

With SMRT,
I CAN



SMRT CORPORATION LTD
Annual Report 2007

VISION

Moving People, Enhancing Lives

MISSION

To be the customer's choice by providing a safe, reliable and friendly travel experience that is enhanced through convenient and innovative services

CORE VALUES

- Excellence
- Respect, Responsibility and Recognition
- Commitment to the Public, Shareholders and Employees

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SMRT Corporation Ltd (SMRT) is Singapore's premier multi-modal public transport operator offering integrated transport services island-wide.

Established in 1987 and listed on the Singapore Exchange in 2000, SMRT has a market capitalisation of more than \$2.0 billion backed by total assets amounting to \$1.4 billion. Our annual turnover stands at \$743 million.

In our core transport business, we are committed to offering a safe, reliable and friendly travel experience on our trains, buses and taxis supported by retail amenities conveniently located within our stations. In our non-fare business, we aim to grow our diversified revenue streams from our taxi operations, rental of commercial spaces, advertising, operations and maintenance services, project management and engineering consultancy.

Today, SMRT is recognised for its standards of corporate governance, corporate transparency and disclosure. SMRT also initiates and supports various community outreach programmes in its role as a responsible corporate citizen.

As we celebrate our 20th Anniversary, we hope to make life fuller and better for all we serve by opening up a world of opportunities to them through our varied business and community initiatives.

With SMRT, **I Can.**

**I can shop,
travel, and
dine with
one card.**



The Citibank-SMRT card demonstrates how SMRT takes leadership in innovative service initiatives that create value and offer passengers greater convenience.



SMRT maximises shareholder value by ensuring sustainable growth in fare revenue and through expanding its non-fare revenue in advertising, rental and engineering consultancy.

I can rest assured knowing my investment will yield healthy dividends.

I can aspire to a leadership position as I grow with SMRT.

SMRT's talent development programme is focused on leadership renewal and business continuity. As such, our training programmes are designed to nurture the leadership qualities and business acumen of our people.





In a first for the taxi industry, SMRT Taxis is giving away attractive cash bonuses to new and existing taxi hirers as part of SMRT's 20th Anniversary celebrations. When it was first introduced, new hirers who signed up with SMRT Taxis stood to receive \$2,800 in cash payouts while existing hirers were rewarded for their continued support and loyalty with cash bonus payments.

A large photograph of a taxi driver smiling from the driver's seat of a yellow taxi. The taxi's roof sign is visible above the driver. The background shows green trees.

**I can
earn cash
bonuses as
I drive.**

I can do my part to help keep Singapore safe.

Taking security awareness beyond our staff, the SMRT Community Emergency Preparedness Programme trains members of the public to be alert to security threats and pro-active in responding to emergencies.





The physically challenged and elderly can travel independently on SMRT trains, benefiting from the mid-life upgrade of 66 first-generation trains. New user-friendly features introduced include more wheelchair spaces and barrier-free access within the trains, slip-resistant flooring for the elderly, door-closing indicator lights for the hearing impaired, and inter-carriage safety features for the visually challenged.

I can be as mobile as anyone else.

I can win a dream holiday by simply taking the train to school every day.

With the "Ride SMRT, Go Places" promotion, passengers stood to win attractive air travel and cash prizes simply by travelling with SMRT.



I can lead a dignified and meaningful life every day.



SMRT's support for needy elderly is reflected in the establishment of the SMRT Silver Tribute Fund. A series of fundraising events from flag days to a charity movie screening and a gala concert have been organised to encourage staff, business partners and the public to contribute to the Fund between December 2006 and July 2007.



Group Financial Highlights

In FY2007, SMRT Group reported 4.4% growth in revenue to \$743.1m. Profits attributable to shareholders grew 30.9% to \$135.4m when compared to \$103.4m in FY2006. Economic Value Added (EVA) was \$77.5m, 25.2% higher than FY2006. The Board of Directors is proposing a final dividend of 5.75 cents per share, tax exempt one-tier which, if approved at the Eighth Annual General Meeting, will bring the total gross dividend for FY2007 to 7.25 cents per share. This represents over 78.0% of FY2007 earnings.

SUMMARISED INCOME STATEMENT

\$m	FY2007	FY2006	FY2005	FY2004	FY2003
Revenue	743.1	711.7	673.5	667.3	685.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	255.0	247.2	230.0	225.5	243.7
Operating profit	145.3	138.8	92.8	99.3	96.0
Profit before tax	142.3	124.1	83.9	86.2	72.7
Profit after tax	135.8	103.6	126.6	90.2	72.2
Profit after tax and minority interests (PATMI)	135.4	103.4	126.7	89.5	72.1

SUMMARISED BALANCE SHEET

\$m	FY2007	FY2006	FY2005	FY2004	FY2003
Current assets (excluding cash and fixed deposits)	112.8	121.5	88.8	79.7	94.3
Cash and fixed deposits	169.6	131.7	72.0	263.0	96.3
Non-current assets	1,096.6	1,130.9	1,203.0	1,242.1	1,419.3
Non-current liabilities (excluding borrowings)	311.4	343.2	344.9	395.3	436.4
Current liabilities (excluding borrowings)	177.4	152.6	163.7	206.5	244.6
Short-term and long-term borrowings	250.0	300.0	300.0	500.0	505.0
Shareholders' funds	640.2	586.0	553.1	480.7	427.2

OTHER KEY FINANCIALS

\$m	FY2007	FY2006	FY2005	FY2004	FY2003
Capital expenditure	107.9	89.9	138.6	33.4	154.9
Cash from operations	296.7	247.5	223.8	234.6	207.5
Free cash flow	110.3	60.0	1.5	157.1	100.6
EVA	77.5	61.9	47.6	24.6	3.4
Dividends paid during the year	85.4	78.3	56.4	36.0	32.7

PER SHARE

cents	FY2007	FY2006	FY2005	FY2004	FY2003
Basic earnings per share (EPS)	9.0	6.9	8.4	6.0	4.8
Gross dividend	7.25	7.0	6.5	4.5	3.1
Net dividend	7.0	5.6	5.2	3.6	2.4
Net asset value (Note 1)	42.3	38.8	36.8	32.0	28.5
Net tangible assets (Note 2)	39.6	36.1	34.0	27.8	24.0

Group Financial Highlights

FINANCIAL RATIOS

	FY2007	FY2006	FY2005	FY2004	FY2003
EBITDA margin (%)	34.3	34.7	34.2	33.8	35.5
Earnings before interest and tax (EBIT) margin (%)	19.5	19.5	13.8	14.9	14.0
Net profit margin (%)	18.3	14.6	18.8	13.5	10.5
Return on total assets (%)	9.8	7.5	8.6	5.6	4.1
Return on equity (%)	22.1	18.2	24.5	19.7	17.7
Net gearing	0.13	0.29	0.41	0.49	0.95
Interest cover (times)	25.7	25.6	16.5	14.3	12.0

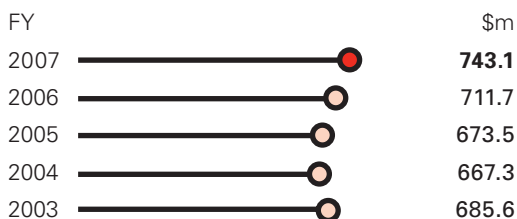
EMPLOYEES

	FY2007	FY2006	FY2005	FY2004	FY2003
Number (as at year end)	5,457	5,715	5,775	5,975	6,194
Staff and related costs (\$m)	263.1	253.5	247.7	256.4	261.9

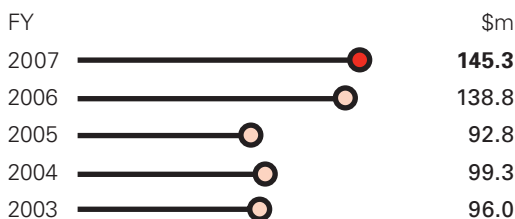
Notes:

1. Net asset value per share excludes minority interest
2. Net tangible asset per share excludes goodwill on consolidation

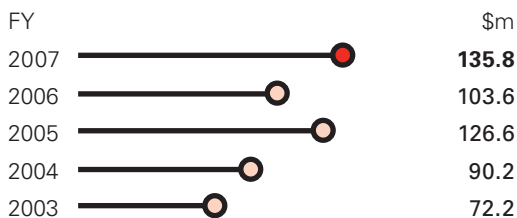
Revenue



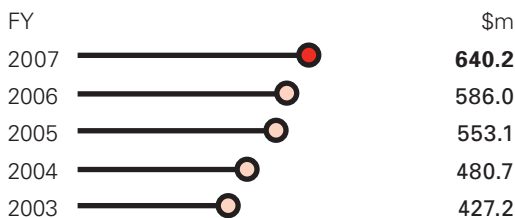
Operating Profit



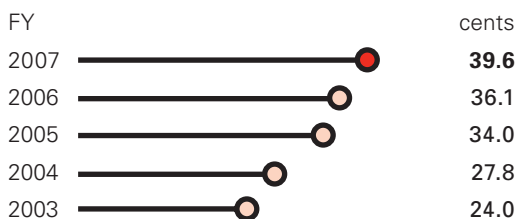
Profit After Tax



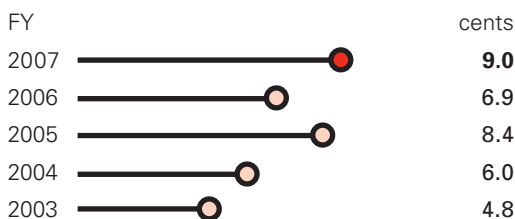
Shareholders' Funds



Net Tangible Assets Per Share



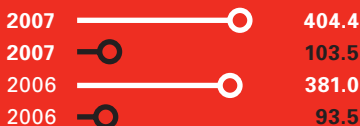
Basic Earnings Per Share



At a Glance



MRT



Facts

- Operates the first Mass Rapid Transit (MRT) system in Singapore (North South and East West lines) which commenced in 1987
- Runs and maintains the largest MRT network in Singapore, which comprises 89.4 kilometres of double track along 51 stations

Major Developments and Key Indicators in FY2007

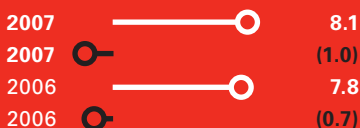
- Full-year FY2007 ridership grew 5.1% to 434.9 million from 413.8 million in FY2006
- Average fare per passenger in FY2007 was \$0.930 (FY2006: \$0.921)
- Completed mid-life upgrade for five first-generation trains

Strategic Direction and Outlook for FY2008

- Ridership is expected to increase
- Target to refurbish the entire 66 first-generation trains by end-2008



LRT



Facts

- Operates first fully-automated Light Rapid Transit (LRT) system in Singapore which commenced in 1999
- Network comprises 7.8 kilometres of elevated guideways linking 14 stations

Major Developments and Key Indicators in FY2007

- Full-year FY2007 ridership increased 1.7% to 14.3 million from 14.1 million in FY2006
- Average fare per passenger in FY2007 was \$0.563 (FY2006: \$0.557)

Strategic Direction and Outlook for FY2008

- Ridership is expected to remain stable



BUSES



Facts

- Operates a fleet of more than 800 buses from three leased depots and six interchanges
- Provides 78 bus services between the Western and North-Western areas and the rest of Singapore

Major Developments and Key Indicators in FY2007

- Full-year FY2007 ridership increased 1.9% to 270.3 million from 265.3 million in FY2006
- Average fare per passenger in FY2007 was \$0.685 (FY2006: \$0.674)

Strategic Direction and Outlook for FY2008

- Ridership is expected to increase
- Continue to enhance Integrated Bus Operating System and introduce customer service initiatives



TAXIS



Facts

- Second largest taxi operator in Singapore with more than 15 years of experience
- Manages and leases a fleet of about 3,000 taxis, including MPVs, Mercedes and London cabs
- Provides competitive taxi rental packages and incentives to hirers

Major Developments and Key Indicators in FY2007

- Taxi fleet size expanded from 2,659 to 2,993 as at end-March FY2007
- Average number of taxis hired out during the year was 2,259 (FY2006: 2,439)
- Increase in fares for taxis

Strategic Direction and Outlook for FY2008

- Competition in the taxi business remains keen
- Improve customer service initiatives and enhance operational efficiency and effectiveness

At a Glance



RENTAL

Facts

- Leased approximately 23,201 square metres of commercial spaces, as at 31 March 2007, at 51 MRT and 13 LRT stations

Major Developments and Key Indicators in FY2007

- Refurbished commercial spaces at 10 stations, adding 141 shops to the network
- Average occupancy rate in FY2007 was 99.3% (FY2006: 98.0%)
- Strategic partnership with Citibank to launch credit card with ez-link functionalities

Strategic Direction and Outlook for FY2008

- Another 10 MRT stations are currently being renovated
- Rental revenue is expected to increase by \$8.0m



ADVERTISING

Facts

- Provides a one-stop media buying service for spaces on SMRT trains, buses and taxis, as well as media spaces in the stations

Major Developments and Key Indicators in FY2007

- Launched several major advertising campaigns
- Sponsored key advertising awards

Strategic Direction and Outlook for FY2008

- With continued redevelopment of commercial spaces at more MRT stations, more avenues for advertising are expected
- Continued investment in more creative and varied advertising mediums



ENGINEERING AND OTHER SERVICES

Facts

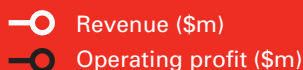
- Provides rail and road transport related engineering consultancy, project management, operations and maintenance services to clients in Singapore and overseas
- Provides repair and maintenance services for SMRT Buses and Taxis, and sale of diesel to taxi hirers
- Leases fibre-optic cables

Major Developments and Key Indicators in FY2007

- Successfully completed project management of Sentosa People Mover System in Singapore
- Engaged in various consultancy and training projects with train operators in China, India and Vietnam

Strategic Direction and Outlook for FY2008

- Continued pursuit of overseas opportunities that build upon our expertise and strengths



Chairman's Message



Choo Chiau Beng
Chairman

Chairman's Message

In FY2007, SMRT recorded sustained growth, registering increased profits from robust revenue contributions across most of our business units.

These results affirm our proven business strategy and demonstrate our ability to build on strong fundamentals to create value for our shareholders.

DELIVERING SHAREHOLDER RETURNS

In FY2007, new business and innovative consumer initiatives, complemented by ridership growth on the back of a robust economy, fuelled the increase in total revenue to \$743.1 million, an improvement of 4.4% over FY2006. Total operating expenses for the year increased by 4.7% to \$625.6 million, impacted by increases in staff costs due mainly to salary adjustments and additional bonus provision on account of improved performance for the year, depreciation, repair and maintenance, other operating expenses and energy costs. Net profits rose 31.0% over the previous year to \$135.8 million on the back of better operating profits, gain on disposal of investments and lower tax expenses from the tax rate reduction.

Earnings per share stand at 9.0 cents, up 30.4% over FY2006, working out to a return on equity of 22.1% as compared to 18.2% in FY2006. Economic Value Added grew 25.2% to \$77.5 million.

Taking into account our better performance, the Board of Directors is proposing a final dividend of 5.75 cents per share, tax-exempt one-tier, to be paid on 1 August 2007, if approved at the Eighth Annual General Meeting. This brings the total gross dividend for FY2007 to 7.25 cents per share or \$105.9 million, of which an interim dividend of \$18.9 million was paid on 24 November 2006.

At the close of FY2007, our market capitalisation reached \$2.3 billion against \$1.7 billion at the end of FY2006. Our share price surged to an all time high at \$1.49 at the end of the financial year. Taking into account the 33.0% appreciation in our share price as at end of the year, the total shareholder return for FY2007 was 37.3%, compared to 26.9% in FY2006.

Our balance sheet is healthy with contributions from strong operating cash flows generated by our businesses. As such, we are well positioned to seize growth opportunities while continuing to return value to our shareholders.

MAJOR DEVELOPMENTS IN THE YEAR

During the year, SMRT's stronger revenue growth was driven by increased contributions from our fare, rental and advertising businesses.

In our fare business, the number of trips on our rail network reached a record high of 435 million, an increase of 5.1% over the previous year. This increase was in line with steady economic expansion and increased business activity in the nation.

Despite cost pressures, in particular from sustained higher energy prices, SMRT adjusted fares minimally with a one to three cent increase across the board for commuters who travel using the adult ez-link card. Fares on our network remain affordable when compared with other public transport operators worldwide.

Operationally, we continue to provide quality transport services synonymous with the SMRT brand. In the process, we surpassed the operating performance standards set by Singapore's transport regulator, the Land Transport Authority.

As part of our on-going investments in systems safety and service improvements in the rail business, we launched our first upgraded train during the year. The upgraded trains incorporate features that yield productivity gains and savings in repair and maintenance while enhancing the travel experience of commuters. Upgrading of the first batch of 66 first-generation trains is expected to be completed by end-2008.

To keep pace with evolving travel needs, we continued to review our bus service offerings. These included the introduction of 11 new routes, and investments in technology for passengers' convenience such as the introduction of a Passenger Information System onboard our buses.

The taxi industry continues to put to test operators' resilience, and SMRT was no exception. Our performance was impacted by the lower hired-out rate. To address this, the new team introduced innovative initiatives such as the SMRT 20th Anniversary cash bonus to reward existing drivers for their loyalty and entice new hirers to join us. In addition, the team also put in place controls and measures to manage credit and steadily increased the hired-out rate in the last two quarters.

Chairman's Message

Continuing our strategy of transforming our MRT stations into inviting retail hubs, another 10 MRT stations were redeveloped, bringing a greater selection of retail and amenities within easy reach of our passengers. In an industry first, we forged a strategic partnership with Citibank that led to the launch of the Citibank-SMRT card, a truly innovative 2-in-1 Visa card that functions both as a contactless ez-link card and a credit card.

On the advertising front, creative campaigns within our network reinforced our appeal as a value-added outdoor advertising platform. With our proven solutions, our market share in outdoor advertising in Singapore grew year-on-year.

Given our expertise in land transport, we successfully implemented project management, training and consultancy projects for clients based in Singapore and the region.

As SMRT's business is founded on the principle of providing a safe and reliable public transport system, safety and security remain a priority in our operations agenda. Building on our belief that everyone has a role to play, SMRT launched the SMRT Community Emergency Preparedness Programme in December 2006 to train and educate the public in safety, transport security awareness and emergency response.

SMRT IN THE COMMUNITY

Besides engaging the community in hard issues, we continue to reach out to touch lives and to make a difference through corporate philanthropy, volunteerism and community outreach initiatives under our Corporate Social Responsibility programme.

During the year in review, SMRT made philanthropic contributions totalling \$3.4 million in areas ranging from cash donations to various charities and community projects, to public transport vouchers for the lower income group.

In celebration of our 20th Anniversary, we launched the SMRT Silver Tribute Fund to support programmes for needy elderly and their caregivers. By the end of March 2007, six anchor events had been organised, raising \$250,000 for the Fund.

The wider community endorsed our efforts, naming SMRT as one of the five finalists in the social reporting category of the Singapore Green Summit 2007, which honours industry players with the best social practices in Singapore.

CORPORATE GOVERNANCE

In FY2007, we were also recognised for our corporate governance efforts. At the Securities Investors Association of Singapore (SIAS) 2006 Investors' Choice Awards, SMRT was awarded first place for Corporate Governance. At the Singapore Corporate Awards 2007, we received Bronze for the Best Managed Board Award. This was in recognition of our initiatives toward good corporate governance. At the same event, we were awarded Silver for Best Investor Relations Award.

We are pleased to receive these honours as they are endorsements and recognition of our efforts to build a respected, trusted and transparent organisation anchored on sound policies, practices and internal controls.

At SMRT, we continually review and develop our corporate governance policies and practices to reflect the Group's growth and to take into account the changing governance environment with a view to maintaining SMRT's reputation as a responsible corporate citizen.

During the year under review, we enhanced our Code of Business Ethics and Conduct with the adoption of a Whistleblowing Policy which ensures reports can be made in confidence whilst protecting whistleblowers from reprisal within the limits of the law.

To further improve Board performance, we introduced Directors' Peer Evaluation and in line with the recommendation of the Code of Corporate Governance 2005, we adopted a role statement each for the Chairman and the CEO.

Organisation-wide, we continued to spearhead and implement risk management initiatives. Following the launch of our Control Self Assessment Programme in FY2006, our Internal Audit team assisted strategic business units in establishing a system for assessing the effectiveness of their control processes.

Externally, management held regular meetings with the investment community to update them on the Company's development and to garner their feedback. With retail investors, we continued to engage them through seminars and programmes conducted by SIAS.

Chairman's Message

BOARD AND MANAGEMENT DEVELOPMENTS

Three new members joined the Board: Ong Ye Kung and Bob Tan Beng Hai became Directors on 1 August 2006 whilst Koh Yong Guan was appointed on 2 April 2007. Mr Ong sits on the Nominating Committee while Mr Tan is a member of the Audit Committee. Together, Mr Ong, Mr Tan and Mr Koh bring to SMRT a wealth of experience in business, accounting and manpower development.

Daniel Ee and Koh Kheng Siong will step down from the Board at the forthcoming Eighth Annual General Meeting in accordance with the Company's Articles of Association on retirement of Directors by rotation. Both Mr Ee and Mr Koh have served as Directors since 2000, and the Board thanks them for their dedicated service and invaluable contributions.

With regard to the Group's Management, we would like to record our appreciation to Patrick Lau, Executive Vice President, Finance, for his valuable contribution. We wish to congratulate Yeo Meng Hin on his appointment as Deputy President and Chief Operating Officer, and warmly welcome Lim Cheng Cheng as Chief Financial Officer.

IN THE YEAR AHEAD

In October 2006, the Ministry for Transport called for a review of Singapore's transport industry with the objective of making public transport the preferred mode of travel for the nation. SMRT fully supports the government's call. We shared our viewpoints with the authorities based on our conviction that better cooperation between the bus network and the expanding rail backbone will lead to greater connectivity and operational efficiencies that would ultimately benefit passengers.

As we move forward, we remain mindful of risks in areas that are strategic, economic, regulatory and financial. Oil and diesel prices, for instance, will continue to be volatile thus impacting operating costs.

In the year ahead, we will continue to pursue revenue growth and profit contributions in our businesses with the view to drive growth in non-fare sectors.

Ridership for trains and buses is expected to increase. However, the increase in GST by two percentage points which is absorbed by SMRT will unfavourably impact fare revenue.

Customer service excellence continues to be our key focus for our fare operations in FY2008. This extends to our service offerings. By FY2009, we will introduce a new fleet of 66 wheelchair-accessible buses.

We will also continue to invest in innovative initiatives to attract new entrants to the taxi industry and to retain hirers, and leverage technology to enhance operational efficiency.

Within our network, another 10 MRT stations are currently under renovation and will contribute 4,800 square metres of quality retail space for the convenience of our passengers. The new stations, together with the full year rental revenue from completed stations in FY2007, are expected to contribute to increased total rental revenue of about \$8 million. We will also continue to grow advertising opportunities on our trains, buses and taxis and within our network of stations and interchanges.

Our depth of experience and keen market knowledge in operating and maintaining train systems underpin our strategy to go beyond operations and maintenance consultancy to run existing and new mass rapid transit lines overseas. The year ahead will see us pursuing opportunities in regions such as North Asia and the Middle East.

We expect operating costs to increase in FY2008 due mainly to more scheduled repair and maintenance works, higher electricity costs and the 1.5 percentage point increase in employers' CPF contribution.

The challenge before us is to maintain the momentum of growth in our revenue and profits whilst improving cost efficiency through enhanced productivity.

ACKNOWLEDGEMENTS

On behalf of the Board, I thank shareholders for their continued support, and to the Management and staff of SMRT, I extend my appreciation for their dedication and commitment.



Choo Chiau Beng
Chairman

Board of Directors



Board of Directors

1 CHOO CHIAU BENG

Chairman

Choo Chiau Beng, 59, is Chairman of SMRT Corporation Ltd. He is also Chairman and Chief Executive Officer of Keppel Offshore & Marine Ltd, Senior Executive Director of Keppel Corporation Limited and Chairman of Singapore Petroleum Company Limited and Singapore Refining Company Pte Ltd.

Mr Choo sits on the boards of Keppel Land Limited, k1 Ventures Limited and Singapore Maritime Foundation Limited and is a board member of the Maritime and Port Authority of Singapore. He is Chairman of the Nanyang Business School's International Advisory Board. He is also Chairman of Det Norske Veritas South East Asia Committee, a council member of the American Bureau of Shipping and a member of the American Bureau of Shipping's Southeast Asia Regional Committee and Special Committee on Mobile Offshore Drilling Units.

He is Singapore's Non-resident Ambassador to Brazil. Mr Choo was conferred the Public Service Star Award (BBM) in August 2004.

2 SAW PHAIK HWA

President & Chief Executive Officer

Saw Phaik Hwa, 52, is President and Chief Executive Officer of SMRT Corporation Ltd. Ms Saw brings to SMRT a wealth of experience in retail and international business. Prior to joining SMRT, she served as Regional President for DFS Venture Singapore (Pte) Ltd, in charge of businesses in Singapore, Indonesia and Malaysia. Her 19-year career with the DFS group of companies saw her rising through management ranks, including assuming operational responsibilities in Hong Kong, Macau and Vietnam, to her final position.

She sits on the Board of Trustees of the Singapore Management University, the Tan Tock Seng Hospital Community Charity Fund and Youth Business Singapore. She is also a resource panel member on the Government Parliamentary Committee (Transport).

