grants and bus shelter advertising income, partially offset by absence of an insurance compensation for a rail asset of \$8.0 million. BSEP grants were utilised to recover part of the increased operating costs incurred for BSEP buses.

Operating Expenses (\$m)



QUARTERLY RESULTS

The Group reported higher revenue in all four quarters of FY2014 compared to the corresponding quarters in FY2013. Despite higher revenue, with the exception of the fourth quarter, the Group recorded lower operating profits as operating costs, particularly staff, depreciation and other

operating expenses, were higher compared to FY2013. In 4Q FY2014 operating profit was higher than the same quarter the previous year due to lower operating loss from Bus operations resulting from productivity gains and absence of impairment of interest in associate of \$17.3 million in 4Q FY2013.

Quarterly Results

| | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | | Total (year) |
|-------------------------|-----------|-------|-----------|-------|-----------|-------|-----------|--------|--------------|
| | \$m | % | \$m | % | \$m | % | \$m | % | \$m |
| Revenue | | | | | | | | | |
| FY2014 | 284.8 | 24.5% | 296.3 | 25.4% | 293.3 | 25.2% | 289.5 | 24.9% | 1,163.9 |
| FY2013 | 275.2 | 24.6% | 281.2 | 25.1% | 281.7 | 25.2% | 281.3 | 25.1% | 1,119.5 |
| Operating Profit | | | | | | | | | |
| FY2014 | 22.2 | 26.4% | 20.0 | 23.7% | 20.1 | 23.9% | 21.9 | 26.0% | 84.2 |
| FY2013 | 43.9 | 39.8% | 40.6 | 36.9% | 32.0 | 29.1% | (6.4) | -5.8% | 110.2 |
| Profit after Tax | | | | | | | | | |
| FY2014 | 16.3 | 26.6% | 14.3 | 23.2% | 14.1 | 23.0% | 16.7 | 27.2% | 61.5 |
| FY2013 | 36.5 | 43.8% | 33.3 | 40.1% | 25.5 | 30.6% | (12.0) | -14.5% | 83.2 |

BALANCE SHEET

Total assets decreased by \$151.9 million or 6.8% due mainly to lower cash and cash equivalents of \$390.8 million. This was partially offset by higher property, plant and equipment of \$206.0 million, and inventories of \$24.4 million.

The lower cash and cash equivalents were due mainly to the payment of \$392.7 million for the 17 trains purchased and operating assets taken over from the authorities.

Property, plant and equipment increased due mainly to the addition of rail operating assets, taxis, buses and commercial spaces.

Total liabilities decreased by \$185.0 million or 12.7%, due mainly to lower trade and other payables of \$222.0 million resulting from payment made for the 17 trains. This was partially offset by higher interest-bearing borrowings of \$26.9 million and higher tax liabilities of \$8.7 million.

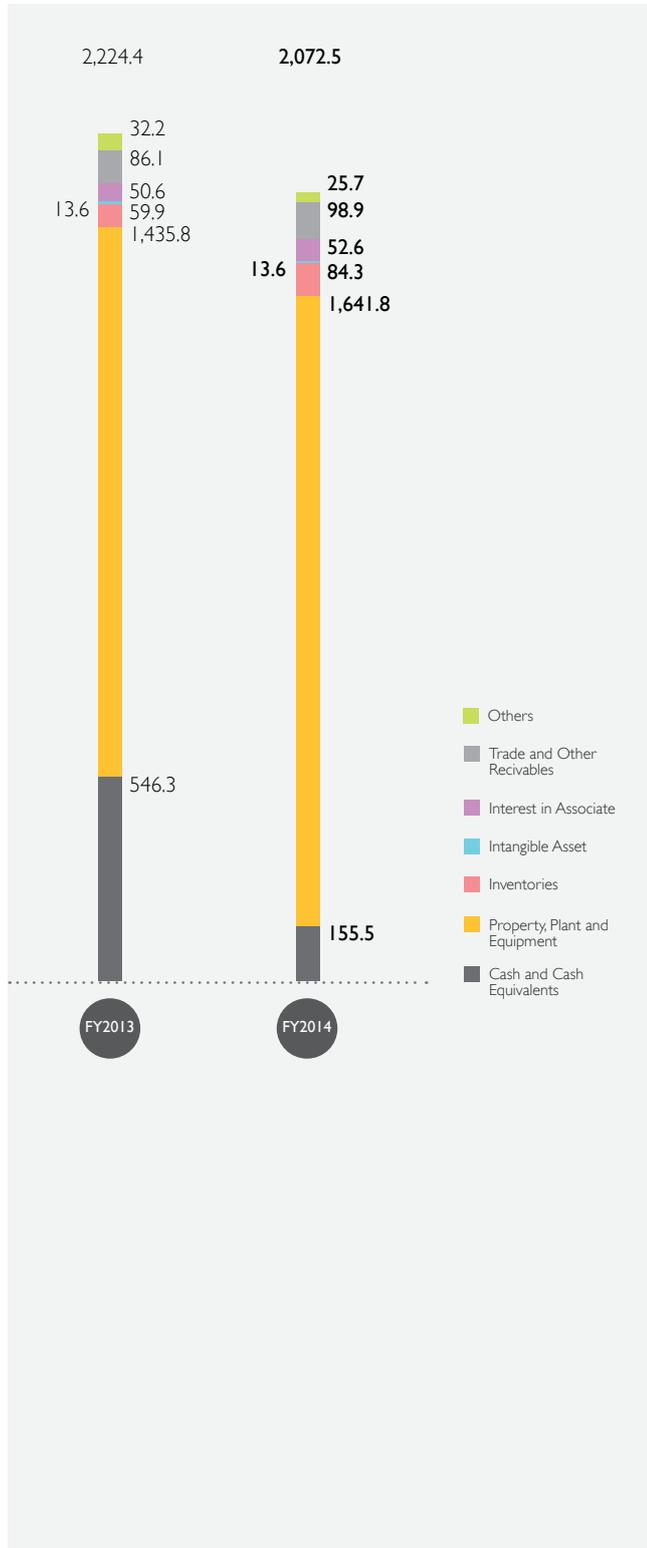
The Group's borrowings stood at \$636.4 million, translating to a net gearing of 60%.

Balance Sheet Highlights (as at 31 March 2014)

| | \$m | Var (\$m) | |
|-----------------------------|---------|-----------|---|
| Total Assets | 2,072.5 | 151.9 | ▼ |
| Cash & Cash Equivalents | 155.5 | 390.8 | ▼ |
| Inventories | 84.3 | 24.4 | ▲ |
| Interest in Associate | 52.6 | 2.1 | ▲ |
| PPE | 1,641.8 | 206.0 | ▲ |
| Trade and Other Receivables | 98.9 | 12.9 | ▲ |
| Total Liabilities | 1,270.9 | 185.0 | ▼ |
| Total Equity | 801.7 | 33.1 | ▲ |

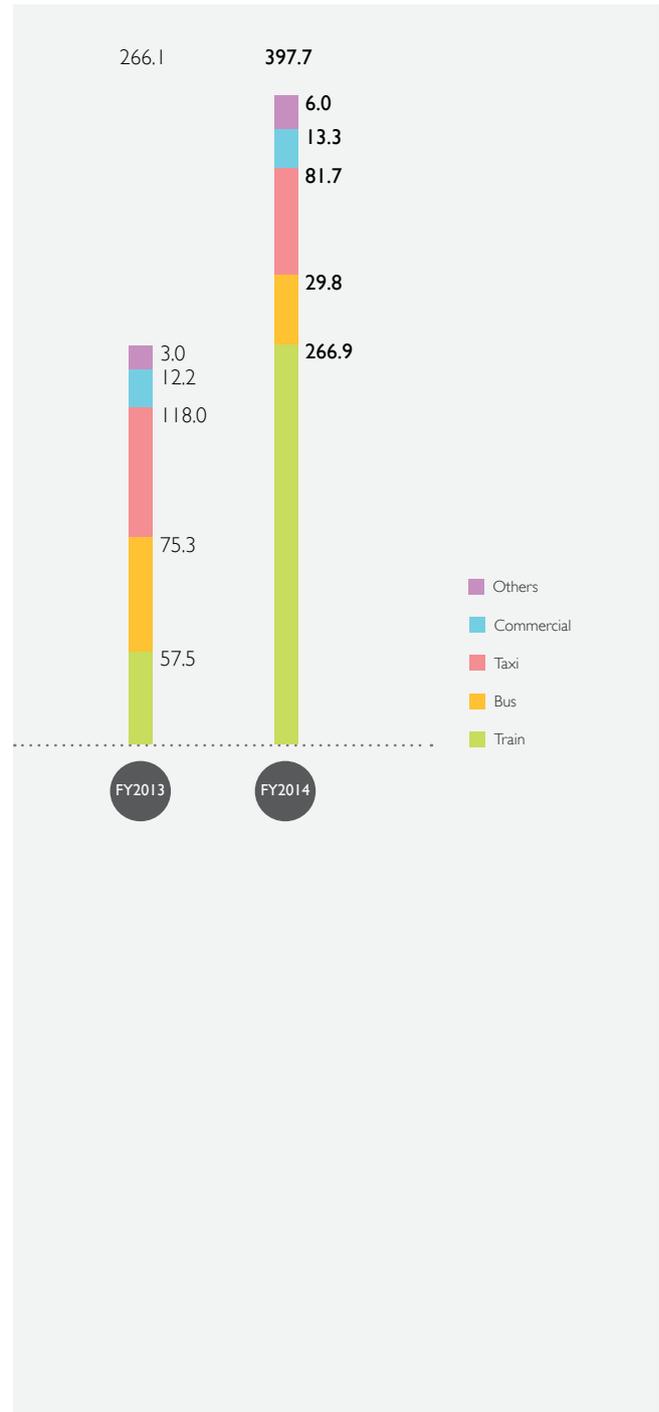
Group Performance

Total Assets (\$m)



The Group incurred capital expenditure (CAPEX) of \$397.7 million in FY2014, due mainly to the addition of rail operating assets, taxis, buses and commercial spaces.

CAPEX (\$m)



CASH FLOW

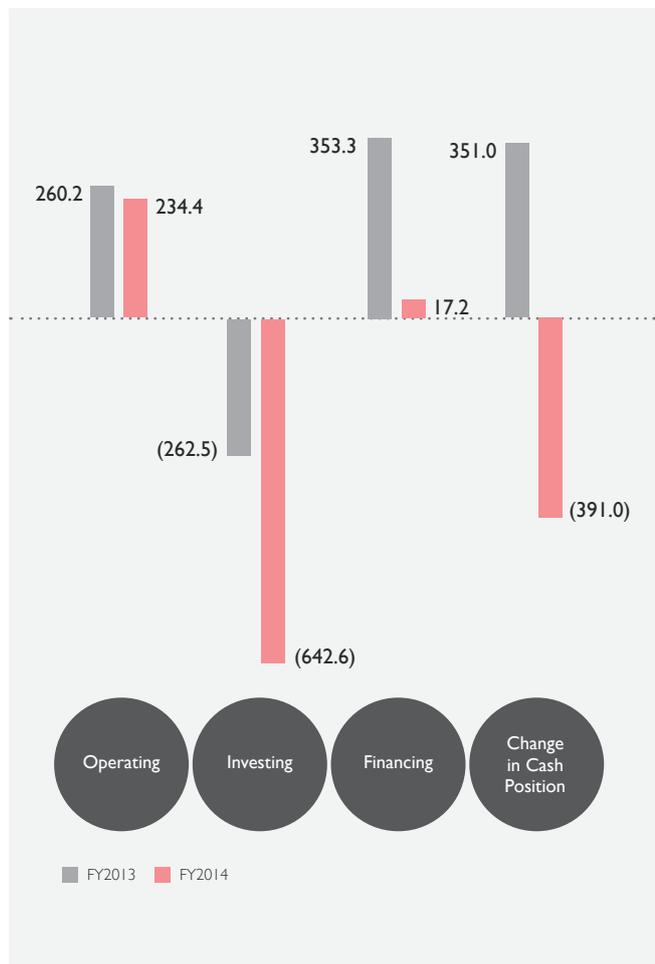
The Group ended the financial year with cash and cash equivalents of \$155.5 million compared to \$546.3 million at the start of the year.

Net cash inflow from operating activities of \$234.4 million for FY2014, was lower compared to FY2013, due mainly to lower profitability and higher interest paid, partially offset by lower income taxes paid.

Net cash outflow from investing activities of \$642.6 million for FY2014, was higher compared to \$262.5 million for FY2013, due mainly to higher payment for purchase of property, plant and equipment.

Net cash inflow from financing activities of \$17.2 million for FY2014 was lower compared to \$353.3 million for FY2013 due mainly to the absence of proceeds from issuance of debt.

Cash Flow (\$m)



FY2015 OUTLOOK

The Group's Fare business will continue to be challenging because of heightened operating requirements, unless there are commensurate and timely fare adjustments. The recently approved fare adjustments will partially offset some of the increased costs. The Group will continue with its productivity efforts in FY2015 to help mitigate the declining profitability in the Fare business.

The Group expects that the impending changes to the rail financing and bus operating models will address the sustainability of its Fare business in Singapore.

The Group will continue to grow its Non-Fare business which includes the enhancing of its engineering capability for local and international projects. It will also explore other commercial opportunities, and looks forward to the launch of the new Kallang Wave mall in the coming months.

Value Added & Economic Value Added Analysis

Value Added Statement

| \$'000 | FY2013 | FY2014 |
|---|-----------|-----------|
| Revenue | 1,119,469 | 1,163,893 |
| Less: Cost of bought-in goods and services | (427,608) | (425,054) |
| Gross Value Added | 691,861 | 738,839 |
| Share of results of an associate | (381) | (418) |
| Investment income | 180 | 206 |
| Interest income | 2,125 | 1,064 |
| Gain on disposal of property, plant and equipment | 1,339 | 1,874 |
| Impairment of interest in associate | (17,294) | - |
| | 677,830 | 741,565 |
| <i>Applied as follows:</i> | | |
| To Employees - staff costs | 394,004 | 462,245 |
| To Government - income and other taxes | 42,981 | 36,089 |
| To Providers of Capital: | | |
| Interest on borrowings | 7,065 | 10,431 |
| Dividends to shareholders* | 83,338 | 30,425 |
| Balance reinvested in business: | | |
| Depreciation of property, plant and equipment | 161,138 | 181,179 |
| Non-controlling interest's share | (138) | (404) |
| Profit for the period retained by the Group | - | 31,477 |
| Others | (10,558) | (9,877) |
| | 677,830 | 741,565 |

* Dividends paid in year 2014 is \$30,425,000 (2013: \$109,473,000), which is fully paid out from current year profit (2013: \$83,338,000) and balance \$Nil (2013: \$26,135,000) from brought forward accumulated profits.

Economic Value Added Statement

| \$'000 | FY2013 | FY2014 |
|--|-----------|-----------|
| Profit from ordinary activities before taxation | 105,064 | 74,655 |
| Adjustments for: | | |
| Interest expense | 7,065 | 10,431 |
| Others | 17,294 | - |
| Adjusted profit before interest and taxation | 129,423 | 85,086 |
| Economic tax | (20,833) | (13,206) |
| Net Operating Profit After Tax (NOPAT) | 108,590 | 71,880 |
| Average capital employed ^{Note 1} | 1,113,443 | 1,369,295 |
| Weighted average cost of capital ^{Note 2} | 4.717% | 4.717% |
| Capital Charge (CC) | 52,521 | 64,590 |
| Economic Value Added (EVA = NOPAT - CC) | 56,069 | 7,290 |

Note 1: Average shareholders' equity plus interest-bearing liabilities and timing provisions:

| | FY2014 | FY2013 |
|--------------------------|-----------|-----------|
| Major capital components | \$'000 | \$'000 |
| Debt | 622,941 | 379,736 |
| Equity | 746,354 | 733,707 |
| | 1,369,295 | 1,113,443 |

Note 2: The Weighted Average Cost of Capital is calculated as follows:

- Cost of equity using Capital Asset Pricing Model with market risk premium at 5.0% (FY2013: 5.0%);
- Pre-tax risk-free rate of 1.6% (FY2013: 1.6%);
- Ungear beta at 0.61 (FY2013: 0.61) based on peer analysis; and
- Pre-tax cost of debt at 3.7% (FY2013: 3.7%) based on pre-tax risk-free rate plus credit spread.

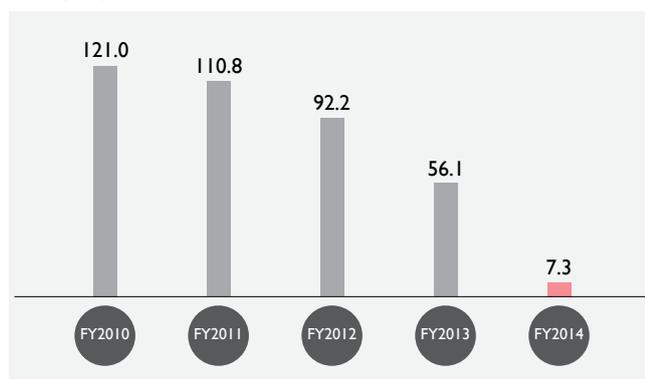
Productivity Analysis

| | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 |
|---|--------|--------|--------|--------|--------|
| Employment costs per \$ of turnover (\$) | 0.33 | 0.32 | 0.32 | 0.35 | 0.40 |
| Economic value added (\$m) | 121.0 | 110.8 | 92.2 | 56.1 | 7.3 |
| Economic value added per employee (\$) | 18,188 | 16,874 | 13,345 | 7,494 | 919 |
| Value added (\$m) | 620.5 | 648.1 | 642.3 | 677.8 | 741.6 |
| Value added per employee (\$) | 93,299 | 98,718 | 92,985 | 90,595 | 93,490 |
| Value added per \$ of employment cost (\$) | 2.10 | 2.07 | 1.89 | 1.72 | 1.60 |
| Value added per \$ of gross fixed assets (\$) | 0.26 | 0.26 | 0.22 | 0.22 | 0.21 |
| Value added per \$ of turnover (\$) | 0.69 | 0.67 | 0.61 | 0.61 | 0.64 |

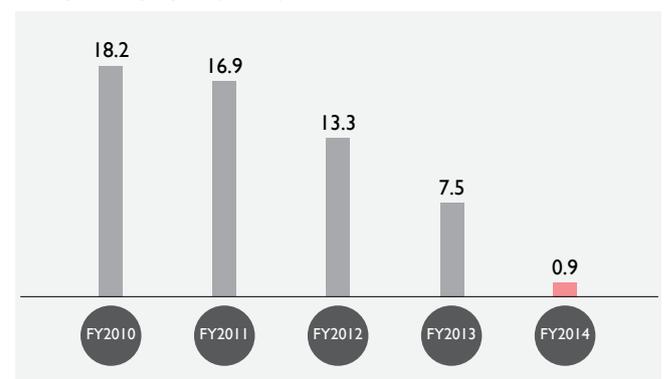
In FY2014, the total value added (VA) for the Group was \$741.6 million. The amount applied to employees (staff costs) was \$462.2 million, income and other taxes to the government was \$36.1 million, and interest and dividends to the providers of capital was \$40.9 million, leaving a balance of \$202.4 million reinvested in the Group.

The Economic Value Added (EVA) was lower at \$7.3 million, 87.0% lower than FY2013, due to lower operating profit and higher cost of capital resulting from increase in debt level. The graphs below illustrate the change in EVA per employee, VA per dollar employment cost and VA per employee over the last five years. VA per dollar of employment costs was lower due mainly to higher employment costs.

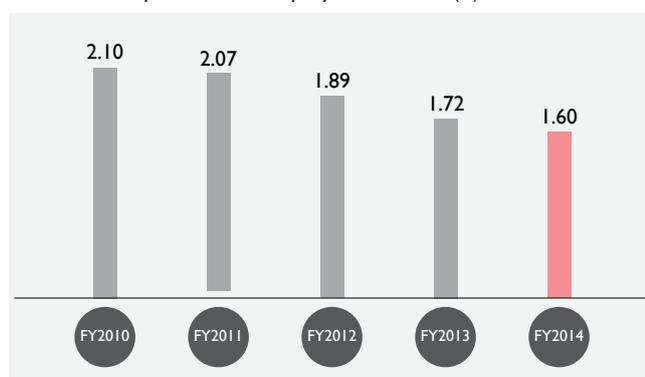
EVA (\$m)



EVA per Employee (\$'000)



Value Added per Dollar Employment Cost (\$)



Value Added per Employee (\$'000)



SMRT & Our Shareholders

SMRT is committed to high corporate governance and transparency standards, and adopts a proactive and open approach in communicating with our shareholders, analysts, and investors. We strive to provide accurate, reliable and timely information about the company's operations, performance and outlook in order to help the investment community make informed investment decisions.

PROACTIVE COMMUNICATION

During the year, SMRT's Management continued to actively engage the investment community to share the Group's business strategy, operational and financial performance.

We met with over 70 institutional investors and analysts during the year, and members of our Management also attended an investor conference in Singapore, hosted by Citibank.

SMRT is covered by 12 analysts, who produced over 70 reports in FY2014. Our Management interacted regularly with these analysts through meetings and teleconferences during the year, so that they have a good understanding of the company's business fundamentals and prospects.

Our Annual General Meeting (AGM) is held every July for the Board of Directors and Management to interact with shareholders. To reach out to our large retail investor base, our AGM is always held at a central location and our last AGM, held at the NTUC Auditorium, was attended by over 540 shareholders.

SMRT supports the Securities Investors Association (Singapore) (SIAS) investor outreach programme to engage our shareholders. As part of this collaboration, SMRT also offers a free one-year SIAS associate membership to all shareholders.

The Group ensures that all information is disclosed in a timely manner to shareholders. Quarterly results for the Group are announced within one month of the close of the quarter and the audited full year financial statements within a month of the end of the financial year. The Group's CEO, CFO and members of Management host combined media and analyst briefings for half-year and full-year results, and teleconferences for the first and third quarter results. Materials used in the briefings and teleconferences are lodged with SGX and made available on the Group's corporate website.

COMMITMENT TO ENHANCING SHAREHOLDER VALUE

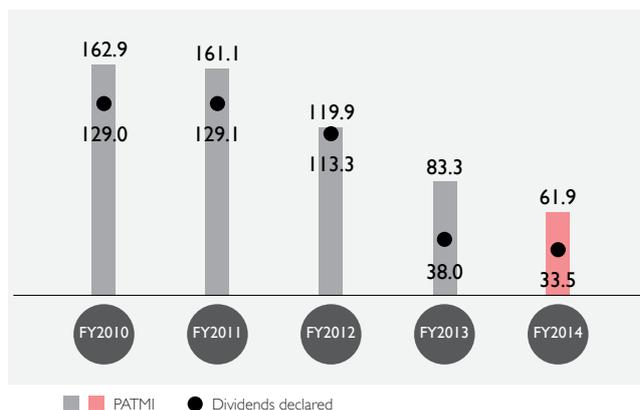
Dividend Policy

SMRT's dividend policy takes into account our long-term objective of maximising shareholder value, the availability of cash and retained earnings, our expected financial performance and projected capital expenditure and other investment plans. We endeavour to maintain a payout ratio of 60% of PATMI per year for the interim and final ordinary dividend. In any particular year, we may also propose a special dividend to provide investors with greater returns and yield.

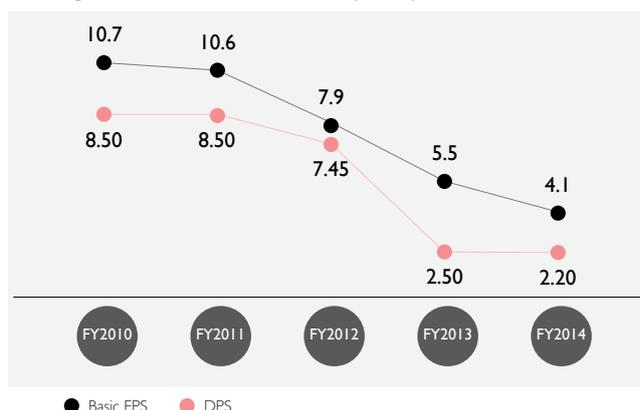
In deciding on the dividend amount, a balanced evaluation is made taking into account our financial performance as well as future investments required to both improve operational performance and capture new business opportunities.

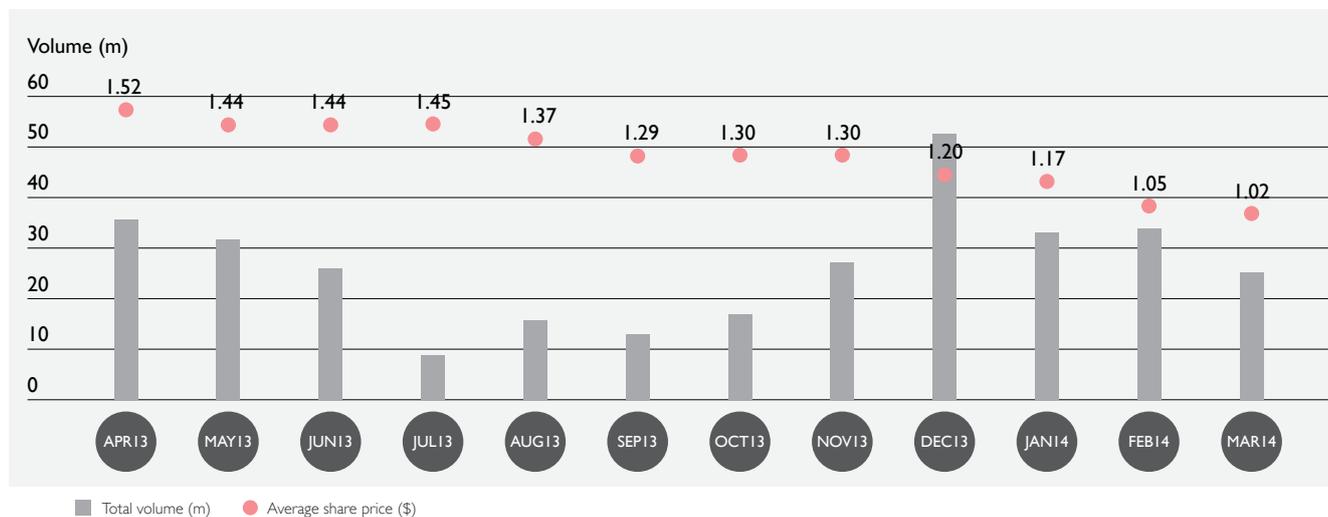
In FY2014, the Board proposed a final dividend of 1.20 cents per share. If approved at the 15th AGM on 16 July 2014, this will bring the total dividend for FY2014 to 2.20 cents per share, or a dividend payout of 54.1% of PATMI.

PATMI and Dividends (\$m)



Earnings and Dividend Per Share (cents)





As at 31 March 2014, our market capitalisation was approximately \$1.6 billion, based on the closing price of \$1.02. The average share price for the year was \$1.30, hitting a high of \$1.54 on 1 April 2013 and a low of \$1.015 on 26 March 2014. Average monthly trading volume was 27.1 million. The chart above shows the average monthly closing share price performance and trading volume of SMRT shares in FY2014.

SHAREHOLDER BASE

SMRT has 52,850 registered shareholders as at 31 March 2014. The actual number of shareholders is likely to be greater due to shares held through nominees, investment funds and other share schemes.

Temasek Holdings remains the largest shareholder with 54% ownership interest as at 31 January 2014. Of the Group's free float of 46%, about 7% of our shareholdings were held by institutional investors from major global financial markets. The top three geographical regions where our investors were based are: Singapore, North America and UK.

Shareholders by Region



ACHIEVEMENTS

SMRT was ranked 11th amongst 664 companies in the Business Times' Governance and Transparency Index 2013. At the 2013 Investors' Choice Award presentation organised by SIAS, SMRT was presented with the Most Transparent Company Award (Runner-Up) in the Travel, Leisure & Automobiles & Parts category.