Ms Saw graduated with an Honours degree in Biochemistry from the University of Singapore. She also attended an Advanced Management Programme at the University of Hawaii.

3 DANIEL EE HOCK HUAT

Daniel Ee, 54, is an independent director and chairs SMRT's Audit Committee. He has more than 14 years of experience in investment banking, 10 years in the public sector and was Chief Executive of Standard Chartered Merchant Bank Asia Ltd from 1996 to 1999. Mr Ee also

serves on the boards of Citibank Singapore Limited and Surface Mount Technology (Holdings) Limited, and is Chairman of Gas Supply Pte Ltd. He also sits on the Board of the National Environment Agency.

A Colombo Plan scholar, Mr Ee has an Honours degree in Systems Engineering from the University of Bath and a Master of Science in Industrial Engineering from the National University of Singapore.

4 KOH KHENG SIONG

Koh Kheng Siong, 59, is a non-executive, independent director of SIA Engineering Company Limited. He also sits on the Board of Mapletree Logistics Trust Management Limited.

Mr Koh held a number of senior management positions in Singapore and the U.S.A. during his career with ExxonMobil, and was Financial Controller of ExxonMobil Asia Pacific Pte Ltd prior to his retirement in August 2005. Mr Koh also held the positions of Manager, Financial Planning and Operations, and Manager, Downstream Financial Reporting in Exxon Company International, U.S.A. He was previously Treasurer, Esso Singapore Pte Ltd.

Mr Koh has an Honours degree in Economics from the University of London. He subsequently earned a Master of Business Administration in Finance from the University of Chicago Graduate School of Business.

5 EDMUND KOH KIAN CHEW

Edmund Koh, 47, is Managing Director and the Head of Regional Consumer Banking Group of DBS Bank Ltd (DBS). Before joining DBS, Mr Koh was the Chief Executive Officer of Alverdine Pte Ltd. Prior to that, Mr Koh was Chief Executive Officer of Prudential Assurance Company, Singapore. Earlier in his career, Mr Koh held several senior management positions in Hongkong and Shanghai Banking Corporation Ltd and Citibank N.A.

Mr Koh is also Chairman of Network for Electronic Transfers (S) Pte Ltd, a board member of the Housing and Development Board and a director of SNP Corporation Limited, DBS Vickers Securities Holdings Pte Ltd, DBS Vickers Securities Online Holdings Pte Ltd, International Medical Insurers Pte Ltd, Hutchison DBS Card Ltd (Hong Kong), and Deputy Chairman of the Singapore Sports Council.

He holds a Bachelor of Science degree from the University of Toronto.

Board of Directors



Board of Directors

6 KOH YONG GUAN

Koh Yong Guan, 60, is currently Chairman of the Central Provident Fund Board, and is also a member of the Board of the Monetary Authority 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 as well as the Commissioner of Inland Revenue, and Managing Director of the Monetary Authority of Singapore.

Mr Koh did his undergraduate and postgraduate studies at the University of Toronto, and his Master of Business Administration in the Catholic University of Leuven.

7 PAUL MA KAH WOH

Paul Ma, 59, is Chairman of Mapletree Logistics Trust Management Limited and a director of Mapletree Investments Pte Ltd. He is also a director of Golden Harvest Entertainment (Holdings) Limited, Ascott Residence Trust Management Limited, Capitaland China Development Fund Pte Ltd and Hwa Hong Corporation Limited. In addition, Mr Ma sits on the Board of Trustees of the National University of Singapore.

Mr Ma was a senior partner of KPMG Singapore where he was in charge of the Audit & Risk Advisory Practice and the partner in charge of Risk Management of the firm until his retirement in September 2003.

Mr Ma is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Institute of Certified Public Accountants of Singapore.

8 ONG YE KUNG

Ong Ye Kung, 37, is Chief Executive of the Singapore Workforce Development Agency (WDA). Prior to joining WDA, Mr Ong served as Principal Private Secretary to Prime Minister Lee Hsien Loong. He also held several other positions in the Singapore Government, including that of Director (Organisation and Systems) in the Public Service Division of the Prime Minister's Office, Director of Trade in the Ministry of Trade and Industry, Deputy Chief Negotiator for the US-Singapore Free Trade Agreement and Press Secretary to the then Deputy Prime Minister Lee Hsien Loong.

Mr Ong has served on the boards of several public and private organisations, including the Construction Industry Development Board, Asia Pacific Breweries Executive Committee, Singapore Science Centre, and National Library Board. He currently sits on the Board of Ascendas Pte Ltd.

Mr Ong has a First Class Honours in B.Sc (Economics) from the University of London, London School of Economics and Political Science (UK) and a Master of Business Administration from the Institute of Management Development, Lausanne, Switzerland.

9 BOB TAN BENG HAI

Bob Tan, 55, is Chairman of Jurong Engineering Limited as well as a Director of Power Seraya Ltd, UMS Holdings Ltd and NTUC Club Investments Pte Ltd.

Mr Tan is also Chairman of the Institute of Technical Education, Vice President of the Singapore National Employers Federation and Co-Chairman of the Tripartite Alliance for Fair Employment Practices. He serves as a board member in the Ong Teng Cheong Institute of Labour Studies. He is also a member of the National Wages Council, NTUC Club Management Council and Deputy Honorary Treasurer of the Singapore Business Federation.

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

10 ENGELIN TEH GUEK NGOR

Engelin Teh, 52, is Managing Director of law corporation Engelin Teh Practice LLC and a Senior Counsel. She is a Fellow of the Singapore Institute of Arbitrators and has been appointed to the Institute's Panel of Arbitrators. She also sits on the panel of the Singapore International Arbitration Centre. Ms Teh is appointed Chairman of the Inquiry Committee (Law Society) and is also a member of the Competition Appeal Board appointed by the Ministry of Trade and Industry. She is a Fellow of the Singapore Institute of Directors as well as a member of the Singapore Association of Women Lawyers, the ASEAN Intellectual Property Association, International Women's Forum (Singapore) and the Inter-Pacific Bar Association.

Ms Teh had previously served as a director on the boards of Singapore Power Limited and SP PowerAssets Limited.

Ms Teh has an Honours degree in Law from the University of Singapore.

Senior Management



Senior Management

1 SAW PHAIK HWA

President & Chief Executive Officer
SMRT Corporation Ltd

(Ms Saw's profile is on page 19.)

2 YEO MENG HIN

Deputy President & Chief Operating Officer
SMRT Corporation Ltd

Yeo Meng Hin, 42, joined SMRT Corporation Ltd as Executive Vice President of Human Resource and Corporate Services in August 2003. Prior to this, Mr Yeo had been in a wide array of industries including hospitality, fast food, professional services, property, financial services and retail.

Mr Yeo has a Master of Business Administration from the University of Phoenix, a Bachelor of Arts (Economics) from the National University of Singapore and a Graduate Diploma in Personnel Management. He is also a Certified Compensation Professional and a Global Remuneration Professional.

He is currently a member of the HR Accreditation Board of the Singapore Human Resources Institute and the Singapore National Employers' Federation (SNEF) Industrial Relations Panel. He is Chairman of the Land and Sea Transport Sector under SNEF, Chairman of the Transport and Logistics Sector Work Group on the Employability of Older Workers, and Co-Chairperson of the Human Resource Manpower Skills and Training Council HRD Work Group. He is also a committee member in the Tripartite Committee Work Group on Employment Practice, Wage and Benefits Structure for Older Workers under the Ministry of Manpower. Mr Yeo was awarded the Best HR Leader in 2007 HRM Awards Singapore.

3 LIM CHENG CHENG

Chief Financial Officer
SMRT Corporation Ltd

Lim Cheng Cheng, 36, is Chief Financial Officer of SMRT Corporation Ltd. Prior to joining SMRT, she worked in Price Waterhouse (currently known as PricewaterhouseCoopers), Singapore Power International Pte Ltd and Singapore Power Ltd.

In her last appointment as Vice President and Head, Financial Planning & Analysis, in Singapore Power Ltd, Ms Lim was responsible for corporate planning, corporate finance, management reporting and budgeting as well as investor relations.

An accountancy graduate from the Nanyang Technological University, Ms Lim is also a Non-practising Member of the Institute of Certified Public Accountants of Singapore. She obtained her Master of Business Administration from the University of Chicago Graduate School of Business.

4 KHOO HEAN SIANG

Vice President, Circle Line
SMRT Trains Ltd

Khoo Hean Siang, 58, is Vice President of Circle Line, SMRT Trains Ltd, and a director of SMRT Engineering Pte Ltd. Mr Khoo was previously a senior engineer at Singapore Telecoms. He was in the pioneer team to introduce the first fibre optic network in Singapore. In 1986, he joined Mass Rapid Transit Corporation as a design engineer and was responsible for the design and construction of the Telecommunication network and later, the Signalling network.

A Chartered Electrical Engineer of the Institute of Electrical Engineers (United Kingdom), Mr Khoo holds an Honours degree in Electronics Engineering from the University of Sheffield and a Graduate Diploma in Marketing from the Marketing Institute of Singapore. He is a Fellow of the Institute of Railway Signalling Engineers in UK and a Member of the Professional Engineers Board, Singapore.

5 HARRY TAN CHUAN HUAT

Vice President, Engineering
SMRT Trains Ltd
Managing Director
SMRT Engineering Pte Ltd

Harry Tan, 56, is Vice President of Engineering at SMRT Trains Ltd. He is also Managing Director of SMRT Engineering Pte Ltd where he oversees SMRT's overseas business. Prior to joining SMRT in 1996, Mr Tan was with the Republic of Singapore Air Force for 22 years before joining Singapore Technologies Aerospace in 1994 as an aircraft manager. He was awarded the Singapore Armed Forces Commendation Medal (Bronze) in 1982.

Mr Tan graduated with a Bachelor of Science (Honours) in Aeronautical Engineering degree from the Embry Riddle Aeronautical University in 1986.

Senior Management

6 VINCENT TAN PENG HOCK

Vice President, Rail Operations
SMRT Trains Ltd

Vincent Tan, 52, is Vice President of Rail Operations at SMRT Trains. He joined the Mass Rapid Transit Corporation in 1985 and then SMRT in 1987, where he assumed positions in rail operations management. Prior to his career with SMRT, he was a principal mechanical engineer with the Port of Singapore Authority, and had served on the Standards Committee in SPRING Singapore (previously known as Singapore Productivity and Standards Board) for three years.

Mr Tan holds an Honours degree in Mechanical Engineering from Kings College, University of London and a Master of Science in Technological Economics from the University of Stirling in Scotland.

7 LEE SENG KEE

Vice President,
SMRT Buses Ltd
SMRT Automotive Services Pte Ltd
Bus-Plus Services Pte Ltd

Lee Seng Kee, 55, is Vice President of SMRT Buses Ltd, SMRT Automotive Services Pte Ltd and Bus-Plus Services Pte Ltd. Mr Lee joined Mass Rapid Transit Corporation (MRTC) in 1984 and has experience in contracts and maintenance engineering between 1984 and 1987. He assumed the post of Deputy Director of Rail Maintenance (Structure and Permanent Way) in 1997. Before joining MRTC, he had several years of experience as a design/construction engineer and had served on the Standards Committee in SPRING Singapore (previously known as Singapore Productivity and Standards Board) for 10 years.

Mr Lee majored in Civil Engineering and holds a Master of Science from the University of Singapore. He is a Registered Professional Engineer (Civil), Singapore, a Registered Chartered Engineer (Civil), United Kingdom, and a member of several professional institutions.

8 GOH CHEE KONG

Vice President,
Corporate Marketing and Communications
SMRT Corporation Ltd

Goh Chee Kong, 51, is Vice President, Corporate Marketing and Communications of SMRT Corporation Ltd. Prior to this, he served in the Singapore Armed Forces (SAF) of the Ministry of Defence (MINDEF). His appointments in the SAF included Head, Defence Relations Department, Commander, 8th Singapore Armoured Brigade, Commander, Officer Cadet School, and Director, Public Affairs and spokesman for MINDEF. He was awarded the Public Administration Medal (Bronze) in 1998.

Mr Goh is currently Vice President of Beyond Social Services, and a board member of Students Care Service and St. Andrew's School. He also sits on the Communications Advisory Committee of Singapore Red Cross.

Mr Goh has a Bachelor of Science in Electrical and Electronic Engineering from the Royal Military College of Science, United Kingdom, and a Master of Defence Studies from the University of New South Wales, Australia. He is also an Accredited Member of the Institute of Public Relations of Singapore.

9 LAWRENCE LAU KAI KUM

Chief Internal Auditor & Vice President (Audit Division)
SMRT Corporation Ltd

Lawrence Lau, 54, is Chief Internal Auditor and Vice President of the Audit Division and Whistleblowing Investigation Officer of SMRT Corporation Ltd. He joined the Mass Rapid Transit Corporation as Manager (Internal Audit) in 1984 and was awarded the Public Administration Medal (Bronze) in 1993. Prior to that, he was the Group Internal Audit Manager for the Union Carbide Singapore Group of Companies. He has also worked in large public accounting firms, both overseas and locally.

Mr Lau was on the Board of Governors of the Institute of Internal Auditors (Singapore) from 1980 to 1982. He is a Fellow Chartered Accountant, Fellow Member of the Institute of Internal Auditors (Singapore), Member of the Association of Certified Fraud Examiners (US), Accredited Quality Assurance Assessor (IIA), and a Member of the National Institute for Governance (Australia).

Senior Management

10 S. PREMA

Vice President, Corporate Secretariat & Legal
SMRT Corporation Ltd

S. Prema, 41, is Vice President, Corporate Secretariat and Legal of SMRT Corporation Ltd. She is also the Company Secretary and the Secretary of the Audit, Nominating and Remuneration Committees for SMRT Corporation Ltd. She heads the legal and corporate secretariat department providing legal counsel and advice to the SMRT Group.

Prior to this appointment, she was in private practice for three years and with Singapore Technologies Kinetics Ltd for eight years.

Having graduated from the National University of Singapore with an Honours degree in Law and called to the Singapore Bar in 1991, Ms Prema has accumulated more than 15 years of experience in her legal career. She is a Member of the Singapore Academy of Law.

11 CATHERINE KUAN-LEE YEE FONG

Senior Vice President, Finance
SMRT Corporation Ltd

Catherine Kuan, 55, is Senior Vice President of Finance at SMRT Corporation Ltd. She joined the Mass Rapid Transit Corporation in 1986 and then SMRT in 1994. Prior to her career in the transport sector, she was with Intraco Ltd for 10 years and her last held position was Financial Controller/Company Secretary. She was awarded the Public Administration Medal (Bronze) in 1994.

She holds a Bachelor of Accounting degree from the University of Singapore and is a Fellow of the Institute of Certified Public Accountants of Singapore and a Fellow of CPA Australia.

12 LIM LAI CHING

Vice President, Audit
SMRT Corporation Ltd

Lim Lai Ching, 40, joined SMRT Corporation Ltd as Vice President of Audit in January 2006. She has more than 20 years of experience in external and internal audit, including 16 years with large public accounting firms in Malaysia and Singapore, providing assurance and business advisory services to clients in various industries. In her last appointment, she was the Vice President/Head, Internal Audit, at Singapore Power Limited from 2002.

She is a Certified Public Accountant with the Malaysian Institute of Certified Public Accountants.

13 LO CHEE WEN

Vice President
SMRT Taxis Pte Ltd

Lo Chee Wen, 50, was appointed Vice President of SMRT Taxis Pte Ltd on 16 January 2006. He joined the Internal Audit Department of the Mass Rapid Transit Corporation in 1984. Prior to that, Mr Lo worked in audit firms and the Port of Singapore Authority. In 1989, he joined SMRT and was involved in the development and operation of the fare ticketing system, management of the corporate insurance programme, and thereafter, the operation of stations within the SMRT network. In 2004, Mr Lo was appointed Director of SMRT's Organisation Development Unit.

Mr Lo holds a degree in Accountancy from the National University of Singapore.

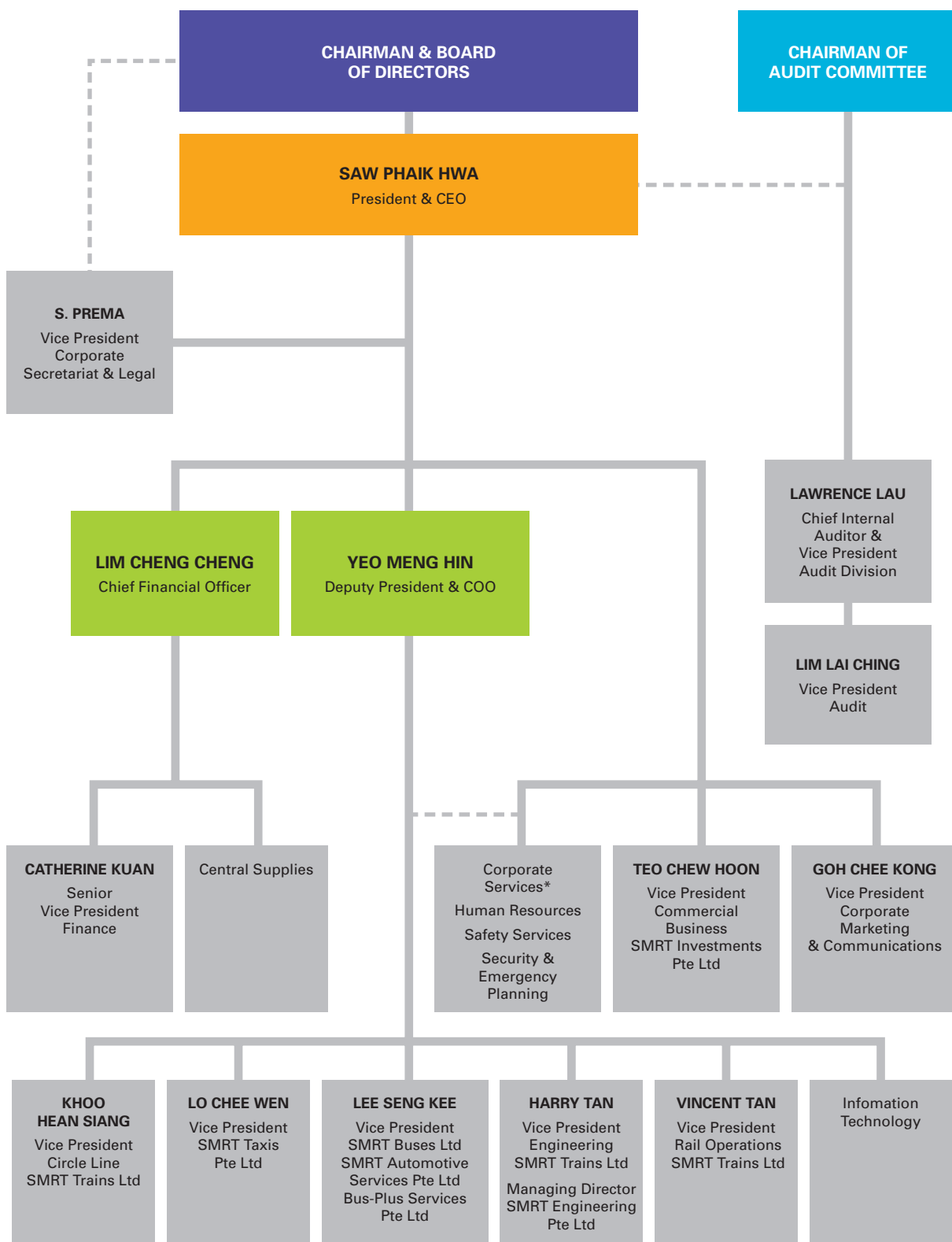
14 TEO CHEW HOON

Vice President, Commercial Business
SMRT Investments Pte Ltd

Teo Chew Hoon, 43, is Vice President of Commercial Business at SMRT Investments Pte Ltd. She joined SMRT in 2003. Before this, Ms Teo held positions as Group Sales Manager and subsequently General Manager of Airport Operations at DFS Venture Singapore (Pte) Ltd from 1999. The businesses under her charge included duty free liquor, wines, tobacco, beauty, fashion goods, watches, souvenirs and packaged food.

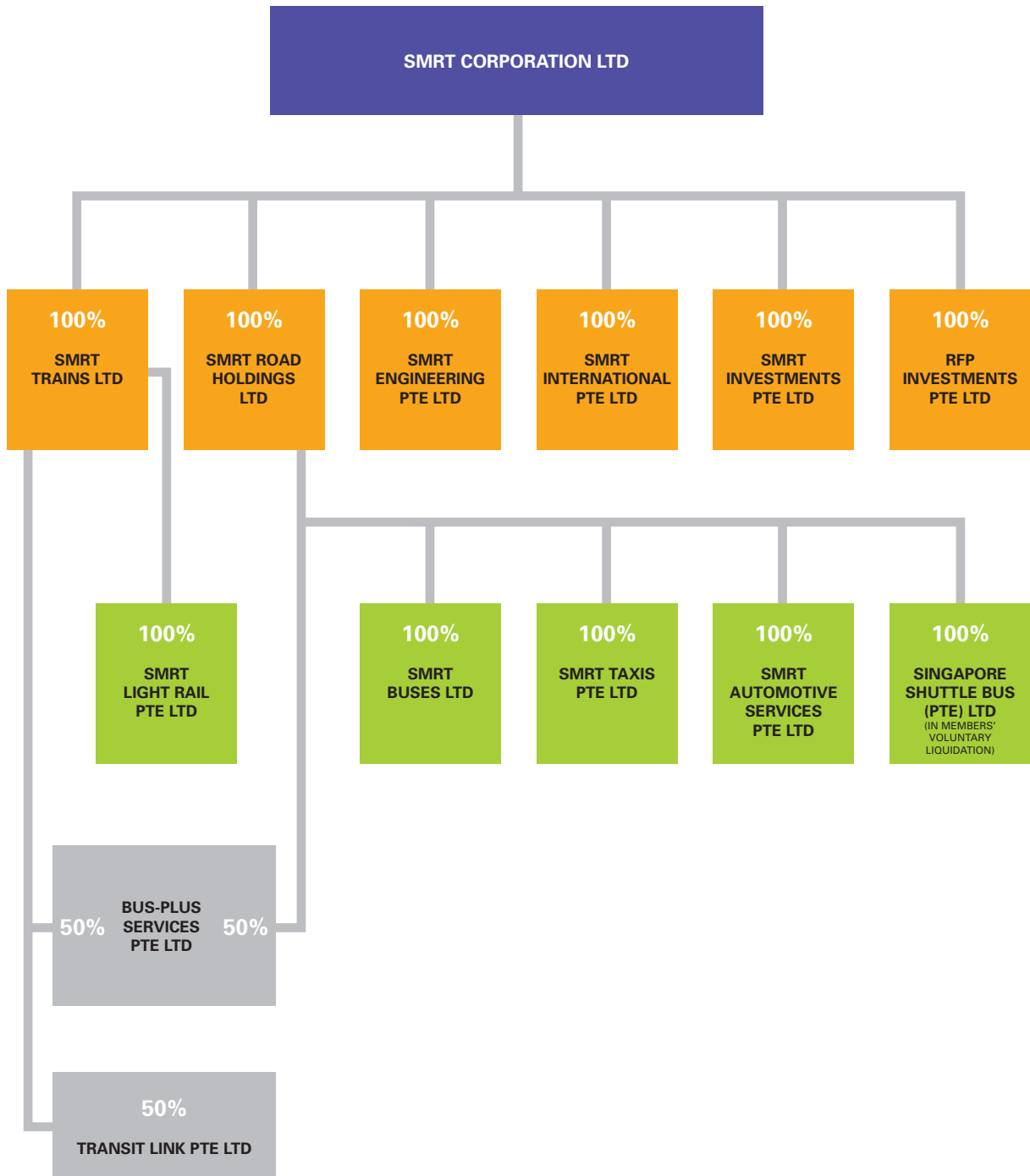
Ms Teo graduated from the National University of Singapore with a Bachelor of Science in Mathematics and Economics.

Organisation Structure



* Yeo Meng Hin is covering Corporate Services which consists of Human Resources, Safety Services, and Security and Emergency Planning until a replacement is found.

Group Structure



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

Choo Chiau Beng, Chairman
Saw Phaik Hwa, President & CEO
Daniel Ee Hock Huat
Koh Kheng Siong
Edmund Koh Kian Chew
Koh Yong Guan (appointed on 2 April 2007)
Paul Ma Kah Woh
Ong Ye Kung (appointed on 1 August 2006)
Bob Tan Beng Hai (appointed on 1 August 2006)
Engelin Teh Guek Ngor

COMPANY SECRETARY

S. Prema

AUDIT COMMITTEE

Daniel Ee Hock Huat, Chairman
Koh Kheng Siong
Paul Ma Kah Woh
Bob Tan Beng Hai (appointed on 26 September 2006)
Engelin Teh Guek Ngor

REMUNERATION COMMITTEE

Choo Chiau Beng, Chairman
Daniel Ee Hock Huat
Koh Kheng Siong
Edmund Koh Kian Chew

NOMINATING COMMITTEE

Engelin Teh Guek Ngor, Chairman
Choo Chiau Beng
Paul Ma Kah Woh (appointed on 20 July 2006)
Ong Ye Kung (appointed on 3 October 2006)

AUDITORS

KPMG
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Audit Partner-in-charge:

Yap Chee Meng (appointed in FY2004)

PRINCIPAL BANKERS

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

SHARE REGISTRAR

Lim Associates (Pte) Ltd
3 Church Street #08-01
Samsung Hub
Singapore 049483

Corporate Governance

The SMRT Group is fully committed to promoting good corporate governance and improving its corporate disclosure standards. For its efforts in the pursuit of good corporate governance and disclosure, the Securities Investors Association (Singapore) (SIAS) awarded the Group first place for Corporate Governance at the SIAS Investors' Choice Awards in 2006. The Group was also a runner-up for the Most Transparent Company Award in the Transport/Storage/Communication category at the Awards.

This section of the SMRT Corporation Ltd Annual Report 2007 discusses the Group's corporate governance policies and practices vis-à-vis the Code of Corporate Governance 2005 ("Code").

THE BOARD'S CONDUCT OF ITS AFFAIRS (PRINCIPLE 1)

The Board oversees the overall strategy and business direction of the Group. Apart from its statutory duties, the Board:

- provides entrepreneurial leadership within a framework of prudent and effective controls which enable risks to be assessed and managed;
- oversees the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- sets, challenges and contributes to the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews performance of members of Senior Management;
- determines the appropriate levels of remuneration for Executive Directors and Senior Management and oversees succession planning; and
- sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The Board reviews all equity investments, projects or contracts which are considered high risk or non-core, important business strategies, policies relating to corporate governance, all major capital and operating expenditures and the annual budget. In addition, the Group's Financial Procedures Manual sets out the matters that require the Board's approval as well as the different levels of approvals.

Upon appointment, a Director will receive a letter of appointment from the Board Chairman explaining, inter alia, his role, duties and obligations as a Member of the Board. A Director who has been appointed to a Board Committee will also be provided with a copy of the charter of that Board Committee.

Newly appointed Directors will attend a one-day orientation program to provide them with a better understanding of the Group's strategies, business activities and the challenges faced. The program includes an overview of the Group's business and governance practices, the business plan of each business unit and site visits to the Group's bus depots, train stations and train tunnels. The newly appointed Director would also be introduced to the Senior Management team.

As part of the continuing education for Directors, the Company Secretary will, from time to time, invite speakers to update the Board on relevant new laws and regulations. Directors can also attend external conferences and seminars to keep abreast of such developments.

Board meetings are held on a quarterly basis to coincide with the announcement of the Group's quarterly results. A Board meeting is also held at the end of each financial year for Directors to consider the Group's annual budget for the following year. Close to the end of the financial year, an "off-site" Board meeting or "Board Strategy Retreat" is held for Directors to discuss the Group's strategies and plans together with Management. Special Board meetings are also held whenever the Board's guidance and approval is required. During the year under review, three such special meetings were convened. The Board also had one informal meeting. To assist Directors in planning their attendance at Board, Board Committee and Annual General meetings, the dates for these meetings are scheduled one year in advance, in consultation with the Directors. The Board members' attendance at Board meetings and Board Committee meetings are shown on page 41. The Company's Articles of Association allow Board meetings to be conducted via telephonic and video conference meetings.

Directors are expected to make decisions objectively and in the best interest of the Group. The Chairman of the Board assesses the performance of each Director annually and one of the assessment criteria is a Director's ability to be decisive and his preparedness to take a firm stand on difficult issues. Even when evaluated by his peers, a Director is assessed on whether he is able to be a supportive team player without sacrificing an independent position.

Corporate Governance

Board and Management Committees

The Board is supported by the following Board Committees which have been established to assist the Board in discharging its responsibilities and enhancing the Group's corporate governance framework. Minutes of the Board Committee meetings are made available to all Board members upon confirmation.

Audit Committee

The Audit Committee ("AC") is chaired by Daniel Ee Hock Huat, and includes members Koh Kheng Siong, Paul Ma Kah Woh, Bob Tan Beng Hai and Engelin Teh Guek Ngor, all of whom are non-executive and independent Directors. The activities of the AC are described under Principle 11 in the subsequent paragraphs. In FY2007, the AC Charter was reviewed and updated.

Nominating Committee

The Nominating Committee ("NC") comprises four members: Engelin Teh Guek Ngor (Chairman), Choo Chiau Beng, Paul Ma Kah Woh and Ong Ye Kung. All members of the NC are independent and non-executive Directors. The NC Chairman, is also not directly associated with Temasek Holdings (Private) Limited, which is the Company's substantial shareholder.

The primary function of the NC, which is clearly spelt out in its Charter, is to assist the Board in fulfilling its duties under the Code. This role includes ensuring that there is a formal and transparent process for the appointment of new Directors and that there is a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to its effectiveness. The NC Charter also sets out the NC's terms of reference, authority, composition, conduct of meetings and responsibilities. For FY2007, the NC reviewed its Charter and decided that it is sufficient to fulfil the responsibilities of the NC.

The activities of the NC are explained in detail in the sections under Principles 2, 3, 4 and 5 in subsequent paragraphs. The NC met twice during the year under review and conducted several ad-hoc meetings to identify and interview suitable candidates for appointment to the Board.

Remuneration Committee

The members of the Remuneration Committee ("RC") are Choo Chiau Beng (Chairman), Daniel Ee Hock Huat, Koh Kheng Siong and Edmund Koh Kian Chew. All members of the RC are independent and non-executive Directors. The primary function of the RC is to assist the Board in fulfilling its duties in developing formal

and transparent policies on remuneration matters in the Company. The functions of the RC are explained in detail in the sections under Principles 7, 8 and 9 in the following paragraphs. For FY2007, the RC reviewed its Charter to ensure that it is sufficient to fulfil the responsibilities of the RC. The RC met twice during the year.

Management Committee

The Management Committee ("MC") is not a Board Committee. It is chaired by the President & CEO and comprises Senior Management. The MC facilitates the communication of the Board's decisions to the respective departments in the organisation. It meets fortnightly to review the status of various projects and deliberate on proposed strategic objectives, key policies and operational issues for the Board's consideration.

Risk Management Committee

The Risk Management Committee ("RMC"), which is also not a Board Committee, is chaired by the President & CEO and comprises the heads of all the Group's business functions. The RMC is responsible for leading the development and implementation of the Group's risk management policies and systems established by Management and meets on a regular basis. The activities of the RMC are set out in the section under Principle 12.

BOARD COMPOSITION AND GUIDANCE (PRINCIPLE 2)

The Board comprises 10 Directors, all of whom are independent and non-executive, except for Saw Phaik Hwa who is the President & CEO, as shown on page 41.

The NC determines whether a Director is independent according to the definition as set out in the Code. Upon appointment, a Director is required to confirm his independence by completing the Director's Independence Checklist. Every year, each Director will re-confirm his independence by completing and returning the Director's Independence Checklist to the NC. The Checklist is drawn up based on the guidance provided in the Code.

According to the Code, an independent Director is one who has no relationship with the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. Relationships identified in the Code are merely indicators of possible situations where independent judgement may be impaired but are not conclusive. The SMRT Directors' Independence Checklist therefore requires each Director to assess whether he considers himself to be independent even though he may not fall within the relationships identified in the Code.

Corporate Governance

Daniel Ee Hock Huat is a Director of Citibank Singapore Limited which has a business relationship with the SMRT namely the SMRT-Citibank Card. However, having assessed the nature and scope of the business relationship, the NC has determined that Mr Daniel Ee's independence is not compromised by his directorship in Citibank Singapore Limited and that he is independent.

Hence, with the exception of the President & CEO, who is an executive Director, the NC has determined that, the other nine Directors, who are non-executive, are independent.

The NC is also responsible for examining the size and composition of the Board, the core competencies of its members and the skills that are useful to the Board and the Board Committees. In this regard, the NC takes into account factors such as the scope and nature of the Group's operations, the balance of skills and experience of Directors, and the balance of executive and non-executive Directors. The NC reviews the annual retirement and re-election of Directors, taking into consideration his contribution, performance as well as length of service on the Board.

The Board believes that the present Board size and composition is appropriate for effective decision-making. Within the current Board, the Directors provide core competencies in areas such as business, accounting, audit, finance, human resources, management and law. In addition, the vast work experience of the Directors spans the areas of risk management, strategic planning and business development. The Directors' academic and professional qualifications are shown on pages 42 to 46.

Board meetings are candid and constructive, and Directors are free to debate openly. Non-Executive Directors also regularly meet without Management's presence to discuss matters such as the Board's effectiveness, Management's performance and the Group's long-term strategy. For the financial year ended 31 March 2007, the Non-Executive Directors conducted two meetings without Management's presence.

The Non-Executive Directors regularly guide Management in developing the Group's strategic plans. The annual Board Strategy Retreat allows Directors and Management to deliberate together on the Group's three-year business plan.

Members of the Board receive monthly operational and financial reports on the performance of each business unit and key corporate departments which includes status updates on important projects and achievements in relation to key performance indicators. Business units are required to keep the Board apprised on any significant developments to ensure that there are no surprises.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (PRINCIPLE 3)

The roles of the Chairman, Choo Chiau Beng, and the President & CEO, Saw Phaik Hwa, have always been kept distinct through a clear division of responsibilities. To make this clearer and for greater transparency, the Board adopted a Role Statement for the Chairman and the CEO.

In the Role Statement for the Chairman, it is clear that the Chairman of the Board is responsible for providing leadership and upholding the highest standards of integrity and probity. He is required to constructively determine and develop the Group's strategy, ensure that Board matters are effectively organised to enable Directors to receive timely and clear information in order to make sound decisions, promote constructive relations amongst Directors and with Senior Management, establish a relationship of trust with the CEO and ensure effective communication with shareholders.

The CEO is the highest-ranking executive officer of the Group. In the Role Statement of the CEO, the primary role of the CEO is to effectively manage and supervise the day-to-day business operations of the Group in accordance with the strategy, policies, budgets and business plans approved by the Board. The CEO is principally responsible for the running of the Group's business and developing the Group's vision, mission, core values, strategies and business objectives. In addition to reporting to the Board on all aspects of the Group's operations and performance (including overall financial performance, internal controls and risk management), the CEO is required to ensure effective and robust succession planning for all key positions within the Group.

The Chairman, who is independent and non-executive, does not have any relationship with the executive management of the Group that could materially affect or interfere with his independent judgement and decision-making.

Corporate Governance

BOARD MEMBERSHIP (PRINCIPLE 4)

BOARD PERFORMANCE (PRINCIPLE 5)

The Group has a formal and transparent process for the appointment and re-appointment of Directors.

Pursuant to the Company's Articles of Association, one-third of the Board of Directors, including the President & CEO who also sits on the Board, are required to retire and are subject to re-election at every Annual General Meeting ("AGM") of the Company. All Directors are required to retire from office at least once every three years. In addition, a newly appointed Director must also subject himself for retirement and re-election at the AGM immediately following his appointment.

With effect from FY2007, the Board decided not to fix a term of office for Directors. Accordingly, the NC will regularly review the Board's composition to ensure that the Board comprises Directors who can make valuable contributions to the business needs and success of the Group.

Process for Selection, Appointment and Re-appointment of Directors

Every year, the NC will review the size and composition of the Board and identify its needs, in particular the range of expertise, skills and attributes of the existing Directors, taking into account the evolving business needs of the Group. In this regard, the NC will consider, inter alia, the retirement and re-election of existing Directors, each Director's contribution and performance (such as attendance, preparedness, participation and candour) and whether new Directors are required to meet the Board's future needs.

As regards the retirement and re-election of Directors, the NC makes the relevant recommendations to the Board for shareholder approval at the AGM. When the need for a new Director arises, either to replace a retiring Director or to enhance the Board's composition, the NC will first shortlist potential candidates. Thereafter, the NC members would interview the candidates before recommending the most suitable candidate to the Board, for appointment as Director.

Key information regarding Directors such as academic and professional qualifications and directorships are set out on pages 42 to 46.

Evaluation of Board Performance

The NC has set objective performance criteria for evaluating the Board's performance annually.

(a) Evaluation of the Board as a Whole

Each Director is required to assess the Board's effectiveness as a whole by completing a Board Evaluation Questionnaire. The Board Evaluation Questionnaire takes into consideration factors such as the Board's composition, the Board's proceedings and the Board's relationship with Management. The Board Evaluation Questionnaire completed by each Director is then submitted to the NC Chairman and subsequently discussed at a Board meeting.

(b) Director's Self-assessment

Directors are also required to assess themselves. The Director's Self-Assessment Form takes into account a Director's attendance at Board meetings, his willingness to devote time to the Company, his contribution to the development of strategy and risk management, his independence of view, knowledge and skills, and his communication with fellow Directors. The Director's Self Assessment Form completed by each Director is submitted to the NC for the purpose of considering re-nomination of retiring Directors.

(c) Evaluation of Directors by the Board Chairman

The Board Chairman also assesses the Board's effectiveness by evaluating the performance of each Director. The criteria taken into consideration in Chairman's evaluation of Directors include the degree of preparedness, the value of contribution to the development of strategy and risk management and the Director's knowledge and experience.

(d) Directors' Peer Evaluation

For the year under review, the Board introduced Directors' Peer Evaluation where each Director will rate his peers by completing the Directors' Peer Evaluation Questionnaire. The questions are categorised into areas such as Directors' Duties, Directors' Skills Set and Directors' Knowledge. An external consultant will collate the results of the Questionnaire and send a report of its analysis to the Chairman of the Board who will then inform each Director of his score. The Chairman of the Board may take these peer evaluation results into account when the NC is determining the re-nomination of Directors or the appointment of Directors to Board Committees.

Corporate Governance

In addition to the abovementioned, the NC also sets objective performance criteria for the Board to evaluate the President & CEO. Every year, the Directors will evaluate the President & CEO and provide feedback on her performance. 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 as mentioned under Principle 2 above.

The NC also reviews whether each Director has given sufficient time and attention to the affairs of the Group. Internal guidelines have been drawn up to address the issue of competing time commitments that are faced when Directors serve on multiple boards. For the year under review, the NC is of the view that although some Directors hold several directorships in other companies, all Directors have contributed sufficient time to meet the expectations of their role as Directors as can be seen from their attendance record set out on page 41.

The NC has also determined that the Directors have allocated adequate time to fulfil their duties as Board and Board Committee members.

ACCESS TO INFORMATION (PRINCIPLE 6)

To assist the Board in discharging its duties, Management provides the Board with timely, balanced and understandable key operational and financial reports of the Group's performance and prospects on a monthly basis. Agenda and papers for Board and Board Committee meetings are sent to Directors several days in advance of these meetings to give the Directors sufficient time to prepare. Directors have separate and independent access to the President & CEO, the Company's Senior Management, the Company Secretary and the Internal and External Auditors via telephone, e-mail and face-to-face meetings.

The role of the Company Secretary is clearly defined. She attends all Board Meetings. As Secretary for the Audit, Nominating and Remuneration Committees she also attends the meetings of these committees.

The Company Secretary assists the Chairman and the Chairmen of Board Committees in scheduling Board meetings and Board Committee meetings respectively. The Company Secretary also prepares agenda and papers for Board and Board Committee meetings in consultation with the Chairman and the President & CEO. Every month, the Company Secretary will circulate the Group's financial and operational progress reports to all Directors, thus keeping the Board updated on the Group's affairs on a timely and on-going basis. As and when there are significant developments or events in the Group or in the transport industry, the Directors are kept informed of the same. In addition, any Director may, in the furtherance of his duties, take independent professional advice at the Company's expense by notifying the Chairman.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (PRINCIPLE 7)

The primary function of the RC is to assist the Board of Directors in fulfilling its duties in developing formal and transparent policies on remuneration matters in the Company. The RC also identifies and reviews all nominations, appointments and promotions of Senior Management and formulates and reviews the succession plans for Senior Management. In addition, the RC has responsibility for overseeing the development of leadership and talent management with the aim of building talent and renewing strong and sound leadership to ensure the success of the Group.

LEVEL AND MIX OF REMUNERATION (PRINCIPLE 8) DISCLOSURE ON REMUNERATION (PRINCIPLE 9)

The President & CEO is an Executive Director and hence is remunerated as a Member of Management and does not receive Directors' fees. The remuneration for Non-Executive Directors comprises a basic fee and additional fees for appointments on Board Committees. Directors of the Company receiving remuneration from the Group for the financial year ended 31 March 2007 is as follows, taking into account the increased responsibilities of the Board:

Corporate Governance

Remuneration of Directors

Name of Director	Directors' Fee \$	Basic Salary \$	Variable or Performance Related Income/ Bonuses \$	Benefits-In-Kind \$	SMRT ESOP, SMRT RSP & SMRT PSP \$	Total \$
\$400,000 and above						
Saw Phaik Hwa	–	583,560	324,990	60,000	81,304	1,049,854
Below \$250,000						
Choo Chiau Beng	98,000	–	–	–	–	98,000
Daniel Ee Hock Huat	78,000	–	–	–	–	78,000
Koh Kheng Siong	68,000	–	–	–	–	68,000
Edmund Koh Kian Chew	48,000	–	–	–	–	48,000
Paul Ma Kah Woh ¹	65,589	–	–	–	–	65,589
Niam Chiang Meng ²	14,597	–	–	–	–	14,597
Nithiah Nandan s/o Arumugam ²	14,597	–	–	–	–	14,597
Ong Ye Kung ³	30,575	–	–	–	–	30,575
Bob Tan Beng Hai ⁴	36,877	–	–	–	–	36,877
Engelin Teh Guek Ngor	75,000	–	–	–	–	75,000

¹ Appointed as NC Member on 20 July 2006

² Retired on 20 July 2006

³ Appointed as Board Member on 1 August 2006 and as NC Member on 3 October 2006

⁴ Appointed as Board Member on 1 August 2006 and as AC Member on 26 September 2006

The number of Directors of the Company receiving remuneration from the Group during the year are as follows:

Remuneration Bands	2007	2006
\$400,000 and above	1	1
\$250,000 to \$399,999	–	–
Below \$250,000	10	11
Total	11	12

The total remuneration paid to the five top-earning key executives are shown below:

Remuneration of Key Executives

Remuneration Band & Name of Five Top-Earning Key Executives	Basic Salary \$	Variable or Performance Related Income/ Bonuses \$	Benefits-In-Kind \$	SMRT ESOP, SMRT RSP & SMRT PSP \$	Others \$
\$400,000 to \$550,000					
Yeo Meng Hin	60.7%	25.2%	6.9%	7.2%	0.0%
\$250,000 to \$399,999					
(in alphabetical order)					
Catherine Kuan-Lee Yee Fong	67.3%	21.0%	8.9%	2.8%	0.0%
Lawrence Lau Kai Kum	67.7%	22.5%	6.5%	3.3%	0.0%
Harry Tan Chuan Huat	67.4%	22.6%	5.6%	4.4%	0.0%
Below \$250,000					
Lim Cheng Cheng ¹	83.1%	4.5%	12.2%	0.2%	0.0%

¹ Lim Cheng Cheng had less than a year of service for the financial year ended 31 March 2007

Corporate Governance

The Group needs talented and highly engaged employees so as to propel its business strategies forward and build a progressive and high performance organisation that constantly creates value for its shareholders. To attract and retain key talent, the RC requires the Group's compensation strategies to meet the fundamental criteria of being competitive against the wider job market. The compensation must also be flexible and adaptable to market conditions critical for future success.

Long term incentives like SMRT's share plans emphasise performance so as to focus on creating value for the shareholders. Details of the SMRT Employee Share Option Plan, SMRT Restricted Share Plan and SMRT Performance Share Plan can be found in the Directors' Report on pages 101 to 105.

In addition, there is a strong link between payouts and results-based corporate and strategic business units (SBUs)/divisional performance achievement and individual performance. The compensation policy inculcates individual accountability and innovation, whilst fostering teamwork.

ACCOUNTABILITY (PRINCIPLE 10)

The Singapore Exchange Limited ("SGX") recently introduced a requirement for Directors to issue a Negative Assurance Statement to accompany its quarterly financial results announcement, confirming that nothing has come to the attention of the Board that may render the financial results to be false or misleading. In response to this requirement, the Group has implemented additional internal processes such as declaration checklists where heads of the various business units are required to confirm that financial processes and controls are in place as well as a financial watch list which reports to the Board on the status of significant financial issues of the Group.

The Board presents a balanced and understandable assessment of the Group's performance, position and prospects to the public via the release of its quarterly and full-year financial results. The Board will review and approve the results before its release and Management will also provide a certification to the Board on the integrity of the Group's financial statements and internal control systems.

AUDIT COMMITTEE (PRINCIPLE 11)

The AC comprise members who are non-executive, independent and appropriately qualified to discharge their responsibilities. Three Directors including the Chairman of the AC, namely Daniel Ee Hock Huat, Koh Kheng Siong and Bob Tan Beng Hai, have accounting or related

financial management expertise. As regards the other members, Paul Ma Kah Woh has accounting, auditing and risk management knowledge whilst Engelin Teh Guek Ngor has experience in legal and business issues.

The AC met four times during the year under review. The President & CEO, Deputy President & COO, Chief Financial Officer, Chief Internal Auditor & Vice President (Audit Division), Company Secretary and the external auditors are usually invited to attend the meetings. During the financial year, the AC met with the external auditors once and with the internal auditors twice, without the presence of Management. These meetings enable the auditors to raise issues encountered in the course of their work directly to 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.

During the year under review, the AC:

- reviewed and recommended to the Board the release of the quarterly and full-year financial statements;
- considered and approved the Audit Strategy and Planning Memorandum prepared by the external auditors, and the Internal Audit Plan prepared by the Internal Audit Division;
- reviewed the scope and results of both internal and external audits, the adequacy of the internal audit functions, and the risk management processes within the Group; and
- reviewed the independence and objectivity of the external auditors, and the nature and extent of non-audit services provided by them.

With effect from third quarter FY2007, the AC also reviewed the Negative Assurance Statement in the Group's quarterly announcements.

Prior to the re-appointment of the external auditors, the AC conducts an annual review of their independence based on the guidelines provided by the Accounting and Corporate Regulatory Authority. Having reviewed the volume of non-audit services provided to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice their independence and objectivity, the AC has recommended their re-appointment.

Corporate Governance

The AC also oversees the Group's Whistleblowing Programme to provide employees, taxi hirers and suppliers a channel to report in confidence any unethical or illegal acts, including improprieties in matters of financial reporting. The Whistleblowing Programme is described in greater detail under Internal Controls.

INTERNAL CONTROLS (PRINCIPLE 12)

The Board considers that the Group's framework and system of internal controls and procedures maintained by the Company's Management, and set in place throughout the financial year up to the date of this report, is adequate to meet the needs of the Group in the current business environment. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group manage the risk of failure to achieve business objectives, rather than to eliminate it.

At the beginning of each financial year, the Internal Audit Division prepares an Internal Audit Plan to review the adequacy and effectiveness of the Group's system of internal controls and compliance. Upon completion of the audit of specific processes, the Internal Audit Division issues a report on its findings with appropriate recommendations to the AC, the President & CEO and the Chairman of the Board. A copy of this report is circulated to the Heads of Department for their follow-up action, and to the external auditors for information.

The AC reviews the effectiveness of the Group's internal controls (including financial, operational and compliance controls) and risk management, and consults the external auditors on their views on these matters. The processes used by the AC to review the effectiveness of the system of internal controls and risk management include:

- discussions on risks identified by Management;
- audit processes;
- review of internal and external audit plans
- review of significant issues arising from internal and external audits; and
- discussions with internal and external auditors without the presence of Management.

The key elements of the Group's system of controls are as follows:

Operating Structure

The Group has a clearly defined operating structure with lines of responsibility and delegated authority, as well as adequate reporting mechanisms to Senior Management and the Board.

Policies, Procedures and Practices

Controls are detailed in formal procedures, instructions and manuals, and compliance is verified by the Company's internal auditors and ISO 9001 auditors.

Since March 2005, the Group has adopted a structured ethics program to provide legal and ethical guidance in situations where ethical decisions have to be made. Values which Directors and employees of the Group are expected to adhere to (namely Integrity, Honesty, Care, Accountability, Timeliness and Fairness) are enumerated in the Group's Ethics Code. Briefing sessions are regularly held to help new employees understand and apply the Ethics Code.

In November 2006, the Group launched its Whistleblowing Programme to encourage the reporting in good faith, of any suspected improper conduct. As part of the Programme, the Group adopted a Whistleblowing Policy which stipulates measures that ensure reports can be made in confidence, and the party making the report would be protected from reprisals within the limits of the law.

Secured and confidential reporting processes are in place to ensure that the information received will be handled in confidence. Such secured reporting channels are manned by the Chief Internal Auditor & Vice President (Audit Division) to provide an independent and objective channel for whistleblowers to highlight their concerns. All issues highlighted will be objectively investigated and appropriate remedial measures taken to address them.

All whistleblowing matters are reviewed quarterly by the AC. In addition, a dedicated secured e-mail has been set up for the whistleblower to escalate such concerns to the AC Chairman, if he is of the view that his concern has not been handled satisfactorily or if there is an apparent conflict of interest.

The Group's commitment to its Whistleblowing Programme is evidenced by the series of whistleblowing briefings conducted by Management for its staff and business partners. To build a culture of corporate business ethics based on fundamental values embraced by all staff, various initiatives have also been adopted to heighten the level of whistleblowing awareness amongst all staff including displaying whistleblowing posters in office premises and establishing a dedicated whistleblowing website in the Company's intranet as well as organising whistleblowing quizzes.

Corporate Governance

Financial Reporting

The Board is regularly updated on the Group's financial performance against the budget and revised forecasts through monthly reports. Business units also provide the Board with monthly updates on key operational activities.

Declaration checklists by Heads of SBUs confirming that financial processes and controls are in place, and a financial watch list reporting status of significant financial issues of the Group, are presented to the Board quarterly.