INVESTOR RELATIONS CALENDAR FOR FY2014

1Q FY2014

- Fourth Quarter and Full Year FY2013 results briefing
- Participated at the Citibank ASEAN Investor Conference 2013

2Q FY2014

- 14th Annual General Meeting
- First Quarter FY2014 results briefing

3Q FY2014

- Second Quarter and Half Year FY2014 results briefing

4Q FY2014

- Third Quarter FY2014 results briefing

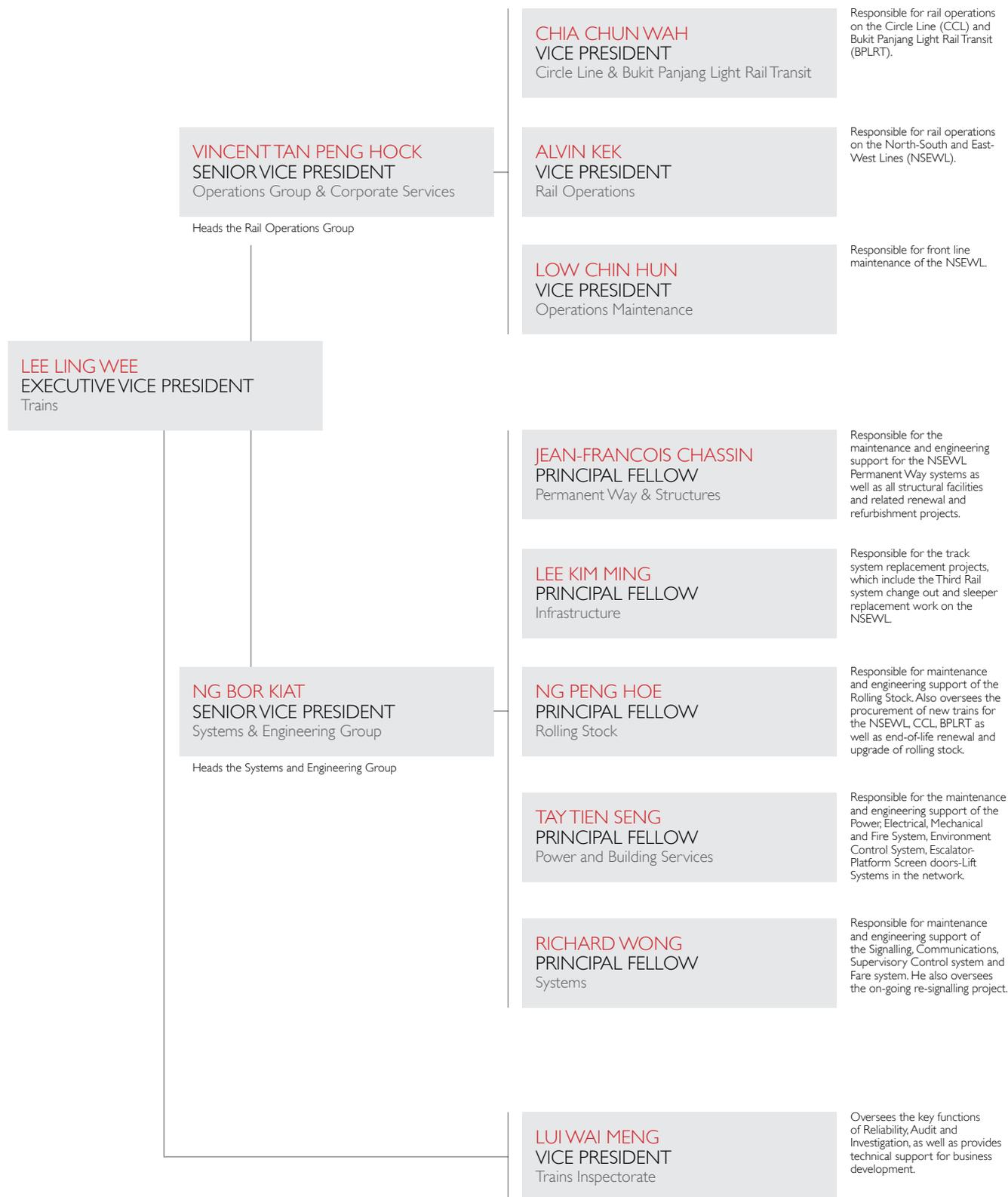


Operational
PERFORMANCE 

We intend to deliver a safe and reliable transport solution to our commuters. With the latest technology and best industry practices, we bring on smiles and service through an improved transport network and lifestyle experience.



SMRT Trains



In FY2014, we continued to improve our system reliability and engineering expertise. While we maintained our focus on meeting commuter needs, we also benchmarked against leading global operators to ensure that we are on par with international railway standards.

IMPROVING SERVICE

We are constantly working on reducing waiting times and increasing train frequency to meet rising demand.

We have embarked on a re-signalling programme to enhance system reliability and enable shorter intervals between train services on the North-South and East-West Lines (NSEWL). We have taken great pains to identify and adopt proven system migration strategies, to ensure that the seamless integration of the new signalling system poses minimal inconvenience to our passengers. This programme, which started in 2012, is scheduled for completion by 2018.

The ongoing nation-wide change-out of our timber sleepers was also intensified and is presently scheduled for completion by early 2015 and mid 2016 for the North-South and East-West Lines respectively. To speed up replacement works, the Ministry of Transport approved our request to cease train services half an hour earlier from Sunday to Thursday (except on the eve of public holidays) on select stretches of the network. We are aware of and are making every effort possible to minimise service disruption and inconvenience to our commuters.

On the Circle Line (CCL), we have completed the replacement of power cables, in collaboration with the authorities. We have been able to restore system reliability within 12 months, ahead of the 18 months initially announced in December 2012.

Our actions to ensure a robust rail system is also encapsulated in the holistic approach we have taken to strengthen our rail engineering capability in three key areas of *process, technology and people*.

In terms of *process*, we have enhanced the way we manage critical rail infrastructure, assets and equipment that affect the safety and reliability of train services. This includes being able to detect and predict systemic failure more accurately through condition monitoring of critical assets and equipment, application of predictive maintenance techniques and tighter integration of data collection devices with analytical tools.

Likewise, the introduction of new sensor *technology*, to collect data on track and train systems is part of this emphasis on predictive maintenance.

Correspondingly, we are developing and implementing an engineering professional competency roadmap to ensure that our *people* are equipped with the necessary technical expertise to fulfil the increasingly complex functions of the expanding rail network and its maintenance.

Key Operating Data

| | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 |
|--|--------|--------|--------|--------|--------|
| Total route length (NSEWL & CCL) (km) | 98.6 | 109.9 | 128.6 | 128.6 | 128.6 |
| Total car-kilometres operated (to nearest million) | 91.9 | 100.2 | 111.4 | 122.2 | 123.9 |
| Growth in car-kilometres operated (%) | 7.9 | 9.1 | 14.1 | 6.8 | 1.4 |
| Total ridership (to nearest million) | 536.6 | 603.9 | 654.4 | 690.9 | 710.8 |
| Growth in ridership (%) | 5.2 | 12.6 | 8.3 | 5.6 | 2.9 |
| Average weekday ridership (to nearest '000) | 1,579 | 1,776 | 1,927 | 2,041 | 2,091 |
| Growth in average weekday ridership (%) | 5.1 | 12.5 | 8.5 | 5.9 | 2.5 |
| Total passenger-kilometres (to nearest million) | 6,444 | 7,076 | 7,575 | 7,887 | 8,016 |
| Growth in passenger-kilometres (%) | 3.5 | 9.8 | 7.0 | 4.1 | 1.6 |
| Average car occupancy (passenger per car) | 70.1 | 70.6 | 66.2 | 64.5 | 64.7 |
| Growth in average car occupancy (%) | -4.1 | 0.7 | -6.2 | -2.6 | 0.3 |

SMRT Trains

TAPPING ON INTERNATIONAL TECHNICAL EXPERTISE

In addition to the adoption of processes, technologies and people-development initiatives to enhance our engineering capability, we have sought to complement these efforts with counsel and input from engineering experts across the globe.

As part of overall efforts to improve the operational performance of Singapore's rail network and strengthen our engineering expertise, we established a Technical Advisory Panel (TAP), which convened for the first time in January 2014.

Chaired by Professor Alfred Huan, Executive Director of A*STAR's Institute of High Performance Computing, TAP comprises local and international experts from A*STAR, National University of Singapore (NUS), Nanyang Technological University (NTU), Singapore University of Technology and Design (SUTD), Imperial College London, KCPM Consulting and Sentosa Development Corp.

Our engagement with leading technical experts demonstrates our commitment towards strengthening our operational performance.

Over the two-day session in January, members of TAP offered advice on SMRT initiatives covering rail engineering development, business process re-engineering and technological innovation. The members of TAP also recognised SMRT's ongoing efforts to improve reliability and safety standards, as well as our desire to move towards comprehensive asset management, as sound and progressive.

Since then, we have embarked on initiatives to achieve ISO 55001 certification for our asset management system and have initiated discussions with NTU and A*Star on potential collaborations to develop systems that will improve trains and track reliability, as well as enhance customer service.



SMRT's Technical Advisory Panel, comprising seven members from A*STAR, NUS, NTU, SUTD, Imperial College, KCPM Consulting and Sentosa Development Corp

Technical Advisory Panel Experts

1. Professor Alfred Huan
Executive Director
Institute of High Performance Computing, A*Star
2. Dr Kristin Wood
Head of Pillar and Professor
Engineering Product Development,
Singapore University of Technology and Design
3. Professor Seah Kar Heng
Department of Mechanical Engineering,
National University of Singapore
4. Professor Roderick A Smith
Chairman
Future Rail Research Centre, Imperial College London
5. Associate Professor See Kye Yak
Division of Circuits and Systems,
School of Electrical and Electronic Engineering
Nanyang Technological University
6. Dr Martin Murray
Director
KCPM Consulting
7. Mr Tien Sio Low
Deputy Chief Executive Officer
Sentosa Development Corporation

IMPROVING SERVICE EXCELLENCE

In FY2014, efforts were directed at improving the customer experience in our train network. We have optimised the deployment of trains during pre-peak and peak hours so as to better meet passenger demands, including the addition of spare trains during peak hour service.

As part of our efforts to minimise inconvenience during a train service disruption, we have revised our procedures with a view to avoid detrainning passengers at stations with high commuter presence.

This is aimed at alleviating congestion at these stations. We are also cross-training our station staff and train captains to better equip them to attend to minor faults quickly.

Furthermore, to strengthen our service disruption recovery processes and minimise commuter inconvenience across our transport network, we have fine-tuned the integration of bus bridging services with our rail operations. We have initiated new practices in order to facilitate commuter movement within station platforms and bus bridging boarding points.

MEETING OUR TARGETS

In FY2014, we maintained train service availability at 99.82% for the NSEWL and 99.98% for the CCL, compared to the national target of 98%. The BPLRT system's service also performed well with 99.97% service availability, against the national target of 99.5%.

SMRT is an active member of the international benchmarking group, Nova and Community of Metros (CoMeT), comprising leading global metros. SMRT was ranked the safest and most manpower efficient network (refer to page 91 for details).

LOOKING FORWARD

In the coming year, we will continue to enhance train reliability by collaborating with the authorities to accelerate the track renewal and facility expansion programmes. We are enhancing the reliability of our systems by moving from preventive maintenance to predictive maintenance with the integration of sensory technology and condition-monitoring systems into the network. We are also improving train availability by expanding the total fleet size from 132 to 141 trains on the NSEWL. On the BPLRT, eight cars will be operationalised in the year.

In FY2015, we will be implementing the Asset Management System which will provide a holistic view to managing our train assets. This in turn will allow us to pursue standards required to attain the ISO 55001 certification. We are expecting that the proposed changes to the rail financing framework will address the sustainability of our Fare business in Singapore.

SMRT Trains

NSEWL Performance Against LTA Operating Performance Standards (OPS)

| | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 |
|---|--------|--------|--------|--------|--------|
| Train Arrival Punctuality (at least 95% within 2minutes of schedule weekly, effective 1 st January 2014) | 97.45 | 96.01 | 90.76 | 89.08 | 84.92 |
| Train Departure Punctuality (at least 96% within 2minutes of schedule weekly) | 98.39 | 97.37 | 93.22 | 93.06 | 91.10 |
| Train Service Delivery (at least 98% of scheduled train-km weekly) | 99.94 | 99.91 | 99.84 | 99.65 | 99.82 |
| General Ticketing Machine Reliability (at least 98% weekly, effective 1 st January 2014) | 99.86 | 99.75 | 99.75 | 99.83 | 99.86 |
| Passenger Service Machine Reliability (at least 98% weekly, effective 1 st January 2014) | 99.93 | 99.91 | 99.91 | 99.94 | 99.93 |
| Automatic Fare Gates Reliability (at least 98% weekly, effective 1 st January 2014) | 99.94 | 99.91 | 99.90 | 99.95 | 99.94 |
| Escalator and Conveyors Reliability (at least 99.5% monthly) | 99.99 | 99.98 | 99.94 | 99.96 | 99.84 |
| Lift Reliability (at least 99.0% monthly) | 99.86 | 99.78 | 99.87 | 99.85 | 99.89 |
| Passenger Injury Rate (no more than 0.4 injuries per million customers monthly) | 0 | 0 | 0.005 | 0.006 | 0.002 |

CCL Performance Against LTA Operating Performance Standards (OPS)

| | FY2012 | FY2013 | FY2014 |
|---|--------|--------|--------|
| Train Arrival Punctuality (at least 95% within 2minutes of schedule weekly, effective 1 st January 2014) | 97.85 | 98.57 | 99.51 |
| Train Departure Punctuality (at least 96% within 2minutes of schedule weekly) | 98.46 | 98.76 | 99.52 |
| Train Service Delivery (at least 98% of scheduled train-km weekly) | 99.89 | 99.92 | 99.98 |
| General Ticketing Machine Reliability (at least 98% weekly, effective 1 st January 2014) | 99.97 | 99.93 | 99.94 |
| Passenger Service Machine Reliability (at least 98% weekly, effective 1 st January 2014) | 100 | 99.99 | 99.99 |
| Automatic Fare Gates Reliability (at least 98% weekly, effective 1 st January 2014) | 99.90 | 99.99 | 99.99 |
| Escalator and Conveyors Reliability (at least 99.5% monthly) | 99.88 | 99.89 | 99.81 |
| Lift Reliability (at least 99.0% monthly) | 99.93 | 99.94 | 99.95 |
| Passenger Injury Rate (no more than 0.4 injuries per million customers monthly) | 0 | 0.008 | 0 |

BPLRT Performance Against LTA Operating Performance Standards (OPS)

| | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 |
|---|--------|--------|--------|--------|--------|
| System Service Availability (at least 99.5% monthly) | 99.94 | 99.87 | 99.95 | 99.97 | 99.97 |
| General Ticketing Machine Availability (at least 95% monthly) | 99.81 | 99.94 | 99.94 | 99.94 | 99.97 |
| Automatic Fare Gate Availability (at least 95% monthly) | 99.93 | 99.92 | 99.92 | 99.99 | 99.99 |
| Lift Availability (at least 98% monthly) | 99.96 | 99.95 | 99.93 | 99.92 | 99.92 |
| Passenger Injury Rate (no more than 0.4 injuries per million customers monthly) | 0 | 0 | 0 | 0 | 0 |

SMRT Trains Performance

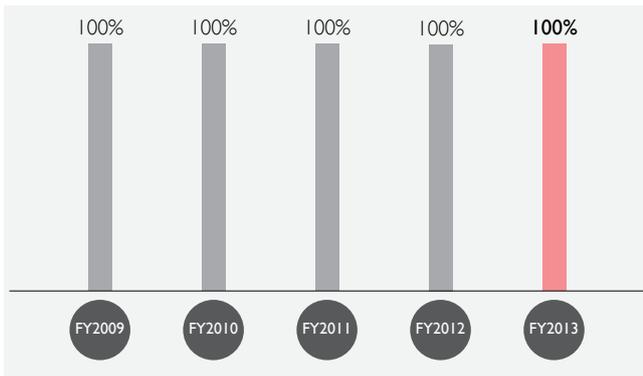
Punctuality¹



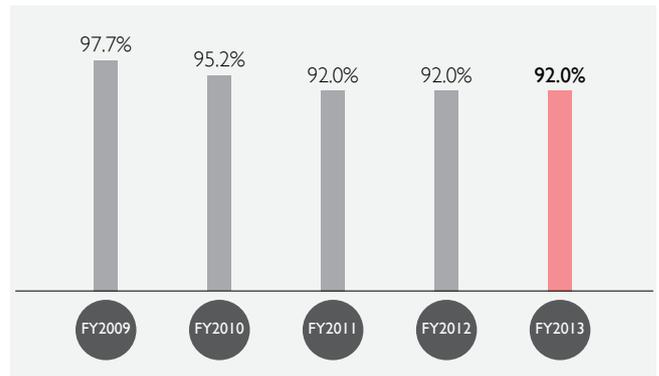
Safety²



Manpower Efficiency³



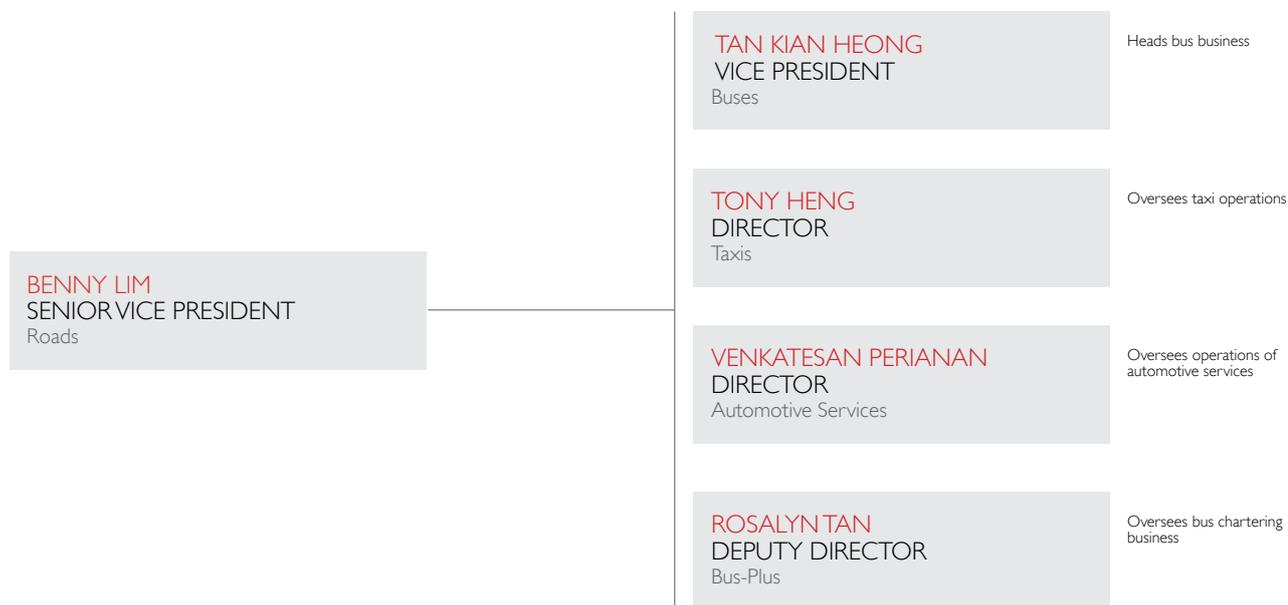
Cost Efficiency⁴



Footnotes:

1. Train punctuality performance in terms of number of trains on time versus total number of scheduled trains to be operated has been affected by the speed restrictions for the re-sleeping works.
2. Safety, which measures fatalities arising from accidents (excluding suicides), maintains its track record.
3. Manpower efficiency, which refers to the total distance travelled by our passengers in kilometres compared to the total number of hours clocked by our staff and contractors in operating and maintaining the rail system, remains at 100%.
4. In the area of cost efficiency, operating costs per passenger-kilometre has risen. Cost figures are adjusted using 2012 Purchasing Power Parity (PPP) conversion factors.

SMRT Roads



BUSES

We continue to offer our commuters a safe and reliable journey while pursuing service excellence with new initiatives and enhancements made to our current systems and processes.

Enhancing Capacity, Connectivity and Reliability

In FY2014, we added 157 MAN A22 buses to our current fleet, bringing the total fleet size to over 1,200 buses. To answer to the needs of our larger fleet, the Woodlands Bus Park, located next to our Woodlands Depot, began operations in February 2013. In addition, we are working with the Government to develop a bus depot that will accommodate approximately 500 more buses.

We have also been increasing capacity and service through the Bus Service Enhancement Programme (BSEP) in close collaboration with the authorities. Introduced in 2012, BSEP introduces more buses to both existing and new routes to enhance service connectivity. In the past year, we have added four new bus services – 904, 972, 803 and 951E – to better connect residents in the northern parts of Singapore.

We will continue to monitor developments in the neighbourhoods we serve with in-depth studies as well as through feedback and continued grassroots engagement.

In January 2014, the authorities announced the Bus Service Reliability Framework (BSRF), which aims to improve bus reliability while reducing instances of bus bunching and prolonged waiting times. The trial involves monitoring 22 bus services over two years and complements the existing Quality of Service (QoS) standards. Ten of the 22 bus services identified for the trial are operated by SMRT Buses. We are the first in Singapore to implement the scheme to seven bus services – 176, 184, 188, 302, 858, 901 and 911 – on 28 February 2014. The remaining three services will be rolled out by June 2014.

Under the BSRF, Public Transport Operators (PTOs) will be penalised if they do not meet bus service reliability standards. Conversely, PTOs will also be incentivised if there are improvements. We will take the necessary steps to gain the maximum incentive from this framework.

Wheelchair Accessible Buses (WAB)

In FY2014, we introduced more Wheelchair Accessible Buses (WAB) service routes, bringing our current total to 42. This is up from the 27 WAB services we had the year before. Close to 50% of our buses are wheelchair accessible, and this is in line with the Transport Masterplan target for all buses to be wheelchair accessible by 2020.

DELIVERING ON CUSTOMER EXPERIENCE

In our bid to enhance our service standards, we have scheduled all employees, including over 2,000 of our Bus Captains, to attend a customised SMRT Service Excellence Programme.

At key bus stops with higher commuter activity during peak hours, Service Ambassadors have been deployed to help commuters board and alight smoothly. Their presence and assistance enhance our commuters' travelling experience.

At all our bus interchanges, we have introduced the Enhanced Electronic Information Display System (EIDS) that provides passengers with bus schedule information. The updated EIDS includes additional information, such as the departing berth and departure timings, in a larger display format.

To strengthen our train service disruption recovery operations, we have reviewed our processes with our rail counterpart to smoothen the commuter experience by ensuring the integration of bus bridging services across our rail network.

The Public Transport Customer Satisfaction Survey (PTCSS) is an annual exercise conducted to gain insight into commuter expectations and needs. In 2013, 88.5% of commuters surveyed expressed satisfaction with Singapore's public transport services.

For bus services, customer satisfaction rose two percentage points from 86.4% in 2012 to 88.3%, with most key service attributes registering improvements. Waiting time saw the biggest jump in satisfaction from 54.2% to 61.5%. This is likely to be attributed to the joint efforts between the authorities, PTOs and SMRT in raising bus capacity and service quality.

Managing Operating Cost

We have been actively managing our operating costs by implementing fuel saving projects and diesel hedging. In addition, we have increased staff productivity with better employee optimisation and by upgrading their skill sets.

Meeting Local and International Standards

In FY2014, we achieved all QoS criteria set by the Public Transport Council (PTC), and made further improvements to service commitment with BSEP.

As a member of the International Bus Benchmarking Group (IBBG) since 2009, SMRT Buses has consistently performed well among our counterparts. Our performance is on par with the leading bus operators in the areas of punctuality and safety of commuters, with a record of one of the fewest accident fatalities. Our operating cost per actual vehicle kilometre is also among the lowest in the group.



Newer SMRT buses get a refreshed look with new livery

SMRT Roads

SMRT Performance Against PTC Quality of Service (QoS)

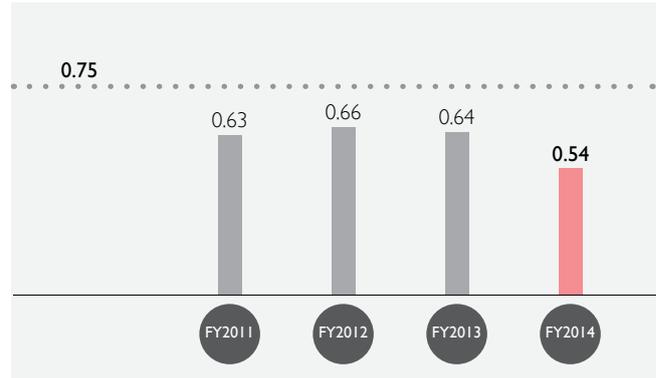
Trip Adherence

At least 96% scheduled bus trips operated on each bus service monthly



Accident rate

Less than 0.75 per 100,000 bus-km per month



Headway Adherence

Not less than 85% of bus service should adhere within 5 minutes of its scheduled headway (frequency) daily



Bus Breakdown Rate

Less than 1.5% bus breakdown per 100 operating buses on all bus services monthly



Loading

Bus loading not exceeding 95% during weekday peak periods on each bus service daily



SMRT BUSES

No. of Services

| | |
|-------------------|------------|
| Trunks | 49 |
| Feeder/Intra-Town | 22 |
| Premium | 10 |
| Special | 3 |
| Express | 10 |
| NightRider | 7 |
| Total | 101 |

BUS-PLUS SERVICES

Established in 1994, Bus-Plus Services is the pioneer peak hour scheduled transport service provider. Today, we offer premium, regulated, ad hoc, as well as charter bus services to passengers island-wide. Our premium bus services connect passengers directly between residential areas and the Central Business District (CBD) during the morning and evening peak hours on weekdays.

Bus-Plus is also frequently contracted as a transport solutions provider for major international events like the FORMULA 1 SINGAPORE GRAND PRIX and the Singapore Airshow.

Furthermore Bus-Plus Services' fleet optimisation is achieved by leveraging a mixed-fleet strategy of leased and owned buses. Bus-Plus Services also constantly collaborates with suppliers to ensure service level requirements are maintained at the lowest possible cost.



Bus-Plus offers premium bus services to bring passengers directly from residential areas to the Central Business District, and charter services to organisations.

TAXIS

Raising Customer Service Standards

In line with our customer-centric approach, we introduced our Book a Taxi iPhone application (app) in 2011, and on the Android and Blackberry platforms in 2012. In FY2014, we saw bookings through our app increase by up to 114%. Bookings through smartphone apps now constitute 40% of our total bookings.

Aside from technology, our taxi partners' ability to deliver exemplary service is a key pillar of our business proposition. At the Excellent Service Award (EXSA) in 2013, 334 taxi partners were recognised for their service excellence. At the Transport Gold Award 2013, 22 taxi partners were also recognised by the Singapore Kindness Movement for demonstrating excellent service and for going the extra mile.

Taking Care of Our Partners

The welfare of our taxi partners remains a top priority, and we are constantly developing new initiatives to better meet their needs.

To advocate safe driving, we held our first Safety Campaign to engage our taxi partners and educate them on the importance of safe driving. Seven taxi partners who have operated accident-free for at least 10 years were appointed as our Safety Ambassadors. The event also served as a platform to award Bursaries worth \$15,000 to 50 taxi partners. Into its third year, this is part of SMRT's ongoing commitment to provide financial support for the education needs of our partners' children.

Fleet Renewal and Green Taxis

In FY2014, a full fleet of 30 wheelchair accessible London taxis was rolled out with the support of the Ministry of Social and Family Development. Our fleet of London taxis will allow us to better serve our less physically mobile customers.

SMRT Roads

Along with our commitment to enhance service availability, environmentally responsible solutions are a key consideration of our ongoing fleet renewal drive. In October 2013, the Toyota Prius Hybrids were rolled out, replacing our ageing Toyota Crowns. Our environmentally friendly taxis, with greater fuel efficiency and the lowest carbon emissions account for approximately one-fifth of SMRT's total fleet.

Meeting the Standards

SMRT Taxis has consistently met the QoS standards and the first-year target for the authorities' Taxi Availability (TA) standards. With specific targets to meet, such as minimum daily mileage per taxi¹ and a minimum percentage² of taxis on roads during peak hours, SMRT has surpassed TA standards since they were implemented in January 2013. Our fleet growth rate is also allowed to grow by 2%, subject to meeting the TA standards.

SMRT AUTOMOTIVE SERVICES

Enhancing Reliability and Safety

SMRT Automotive Services provides maintenance and service support for both internal and external customers. For our internal fleet business, we maintain over 1,200 buses, 3,300 taxis and 100 mini-buses and SMRT road vehicles. We also provide vehicle refurbishment, vehicle grooming, component overhaul, vehicle recovery and commissioning of new vehicles.

We ensure the effectiveness and efficiency of our repair and maintenance activities and assist SMRT Buses and Taxis to

achieve their QoS standards. In order to support operations that require speed and reliability, our maintenance activities include three-tier quality assurance checks and improved processes to strengthen our maintenance regime and reduce the number of breakdowns.

Our external business consists of corporate fleet maintenance, private car servicing, parts retail and agency as well as accident repair. We also work closely with bus and taxi manufacturers as a parts and retail agency. Our workshop is an authorised workshop for accident repair for several insurance companies.

Likewise, workplace health and safety is also of importance to us and in order to develop a working culture of safety, regular walkabouts by a Workplace Health and Safety Committee (WHSC) are conducted to identify potential hazards in the workshop. We have also tasked a safety team to enforce safety practices, and to educate employees on the importance of adherence to these practices.

Delivering Service

We improved the reliability and safety of vehicles through concertina bellow replacement and midlife upgrading for our articulated buses. We also conducted refurbishment and upgrading works to our DAF buses to extend their statutory life to 19 years. Additionally, we have carried out safety enhancement projects for our new buses, so customers have safer and more comfortable rides.



Our taxi partners are instrumental in delivering service excellence to enhance our customers' travel experience.



SMRT's road vehicles are maintained in-house by our technicians.

¹ 80% of taxi fleet is required to clock a daily mileage of 250 kilometres
² 60% of taxi fleet will have to ply the roads during the first and last hour of the defined peak period; 80% of the fleet is required during the remaining peak period timings

As an Institute of Technical Education-Approved Training Centre for NITEC in Automotive Technology (Heavy Vehicles), our team receives local and overseas training to ensure up-to-date technical knowledge and allows them to continue providing excellent service.

Improving Cost Management and Productivity

To strengthen our existing cost management processes, we have established parts supply agreements with upstream manufacturers and suppliers. To ensure that our raw material costs are optimised, we continue to proactively explore alternative parts and distributors. To ensure individual worker productivity, we have developed a monitoring system that measures individual employee performance and productivity.

THE ROAD AHEAD

We will continue to implement initiatives to improve the passenger experience on our buses and taxis. To replace our ageing fleet, we will be purchasing more than 350 buses, including double-decker buses to our high capacity fleet. Aside from renewing our fleet, we will also complete the midlife upgrading project for all our articulated buses.



Double-decker buses will be added to our high capacity fleet.

We are working closely with the authorities to accelerate the BSEP and complete the majority of service improvements by 2014, instead of 2016. With the inclusion of more buses and services under the expanded BSEP between 2015 and 2017, commuters can look forward to a more comfortable journey, shorter waiting times and better connectivity.

The Government has also announced that it will move towards a bus contracting model that aims to achieve greater contestability in the bus industry to improve operational efficiency. We are gearing up for more opportunities within the new framework through resource and operational efficiency.

In line with national efforts to increase employment of economically inactive citizens, we will be implementing a Flexible Employment Scheme for Part-Time Bus Captains to provide greater and more flexible employment opportunities to the workforce.

In 2015, a new Integrated Transport Hub (ITH), situated where the Bukit Panjang Interchange used to be, will be ready to serve the residents. It will facilitate seamless travel by linking the bus interchange to the LRT station and other developments in the area. The ITH will feature enhanced touch points for greater convenience.