Reporting to the shareholders in accordance with the requirements of the SGX is conducted on a quarterly basis.

Financial Management

Management reviews the performance of each SBU and corporate function on a monthly basis to instil financial and operational discipline at all levels of the organisation.

The centralised treasury function helps to achieve greater efficiency and synergy in the management of the Group's financial resources.

Audit

Internal audit performs continuous monitoring to ensure compliance with Company policies, internal controls and procedures designed to manage risks and safeguard the

business and assets of the Group. Internal Audit reports its findings to the President & CEO, the AC and the Chairman of the Board.

Our external auditors from KPMG provide an independent perspective on certain aspects of the internal financial control system arising from their work and annually report their findings to the AC.

Risk Management

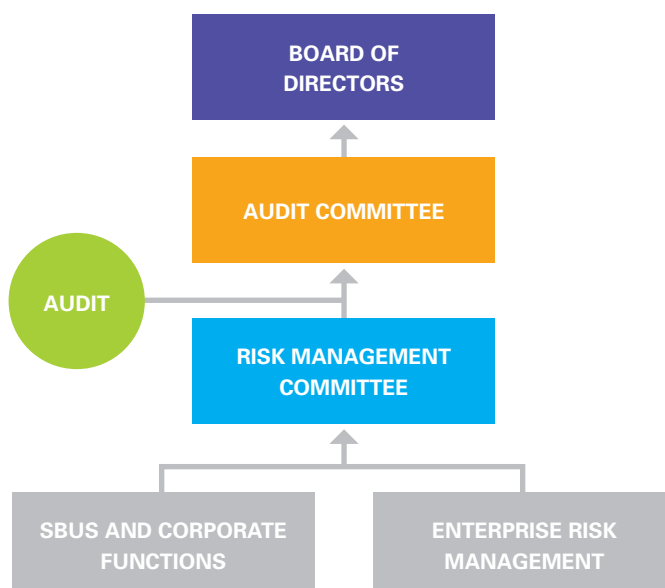
The RMC adopts and implements an Enterprise Risk Management (ERM) framework in the organisation with the following objectives:

- To provide a consistent risk management framework for Management and staff to apply in decision making and strategy setting
- To establish a risk reporting mechanism
- To promote holistic management of risk across all SBUs and corporate functions
- To create a risk awareness culture

Supported by the ERM function, the RMC leads the development and implementation of ERM throughout the Group and spearheads risk management initiatives.

Risk Management Structure

The risk management structure of the Group is illustrated below:



Corporate Governance

The AC oversees the Group's risk management process through reviewing the adequacy and effectiveness of the risk management policy, methodology, tools, practices, strategies and treatments. On a half-yearly basis the RMC updates the AC on the results of risk assessments and action plans to manage the Group's risks. On a monthly basis, the ERM function reports to RMC on the progress of the risk management action plans. RMC meetings are conducted at least twice a year to review the strategic risks and to discuss other ERM matters. The responsibilities of each role are described in the "Risk Management" section on page 69.

Control Self Assessment Programme

To enhance the awareness of key process risks and controls amongst the line management and staff, our Internal Audit Division has been working with various SBUs to establish a Control Self-Assessment (CSA) programme. Under the CSA programme, the line management and staff are required to perform a self-assessment of the effectiveness of their control processes. Internal Audit will then perform random audits to independently verify the results of the self-assessments. The programme aims to provide a tangible framework for Management to obtain assurance on the state of internal controls.

INTERNAL AUDIT (PRINCIPLE 13)

The Internal Audit Division is an independent function that reports directly to the Chairman of the AC, and administratively to the President & CEO. The Division's mission statement and charter require it to provide an independent, objective assessment and consulting services that add value and enhance the Group's operations as well as assist the business units in achieving their business objectives in terms of risk management, control and governance processes.

The Division adopts a risk-based approach in formulating the annual audit plan to ensure that all risk-rated auditable areas are kept in sight to ensure proper coverage and audit frequency. The aim of audit reviews is to assist the Board in promoting good corporate governance by assessing the design and operating effectiveness of the controls governing key business processes and risks identified in the overall SMRT risk framework.

In addition, the Division is tasked to administer the Protected Disclosure channels under our Whistleblowing Policy for our employees and business partners to raise confidence in any concerns pertaining to improprieties or unethical acts. Proper processes have been established to investigate such matters.

The Division is committed to performing its reviews in accordance with the International Standards for the Professional Practice of Internal Auditing spelt out by The Institute of Internal Auditors (IIA). An ongoing quality assurance program comprising internal and external assessments is in place to ensure that audits are performed in accordance with the IIA standards.

In addition, the Division completes an annual self-assessment of the adequacy of its internal audit activities against its charter as well as both the AC and Management's expectations. To align audit practices with leading internal audit functions, the assessment criteria used are benchmarked against the standards and best practices recommended by reputable and professional organisations and associations.

COMMUNICATION WITH SHAREHOLDERS (PRINCIPLE 14)

In line with the Code and the continuous disclosure obligations of the Company pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Group believes in open and regular communication with all members of the investment community to provide clear, timely and fair disclosure of information about the Group's business, financial performance and prospects.

The Group ensures that it understands and responds to the feedback and needs of the investment community by constantly improving the content on communication of its Investor Relations (IR) programme targeted at the investment community. In the Business Times 2006 Corporate Transparency Index which measures the quality of disclosure by companies which have released financial results to the SGX-ST in 2006, the Group was ranked third among the 621 companies surveyed.

Dissemination of Material Information

The basic principle when communicating information to the investment community is to ensure that material information about the Group is made available to all on a timely and non-selective basis.

Dissemination of material information takes the form of quarterly reporting on the Group's financial results, SGX announcements, the Group's summary and annual reports, monthly reporting of MRT ridership data, given that MRT operations account for more than half of the Group's quarterly revenue, and mid-quarter updates of any material information on major developments of the Group.

Corporate Governance

All material information is disclosed on a timely basis through media releases or announcements via SGXNET. It is also uploaded on the corporate website at www.smrt.com.sg which serves as a one-stop source of information relevant to shareholders. The information is also broadcasted to analysts, shareholders and investors on the Group's IR mailing list and to those who have registered for updates.

If material information is inadvertently disclosed to any selected group, a media release or announcement will be posted immediately through SGXNET.

Release of Financial Results

The Group reports its quarterly financial results promptly within one month of the close of each quarter and its audited results for the full year within one month of the year ending 31 March. The disclosures include the operating results and metrics of each business segment, the Group's financial position, a clear breakdown of cost components and outlook on operating conditions for the next quarter or year. The quarterly financial information in the form of media release, presentation slides and speech transcripts is released via SGXNET onto the SGX website after trading hours.

For the release of its half-year and full-year results, the President & CEO and CFO present the Group's financial performance at the combined media and analyst conferences. To further enhance corporate transparency, the proceedings are webcast so that retail investors are able to listen in and at the same time raise queries.

For the release of its first and third quarter results, the CFO hosts the teleconferences to brief the media and analysts on the Group's performance. Feedback from the analysts indicates that the frequency of disclosure forums is currently adequate for their reporting and research purposes.

To provide sufficient notice to the investment community on our quarterly results release dates, the Group will announce these dates via SGXNET two weeks prior to the release of the results. The investing public can also access the updated financial calendar available on the corporate website.

Staying Engaged with Investors

The Group aims to cultivate a long-term relationship with shareholders and the investing public through various communication channels so as to enable them to gain a better understanding of its strategies, businesses

and prospects. During such interactions, the Group's Management can also better appreciate the investment community's views about the Group.

The Company's dedicated investor relations team and the Group's Senior Management, meet institutional investors and analysts on a regular basis to answer queries and obtain feedback from shareholders. In the financial year ended 31 March 2007, we held over 60 meetings with companies from eight major financial centres.

The Group also participates in investor conferences and roadshows organised by institutional brokers. At the same time, it stays in touch with retail investors by supporting investor education programmes initiated by the Securities Investors Association (Singapore) (SIAS).

In addition to face-to-face meetings, the IR team also engages in regular telephone and e-mail communication to update analysts and investors on latest corporate developments. For the convenience of investors who require more information, the contact number and e-mail address of the IR officer are available on the corporate website.

The IR team gathers feedback in the course of their constant interaction with investors and channels the comments and views they receive to Management and the Board via monthly reports.

More information about the Group's IR activities can be found on pages 47 to 49.

Encourage Shareholder Participation at General Meetings

The Group is in full support of active shareholder participation at Annual General Meetings (AGM) and Extraordinary General Meetings (EGM) and views such General Meetings as principal dialogue sessions with shareholders. The Summary Report and the Notice of General Meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 21 working days before the General Meetings. Shareholders also have access to the full annual reports which are available on the corporate website. Notice of General Meetings is also published in the Business Times.

Corporate Governance

Over 400 shareholders attended the Group's AGM and EGM held on 20 July 2006. To encourage more shareholders to participate in the General Meetings, they are held at centrally located venues that are easily accessible by public transport. Last year, the AGM and EGM were held at the Raffles City Convention Centre.

The Chairman, President & CEO, Chairman of all the Board Committees, Board Members, the CFO and members of Senior Management are in attendance at the AGM and EGM to take questions and feedback from shareholders. Shareholders present are given an opportunity to clarify or pose questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The external auditors, KPMG, are also invited to attend the AGM and EGM and will assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditors' report.

Under the Company's Articles of Association, a registered shareholder may appoint one or two proxies to attend the AGM, to speak and vote in place of the shareholder. Voting in absentia by mail, facsimile or e-mail has yet to be introduced because such voting methods will need to be carefully reviewed for feasibility to ensure there is no compromise to either the integrity of the information or proper authentication of the identity of shareholders.

The Group takes note that there should be separate resolutions at General Meetings on each substantially separate issue and supports the Code's principle 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 AGM as separate resolutions.

The minutes of General Meetings prepared by the Company include substantial comments or queries from shareholders and responses from the Chairman, Board Members and Management. These minutes are available to shareholders upon their request.

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.

The Group's "black-out" policy is more stringent than that prescribed by the SGX's Listing Rule 1207(18) in that Directors and employees are advised not to deal in the Company's securities during the period commencing one month before the announcement of each of the Group's financial results (i.e. the quarterly and full-year results) and ending on the date of the announcement of the relevant results.

Directors and employees are also reminded to be mindful of the law on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, and the Companies Act.

Corporate Governance

DIRECTORS AND BOARD COMMITTEE MEETINGS AND ATTENDANCE FROM 1 APRIL 2006 TO 31 MARCH 2007

Board of Directors	Board		Audit		Board Committees Remuneration		Nominating	
	A	B	A	B	A	B	A	B
Choo Chiau Beng (Chairman)	8	8			2	2	3	3
Saw Phaik Hwa (President & CEO)	8	8						
Daniel Ee Hock Huat	8	7	4	4	2	2		
Koh Kheng Siong	8	8	4	4	2	2		
Edmund Koh Kian Chew	8	3			2	1		
Paul Ma Kah Woh	8	7	4	4			3	3
Bob Tan Beng Hai	5	5	2	2				
Ong Ye Kung	5	5					2	1
Engelin Teh Guek Ngor	8	8	4	2			3	3

Column A: number of meetings held while a member.
Column B: number of meetings attended.

BOARD OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

Name of Director	Board Appointments – Executive or Non-Executive Director – Independent or Non-Independent Director	Board Committees as Chairman or Member		
		Audit	Nominating	Remuneration
Choo Chiau Beng (Chairman)	Non-Executive/Independent		Member	Chairman
Saw Phaik Hwa (President & CEO)	Executive/Non-Independent			
Daniel Ee Hock Huat	Non-Executive/Independent	Chairman		Member
Koh Kheng Siong	Non-Executive/Independent	Member		Member
Edmund Koh Kian Chew	Non-Executive/Independent			Member
Koh Yong Guan	Non-Executive/Independent			
Paul Ma Kah Woh	Non-Executive/Independent	Member	Member	
Bob Tan Beng Hai	Non-Executive/Independent	Member		
Ong Ye Kung	Non-Executive/Independent		Member	
Engelin Teh Guek Ngor	Non-Executive/Independent	Member	Chairman	

Corporate Governance

PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Choo Chiau Beng 59 yrs	– Bachelor of Science (Naval Architecture) 1st Class Hons, University of Newcastle Upon Tyne, United Kingdom (Colombo Plan Scholar) – Master of Science (Naval Architecture), University of Newcastle Upon Tyne, United Kingdom – Completed Programme for Management Development, Harvard Business School – Member of Wharton Society of Fellows	01.05.2003	Ambassador	Brazil
		20.07.2006	(Non-Resident)	
			Chairman & Chief Executive Officer	Keppel Offshore & Marine Ltd
			Chairman	Keppel FELS Limited
			Chairman	Singapore Petroleum Company Limited
			Chairman	Singapore Refining Company Pte Ltd
			Senior Executive Director	Keppel Corporation Limited
			Director	Keppel Land Limited
			Director	k1 Ventures Limited
			Board Member	Maritime & Port Authority of Singapore
	Director	Singapore Maritime Foundation Limited		
	Director	EDB Investments Pte Ltd (from 28 July 2003 to 28 July 2006)		
Saw Phaik Hwa 52 yrs	– Bachelor of Science (Biochemistry) Hons, University of Singapore	20.03.2003	Member	Board of Trustees, Singapore Management University
		17.07.2003		
			Member	Board of Trustees, Tan Tock Seng Hospital Community Charity Fund
			Member	Board of Trustees, Youth Business Singapore
			Director	Singapore Tourism Board (from 2001 to 31 December 2006)
	Director	Changi Airport Managers And Partners (Singapore) Pte Ltd (from 1 May 2005 to 31 March 2006)		

Corporate Governance

PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years
Daniel Ee Hock Huat 54 yrs	– Bachelor of Science (Systems Engineering) 1st Class Hons, University of Bath (Colombo Plan Scholar) – Master of Science (Industrial Engineering), National University of Singapore	17.04.2000 15.07.2004	Director Citibank Singapore Limited Director Surface Mount Technology (Holdings) Limited Chairman Gas Supply Pte Ltd Board Member National Environment Agency Director Changi Airport Managers And Partners (Singapore) Pte Ltd (from 1 November 2004 to 30 April 2006) Director Singapore Changi Airport Enterprise Pte Ltd (from 1 April 2003 to 30 April 2006) Director Darco Water Technologies Limited (from 20 June 2002 to 30 April 2005) Board Member Civil Aviation Authority of Singapore (from 1 September 1995 to 30 August 2005) Director Pacific Healthcare Holdings Ltd (from 5 September 2005 to 11 May 2007)
Koh Kheng Siong 59 yrs	– Bachelor of Science (Economics) Hons, University of London – Master of Business Administration (Finance), University of Chicago Graduate School of Business	07.03.2000 15.07.2004	Director SIA Engineering Company Ltd Director Mapletree Logistics Trust Management Limited Financial Controller ExxonMobil Asia Pacific Pte Ltd (Retired in August 2005)
Edmund Koh Kian Chew 47 yrs	– Bachelor of Science, University of Toronto	15.08.2005 20.07.2006	Managing Director and Head, Regional Consumer Banking Group Board Member Housing & Development Board

Corporate Governance

PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Edmund Koh Kian Chew 47 yrs			Director	SNP Corporation Limited
			Director	DBS Vickers Securities Holdings Pte Ltd
			Director	DBS Vickers Securities Online Holdings Pte Ltd
			Director	International Medical Insurers Pte Ltd
			Chairman	Network For Electronic Transfers (S) Pte Ltd
			Director	Hutchison DBS Card Ltd (Hong Kong)
			Council Member	National Youth Achievement Award Council
			Deputy Chairman	Singapore Sports Council
			Director	The Old Parliament House Ltd (from 11 December 2002 to 31 March 2006)
		Council Member	Council on Governance of Institution of Public Character (from 1 January 2004 to 31 December 2005)	
Koh Yong Guan 60 yrs	– Master of Business Administration, Catholic University of Leuven, Belgium	02.04.2007	Chairman	Central Provident Fund Board
			Chairman	Singapore Turf Club
	– Master of Applied Science, Mechanical & Biomedical Engineering, University of Toronto, Canada		Chairman	Singapore Pools (Pte) Ltd
			Director	Monetary Authority of Singapore
			Director	MND Holdings (Pte) Ltd
	– Bachelor of Applied Science (1st Class Hons) Mechanical Engineering, University of Toronto, Canada		Director	MediaCorp Pte Ltd (from 27 August 1999 to 31 July 2002)
			Deputy Chairman	Singapore Totalisator Board (from 1 January 1994 to 31 December 2006)

Corporate Governance

PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Paul Ma Kah Woh 59 yrs	– Fellow of the Institute of Chartered Accountants in England and Wales – Member of the Institute of Certified Public Accountants of Singapore	15.07.2005 20.07.2006	Director	Mapletree Investments Pte Ltd
			Chairman	Mapletree Logistics Trust Management Limited
			Director	Golden Harvest Entertainment (Holdings) Limited
			Director	Capitaland China Development Fund Pte Ltd
			Director	Ascott Residence Trust Management Limited
			Director	Hwa Hong Corporation Limited
			Trustee	Board of Trustees, National University of Singapore
			Director	Asia General Holdings Limited (from 13 August 2004 to 5 March 2007)
			Director	Asia Life Assurance Society Limited (from 22 February 2005 to 9 March 2007)
Ong Ye Kung 37 yrs	– Bachelor of Science (Economics) 1st 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	Chief Executive	Singapore Workforce Development Agency
			Director	Ascendas Pte Ltd
			Member	UniSim Board of Trustee
			Director	Civil Service College
			Director	SPRING Singapore
			Member	Institute of Systems Science
			Member, Board of Governors	Northlight School

Corporate Governance

PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years
Bob Tan Beng Hai 55 yrs	– Fellow of the Institute of Chartered Accountants in England and Wales	01.08.2006	Chairman Jurong Engineering Ltd
			Director Quebec Leisure International Pte Ltd
			Director UMS Holdings Ltd
			Director NTUC Club Investment Pte Ltd
			Director PowerSeraya Ltd
			Vice President Singapore National Employment Federation
			Honorary Deputy Treasurer Singapore Business Federation
			Council Member NTUC Club Management Council
			Board Member Ong Teng Cheong Institute of Labour Studies
Engelin Teh Guek Ngor 52 yrs	– LLB (Hons), University of Singapore – Fellowship of the Singapore Institute of Arbitrators – Fellow, Singapore Institute of Directors – Senior Counsel – Member, Panel of the Singapore International Arbitration Centre – Member, Competition Appeal Board	01.08.2001	Managing Director Engelin Teh Practice LLC
		14.07.2005	Director Singapore Power Limited (from January 2002 to July 2005)
			Director SP PowerAssets Limited (from October 2003 to July 2005)

Investor Relations

At SMRT, Investor Relations (IR) is governed by a well-defined and integrated process of prompt disclosure that enables financial stakeholders to make reasonable assessment of SMRT's performance. In line with this guiding principle, SMRT is committed to nurturing long-term relationships with the investing community while upholding high corporate transparency standards.

BUILDING LONG-TERM RELATIONSHIPS

FY2007 was a busy and fruitful year for SMRT's management and IR team. The number of sell-side analysts covering SMRT grew to 13, up from eight previously.

During the year, SMRT had more than 60 one-on-one meetings with investors and analysts and complemented these meetings with regular emails or calls on corporate developments. In addition, investors were invited to corporate events and meetings such as a preview of the upgraded first-generation trains.

To reach out to retail investors, SMRT leveraged investor organisations such as the Securities Investors Association (Singapore) (SIAS), which has a strong following among retail investors. SMRT also invested in education for retail investors by way of sponsorship to SIAS to fund financial planning, investment services and learning programmes for investors.

Research reports as well as feedback from analysts, fund managers and investors are communicated to Management and the Board, allowing them to better appreciate the investment community's views about SMRT.

DIVERSE SHAREHOLDER BASE

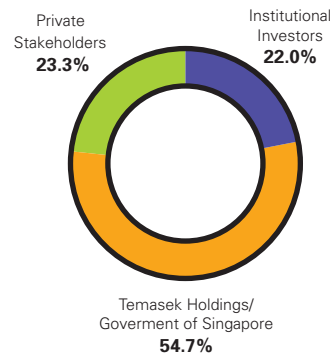
During the year, SMRT commissioned an analysis of our share register. More than 194 institutions and investors across 53 regions were identified.

Out of the Company's free float of 45.3%, about 22.0% are held by institutional investors and the top three geographic regions where our investors are based are: North America, Singapore and United Kingdom. This diversification in our share holdings improves liquidity and helps ensure the shares are fairly valued.

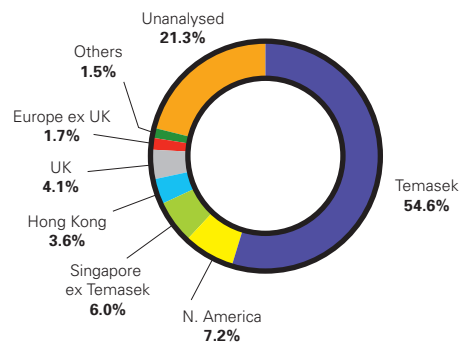
“ We think (SMRT) management's demonstrated commitment to ensuring good returns for shareholders is positive.”

Macquarie Securities, January 2007

Shareholders' Profile¹



Institutional Shareholders by Region¹



¹ Based on share register analysis as at 15 September 2006

COMPREHENSIVE INFORMATION DISCLOSURE

In disseminating material information, our guiding principle is to make information available to all shareholders and investors in a timely manner and on a non-selective basis.

Combined media and analyst conferences are held for the release of SMRT's half-year and full-year results. To further enhance corporate transparency, the proceedings are webcast to offer retail investors the opportunity to participate. For the Group's first and third quarter results, we hold media and analysts teleconferences.

Between quarters, analysts, shareholders and investors on the IR mailing list and those who registered for company updates will receive SMRT email alerts concerning material announcements issued via SGXNET, media releases that are relevant, or significant developments in the industry. These and other pertinent financial information as well as contact details are available on our dedicated IR website, www.smrt.com.sg/investors.html.

Investor Relations

COMMITMENT TO ENHANCING SHAREHOLDER VALUE

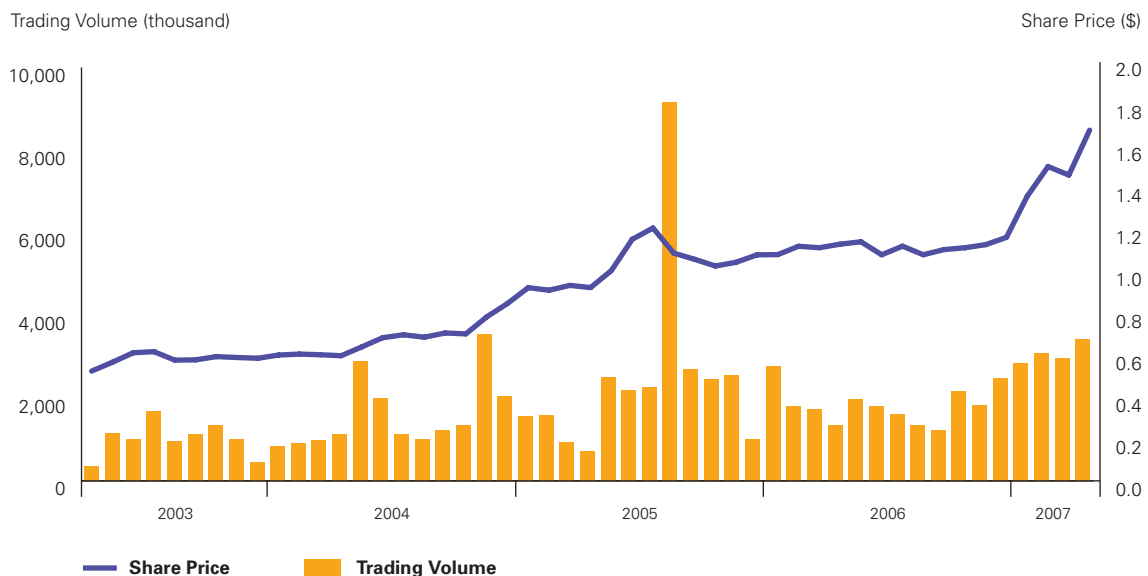
SMRT continues to reward its shareholders with generous dividends. In FY2007, the Group proposed a final dividend of 5.75 cents per share, tax-exempt one-tier. If approved at the Eighth Annual General Meeting, this will bring the total dividend for FY2007 to 7.25 cents per share.

During the year, SMRT's share price appreciated by 31.9% from \$1.13 to end the financial year at \$1.49. Together with the higher dividends, total shareholder returns for the year was 38.0% compared to 28.0% in FY2006. The gains in our share price reflect rising investor confidence in the SMRT business model.

SMRT Share Price Compared to Straits Times Index (1 April 2006 to 30 April 2007)



SMRT Monthly Average Share Price and Trading Volume (April 2003 to April 2007)



Investor Relations

RECOGNITION FOR GOOD CORPORATE GOVERNANCE AND INVESTOR RELATIONS EFFORTS

SMRT continues to be recognised for its good corporate disclosure practices. At the Investors' Choice Award presentation organised by SIAS in 2006, SMRT took first place in the Corporate Governance award. At the same event, SMRT was presented with the runner-up award for the Most Transparent Company Award in the Transport/Storage/Communication category. For its disclosure of FY2006 financial results, SMRT was ranked third among the 621 companies surveyed in the Business Times 2006 Corporate Transparency Index.