With a focus on the revised TA standards this year, we will continue to work with our taxi partners on service competency, while encouraging a better work-life balance through relief driving opportunities. With taxi partners extending our commitment to safe and reliable service, SMRT will continue to emphasise quality partnerships and relationship building through regular engagement.

SMRT Automotive Services also targets to expand our accident repair centre for external customers, by becoming the authorised workshop for more insurance companies.

SMRT Investments

SMRT Investments is a major contributor to the Group's non-fare revenue and profit, and manages all commercial business in the areas of retail, property, media and digital. SMRT Investments' commitment to an enhanced customer experience within our transit environment is evident through our total approach in providing lifestyle convenience, services and impactful advertising campaign platforms. Our diverse expertise in retail management, operations and advertising solutions enable us to offer added value to our customers, clients and key partners.

TRANSFORMING THE TRAVEL EXPERIENCE

With SMRT Properties, MRT stations and bus interchanges have been transformed from simply meeting travel needs to providing lifestyle choices. To date, SMRT Properties manages more than 780 retail units across our transport network and achieved 98.9% occupancy during FY2014. We continue to inject vibrancy into our stations and Xchanges with consumer lifestyle offerings and services ranging from cafes, fashion and beauty to healthcare providers and banks.

With the launch of Woodlands Xchange in November 2013, we added more than 1,400sqm of commercial space and 50 shop units to the network. We increased our rental yield and brought in brands like Starbucks, Burger King and Citibank. SMRT Investments pioneered the Project: Eco-Shop label with Singapore Environment Council, setting a national standard to guide and encourage tenants to fit out their shops in an environmentally-sustainable manner. Woodlands Xchange tenants were the nation's first to be 100% certified with the Project: Eco-Shop label.

We were awarded the BCA Green Mark (Gold) for introducing environmentally-friendly features to Woodlands MRT station. The evaluation was based on the environmental impact of our facilities and our operations in the following areas: energy efficiency, water efficiency, environmental protection, indoor environmental quality, and other green features and innovations. The next commercial area to be refurbished is Ang Mo Kio Xchange, and this will add even more commercial spaces when completed.

To drive footfall into our network of shops and Xchanges, we rewarded customers under the Shop & Dine @ SMRT programme during key retail seasons of the year. We also hosted major promotions and events within our retail spaces. For example, we collaborated with Trafalgar Tours during the Great Singapore Sale to give away exotic holiday prizes, and Nickelodeon during the festive seasons with attractive travel prizes. We also had Dora the Explorer make appearances at Choa Chu Kang and Esplanade Xchanges. Raffles Xchange hosted almost 40 stalls over the popular Mid-Autumn and Chinese New Year Fairs, giving customers a wider selection of products and services.

We also expanded shopping options for our Citibank SMRT Platinum Visa members through tie-ups with Clementi Mall and nex for exclusive rewards. Through our strategic partnership with Citibank, we reinforced the rebates proposition for card members by offering free groceries, free rides and more savings overall.



Eco-friendly Woodlands Xchange counts brands like Starbucks as a lifestyle offering to enhance customer experience within a transit environment.

Non-Fare Business

INNOVATIVE DIGITAL ADVERTISING

SMRT Media is Singapore's largest Out-of-Home (OOH) marketing and advertising network. From digital iViewSMRT screens and interactive advertisements in our stations, to advertisements carried around Singapore by our buses and taxis, we are the choice OOH digital solution to capture, engage and activate the millions of commuters using our network daily.

We have expanded our business to include greater emphasis in the digital sphere. Riding on the success of iMobSMRT, iMobSMRT Scan+Win presents our next growth platform to drive sales and return on investment for advertisers by combining e-commerce, mobile advertising and online engagement.

Our digital efforts received external recognition when we were awarded the UITP Asia-Pacific Regional Grow with Public Transport Award for Business Model Innovation. We were recognised for digital and lifestyle enhancements in our network, including iViewSMRT and iMobSMRT, which added value and vibrancy to commuter travel experiences and enhanced our brand as an innovative media solution.

Amongst many exciting campaigns rolled out island wide with advertisers and civic organisations, SMRT Media was also the choice OOH solution for luxury brands such as Chanel for their "The Little Black Jacket" exhibition at the Art Science Museum and BMW for the launch of their BMW 4 Series.

We worked with United International Pictures to bring the Minions into Orchard MRT Station to promote the Despicable Me 2 movie. To launch Hewlett Packard's Slate7Extreme gaming tablet, characters like Ironman, Thor and Spiderman from the Marvel Game on the tablet came to Bugis MRT Station, complementing a digital OOH campaign.

SUPPORTING CHARITY AND ENCOURAGING CREATIVITY

We actively support charitable causes and local communities, as evidenced through our sponsorship of campaigns throughout the year.

The Care and Share Campaign by Community Chest, the first of its series, is a unique public education and fund-raising campaign. This was the first time commuters were able to donate \$1 per tap of their EZ-Link card on sponsored panels at high footfall MRT stations. We also supported the President's Challenge and the Breast Cancer Awareness Campaign with a range of media spaces in our network.

Lifestyle benefits on iViewSMRT digital space

SMRT launched the next phase of digital interactivity with iMobSMRT Scan+Win across our network. This initiative is designed for brands to marry activation with outdoor advertisements, and engage consumers with lifestyle benefits. We kicked off this initiative with an island-wide contest, where more than \$40,000 worth of prizes could be won by simply scanning the Quick Response Codes (QR Codes) on SMRT advertising panels.



SMRT Investments

Non-Fare Business

We maintained our links with the creative and advertising industry by sponsoring the Best Use of Outdoor Award for the Singapore Media Awards 2013 and the Institute of Advertising Singapore Hall of Fame 2013 Creative Director of the Year Award. We were also a strategic partner of the 2014 Singapore Airshow to promote the event.

NEW DEVELOPMENTS - KALLANG WAVE MALL

SMRT Alpha Pte Ltd, a joint venture between subsidiaries of SMRT Investments and Alpha Plus Investments, won the bid to lease and operate the retail mall at the iconic Singapore Sports Hub in 2012.

The name Kallang Wave is inspired by both the mall's architectural wave-like contours and its location; where the old National Stadium's "Kallang Wave" was synonymous with national pride and celebration. As the retail heart of the Singapore Sports Hub, Kallang Wave is about the everyday experiences that shape the lives of Singaporeans – and presents a new wave to Shop, Dine and Play.

Kallang Wave will feature both homegrown and international brands to reflect the diverse lifestyle preferences of Singaporeans. Kallang Wave is specially designed to appeal to a broad spectrum of the community, comprising families, youth, seniors and sports enthusiasts.

Kallang Wave, spanning over 41,000sqm, includes climbing walls which reach up from the basement to the third floor, and a rooftop water park. Kallang Wave is just steps away from Stadium Circle Line Station and minutes away from other Circle Line stations such as Mountbatten and Dakota, as well as Kallang Station on the East West Line. There is also direct access from Nicoll Highway and Stadium Boulevard, and more than 3000 carpark spaces at Singapore Sports Hub. For the convenience of shoppers, there are 500 carpark spaces directly under the mall.

LOOKING AHEAD

SMRT Investments will continue to drive our growth strategies to extract maximum returns.

SMRT Properties will continue to enhance and optimise our retail spaces to extract greater rental yield. We will explore more partnerships with key strategic brands and growth opportunities beyond our network.

At SMRT Media, digital technologies and integration will form the key pillar for advertising revenue growth. As we continue our efforts to be the partner-of-choice for local and international brands, we will also focus on broadening and deepening our clientele and enhancing our inventory.



The creative Care & Share campaign advertisements were placed in SMRT Media's island-wide network of stations. Together with Community Chest, SMRT Media rolled out a new mode of direct donation on our Orchard Showcase by tapping an EZ-Link card for an instant donation of \$1.

SMRT Engineering & SMRT International

Non-Fare Business

SMRT Engineering and SMRT International promote sustainable growth by making progressive headway locally and internationally. Capitalising on our credible track record in public transport systems and domain expertise, in the last year, we have expanded our engineering and business footprint.

MAINTAINING OUR LOCAL PRESENCE

SMRT Engineering was re-appointed by Sentosa Leisure Group, to continue providing maintenance services for the Sentosa Express, a light rail system that adds to Sentosa Island's accessibility. We have been providing maintenance services since Sentosa Express started operations in 2007.

SMRT also actively markets our in-house propriety solutions such as the SMRT Active Route Map Information System (STARiS). We have worked with the authorities on a number of enhancement works, with more recent projects involving the design, supply and installation of STARiS for 16 new trains that the authorities commissioned for the NSEWL.

ADVANCING OUR GLOBAL INTERESTS

In FY2014, SMRT International continued to maintain a presence in the Middle East by operating the Personal Rapid Transit (PRT) system in Masdar City, Abu Dhabi. The PRT is the first of its kind in the United Arab Emirates and Middle East and is a fully-automated, zero-carbon vehicle system. With a three-year contract for the state-of-the-art PRT system, we are confident of maintaining our presence in the region. This is reflected by our provision for training programmes to mid-level management officials from the Abu Dhabi Department of Transport in 2013.

In 2012, SMRT International secured a contract with the Republic of Mauritius to provide technical advice to procure a LRT system for the island nation. Last year, we were awarded an additional contract for consultancy services, which includes the preparation and execution of a transparent procurement process for the LRT in accordance with international best practices.

We remain active in China and our three-year contract with Dalian Metro Company Ltd is in its final year. The Dalian Metro is progressing as planned, and we continue to assist Dalian Metro with revenue services and managing its initial operations. We were also engaged to conduct a comprehensive review

of their tender documents and safety operations procedures, against international best practices and standards.

In 2013, SMRT International secured the right of first refusal to provide O&M services for the Jakarta Eco Transport (JET) Monorail. JET is scheduled to commence operations in 2017.

SMRT International also signed a Memorandum of Understanding with Huawei Enterprise Business Group in March 2014 to jointly develop and market products and solutions in the international market.

VENTURING FORWARD

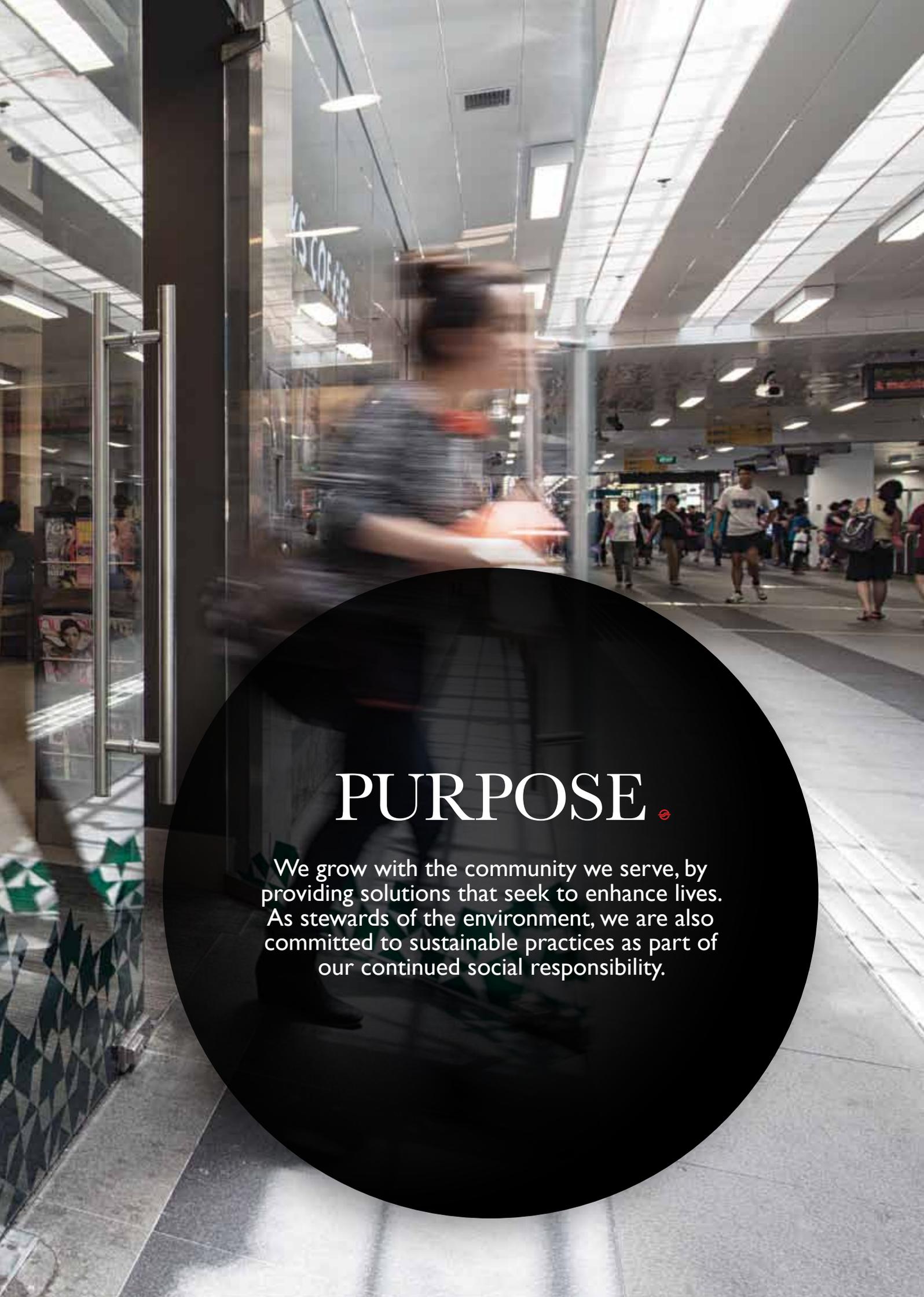
In FY2015, SMRT Engineering will focus on marketing ourselves as an integrator for large and complex rail projects. In the pipeline is the refurbishment of our 19-year old C651 trains over the next few years. There are also plans to set up a service centre for higher level maintenance of specific rolling stock components, which is in line with our initiative to introduce Reliability Centred Engineering to the assets that we maintain. We intend to become the certified service agent of selected component suppliers. This will facilitate our ability to conduct faster component overhauls.

SMRT International will focus on strengthening our presence in our key markets such as China, Middle East and Southeast Asia through our existing partnerships and consultancy projects. We will continue to leverage our track record in providing efficient, reliable and safe transit solutions in expanding our business presence.



SMRT International is assisting Dalian Metro in its planned revenue service, and to manage the operations during initial service stage.





PURPOSE

We grow with the community we serve, by providing solutions that seek to enhance lives. As stewards of the environment, we are also committed to sustainable practices as part of our continued social responsibility.

Corporate Social Responsibility

SERVING OUR COMMUNITY

During the past year, we embarked on new programmes aimed at enabling excellence in the delivery of our customer service, as well as cementing stronger links between our business, operations and corporate social responsibility (CSR) programmes.

Refreshing Our Customer Service Culture

SMRT's dedicated Passenger Service department, established in the past year, has made significant strides in driving service culture transformation at the Company. Group-wide corporate programmes were designed to address customer service practices, perceptions and standards.

One notable initiative was our partnership with *Next U*, a joint venture between NTUC Learning Hub and Disney Institute. Through this partnership, we created a service framework centred on a common purpose, which is to bring on smiles and build trust with everyone who journeys with us. Jointly developed by the Management and staff of SMRT, this framework guides our behaviour with external and internal stakeholders. To propagate this across the organisation, it has been woven into a tailored Workforce Skills Qualification (WSQ) service training module that all SMRT employees are scheduled to complete.

A CEO Service Excellence programme was also created to recognise and celebrate employees who display exemplary customer service behaviour. To date, over 340 employees have been lauded for their leadership in service excellence.

At the national level, 1,014 SMRT staff were recognised for their stellar customer service at the Excellence Service Awards, Transport Gold Awards and the Land Transport Excellence Award. SMRT was also among 20 organisations honoured with the Service Excellence WSQ Recognition Award for adopting the Service Excellence WSQ framework.

Enhancing Our Customer Experience

We embarked on an effort to identify more ways to simplify processes and improve various customer service touch-points. Five work teams were formed for this purpose, comprising employees from varying functions across the company to design and seed ground-up initiatives.

We continue to build on the channels available to us, to effectively communicate our organisational priorities to all stakeholders. SMRT launched our corporate Facebook and LinkedIn pages. Together with our Twitter account, our social media presence continues to provide relevant and timely information to commuters in an engaging manner.

The Service Excellence Road Ahead

We are committed to customer service excellence and in the coming year, will continue to develop our capabilities while enhancing the channels of communication with commuters. As part of our ongoing efforts to educate, inform and engage our commuters, we will be updating our smart phone applications and conducting ongoing social and travel etiquette campaigns. We remain committed to providing the highest level of service and will periodically conduct reviews of all our touch-points in order to serve our commuters and customers better.

Defining Our Social Responsibility

In FY2014, SMRT undertook a review of its CSR strategy in order to ensure greater affinity between our CSR programmes and vision of *Moving People, Enhancing Lives*. Our refreshed objectives are, to support sustainable development at SMRT, while giving back to and building an inclusive community. Henceforth, three fundamental principles direct our CSR actions whether they relate to philanthropy, volunteerism, advocacy, operational practices or other activities. These principles are: enabling **Mobility**, empowering through **Education and the Arts** and sustaining our **Environment**.

Enabling Mobility

SMRT's Gift of Mobility (GoM) programme is a key initiative of this CSR pillar. As part of this programme, the SMRT GoM Fund was established to assist individuals who are physically less able, less mobile and financially in-need, and who require point-to-point transfers to receive medical treatment or to work. Since 2008, the Fund has disbursed more than a million dollars and has helped over 7,000 beneficiaries through Community Development Councils (CDCs), hospitals and Volunteer Welfare Organisations (VWOs).

In the last year, SMRT has provided charities and social service organisations with over a million dollars in value of in-kind sponsorship, so that these organisations are able to broadcast their causes.

In September 2013, we organised a special clinic for wards of Bizlink, a social enterprise and GoM beneficiary in collaboration with Johnnie Walker, and our taxi partners. Conducted by two-time F1 Champion Mika Hakkinen, he shared his personal experience in overcoming challenges and treated the attendees to dedicated drive-time with him. Mr Hakkinen also held a separate dialogue on safe driving with our taxi partners.



SMRT Gift of Mobility Programme offers less mobile individuals with transport solution.

SMRT and Johnnie Walker also offered 10,000km worth of complimentary taxi rides to commuters during the 2013 FORMULA 1 SINGTEL SINGAPORE GRAND PRIX, as part of efforts to promote responsible driving and road safety.

Empowering Through Education and the Arts Education

In October 2013, we revamped and reintroduced the Learning Journey programme, which is an educational outreach programme catering to students between 12 and 16 years old. This programme highlights safety and security features within our transport network, and shows students and the larger community how they too can play a part in ensuring a safe and enjoyable journey.

Since the reintroduction, we have hosted over 300 participants on the Journey, which features a customised train ride, an introduction to the Operations Control Centre for the fully-automated Circle Line, and a bus ride. Additionally, the Learning Journey allows us to emphasise our ongoing efforts in ensuring safety and achieving service excellence to all participants.

Arts

Over the last three years, we have supported the Esplanade's 'A Date with Friends' programme which is held in conjunction with Active Ageing Week. We also worked with the Esplanade to conduct a teacup painting workshop for 25 members of the elderly residents from the Asian Women's Welfare Association ReadyCare Centre.

Sustaining our Environment & Cultivating 'Green' Values

In the past year, we updated our environment policy and grounded it in our core values of Service Excellence, Mastery, Respect, Teamwork, Nurture and Integrity. We have also consistently sought to cultivate these 'green' values in the organisation.

SMRT Environment Policy

SMRT is committed to being an industry leader in environmental stewardship.

As a leading public transport company, SMRT's Board of Directors, Senior Management and Employees are dedicated to ecological and economic sustainability anchored on SMRT's core values.

Commitment to **Service Excellence** anchored on eco-friendly policies and principles across all our touch-points;

Mastery and adoption of best environmental practices;

Respect for our environment and recognition of our **Responsibility** to conserve it;

Teamwork and partnership with our stakeholders to drive awareness in environmental conservation;

Nurture and develop eco-consciousness amongst our employees;

Integrity in our actions in support of environmental sustainability.

For instance, during our Health, Safety, Security and Environment Day in February 2014, over 70 staff penned 'green' acts that they promised to practise daily. As part of the event, there was also an exhibition showcasing 'green' efforts at SMRT.

Operationally, we have started using an engine oil additive that is projected to reduce fuel consumption. We will monitor and evaluate the fuel efficiency of this additive in our buses whilst continuing to invest in the expansion of our environmentally-friendly fleet of buses and trains. In FY2014, we acquired MAN Euro V-compliant 12m single-deck buses and introduced fuel efficient Toyota Prius Hybrid taxis as part of our 'green' fleet expansion.

In November 2013, we inaugurated Woodlands Station as the first MRT station in the country to be awarded the Building and Construction Authority (BCA)'s Green Mark (Gold) Award. Aside from an exhibition showcasing SMRT's green efforts and programmes, we worked with students from Republic Polytechnic's Conservation Interest Group to design a wall mural depicting our green station and the community in Woodlands.

Corporate Social Responsibility



SMRT's exhibition of our environmentally-friendly practices, and the wall mural jointly developed with Republic Polytechnic, during the inauguration of Woodlands Station as the first 'green' station in Singapore.

Together with Singapore Environmental Council (SEC), we pioneered Project: Eco-Shop in July 2013. Project: Eco-Shop is Singapore's first national eco-certification programme for shop owners. It aims to guide and encourage shop owners to adopt eco-friendly habits and implement green practices in their daily operations. In October 2013, our tenants at Woodlands Xchange were the first to be certified with this label. We continue to work with SEC to promote this programme to other tenants in SMRT's retail network, as well as reach out to other shop owners in Singapore. In FY2015, we are looking at further introducing environmentally-friendly features at Ang Mo Kio Station and getting more retailers on board the Project: Eco-Shop programme.

Advocating Environmental Stewardship in Our Community

One of our strategies to promote 'green' practices has been to collaborate with like-minded organisations to advocate environmental awareness in the community, and support ground-up 'green' programmes.

Since 2009, we have supported the World Wide Fund for Nature (WWF). In FY2014, we continued to provide media space in our network so the organisation is able to extend awareness for their campaigns such as Earth Hour, Sustainable Seafood and Illegal Wildlife Trade, within our transport network. With the worsening haze conditions in June last year, SMRT also supported them with media space for an awareness campaign on the topic of this pressing environmental issue.

We repeated our participation at Clean and Green Singapore (CGS) 2014 Launch Carnival which was jointly organised by the National Environment Agency (NEA) and South East CDC. In addition to supporting the event, we contributed colouring sheets that highlights our use of recycled water in our train washes, for the younger participants.

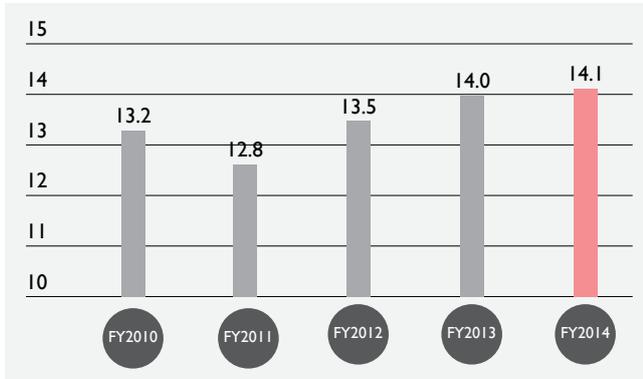
Benchmarking Our Efforts

In recent years, SMRT's trains have seen an increase in their carbon footprint as a result of the addition of trips to meet increased demand. We remain committed to managing our carbon footprint through regular reviews to optimise train load to meet passenger demand.

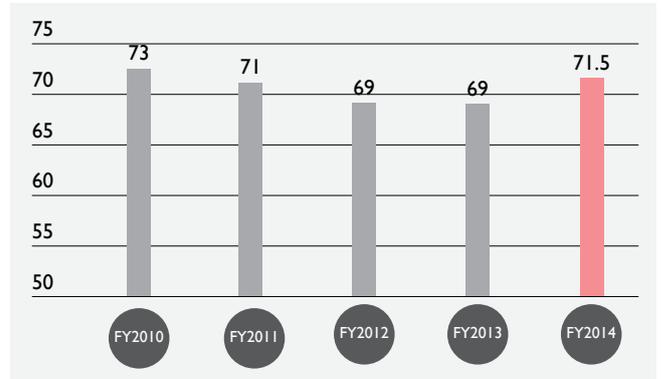
With the addition of services and routes under BSEP, our bus carbon footprint naturally experienced an increase of 2.5 grams per passenger-kilometre from 69 grams per passenger-kilometre in FY2013, to 71.5 grams in FY2014. We continue to monitor our carbon footprint in relation to our operations even as we increase the size of our fleet, albeit with eco-friendly and fuel-efficient buses.

In the latest railway benchmarking exercise conducted by Nova and Community of Metros (CoMeT), comprising leading global metros, SMRT was ranked among the most energy efficient metros in terms of traction energy per capacity-kilometre and traction energy per passenger-kilometre.

SMRT Trains Carbon Footprint (grams of CO²/pax-km)



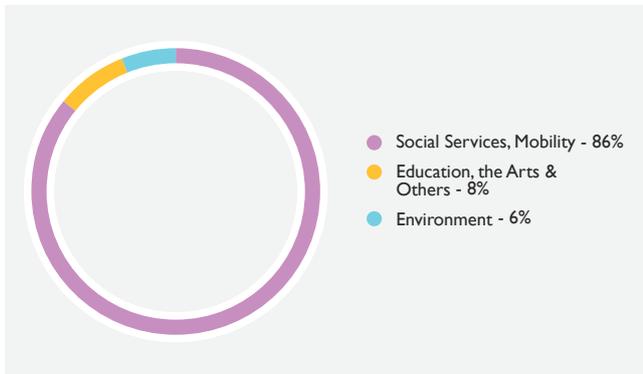
SMRT Buses Carbon Footprint (grams of CO²/pax-km)



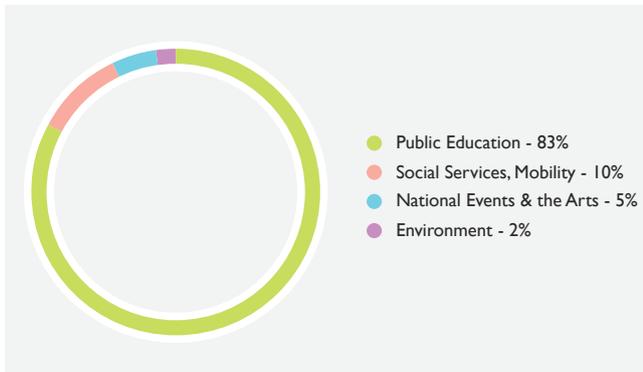
GIVING AT SMRT

SMRT gifts charities and other worthy causes with cash donations and in-kind sponsorship. For the latter, we are able to leverage our transport network, including media spaces within the network as well as on trains, buses and taxis, to promote causes we support.

Cash Sponsorship (%)



In Kind Sponsorship (%)



AWARDS AND ACCOLADES

Most Transparent Company Award (Runner-Up) in the Travel, Leisure & Automobiles & Parts Category
SIAS Investors' Choice Awards 2013

Business Model Innovation
UITP Asia-Pacific Regional Grow with Public Transport Awards

Special Event Platinum Award
Partner Platinum Award
5-Year Outstanding Partner Award
Share Corporate Gold Award
10-Year Outstanding Share Award
Community Chest Awards 2013

Service Excellence WSQ Recognition Award
Singapore Workforce Development Agency

Distinguished Patron of the Arts
National Arts Council's Patron of the Arts Awards 2013

Green Mark (Gold) Certification for Woodlands MRT Station
Building and Construction Authority of Singapore

Financial Report

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Directors' Report

Year ended 31 March 2014

The Directors present their report to the members together with the audited consolidated financial statements of SMRT Corporation Limited ("the Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 March 2014.

1. Directors

The Directors of the Company in office at the date of this report are:

| | |
|-----------------------|----------------------------|
| Koh Yong Guan | Chairman |
| Desmond Kuek Bak Chye | Executive Director & CEO |
| Bob Tan Beng Hai | |
| Lee Seow Hiang | |
| Moliah Hashim | |
| Ong Ye Kung | |
| Patrick Ang Peng Koon | |
| Peter Tan Boon Heng | |
| Tan Ek Kia | |
| Yap Kim Wah | |
| Yap Chee Meng | (appointed 1 October 2013) |

2. Directors' interests in shares or debentures

According to the Register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors holding office at the end of the financial year (including those held by their spouses and infant children) had any interests in the shares, debentures and share options of the Company and related corporations (other than wholly-owned subsidiaries) except as follows:

| Name of Director and Corporation in which interests are held | Holdings in the name of the Director, Spouse or Infant children | |
|--|--|-----------------------|
| | At beginning of the year/date of appointment, if later | At end of the year |
| Koh Yong Guan SMRT Corporation Ltd - ordinary shares | 70,000 | 70,000 |
| Mapletree Logistics Trust Management Ltd - units in Mapletree Logistics Trust | 16,000 | 16,000 |
| Singapore Airlines Limited - ordinary shares | 4,800 | 4,800 |

Directors' Report

Year ended 31 March 2014

2. Directors' interests in shares or debentures (cont'd)

| Name of Director and Corporation in which interests are held | Holdings in the name of the Director, Spouse or Infant children | |
|--|--|-----------------------|
| | At beginning of the year/date of appointment, if later | At end of the year |
| Koh Yong Guan (cont'd) | | |
| Singapore Telecommunications Limited - ordinary shares | 19,090 | 19,090 |
| Singapore Technologies Engineering Ltd - ordinary shares | 23,108 | 23,108 |
| Desmond Kuek Bak Chye | | |
| Singapore Telecommunications Limited - ordinary shares | 2,230 | 2,230 |
| Ong Ye Kung | | |
| SMRT Corporation Ltd - ordinary shares | 10,000 | 10,000 |
| Singapore Telecommunications Limited - ordinary shares | 45,460 | 40,440 |
| Singapore Airlines Limited - ordinary shares | 10,000 | 10,000 |
| Neptune Orient Lines Limited - ordinary shares | 20,000 | 20,000 |
| Tan Ek Kia | | |
| Mapletree Greater China Commercial Trust Management Ltd - units in Mapletree Greater China Commercial Trust | 10,000 | 10,000 |
| Yap Kim Wah | | |
| Singapore Airlines Limited - ordinary shares | 119,211 | 99,531 |
| Yap Chee Meng | | |
| Singapore Telecommunications Limited - ordinary shares | 177 | 177 |

There were no changes in any of the above-mentioned interests in the Company or in related corporations between the end of the financial year and 21 April 2014.