FINANCIAL CALENDAR

Financial Year Ended 31 March 2007

Announcement of First Quarter Results Media and Analysts Teleconference	28 July 2006
Announcement of Half-year Results Webcast of Media and Analysts Briefing	27 October 2006
Books Closure Dates	16 – 17 November 2006 (both dates inclusive)
Payment of FY2007 Interim Dividend	24 November 2006
Announcement of Third Quarter Results Media and Analysts Teleconference	26 January 2007
Announcement of Full-year Results Webcast of Media and Analysts Briefing	24 April 2007
Eighth Annual General Meeting	12 July 2007
Books Closure Dates	19 – 20 July 2007 (both dates inclusive)
Proposed Payment of FY2007 Final Dividend	1 August 2007

CONNECTING WITH THE INVESTOR RELATIONS COMMUNITY

As a founding Charter Member, SMRT supports the Investor Relations Professionals Association (Singapore) to provide a platform for IR practitioners to exchange views and share experiences. Through its participation, SMRT also hopes to keep abreast of best-in-class corporate governance and investor relations practices.

In FY2008, we will continue to foster relations with investors and work toward raising the bar on standards of corporate governance, transparency and disclosure.

Financial Year Ending 31 March 2008

Proposed Announcement of First Quarter Results Media and Analysts Teleconference	27 July 2007
Proposed Announcement of Half-year Results Webcast of Media and Analysts Briefing	26 October 2007
Proposed Announcement of Third Quarter Results Media and Analysts Teleconference	25 January 2008

*Note:
The dates after July 2007 are indicative and subject to change.
Please check for updates on the financial calendar at
www.smrt.com.sg/investors/financial_calendar.html*

“ The government’s drive to expand its population will underpin SMRT’s ridership growth and provide stable earnings growth in the medium term.”

BNP Paribas Securities, March 2007

Corporate Social Responsibility

At SMRT, we believe it is our duty to sustain and support the communities we serve. Through our corporate social responsibility programmes, we set out to make a positive impact on the economic and social well-being of society.

To make a meaningful difference to the lives of those around us, in particular those left behind in our fast-paced society, we have established a sustained programme of corporate philanthropy, volunteerism and community outreach.

The wider community endorsed our efforts by naming SMRT among one of the five finalists in the social reporting category of the Singapore Green Summit 2007 honouring industry players with the best social practices in Singapore.

GIFTS THAT TOUCH LIVES

In the area of corporate philanthropy, SMRT made contributions totalling \$3.4 million in FY2007. These contributions took the form of cash donations to various charities and community projects, public transport vouchers for the lower income group and sponsorship of media space, transportation and corporate gifts.

One of our most ambitious corporate philanthropy projects to-date is the SMRT Silver Tribute Fund launched in December 2006 to celebrate SMRT's 20th Anniversary. By the end of March 2007, six anchor events had been organised under the auspices of the Fund, to raise funds for eight beneficiaries and their programmes to help needy elderly lead more meaningful and dignified lives. A portion of the funds raised will also be used to strengthen and support the communities and families that care for these senior citizens. The events in this eight-month drive include a donation march, the first-ever record-setting SMRT Cram Jam!, flag days, sale of art pieces, a charity movie screening and a charity gala concert by the Singapore Symphony Orchestra.

In other fund raising initiatives, we supported the Timor Leste appeal organised by Mainly, I Love Kids (MILK), a charity dedicated to disadvantaged and disabled children, by placing donation tins in all our train stations. This month-long effort in July 2006 raised more than \$22,000, or over 60% of total funds raised by MILK.

As a transport service provider, we are uniquely placed to reach out to the community by offering transportation where it is most keenly needed. One such example was our sponsorship of a bus for students from the Movement for the Intellectually Disabled (MINDS) during their Road Safety Awareness Programme in May 2006. The programme trains the children from MINDS to travel independently on buses thus helping them acquire a necessary life skill.

In June 2006, SMRT sponsored a chartered train for a joint outing by Central Singapore Community Development Council and the Youth Wing Industrial Services Cooperative Society Limited. This novel excursion saw 120 youths and ex-offenders accompanying 100 elderly beneficiaries on a 20-minute train ride from Pasir Ris to Changi Airport Station.

IN SERVICE TO THE COMMUNITY

SMRT's Corporate Volunteerism Programme was launched in 2004 to encourage our staff to actively contribute their time and talents to serve the wider community. Our Corporate Volunteerism Programme focuses on institutions dedicated to the care of children, senior citizens and the sick or injured. To build a lasting bond with our target groups, we adopted the Geylang East Home for the Aged (GEHA), Singapore Red Cross Society's Blood Recruitment Programme and Ang Mo Kio Family Service Centres.

Geylang East Home for the Aged

During the year, SMRT volunteers actively contributed their time and energy to GEHA by organising activities and outings for the resident seniors.



Corporate Social Responsibility

Singapore Red Cross Society's Blood Donor Recruitment Programme

During the year, SMRT supported the Singapore Red Cross Society's blood donor recruitment programme by conducting donation drives at Raffles Place Station and by volunteering our services at the World Blood Donors Day at East Coast Park.

Ang Mo Kio Family Service Centres

In FY2007, we partnered Ang Mo Kio Family Service Centres in several programmes involving children and parents including a family and sports day, and food donation drives for needy families.



ENRICHING LIVES

SMRT's community outreach programmes span a wide spectrum of activities from those that promote safety and security within the community to those that enrich lives by celebrating the arts and literature.

Organised to promote safe and courteous behaviour on the roads and in trains, the SMRT Courtesy and Safety Programme comprises road shows, courtesy and safety contests and games as well as the popular SMRT Courtesy and Safety Art Competition for children. The anchor event of the month-long programme is the SMRT Challenge, otherwise known as Singapore's ultimate travel race. To encourage families to learn about safe and courteous behaviour when taking public transport, a family category was introduced and of the 1,100 participants at SMRT Challenge, there were 46 family teams of four each.

In May 2006, SMRT facilitated a joint community Safety and Security Programme for 460 students from academic institutions. The students were briefed on incident management and practised emergency response procedures to simulated terrorist attacks.

In December 2006, we launched the SMRT Community Emergency Preparedness Programme, an initiative to educate and equip passengers with basic skills that allow them to respond to emergency situations within our network.

Storytelling sessions held on board SMRT trains during the June school holidays are a mainstay of our community outreach efforts. In this financial year, four storytelling sessions injected fun and imagination to the travel experience of 400 young people.

Apart from our long-standing Lunar New Year Festive celebrations this year, we also celebrated the Mid-Autumn Festival for the very first time at Raffles Xchange, our flagship retail hub. Hundreds of passengers and shoppers participated in the activities which included games, art and calligraphy demonstrations and watercolour paintings by the Life Art Society. In line with the SMRT Art for the Community Programme, 130 Chinese watercolour paintings were exhibited for three months at MRT stations across our network.

During the year, SMRT was conferred the Friend of the Arts Award for our contributions to the promotion of the arts in Singapore.

Our People, Our Future

At SMRT, our Human Resource policies are the foundation upon which we instil a high performance, customer-focused culture within our organisation. In FY2007, our efforts in this direction were recognised by industry peers when Deputy President and Chief Operating Officer Yeo Meng Hin (then Executive Vice President) was named Best HR Leader 2007 at the HRM Awards Singapore. He was honoured for his leadership in championing change and organisational improvement.

Corporate Social Responsibility

PURPOSE-DRIVEN TRAINING

In FY2007, the Human Resource Division introduced programmes to train staff to effectively handle both hard and soft issues whether it is being an SMRT service ambassador or dealing with challenges unique to the public transport industry in which we operate.

The Threat Mitigation programme was one such initiative. This programme equips all front-line staff with the knowledge and skills to respond appropriately to acts of terror. Since it started in July 2006, we have trained our front-liners, arming them with practical insights into terrorist organisations and their modus operandi.

Another is the Samaritans of Singapore Gatekeeper Intervention Programme. This programme equips station personnel with the skills to look out for passengers with signs of distress and to intervene sensitively and appropriately.

In line with our vision, mission and corporate values, we hope to transform every SMRT staff member into a service ambassador. Our Customer Service

Programme comprises modules customised to the context of different target groups and with relevance to their work. For example, customer service training for the maintenance department encourages staff to look beyond equipment-based services to foster stronger relationships with clients.

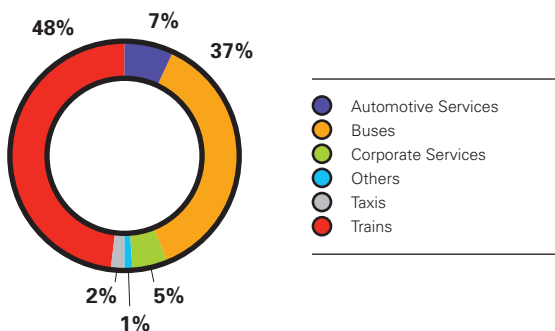
A LEADER IN EVERY EMPLOYEE

At SMRT, we realise it takes visionary leaders to build a strong, enduring organisation. As such, we have put in place programmes such as the Accelerated Development Programme to nurture talents and plan for succession.

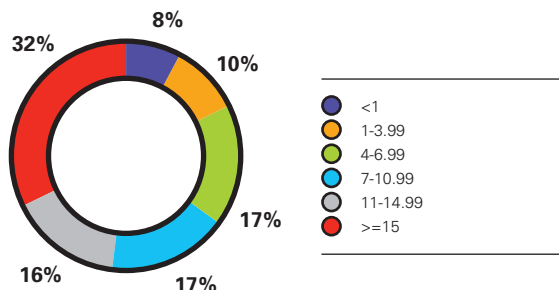
We also continuously invest in our leadership bench. A SMRT Leader model was launched to encourage all employees to rise to the challenge and be all-rounded leaders. Management led this move at our first Leadership Convention for middle managers.

To continue to grow our ranks with fresh talent, we launched career-marketing advertisements with targeted messaging for various segments of the labour market.

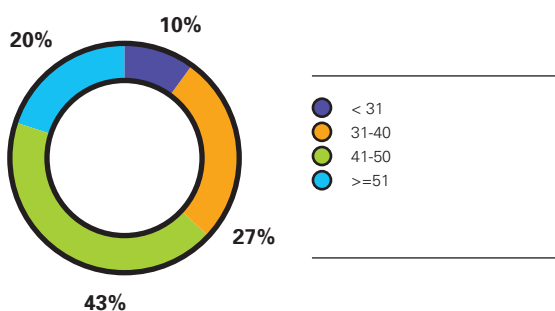
Headcount by Business Unit



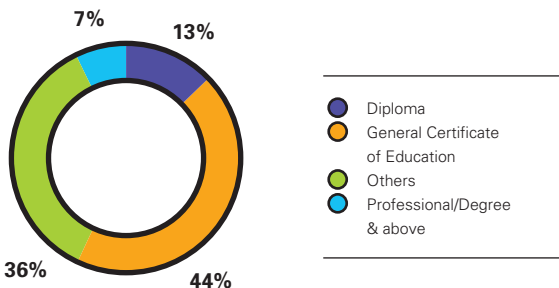
Staff Profile by Completed Years of Service



Staff Profile by Age Group



Staff Profile by Qualification



* Total headcount in FY2007 was 5,457

Corporate Social Responsibility

EMPOWERED THROUGH IT

In FY2007, we adopted a three-pronged approach to IT operations to support and drive growth, namely, the alignment of IT with business objectives, the consolidation of IT infrastructure and systems applications, and the management of technology risks.

In our taxi operations, we aligned our IT capability with our business objectives with the introduction of the QuickBook system and Online Credit Card Payment System. These IT-enabled initiatives led to broad-based benefits such as an improved taxi booking system, better hired-out rates and increased income for taxi hirers. With the automated credit card payment system, we successfully weeded out fraudulent transactions and in turn, reduced bank charges.

Similar at SMRT Investments through the implementation of a system to better manage the leasing of our commercial spaces, the billing process was improved as was the tracking and integration of customer accounts.

Our second key objective for the year was to control costs through infrastructure and system process consolidation. This has resulted in savings in ownership and IT maintenance as well as enhanced business continuity by safeguarding against equipment obsolescence.

In the area of systems applications, the vehicle maintenance systems were consolidated thus automating, streamlining and improving vehicle maintenance processes and reducing the cost of maintaining separate systems.

In FY2007, our IT operations focused on protecting SMRT from external threats such as unauthorised hacking, unwanted spamming and virus attacks. During the year, we commissioned an anti-spamming system, introduced a two-tier firewall, adopted virtual private network security for remote access to SMRT systems, and implemented a patch management system to update all systems with security patches.

In FY2008, we will focus on IT quality management by relentlessly pursuing highly reliable IT systems and services. In IT Security, we will concentrate on protecting SMRT from threats such as data theft and hacking. We will press on with the consolidation of IT infrastructure to control cost and manage equipment obsolescence. In the same spirit, we will continue to align IT investments with business goals to maximise our returns on technology investments.

Significant Events

APRIL 2006

- SMRT Buses launched Service 902 to cater to faculty staff and students at Republic Polytechnic. At Bukit Panjang, newly-launched Service 922 offers residents better access within their town.
- The Enhanced Hirers Benefits scheme was introduced giving taxi hirers 36 rent-free days a year among other benefits.
- Ang Mo Kio Family Service Centres was adopted by SMRT under our Corporate Volunteerism Programme.
- SMRT launched the SMRT Art for the Community Programme at Bukit Panjang LRT. Forty artworks by Bukit Panjang Government High School students were installed at 11 stations.



MAY

- The "Book SMRT Taxis and Win" promotion launched during the Great Singapore Sale offered passengers the chance to win \$20,000 worth of shopping vouchers.
- SMRT cabbie Loh Poh Onn received NTUC's May Day Model Workers' Award for his exemplary work attitude.
- The grand finale of the six month-long "Ride SMRT & Win" promotion saw lucky winners walking away with over \$100,000 worth of prizes.

JUNE

- SMRT Buses launched the Teacher's Estate Service, offering greater convenience to residents.

JULY

- SMRT held its Seventh Annual General and Extraordinary General Meeting.
- SMRT Taxis adjusted its fare structure to help boost the income of hirers.
- SMRT launched SMRT Link to provide better connectivity to Chinatown, Dhoby Ghaut and Little India. This free shuttle service is a first by a public transport operator.
- The month-long SMRT Courtesy and Safety Programme included roadshows, contests and the SMRT Challenge which engaged over 1,100 participants, educating them on courteous and safe conduct when taking public transport.



AUGUST

- SMRT cabbie Choo Siew Keng and Contact Centre Customer Service Assistant, Sally Lim, received Singapore Labour Foundation Model Workers Awards.

SEPTEMBER

- SMRT was granted a Bus Service Operator Licence in line with the amended Public Transport Council Act.
- SMRT clinched the Singapore Corporate Governance Award at the 7th Investors' Choice Awards and was named runner-up for the Most Transparent Company in the Transport/Storage/Communication category.



Significant Events

OCTOBER

- SMRT Space made its debut. The largest MPV taxi in the market, SMRT Space offers customers the luxury of space and comfort when they travel in a group.

NOVEMBER

- SMRT reduced its shareholding in TransitLink, converting it from a subsidiary to an associated company.
- The first upgraded first-generation SMRT train boasting 31 new or enhanced features was relaunched for service. By 2008, all 66 upgraded first-generation trains will be completed.



DECEMBER

- In an industry first, the Citibank-SMRT card was launched, offering passengers a convenient and value-added way of meeting their travel, lifestyle and banking needs within the SMRT network.
- SMRT launched the SMRT Community Emergency Preparedness Programme to educate members of the community on transport security and emergency response.
- As part of its 20th Anniversary celebrations, SMRT launched the inaugural SMRT Silver Tribute Fund in support of needy elderly and those who care for them.



JANUARY 2007

- SMRT cabbies Victor Woo Wee Yeong and Zainal Abidin Bin Bulat were finalists in the Tourism Awards 2006.

FEBRUARY

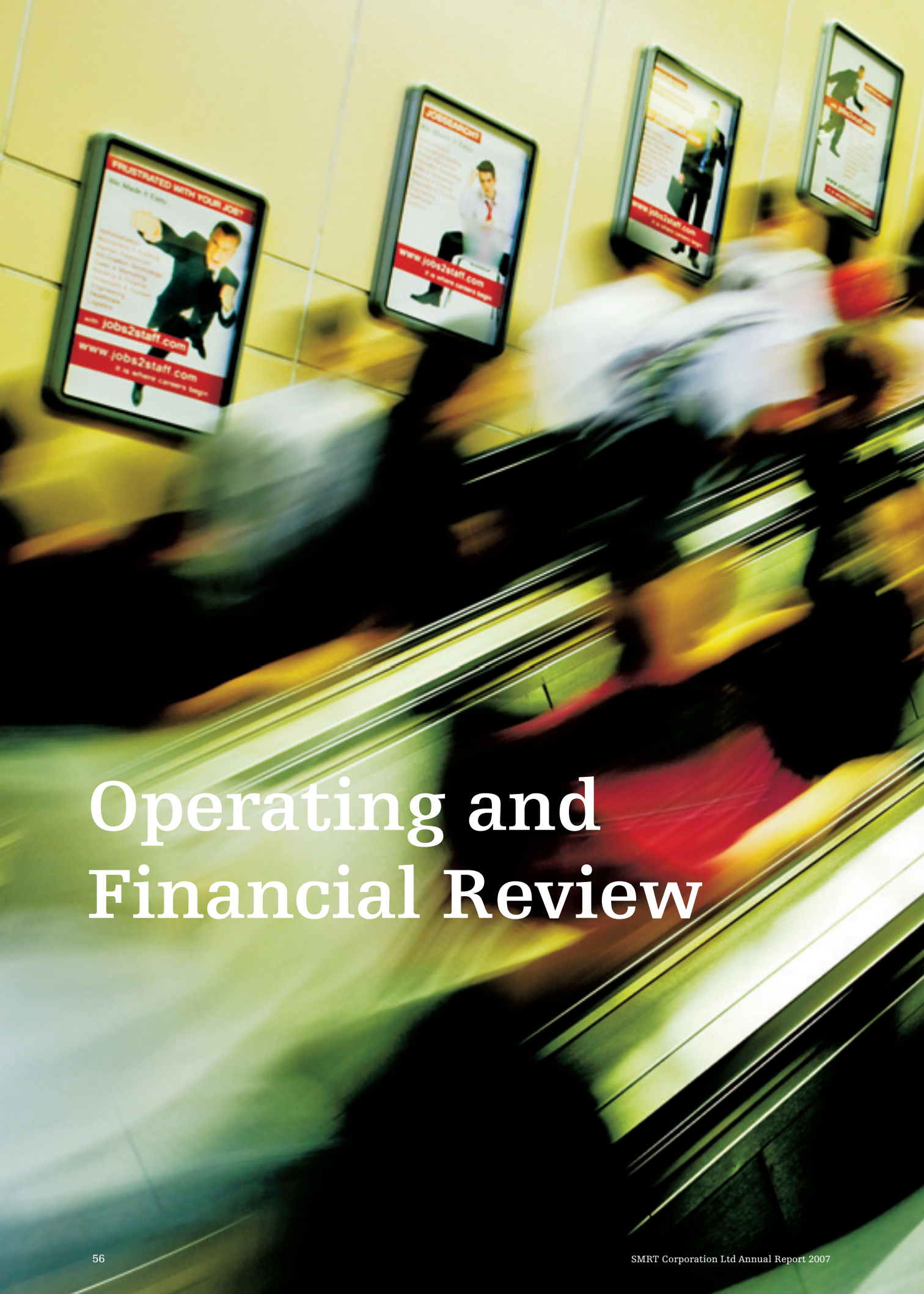
- Cash bonuses were given out to new and existing taxi hirers for the very first time as part of SMRT's 20th Anniversary celebrations.
- SMRT Art for Charity initiative was held in support of SMRT Silver Tribute Fund.
- Yeo Meng Hin, Deputy President & Chief Operating Officer, was awarded the Best Human Resources Leader in 2007 HRM Awards Singapore.
- SMRT Cram Jam!, an event to set records in the Singapore Book of Records, was organised to raise funds for the SMRT Silver Tribute Fund.



MARCH

- SMRT was awarded the Corporate Recognition Award for its support of the Central Singapore Community Development Council.
- SMRT celebrated its 100-millionth passenger milestone at Bukit Panjang LRT.





Operating and Financial Review



In FY2007, we renewed our commitment to providing safe, affordable and comfortable public transport designed for optimum connectivity and supported by accessible lifestyle and retail facilities.

A buoyant economy complemented by increased ridership fuelled growth in our fare business while new, innovative media and revamped retail spaces added colour and buzz to our network. Operationally, no efforts were spared to elevate service standards, improve efficiencies and heighten emergency preparedness.

Our vision of a sustainable future also propelled us to heighten our social commitment with the initiation of the SMRT Silver Tribute Fund and reinforce support for the SMRT Corporate Volunteerism Programme.

Saw Phaik Hwa
President & CEO
SMRT Corporation Ltd

Operating and Financial Review

COMPANY OVERVIEW, BUSINESS OBJECTIVES AND STRATEGIES

Company Overview and Structure

Singapore MRT Ltd was established in 1987 and started operating the North South and East West lines ("MRT System") of Singapore's first Mass Rapid Transit System in the same year. Singapore LRT Pte Ltd was set up in 1997 and two years later, became the first operator for Singapore's pioneer Light Rapid Transit System in Bukit Panjang ("LRT System").

Incorporated on 6 March 2000, SMRT Corporation Ltd ("the Company") was listed on the mainboard of the Singapore Exchange Securities Trading Limited on 26 July 2000. As a holding company, it wholly owns SMRT Trains Ltd (formerly known as Singapore MRT Ltd) and SMRT Light Rail Pte Ltd (formerly known as Singapore LRT Pte Ltd).

In December 2001, the Company acquired SMRT Road Holdings Ltd (formerly known as TIBS Holdings Ltd) for

\$198.6m and became Singapore's first multi-modal land transport operator, providing bus and taxi operations in addition to its MRT and LRT businesses.

Another wholly-owned subsidiary, SMRT Investments Pte Ltd, which comprises SMRT Properties and SMRT Media, develops, markets and rents out commercial and advertising spaces within its transport network.

Engineering and Other Services are undertaken through wholly-owned subsidiaries SMRT Engineering Pte Ltd ("SMRTE") and SMRT Automotive Services Pte Ltd ("SMRT Automotive"). SMRTE provides engineering consultancy, project management, maintenance services and fibre-optic cable leasing while SMRT Automotive provides fleet maintenance services and diesel sales.

Headquartered in Singapore, the Company together with its wholly-owned subsidiaries ("Group") today has a staff strength of 5,457. The Group structure is shown on page 27.

Business Objectives and Strategies

Business Objectives

Strategies in Action in FY2007

Maximise long-term shareholder value

- Improve Group profitability
- Provide good dividend payouts to shareholders
- Manage risks to mitigate impact on earnings and prospects

- Achieved 30.9% increase in Group PATMI to \$135.4m
- EVA increased 25.2% from \$61.9m to \$77.5m
- Higher proposed full-year dividend of 7.25 cents per share, tax exempt one-tier
- Enterprise risk management in place to mitigate risks at all levels

Provide safe, reliable and friendly travel experience at affordable prices

- Embarked on Group-wide customer service initiatives
- Met and exceeded stipulated operational performance criteria
- Launched SMRT Community Emergency Preparedness Programme for members of the community

Leverage core expertise in operations and maintenance for trains and related infrastructure

- Worked closely with LTA on commencement of Boon Lay Extension (2009) and Circle Line (2010)
- Continued pursuit of overseas opportunities in engineering consultancy, project management, operations and maintenance services

Maximise non-fare revenue through rental, advertising and engineering businesses

- Rental and advertising revenue grew 32.8% and 30.5% year-on-year
- 10 stations refurbished to provide retail amenities

Enhance and sustain high standards in corporate governance, corporate transparency and corporate social responsibility

- Won Corporate Governance Award by Securities Investors Association (Singapore)
- Implemented Whistleblowing programme
- Launched SMRT Silver Tribute Fund to support programmes for needy elderly and their caregivers

Operating and Financial Review

BACKGROUND – LICENCE AND OPERATING AGREEMENTS, AND FARE ADJUSTMENT FORMULA

Licence and Operating Agreements

SMRT Trains

SMRT Trains' first licence to operate the MRT System was granted by Singapore's Land Transport Authority (LTA) in August 1987 for a period of 10 years and was later extended to 31 March 1998. The current licence to operate the MRT System for a further period of 30 years came into force on 1 April 1998. The licence fee payable is 1.0% of the gross annual fare revenue. The salient terms and conditions of this Licence and Operating Agreement (LOA) entered into by SMRT Trains and LTA on 1 April 1998 are stated in the "Notes to the Financial Statements" on page 116.

As part of the LOA, SMRT Trains complies with a set of performance standards. Page 77 carries a description of how it surpassed some of these standards in FY2007.

SMRT Trains purchased the MRT System's operating assets from LTA on 1 April 1998 for approximately \$1.2 billion. These assets include trains, permanent way vehicles, power supply equipment and cabling, supervisory control system, escalators and lifts, platform screen doors, environmental control system, electrical services and fire protection system, signalling system, communication system, automatic fare collection system and depot workshop equipment. To assist SMRT Trains in its purchase of these assets, LTA provided an asset-related grant of \$480.0m which SMRT Trains amortises by recognising it as deferred income over the life of the assets. SMRT Trains had fully paid for the operating assets in five equal annual instalments by April 2002.