Directors' Report

Year ended 31 March 2014

3. Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than as disclosed under the "Share Options and Share Plans" section of this report.

4. Directors' contractual benefits

Since the end of the previous financial year, no director 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 he is a member or with a company in which he has a substantial financial interest except as disclosed in the notes to the financial statements and salaries, bonuses and other benefits in their capacity as directors of the Company which are disclosed in the Corporate Governance Report.

5. Share Options and Share Plans

The SMRT Corporation Employee Share Option Plan ("SMRT ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRT ESOP comprises two distinct schemes:

- | | |
|-----------------------|--|
| (i) Management Scheme | Scheme designed for management staff in the positions of Deputy Director and above of the Group. |
| (ii) Employee Scheme | Scheme designed for all other employees of the Group. |

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") of the Company were approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2004.

The SMRT ESOP, SMRT RSP and SMRT PSP are administered by the Remuneration Committee (the "Committee"), comprising Mr Koh Yong Guan, Chairman of the Committee, Mr Lee Seow Hiang, Mr Tan Ek Kia and Madam Moliah Hashim.

In exercising its discretion, the Committee must act in accordance with any guidelines that may be provided by the Board of Directors. The Committee shall refer any matter not falling within the scope of its terms of reference to the Board. The Committee shall have the power, from time to time, to make and vary such regulations for the implementation and administration of the SMRT ESOP, SMRT RSP and SMRT PSP as it thinks fit.

The salient features of the SMRT ESOP, SMRT RSP and SMRT PSP are as follows:

SMRT ESOP

(i) *Eligible participants*

At the absolute discretion of the Committee, all confirmed employees of the Group (including any director of the Group who performs an executive function) who are not less than 21 years old and have been in the service of the Group for at least one year prior to the date of which an option is granted ("Grant Date") are eligible to participate in the SMRT ESOP.

Directors' Report

Year ended 31 March 2014

5. Share Options and Share Plans (cont'd)

SMRT ESOP (cont'd)

(ii) Maximum allowable allotment

The total number of shares which may be issued under the SMRT ESOP ("ESOP Shares") when added to the number of shares which may be issued pursuant to awards granted under the SMRT RSP and SMRT PSP shall not exceed 15% of the issued share capital of the Company on the Grant Date.

The number of ESOP Shares to be offered to a participant shall be determined by the Committee at its absolute discretion after taking into account the length of service and performance of the participant and such other general criteria as the Committee may consider appropriate.

(iii) Subscription price

The subscription price for each share in respect of which an option is exercisable shall be the average of the last dealt prices of the shares as published by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days immediately preceding the Grant Date.

(iv) Option period

The options granted under the Management Scheme will be vested over a 3-year period (that is cumulatively 33% in the first year, 66% in the second year and 100% in the third year) and may be exercised during the period commencing after the vesting date but before the tenth anniversary of the Grant Date.

The options granted under the Employee Scheme may be exercised during the period commencing after the second anniversary of the Grant Date but before the tenth anniversary of the Grant Date. The right of the participants to exercise their options is in all cases subject to such vesting schedule (if any) stipulated by the Committee and any other conditions which may be imposed by the Committee from time to time in its absolute discretion.

At the end of the financial year, details of the options granted under the SMRT ESOP on the unissued ordinary shares of the Company are as follows:

| Date of grant of options | Exercise price per option | Options outstanding at 1 April 2013 | Options exercised | Options forfeited/expired | Options outstanding at 31 March 2014 | Number of option holders at 31 March 2014 | Exercise period |
|--------------------------|---------------------------|-------------------------------------|-------------------|---------------------------|--------------------------------------|---|------------------------|
| 22/7/2003 | \$0.623 | 322,150 | (74,300) | (247,850) | - | - | 22/7/2004 to 21/7/2013 |

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

No director has been granted options under the SMRT ESOP during the financial year. As at 31 March 2014, there are no outstanding options granted to directors under the SMRT ESOP.

Since the commencement of the SMRT ESOP, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the SMRT ESOP has been granted 5% or more of the total options available under the SMRT ESOP.

Directors' Report

Year ended 31 March 2014

5. Share Options and Share Plans (cont'd)

SMRT ESOP (cont'd)

Since the commencement of the SMRT ESOP, no options have been granted to the employees of the holding company or its related corporations under the SMRT ESOP.

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

During the financial year, no options have been granted. The last batch of share options granted on 22 July 2003 expired on 21 July 2013.

SMRT RSP and SMRT PSP (collectively "the Plans")

The SMRT RSP is intended to enhance the Group's overall compensation packages and strengthen the Group's ability to attract and retain high performing talent.

The SMRT PSP is targeted at senior management in key positions who are able to drive the growth of the Company through innovation, creativity and superior performance.

(i) Eligible participants

- Group employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time; and
- Associated company employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The selection of employees and the number of shares which are the subject of each award to be granted to employees in accordance with the Plans shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, contribution to the success and development of the Group and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

(ii) Awards

Awards represent the right of an employee to receive fully paid shares, their equivalent cash value or combination thereof, free of charge, provided that certain prescribed performance targets are met and upon expiry of the prescribed vesting period.

It is the intention of SMRT to award performance-based restricted awards to ensure that the earnings of shares under the SMRT RSP is aligned with pay-for-performance principle.

Awards granted under the SMRT PSP are performance-based and the targets set under the plan are intended to be based on long-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

An individual employee who is a key management staff may be granted an award under the SMRT PSP, as well as the SMRT RSP although differing performance targets are likely to be set for each award.

Non-executive directors of the Group, the holding company and associated companies will not be eligible to participate in the Plans.

Directors' Report

Year ended 31 March 2014

5. Share Options and Share Plans (cont'd)

SMRT RSP and SMRT PSP (collectively "the Plans") (cont'd)

(iii) Size and duration

The total number of new shares which may be issued pursuant to awards granted under the Plans, when added to the number of options granted under SMRT ESOP shall not exceed 15% of the issued share capital of the Company on the day preceding the relevant date of award.

The Plans shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing from 15 July 2004, provided always that the Plans may continue beyond the 10-year period with the approval of the shareholders in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the Plans, any awards made to employees prior to such expiry or termination will continue to remain valid.

(iv) Events prior to vesting

Special provisions for vesting and lapsing of awards apply such as the termination of the employment, misconduct, retirement and any other events approved by the Committee. Upon occurrence of any of the events, the Committee will consider, at its discretion, whether or not to release any award, and will take into account circumstances on a case-by-case basis, including (but not limited to) the contributions made by the employee.

During the financial year, the conditional shares awarded under the SMRT PSP and SMRT RSP to the senior management staff are described below:

| | SMRT PSP | SMRT RSP |
|---------------------------|--|---|
| Plan description | Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives. | Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a one-year performance period based on medium-term corporate objectives. |
| Date of grant | 31 July 2013 | 31 July 2013 |
| Performance period | 1 April 2013 to 31 March 2016 | 1 April 2013 to 31 March 2014 |
| Vesting condition | Vesting based on meeting stated performance conditions over a three-year performance period. | Based on meeting stated performance conditions over a one-year performance period, 1/3 of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements. |
| Payout | 0% - 150% depending on the achievement of pre-set performance targets over the performance period. | 0% - 100% depending on the achievement of pre-set performance targets over the performance period. |

Directors' Report

Year ended 31 March 2014

5. Share Options and Share Plans (cont'd)

SMRT RSP and SMRT PSP (collectively "the Plans") (cont'd)

The details of shares awarded, cancelled and released during the year pursuant to the Plans were as follows:

| SMRT PSP | Balance as at 1 April 2013 | Shares granted during the financial year | Shares forfeited during the financial year | Shares issued during the financial year | Adjustment due to performance modifier effect | Balance as at 31 March 2014 or as at date of resignation |
|--|----------------------------|--|--|---|---|--|
| Grant date | | | | | | |
| 23 August 2010 | | | | | | |
| - For senior management | 36,000 | - | (36,000) | - | - | - |
| 30 March 2012 | | | | | | |
| - For senior management | 246,000 | - | (108,000) | - | - | 138,000 |
| 26 December 2012 | | | | | | |
| - For senior management | 310,000 | - | (95,000) | - | - | 215,000 |
| 31 July 2013 | | | | | | |
| - For senior management | - | 275,000 | - | - | - | 275,000 |
| - For executive director (Desmond Kuek Bak Chye) | - | 130,000 | - | - | - | 130,000 |
| | 592,000 | 405,000 | (239,000) | - | - | 758,000 |

| SMRT RSP | Balance as at 1 April 2013 | Shares granted during the financial year | Shares forfeited during the financial year | Shares issued during the financial year | Adjustment due to performance modifier effect | Balance as at 31 March 2014 or as at date of resignation |
|--|----------------------------|--|--|---|---|--|
| Grant date | | | | | | |
| 28 August 2009 | | | | | | |
| - For senior management | 144,800 | - | (28,600) | (116,200) | - | - |
| 23 August 2010 | | | | | | |
| - For senior management | 335,400 | - | (95,700) | (129,900) | - | 109,800 |
| 30 March 2012 | | | | | | |
| - For senior management | 852,500 | - | (90,100) | (119,200) | (547,800) | 95,400 |
| 26 December 2012 | | | | | | |
| - For senior management | 1,157,000 | - | (82,400) | (96,300) | (812,300) | 166,000 |
| 31 July 2013 | | | | | | |
| - For senior management | - | 1,105,500 | (53,000) | - | - | 1,052,500 |
| - For executive director (Desmond Kuek Bak Chye) | - | 156,000 | - | - | - | 156,000 |
| | 2,489,700 | 1,261,500 | (349,800) | (461,600) | (1,360,100) | 1,579,700 |

Under the Plans, 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 SMRT, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2014 were 758,000 and 1,579,700 (2013: 592,000 and 2,489,700) for SMRT PSP and SMRT RSP respectively.

Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 1,137,000 and 1,634,700 (2013: 879,000 and 2,911,800) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

Directors' Report

Year ended 31 March 2014

6. Audit Committee

The Audit Committee of the Board of Directors (the "Committee") comprises four non-executive independent directors. The Committee's members are:

| | |
|---------------------|----------|
| Bob Tan Beng Hai | Chairman |
| Peter Tan Boon Heng | |
| Yap Kim Wah | |
| Yap Chee Meng | |

The Committee carried out its function in accordance with the Act, including the following:

- (a) reviewed the accounting policies of the Group to ensure that the policies are in compliance with accounting standards and in accordance with applicable laws and regulations;
- (b) reviewed, with the internal and external auditors, their audit plans;
- (c) reviewed, with the internal and external auditors, the adequacy of the Group's internal controls, namely financial and accounting controls, operational and compliance controls, information technology controls, and risk management policies and systems, with the purpose of safeguarding the Group's assets and enhancing shareholder value;
- (d) reviewed, with the internal and external auditors, their audit reports;
- (e) reviewed the cooperation given by the Group's officers to the internal and external auditors;
- (f) reviewed the scope and results of the internal audit procedures;
- (g) reviewed the balance sheet of the Company and the consolidated balance sheet and profit and loss account of the Group and to submit them to the Board;
- (h) nominated and reviewed the appointment or re-appointment of the external auditors;
- (i) reviewed the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (j) reviewed transactions with interested persons ("Interested Person Transactions");
- (k) reviewed the fees for non-audit services rendered by the external auditors and their affiliates and is satisfied that the provision of such services did not affect the independence and objectivity of the external auditors for the audit of the financial statements of the Group; and
- (l) examined all other matters which may be referred to the Committee by the Board or which may be imposed on the Committee by applicable laws or regulations (including without limitation the Listing Manual).

Directors' Report

Year ended 31 March 2014

7. Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors



Koh Yong Guan
Director



Desmond Kuek Bak Chye
Director

30 April 2014

Statement by Directors

Year ended 31 March 2014

In our opinion:

- (a) the financial statements set out on pages 120 to 188 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 2014 and of the results of the business, changes in equity and cash flows of the Group and of the changes in equity of the Company for the financial year then ended; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



Koh Yong Guan
Director



Desmond Kuek Bak Chye
Director

30 April 2014

Independent Auditor's Report

Year ended 31 March 2014

TO THE MEMBERS OF SMRT CORPORATION LTD

Report on the Financial Statements

We have audited the accompanying financial statements of SMRT Corporation Ltd ("the Company") and its subsidiaries ("the Group") set out on pages 120 to 188, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 March 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity of the Group, the statement of changes in equity of the Company and the consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the 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 2014, and of the results, changes in equity and cash flows of the Group and the changes in equity for the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

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



PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants
Singapore, 30 April 2014

Balance Sheets

As at 31 March 2014

| | Note | Group | | Company | |
|--|------|------------------|------------------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 1,641,769 | 1,435,797 | 11,537 | 9,555 |
| Intangible asset | 5 | 13,614 | 13,614 | - | - |
| Investments in subsidiaries | 6 | - | - | 325,823 | 344,169 |
| Interest in associate | 7 | 52,629 | 50,554 | - | - |
| Other investments | 8 | 20,713 | 32,171 | - | - |
| | | 1,728,725 | 1,532,136 | 337,360 | 353,724 |
| Current assets | | | | | |
| Inventories | 9 | 84,325 | 59,901 | - | - |
| Trade and other receivables | 10 | 98,938 | 86,074 | 78,965 | 64,459 |
| Other investments | 8 | 5,000 | - | - | - |
| Fixed deposits with banks and financial institutions | | 8,615 | 213,782 | - | - |
| Cash at banks and in hand | | 146,909 | 332,512 | 5,682 | 4,967 |
| | | 343,787 | 692,269 | 84,647 | 69,426 |
| Total assets | | 2,072,512 | 2,224,405 | 422,007 | 423,150 |
| Equity attributable to equity holders of SMRT | | | | | |
| Share capital | 11 | 168,240 | 167,496 | 168,240 | 167,496 |
| Reserves | 12 | 2,229 | 946 | 1,977 | 2,560 |
| Accumulated profits | | 631,283 | 599,806 | 227,759 | 235,207 |
| | | 801,752 | 768,248 | 397,976 | 405,263 |
| Non-controlling interest | | (92) | 312 | - | - |
| Total equity | | 801,660 | 768,560 | 397,976 | 405,263 |
| Non-current liabilities | | | | | |
| Interest-bearing borrowings | 14 | 480,017 | 607,125 | - | - |
| Provisions | 15 | 25 | 55 | - | - |
| Deferred tax liabilities | 16 | 155,808 | 142,867 | 1,435 | 1,377 |
| Fuel equalisation account | 17 | 20,312 | 20,312 | - | - |
| Deferred grants | 18 | 48,949 | 52,489 | 42 | 87 |
| | | 705,111 | 822,848 | 1,477 | 1,464 |
| Current liabilities | | | | | |
| Interest-bearing borrowings | 14 | 156,393 | 2,347 | - | - |
| Trade and other payables | 19 | 355,183 | 577,138 | 22,302 | 15,536 |
| Provisions | 15 | 50,263 | 45,321 | 252 | 261 |
| Current tax payable | | 3,902 | 8,191 | - | 626 |
| | | 565,741 | 632,997 | 22,554 | 16,423 |
| Total liabilities | | 1,270,852 | 1,455,845 | 24,031 | 17,887 |
| Total equity and liabilities | | 2,072,512 | 2,224,405 | 422,007 | 423,150 |

The accompanying notes form an integral part of these financial statements.

Consolidated Income Statement

Year ended 31 March 2014

(Consolidated Income Statement segregated by Rail, Bus and Non-Fare business)

| | Note | 2014 \$'000 | 2013 \$'000 |
|--|-------|----------------|----------------|
| Revenue | 20 | 1,163,893 | 1,119,469 |
| - Rail | | 634,145 | 618,524 |
| - Bus | | 217,795 | 210,796 |
| - Non-Fare | | 311,953 | 290,149 |
| Other operating income | 21(a) | 42,146 | 36,305 |
| - Rail | | 14,233 | 23,595 |
| - Bus | | 23,335 | 8,963 |
| - Non-Fare | | 4,578 | 3,747 |
| Staff costs | 21(b) | (462,360) | (395,161) |
| - Rail | | (255,728) | (217,053) |
| - Bus | | (132,044) | (114,686) |
| - Non-Fare | | (74,588) | (63,422) |
| Depreciation of property, plant and equipment | 4 | (181,179) | (161,138) |
| - Rail | | (101,735) | (86,103) |
| - Bus | | (26,304) | (27,365) |
| - Non-Fare | | (53,140) | (47,670) |
| Amortisation of asset-related grants | 18 | 9,877 | 10,558 |
| - Rail | | 9,559 | 10,482 |
| - Bus | | 93 | 54 |
| - Non-Fare | | 225 | 22 |
| Repairs and maintenance costs | | (112,902) | (112,537) |
| - Rail | | (68,559) | (67,063) |
| - Bus | | (25,892) | (26,344) |
| - Non-Fare | | (18,451) | (19,130) |
| Electricity and diesel costs | | (163,517) | (165,485) |
| - Rail | | (113,087) | (118,378) |
| - Bus | | (49,695) | (46,218) |
| - Non-Fare | | (735) | (889) |
| Impairment of interest in associate - Non-Fare | 7 | - | (17,294) |
| Other operating expenses | 21(c) | (211,724) | (204,512) |
| - Rail | | (117,766) | (104,292) |
| - Bus | | (35,772) | (37,124) |
| - Non-Fare | | (58,186) | (63,096) |
| Profit from operations | | 84,234 | 110,205 |
| - Rail | | 1,062 | 59,712 |
| - Bus | | (28,484) | (31,924) |
| - Non-Fare | | 111,656 | 82,417 |
| Finance costs | 21(d) | (10,431) | (7,065) |
| Interest and investment income | 21(e) | 1,270 | 2,305 |
| Share of results of associate (net of tax) | | (418) | (381) |
| Profit before income tax | 21 | 74,655 | 105,064 |
| Income tax expense | 22 | (13,157) | (21,864) |
| Profit after income tax | | 61,498 | 83,200 |
| Attributable to: | | | |
| Equity holders of SMRT | | 61,902 | 83,338 |
| Non-controlling interest | | (404) | (138) |
| | | 61,498 | 83,200 |
| Earnings per share attributable to equity holders of SMRT (in cents): | | | |
| Basic | 23 | 4.1 | 5.5 |
| Diluted | 23 | 4.1 | 5.5 |

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2014

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Profit for the year | 61,498 | 83,200 |
| Other comprehensive income/(loss) | | |
| <i>Items that may be reclassified subsequently to the income statement:</i> | | |
| Change in fair value of available-for-sale financial assets, net of tax | (1,031) | 979 |
| Effective portion of change in fair value of cash flow hedge, net of tax | 1,112 | 2,960 |
| Change in fair value of cash flow hedge transferred to the income statement, net of tax | (923) | (2,772) |
| Currency translation differences arising from consolidation | 2,708 | 290 |
| Other comprehensive income for the year, net of tax | 1,866 | 1,457 |
| Total comprehensive income for the year | 63,364 | 84,657 |
| Attributable to: | | |
| Equity holders of SMRT | 63,768 | 84,795 |
| Non-controlling interest | (404) | (138) |
| | 63,364 | 84,657 |

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

| Group | Share capital \$'000 | Foreign currency translation reserve \$'000 | Fair value reserve \$'000 | Hedge reserve \$'000 | Share- based payment reserve \$'000 | Accumulated profits \$'000 | Total attributable to equity holders of SMRT \$'000 | Non- controlling interest \$'000 | Total equity \$'000 |
|--|-------------------------|---|------------------------------------|----------------------------|---|----------------------------------|--|---|---------------------------|
| At 1 April 2013 | 167,496 | (2,878) | 1,547 | (283) | 2,560 | 599,806 | 768,248 | 312 | 768,560 |
| Profit for the year | - | - | - | - | - | 61,902 | 61,902 | (404) | 61,498 |
| Other comprehensive income | - | 2,708 | (1,031) | 189 | - | - | 1,866 | - | 1,866 |
| Transactions with owners, recorded directly in equity: | | | | | | | | | |
| Issue of shares under SMRT ESOP | 46 | - | - | - | - | - | 46 | - | 46 |
| Issue of performance shares | 698 | - | - | - | (698) | - | - | - | - |
| Value of employee services received for share-based payment | - | - | - | - | 115 | - | 115 | - | 115 |
| Final dividend paid of 1.00 cent per share in respect of year 2013 | - | - | - | - | - | (15,210) | (15,210) | - | (15,210) |
| Interim dividend paid of 1.00 cent per share in respect of year 2014 | - | - | - | - | - | (15,215) | (15,215) | - | (15,215) |
| Total transactions with owners | 744 | - | - | - | (583) | (30,425) | (30,264) | - | (30,264) |
| At 31 March 2014 | 168,240 | (170) | 516 | (94) | 1,977 | 631,283 | 801,752 | (92) | 801,660 |

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

| Group | Share capital \$'000 | Foreign currency translation reserve \$'000 | Fair value reserve \$'000 | Hedge reserve \$'000 | Share-based payment reserve \$'000 | Accumulated profits \$'000 | Total attributable to equity holders of SMRT \$'000 | Non-controlling interest \$'000 | Total equity \$'000 |
|---|-------------------------|--|------------------------------|-------------------------|---------------------------------------|-------------------------------|--|------------------------------------|------------------------|
| At 1 April 2012 | 166,462 | (3,168) | 568 | (471) | 2,316 | 625,706 | 791,413 | - | 791,413 |
| Profit for the year | - | - | - | - | - | 83,338 | 83,338 | (138) | 83,200 |
| Other comprehensive income | - | 290 | 979 | 188 | - | - | 1,457 | - | 1,457 |
| Transactions with owners, recorded directly in equity: | | | | | | | | | |
| Issue of shares under SMRT ESOP | 121 | - | - | - | - | - | 121 | - | 121 |
| Issue of performance shares | 913 | - | - | - | (913) | - | - | - | - |
| Value of employee services received for share-based payment | - | - | - | - | 1,157 | - | 1,157 | - | 1,157 |
| Capital contribution from Non-controlling interest | - | - | - | - | - | - | - | 450 | 450 |
| Final dividend paid of 5.70 cents per share in respect of year 2012 | - | - | - | - | - | (86,659) | (86,659) | - | (86,659) |
| Interim dividend paid of 1.50 cents per share in respect of year 2013 | - | - | - | - | - | (22,814) | (22,814) | - | (22,814) |
| Proceeds from unclaimed dividends | - | - | - | - | - | 235 | 235 | - | 235 |
| Total transactions with owners | 1,034 | - | - | - | 244 | (109,238) | (107,960) | 450 | (107,510) |
| At 31 March 2013 | 167,496 | (2,878) | 1,547 | (283) | 2,560 | 599,806 | 768,248 | 312 | 768,560 |

Statement of Changes in Equity

Year ended 31 March 2014

| Company | Share capital \$'000 | Share-based payment reserve \$'000 | Accumulated profits \$'000 | Total equity \$'000 |
|---|-------------------------|--|----------------------------------|---------------------------|
| At 1 April 2013 | 167,496 | 2,560 | 235,207 | 405,263 |
| Profit for the year | - | - | 22,977 | 22,977 |
| Transactions with owners, recorded directly in equity: | | | | |
| Issue of shares under SMRT ESOP | 46 | - | - | 46 |
| Issue of performance shares | 698 | (698) | - | - |
| Value of employee services received for share-based payment | - | 115 | - | 115 |
| Final dividend paid of 1.00 cent per share in respect of year 2013 | - | - | (15,210) | (15,210) |
| Interim dividend paid of 1.00 cent per share in respect of year 2014 | - | - | (15,215) | (15,215) |
| Total transactions with owners | 744 | (583) | (30,425) | (30,264) |
| At 31 March 2014 | 168,240 | 1,977 | 227,759 | 397,976 |
| At 1 April 2012 | 166,462 | 2,316 | 291,488 | 460,266 |
| Profit for the year | - | - | 53,112 | 53,112 |
| Transactions with owners, recorded directly in equity: | | | | |
| Issue of shares under SMRT ESOP | 121 | - | - | 121 |
| Issue of performance shares | 913 | (913) | - | - |
| Value of employee services received for share-based payment | - | 1,157 | - | 1,157 |
| Final dividend paid of 5.70 cents per share in respect of year 2012 | - | - | (86,659) | (86,659) |
| Interim dividend paid of 1.50 cents per share in respect of year 2013 | - | - | (22,814) | (22,814) |
| Proceeds from unclaimed dividends | - | - | 80 | 80 |
| Total transactions with owners | 1,034 | 244 | (109,393) | (108,115) |
| At 31 March 2013 | 167,496 | 2,560 | 235,207 | 405,263 |

Consolidated Statement of Cash Flows

Year ended 31 March 2014

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Operating activities | | |
| Profit before income tax | 74,655 | 105,064 |
| <i>Adjustments for:</i> | | |
| - Amortisation of asset-related grants | (9,877) | (10,558) |
| - Depreciation of property, plant and equipment | 181,179 | 161,138 |
| - Dividend income | (206) | (180) |
| - Grant released upon disposal/write-off of property, plant and equipment | (19) | (48) |
| - Impairment of interest in associate | - | 17,294 |
| - Interest expense | 10,431 | 7,065 |
| - Interest income | (1,064) | (2,125) |
| - Gain on disposal of property, plant and equipment | (1,874) | (1,339) |
| - Property, plant and equipment written off | 1,126 | 2,351 |
| - Provisions made during the year | 22,254 | 20,650 |
| - Share-based payment expenses | 115 | 1,157 |
| - Share of results of associate | 418 | 381 |
| - Bus Service Enhancement Programme Grant | (15,207) | (2,888) |
| | 261,931 | 297,962 |
| <i>Changes in working capital:</i> | | |
| - Inventories | (24,424) | (6,221) |
| - Trade and other receivables | 4,806 | (2,708) |
| - Trade and other payables | 6,844 | (9,946) |
| Cash generated from operations | 249,157 | 279,087 |
| Income taxes paid, net | (4,544) | (15,213) |
| Interest paid | (10,194) | (3,647) |
| Cash flows from operating activities | 234,419 | 260,227 |

Consolidated Statement of Cash Flows

Year ended 31 March 2014

| | 2014 \$'000 | 2013 \$'000 |
|---|------------------|------------------|
| Investing activities | | |
| Dividends received | 206 | 180 |
| Interest received | 1,546 | 2,174 |
| Purchase of property, plant and equipment | (651,882) | (250,588) |
| Purchase of other investments | - | (16,530) |
| Proceeds from disposal of: | | |
| - property, plant and equipment | 2,553 | 2,278 |
| - other investments | 5,000 | - |
| Cash flows from investing activities | (642,577) | (262,486) |
| Financing activities | | |
| Grant received | 18,899 | 2,220 |
| Proceeds from issue of shares under share option plan | 46 | 121 |
| Capital contribution from Non-controlling interest | - | 450 |
| Proceeds from issuance of unsecured quoted notes | - | 450,000 |
| Proceeds from borrowings | 28,658 | 9,724 |
| Proceeds from unclaimed dividends | - | 235 |
| Dividends paid | (30,425) | (109,473) |
| Cash flows from financing activities | 17,178 | 353,277 |
| Net (decrease)/increase in cash and cash equivalents | (390,980) | 351,018 |
| Cash and cash equivalents at beginning of the year | 546,294 | 195,330 |
| Effect of exchange rate fluctuations on cash held | 210 | (54) |
| Cash and cash equivalents at end of the year | 155,524 | 546,294 |
| Cash and cash equivalents at end of the year comprise: | | |
| Fixed deposits with banks and financial institutions | 8,615 | 213,782 |
| Cash at banks and in hand | 146,909 | 332,512 |
| | 155,524 | 546,294 |

Notes to the Financial Statements

Year ended 31 March 2014

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 April 2014.

I Domicile and Activities

SMRT Corporation Ltd (“SMRT” or the “Company”) is a company incorporated in the Republic of Singapore. The address of the Company’s registered office is 251 North Bridge Road, Singapore 179102.

The immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associate.

The principal activities of the Company are those relating to investment holding and provision of management services to Group companies. The subsidiaries are involved in eight key businesses as follows:

(i) Rail operations

Its principal activities are to provide transport-related businesses in Singapore. It operates the North-South-East-West and Circle lines of the Mass Rapid Transit System (the “MRT System”) and the Bukit Panjang Light Rapid Transit System (the “LRT System”).

(ii) Bus operations

Its principal activities are to provide public bus services.

(iii) Taxi operations

Its principal activities are to provide rental of taxis, provision of taxi services and sales of diesel to taxi hirers.

(iv) Rental

Its principal activities are the leasing of commercial space and kiosks.

(v) Advertising

Its principal activities are the leasing of advertising space at the MRT and LRT stations as well as in trains, and on buses and taxis.

(vi) Engineering services

Its principal activities are to provide consultancy, project management services and leasing of fibre optic cables.

(vii) Other services

Its principal activities are to provide charter hire services and repair & maintenance services.

(viii) Investment holding and support services

Its principal activities are to provide management and other support services to Group companies and investment holding.

Notes to the Financial Statements

Year ended 31 March 2014

2 Licence and Operating Agreements

(a) SMRT Trains Ltd ("MRT")

A Licence and Operating Agreement (the "MRT LOA") with the Land Transport Authority ("LTA") under which MRT is licensed to operate the North-South-East-West lines of the Mass Rapid Transit System (the "MRT System") in Singapore came into effect on 1 April 1998. The MRT LOA sets out the terms and conditions under which the licence is granted and includes the following:

- (i) The licence is for a period of 30 years from 1 April 1998 at an annual licence fee calculated at 0.5% of the annual passenger revenue net of goods and services tax and rebates for the first 5 years of the MRT LOA, and at 1% from 1 April 2003 to 31 March 2011. For the period from 1 April 2011 to 31 March 2012, the licence fee was prescribed by LTA. From and including 1 April 2012, the licence fee shall be the amount prescribed under the Rapid Transit Systems Act or its subsidiary legislation. MRT may request LTA to extend the licence for a further period of 30 years whereupon LTA may, if it deems fit, renew the licence for a further 30 years or such other period and upon such terms and conditions as LTA may impose.
- (ii) MRT may apply for a grant from LTA for the replacement of eligible operating assets to be computed on the basis as set out in the MRT LOA. The main categories of eligible operating assets are trains, permanent way vehicles, power supply equipment and cabling, supervisory control system, escalators and lifts, platform screen doors, environmental control system, electrical service and fire protection system, signalling system, communication system, automatic fare collection system and depot workshop equipment.
- (iii) Upon the expiration or cancellation of the licence, MRT is required to surrender all parts of the North-South-East-West lines of the MRT system owned by LTA in a condition substantially similar to their state as at the date of the MRT LOA subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the MRT LOA terms by MRT, MRT is required upon cancellation, to refund to LTA the total amount of the replacement grants received or such portion thereof as LTA may determine.

A licence was granted by LTA under which MRT is licensed to operate the Circle line of the Mass Rapid Transit System (the "CCL System") in Singapore which came into effect on 4 May 2009. The licence sets out the terms and conditions under which the licence is granted and includes the following:

- (i) The licence shall be for a term (the "Initial Licence Term") of 10 years from 4 May 2009 at an annual licence fee calculated at the sum of 0.5% of the annual passenger revenue net of goods and services tax and rebates, and 0.5% of the annual non-fare revenue net of goods and services tax from 4 May 2009 to 31 March 2011. For the period from 1 April 2011 to 31 March 2012, the licence fee was prescribed by LTA. From and including 1 April 2012, the licence fee shall be the amount prescribed under the Rapid Transit System Act or its subsidiary legislation.
- (ii) The licence may be renewed by LTA, if it deems fit, for a further period of 30 years from the expiry of the Initial Licence Term, subjected to any other terms and conditions as LTA may impose.
- (iii) MRT shall purchase the operating assets of the CCL System from LTA at book values on 4 May 2019.
- (iv) Prior to MRT's purchase of the operating assets, MRT is required to set aside annually the sum of S\$30 million or 75% of the post-tax surplus derived only from the operation of the CCL System (whichever is lower) in a reserve fund account for capital expenditure which included the cost of any major overhaul of any equipment, machinery or any part of the CCL System comprising all assets and infrastructure required to operate the CCL System. Upon the purchase of the operating assets by MRT, there is no requirement to maintain the reserve fund account.
- (v) MRT may apply for a grant from LTA for the replacement of eligible operating assets to be computed on the basis as set out in the Licence. The main categories of eligible operating assets are trains, permanent way vehicles, power supply equipment and cabling, integrated supervisory control system, escalators and passenger conveyors, lifts, platform screen doors system, environmental control and tunnel ventilation system, electrical services and fire protection system, signalling system, communication system, automatic fare collection system, access management system, depot equipment, maintenance management system, traveller information system and motorised trolleys.

Notes to the Financial Statements

Year ended 31 March 2014

2 Licence and Operating Agreements (cont'd)

(a) SMRT Trains Ltd ("MRT") (cont'd)

- (vi) Upon the expiration or cancellation of the licence prior to MRT purchasing the operating assets of the CCL System, MRT is required to surrender to LTA the operating assets and the infrastructure of the CCL System owned by LTA. The operating assets are to be surrendered in a condition substantially similar to their state as at the date of their handing over by LTA to MRT failing which MRT is required to compensate LTA on such terms as LTA may prescribe, whilst the infrastructure is to be surrendered subject to reasonable wear and tear.
- (vii) Upon the expiration or cancellation of the licence after MRT's purchase of the operating assets of the CCL System, MRT is required to surrender the infrastructure owned by LTA in a condition similar to their state as at the date of their handing over by LTA to MRT subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the licence by MRT, MRT is required to refund to LTA, the total amount or such portion thereof as LTA may determine of the replacement grants received by MRT upon cancellation.

(b) SMRT Light Rail Pte Ltd ("LRT")

A Licence and Operating Agreement (the "LRT LOA") with LTA under which LRT is licensed to operate the Bukit Panjang Light Rapid Transit System (the "LRT System") in Singapore came into effect on 6 November 1999. The LRT LOA sets out the terms and conditions under which the licence is granted and includes the following:

- (i) The licence is for the period from 6 November 1999 to 31 March 2028, at an annual licence fee calculated at 0.5% of the annual passenger revenue of the preceding financial year net of goods and services tax and rebates from 6 November 1999 to 31 March 2011. For the period from 1 April 2011 to 31 March 2012, the licence fee was prescribed by LTA. From and including 1 April 2012, the licence fee shall be the amount prescribed under the Rapid Transit Systems Act or its subsidiary legislation. LRT may request LTA to extend the licence for a period of 30 years whereupon LTA may, if it deems fit, renew the licence for a period of 30 years or such other period and upon such terms and conditions as LTA may impose.
- (ii) LRT is required to purchase the operating assets of the LRT System from LTA at book values by 25 October 2015 or within such other period as may be agreed in writing between LTA and LRT. However, LTA may require LRT to do so earlier if it is of the view that it is reasonable to do so by giving 12 months notice. If LRT can satisfy LTA that it is not economically viable to do so, LRT may defer such purchase.
- (iii) Prior to LRT's purchase of the operating assets, LRT is required to set aside annually the sum of \$3 million or 75% of the post-tax surplus (whichever is lower) in a reserve fund account for capital expenditure which includes the cost of any major overhaul of equipment, machinery or any part of the LRT System comprising all assets and infrastructure required to operate the LRT System.
- (iv) Upon the purchase of the operating assets by LRT, there is no requirement to maintain the reserve fund account. However, LRT is required to set aside an amount equivalent to 20% of the annual depreciation charge of trains, maintenance service vehicles, power supply equipment and cabling, escalators and lifts, platforms screen doors, environmental control system, electrical services and fire protection system, signalling system, communication equipment, automatic fare collection system, depot workshop equipment and ATC Central console and equipment in specified investments. LRT may use such amount from these investments to meet up to half of the purchase costs of replaced operating assets. LRT may apply for a grant from LTA for certain replaced operating assets to be computed on the basis as set out in the LRT LOA.
- (v) If the licence is cancelled prior to LRT purchasing the operating assets of the LRT System, LRT is required to surrender to the LTA the operating assets and the infrastructure of the LRT system owned by LTA. The operating assets are to be surrendered in a condition similar to their state as at the date of their handing over by LTA to LRT without any deduction for wear and tear, whilst the infrastructure is to be surrendered subject to reasonable wear and tear. LRT is required to compensate LTA for any shortfall in the value of the operating assets at the date of surrender compared with the value at the date of handing over to LRT.

Notes to the Financial Statements

Year ended 31 March 2014

2 Licence and Operating Agreements (cont'd)

(b) SMRT Light Rail Pte Ltd ("LRT") (cont'd)

- (vi) If the licence is cancelled after LRT purchased the operating assets, LRT is required to surrender the infrastructure owned by LTA in a condition substantially similar to their state as at the date of their handing over by LTA to LRT subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the LRT LOA terms by LRT, LRT is required to refund to LTA, the total amount or such portion thereof as LTA may determine of the replacement grants received by LRT upon cancellation.

3 Summary of Significant Accounting Policies

3.1 Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except otherwise described below.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation involving uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements, are described in note 30.

3.2 Changes in accounting policies

On 1 April 2013, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company or disclosures made in the financial statements and had no material effect on the amounts reported for the current or prior financial years.

3.3 Basis of consolidation

Business combination

Business combinations are accounted for under the acquisition method. The purchase consideration is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed and fair value of any contingent consideration arrangement at the date of exchange.

If the business combination is achieved in stages, the acquisition-date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the income statement. Acquisition-related costs are expensed as incurred.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.3 Basis of consolidation (cont'd)

Business combination (cont'd)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the purchase consideration is credited to the income statement in the period of the acquisition.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to paragraph "impairment" for the subsequent accounting policy on goodwill.

Subsidiaries

Subsidiaries are entities in which the Group has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date in which control ceases.

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to income statement or transferred directly to retained profits if required by a specific standard.

Any retained equity interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in income statement.

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of another entity.

Associates are accounted for using the equity method of accounting less impairment losses, if any, and are recognised initially at cost. In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses are recognised in the income statement and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. Goodwill on associates represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate. It is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. These post-acquisition movements and distributions received from the associates are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term unsecured receivables, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.3 Basis of consolidation (cont'd)

Associates (cont'd)

Investments in associates are derecognised when the Group loses significant influence. Any retained equity interest in the entity is re-measured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in income statement.

Gains and losses arising from partial disposals or dilutions in investments in associates in which significant influence is retained are recognised in the income statement.

Transactions eliminated on consolidation

All significant intra-group transactions, balances and unrealised gains are eliminated on consolidation. Unrealised gains resulting from transactions with associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiary not attributable, directly or indirectly, to equity holders of the Company, and are presented separately in the consolidated income statement, statement of changes in equity and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the Company. Total comprehensive income is attributed to the non-controlling interest based on their respective interest in a subsidiary, even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted as transactions with equity holders of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributed to the equity holders of the Company.

Accounting policies of subsidiaries and associates

Where necessary, accounting policies of subsidiaries and associates have been adjusted on consolidation to be consistent with the policies adopted by the Group.

3.4 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the income statement, except for differences arising on the translation of monetary items that in substance form part of the Group's net investment in a foreign operation (see following page) which is recognised in other comprehensive income.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.4 Foreign currencies (cont'd)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated to Singapore dollars at exchange rates prevailing at the balance sheet date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign exchange differences are recognised in other comprehensive income. When a foreign operation is disposed off, in part or in full, the foreign currency translation reserve is transferred to the income statement as part of the income statement on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

3.5 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads and capitalised borrowing costs.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost of the item can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.5 Property, plant and equipment (cont'd)

Depreciation

Depreciation is calculated on a straight-line basis so as to allocate the depreciable amounts of the property, plant and equipment and major components that are accounted for separately over their estimated useful lives as follows:

| | |
|---|------------------|
| Leasehold land, properties and infrastructure | - 7 to 40 years |
| Furniture, fittings, office equipment and computers | - 3 to 10 years |
| Motor vehicles | - 5 years |
| Rolling stock | - 10 to 30 years |
| Power supply equipment | - 5 to 25 years |
| Signalling, communication and automatic fare collection systems | - 3 to 30 years |
| Buses | - 10 to 17 years |
| Taxis | - 7.67 years |
| Plant and machinery | - 3 to 12 years |
| Other operating equipment | - 3 to 30 years |

No depreciation is provided on unregistered buses and taxis and assets under construction until such assets are completed and ready for operational use.

Property, plant and equipment costing less than \$1,000 per item are expensed off as and when they are purchased.

Depreciation method, estimated useful lives and residual values of property, plant and equipment are reviewed at each financial year end and adjusted if appropriate. The effects of any revision are recognised in the income statement when the changes arise.

3.6 Intangible assets

Goodwill on acquisition of subsidiaries and businesses on or after 1 April 2010 represents the excess of the purchase consideration over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill on acquisition of subsidiaries and businesses prior to 1 April 2010 and on acquisition of associates represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill is measured at cost less accumulated impairment losses. Goodwill on the acquisition of subsidiaries is presented as intangible assets. Goodwill on the acquisition of associates is presented together with investments in associates. Goodwill is tested for impairment on an annual basis in accordance with note 3.12. If the initial accounting for an acquisition was based on provisional estimates of fair value of assets, liabilities and contingent liabilities, the provisional values are adjusted within 12 months of the acquisition date and goodwill arising from the acquisition is adjusted subsequently on a retrospective basis.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.7 Non-derivative financial instruments

Available-for-sale financial assets

Equity and debt securities held by the Group are classified as being available-for-sale and are stated at fair value, determined as the quoted bid price at the balance sheet date. Any resultant gain or loss is recognised in other comprehensive income and presented within equity in the fair value reserve. The exceptions are impairment losses and foreign exchange gains and losses on monetary items such as debt securities, which are recognised in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

Unquoted equity and other investments are measured at cost less accumulated impairment losses. It is not practicable to reliably estimate the fair value of unquoted available-for-sale financial assets due to the lack of market prices in an active market, significant range of fair value estimates, and the inability to reasonably assess the probabilities of the various estimates.

Financial assets classified as available-for-sale are recognised by the Group on the date it commits to purchase the investments, and derecognised on the date a sale is committed.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Held-to-maturity investments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets classified as held-to-maturity are recognised by the Group on the date it commits to purchase the investments, and derecognised on the date a sale is committed.

Share Capital

Ordinary shares are classified as equity.

3.8 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to partially hedge its exposure to financial risks arising from its business activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, these instruments are re-measured at fair value. The fair value is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

For derivatives that do not qualify for hedge accounting, the gain or loss on re-measurement to fair value is recognised immediately in the income statement.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract are not closely related, and the combined instrument is not measured at fair value through the income statement.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.8 Derivative financial instruments and hedging activities (cont'd)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedge reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the income statement as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedge reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item affects profit or loss.

Separable embedded derivatives

Changes in the fair value of the separable embedded derivatives are recognised immediately in the income statement.

3.9 Inventories

Inventories comprising engineering spares and consumables used for the maintenance of the MRT and LRT systems, buses and taxis and which are not intended for resale, are stated at cost less allowance for obsolete inventories. Allowance is made for obsolete, slow-moving and defective inventories based on management's estimates and judgement, taking into account historical trends and market conditions etc.

All other inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

3.12 Impairment

Impairment of financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that has been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement. For investments in an equity instrument classified as available-for-sale, the reversal is recognised directly in other comprehensive income.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the assets' recoverable amounts are estimated. Goodwill is tested for impairment annually and as and when indicators of impairment are identified.

Calculation of recoverable amount

For the purpose of impairment testing, the recoverable amount (i.e. the greater of the assets' net selling price and value-in-use), is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in the income statement.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.12 Impairment (cont'd)

Reversals of impairment

An impairment loss for an asset other than goodwill is reversed, if and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

3.13 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, 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, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, 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 income statement. Gains are not recognised in excess of any cumulative impairment loss.

3.14 Liabilities and interest-bearing borrowings

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid and are recognised initially at fair value. Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, trade and other payables and interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

3.15 Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.16 Provisions

A provision is recognised in the balance sheet when the Group and the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.16 Provisions (cont'd)

Provision for accident claims

A provision for accident claims is recognised when an accident has occurred. The amount of provision is based on the claims outstanding and estimated amounts payable.

The expected reimbursement from insurance policies and other parties in respect of the expenses required to settle a provision, is recognised as a separate asset disclosed as "Recoverable in respect of accident claims" included in "Other receivables, deposits and prepayments".

The Group has undertaken motor vehicle insurance to cover liabilities relating to third party property damage and personal injury where claims are in excess of a stated quantum. Provision for accident claims payable includes such vehicle insurance premium payable to insurers.

A provision for accident claims is recognised as an expense in the income statement as and when incurred. The provision is reviewed at least at each balance sheet date. The effects of any revision in management's estimate of amounts payable are recognised in the income statement when the changes arise.

3.17 Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill, the initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that they probably will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.18 Fuel Equalisation Account ("FEA")

The FEA has been set up in accordance with the directive of the Public Transport Council ("PTC") to account for electricity tariff and diesel price adjustment charge, as part of the mechanism for regulating public transport fares. Annual contributions to the FEA may be required as determined by the PTC, based on the reference electricity tariff and diesel price for the year.

Applications can be made to the PTC to seek approval for a drawdown as may be catered for by the purpose of the FEA mechanism. The PTC may also direct such transfers that it considers necessary.

3.19 Grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with the attached conditions.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.19 Grants (cont'd)

Asset-related grants

Asset-related grants received from the LTA and/or other government bodies for the purchase of eligible assets are deferred and amortised in the income statement using the straight-line method and over the same periods in which the related property, plant and equipment are depreciated.

Other grants

Grants that compensate the Group for expenses incurred are recognised in the income statement in the same periods in which the expenses are recognised.

3.20 Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared and approved.

3.21 Revenue recognition

Passenger revenue

Passenger revenue from MRT and LRT systems and public bus services is recognised at the end of the ride.

Taxi rental and rental revenue

Rental revenue receivable under operating leases is recognised in the income statement on a straight-line basis over the terms of the leases. Lease incentives granted are recognised as an integral part of the total rental income to be received.

Advertising revenue

Advertising revenue is recognised on an accrual basis over the terms of the contract.

Sales of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyers. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Engineering and other services

Revenue from short-term workshop and other services is recognised upon completion of services rendered.

Revenue from engineering consultancy and project management services is recognised when services are rendered.

Revenue from operating and maintenance services is recognised over the period during which the service is provided.

Provision for foreseeable losses, on contracts not yet completed, is made as soon as such losses are determinable.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.22 Leases

Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors, are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the leases.

Contingent rents are recognised as an expense in the income statement when incurred.

Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the leases.

Initial indirect costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the income statement over the term of the leases on the same basis as the lease income.

Contingent rents are recognised as income in the income statement when earned.

3.23 Finance costs

Interest expense and similar charges are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

3.24 Interest and investment income

Interest income from bank deposits and other debt securities is recognised in the income statement using the effective interest method.

Dividend income from subsidiaries is recognised on the date that the Group's right to receive payment is established.

Dividend income from other equity investments is recognised in the income statement at gross on a receipt basis.

Gain or loss on disposal of investment is accounted for in the income statement as they arise.

3.25 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

Notes to the Financial Statements

Year ended 31 March 2014

3 Summary of Significant Accounting Policies (cont'd)

3.26 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Defined benefits plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine the present value. The discount rate is the market yield of quoted Singapore Government Bonds at balance sheet date. The calculation is performed using the projected unit credit method.

When the benefits of a plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, any actuarial gain or loss arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period that the gain or loss arises.

Short-term accumulating compensated absences

Employee entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Equity and equity related compensated benefits

The SMRT Corporation Employee Share Option Plan ("SMRT ESOP") allows the Group's employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and a corresponding adjustment to equity over the remaining vesting period. The proceeds received, net of any directly attributable transactions costs, are credited to share capital when the options are exercised.

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") allow the Group to award employees fully paid shares, their equivalent cash value or combination thereof, free of charge, provided that certain prescribed performance targets are met and, in the case of awards under the SMRT RSP, upon expiry of the prescribed vesting period. For shares granted pursuant to awards under these plans, and the amount of cash which may be paid upon the release of such awards, the fair value of the awards is measured at grant date and spread over the vesting period. At each balance sheet date, the Group may revise the fair value of the awards based on actual performance achieved. It recognises the impact of the revision of original estimates in employee expense and a corresponding adjustment to equity over the remaining vesting period.

Notes to the Financial Statements

Year ended 31 March 2014

4 Property, Plant and Equipment

| Group | Leasehold land, properties and infrastructure \$'000 | Furniture, fittings, office equipment and computers \$'000 | Motor vehicles \$'000 | Rolling stock \$'000 | Power supply equipment \$'000 |
|---|--|---|-----------------------------|----------------------------|-------------------------------------|
| Cost | | | | | |
| At 1 April 2012 | 262,203 | 76,346 | 6,046 | 1,226,887 | 144,674 |
| Additions | 521 | 2,985 | 1,257 | 1,735 | 139 |
| Disposals/Write-offs | - | (468) | (283) | (5) | (1,147) |
| Transfers/Reclassifications | 6,573 | 4,799 | - | 356 | 2,567 |
| At 31 March 2013 | 269,297 | 83,662 | 7,020 | 1,228,973 | 146,233 |
| At 1 April 2013 | 269,297 | 83,662 | 7,020 | 1,228,973 | 146,233 |
| Additions | 24,809 | 4,141 | 1,130 | 81,493 | 9,337 |
| Disposals/Write-offs | (66) | (1,053) | (883) | (1,579) | (391) |
| Transfers/Reclassifications | 25,810 | 4,736 | - | 731 | 2,330 |
| At 31 March 2014 | 319,850 | 91,486 | 7,267 | 1,309,618 | 157,509 |
| Accumulated depreciation and impairment losses | | | | | |
| At 1 April 2012 | 55,795 | 43,093 | 3,595 | 670,866 | 112,330 |
| Depreciation charge for the year | 12,369 | 8,553 | 988 | 50,430 | 7,452 |
| Disposals/Write-offs | - | (466) | (283) | (5) | (1,030) |
| At 31 March 2013 | 68,164 | 51,180 | 4,300 | 721,291 | 118,752 |
| At 1 April 2013 | 68,164 | 51,180 | 4,300 | 721,291 | 118,752 |
| Depreciation charge for the year | 16,298 | 10,173 | 1,126 | 56,012 | 5,983 |
| Disposals/Write-offs | (66) | (947) | (707) | (1,023) | (343) |
| At 31 March 2014 | 84,396 | 60,406 | 4,719 | 776,280 | 124,392 |
| Carrying amount | | | | | |
| At 31 March 2013 | 201,133 | 32,482 | 2,720 | 507,682 | 27,481 |
| At 31 March 2014 | 235,454 | 31,080 | 2,548 | 533,338 | 33,117 |

Notes to the Financial Statements

Year ended 31 March 2014

| Signalling, communication and automatic fare collection systems \$'000 | Buses \$'000 | Taxis \$'000 | Plant and machinery \$'000 | Other operating equipment \$'000 | Assets under construction \$'000 | Total \$'000 |
|--|-----------------|-----------------|----------------------------------|--|---|-----------------|
| 284,740 | 281,264 | 234,743 | 24,212 | 349,770 | 88,685 | 2,979,570 |
| 4,068 | 4,012 | 53,581 | 714 | 4,393 | 192,696 | 266,101 |
| (8,128) | (13,081) | (67,850) | (243) | (7,681) | - | (98,886) |
| 7,456 | 56,454 | 64,551 | 3,148 | 12,585 | (158,489) | - |
| 288,136 | 328,649 | 285,025 | 27,831 | 359,067 | 122,892 | 3,146,785 |
| 288,136 | 328,649 | 285,025 | 27,831 | 359,067 | 122,892 | 3,146,785 |
| 28,183 | 3,245 | 38,982 | 507 | 32,653 | 173,226 | 397,706 |
| (5,597) | (8,883) | (55,090) | (2,555) | (1,526) | - | (77,623) |
| 5,157 | 51,624 | 38,928 | 2,744 | 14,506 | (146,566) | - |
| 315,879 | 374,635 | 307,845 | 28,527 | 404,700 | 149,552 | 3,466,868 |
| 203,784 | 153,514 | 114,116 | 22,884 | 253,096 | - | 1,633,073 |
| 13,704 | 24,797 | 29,059 | 1,168 | 12,618 | - | 161,138 |
| (7,175) | (13,007) | (53,370) | (242) | (7,645) | - | (83,223) |
| 210,313 | 165,304 | 89,805 | 23,810 | 258,069 | - | 1,710,988 |
| 210,313 | 165,304 | 89,805 | 23,810 | 258,069 | - | 1,710,988 |
| 17,472 | 22,170 | 32,731 | 1,738 | 17,476 | - | 181,179 |
| (5,223) | (8,880) | (45,863) | (2,548) | (1,468) | - | (67,068) |
| 222,562 | 178,594 | 76,673 | 23,000 | 274,077 | - | 1,825,099 |
| 77,823 | 163,345 | 195,220 | 4,021 | 100,998 | 122,892 | 1,435,797 |
| 93,317 | 196,041 | 231,172 | 5,527 | 130,623 | 149,552 | 1,641,769 |

Notes to the Financial Statements

Year ended 31 March 2014

4 Property, Plant and Equipment (cont'd)

| Company | Furniture, fittings, office equipment and computers \$'000 | Communication systems \$'000 | Motor vehicles \$'000 | Other operating equipment \$'000 | Plant and machinery \$'000 | Assets under construction \$'000 | Total \$'000 |
|---|---|------------------------------------|-----------------------------|---|-------------------------------------|---|-----------------|
| Cost | | | | | | | |
| At 1 April 2012 | 17,482 | 1,321 | 129 | 7 | 101 | 1,178 | 20,218 |
| Additions | 1,331 | 1,156 | - | 12 | 23 | 932 | 3,454 |
| Disposals/Write-offs | (27) | - | - | - | - | - | (27) |
| Transfers/Reclassifications | 404 | - | - | - | - | (404) | - |
| At 31 March 2013 | 19,190 | 2,477 | 129 | 19 | 124 | 1,706 | 23,645 |
| At 1 April 2013 | 19,190 | 2,477 | 129 | 19 | 124 | 1,706 | 23,645 |
| Additions | 2,932 | - | 312 | 9 | - | 2,415 | 5,668 |
| Disposals/Write-offs | (43) | - | - | - | - | - | (43) |
| Transfers/Reclassifications | 662 | - | - | - | - | (662) | - |
| At 31 March 2014 | 22,741 | 2,477 | 441 | 28 | 124 | 3,459 | 29,270 |
| Accumulated depreciation and impairment losses | | | | | | | |
| At 1 April 2012 | 9,862 | 1,058 | 110 | 7 | 42 | - | 11,079 |
| Depreciation charge for the year | 2,594 | 418 | 8 | 5 | 13 | - | 3,038 |
| Disposals/Write-offs | (27) | - | - | - | - | - | (27) |
| At 31 March 2013 | 12,429 | 1,476 | 118 | 12 | 55 | - | 14,090 |
| At 1 April 2013 | 12,429 | 1,476 | 118 | 12 | 55 | - | 14,090 |
| Depreciation charge for the year | 3,194 | 430 | 43 | 4 | 14 | - | 3,685 |
| Disposals/Write-offs | (42) | - | - | - | - | - | (42) |
| At 31 March 2014 | 15,581 | 1,906 | 161 | 16 | 69 | - | 17,733 |
| Carrying amount | | | | | | | |
| At 31 March 2013 | 6,761 | 1,001 | 11 | 7 | 69 | 1,706 | 9,555 |
| At 31 March 2014 | 7,160 | 571 | 280 | 12 | 55 | 3,459 | 11,537 |

Notes to the Financial Statements

Year ended 31 March 2014

5 Intangible Asset

| Group | Goodwill | |
|--------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Cost | | |
| At 1 April and 31 March | 63,373 | 63,373 |
| Impairment losses | | |
| At 1 April and 31 March | 49,759 | 49,759 |
| Carrying amount | | |
| At 1 April and 31 March | 13,614 | 13,614 |

Impairment test for business unit containing goodwill

Goodwill is allocated to the Group's business unit:

| | 2014 \$'000 | 2013 \$'000 |
|-----------------|----------------|----------------|
| Taxi operations | 13,614 | 13,614 |

The recoverable amount of a business unit is determined based on value-in-use calculations. The calculations use cash flow projections based on an approved five-year plan. The terminal value at the end of the five-year period is computed using the capitalised earnings method which converts a single period of expected earnings into an indication of value based on a capitalisation rate or earnings multiple. The key assumptions used for the analysis are:

- The size of the taxi fleet approximate those existing at date of review.
- Taxi rental rates approximate current levels and are based on prevailing market conditions and age of vehicles.
- Operating expenses are based on historical trends, taking into account expected inflation.
- The pre-tax Weighted Average Cost of Capital ("WACC") of the Group is 6.40% (2013: 5.84%) per annum.

The Taxi business is very sensitive to changes in the cost of Certificates of Entitlement ("COE") prices for the taxi vehicles. If the cost of COE continues to increase, resulting in a 9.77% drop (2013: 1.00%) in the forecast cash flows, the recoverable amount will be reduced to a level comparable with its carrying value. If Management's estimated pre-tax WACC applied to the discounted cash flows as at 31 March 2014 is increased by 1.12% (2013: 1.00%), the recoverable amount will be reduced to a level comparable with its carrying value.

Notes to the Financial Statements

Year ended 31 March 2014

6 Investments in Subsidiaries

| | Company | |
|---------------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Unquoted equity shares, at cost | 418,332 | 418,332 |
| Impairment losses | (92,509) | (74,163) |
| | 325,823 | 344,169 |

During the year, the Company recognised an impairment loss of \$18,346,000 (2013: \$24,404,000) for the investments in subsidiaries due mainly to shortfall of carrying values over share of net tangible assets.