While SMRT Trains now owns and maintains the operating assets, the infrastructure of the MRT System, which includes tunnels, tracks, viaducts 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 infrastructure as stipulated in the Lease and Maintenance Agreement. The upgrading and improvement works for the operating assets and infrastructure carried out by SMRT Trains in FY2007 are described in pages 81 to 82.

On 8 August 2001, SMRT Trains was awarded a contract by LTA to operate the Circle Line for an initial period of 10 years from the date of its opening and to extend for an additional 30 years, subject to good performance.

In addition, SMRT Trains will operate the Boon Lay Extension which is expected to be completed in 2009. Further details of the new developments can be found on page 75.

SMRT Light Rail

SMRT Light Rail has been granted a similar LOA by LTA to operate the LRT System commencing 6 November 1999 till 31 March 2028. LTA currently owns all the operating assets and infrastructure required to operate the LRT System. The salient terms and conditions of the LOA for the LRT System are found on page 117.

SMRT Buses

SMRT Buses applies for licences to operate each of its bus routes from the Public Transport Council (PTC), an independent statutory authority. An annual fee of \$50 per route is payable to PTC. The licences are renewable on a yearly basis. PTC's approval is required for any introduction or amendment to existing routes or services and a one-time fee of \$10 per route amendment is payable to PTC.

SMRT Buses regularly monitors and makes adjustments to its bus routes and operating hours of its services to increase operational efficiency and to best meet the needs of its passengers.

On 1 September 2006, as a requirement under the PTC (Amendment) Act 2006, SMRT Buses was granted a Bus Service Operator's Licence. Operating under the new licence, SMRT Buses is required to comply with the Quality of Service (QoS) standards which, among other areas, focus on reliability, safety and availability. carries a description of how SMRT Buses fulfilled some of these standards in FY2007.

For SMRT Buses to be equipped with an operationally ready bus fleet, SMRT Automotive performs regular preventive maintenance on the buses in the three bus depots. Further details of the maintenance activities can be found on page 88.

SMRT Taxis

The Taxi Operator Licence (TOL) from LTA under which SMRT Taxis is licensed to operate a taxi business in Singapore came into effect on 1 June 2003. The licence fee payable is 0.1% of the gross revenue payable on a yearly basis. The TOL is a term licence valid for a period of 10 years and may be extended for an additional 10 years at the discretion of LTA.

Operating and Financial Review

The licence will, amongst other things, include conditions to comply with a set of QoS standards, codes of practices and audit directions. The QoS standards specify the level of performance an operator has to meet in three areas, namely, the availability of taxis through radiophone bookings, safety and customer satisfaction. Page 90 includes a description of how it meets some of these measures in FY2007.

With deregulation of the taxi industry from 1 June 2003, taxi operators are free to decide on the size of their fleet to meet market demand and to decide on the taxi fare structure.

The taxi fleet is maintained by SMRT Automotive Services. Page 88 contains a description of the maintenance activities conducted on the taxis.

Fare Adjustment Formula

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

In March 2004, the Ministry of Transport appointed a Government Parliamentary Committee to review the public transport fare review mechanism. In March 2005, the Committee's recommended changes to the existing fare adjustment formula was approved and took effect that year. The new formula provides for maximum fare adjustment to be as follows:

Maximum Fare Adjustment = Price Index – 0.3%

where Price Index = $0.5CPI + 0.5WI$, and 0.3% is the productivity extraction to be used from 2005 to 2007. CPI refers to the change in Consumer Price Index over the preceding year and WI refers to the change in Average Monthly Earnings (Annual National Average) over the preceding year, adjusted to account for any change in the employer's Central Provident Fund contribution rate.

The productivity extraction is half of the public transport operators' average productivity gains achieved for the period from 1997 to 2002, which was 0.6% per annum.

The relative weightage of CPI and WI will be reviewed every three years and recalibrated as necessary to reflect changes in the cost structure of the public transport operators.

While the new formula will determine the supportable fare adjustment quantum in a given year, PTC retains the flexibility to vary the adjustment or not approve any fare increase should there be significant deterioration in the overall affordability of public transport fares. If the formula yields a negative value, PTC may consider a downward adjustment, which could be in a form of a fare rebate or reduction.

The process for annual fare review begins with the public transport operators submitting applications for fare adjustments to PTC. PTC will announce its decision after its deliberation. Any fare adjustments will take effect thereafter.

Fare Structure and Regulation

On 12 September 2006, PTC approved an overall fare increase of 1.7% for 2006, with effect from 1 October 2006, which were in line with the new fare review framework.

The fare structure for SMRT Trains, SMRT Light Rail and SMRT Buses are based on the distance travelled by passengers. Concessionary fares are available to students, senior citizens and full-time national servicemen.

Passengers can travel using standard single trip tickets or ez-link cards. When travelling with ez-link cards, they may enjoy transfer rebates for the first, second and third valid transfer on a single journey between Bus, LRT and MRT services regardless of operator. The rebates are generally 25 cents for adults and senior citizens, and 10 cents for children and students. The rebates reduce the minimum boarding charges thus lowering the fares which would otherwise be payable by passengers making such subsequent legs of their journeys.

Adult ez-link Fares

	1 July 2005 – 30 September 2006	From 1 October 2006
MRT	\$0.65 to \$1.72	\$0.66 to \$1.75
LRT	\$0.65 to \$0.86	\$0.66 to \$0.88
Bus (Trunk, air-con)	\$0.64 to \$1.55	\$0.65 to \$1.58

Note: There was no change to the single trip ticket fares. The actual fare will depend on the number of fare stages (for buses), distance travelled (for MRT) or number of stations (for LRT).

Operating and Financial Review

FULL-YEAR PERFORMANCE

Revenue

Group revenue for FY2007 rose to \$743.1m, an increase of 4.4% or \$31.4m over FY2006. Revenue increase was a result of strong contributions from rental and advertising, and increased ridership. Detailed segmental analysis on revenue is covered in pages 64 to 65.

Other Operating Income

Other operating income comprises mainly fares from unutilised and expired tickets, maintenance income, gains on disposal of assets, grant released upon the disposal

and write-off of assets, and recovery of operating expenses from the other transport operator.

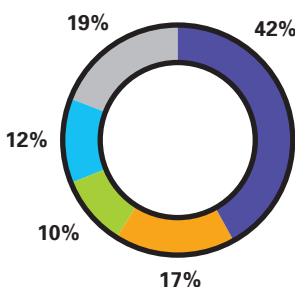
Other operating income at \$27.8m in FY2007 was higher compared to \$24.7m in FY2006 due mainly to final contribution from expired farecards in the third quarter of FY2007.

Operating Expenditure

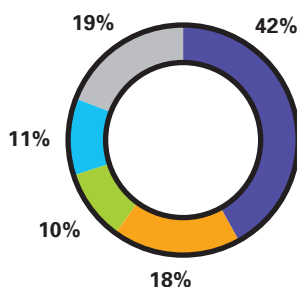
Total operating expenditure in FY2007 increased by 4.7% to \$625.6m on account of increases in staff costs, depreciation, repair and maintenance, other operating expenses and energy costs. The following table provides a breakdown of the operating expenditure.

	FY2007 \$m	FY2006 \$m	Increase/(Decrease) \$m	%	Explanatory Notes
Staff and related costs	263.1	253.5	9.6	3.8	Due to salary adjustments and additional bonus provision on account of improved performance for the year
Depreciation of property, plant and equipment	132.0	131.5	0.5	0.3	Increase in office equipment and computers
Amortisation of asset-related grant	(22.3)	(23.1)	(0.8)	(3.7)	Declined as assets gradually reached end of useful lives
Repair and maintenance costs	60.5	57.7	2.8	4.9	Higher scheduled repair and maintenance costs
Electricity and diesel costs	75.9	66.4	9.5	14.4	
– Electricity costs	39.7	31.5	8.2	26.0	One year tender from 1 October 2006 with higher tariffs
– Diesel costs	36.2	34.9	1.3	3.8	Due to higher cost of diesel
Other operating expenses	116.4	111.7	4.7	4.2	Due mainly to higher cost of diesel sold to taxi hirers, increased expenses in line with higher advertising and rental revenue
Total operating expenses	625.6	597.7	27.9	4.7	

FY2007 Operating Expenses



FY2006 Operating Expenses



- Staff and related costs
- Depreciation of property, plant and equipment (net of amortisation of asset-related grant)
- Repair and maintenance costs
- Electricity and diesel costs
- Other operating expenses

Operating and Financial Review

In October 2004, SMRT Trains sourced its electricity supply from Senoko Energy Supply Pte Ltd for two years at a fixed rate. This contract ended in September 2006 and subsequently, SMRT Trains invited bids for competitive prices and entered into a one-year contract with Senoko Energy Supply Pte Ltd at a fixed rate effective 1 October 2006. The new rate helped mitigate against the volatility of oil prices during the third and fourth quarters of FY2007. However, the rate was higher than the electricity tariff in FY2006 which was based on the contract entered in 2004.

As a result of the increase in electricity tariff, electricity costs in FY2007 was 26.0% higher at \$39.7m.

The new contract will end in September 2007 and a tender will be called in due course to source for another competitive contract for future electricity supply.

The current tender for the supply and delivery of diesel began in FY2006 and lasts for three years. The tender was awarded to the supplier with the lowest bid via a reverse auction process where participants bid against each other on an interactive basis.

Diesel costs in FY2007 increased 3.8% from \$34.9m to \$36.2m following the increases in cost of diesel. The diesel cost increase would have been much higher if not for the current tender for diesel which ensured significant savings.

Compared to FY2006, total electricity and diesel costs in FY2007 increased 14.4% to \$75.9 as a result of higher electricity and diesel prices.

Fuel Equalisation Account

The purpose of the Fuel Equalisation Account (FEA) is described on page 123.

Actual electricity tariff and diesel price in FY2007 were above the reference rates set yearly by PTC. However, there was no release of the FEA to the profit and loss account as the outstanding balance in the FEA was below the cap of one year's consumption based on the current year's consumption level.

As at 31 March 2007, the electricity and diesel amounts standing in the credit of the FEA were approximately \$10.7m and \$8.4m respectively.

Other Operating Expenses

Some of the significant other operating expenses incurred in FY2007 consist of property taxes, insurance cost, cost of diesel sold to taxi hirers, taxi operator licences and public relations expenses.

Other operating expenses increased 4.2% to \$116.4m in FY2007 mainly because of higher cost of diesel sold to taxi hirers and increased expenses in line with higher advertising and rental revenue.

Finance Costs

Interest expense was higher in FY2007 due to higher interest on the \$50m Floating Rate Notes.

Interest and Investment Income

The increase in interest and investment income in FY2007 was attributable to higher interest earned on cash balances and investments, gain on disposal of investments offset by loss on disposal of a subsidiary.

Profits

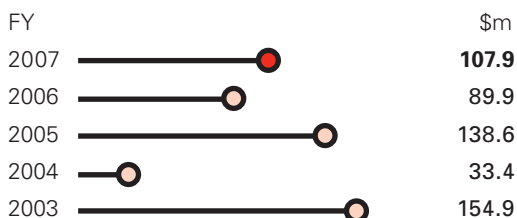
Operating profit in FY2007 rose 4.7% to \$145.3m with higher contributions from train operations, rental and advertising. Page 64 carries a detailed analysis of the segmental operating profit.

Net profit after tax grew 31.0% or \$32.2m to \$135.8m in FY2007 compared to FY2006.

Operating and Financial Review

Capital Expenditure (CAPEX)

The Group incurred CAPEX of \$107.9m in FY2007, an increase of 20.0% or \$18.0m compared to FY2006. The main expenditure items were the mid-life upgrade for trains, renovation works for redevelopment of commercial spaces and purchase of taxis.



Contractual Commitments

Contractual commitments relate to the mid-life upgrade of trains, redevelopment of commercial spaces at the stations, purchase of taxis and other significant items

of capital expenditure, which have been contracted for, but not yet delivered. As at 31 March 2007, capital expenditure contracted but not provided for in the financial statements was \$190.0m.

Total Assets

As at end March 2007, total assets of the Group amounted to \$1.4b, about the same as at end-March 2006.

\$m	FY2007	FY2006
Cash and fixed deposits	169.6	131.7
Tax recoverable	10.6	10.2
Available-for-sale financial assets	26.7	6.9
Trade and other receivables	48.5	74.9
Inventories	34.6	36.4
Property, plant and equipment	1046.2	1082.1
Intangible assets	41.9	41.9
Interest in an associate	0.8	0.0

QUARTERLY RESULTS

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total Year \$m
	\$m	% of FY07	\$m	% of FY07	\$m	% of FY07	\$m	% of FY07	
Revenue									
2007	180.2	24.2	187.6	25.2	188.4	25.4	186.9	25.2	743.1
2006	176.1	24.7	182.1	25.6	179.1	25.2	174.5	24.5	711.7
Operating profit									
2007	35.0	24.1	40.5	27.9	47.6	32.7	22.2	15.3	145.3
2006	33.1	23.8	35.5	25.6	44.5	32.1	25.7	18.5	138.8
Net profit after tax									
2007	27.4	20.2	31.6	23.2	40.7	30.0	36.2	26.6	135.8
2006	25.7	24.8	27.9	26.9	30.0	28.9	20.1	19.4	103.6

Operating and Financial Review

All the quarters in FY2007 recorded higher revenue compared to their corresponding quarters in FY2006 with the third quarter turning in the highest revenue. The better performance in the third quarter was driven by MRT ridership which peaked at 110.9m, increased rental and advertising businesses and, to a lesser extent, from the fare increase effective 1 October 2006.

Growth in MRT ridership, refurbishment of station spaces at MRT stations and increased advertising streams brought about the highest operating profit of \$47.6m in the third quarter. The increase in other operating income due mainly to final contribution from expired farecards also added to operating profits in the third quarter of FY2007. Operating profit in the fourth quarter was lower compared to the same quarter in FY2006 due mainly to increased staff costs resulting from salary adjustments and additional bonus provision on account of improved performance for the year as well as higher repair and maintenance costs, other operating expenses, and electricity costs.

As a result of improved operating profit and gain on disposal of investments, net profit after tax in the third quarter of FY2007 reached a peak of \$40.7m. Besides the third quarter, all other quarters in FY2007 also showed improvements in net profit after tax compared to the corresponding quarters in FY2006.

SEGMENTAL PERFORMANCE

This section should be read in conjunction with pages 74 to 96.

MRT Operations

For FY2007, revenue from MRT operations increased 6.1% to \$404.4m compared to FY2006. This was due mainly to the 5.1% growth in average daily ridership and to a lesser extent from the fare increase effective 1 October 2006.

EBIT contribution from MRT grew 10.6% to \$103.5m as a result of increased ridership.

LRT Operations

Revenue from LRT operations was slightly higher at \$8.1m with contributions from increased average daily ridership of 1.7% compared to FY2006.

Losses from LRT were slightly higher at \$1.0m on the back of increased energy and staff costs.

Bus Operations

Bus operations contributed \$190.4m to the Group's revenue. The 3.0% or \$5.6m increase was mainly on account of 1.9% increase in average daily ridership and to a lesser extent from the fare increase effective 1 October 2006.

Operating profit from Bus declined 43.6% to \$5.6m due to higher staff, diesel, depreciation and repair and maintenance expenses.

Taxi Operations

At the end of FY2007, the taxi fleet size stood at 2,993 compared to 2,659 in FY2006. Revenue from taxi operations in FY2007 fell 14.1% to \$68.1m compared to FY2006 due to a smaller average hired-out fleet.

As a result, losses from Taxis in FY2007 was \$5.1m compared to \$1.5m operating profit in FY2006.

Rental

Rental revenue grew 32.8% or \$8.5m to \$34.5m in FY2007. The rental contributions from redeveloped commercial spaces at 10 MRT stations brought about the increase.

EBIT from rental increased 20.2% to \$25.2m compared to FY2006. This is due to the incremental rental revenue from refurbished commercial spaces.

Advertising

Advertising revenue increased 30.5% to \$17.0m as a result of increased advertising on trains, stations and buses. Operating profit from advertising grew 32.7% to \$11.0m on the back of higher advertising revenue.

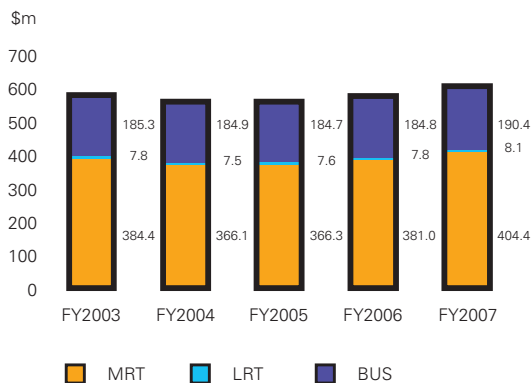
Engineering and Other Services

Revenue from engineering and other services was higher by 4.2% at \$20.8m due to increased fleet maintenance services and improved revenue from consultancy and leasing of fibre-optic cables.

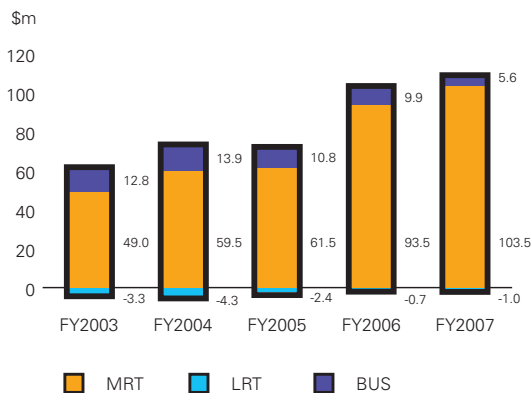
The full-year operating profit in FY2007 increased by 55.0% to \$3.8m.

Operating and Financial Review

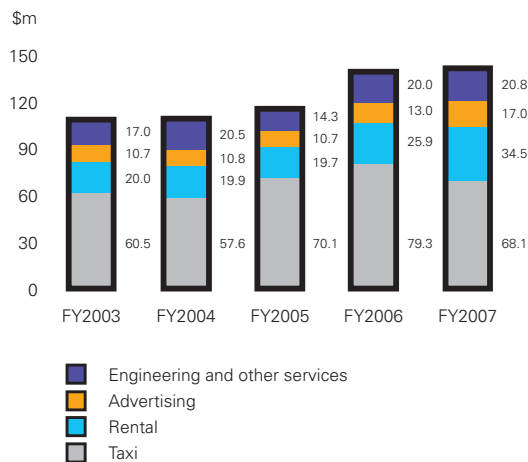
Fare Revenue



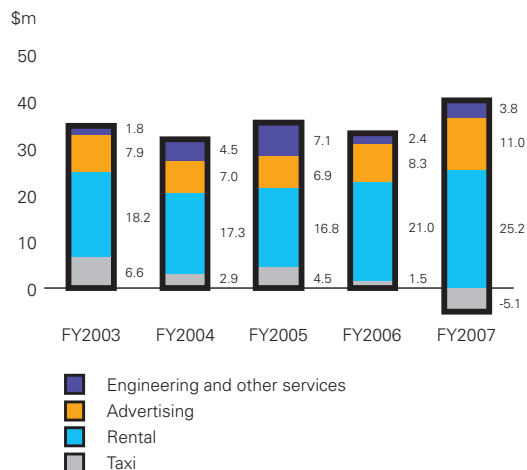
EBIT from Fare Operations



Non-Fare Revenue



EBIT from Non-Fare Operations



Operating and Financial Review

ECONOMIC VALUE ADDED STATEMENT

	2007 \$'000	2006 \$'000
Profit from ordinary activities before taxation	142,336	124,071
Adjustments for:		
Interest expense	9,930	9,658
Others	884	934
Adjusted profit before interest and taxation	153,150	134,663
Economic tax (Note 1)	(24,871)	(23,375)
Net Operating Profit After Tax (NOPAT)	128,279	111,288
Average capital employed (Note 2)	829,910	823,361
Weighted average cost of capital (Note 3)	6.1%	6.0%
Capital Charge (CC)	50,757	49,402
Economic Value Added (NOPAT-CC)	77,522	61,886

Note 1: The economic tax is adjusted for tax impact of interest expense, non-operating and non-recurring events.

Note 2: Average shareholders' equity plus interest-bearing liabilities and timing provisions.

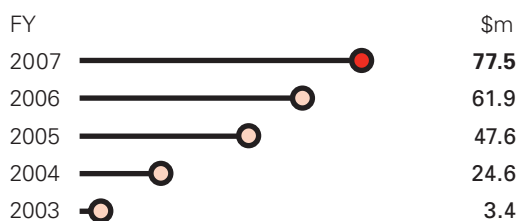
Major capital components	2007 \$'000
Long-term debt	275,000
Equity	554,910
	829,910

Note 3: The Weighted Average Cost of Capital is calculated as follows:

- (i) Cost of equity using Capital Asset Pricing Model with market risk premium at 6.0%
- (ii) Pre-tax risk-free rate of 3.3% (FY2006: 3.2%)
- (iii) Ungeared beta at 0.54 based on peer analysis
- (iv) Pre-tax cost of debt at 3.4% (FY2006: 3.8%) based on pre-tax risk-free rate plus credit spread

Economic Value Added (EVA) measures the creation of wealth for shareholders over time. For FY2007, SMRT's EVA improved significantly by \$15.6m to \$77.5m, compared with \$61.9m for FY2006. This improvement in EVA is driven largely by better operating profit, gain on disposal of investments and absence of associate loss.

EVA



Operating and Financial Review

VALUE ADDED STATEMENT

	2007	2006
	\$'000	\$'000
Revenue	743,126	711,742
Less:		
Cost of bought-in goods and services	209,836	196,517
Gross value added	533,290	515,225
Share of results of an associate	92	(6,339)
Investment income/(expense)	2,358	(326)
Interest income	4,551	1,628
Loss on disposal of property, plant and equipment	(1,477)	(516)
	538,814	509,672
Applied as follows:		
To Employees – staff and related costs	262,743	253,431
To Government – income and other taxes	20,645	34,540
To Providers of capital:		
Interest on borrowings	9,930	9,658
Dividends to shareholders	85,379	78,324
Balance reinvested in business:		
Depreciation of property, plant and equipment	131,957	131,525
Minority interests	383	188
Profit retained by the Group	50,028	25,112
Others	(22,251)	(23,106)
	538,814	509,672

Operating and Financial Review

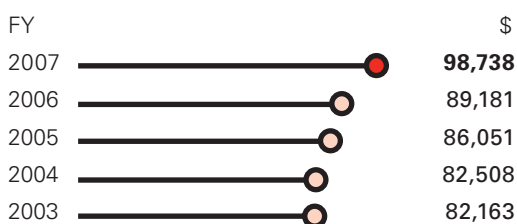
PRODUCTIVITY ANALYSIS

Total value added by the Group in FY2007 was \$538.8m. The amount applied to the employees (staff and related costs) was \$262.7m, income and other taxes to the

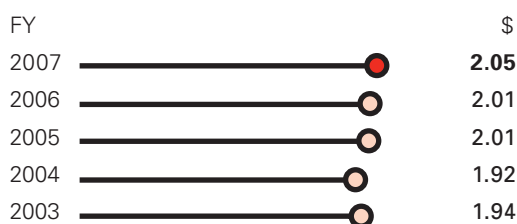
government was \$20.6m, and interest and dividends to the providers of capital was \$95.3m leaving a balance of \$160.1m reinvested in the Group.

	FY07	FY06	FY05	FY04	FY03
Employment costs per \$ of turnover (\$)	0.35	0.36	0.37	0.38	0.38
Economic Value Added (\$m)	77.5	61.9	47.6	24.6	3.4
Economic Value Added per employee (\$)	14,205.06	10,828.70	8,244.85	4,109.12	556.34
Value Added (\$m)	538.8	509.7	496.9	493.0	508.9
Value Added per employee (\$)	98,738.13	89,181.45	86,051.26	82,507.78	82,163.22
Value Added per \$ of employment costs (\$)	2.05	2.01	2.01	1.92	1.94

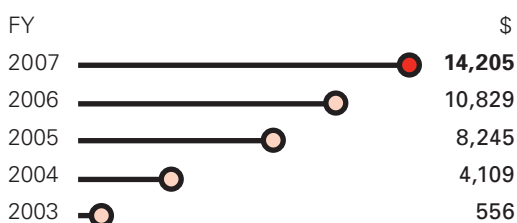
Value Added Per Employee



Value Added Per Dollar Employment Cost



EVA Per Employee



Operating and Financial Review

RISK MANAGEMENT

Roles and Responsibilities

The responsibility of managing the Group's risks lies with the Risk Management Committee (RMC). The RMC leads the development and implementation of Enterprise Risk Management (ERM) throughout the Group and spearheads risk management initiatives. The RMC in turn reports to Audit Committee (AC) which represents the Board of Directors in all risk matters. The objectives and structure of risk management are described in the "Corporate Governance" section in pages 37 to 38.