Details of the subsidiaries are as follows:

| Name of subsidiaries | Place of incorporation and business | Effective equity interest held by the Group | |
|--|-------------------------------------|---|----------|
| | | 2014 (%) | 2013 (%) |
| ¹ SMRT Trains Ltd. and its subsidiary: | Singapore | 100 | 100 |
| ¹ SMRT Light Rail Pte Ltd | Singapore | 100 | 100 |
| ¹ SMRT Engineering Pte Ltd. and its subsidiary: | Singapore | 100 | 100 |
| ² SMRT Engineering (Middle East) FZE | United Arab Emirates | 100 | 100 |
| ¹ SMRT International Pte Ltd | Singapore | 100 | 100 |
| ¹ SMRT Investments Pte Ltd and its subsidiary: | Singapore | 100 | 100 |
| ¹ SMRT Alpha Pte Ltd | Singapore | 70 | 70 |
| ¹ SMRT Road Holdings Ltd. and its subsidiaries: | Singapore | 100 | 100 |
| ¹ SMRT Buses Ltd. | Singapore | 100 | 100 |
| ¹ SMRT Taxis Pte Ltd | Singapore | 100 | 100 |
| ¹ SMRT Automotive Services Pte. Ltd. | Singapore | 100 | 100 |
| ¹ Bus-Plus Services Pte Ltd | Singapore | 100 | 100 |
| ¹ SMRT Capital Pte. Ltd. | Singapore | 100 | 100 |
| ¹ SMRT Far East Pte. Ltd. and its subsidiaries: | Singapore | 100 | 100 |
| ⁴ SMRT Cayman I | Cayman Islands | 100 | 100 |
| ⁴ SMRT Cayman II | Cayman Islands | 100 | 100 |
| ³ SMRT Hong Kong Limited | Hong Kong | 100 | 100 |
| ¹ SMRT Institute Pte Ltd | Singapore | 100 | 100 |

¹ Audited by PricewaterhouseCoopers LLP, Singapore

² Audited by PricewaterhouseCoopers United Arab Emirates

³ Audited by PricewaterhouseCoopers LLP, Hong Kong

⁴ Not required to be audited in its country of incorporation

Notes to the Financial Statements

Year ended 31 March 2014

7 Interest in Associate

| | 2014 \$'000 | Group 2013 \$'000 |
|-----------------------|----------------|-------------------------|
| Interest in associate | 69,923 | 67,848 |
| Impairment loss | (17,294) | (17,294) |
| | 52,629 | 50,554 |

In the previous financial year, the Group recognised an impairment loss on goodwill included in interest in associate of \$17,294,000 due to uncertainty of government subsidies for the public bus operations, competition within the transport sector and increasing business costs.

Details of the associate are as follows:

| Name of associate | Place of incorporation and business | Effective equity interest held by the Group | |
|--|-------------------------------------|---|----------|
| | | 2014 (%) | 2013 (%) |
| Held by SMRT Far East Pte. Ltd. | | | |
| (2013: Held by SMRT Hong Kong Limited) | | | |
| Shenzhen Zona Transportation Group Co., Ltd. | The People's Republic of China | 49 | 49 |

Summarised financial information of Shenzhen Zona Transportation Group Co., Ltd. is as follows:

| | 2014 \$'000 | 2013 \$'000 |
|-------------------------------|----------------|----------------|
| Assets and liabilities | | |
| Total assets | 237,891 | 222,089 |
| Total liabilities | 130,448 | 118,741 |
| Results | | |
| Revenue | 60,198 | 58,439 |
| Profit after taxation | (858) | (777) |

The summarised financial information relating to the associate disclosed above is not adjusted for the percentage of ownership held by the Group.

Notes to the Financial Statements

Year ended 31 March 2014

8 Other Investments

| | Group | |
|---|---------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Non-current | | |
| Quoted available-for-sale equity security | 4,226 | 5,257 |
| Quoted held-to-maturity debt securities | 16,487 | 26,914 |
| | 20,713 | 32,171 |
| Current | | |
| Quoted held-to-maturity debt securities | 5,000 | - |
| Total | 25,713 | 32,171 |

Held-to-maturity debt securities bear interest at rates ranging from 2.81% to 3.60% (2013: 2.81% to 5.45%) per annum and will mature in 0.92 years to 8.46 years (2013: 1.92 years to 9.45 years).

The maximum exposure to credit risk of the debt securities at the balance sheet date is the carrying amount. Debt securities are neither past due nor impaired.

9 Inventories

| | Group | |
|--|----------|----------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Spare parts, diesel, tyres and consumable stores | 103,090 | 78,252 |
| Allowance for obsolete inventories | (18,765) | (18,351) |
| | 84,325 | 59,901 |

10 Trade and Other Receivables

| | | Group | | Company | |
|---|-------|--------|--------|---------|--------|
| | Note | 2014 | 2013 | 2014 | 2013 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade receivables | 10(a) | 37,652 | 32,929 | - | - |
| Other receivables, deposits and prepayments | 10(b) | 61,286 | 53,145 | 3,777 | 3,886 |
| Amounts due from subsidiaries | 10(c) | - | - | 75,188 | 60,573 |
| | | 98,938 | 86,074 | 78,965 | 64,459 |

Notes to the Financial Statements

Year ended 31 March 2014

I0(a) Trade Receivables

| | Note | 2014 \$'000 | Group 2013 \$'000 |
|------------------------------------|------|----------------|-------------------------|
| Trade receivables | 27 | 42,694 | 37,945 |
| Allowance for doubtful receivables | 27 | (5,042) | (5,016) |
| | | 37,652 | 32,929 |

Trade receivables of the Group include \$2,992,000 (2013: \$1,300,000) due from subsidiaries and/or associates of the ultimate holding company and there is no allowance for doubtful debts arising from the outstanding balances.

I0(b) Other Receivables, Deposits and Prepayments

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Deposits | 743 | 1,341 | 40 | 366 |
| Prepayments | 7,253 | 8,181 | 1,554 | 1,475 |
| Staff loans and advances | 845 | 525 | 343 | 430 |
| Interest receivable | 84 | 139 | - | - |
| Recoverable in respect of accident claims | 8,739 | 13,872 | - | - |
| Advances to suppliers | 13,320 | 7,692 | 99 | 266 |
| Other receivables | 30,302 | 21,395 | 1,741 | 1,349 |
| | 61,286 | 53,145 | 3,777 | 3,886 |

I0(c) Amounts Due from Subsidiaries

| | Company | |
|-------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Current account (trade) | 11,590 | 13,944 |
| Interest-bearing loans | 63,598 | 46,629 |
| | 75,188 | 60,573 |

The interest-bearing loans to subsidiaries are unsecured, bear interest at 0.23% (2013: 0.18%) per annum and are repayable on demand.

The remaining balances are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

Notes to the Financial Statements

Year ended 31 March 2014

11 Share Capital

| | Group and Company | | | |
|--|-----------------------|---------|-----------------------|---------|
| | 2014 | | 2013 | |
| | No. of shares '000 | \$'000 | No. of shares '000 | \$'000 |
| Fully-paid ordinary shares, with no par value | | | | |
| At 1 April | 1,520,972 | 167,496 | 1,520,186 | 166,462 |
| Issue of shares under SMRT ESOP | 74 | 46 | 183 | 121 |
| Issue of performance shares under SMRT RSP & SMRT PSP | 462 | 698 | 603 | 913 |
| At 31 March | 1,521,508 | 168,240 | 1,520,972 | 167,496 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Pursuant to the SMRT ESOP, 74,300 (2013: 115,900 and 67,350) new fully-paid ordinary shares were issued during the financial year for cash at \$0.623 (2013: \$0.676 and \$0.623) per share respectively by the Company.

Capital management

The Company's primary objectives in capital management are to maintain a capital base and commensurate with the Group's scale of operations to sustain future development of the business and to provide adequate returns to shareholders.

Management monitors the return on capital, which the Group defines as total shareholders' equity, excluding non-controlling interest. The Board of Directors also monitors the level of dividends to ordinary shareholders.

Management regularly reviews and manages its capital structure to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There was no change in the Group's approach to capital management during the financial year.

Certain subsidiaries of the Group are subject to obligations and capital expenditure requirements imposed under the License and Operating Agreement in note 2. The Company undertakes periodic discussions with the regulator to enable such requirements be fulfilled in meeting its capital management objectives.

Notes to the Financial Statements

Year ended 31 March 2014

12 Reserves

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Fair value reserve | 516 | 1,547 | - | - |
| Hedge reserve | (94) | (283) | - | - |
| Share-based payment reserve | 1,977 | 2,560 | 1,977 | 2,560 |
| Foreign currency translation reserve | (170) | (2,878) | - | - |
| | 2,229 | 946 | 1,977 | 2,560 |

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investment until the investment is derecognised or impaired.

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

The share-based payment reserve represents the cumulative value of services received from employees for the issue of share options and performance shares. For information about the equity compensation benefits plans, refer to note 13.

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

13 Equity Compensation Benefits

The SMRT Corporation Employee Share Option Plan ("SMRT ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRT ESOP comprises two distinct schemes:

- (i) Management Scheme – Scheme designed for management staff in the positions of Deputy Director and above of the Group.
- (ii) Employee Scheme – Scheme designed for all other employees of the Group.

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") of the Company were approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2004.

The SMRT ESOP, SMRT RSP and SMRT PSP are administered by the Remuneration Committee (the "Committee"), comprising Mr Koh Yong Guan, Chairman of the Committee, Mr Lee Seow Hiang, Mr Tan Ek Kia and Madam Moliah Hashim.

In exercising its discretion, the Committee must act in accordance with any guidelines that may be provided by the Board of Directors. The Committee shall refer any matter not falling within the scope of its terms of reference to the Board. The Committee shall have the power, from time to time, to make and vary such regulations for the implementation and administration of the SMRT ESOP, SMRT RSP and SMRT PSP as it thinks fit.

Notes to the Financial Statements

Year ended 31 March 2014

13 Equity Compensation Benefits (cont'd)

The salient features of the SMRT ESOP, SMRT RSP and SMRT PSP are as follows:

SMRT ESOP

(i) Eligible participants

At the absolute discretion of the Committee, all confirmed employees of the Group (including any director of the Group who performs an executive function) who are not less than 21 years old and have been in the service of the Group for at least one year prior to the date of which an option is granted ("Grant Date") are eligible to participate in the SMRT ESOP.

(ii) Maximum allowable allotment

The total number of shares which may be issued under the SMRT ESOP ("ESOP Shares") when added to the number of shares which may be issued pursuant to awards granted under the SMRT RSP and SMRT PSP shall not exceed 15% of the issued share capital of the Company on the Grant Date.

The number of ESOP Shares to be offered to a participant shall be determined by the Committee at its absolute discretion after taking into account the length of service and performance of the participant and such other general criteria as the Committee may consider appropriate.

(iii) Subscription price

The subscription price for each share in respect of which an option is exercisable shall be the average of the last dealt prices of the shares as published by the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the Grant Date.

(iv) Option period

The options granted under the Management Scheme will be vested over a 3-year period (that is cumulatively 33% in the first year, 66% in the second year and 100% in the third year) and may be exercised during the period commencing after the vesting date but before the tenth anniversary of the Grant Date.

The options granted under the Employee Scheme may be exercised during the period commencing after the second anniversary of the Grant Date but before the tenth anniversary of the Grant Date. The right of the participants to exercise their options is in all cases subject to such vesting schedule (if any) stipulated by the Committee and any other conditions which may be imposed by the Committee from time to time in its absolute discretion.

Notes to the Financial Statements

Year ended 31 March 2014

13 Equity Compensation Benefits (cont'd)

SMRT ESOP (cont'd)

At the end of the financial year, details of the options granted under the SMRT ESOP on the unissued ordinary shares of the Company are as follows:

| Date of grant of options | Exercise price per option | Options outstanding and exercisable at 1 April 2013 | Options exercised | Options cancelled | Options outstanding and exercisable at 31 March 2014 | Proceeds on exercise of options during the year credited to share capital (\$'000) | Weighted average share price at exercise date of options | Exercise period |
|--------------------------|---------------------------|---|-------------------|-------------------|--|--|--|------------------------------|
| 22/7/2003 | \$0.623 | 322,150 | (74,300) | (247,850) | - | 46 | \$1.454 | 22/7/2004 to 21/7/2013 |

No option has been granted during the financial year. The last batch of share options granted on 22 July 2003 expired on 21 July 2013.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a modified Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected volatility is based on the historic volatility, calculated based on monthly share prices over three years prior to date of grant of options.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the fair value measurement of the services received.

SMRT RSP and SMRT PSP (collectively "the Plans")

The SMRT RSP is intended to enhance the Group's overall compensation packages and strengthen the Group's ability to attract and retain high performing talent.

The SMRT PSP is targeted at senior management in key positions who are able to drive the growth of the Company through innovation, creativity and superior performance.

(i) Eligible participants

- Group employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time; and
- Associated company employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The selection of employees and the number of shares which are the subject of each award to be granted to employees in accordance with the Plans shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, contribution to the success and development of the Group and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

Notes to the Financial Statements

Year ended 31 March 2014

13 Equity Compensation Benefits (cont'd)

SMRT RSP and SMRT PSP (collectively "the Plans") (cont'd)

(ii) Awards

Awards represent the right of an employee to receive fully paid shares, their equivalent cash value or combination thereof, free of charge, provided that certain prescribed performance targets are met and upon expiry of the prescribed vesting period.

It is the intention of SMRT to award performance-based restricted awards to ensure that the earnings of shares under the SMRT RSP is aligned with pay-for-performance principle.

Awards granted under the SMRT PSP are performance-based and the targets set under the plan are intended to be based on long-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

An individual employee who is a key management staff may be granted an award under the SMRT PSP, as well as the SMRT RSP although differing performance targets are likely to be set for each award.

Non-executive directors of the Group, the holding company and associated companies will not be eligible to participate in the Plans.

(iii) Size and duration

The total number of new shares which may be issued pursuant to awards granted under the Plans, when added to the number of options granted under SMRT ESOP shall not exceed 15% of the issued share capital of the Company on the day preceding the relevant date of award.

The Plans shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing from 15 July 2004, provided always that the Plans may continue beyond the 10-year period with the approval of the shareholders in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the Plans, any awards made to employees prior to such expiry or termination will continue to remain valid.

(iv) Events prior to vesting

Special provisions for vesting and lapsing of awards apply such as the termination of the employment, misconduct, retirement and any other events approved by the Committee. Upon occurrence of any of the events, the Committee will consider, at its discretion, whether or not to release any award, and will take into account circumstances on a case-by-case basis, including (but not limited to) the contributions made by the employee.

Notes to the Financial Statements

Year ended 31 March 2014

13 Equity Compensation Benefits (cont'd)

SMRT RSP and SMRT PSP (collectively "the Plans") (cont'd)

During the financial year, the conditional shares awarded under the SMRT PSP and SMRT RSP to the senior management staff are described below:

| | SMRT PSP | SMRT RSP |
|---------------------------|--|---|
| Plan description | Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives. | Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a one-year performance period based on medium-term corporate objectives. |
| Date of grant | 31 July 2013 | 31 July 2013 |
| Performance period | 1 April 2013 to 31 March 2016 | 1 April 2013 to 31 March 2014 |
| Vesting condition | Vesting based on meeting stated performance conditions over a three-year performance period. | Based on meeting stated performance conditions over a one-year performance period, 1/3 of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements. |
| Payout | 0% - 150% depending on the achievement of pre-set performance targets over the performance period. | 0% - 100% depending on the achievement of pre-set performance targets over the performance period. |

A prospective Monte Carlo simulation model involving projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns was used to value the conditional share awards. The simulation model was based on the following key assumptions:

| | 2014 | | 2013 | |
|---|-------------------------------|------------------|---------------------------------|------------------|
| | SMRT PSP | SMRT RSP | SMRT PSP | SMRT RSP |
| Historical volatility | | | | |
| SMRT | 8.94% | 8.94% | 13.62% | 13.62% |
| StraitsTimes Index | 14.52% | | 16.16% | |
| Risk-free interest rates | | | | |
| Yield of Singapore Government Securities on Date of Grant | 0.40% | 0.20% - 0.40% | 0.26% | 0.25% - 0.26% |
| Term | 2.9 years | 0.9 to 2.9 years | 2.5 years | 0.5 to 2.5 years |
| SMRT expected dividend yield | --- Management's forecast --- | | ---- Management's forecast ---- | |
| Share price at grant date | \$1.42 | \$1.42 | \$1.69 | \$1.69 |

For non-market conditions, achievement factors have been estimated for the purpose of accrual for the SMRT RSP until the achievement of the targets can be accurately ascertained.

Details of conditional shares awarded in previous years are set out in the financial statements for the previous years.

Notes to the Financial Statements

Year ended 31 March 2014

13 Equity Compensation Benefits (cont'd)

SMRT RSP and SMRT PSP (collectively "the Plans") (cont'd)

The details of shares awarded, cancelled and released during the year pursuant to the Plans were as follows:

| SMRT PSP | Balance as at 1 April 2013 | Shares granted during the financial year | Shares forfeited during the financial year | Shares issued during the financial year | Adjustment due to performance modifier effect | Balance as at 31 March 2014 or as at date of resignation |
|--|----------------------------|--|--|---|---|--|
| Grant date | | | | | | |
| 23 August 2010 | | | | | | |
| - For senior management | 36,000 | - | (36,000) | - | - | - |
| 30 March 2012 | | | | | | |
| - For senior management | 246,000 | - | (108,000) | - | - | 138,000 |
| 26 December 2012 | | | | | | |
| - For senior management | 310,000 | - | (95,000) | - | - | 215,000 |
| 31 July 2013 | | | | | | |
| - For senior management | - | 275,000 | - | - | - | 275,000 |
| - For executive director (Desmond Kuek Bak Chye) | - | 130,000 | - | - | - | 130,000 |
| | 592,000 | 405,000 | (239,000) | - | - | 758,000 |
| SMRT PSP | | | | | | |
| Grant date | | | | | | |
| 28 August 2009 | | | | | | |
| - For senior management | 24,000 | - | (24,000) | - | - | - |
| - For executive director (Saw Phaik Hwa) * | 100,000 | - | (100,000) | - | - | - |
| 23 August 2010 | | | | | | |
| - For senior management | 36,000 | - | - | - | - | 36,000 |
| - For executive director (Saw Phaik Hwa) * | 100,000 | - | (100,000) | - | - | - |
| 30 March 2012 | | | | | | |
| - For senior management | 246,000 | - | - | - | - | 246,000 |
| 26 December 2012 | | | | | | |
| - For senior management | - | 310,000 | - | - | - | 310,000 |
| | 506,000 | 310,000 | (224,000) | - | - | 592,000 |

* Ms Saw Phaik Hwa resigned as director on 6 January 2012

The estimated fair value at date of grant for each share granted on 31 July 2013 pursuant to SMRT PSP was \$0.309.

Notes to the Financial Statements

Year ended 31 March 2014

13 Equity Compensation Benefits (cont'd)

SMRT RSP and SMRT PSP (collectively "the Plans") (cont'd)

| SMRT RSP Grant date | Balance as at 1 April 2013 | Shares granted during the financial year | Shares forfeited during the financial year | Shares issued during the financial year | Adjustment due to performance modifier effect | Balance as at 31 March 2014 or as at date of resignation |
|---|-------------------------------------|---|--|--|--|--|
| 28 August 2009 | | | | | | |
| - For senior management | 144,800 | - | (28,600) | (116,200) | - | - |
| 23 August 2010 | | | | | | |
| - For senior management | 335,400 | - | (95,700) | (129,900) | - | 109,800 |
| 30 March 2012 | | | | | | |
| - For senior management | 852,500 | - | (90,100) | (119,200) | (547,800) | 95,400 |
| 26 December 2012 | | | | | | |
| - For senior management | 1,157,000 | - | (82,400) | (96,300) | (812,300) | 166,000 |
| 31 July 2013 | | | | | | |
| - For senior management | - | 1,105,500 | (53,000) | - | - | 1,052,500 |
| - For executive director (Desmond Kuek Bak Chye) | - | 156,000 | - | - | - | 156,000 |
| | 2,489,700 | 1,261,500 | (349,800) | (461,600) | (1,360,100) | 1,579,700 |

| SMRT RSP Grant date | Balance as at 1 April 2012 | Shares granted during the financial year | Shares forfeited during the financial year | Shares issued during the financial year | Adjustment due to performance modifier effect | Balance as at 31 March 2013 or as at date of resignation |
|---|-------------------------------------|---|--|--|---|--|
| 9 February 2009 | | | | | | |
| - For senior management | 117,900 | - | - | (117,900) | - | - |
| - For executive director (Saw Phaik Hwa) * | 31,100 | - | - | (31,100) | - | - |
| 28 August 2009 | | | | | | |
| - For senior management | 356,800 | - | (27,800) | (184,200) | - | 144,800 |
| - For executive director (Saw Phaik Hwa) * | 76,700 | - | (38,400) | (38,300) | - | - |
| 23 August 2010 | | | | | | |
| - For senior management | 702,000 | - | (93,200) | (231,200) | (42,200) | 335,400 |
| - For executive director (Saw Phaik Hwa) * | 100,000 | - | (100,000) | - | - | - |
| 30 March 2012 | | | | | | |
| - For senior management | 965,500 | - | (113,000) | - | - | 852,500 |
| 26 December 2012 | | | | | | |
| - For senior management | - | 1,311,000 | (154,000) | - | - | 1,157,000 |
| | 2,350,000 | 1,311,000 | (526,400) | (602,700) | (42,200) | 2,489,700 |

* Ms Saw Phaik Hwa resigned as director on 6 January 2012

The estimated fair values at grant date for each share granted on 31 July 2013 pursuant to SMRT RSP range from \$1.313 to \$1.368.

Notes to the Financial Statements

Year ended 31 March 2014

13 Equity Compensation Benefits (cont'd)

SMRT RSP and SMRT PSP (collectively "the Plans") (cont'd)

Under the Plans, 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 SMRT, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2014 were 758,000 and 1,579,700 (2013: 592,000 and 2,489,700) for SMRT PSP and SMRT RSP respectively.

Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 1,137,000 and 1,634,700 (2013: 879,000 and 2,911,800) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

The total amount recognised in the financial statements (before taxes) for share-based payment transactions with employees is summarised as follows:

| | Group and Company | |
|---|-------------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Expenses | | |
| (i) Performance share plan under SMRT PSP | 20 | (121) |
| (ii) Performance-based restricted shares under SMRT RSP | 95 | 1,278 |
| | 115 | 1,157 |

14 Interest-Bearing Borrowings

This note provides information about the contractual terms of interest-bearing borrowings. For more information about the Group's exposure to interest rate risk, refer to note 27.

| | Group | |
|---|---------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Non-current liabilities | | |
| Unsecured quoted fixed rate notes | 450,000 | 600,000 |
| Secured loan from third party | 30,017 | 7,125 |
| | 480,017 | 607,125 |
| Current liabilities | | |
| Unsecured quoted fixed rate notes | 150,000 | - |
| Secured loan from third party | 2,343 | 540 |
| Unsecured loan from non-controlling shareholder of subsidiary | 4,050 | 1,807 |
| | 156,393 | 2,347 |
| Total | 636,410 | 609,472 |

Notes to the Financial Statements

Year ended 31 March 2014

14 Interest-Bearing Borrowings (cont'd)

Terms and debt repayment schedule

| Group | Interest rate | Year of maturity | Note | Carrying amount | |
|---|---------------|---------------------|----------|-----------------|----------------|
| | | | | 2014 \$'000 | 2013 \$'000 |
| Unsecured loan from non-controlling shareholder of subsidiary | 4.00% | Repayable on demand | | 4,050 | 1,807 |
| Unsecured quoted fixed rate notes | 2.42% | 2014 | (b)(i) | 150,000 | 150,000 |
| Unsecured quoted fixed rate notes | 1.20% | 2017 | (b)(ii) | 350,000 | 350,000 |
| Unsecured quoted fixed rate notes | 2.36% | 2022 | (b)(iii) | 100,000 | 100,000 |
| Secured loan from third party | 6.00% | 2031 | (c) | 32,360 | 7,665 |
| | | | | 636,410 | 609,472 |

The Group has established the following Medium Term Note ("MTN") Programmes, pursuant to which the companies that established the programmes may issue notes from time to time to finance the general corporate funding requirements of the Group.

(a) On 13 January 2005, the Company put in place a S\$500 Million Multi-Currency MTN Programme.

(b) On 15 September 2009, a subsidiary put in place a S\$1 Billion Multi-Currency Guaranteed MTN Programme.

Under these MTN Programmes, the companies that established the programmes may issue notes in Singapore dollars or other currencies, in various amounts and tenors, which may bear fixed, floating or variable rates of interest. Hybrid notes and zero coupon notes may also be issued under the MTN Programmes.

Details of notes outstanding at the balance sheet date are as follows:

- (i) The S\$150 million 5-year unsecured guaranteed fixed rate notes issued by a subsidiary on 7 October 2009 are due in 2014. Interest is payable semi-annually in arrears. The fixed rate notes are listed on the SGX-ST.
 - (ii) The S\$350 million 5-year unsecured fixed rate notes issued by a subsidiary on 5 October 2012 is due in 2017. Interest is payable semi-annually in arrears. The fixed rate notes are listed on the SGX-ST.
 - (iii) The S\$100 million 10-year unsecured fixed rate notes issued by a subsidiary on 5 October 2012 is due in 2022. Interest is payable semi-annually in arrears. The fixed rate notes are listed on the SGX-ST.
- (c) The loan from third party extended to a subsidiary is secured on a fixed charge over the buses and associated accessories acquired under the Bus Service Enhancement Programme ("BSEP"). The repayment of loan is funded to the extent of the BSEP grant made available to the subsidiary. At balance sheet date, the carrying amount of buses and associated accessories pledged amounted to \$36,605,000 (2013: \$14,372,000).

Notes to the Financial Statements

Year ended 31 March 2014

14 Interest-Bearing Borrowings (cont'd)

The Company has extended guarantee to the holders of the notes in respect of the subsidiary's S\$1 Billion Multi-Currency Guaranteed MTN Programme. The financial guarantees amounted to \$641,721,000 (2013: \$651,914,000). The period in which the financial guarantees expire is as follows:

| | Company | |
|-----------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Less than 1 year | 160,193 | 10,193 |
| Between 1 and 5 years | 374,433 | 532,263 |
| More than 5 years | 107,095 | 109,458 |
| | 641,721 | 651,914 |

15 Provisions

| | Note | Group | | Company | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Liability for defined benefit plan | 15(a) | 25 | 55 | - | - |
| Liability for short-term accumulating compensated absences | 15(b) | 2,673 | 1,497 | 252 | 261 |
| Provision for accident claims | 15(c) | 47,590 | 43,824 | - | - |
| | | 50,288 | 45,376 | 252 | 261 |

| | Group | | Company | |
|-------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Current | 50,263 | 45,321 | 252 | 261 |
| Non-current | 25 | 55 | - | - |
| | 50,288 | 45,376 | 252 | 261 |

(a) Liability for defined benefit plan

The Group has a retirement benefit plan each for certain eligible management staff/executives and other employees. The terms of these plans, which are unfunded, are as follows:

- (i) Certain management staff and executives who are eligible for the scheme, subject to having completed at least five years of service prior to 31 March 2004, are entitled to a future benefit payable upon their retirement of an amount equal to 10% of their monthly basic salary as at 31 March 2004 multiplied by each completed year of service as at 31 March 2004. The maximum benefit is capped at two and a half times of their monthly basic salary as at 31 March 2004.
- (ii) Certain other employees who are eligible for the scheme, subject to having joined on or before 31 March 2004, are entitled to a future benefit payable upon their retirement of an amount equal to 10% of their last drawn monthly basic salary multiplied by each completed year of service up to 62 years of age. The maximum benefit is capped at two and a half times of the last drawn monthly basic salary.

Notes to the Financial Statements

Year ended 31 March 2014

15 Provisions (cont'd)

(a) Liability for defined benefit plan (cont'd)

Movements in the net liability recognised in the balance sheet

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| At 1 April | | 55 | 3,034 | - | - |
| Expense (reversed)/ recognised during the year | 21(b) | (25) | 699 | - | 137 |
| Payments made | | (5) | (3,678) | - | (137) |
| At 31 March | | 25 | 55 | - | - |

Recognised in the income statement

| | Group | | Company | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Current service costs | (26) | 622 | - | 137 |
| Interest on obligations | 1 | 77 | - | - |
| | (25) | 699 | - | 137 |

Principal actuarial assumptions

Principal actuarial assumptions used in calculating the Group's liability for defined benefit plan include estimated future salary increases, employee turnover rates based on historical trends and discount rates based on the market yield at balance sheet date on quoted Singapore Government Bonds that have maturity dates approximating the average discount period.

(b) Liability for short-term accumulating compensated absences

Short-term accumulating compensated absences are recognised when the employees render services that increase their entitlement to future compensated absences.

Movements in the net liability recognised in the balance sheet

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| At 1 April | | 1,497 | 1,284 | 261 | 216 |
| Provision made/ (reversed) during the year | 21(b) | 1,176 | 213 | (9) | 45 |
| At 31 March | | 2,673 | 1,497 | 252 | 261 |

Notes to the Financial Statements

Year ended 31 March 2014

15 Provisions (cont'd)

(c) Provision for accident claims

Provision for accident claims are accounted for in accordance with the accounting policy set out in note 3.16. The Group expects to incur the liability over the next 12 months.

Movements in the net liability recognised in the balance sheet

| | Group | |
|--------------------------------|----------|----------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| At 1 April | 43,824 | 36,570 |
| Provision made during the year | 26,686 | 34,750 |
| Provision used during the year | (22,920) | (27,496) |
| At 31 March | 47,590 | 43,824 |

16 Deferred Tax

Deferred tax liabilities/(assets) and movements in temporary differences during the year are attributable to the following:

| | At 1/4/2012 | Recognised in income statement (note 22) | Recognised in other comprehensive income (note 22) | At 31/3/2013 | Recognised in income statement (note 22) | Recognised in other comprehensive income (note 22) | At 31/3/2014 |
|---|----------------|---|--|-----------------|---|--|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Group | | | | | | | |
| Excess of net book value over tax written down value of property, plant and equipment | 137,068 | 19,633 | - | 156,701 | 22,179 | - | 178,880 |
| Other temporary differences | (12,860) | (1,013) | 39 | (13,834) | (9,277) | 39 | (23,072) |
| | 124,208 | 18,620 | 39 | 142,867 | 12,902 | 39 | 155,808 |
| Company | | | | | | | |
| Excess of net book value over tax written down value of property, plant and equipment | 1,373 | 47 | - | 1,420 | 57 | - | 1,477 |
| Other temporary differences | (36) | (7) | - | (43) | 1 | - | (42) |
| | 1,337 | 40 | - | 1,377 | 58 | - | 1,435 |

Notes to the Financial Statements

Year ended 31 March 2014

17 Fuel Equalisation Account (“FEA”)

| | 2014 \$'000 | Group 2013 \$'000 |
|-------------------------|----------------|-------------------------|
| At 1 April and 31 March | 20,312 | 20,312 |

The FEA is accounted for in accordance with the policy set out in note 3.18.

18 Deferred Grants

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Grants received | | 487,276 | 480,920 | 150 | 150 |
| Accumulated amortisation: | | | | | |
| At 1 April | | (428,431) | (417,825) | (63) | (41) |
| Amortisation during the year | | (9,877) | (10,558) | (45) | (22) |
| Released on assets disposed/ written-off | 21(a) | (19) | (48) | - | - |
| At 31 March | | (438,327) | (428,431) | (108) | (63) |
| | | 48,949 | 52,489 | 42 | 87 |

Included in grants received is \$480,000,000 (2013: \$480,000,000) of asset-related grant from LTA to defray part of the purchase cost of the operating assets of the MRT system.

19 Trade and Other Payables

| | Note | Group | | Company | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Trade payables and accrued operating expenses | 19(a) | 197,308 | 174,964 | 17,561 | 12,978 |
| Other payables and refundable deposits | 19(b) | 157,875 | 402,174 | 4,554 | 2,416 |
| Amounts due to subsidiaries | 19(c) | - | - | 187 | 142 |
| | | 355,183 | 577,138 | 22,302 | 15,536 |

Outstanding balances with subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

Year ended 31 March 2014

19(a) Trade Payables and Accrued Operating Expenses

Trade payables and accrued operating expenses of the Group include \$1,055,000 (2013: \$1,032,000) due to subsidiaries and/or associates of the ultimate holding company.

Trade payables and accrued operating expenses of the Company include \$34,000 (2013: \$68,000) due to subsidiaries and/or associates of the ultimate holding company.

Trade payables and accrued operating expenses are unsecured, interest-free and repayable on demand.

19(b) Other Payables and Refundable Deposits

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Unearned revenue | 6,033 | 1,691 | - | - |
| Rental deposits | 35,251 | 28,291 | - | - |
| Other deposits | 8,895 | 5,801 | 44 | 82 |
| Interest payable | 4,951 | 4,941 | - | - |
| Purchase of property, plant and equipment | 93,118 | 351,330 | 2,972 | 1,282 |
| Retention monies | 3,769 | 5,371 | - | - |
| Other payables | 5,858 | 4,749 | 1,538 | 1,052 |
| | 157,875 | 402,174 | 4,554 | 2,416 |

19(c) Amounts Due to Subsidiaries

| | Company | |
|-----------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Current account (non-trade) | 187 | 142 |

The balances are unsecured, interest-free and are repayable on demand.

20 Revenue

| | Group | |
|------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Passenger revenue | 851,940 | 829,320 |
| Taxi rental | 117,074 | 109,569 |
| Rental revenue | 97,620 | 88,393 |
| Advertising revenue | 35,633 | 30,907 |
| Sales of goods | 15,464 | 22,546 |
| Engineering and others | 46,162 | 38,734 |
| | 1,163,893 | 1,119,469 |

Notes to the Financial Statements

Year ended 31 March 2014

21 Profit before Income Tax

A summary of the Consolidated Income Statement is presented as follows:

Consolidated Income Statement:

| | Note | 2014 \$'000 | 2013 \$'000 |
|---|-----------|----------------|----------------|
| Revenue | 20 | 1,163,893 | 1,119,469 |
| Other operating income | 21(a) | 42,146 | 36,305 |
| Staff costs | 21(b) | (462,360) | (395,161) |
| Depreciation of property, plant and equipment | 4 | (181,179) | (161,138) |
| Amortisation of asset-related grants | 18 | 9,877 | 10,558 |
| Repairs and maintenance costs | | (112,902) | (112,537) |
| Electricity and diesel costs | | (163,517) | (165,485) |
| Impairment of interest in associate | 7 | - | (17,294) |
| Other operating expenses | 21(c) | (211,724) | (204,512) |
| Profit from operations | | 84,234 | 110,205 |
| Finance costs | 21(d) | (10,431) | (7,065) |
| Interest and investment income | 21(e) | 1,270 | 2,305 |
| Share of results of associate (net of tax) | | (418) | (381) |
| Profit before income tax | 21 | 74,655 | 105,064 |
| Income tax expense | 22 | (13,157) | (21,864) |
| Profit after income tax | | 61,498 | 83,200 |
| Attributable to: | | | |
| Equity holders of SMRT | | 61,902 | 83,338 |
| Non-controlling interest | | (404) | (138) |
| | | 61,498 | 83,200 |

The following items have been included in arriving at profit before income tax:

| | Note | 2014 \$'000 | Group 2013 \$'000 |
|---|------|----------------|-------------------------|
| (a) Other operating income | | | |
| Unutilised tickets and farecards | | 9,129 | 9,565 |
| Maintenance income | | 4,485 | 4,067 |
| Grant released upon disposal/write-off of property, plant and equipment | 18 | 19 | 48 |
| Insurance compensation on rail asset | | - | 8,000 |
| Gain on disposal of property, plant and equipment | | 1,874 | 1,339 |
| Bus Service Enhancement Programme Grant | | 15,207 | 2,888 |
| Others | | 11,432 | 10,398 |
| | | 42,146 | 36,305 |

The Bus Service Enhancement Programme Grant is received from the LTA to defray the cost of purchasing and running additional buses under the Bus Service Enhancement Programme.

Notes to the Financial Statements

Year ended 31 March 2014

21 Profit before Income Tax (cont'd)

| | Note | 2014 \$'000 | Group 2013 \$'000 |
|--|-------|----------------|-------------------------|
| (b) Staff costs | | | |
| Wages and salaries | | 401,703 | 330,869 |
| Defined contribution plans | | 47,950 | 41,755 |
| Special employment credit/Wage credit scheme | | (14,410) | (2,990) |
| Defined benefit plan | 15(a) | (25) | 699 |
| Short-term accumulating compensated absences | 15(b) | 1,176 | 213 |
| Value of employee services received for share-based payment | | 115 | 1,157 |
| Other staff-related expenses and benefits-in-kind | | 25,851 | 23,458 |
| | | 462,360 | 395,161 |
| Included in staff costs is compensation to key management personnel of the Group as follows: | | | |
| Directors' fees - Company | | 806 | 707 |
| Director and senior management personnel of the Group: | | | |
| - employee benefits | | 12,304 | 7,536 |
| - defined contribution plans | | 299 | 222 |
| | | 13,409 | 8,465 |
| (c) Other operating expenses | | | |
| Audit fees paid to: | | | |
| - auditors of the Company | | 319 | 315 |
| - other auditors | | 21 | 21 |
| Non-audit fees paid to auditors of the Company | | 98 | 199 |
| Cost of inventories sold | | 12,969 | 20,077 |
| Foreign exchange loss | | 86 | 363 |
| Licence fees paid to LTA | | 4,881 | 4,857 |
| Operating lease expenses | | 5,391 | 3,634 |
| Property, plant and equipment written off | | 1,126 | 2,351 |
| (d) Finance costs | | | |
| Net change in fair value of cash flow hedge transferred to the income statement | | 227 | 227 |
| Interest paid and payable on quoted fixed rate notes | | 10,204 | 6,838 |
| | | 10,431 | 7,065 |
| (e) Interest and investment income | | | |
| Dividends received from available-for-sale equity security | | 206 | 180 |
| Interest income from: | | | |
| - bank deposits and balances | | 531 | 1,442 |
| - held-to-maturity debt securities | | 533 | 683 |
| | | 1,270 | 2,305 |

Notes to the Financial Statements

Year ended 31 March 2014

22 Income Tax Expense

| | Group | |
|--|--------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Current tax expense | | |
| Current year | 363 | 3,147 |
| (Over)/Under provision in respect of prior years | (108) | 97 |
| | 255 | 3,244 |
| Deferred tax expense | | |
| Movements in temporary differences | 12,830 | 17,395 |
| Underprovision in respect of prior years | 72 | 1,225 |
| | 12,902 | 18,620 |
| Income tax expense | 13,157 | 21,864 |

Reconciliation of effective tax rate

| | Group | |
|--|---------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Profit before income tax | 74,655 | 105,064 |
| Less: Share of results of associate (net of tax) | 418 | 381 |
| | 75,073 | 105,445 |
| Tax calculated using Singapore tax rate of 17% (2013: 17%) | 12,762 | 17,926 |
| Expenses not deductible for tax purposes | 2,664 | 5,829 |
| Income not subject to tax | (2,055) | (2,029) |
| Underprovision in respect of prior years | (36) | 1,322 |
| Tax incentives | (627) | (1,302) |
| Others | 449 | 118 |
| | 13,157 | 21,864 |

Income tax recognised in other comprehensive income for the year ended 31 March is set out below:

| | Group | | | | | |
|--|---------------|---------------|--------------|---------------|---------------|--------------|
| | 2014 | | | 2013 | | |
| | Before tax | Tax charge | After tax | Before tax | Tax charge | After tax |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Currency translation differences arising from foreign operations | 2,708 | - | 2,708 | 290 | - | 290 |
| Fair value adjustments on available-for-sale equity security | (1,031) | - | (1,031) | 979 | - | 979 |
| Fair value adjustments on cash flow hedge | 228 | (39) | 189 | 227 | (39) | 188 |
| Other comprehensive income | 1,905 | (39) | 1,866 | 1,496 | (39) | 1,457 |

Notes to the Financial Statements

Year ended 31 March 2014

22 Income Tax Expense (cont'd)

Deferred tax balances have not been recognised for the following temporary differences:

| | Group | |
|--|---------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Shortfall of net book value over tax written down value of property, plant and equipment | (1,305) | (730) |
| Deductible temporary differences | 4,085 | 3,886 |
| Unutilised tax losses, donations and capital allowances | 3,310 | 899 |
| | 6,090 | 4,055 |

The tax losses are subject to agreement by the Comptroller of Income Tax. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have been recognised only to the extent that it is probable that future taxable profits will be available against which the Group can utilise the benefits.

23 Earnings Per Share

Basic earnings per share is based on:

| | Group | |
|--|--------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Net profit attributable to equity holders of the Company | 61,902 | 83,338 |

| | Group | |
|---|-----------------------|-----------------------|
| | 2014 | 2013 |
| | No. of shares '000 | No. of shares '000 |
| Weighted average number of shares based on: | | |
| - issued shares at the beginning of the year | 1,520,972 | 1,520,186 |
| - shares issued under share option scheme | 58 | 143 |
| - shares issued under share plan | 346 | 249 |
| Weighted average number of ordinary shares in issue | 1,521,376 | 1,520,578 |

Diluted earnings per share is based on:

| | Group | |
|--|--------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Net profit attributable to equity holders of the Company | 61,902 | 83,338 |

Notes to the Financial Statements

Year ended 31 March 2014

23 Earnings Per Share (cont'd)

The effect of the exercise of share options and issue of contingently issuable shares on the weighted average number of ordinary shares in issue is as follows:

| | Group | |
|--|-------------------------------|-------------------------------|
| | 2014 No. of shares '000 | 2013 No. of shares '000 |
| Weighted average number of: | | |
| - shares used in the calculation of basic earnings per share | 1,521,376 | 1,520,578 |
| - unissued shares under SMRT ESOP | - | 322 |
| - contingently issuable shares under SMRT PSP and SMRT RSP | 1,803 | 2,001 |
| Number of shares that would have been issued at fair value | - | (120) |
| Weighted average number of ordinary issued and potential shares assuming full conversion | 1,523,179 | 1,522,781 |

For the purpose of calculating the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and contingently issuable shares, with the potential ordinary shares weighted for the period outstanding.

24 Operating Segments

The Group has eight reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Rail operations : Provision of MRT and LRT services
 Bus operations : Provision of public bus services

Non-Fare:

Taxi operations : Rental of taxis, provision of taxi services and sales of diesel to taxi hirers
 Rental : Leasing of commercial space and kiosks
 Advertising : Leasing of advertising space at the MRT and LRT stations as well as in trains, and on buses and taxis
 Engineering services : Provision of consultancy, project management services and leasing of fibre optic cables
 Other services : Provision of charter hire services and repair & maintenance services
 Investment holding and support services : Provision of management and other support services to Group companies and investment holding

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group's CEO. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

In the current financial year, the segments have been restructured to reflect changes in business control and activities for "Bus operations", "Engineering services" and "Other services". Management believes that the revised segment presentation is more relevant in evaluating the results of these segment operations. Accordingly, the comparatives have been restated.

The inter-segment transactions are presented within the "Reconciliation" in segment reporting (see following page). In the Consolidated Income Statement, the inter-segment eliminations are included within the "Rail", "Bus" and "Non-Fare" business (where appropriate) to better reflect the performance of the business, and unallocated inter-segment eliminations are included within the "Non-Fare" business.

Notes to the Financial Statements

Year ended 31 March 2014

24 Operating Segments (cont'd)

| | ----- Rail ----- | | Bus operations \$'000 | Taxi operations \$'000 |
|--|------------------|---------------|--------------------------|---------------------------|
| | MRT \$'000 | LRT \$'000 | | |
| (a) Revenue and expenses | | | | |
| 2014 | | | | |
| Revenue | | | | |
| - external customers | 623,805 | 10,340 | 217,795 | 132,538 |
| - inter-segment | - | - | 117 | - |
| Operating expenses (net of other income) | (526,365) | (12,201) | (220,068) | (88,622) |
| Depreciation and amortisation | (91,968) | (208) | (26,211) | (34,281) |
| Segment operating results | 5,472 | (2,069) | (28,367) | 9,635 |
| Finance costs | | | | |
| Interest income | | | | |
| Investment income | | | | |
| Share of results of associate | | | | |
| Income tax expense | | | | |
| Profit after income tax | | | | |
| Non-controlling interest | | | | |
| Profit for the year attributable to equity holders of SMRT | | | | |
| 2013 | | | | |
| Revenue | | | | |
| - external customers | 607,864 | 10,660 | 210,796 | 132,113 |
| - inter-segment | - | - | 184 | - |
| Operating expenses (net of other income) | (467,212) | (11,618) | (215,409) | (95,112) |
| Depreciation and amortisation | (75,532) | (89) | (27,311) | (30,563) |
| Segment operating results | 65,120 | (1,047) | (31,740) | 6,438 |
| Impairment of investment in associate | | | | |
| Finance costs | | | | |
| Interest income | | | | |
| Investment income | | | | |
| Share of results of associate | | | | |
| Income tax expense | | | | |
| Profit after income tax | | | | |
| Non-controlling interest | | | | |
| Profit for the year attributable to equity holders of SMRT | | | | |

Notes to the Financial Statements

Year ended 31 March 2014

24 Operating Segments (cont'd)

| | ----- Rail ----- | | | |
|---|------------------|---------------|--------------------------|---------------------------|
| | MRT \$'000 | LRT \$'000 | Bus operations \$'000 | Taxi operations \$'000 |
| (b) Assets and liabilities | | | | |
| 2014 | | | | |
| Operating assets | 940,399 | 4,435 | 261,373 | 258,624 |
| Assets under construction | 125,838 | 125 | 2,926 | 5,125 |
| Segment assets | 1,066,237 | 4,560 | 264,299 | 263,749 |
| Intangible asset | | | | |
| Interest in associate | | | | |
| Investments and cash equivalents | | | | |
| Total assets | | | | |
| Segment liabilities | 636,849 | 22,777 | 231,166 | 244,608 |
| Current tax payable | | | | |
| Interest-bearing borrowings | | | | |
| Deferred tax liabilities | | | | |
| Total liabilities | | | | |
| 2013 | | | | |
| Operating assets | 1,129,355 | 3,304 | 220,951 | 230,751 |
| Assets under construction | 60,391 | 875 | 33,285 | 2,250 |
| Segment assets | 1,189,746 | 4,179 | 254,236 | 233,001 |
| Intangible asset | | | | |
| Interest in associate | | | | |
| Investments and cash equivalents | | | | |
| Total assets | | | | |
| Segment liabilities | 780,650 | 19,976 | 219,864 | 214,495 |
| Current tax payable | | | | |
| Interest-bearing borrowings | | | | |
| Deferred tax liabilities | | | | |
| Total liabilities | | | | |
| (c) Other segment information | | | | |
| 2014 | | | | |
| Capital expenditure | 266,890 | 575 | 29,778 | 81,675 |
| Non-cash expenses other than depreciation, impairment losses and amortisation | 2,060 | 228 | 5,028 | 14,657 |
| 2013 | | | | |
| Capital expenditure | 57,490 | 1,058 | 75,329 | 118,014 |
| Non-cash expenses other than depreciation, impairment losses and amortisation | 1,493 | 424 | 6,545 | 15,324 |

Notes to the Financial Statements

Year ended 31 March 2014

| ----- Non-Fare ----- | | | | | ----- Reconciliation ----- | | |
|----------------------|-----------------------|-----------------------------------|-----------------------------|--|----------------------------|-----------------------|-----------------|
| Rental \$'000 | Advertising \$'000 | Engineering services \$'000 | Other services \$'000 | Investment holding and support services \$'000 | Sub-total \$'000 | Elimination \$'000 | Total \$'000 |
| 249,301 | 30,546 | 23,612 | 9,215 | 209,332 | 1,986,837 | (311,357) | 1,675,480 |
| 11,973 | 31 | 3 | 69 | 3,462 | 149,552 | - | 149,552 |
| 261,274 | 30,577 | 23,615 | 9,284 | 212,794 | 2,136,389 | (311,357) | 1,825,032 |
| | | | | | | | 13,614 |
| | | | | | | | 52,629 |
| | | | | | | | 181,237 |
| | | | | | | | 2,072,512 |
| 50,859 | 5,419 | 12,185 | 11,247 | 139,653 | 1,354,763 | (880,031) | 474,732 |
| | | | | | | | 3,902 |
| | | | | | | | 636,410 |
| | | | | | | | 155,808 |
| | | | | | | | 1,270,852 |
| 199,929 | 26,082 | 13,349 | 12,118 | 159,641 | 1,995,480 | (536,600) | 1,458,880 |
| 21,678 | 2,637 | - | 41 | 1,735 | 122,892 | - | 122,892 |
| 221,607 | 28,719 | 13,349 | 12,159 | 161,376 | 2,118,372 | (536,600) | 1,581,772 |
| | | | | | | | 13,614 |
| | | | | | | | 50,554 |
| | | | | | | | 578,465 |
| | | | | | | | 2,224,405 |
| 32,867 | 5,643 | 4,705 | 10,625 | 67,878 | 1,356,703 | (661,388) | 695,315 |
| | | | | | | | 8,191 |
| | | | | | | | 609,472 |
| | | | | | | | 142,867 |
| | | | | | | | 1,455,845 |
| 13,095 | 256 | 13 | 44 | 5,639 | 397,965 | (259) | 397,706 |
| 116 | 21 | (70) | 146 | 114 | 22,300 | 1 | 22,301 |
| 10,765 | 1,461 | 7 | - | 3,387 | 267,511 | (1,410) | 266,101 |
| 20 | 3 | 922 | 4 | 1,321 | 26,056 | (791) | 25,265 |

Notes to the Financial Statements

Year ended 31 March 2014

24 Operating Segments (cont'd)

Geographical segments

The Group operates principally in Singapore.

In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of business.

| | Singapore \$'000 | Others \$'000 | Consolidated total \$'000 |
|----------------------|---------------------|------------------|------------------------------|
| 2014 | | | |
| Revenue | 1,163,893 | - | 1,163,893 |
| Non-current assets * | 1,655,383 | 52,629 | 1,708,012 |
| 2013 | | | |
| Revenue | 1,119,469 | - | 1,119,469 |
| Non-current assets * | 1,449,411 | 50,554 | 1,499,965 |

* Excludes other investments

25 Significant Related Party Transactions

For the purpose 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.

During the financial year, other than those disclosed elsewhere, the Group had the following significant related party transactions on terms agreed between the parties:

| | Group | |
|---|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Other related parties | | |
| Maintenance income received/receivable | 2,044 | 2,272 |
| Charter hire income received/receivable | 350 | 162 |
| Service income received/receivable | - | 20 |
| Sales of other goods and services | 1,093 | 2,906 |
| Purchases of goods and services | 49,941 | 77,698 |

Notes to the Financial Statements

Year ended 31 March 2014

26 Commitments

The Group had the following commitments as at the balance sheet date:

| | 2014 \$'000 | Group 2013 \$'000 |
|---|----------------|-------------------------|
| (a) Capital expenditure commitments: | | |
| (i) Contracted but not provided for with respect to purchase of property, plant and equipment | 649,360 | 395,623 |
| (ii) Approved but not provided for with respect to purchase of property, plant and equipment | 633,227 | 512,272 |

Included in (a)(i) above are commitments with subsidiaries and/or associates of the ultimate holding company amounting to \$124,844,000 (2013: \$26,367,000) that are contracted but not provided for.

(b) Non-cancellable operating leases payable:

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

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Within 1 year | 20,533 | 5,084 | 2,405 | 3,450 |
| After 1 year but within 5 years | 83,813 | 65,516 | 2,339 | 4,800 |
| After 5 years | 100,148 | 131,592 | - | - |
| | 204,494 | 202,192 | 4,744 | 8,250 |

The Group leases depot spaces, commercial spaces and office facilities under operating leases. The leases typically run for periods of 3 years to 30 years. None of the leases include contingent rentals.

(c) Non-cancellable operating lease receivable:

| | Group | |
|---------------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Within 1 year | 100,663 | 74,720 |
| After 1 year but within 5 years | 126,312 | 63,493 |
| After 5 years | 3,563 | 3,950 |
| | 230,538 | 142,163 |

Included above are rental receivables commitments from subsidiaries and/or associates of the ultimate holding company amounting to \$4,323,000 (2013: \$5,121,000).

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management

Overview

The Group's activities are exposed to various financial risks namely credit risk, liquidity risk, market risk, foreign currency risk and interest rate risk. The Group seeks to manage its financial risk to minimise the potential adverse effects of these risks on the financial performance of the Group. It is the Group's policy not to engage in foreign exchange and/or derivatives speculation.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit Committee oversees the Group's financial risk management process through reviewing the adequacy and effectiveness of the risk management policy, methodology, tools, practices, strategies and treatments.

The Group's risk management policies and guidelines are summarised below:

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counter-party to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Where appropriate, the Group obtains collaterals from customers. In respect of trade receivables, the Group has guidelines governing the process of granting credit as a service provider in respective segments of its business. Investments and financial transactions are restricted to counter-parties that meet the appropriate credit criteria and are of high credit standing.

Except for the intra-group financial guarantees as disclosed in note 14, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Other investments, cash and cash equivalents

Cash and fixed deposits are placed with banks that are regulated. The Group limits its credit risk exposure in respect of debt security investments by investing only in investment grade assets. Given these high credit ratings, management expects the investee companies to be able to meet its obligations when due. As at 31 March 2014, only 11.9% (2013: 4.7%) of the Group's other investments, cash and cash equivalents were invested in debt securities.

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management (cont'd)

Credit risk (cont'd)

Receivables

The exposure to credit risk for trade receivables (net of impairment) at balance sheet date by business segment is as follows:

| | Group | |
|----------------------|--------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Taxi operations | 1,754 | 1,813 |
| Bus operations | 3,883 | 3,614 |
| Rail operations | 14,874 | 7,848 |
| Advertising business | 5,723 | 7,358 |
| Rental of premises | 1,932 | 1,412 |
| Others | 9,486 | 10,884 |
| | 37,652 | 32,929 |

The Group has a large and diversified customer base. As at 31 March 2014, there was no significant concentration of credit risk relating to trade receivables apart from:

- (i) \$13,717,000 (2013: \$8,303,000) that is due from Transit Link Pte Ltd, which is a subsidiary of the Land Transport Authority of Singapore.

The recoverable in respect of accident claims (note 10(b)), which are receivable from insurance companies, have not been included in the above disclosure as management does not view them to be subject to significant credit risk.

Impairment losses for receivables

Included in trade receivables are trade debtors with the following aging analysis as of the balance sheet date:

| Group | Gross | Impairment losses | Gross | Impairment losses |
|-----------------------------|--------|-------------------|--------|-------------------|
| | 2014 | 2014 | 2013 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Not past due | 15,530 | 6 | 19,511 | 3 |
| Past due 1 – 30 days | 7,762 | 8 | 6,724 | 4 |
| Past due 31 – 120 days | 9,284 | 326 | 6,409 | 429 |
| Past due more than 120 days | 10,118 | 4,702 | 5,301 | 4,580 |
| | 42,694 | 5,042 | 37,945 | 5,016 |

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management (cont'd)

Credit risk (cont'd)

Impairment losses for receivables (cont'd)

The changes in impairment loss in respect of trade receivables during the financial year are as follows:

| | Group | |
|----------------------------|--------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| At 1 April | 5,016 | 4,355 |
| Impairment loss recognised | 298 | 1,230 |
| Write-off against debtors | (272) | (569) |
| At 31 March | 5,042 | 5,016 |

The Group establishes an allowance for impairment that represents its estimate of losses in respect of trade receivables. The allowance account in respect of trade receivables is used to record impairment losses. When the Group is satisfied that no recovery of the amount owing is possible, at that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no recent history of default. Receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of those balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Company has no trade receivables. The Company has no carried forward impairment loss and has not made any impairment loss for other receivables or outstanding balances from subsidiaries during the financial year.

Financial guarantees

The principal risk to which the Company is exposed to is credit risk in connection with a guarantee contract it has issued to one of its subsidiary company in relation to the MTN Programme (note 14). The intra-group financial guarantees are eliminated in preparing the consolidated financial statements.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents and sufficient credit facilities deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows from time to time.

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management (cont'd)

Liquidity risk (cont'd)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments:

| Group | Carrying amount \$'000 | Cash flows | | | |
|---|---------------------------|----------------------------------|-------------------------|--|-----------------------------|
| | | Contractual cash flows \$'000 | Within 1 year \$'000 | Within the next 1 to 5 years \$'000 | More than 6 years \$'000 |
| 2014 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured quoted fixed rate notes due 2014 ^ | 150,000 | 153,630 | 153,630 | - | - |
| Unsecured quoted fixed rate notes due 2017 ^ | 350,000 | 366,812 | 4,200 | 362,612 | - |
| Unsecured quoted fixed rate notes due 2022 ^ | 100,000 | 121,279 | 2,363 | 11,821 | 107,095 |
| Unsecured loan from non-controlling shareholder of subsidiary | 4,050 | 4,212 | 4,212 | - | - |
| Secured loan from third party | 32,360 | 47,454 | 4,221 | 18,197 | 25,036 |
| Trade and other payables * | 344,199 | 344,199 | 344,199 | - | - |
| | 980,609 | 1,037,586 | 512,825 | 392,630 | 132,131 |
| 2013 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Unsecured quoted fixed rate notes due 2014 ^ | 150,000 | 157,260 | 3,630 | 153,630 | - |
| Unsecured quoted fixed rate notes due 2017 ^ | 350,000 | 371,012 | 4,200 | 366,812 | - |
| Unsecured quoted fixed rate notes due 2022 ^ | 100,000 | 123,642 | 2,363 | 11,821 | 109,458 |
| Unsecured loan from non-controlling shareholder of subsidiary | 1,807 | 1,880 | 1,880 | - | - |
| Secured loan from third party | 7,665 | 11,314 | 985 | 4,292 | 6,037 |
| Trade and other payables * | 570,506 | 570,506 | 570,506 | - | - |
| | 1,179,978 | 1,235,614 | 583,564 | 536,555 | 115,495 |
| Company | | | | | |
| 2014 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Amounts due to subsidiaries | 187 | 187 | 187 | - | - |
| Trade and other payables * | 22,115 | 22,115 | 22,115 | - | - |
| | 22,302 | 22,302 | 22,302 | - | - |
| 2013 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Amounts due to subsidiaries | 142 | 142 | 142 | - | - |
| Trade and other payables * | 15,394 | 15,394 | 15,394 | - | - |
| | 15,536 | 15,536 | 15,536 | - | - |

* Excludes unearned revenue and interest payable

^ Includes interest payable

The Group has sufficient undrawn bank financing facilities as well as multicurrency medium term note programmes to repay the unsecured quoted fixed rate note which is due in October 2014. Trade and other payables of the Group include rental deposits of \$35,251,000 (2013: \$28,291,000) which are not expected to result in significant cash outflow within the next one year because of their nature.

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management (cont'd)

Liquidity risk (cont'd)

Information relating to financial guarantees issued by the Company is set out in note 14.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group incurs foreign currency risks on investments, receivables and purchases that are denominated in a currency other than the respective functional currencies of Group entities. As at 31 March 2014, the currencies giving rise to this risk were primarily the United States Dollar (USD), Euro Dollar (EURO), British Pound (GBP) and Japanese Yen (JPY).

The Group uses forward exchange contracts to partially hedge its foreign currency risk. The Group only enters into forward exchange contracts with maturities of less than one year. Where necessary, the forward exchange contracts are rolled-over upon maturity at market rates. There were no outstanding forward exchange contracts as at 31 March 2014 and 31 March 2013.

In respect of other monetary assets and liabilities held in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's significant exposure to foreign currencies is as follows:

| | ----- 2014 ----- | | | | ----- 2013 ----- | | | |
|--------------------------|------------------|---------------|---------------|---------------|------------------|---------------|---------------|---------------|
| | USD \$'000 | EUR \$'000 | GBP \$'000 | JPY \$'000 | USD \$'000 | EUR \$'000 | GBP \$'000 | JPY \$'000 |
| Group | | | | | | | | |
| Trade and other payables | (6,435) | (2,869) | (2,695) | (1,953) | (6,279) | (2,583) | (203) | (843) |

The Company does not have any significant foreign currency exposure as at 31 March 2014 or as at 31 March 2013.