The roles and responsibilities of each function in the structure are as follows:

Functions	Roles and Responsibilities
AC	– Oversees the effectiveness of the ERM system and practices
RMC	– Spearheads risk management initiatives – Monitor the implementation of ERM – Reviews and monitors Group risk profile and action plans
ERM Function	– Supports RMC in the building of an effective ERM framework – Facilitates the risk management process throughout the Group – Builds and strengthens risk awareness and practices
Strategic Business Units (SBUs) and Corporate Functions	– Day-to-day management of risks – Ensure compliance and promote internalisation of risk management processes, policies, methodologies, tools, practices, strategies and treatments – Determine and report risks faced by businesses/operations
Audit Division	– Plays an independent role in evaluating the effectiveness of the Group's ERM framework

Risk Management Process

Risk management is viewed as a systematic and continuous process for identifying, evaluating, controlling and reporting risks in the Group. This view is upheld by the structured risk management process comprising the following steps:

1. Identification of objectives and risks of SBU/ Corporate Functions
2. Assessment of inherent risks
3. Identification and assessment of countermeasures
4. Assessment of residual risks
5. Development of action plans to manage residual risks
6. Continuous monitoring of risks and action plans

The risk management process is incorporated in day-to-day working procedures and all major projects. The framework also provides a structured procedure for RMC to meet to review the risks faced by the Group, business units and corporate functions half-yearly.

Annual Risk Assessment Exercises and Half-Year Reviews

The annual risk assessment exercises and half-year reviews are carried out at the RMC, business unit and corporate function levels. The RMC focuses on group level strategic risks that have significant impact on the long term financial health or survival of the company. The business units and corporate functions are concerned with risks relating to their respective businesses and functions.

Annual risk assessments and half-year risk reviews are conducted at the various levels to identify and assess their risks. Risks and countermeasures in strategic, operational, financial and regulatory areas are identified and assessed. Action plans are developed to better manage the risks identified in their risk profile. Results of the business units and corporate functions annual risk assessments are reported and submitted to RMC for review. Strategic risks identified by RMC are communicated to the respective business unit or corporate function and are also identified in the business unit risk profiles, where applicable. This signifies alignment in risk concerns at both the Group and business unit or corporate function level. RMC and ERM also update the AC on ERM developments twice a year.

Risk Management for Projects

Investment projects are subject to formal authorisation procedures with a designated level of authority as set out in the Group Financial Procedures Manual. Major projects are subject to the Board's review and approval. Project teams will go through the risk assessment process to identify the project objectives and risks, develop action plans to mitigate and monitor the risks. Risk assessments are conducted at various stages of the project and the results are reported to RMC.

Operating and Financial Review

Risk Management Initiatives

During the financial year, the following major ERM initiatives were implemented across the Group.

a) Review of Policy and Methodology

A review of the Risk Management Methodology was carried out during the financial year and the changes were implemented in September 2006. The new methodology includes:

- Introduction of a more comprehensive risk matrix to better reflect the different levels of risk impact and likelihood; and
- Additions of probability and financial impact threshold to risk likelihood definitions, used in conjunction with the qualitative definitions, to give more guidance and clarity to Management and staff.

b) Awareness and Education

The ERM function carried out the following initiatives across the Group to further strengthen the risk management culture:

- Conduct risk management training for new staff
- Feature risk management efforts of staff in risk management column in the staff newsletter
- Invite speakers to share with staff on risk management related topics

Managing Our Risks

The success of the Group hinges on the ability of the Group to manage its key risks. During the financial year, several risks were identified as key risks to the Group and the following section details how these risks are managed.

Regulatory and Operational Risks

SMRT Trains, SMRT Light Rail and SMRT Buses operate in a regulated environment in which their operations and services have to meet operating performance and service standards specified by their respective LOAs. These are the mandatory minimum operating standards relating to various aspects of service quality, safety and key equipment performances. These business units mitigate non-compliance risks by adhering to a stringent maintenance and service improvement regime.

SMRT Taxis is also subjected to regulatory operating standards relating to various aspects of service quality and safety performances. SMRT Taxis manages its operational risks by promoting service availability, safety and customer satisfaction through investment in new technologies, safety incentive schemes to reduce accident rates, and service excellence programmes.

Security Risks

As the backbone of Singapore's transport system, the Group recognises the importance of ensuring a safe transportation system for our passengers. The Group mitigates risks relating to safety and security of its transport system by promoting safe travelling behaviour amongst commuters, raising awareness of safety features within the system, and installing additional measures to augment the security system.

The Group is mindful of the importance of business continuity in view of the ever-increasing threat of a possible flu pandemic outbreak and terrorist attacks. In 2005, a Business Continuity Plan was drawn up to handle possible pandemic outbreaks, with the aim of improving the businesses' operational readiness and ensuring uninterrupted delivery of essential transport services to the public in the event of an outbreak.

To counter terrorism threats, SMRT Community Emergency Preparedness Programme (SCEP) was developed. The programme was endorsed by Management in July 2006 and officially launched on 22 December 2006. SCEP was developed with the aim of involving the community in our efforts to combat terrorism.

In addition, regular drills such as bomb threat mitigation exercises were conducted at selected rail and bus interchanges to allow staff to be familiar with the Group's emergency evacuation procedures. New CCTV systems for bus, bus interchanges and trains are also being installed. The Group continuously reviews its safety measures to bring them in line with global standards and current developments.

Reputation Risks

To mitigate reputation risk, the Group continuously maintains close relations and clear communications with its key stakeholders such as PTC, LTA, passengers, shareholders, analysts as well as the media. In addition, the Group constantly upholds high standards of service quality in all of our business areas and ensures that service standards are met at all times. We strive to improve and exceed our own performance standards and benchmark ourselves against the world's top transport operators.

Operating and Financial Review

Energy Cost Risks

The Group is exposed to energy cost risks that are outside its control, such as fluctuations in oil prices. The Group mitigates rising electricity cost by entering into electricity contracts for at least one year or longer at a fixed rate. To mitigate currency risk from purchase of diesel in foreign currency, forward exchange contracts are used.

Investment Risks

The Group's investment risk relates largely to those of capital investments made for the maintenance, upgrading and replacement of operating assets. The capital investments are subject to financial procedures for expenditure control. The selection of suppliers and contractors for these capital investment projects are also subject to financial procedures for cost-control and guided by an internal selection criteria. The proposed major capital investments are evaluated by Management. The investments are approved in accordance with the authority limits set out in the Group Financial Procedures Manual.

Besides evaluating risk on capital investment projects, the SBUs and Corporate functions are also required to conduct risk assessments on other local and overseas ventures and investments. The ERM function facilitates these risk assessment workshops and report the findings to RMC. The results of the risk assessments are highlighted in approval papers and presented to Management and the Board for approval.

Financial Risks

Management of credit, liquidity, interest rate and currency rate risks are discussed in the "Notes to the Financial Statements" on page 153.

Human Resource Risks

The Group recognises that the continued growth and success of its business hinges on its ability to hire and retain talents. Great emphasis is placed on recruitment, compensation, training and development of our employees. Our Human Resource officers work closely with the various business units and corporate functions to gain a better understanding of their recruitment and skill sets requirements so as to advise them on Human Resource planning. In addition, the Group has in place a succession management programme that identifies and nurture potential talents across all levels, to ensure leadership continuity of the Group.

We have established the SMRT brand through various recruitment campaigns and career fairs, positioning

SMRT as the Employer of choice. We will continue to sustain internship programs with polytechnics and universities through internship with our business units.

Information Systems Risks

The growing reliance on information technology has increased the Group's exposure to information systems risks. To manage these risks, we carry out annual assessments of our technology and systems, and make recommendations for replacement when required. Our IT department also conducts annual IT planning and budgeting with business divisions to advise on systems upgrade (software and hardware, whichever is applicable) to newer technology. In addition, to prevent loss of data due to system failure, fire, terrorism and other unforeseen disasters, we conduct full data and system backup daily.

Property and Liability Risks

The Group's risk exposure is annually reviewed by risk engineers to ensure our insurance programme continues to be adequate for the risk exposure identified.

The Group will continue to monitor and manage the above risk factors in view of the Group's business objectives. The ERM framework will be regularly refreshed and refined to meet the challenges of changing business needs.

SENSITIVITY ANALYSIS

MRT Ridership

Every one percentage point change in annual MRT ridership will result in a \$4.0m change in revenue. This is assuming MRT fare structure remains at FY2007 levels.

Bus Ridership

Every one percentage point change in annual bus ridership will lead to a \$1.9m change in revenue. This is assuming the bus fare structure remains at FY2007 levels.

Electricity and Diesel Costs

Every one percentage point change in the rates of electricity and diesel, using FY2007 rates as a basis, will lead to a \$0.8m change in gross operating profit per annum. This is assuming the electricity and diesel usage are maintained at FY2007 levels.

Cost of Borrowing

Every 100 basis points change in interest rate of the \$50.0m Floating Rate Notes outstanding at the end of

Operating and Financial Review

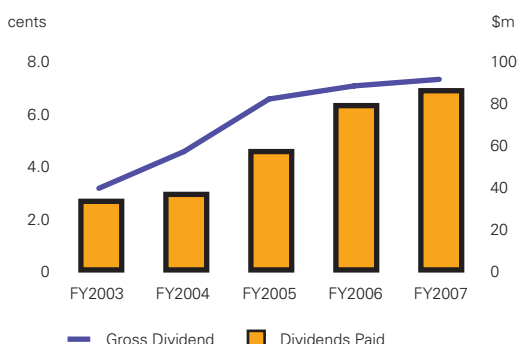
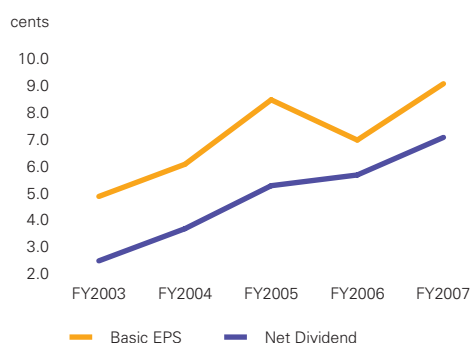
FY2007 will result in a change in interest expense by \$0.5m per annum.

SHAREHOLDER RETURNS

The Group's basic and diluted EPS for FY2007 were 9.0 cents and 8.9 cents respectively (FY2006: 6.9 cents and 6.8 cents respectively). The higher EPS was a result of higher profit after tax.

A final dividend of 5.75 cents per share, tax-exempt one-tier amounting to about \$87.0m for FY2007 has been recommended by the Directors at the next shareholders' meeting. This, if approved, will bring the total gross dividend for FY2007 to 7.25 cents per share or \$105.9m. This represents 78.0% of the net profit.

cents	FY2007	FY2006	FY2005	FY2004	FY2003
Basic EPS	9.0	6.9	8.4	6.0	4.8
Gross dividend	7.25	7.0	6.5	4.5	3.1
Net dividend	7.0	5.6	5.2	3.6	2.4
Dividends paid during the year	85.4	78.3	56.4	36.0	32.7



Over the last five years, SMRT has been able to consistently generate good dividends for its shareholders. To maximise shareholder value, management will continue its policy of paying a good level of dividends to return excess cash generated from the operations, provided the cash is not required for major investments in the future. These investments may include potential mergers and acquisitions and any capital expenditure to fund existing operations.

In FY2007, SMRT shares generated a total shareholder return of 38.0% for its shareholders, higher than the 28.0% generated in FY2006. The 38.0% shareholder return consisted of 6.1% of dividend yield and 31.9% of capital gain for the period.

CORPORATE LIQUIDITY AND CAPITAL RESOURCES

Treasury Policy and Capital Structure

The Group's centralised Treasury function seeks to minimise the Group's financial risks, ensure sufficient liquidity to meet the Group's working capital, investments and capital expenditure needs, and invest surplus funds for the Group.

Fundings and Borrowings

The Group's capital expenditure and working capital requirements are currently financed by cash generated from operations and borrowings.

Borrowings consist of notes issued from the Company's \$500m Multi-Currency Medium Term Note (MTN) Programme. In December 2006, we launched a new issue of \$200m fixed rate notes under our \$500m Multi-Currency MTN Programme. The notes are rated "AAA" by Standard & Poors. The proceeds from the issue were used to re-finance the existing \$250m bonds redeemed on 21 December 2006. Please refer to Note 14 of "Notes to the Financial Statements" for more details.

CASH FLOWS AND LIQUIDITY

Operating Activities

For FY2007, the net cash generated from operating activities amounted to \$200.9m compared to \$159.5m in FY2006. The favourable change was due mainly to changes in working capital partially offset by higher dividend paid during the year.

Operating and Financial Review

Investing Activities

The net cash of \$115.4m used in investing activities in FY2007, was higher than FY2006 by \$11.0m due mainly to purchase of investments, disposal of subsidiary partially mitigated by lower purchase of property, plant and equipment, and proceeds from disposal of investment.

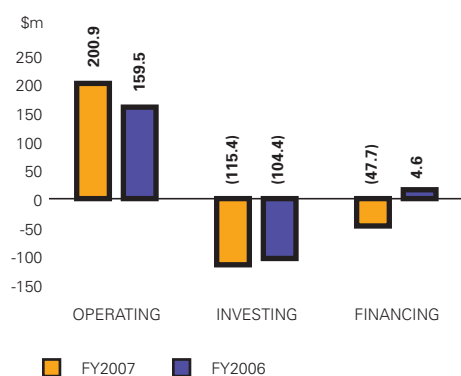
Financing Activities

For cash flow from financing activities, the outflow compared to inflow in FY2006 was due to redemption of the \$250m 3.41% bonds net of issuance of \$200m Fixed Rate Notes under the Company's \$500m Multi-Currency MTN Programme in December 2006.

Cash and Cash Equivalents

As at 31 March 2007, the Group's cash and cash equivalents stood at \$169.6m, which is \$37.9m higher than FY2006. The cash and cash equivalents are centrally managed by the Treasury Unit and the majority of the funds were invested in liquid assets such as fixed deposits and purchase of investments like variable rate notes. The cash and cash equivalents as at year end is adequate to fund the committed and planned capital expenditure as well as to service the Group's borrowings.

In any given year, if internal cash generated is insufficient to meet all the capital expenditure required for that year, the Group may tap the capital markets for funds via the Multi-Currency MTN Programme.



ACCOUNTING POLICIES

The Group has adopted the following Interpretations of Financial Reporting Standards (FRSs) issued by the Council on Corporate Disclosure and Governance (CCDG):

- (i) INT FRS 104 Determining whether an arrangement contains a lease which is mandatory for annual reports beginning on or after 1 January 2006; and

- (ii) INT FRS 112 Service Concession Arrangements which are effective for financial periods beginning on or after 1 January 2008.

However the adoption of these two interpretations does not result in any change in accounting policies and methods of computation in the financial statements for the current financial year compared with the audited financial statements as at 31 March 2006.

PROSPECTS FOR FY2008

In the year ahead, we will continue to pursue revenue growth and profit contributions in our businesses with the view to drive growth in non-fare contributions.

Fare Operations

Ridership for trains & buses is expected to increase in line with GDP growth in FY2008 compared to FY2007. However, the increase in GST by two percentage points with effect from 1 July 2007 will unfavourably impact fare revenue. Operating costs will increase in FY2008 due mainly to more scheduled repairs, higher electricity costs and the 1.5 percentage points increase in employers' CPF contribution. The price of diesel is expected to remain volatile in the next financial year.

Non-Fare Operations

Another 10 MRT stations are currently under renovation and will contribute 4,800 square metres of quality retail spaces to our network. The new stations, together with the full-year revenue of completed stations in FY2007, are expected to contribute to increased rental revenue of about \$8.0m. We will also continue to grow advertising opportunities on our trains and buses, and within our network of stations.

The taxi industry will continue to remain competitive in FY2008. However, we are well positioned toward better financial performance through our innovative initiatives to attract and retain taxi hirers, and our continued focus on operational effectiveness.

Capitalising on our strong brand name overseas, we will go beyond operations and maintenance consultancy to pursue overseas opportunities in running existing and new mass rapid transit lines within regions such as North Asia and the Middle East.

SMRT Trains & SMRT Light Rail



Even as our fares remain one of the lowest in the world, SMRT continues to provide safe, reliable and efficient public transport services that are fine-tuned to the evolving and diverse needs of our population.

Vincent Tan Peng Hock
Vice President, Rail Operations
SMRT Trains Ltd

Operating and Financial Review

SMRT Trains & SMRT Light Rail

OUR NETWORK

In Singapore, the rail network functions as the backbone of the city state's advanced and efficient public transport system.

SMRT Trains currently operates the North South and East West lines covering a combined route length of 89.4 kilometres serving 51 stations. We maintain a fleet of 106 trains, each of which comprises six cars.

SMRT Trains will operate the Circle Line when it commences revenue service in 2010. The 33.3 kilometres Circle Line is an orbital circuit that links all existing MRT lines to the city centre and will significantly trim travelling times. Prior to the opening of Circle Line, the Boon Lay Extension, currently under construction, will extend the East West line westwards from Boon Lay station to serve the communities around Jurong West and Joo Koon Circle from 2009.

	Year Ended 31 March					
	2007	2006	2005	2004	2003	2002
Route length at period end (kilometres)	89.4	89.4	89.4	89.4	89.4	89.4
Total number of passenger-trips (millions)	434.9	413.8	402.6	391.5	394.3	389.7
Growth in passenger-trip numbers (%)	5.1	2.8	2.8	(0.7)	1.2	0.6
Car kilometres operated (millions)	77.1	75.5	75.1	77.4	89.6	81.4
Growth in car kilometres operated (%)	2.0	0.6	(3.0)	(13.6)	10.1	8.1
Average number of weekday passengers (thousands)	1,278.5	1,212.2	1,171.9	1,131.4	1,139.3	1,125.0
Growth in weekday passengers (%)	5.5	3.5	3.6	(0.7)	1.3	1.5
Aggregate passenger-trip distance travelled per year (million kilometres)	5,288.3	5,058.3	4,928.3	4,861.3	4,988.9	4,963.0
Growth in passenger-trip distance (%)	4.6	2.6	1.4	(2.6)	0.5	0.6
Average operating car occupancy (persons)	68.6	67.0	65.6	63.2	55.7	61.0
Growth in operating car occupancy (%)	2.4	2.1	3.8	13.5	(8.7)	(6.9)
Selected Operating Ratios (\$)						
Amount per passenger-trip carried (\$)						
– Railway cash operating costs ^(a)	0.57	0.55	0.60	0.61	0.64	0.59
– Railway EBITDA ^(b)	0.46	0.45	0.36	0.38	0.39	0.45
Amount per car kilometre operated (\$)						
– Railway cash operating costs ^(a)	3.22	3.04	3.22	3.08	2.80	2.84
– Railway EBITDA ^(b)	2.59	2.44	1.95	1.90	1.73	2.17

Notes:

(a) Railway cash operating costs refer to operating costs of the MRT System excluding depreciation and amortisation.

(b) Railway EBITDA means earnings before interest, tax, depreciation and amortisation of the MRT System excluding interest and investment income.

Operating and Financial Review

SMRT Trains & SMRT Light Rail

Over 434 million trips were made on our trains during FY2007, contributing to a 5.1% increase in daily ridership and 5.5% increase in weekday ridership across all ticket groups, except for standard tickets as more passengers switched to the cheaper ez-link fare tickets. This increase in ridership corresponded with a period of steady economic expansion and increased business activity in the nation. Railway cash operating costs increased mainly due to higher staff and electricity costs.

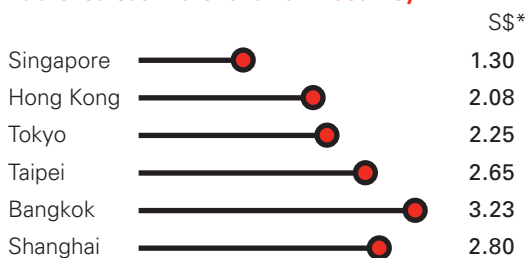
FARE ADJUSTMENT

Confronted by cost pressures, in particular sustained elevated energy prices, SMRT adjusted fares minimally across its train, light rail and bus network during the year. The fare increase resulted in a 1 to 3 cent increase across the board for passengers using the adult ez-link card. However, there was no fare increase for more than 20% of commuters using child and student ez-link cards or monthly concession passes, standard and single trip tickets or paying by cash.

To help senior citizens and lower income earners cope with the fare adjustments, SMRT offered seniors a 1 cent discount for concession travel for six months from 1 October 2006 and contributed to transport vouchers which were disbursed by local Citizens' Consultative Committees to needy families.

The fare adjustment notwithstanding, fares on the SMRT network remain affordable when compared against those charged by public transport operators worldwide, as reflected in this comparative public transport affordability chart.

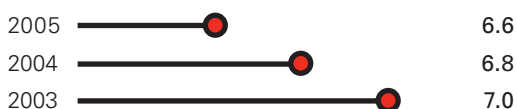
Published Cash Fare for a 10km Journey



* Adjusted using the 2005 Purchasing Power Parity (PPP) Conversion Factor published by the World Bank. The PPP is the rate of currency conversion at which a given amount of currency will purchase the same volume of goods and services in two countries.

In addition, the public transport affordability index in Singapore indicates that passengers are spending a lesser portion of their monthly income on public transport. This index is the ratio of monthly expenditure on public transport over monthly household income. A lower index indicates more affordable fares.

Singapore Public Transport Affordability Index



Source: Public Transport Council News Release, 12 September 2006

STRIVING FOR EXCELLENCE

Even as our fares remain one of the lowest in the world, SMRT continues to provide safe, reliable and efficient public transport services, fine-tuned to the evolving and diverse needs of our population.

Every year, we take pride in surpassing the operating performance standards set by Singapore's transport regulator, the Land Transport Authority (LTA). In FY2007, we once again excelled in every category of assessment.

In punctuality, 97.5% of trains arrived within two minutes of schedule, surpassing LTA's criteria of 94%. Trains departed within two minutes of schedule in 98.9% of all instances against LTA's requirement of 96%, while the availability of our train services stood at 99.97% fully complying with the regulator's requirement of 98%.



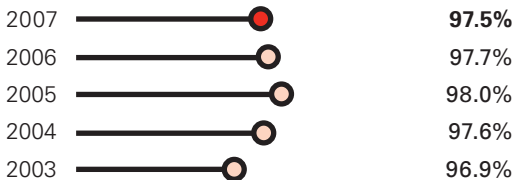
Operating and Financial Review

SMRT Trains & SMRT Light Rail

SMRT PERFORMANCE AGAINST STANDARDS SET BY LTA

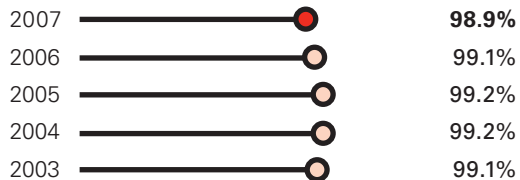
Train Arrivals

(at least 94% within 2 minutes of schedule)



Train Departures

(at least 96% within 2 minutes of schedule)



Train Service Availability

(at least 98%)



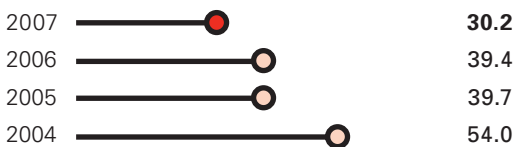
Customer Injury Rate

(no more than 0.4 injuries per million customers)



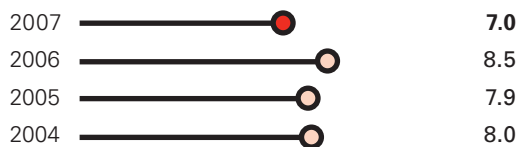
General Ticketing Machine*

(down time of no more than 500 hours per 10,000 hours of operation)



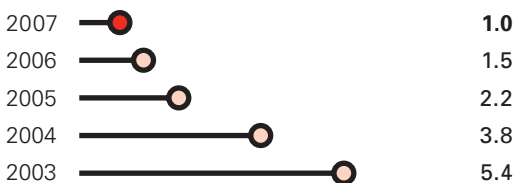
Fare Gate*

(down time of no more than 500 hours per 10,000 hours of operation)



Escalator

(down time of no more than 100 hours per 10,000 hours of operation)



Lift**

(down time of no more than 200 hours per 10,000 hours of operation)



* The equipment under measurement were operational from 2004

** The equipment under measurement were operational from 2006

Operating and Financial Review

SMRT Trains & SMRT Light Rail

Aspiring to be a truly world-class transport operator, we benchmarked the performance of SMRT Trains against the world's top operators who belong to the Nova and CoMET benchmarking groups. Nova and CoMET represent the major metros in key cities around the world such as Berlin, Buenos Aires, Hong Kong, London, Madrid, Montréal, New York, Shanghai and Tokyo, amongst others. The two groups have been expanding in recent years with SMRT Trains being benchmarked against 20 metro operators in FY2007 compared to 15 in FY2006. As such, the exercise offers a truly global perspective of the level of performance each metro operator is achieving.

In FY2007, our performance rating when benchmarked against other metro operators showed a clear improvement over the previous year. Reflecting our commitment to manage cost and improve productivity, we were placed second in worldwide rankings for cost efficiency and manpower efficiency, improving on last year's third place. In the fundamental area of train service quality, we achieved a score of 99.9% when compared to the best performer, moving up to third place. In safety, we scored 95.5%.

SMRT is active in the international public transport community through its membership in the Brussels-based Union Internationale des Transports Publics, a worldwide network of public transport professionals, and the American Public Transportation Association. SMRT routinely participates in conferences, studies and surveys organised by these associations and has gained many benefits from this network of industry counterparts including the sharing of the latest technologies, best practices and operational expertise.