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% (2013: 10%) strengthening of the functional currency of each of the Group's entities against the following major currencies at the balance sheet date would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables remain unchanged.

| | Group | |
|------------|--------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| USD | 644 | 628 |
| EUR | 287 | 258 |
| GBP | 269 | 20 |
| JPY | 195 | 84 |
| Net Impact | 1,395 | 990 |

A 10% weakening of functional currency of each of the Group's entities against the above currencies would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management (cont'd)

Interest rate risk (cont'd)

Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest-earning financial assets and interest-bearing financial liabilities at balance sheet date.

| Group | Effective interest rate | |
|---|-------------------------|-----------|
| | 2014 % | 2013 % |
| Financial assets | | |
| Fixed deposits with banks and financial institutions | 0.03 | 0.35 |
| Held-to-maturity debt securities | 3.05 | 3.53 |
| Financial liabilities | | |
| Unsecured quoted fixed rate notes due 2014 | 2.57 | 2.57 |
| Unsecured quoted fixed rate notes due 2017 | 1.20 | 1.20 |
| Unsecured quoted fixed rate notes due 2022 | 2.36 | 2.36 |
| Unsecured loan from non-controlling shareholder of subsidiary | 4.00 | 4.00 |
| Secured loan from third party | 6.00 | 6.00 |
| Company | | |
| Financial assets | | |
| Amounts due from subsidiaries | 0.23 | 0.18 |

Sensitivity analysis

At the balance sheet date, the Group and the Company's profiles of the interest-bearing variable-rate financial instruments are as set out below:

| Group | 2014 | 2013 |
|--|--------|---------|
| | \$'000 | \$'000 |
| Financial assets | | |
| Fixed deposits with banks and financial institutions | 8,615 | 213,782 |
| Company | | |
| Financial assets | | |
| Amounts due from subsidiaries | 63,598 | 46,629 |

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis (cont'd)

For these variable-rate financial assets and liabilities, an increase in 100 basis points (2013: 100 basis points) in interest rate at the balance sheet date would increase profit before tax by the amounts shown below. The analysis assumes that all other variables remain constant.

| | Group \$'000 | Company \$'000 |
|---------------------------|-----------------|-------------------|
| 2014 | | |
| Variable rate instruments | 86 | 636 |
| 2013 | | |
| Variable rate instruments | 2,138 | 466 |

A 100 basis points (2013: 100 basis points) decrease in interest rate at the balance sheet date would have had an equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

Equity price risk

Sensitivity analysis

The Group has available-for-sale investment in equity securities and is exposed to price risk. The Group's quoted equity security is listed on the SGX-ST. On the basis that all other variables remain unchanged, a 10% increase/(decrease) in the underlying listed equity price at the balance sheet date would increase/(decrease) the fair value reserve by \$423,000 (2013: \$525,000).

The Company has no equity investments apart from its investments in subsidiaries.

Fair values

The fair values of financial assets and liabilities which are not carried at fair value in the balance sheet as at 31 March 2014 are represented in the following table:

| Group | Note | 2014 | | 2013 | |
|-----------------------------------|------|---------------------------|----------------------|---------------------------|----------------------|
| | | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Financial assets | | | | | |
| Held-to-maturity debt securities | 8 | 16,487 | 16,349 | 26,914 | 26,963 |
| Unrecognised gain/(loss) | | | (138) | | 49 |
| Financial liabilities | | | | | |
| Unsecured quoted fixed rate notes | 14 | 450,000 | 443,248 | 600,000 | 609,911 |
| Secured loan from third party | | 30,017 | 37,742 | 7,125 | 8,989 |
| | | 480,017 | 480,990 | 607,125 | 618,900 |
| Unrecognised gain/(loss) | | | (973) | | (11,775) |

The fair value of financial assets and interest-bearing borrowings are determined by reference to their last quoted bid prices and asking prices respectively at the balance sheet date.

The fair value of secured loan from third party is determined by discounting the relevant cash flows using market interest rate at the balance sheet date.

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management (cont'd)

Fair values (cont'd)

The carrying values of other financial assets and liabilities are approximations of their fair values because they are either:

- carried at fair values; or
- short-term in nature; or
- repriced frequently.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

| Group | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| 2014 | | | | |
| Quoted available-for-sale equity security | 4,226 | - | - | 4,226 |
| 2013 | | | | |
| Quoted available-for-sale equity security | 5,257 | - | - | 5,257 |

The Company did not have any financial instrument carried at fair value as at 31 March 2014 or as at 31 March 2013.

Financial instruments by category

| Group | Loans and receivables \$'000 | Held-to- maturity financial assets \$'000 | Available- for-sale financial assets \$'000 | Financial liabilities at amortised cost \$'000 |
|-------------------------------|------------------------------------|--|--|---|
| 2014 | | | | |
| Other investments | - | 21,487 | 4,226 | - |
| Trade and other receivables * | 78,365 | - | - | - |
| Financial liabilities | - | - | - | (636,410) |
| Trade and other payables ^ | - | - | - | (349,150) |
| | 78,365 | 21,487 | 4,226 | (985,560) |
| 2013 | | | | |
| Other investments | - | 26,914 | 5,257 | - |
| Trade and other receivables * | 70,201 | - | - | - |
| Financial liabilities | - | - | - | (609,472) |
| Trade and other payables ^ | - | - | - | (575,447) |
| | 70,201 | 26,914 | 5,257 | (1,184,919) |

Notes to the Financial Statements

Year ended 31 March 2014

27 Financial Risk Management (cont'd)

Financial instruments by category (cont'd)

| Company | Loans and receivables \$'000 | Held-to- maturity financial assets \$'000 | Available- for-sale financial assets \$'000 | Financial liabilities at amortised cost \$'000 |
|-------------------------------|------------------------------------|--|--|---|
| 2014 | | | | |
| Trade and other receivables * | 77,312 | - | - | - |
| Trade and other payables ^ | - | - | - | (22,302) |
| | 77,312 | - | - | (22,302) |
| 2013 | | | | |
| Trade and other receivables * | 62,718 | - | - | - |
| Trade and other payables ^ | - | - | - | (15,536) |
| | 62,718 | - | - | (15,536) |

* Excludes prepayments and advances to suppliers

^ Excludes unearned revenue

28 Dividends

After the balance sheet date, the directors proposed a one-tier tax exempt final dividend of 1.20 cents (2013: 1.00 cent) per share, amounting to a net dividend of \$18,258,099 (2013: \$15,209,723). These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of accumulated profits in the financial year ending 31 March 2015.

29 New Accounting Standards and Interpretations Not Yet Adopted

The mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2014 or later periods and which the Group has not early adopted are:

- FRS 27 (revised) – Separate Financial Statements (effective for annual periods commencing on or after 1 January 2014)
- FRS 28 (revised) – Investments in Associates and Joint Ventures (effective for annual periods commencing on or after 1 January 2014)
- FRS 110 – Consolidated Financial Statements (effective for annual periods commencing on or after 1 January 2014)
- FRS 111 – Joint Arrangements (effective for annual periods commencing on or after 1 January 2014)
- FRS 112 – Disclosure of Interests in Other Entities (effective for annual periods commencing on or after 1 January 2014)

Management anticipates that the adoption of the above INT FRS, amendments to FRS and amendments to INT FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

Notes to the Financial Statements

Year ended 31 March 2014

30 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 historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

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.

Critical accounting judgements made in applying the Group and Company's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

The Group performs impairment reviews to ensure that the carrying value of goodwill does not exceed its recoverable amount from the cash generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations of the business unit. In arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

Provision for accident claims

Claims for accidents involving the Group's vehicles are provided in the financial statements based on the claims outstanding as of the end of the financial year and estimated amounts payable. Past claims history and severity of the accident cases are used to estimate the amount which the Group will have to pay to third parties for such claims.

The Group has undertaken motor vehicle insurance to cover liabilities relating to third party property damage and personal injury where claims are in excess of a stated quantum. The insurance premium payable is based on agreed minimum sum payable in advance and an additional amount payable should the incurred claims per vehicle exceed the minimum amount as stipulated in the insurance policy for that year.

Impairment of non-financial assets

Property, plant and equipment, investments in subsidiaries and associate are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. Where there is objective evidence or indication of impairment, the recoverable amount is estimated based on the higher of the value-in-use and the fair value less costs to sell. Estimating the value-in-use or the fair value less costs to sell requires the Group to make an estimate of the expected future cash flows to be generated and also to choose a suitable discount rate in order to calculate the present value of the cash flows.

31 Comparatives

Certain comparative figures have been reclassified within the financial statements to conform to current financial year's presentation.

Group Properties & Interested Person Transactions

Group Properties

Major properties held for investment are listed below:

| Location | Description/Existing Use | Tenure of Lease | Remaining Term of Lease (Years) |
|--------------------------------|--|-----------------|---------------------------------|
| 3 Bishan Street 14 | A 2-storey recreation clubhouse | Leasehold | 7.55 |
| 6 Ang Mo Kio Street 62 | A bus depot comprising a 4-storey administrative office block, a workshop building with a 2-storey office block and 7 single-storey bus parking bay-cum-workshop | Leasehold | 1.67 |
| 60 Woodlands Industrial Park E | A bus depot comprising garaging with 3-storey workshop facilities and 2-storey ancillary office | Leasehold | 13.32 |
| 209 Kranji Road | A single-storey bus depot with office-cum-canteen, workshop, washing shed and other ancillary facilities | Leasehold | 0.75 |

Interested Person Transactions

Pursuant to Chapter 9 of the SGX-ST Listing Manual, a general mandate was obtained for recurrent transactions of a revenue or trading nature or those necessary for the Group's day-to-day operations but not in respect of the purchases or sales of assets, undertakings or businesses.

| Interested Person/Nature of Transactions | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) |
|---|---|---|
| | \$ '000 | \$ '000 |
| Sale of Goods and Services | | |
| Certis CISCO Aviation Security Pte Ltd | 1,084 | - |
| MediaCorp Pte Ltd | 648 | - |
| PSA Marine Pte Ltd | 151 | - |
| Singapore Telecommunications Ltd ⁽¹⁾ | 142 | - |
| SingTel Mobile Singapore Pte Ltd ⁽¹⁾ | 690 | - |
| Singapore Technologies Electronics Ltd ⁽²⁾ | 346 | - |
| SIA Engineering Company Limited | 365 | - |
| Starhub Ltd | 108 | - |
| Purchases of Goods and Services | | |
| Singapore Technologies Electronics Ltd ⁽²⁾ | 734 | - |
| Singapore Technologies Kinetics Ltd ⁽²⁾ | 707 | - |
| Singapore Telecommunications Ltd ⁽¹⁾ | 922 | - |
| Singapore Test Services Pte Ltd ⁽²⁾ | 146 | - |
| Power Automation Pte Ltd | 403 | - |

(1) Part of SingTel Group

(2) Part of Singapore Technologies Engineering Group

Shareholding Statistics

As at 19 May 2014

Share Capital

| | | |
|-------------------------------|---|--------------------|
| Number of shares issued | : | 1,521,508,246 |
| Issued and fully paid capital | : | S\$168,240,413.748 |
| Class of shares | : | ordinary shares |
| Voting rights | : | one vote per share |

Distribution of Shareholdings

| Size of Holdings | No. of Shareholders | % | No. of Shares | % |
|---------------------|---------------------|--------|---------------|--------|
| 1 - 999 | 131 | 0.25 | 55,440 | 0.00 |
| 1,000 - 10,000 | 44,952 | 85.38 | 145,556,677 | 9.57 |
| 10,001 - 1,000,000 | 7,532 | 14.31 | 314,220,844 | 20.65 |
| 1,000,001 and above | 34 | 0.06 | 1,061,675,285 | 69.78 |
| Total | 52,649 | 100.00 | 1,521,508,246 | 100.00 |

Twenty Largest Shareholders

| No. | Name | No. of Shares | % |
|-----|---|---------------|-------|
| 1 | Temasek Holdings (Private) Ltd | 824,400,030 | 54.18 |
| 2 | Citibank Nominees Singapore Pte Ltd | 38,198,568 | 2.51 |
| 3 | DBS Nominees (Private) Limited | 36,415,285 | 2.39 |
| 4 | HSBC (Singapore) Nominees Pte Ltd | 30,851,728 | 2.03 |
| 5 | United Overseas Bank Nominees (Private) Limited | 21,532,015 | 1.42 |
| 6 | Raffles Nominees (Pte) Limited | 17,728,847 | 1.17 |
| 7 | DBSN Services Pte. Ltd. | 13,582,845 | 0.89 |
| 8 | BNP Paribas Nominees Singapore Pte Ltd | 9,748,000 | 0.64 |
| 9 | OCBC Nominees Singapore Private Limited | 9,619,327 | 0.63 |
| 10 | CIMB Securities (Singapore) Pte. Ltd. | 5,958,000 | 0.39 |
| 11 | HL Bank Nominees (Singapore) Pte Ltd | 5,958,000 | 0.39 |
| 12 | Phillip Securities Pte Ltd | 4,940,550 | 0.32 |
| 13 | Bank of Singapore Nominees Pte. Ltd. | 3,916,000 | 0.26 |
| 14 | Quah Wee Lai | 3,600,000 | 0.24 |
| 15 | OCBC Securities Private Limited | 3,137,010 | 0.21 |
| 16 | UOB Kay Hian Private Limited | 2,589,000 | 0.17 |
| 17 | DBS Vickers Securities (Singapore) Pte Ltd | 2,465,438 | 0.16 |
| 18 | Tang Chai Chiew | 2,417,000 | 0.16 |
| 19 | Tan Nak Yong | 2,400,000 | 0.16 |
| 20 | Yim Chee Chong | 2,310,000 | 0.15 |
| | Total | 1,041,767,643 | 68.47 |

Shareholding Statistics

As at 19 May 2014

Substantial Shareholder

| Name of Shareholder | Direct Interest | | Deemed Interest | |
|------------------------------------|-----------------|-------|-----------------|------|
| | No. of Shares | % | No. of Shares | % |
| Temasek Holdings (Private) Limited | 824,400,030 | 54.18 | 479,195 | 0.03 |

Note: Temasek Holdings (Private) Limited is deemed to be interested in the 479,195 shares in which its subsidiary, ST Asset Management Ltd, and its associated company, DBS Group Holdings Limited, are deemed to have an interest.

Shareholding Held in Hands of Public

Based on information available to the Company as at 19 May 2014, approximately 45.75% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

Notice of Annual General Meeting

SMRT CORPORATION LTD

(Incorporated in the Republic of Singapore)

(Company Registration Number: 200001855H)

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Wednesday, 16 July 2014 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 March 2014 together with the Auditors' Report thereon. **Resolution 1**
2. To declare a Final (tax exempt one-tier) dividend of 1.20 cents per share in the Company for the financial year ended 31 March 2014. **Resolution 2**
3. To approve the sum of \$805,896 as Directors' Fees for the financial year ended 31 March 2014 (FY 2013: \$706,937). **Resolution 3**
4. To re-elect the following Directors who retire by rotation in accordance with Article 94 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:
 - (i) Mr Koh Yong Guan; **Resolution 4**
 - (ii) Mdm Moliah Hashim; and **Resolution 5**
 - (iii) Mr Peter Tan Boon Heng **Resolution 6**

Note: Mr Ong Ye Kung will be retiring by rotation pursuant to Article 94 of the Company's Articles of Association. Although eligible, Mr Ong has given notice to the Company that he does not wish to stand for re-election.

5. To re-elect Mr Yap Chee Meng who ceases to hold office in accordance with Article 100 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **Resolution 7**
6. To re-appoint Messrs PricewaterhouseCoopers LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

SPECIAL BUSINESS:

To consider, and if thought fit, to pass, with or without any modifications, the following resolutions as Ordinary Resolutions:

7. General authority to allot and issue shares

"That authority be and is hereby given to the Directors to:

- (a) (i) issue shares in the capital of the Company (the "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) securities, options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

Notice of Annual General Meeting

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares, if any), (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) 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) shall not exceed five per cent (5%) of the total number of issued Shares (excluding treasury shares) (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 (the "SGX-ST") from time to time) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares, if any) shall be based on the total number of issued Shares (excluding treasury shares, if any) at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (the "Listing Manual") (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, Chapter 50 (the "Companies Act") and the Articles of Association 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 (i) the conclusion of the next Annual General Meeting ("AGM") of the Company or (ii) the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

Resolution 9

8. Authority to allot and issue Shares pursuant to vesting of awards

"That authority be and is hereby given to the Directors to allot and issue from time to time such number of fully paid Shares as may be required to be issued pursuant to the vesting of awards under the SMRT Corporation Restricted Share Plan adopted by the Company in July 2004 (the "SMRT RSP 2004") and the SMRT Corporation Performance Share Plan adopted by the Company in July 2004 (the "SMRT PSP 2004" and together with the SMRT RSP 2004, the "Share Plans 2004")."

Resolution 10

9. Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions

"That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Chapter 9"), for the Company, its subsidiaries and associated companies that are entities at risk as defined under Chapter 9, to enter into any of the transactions falling within the types of interested person transactions described in the Letter to Shareholders dated 17 June 2014 (the "Letter"), with any person who falls within the classes of interested persons described in the Letter; provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and in accordance with the review procedures for interested person transactions as set out in the Letter (the "IPT Mandate");

Notice of Annual General Meeting

- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next AGM of the Company is held or required by law to be held, whichever is the earlier; and
- (c) the Directors be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution." **Resolution 11**

10. Proposed Renewal of the Share Purchase Mandate

"That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary Shares not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) on-market purchases (each an "On-Market Purchase") on the SGX-ST; and/or
 - (ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to the provisions of the Companies Act and the Listing Manual as may for the time being be applicable, be and is hereby approved generally and unconditionally ("the Share Purchase Mandate");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate (as more particularly set out in the Letter) may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next AGM of the Company is held or required by law to be held; or
 - (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;
- (c) in this Resolution:

"Average Closing Price" means the average of the closing market prices of the Shares over the last five (5) market days (a "market day" being a day on which the SGX-ST is open for trading in securities) on which transactions in the Shares were recorded immediately preceding the date of Share purchase or acquisition by the Company (for an On-Market Purchase) or, as the case may be, the date of the making of the offer (for an Off-Market Purchase), deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate actions occurring after the relevant five (5) day period;

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the Off-Market Purchase of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"Maximum Price" in relation to a Share to be purchased or acquired, means the maximum purchase price (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) not exceeding:

- (i) in the case of an On-Market Purchase, 105 per cent of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, 120 per cent of the Average Closing Price of the Shares; and

Notice of Annual General Meeting

“Maximum Limit” means the number of issued Shares representing five per cent (5%) of the total number of Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

- (d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.”

Resolution 12

I 1. Approval for Adoption of The SMRT Corporation Restricted Share Plan 2014

“That:

- (a) a new restricted share plan, to be named “The SMRT Corporation Restricted Share Plan 2014” (the “RSP”), under which awards of fully paid-up ordinary shares in the capital of the Company (“RSP Award Shares”), or their equivalent cash value or combinations thereof, free of payment, may be granted to eligible participants under the RSP, the rules of which are set out in the Letter; be and is hereby approved and adopted with effect from the date this Ordinary Resolution is duly passed; and
- (b) the directors of the Company and each of them be authorised and empowered to:
- (i) establish and administer the RSP;
- (ii) modify and/or alter the RSP at any time and from time to time, provided that such modification and/or alteration is effected in accordance with the provisions of the RSP;
- (iii) pursuant to Section 161 of the Companies Act, allot and issue and/or transfer from time to time such number of RSP Award Shares as may be required to be allotted, issued and/or transferred pursuant to the RSP, provided that:
- (A) the total number of RSP Award Shares which may be issued or transferred on any date, when added to the aggregate number of shares issued and issuable and/or transferred and transferable in respect of all awards, shares and options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed ten per cent (10%) of the total number of issued shares of the Company (excluding treasury shares) on the day preceding such date; and
- (B) the total number of RSP Award Shares and PSP Award Shares (as hereinafter defined) which may be issued or transferred during the period commencing from the date of this Resolution and ending on the date of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, shall not exceed one per cent (1%) of the total number of issued Shares (excluding treasury shares) from time to time; and
- (iv) execute all such documents and to do all such acts and things as they may consider necessary or expedient to give full effect to the RSP and/or this Resolution as they or he shall deem fit in the interests of the Company.”

Resolution 13

I 2. Approval for Adoption of The SMRT Corporation Performance Share Plan 2014

“That:

- (a) a new performance share plan, to be named “The SMRT Corporation Performance Share Plan 2014” (the “PSP”), under which awards of fully paid-up ordinary shares in the capital of the Company (“PSP Award Shares”), or their equivalent cash value or combinations thereof, free of payment, may be granted to eligible participants under the PSP, the rules of which are set out in the Letter; be and is hereby approved and adopted with effect from the date this Ordinary Resolution is duly passed;

Notice of Annual General Meeting

- (b) the directors of the Company and each of them be authorised and empowered to:
- (i) establish and administer the PSP;
 - (ii) modify and/or alter the PSP at any time and from time to time, provided that such modification and/or alteration is effected in accordance with the provisions of the PSP;
 - (iii) pursuant to Section 161 of the Companies Act, allot and issue and/or transfer from time to time such number of PSP Award Shares as may be required to be allotted, issued and/or transferred pursuant to the PSP, provided that:
 - (A) the total number of PSP Award Shares which may be issued or transferred on any date, when added to the aggregate number of shares issued and issuable and/or transferred and transferable in respect of all awards, shares and options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed ten per cent (10%) of the total number of issued shares of the Company (excluding treasury shares) on the day preceding such date; and
 - (B) the total number of PSP Award Shares and RSP Award Shares which may be issued or transferred during the period commencing from the date of this Resolution and ending on the date of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, shall not exceed one per cent (1%) of the total number of issued Shares (excluding treasury shares) from time to time; and
 - (iv) execute all such documents and to do all such acts and things as they may consider necessary or expedient to give full effect to the PSP and/or this Resolution as they or he shall deem fit in the interests of the Company."

Resolution 14

ANY OTHER BUSINESS:

13. To transact any other business that may be transacted at an AGM.

By Order of the Board
Jacquelin Tay Gek Poh
 Company Secretary

Singapore
 17 June 2014

NOTICE OF BOOKS CLOSURE

NOTICE IS ALSO HEREBY GIVEN THAT the Transfer Book and Register of Members of the Company will be closed on 25 July 2014 for the preparation of dividend warrants. Duly completed registrable transfers of the ordinary shares in the capital of the Company ("Shares") received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, up to 5.00 p.m. on 24 July 2014 will be registered to determine members' entitlements to the proposed final dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on 24 July 2014 will be entitled to the proposed final dividend. Payment of the final dividend, if approved by members at the Annual General Meeting to be held on 16 July 2014, will be made on 1 August 2014.

Notice of Annual General Meeting

Explanatory notes on Ordinary Business to be transacted:

Resolution 3 The Directors' fee structure proposed for FY14 remains unchanged from FY13. The Directors' fee structure (per annum) is appended below:-

| | |
|---|----------|
| Board of Directors | |
| Chairman's Basic Fee | \$85,000 |
| Board Member's Basic Fee | \$45,000 |
| Audit Committee | |
| Chairman's Allowance | \$35,000 |
| Member's Allowance | \$25,000 |
| Remuneration Committee/ Board Risk Committee | |
| Chairman's Allowance | \$22,000 |
| Member's Allowance | \$11,000 |
| Nominating Committee | |
| Chairman's Allowance | \$18,000 |
| Member's Allowance | \$9,000 |
| Executive Committee | |
| Chairman's Allowance | \$24,000 |
| Member's Allowance | \$12,000 |

Resolution 4 Mr Koh Yong Guan will, upon re-election as a Director of the Company, continue to serve as Chairman of the Board of Directors, the Remuneration Committee and the Executive Committee. Mr Koh Yong Guan is also a Member of the Nominating Committee.

The profile of Mr Koh Yong Guan can be found in the Corporate Governance section of the Company's Annual Report 2014.

Resolution 5 Mdm Moliyah Hashim will, upon re-election as a Director of the Company, continue to serve as a Member of the Remuneration Committee.

The profile of Mdm Moliyah Hashim can be found in the Corporate Governance section of the Company's Annual Report 2014.

Resolution 6 Mr Peter Tan Boon Heng will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee and Board Risk Committee respectively. Mr Peter Tan Boon Heng is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

The profile of Mr Peter Tan Boon Heng can be found in the Corporate Governance section of the Company's Annual Report 2014.

Resolution 7 Mr Yap Chee Meng will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee and Remuneration Committee respectively. Mr Yap Chee Meng is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

The profile of Mr Yap Chee Meng can be found in the Corporate Governance section of the Company's Annual Report 2014.

Notice of Annual General Meeting

Explanatory notes on Special Business to be transacted:

- Resolution 9 Is to empower the Directors, from the date of the passing of Resolution 9 to the date of the next AGM, to issue Shares and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an amount not exceeding in total fifty per cent (50%) of the total number of issued Shares (excluding treasury shares), with a sub-limit of five per cent (5%) of the total number of issued Shares (excluding treasury shares) for issues other than on a *pro rata* basis to existing shareholders of the Company. The sub-limit of five per cent (5%) for non *pro rata* issues is lower than the twenty per cent (20%) sub-limit allowed under the Listing Manual of the SGX-ST. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) at the time that Resolution 9 is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities or Share options or the vesting of Share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue, consolidation or sub-division of Shares.
- Resolution 10 Is to empower the Directors from the date of this AGM of the Company until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to allot and issue Shares under the Share Plans 2004.
- Resolution 11 Is to authorise the Interested Person Transactions as described in the Letter and will empower the Directors of the Company to do all acts necessary to give effect to the IPT Mandate. This authority shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next AGM of the Company is or is required by law to be held, whichever is the earlier.
- Resolution 12 Is to empower the Directors to exercise all powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate five per cent (5%) of the total number of issued Shares as at the date of the passing of this Resolution (excluding treasury shares) in the capital of the Company from the date of the AGM of the Company until the date of the next AGM of the Company, whether by way of market purchase(s) or off-market purchase(s), as more particularly set out in the Letter:

The Company intends to use its internal sources of funds and/or external borrowings to finance the purchase or acquisition of Shares. The amount of financing required for the Company to purchase or acquire the Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of AGM as these will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital and/or profits of the Company, the aggregate number of Shares purchased or acquired, and the consideration paid at the relevant time. Please refer to the Letter for an illustration of the financial effects of an assumed purchase or acquisition of the Shares by the Company, based on the audited financial statements of the Company for the financial year ended 31 March 2014 and on certain assumptions.

Notes

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and to vote in his stead. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place Singapore Land Tower #32-01 Singapore 048623, at least 48 hours before the time appointed for the AGM.
3. Mr Ong Ye Kung will retire as a Director of the Company at the conclusion of the AGM. As such, he will also cease to be the Chairman of the Nominating Committee and Member of the Executive Committee. Any changes to the composition of the various Board Committees as a result of Mr Ong's retirement will be announced in due course.

PROXY FORM

Annual General Meeting

SMRT CORPORATION LTD

(Company Registration No: 200001855H)

(Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy SMRT Corporation Ltd shares, the Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as observers must submit their requests through their respective CPF Approved Nominees so that their CPF Approved Nominees may register, within the time frame specified, with the Company's Share Registrar. (CPF Approved Nominees: Please refer to Note No. 8 on the reverse side of this form on the required details).
4. CPF Investors who wish to vote must submit their voting instructions to their CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We _____ NRIC/Passport No. _____ of

being a member/members of SMRT Corporation Ltd (the "Company") hereby appoint

| Name | Address | NRIC/Passport No. | Proportion of Shareholdings (Number of Shares) |
|------|---------|-------------------|---|
| | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport No. | Proportion of Shareholdings (Number of Shares) |
|------|---------|-------------------|---|
| | | | |

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us and on my/our behalf at the Fifteenth Annual General Meeting of the Company, to be held at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Wednesday, 16 July 2014 at 2.30 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific directions 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 Meeting and at any adjournment thereof.

| Resolutions | | Indicate your vote For or Against with a tick (✓) | |
|-------------------------|--|---|---------|
| No. | Ordinary Business | For | Against |
| 1) | Adoption of Directors' Report, Audited Financial Statements and Auditors' Report | | |
| 2) | Declaration of a Final (tax exempt one-tier) Dividend | | |
| 3) | Approval of Directors' Fees | | |
| 4) | Re-election of Mr Koh Yong Guan as Director | | |
| 5) | Re-election of Mdm Moliah Hashim as Director | | |
| 6) | Re-election of Mr Peter Tan Boon Heng as Director | | |
| 7) | Re-election of Mr Yap Chee Meng as Director | | |
| 8) | Appointment of Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| Special Business | | | |
| 9) | General Authority for Directors to allot and issue shares | | |
| 10) | Authority for Directors to allot and issue shares pursuant to vesting awards | | |
| 11) | Renewal of the General Mandate for Interested Person Transactions | | |
| 12) | Renewal of the Share Purchase Mandate | | |
| 13) | Adoption of The SMRT Corporation Restricted Share Plan 2014 | | |
| 14) | Adoption of The SMRT Corporation Performance Share Plan 2014 | | |

Total Number of Shares Held: _____

Dated this _____ day of _____ 2014

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Fold Flap 1st fold here



Please Affix
Postage
Stamp

The Company Secretary
SMRT CORPORATION LTD
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

2nd fold here

NOTES TO PROXY FORM:

1. A member entitled to attend and vote at the Fifteenth Annual General 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, the appointment shall be invalid unless he specifies the proportion of his holding (expressed as the number of shares) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing or; where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
4. A corporation which is a member may authorise by a 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, if any, under which it is signed or a certified copy thereof), must be deposited with the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623, at least 48 hours before the time appointed for the Fifteenth Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, 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 of the Company, 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 of the Company, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Fifteenth Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
8. CPF Approved Nominees acting on the request of the CPF investors who wish to attend the Fifteenth Annual General Meeting as observers are requested to submit in writing, a list with details of the CPF investors' names, NRIC/Passport numbers, addresses and number of Shares held. The list, signed by an authorised signatory of the CPF Approved Nominee, should reach the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, at least 48 hours before the time fixed for the Fifteenth Annual General Meeting.

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SMRT takes corporate citizenship seriously and we endeavour to do our part to protect the environment.

PAPER

This report is printed on 100% recycled 9 Lives Offset paper, a certified environmentally friendly paper. This paper is carbon neutral, manufactured with a Totally Chlorine Free process (TCF) and has been granted the Singapore Environment Council green label certification.

PRINTING

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