STRATEGIC AGENDA

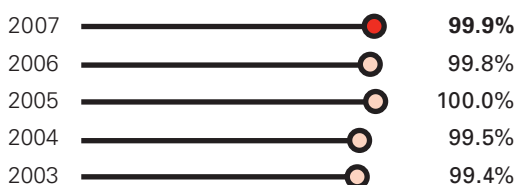
As a public transport operator, SMRT Trains is keenly aware that the ultimate test of our services lies in how well we serve the millions of Singaporeans who depend on the public transport system every day.

As such, we have made it our priority to launch highly innovative programmes to enhance the travel experience of our passengers in truly delightful and unexpected ways.

SMRT TRAINS BENCHMARKED AGAINST NOVA AND COMET OPERATORS

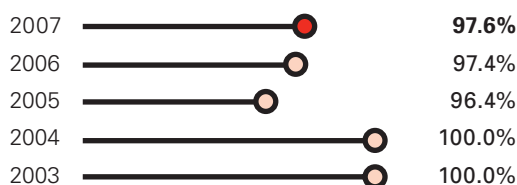
Punctuality

Timeliness of train arrivals



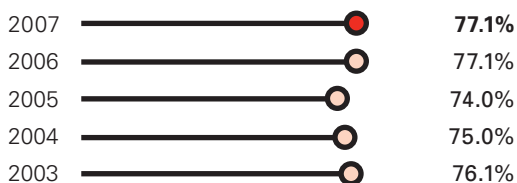
Cost Efficiency

Operating cost per standardised place-km



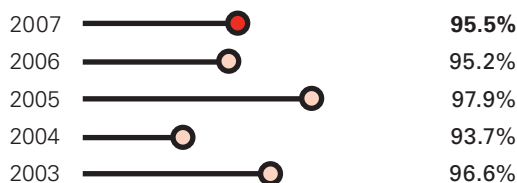
Manpower Efficiency

Passenger-km per total staff and contractor hours



Safety

Fatalities due to accidents per billion passenger journeys (cumulative)



Best Performance = 100%

Operating and Financial Review

SMRT Trains & SMRT Light Rail

One such novel initiative was the launch of Singapore's first 2-in-1 Visa and ez-link card in a strategic partnership with Citibank. The Citibank-SMRT card functions as a contactless ez-link card even as it offers customers Visa credit card functionality and Citibank card privileges and services. Customers enjoy the convenience of automatic top up of their ez-link card values from their credit card accounts and earn rebates that incorporate a first-of-its-kind travel rewards programme on the SMRT network.



Following the success of previous promotions such as "Ride SMRT & Win", we launched "Ride SMRT, Go Places" travel promotion in November 2006. This six-month promotion rewards passengers who travel on the SMRT network with cash prizes and attractive air travel and tour packages. With its prize of a dream holiday, this promotion gives commuters yet another reason to travel with SMRT.

As a public transport service provider, the trust the public has in the safety and security of our system is reinforced by efforts on our part to anticipate the unexpected and to respond quickly and effectively to emergencies. In December 2006, SMRT launched the SMRT Community Emergency Preparedness Programme to train and educate students, grassroots leaders and members of the community in transport security awareness and emergency response. This is the first integrated transport security training programme to be conducted by a public transport service provider. SMRT expects to train over 3,500 participants a year. The focus is on vigilance while travelling in the SMRT network and understanding the nature and challenges of different types of security threats.

On another front, plans are underway to step up security in our network through security audits of selected stations by CISCO, participation in chemical, biological, radiological and explosive exercises with emergency response agencies and through Threat Mitigation workshops for staff.

SMRT staff worked closely with the Police and the Police MRT Unit to ensure safety during the International Monetary Fund – World Bank Annual Meetings (IMF – World Bank Annual Meetings) in September 2006. Train frequencies were increased over the duration of the meetings and additional staff were deployed at key stations to assist the delegates and help with the heightened security requirements.

PUTTING THE CUSTOMER FIRST

SMRT believes in building and reinforcing a strong service culture. During the year, we established a holistic framework to achieve a quantum leap in customer service. Customer service leaders, introduced in FY2006, showed the way in exemplary customer service. We also conducted intensive customer service training programmes and reviewed and reorganised station processes to be more customer-oriented. The result of these efforts were nothing short of inspiring with a seven-fold increase in compliments from 776 in 2005 to 4,972 in 2006.

At SMRT Trains, we acknowledge that striving for service excellence is a continuous journey as with making public transport the travel mode of choice for Singaporeans.

Operating and Financial Review

SMRT Trains & SMRT Light Rail

ALL GEARED UP TO LAUNCH THE CIRCLE LINE

The countdown to the launch of the Circle Line has begun with the delivery of the first train for the new line in May 2006. Prior to this, the Circle Line team, together with LTA personnel, spent months conducting integrated tests for the train system at a test track in France. Detailed tests were conducted on the various sub-systems of the train as well as signalling, controls and communications systems. More trains will be progressively delivered to Singapore over the next few years. The Circle Line team is sparing no efforts in fine-tuning and testing the train systems to ensure we deliver the level of user-friendly and reliable service the Singapore public has come to expect from SMRT.

When it is launched in 2010, the Circle Line will transform Singapore's public transport landscape by linking all existing MRT lines to the city centre. Travelling time will be trimmed significantly as passengers exercise the option of bypassing busy interchanges such as Raffles Place and City Hall stations.

This new line which will take the commuter's travel experience to a new level, runs underground for 33.3 kilometres going through the commercial and residential heart of central Singapore. Starting at Dhoby Ghaut Interchange, where it intersects both the North South Line and the North East Line, the Circle Line's orbital circuit ends at HarbourFront Interchange on the North East Line.

STATIONS AND SYSTEMS

SMRT has been working closely with LTA to ensure all stations on the Circle Line are fitted with technologically-advanced systems complemented by accessible layouts and commuter-friendly features.

The year in review saw the completion of the civil construction and installation of building services systems such as lifts, escalators, air-conditioning and fire protection for the first-stage stations on the Circle Line. These systems are currently being tested and commissioned. The exteriors of the city stations complemented by lush landscaping were completed in time for the IMF – World Bank Annual Meetings in September 2006.

Over at Kim Chuan Depot, construction work on the world's largest underground railway depot is nearing completion. SMRT worked closely with LTA to improve the layout and operational efficiencies of the depot

within the defined space. A key priority was to enhance the movement of trains in and out of the depot and to ensure smooth maintenance flow. Similarly, tracks layout and signalling design have been fine-tuned to the requirements of automatic trains. We are on track to complete the installation of essential equipment such as signalling, communication and power systems by the end of FY2008.

PEOPLE AND PROCESSES

A new rapid transit line requires extensive preparations on the operational level prior to its launch.

During the year, we took pro-active measures to contain our pre-operations budget expenditure in view of changes to the project timeline. Our design review included reviews of stations in the later stages. Optimising the use of our talent pool, staff who worked on the review of stations also participated in the testing and commissioning of our railway systems. The drafting of the Railway Operating Procedures is completed and will be finalised for revenue service once trial runs commence.

Planning for the training and recruitment of skilled personnel to operate the Circle Line's driverless system is well underway. We are developing training schemes to cover over 20 different job types including the skill sets required in control centre and station operations, signalling, train maintenance, safety, and civil engineering. Trial runs will be conducted to test these procedures and processes in day-to-day operations and in emergency situations. These trials have been designed to give our officers the opportunity to work at executing their duties safely and efficiently prior to the start of revenue service. Training manuals are currently being developed to support these training schemes.

We have also put in place a business model to deliver a system that is viable, efficient and reliable when launched.

Backed by SMRT's strong track record of running Singapore's first railway system for 20 years, the Circle Line is poised to be an advanced, safe and user-friendly system, fine-tuned to the needs of passengers of the future.

Operating and Financial Review

SMRT Trains & SMRT Light Rail

CONNECTING THE NORTH WEST

SMRT Light Rail Pte Ltd operates Singapore's first fully automated light rapid transit system – the Bukit Panjang Light Rapid Transit (BPLRT) system. Over the years, BPLRT has become an essential part of the daily lives of the communities in Bukit Panjang, Choa Chu Kang and the surrounding areas.

BPLRT comprises 7.8 kilometres of elevated guideways linking 14 stations. Connected to the larger MRT network at Choa Chu Kang MRT station, BPLRT serves as a link for residents from the area to the rest of the island.

In FY2007, SMRT Light Rail's strive for operational excellence was clearly reflected in BPLRT's service availability which stood at 99.9%. At the same time, down time for essential station equipment such as lifts, general ticketing machines and fare gates was minimal at less than 0.045%, 0.093% and 0.035% respectively, surpassing LTA's stipulated requirements. On a year-on-year basis, average daily ridership increased 1.7% to 39,228 in FY2007.

During the year, SMRT Light Rail focused on building rapport with residents and the young, in particular students, who form an important group of passengers whose patronage we value, and increasing ridership through promotional and publicity programmes jointly organised with grassroots organisations and commercial establishments.

One such initiative was the installation of 40 artworks by over 100 students aged between 13 and 15 from Bukit Panjang Government High School. This is part of the SMRT Art for the Community Programme, an on-going, multi-faceted community art initiative by SMRT that aims to bring art to passengers on the move through partnerships with the community and educational institutions.

The art works carry environmental messages such as deforestation, global warming and conservation and are made from environmentally-friendly materials such as recycled clay and metal. The presence of these art works in our stations have transformed BPLRT into a community art gallery.

Looking ahead to FY2008, we will continue to engage all segments of the community to make BPLRT their choice of transport. We will be designing user-friendly travel guides and conducting educational tours to encourage more senior citizens to use the unmanned and driverless BPLRT system with every confidence of a smooth, safe and pleasant trip.

RENEWED FLEET, REFINED FEATURES

SMRT Trains' reputation for operational excellence is rooted in the strength of its Engineering Division. Besides managing and ensuring adequate maintenance to the infrastructure and operating assets, the Engineering Division's key priorities going forward are to renew and improve its rail systems and infrastructure, introduce new and enhanced features for reliability and safety as well as adopt environmentally-friendly practices and cost effective solutions.

The Division's main focus for the year in review has been the mid-life upgrade of its first-generation Kawasaki Heavy Industries trains that have been in operation since 1987, when SMRT commenced revenue service. The three-year mid-life refurbishment programme to upgrade and renew the interior saloon of all 66 trains of the first-generation fleet will cost \$142 million. Work commenced in June 2005 and completion is expected by end-2008.



Operating and Financial Review

SMRT Trains & SMRT Light Rail

Some of the enhanced features make for safer, more comfortable travel. These include wider seats, additional row of grab bars, trifurcated poles and handles for standing passengers, new saloon lights to enhance the overall brightness of train cars, and an improved public address system for greater clarity of in-train announcements. In addition to air-conditioning, line flow fans were installed in all train cars to ensure an even spread of cool air throughout the car.

We also took the opportunity to incorporate several disabled and elderly-friendly features to facilitate the movement of our special-needs passengers. The features include two wheelchair spaces per train as well as a wheelchair-friendly layout, door-closing signal lights for the hearing impaired and inter-car barriers for the visually impaired. The overhaul of five trains was completed during FY2007 and these trains were commissioned from November 2006.

SMOOTHER RIDES, SEAMLESS TRAVEL

Train-to-street accessibility for all passengers were improved with the installation of passenger lifts in MRT stations. During the year, another 19 passenger lifts were added to the system bringing the total number of passenger lifts within our network to 85.

Continuing to maintain the reliability of our hardware, our staff overhauled 33 escalators during the year and successfully put them back into operation, providing our passengers with smooth, effortless transit experience. The entire project involves the overhaul of 285 escalators throughout our network and is scheduled to complete by March 2010.

SAFE SYSTEMS, TIGHT SECURITY

SMRT makes every effort to ensure the safety and security of our passengers and network is not compromised. During the year, the Engineering Division pushed ahead with the trial installation of closed-circuit television (CCTV) systems to improve security at our stations and on our tracks. The CCTV Surveillance System has been installed in all MRT stations and emergency escape shafts. The system provides for round-the-clock monitoring of public areas at all MRT stations, emergency escape shafts and the enhancement of video-archiving capacity of the existing digital video recorders.

Other initiatives to reinforce the safety and reliability of our system include the replacement and upgrade of the Supervisory Control System (SCS) which commenced in March 2006. This scalable system provides not just building automation for tunnels and buildings, but

is equipped with industrial best practice IT security features that serve to protect the system against malicious attacks. A feature in the SCS that is unique to transit operations is the state-of-the-art Emergency Management System. This system improves operational readiness when dealing with unexpected events such as fire in the tunnel. We target to renew the SCS in the Operations Control Centre and the majority of our stations by 2013.

REUSE, RECYCLE, CONSERVE

Within the Engineering Division, it has always been our goal to marry sound engineering principles with environmentally-friendly practices in all aspects of our work. In FY2007, we continued to pursue our objective of reuse, recycle and conserve through various initiatives.

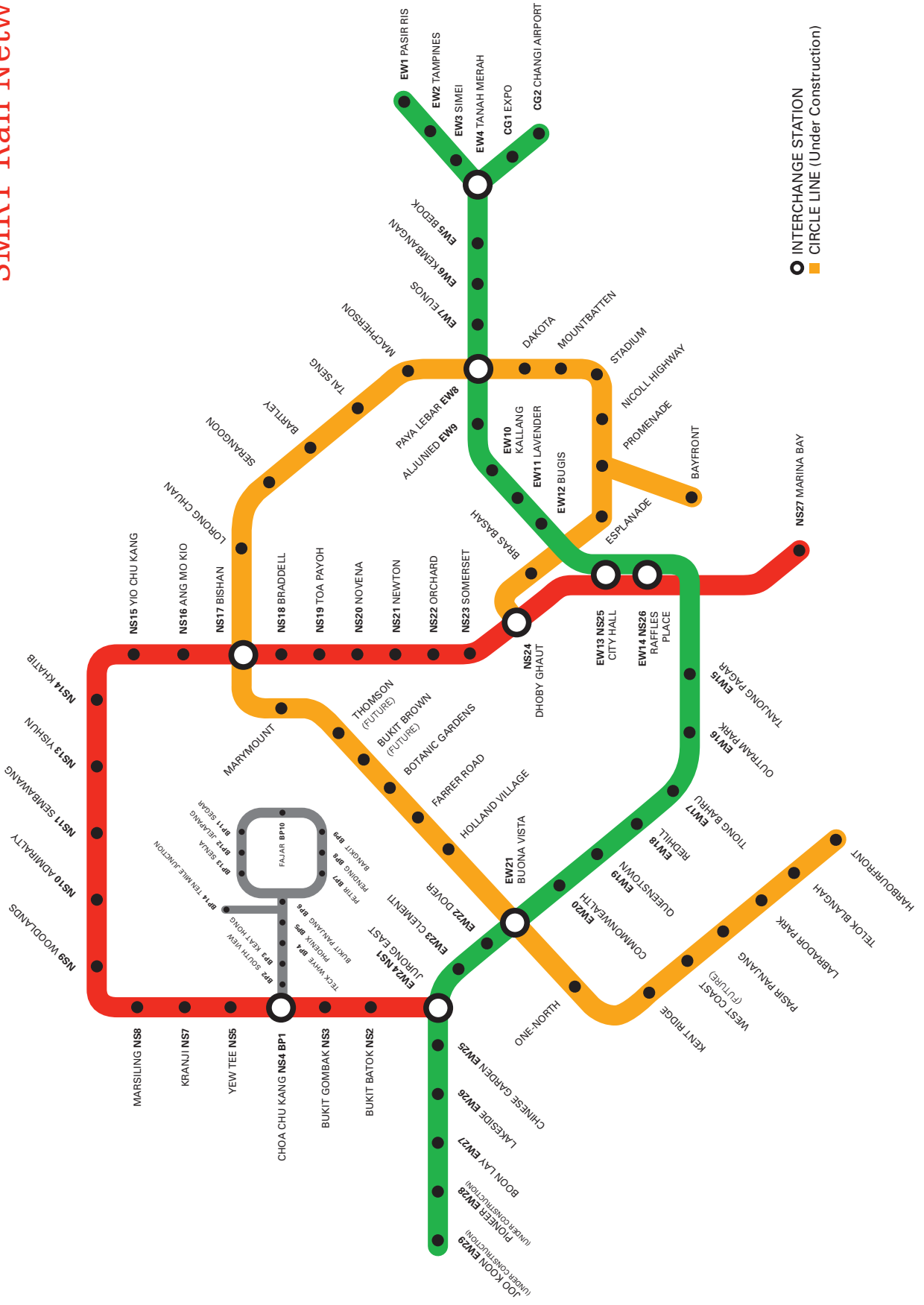
In the critical area of water conservation, flow regulators were installed in all taps in public and staff toilets, staff rooms and pantry areas in all 51 stations. As a result of this, our water consumption dropped by 5% to 10% and SMRT received a PUB Friends of Water Award in recognition of our efforts to conserve Singapore's water supply.

As part of our drive to adopt environmentally-friendly engineering solutions, integrated rollers were installed in the turnouts at depots to improve the reliability and performance of switches. These rollers eliminate the need to grease slide-plates regularly, resulting in long-term savings in maintenance cost.

Following through on an initiative from FY2006, power rails recovered from site have been recycled for use as alternative components of the third rail system. This earth-friendly practice saves about \$250,000 in annual recurring material cost. More importantly, it sets the stage for future initiatives to integrate renewable resources into our operations, in line with our role as an environmentally-responsible transport operator.



SMRT Rail Network



SMRT Buses will continue to review its services to be in step with the changing travel patterns of the passengers we serve. We endeavour to raise the performance bar by delivering services that reduce travelling time while enhancing accessibility and passenger convenience.

Lee Seng Kee
Vice President
SMRT Buses Ltd
SMRT Automotive Services Pte Ltd
Bus-Plus Services Pte Ltd



SMRT Buses



Operating and Financial Review

SMRT Buses

SMRT Buses takes pride in delivering smooth, comfortable and prompt bus services that are fine-tuned to the evolving needs of the community.

SMRT Buses operates a fleet of 863 buses, comprising 550 12-metre buses, and 313 18-metre Bendy buses. We operate 48 trunk services, 14 feeder services, six intra-town services, one express service and seven NightRider services. Additionally, we operate two special services to Teacher's Estate and the Home Team Academy.

On its part, Bus-Plus Pte Ltd, which operates our private bus and bus chartering services, manages a fleet of 59 buses. Bus-Plus runs seven condominium services, peak-hour and scheduled services, and charter services for special events such as the Kranji Countryside New Year Celebration and Ngee Ann Polytechnic's Open House.

Over 270 million trips were made on our buses during FY2007, contributing to a 1.9% increase in ridership. This increase in ridership corresponded with a period of steady economic expansion and increased business activity in the nation.

POINT-TO-POINT SERVICES

In FY2007, SMRT Buses introduced a total of 11 new or special services while amending or rationalising 14 other services.

One of our priorities in introducing new services is to inject a new dimension of convenience and affordability to the passenger's travel experience. Our first venture was to improve connectivity and accessibility to popular destinations such as Chinatown and Little India. This was achieved through SMRT Link, the first free shuttle service by a public transport operator.

Continuing our tradition of giving back to the community over the festive period, we reprised the free SMRT Chinatown Shuttle Bus Service in the days leading up to Lunar New Year 2007.

Keeping pace with the communities we serve, we continued to introduce new services in response to developments in the areas. In April 2006, Service 902 was launched. This dedicated point-to-point service provides staff and students of Republic Polytechnic with an efficient and direct connection to the campus.

FY2007 HIGHLIGHTS

	Year Ended 31 March					
	2007	2006	2005	2004	2003	2002
Route length at period end (kilometres)	2,541.1	2,523.7	2,479.8	2,463.5	2,503.1	2,393.6
Total number of passenger-trips (millions)	270.3	265.3	268.7	264.7	278.2	290.9
Growth in passenger-trip numbers (%)	1.9	(1.3)	1.5	(4.8)	(4.4)	6.8
Bus kilometres operated (millions)	75.9	76.1	78.4	79.3	79.9	77.2
Growth in bus kilometres operated (%)	(0.2)	(2.9)	(1.2)	(6.8)	3.5	21.3
Aggregate passenger-trip distance travelled per year (million kilometres)	1,643.3	1,612.7	1,613.0	1,591.0	1,689.4	1,796.7
Growth in passenger distance (%)	1.9	(0.0)	1.4	(5.8)	(6.0)	5.3
Load factor (%) ^(a)	23.1	22.8	22.8	22.6	22.1	25.2
Growth in load factor (%)	1.1	(0.1)	1.2	2.0	(12.3)	(12.8)

Selected Operating Ratios (\$)

Amount per passenger carried						
– Bus cash operating cost ^(b)	0.62	0.58	0.53	0.53	0.51	0.45
– Bus EBITDA ^(c)	0.10	0.10	0.14	0.16	0.14	0.12
Amount per bus-kilometre operated						
– Bus cash operating cost ^(b)	2.16	2.01	1.83	1.76	1.77	1.69
– Bus EBITDA ^(c)	0.33	0.36	0.47	0.53	0.48	0.45

Notes:

(a) As different vehicle types have different capacities, the average capacity of buses is expressed as load factors.

(b) Bus cash operating cost refer to operating cost of the buses excluding depreciation and amortisation.

(c) Bus EBITDA means earnings before interest, tax, depreciation and amortisation of the buses excluding interest and investment income.

Operating and Financial Review

SMRT Buses

Responding to requests from residents and grassroots leaders, we introduced a shuttle service to Teachers' Estate in June 2006.

In other changes, five services were amended in FY2007 to accommodate the redevelopment of bus interchanges at Boon Lay and Clementi. Nine other services were re-routed to reflect changes in travel patterns and new residential developments along the respective routes.

FY2007 was an equally busy year for Bus-Plus. Highlights included the provision of a shuttle service between Changi Airport Terminal 1 and the Budget Terminal, provision of seven mini buses for Lexus Cup, a premier golf tournament, and provision of charter services for medical personnel during the IMF – World Bank Annual Meetings in September 2006.

In 2006, the Public Transport Council (PTC) commissioned a survey on bus passenger satisfaction that registered greater passenger satisfaction with basic bus services. The overall satisfaction rating rose to 6.8 in 2006 from 6.4 in 2005. Based on the Quality of Service (QoS) standards announced by PTC in July 2006, we achieved less than 1.5% bus breakdown rate per month and less than 0.75 accidents per 100,000 bus-kilometres per month. Looking ahead, SMRT Buses will adopt pro-active and innovative measures to improve customer satisfaction in line with the new QoS standards.

RIGOROUS CONTROL, PRECISE POLICIES

As a public transport operator, SMRT Buses constantly strives to trim operating costs so as to keep fares affordable for all. Our Fuel Efficiency Taskforce implemented several initiatives that yielded fuel savings of more than \$300,000 in FY2007. These included the fine-tuning of the bus fuel system for 25% of the fleet with poor fuel efficiency, maintaining tyre pressure at an optimal level, and deploying bus types to match demand on the roads over weekends and public holidays.

In the same vein, service schedules were refined to optimise operating costs. This included school holiday schedules to match changes in student travel patterns, split-shift duties for services with distinctively high demand during peak hours, and parking of split-shift buses at interchanges to reduce off-service mileage.

At SMRT Buses, we make it a point not to lose sight of the human element of our operations. As such, we worked hard in FY2007 to improve our customer service. Among other things, we introduced "Service From Your Heart", a customer service course for service leaders and front-line staff focusing on relevant customer issues in the public bus industry.

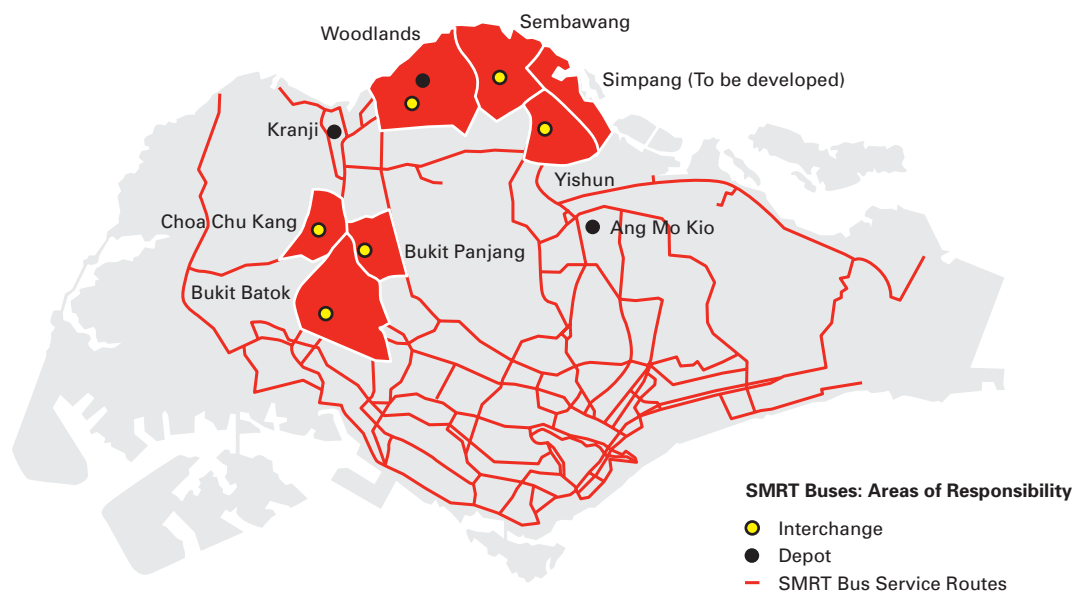
Safety and security issues brook no compromise at SMRT Buses. Safety corners at our interchanges display essential safety notices covering accident-prone areas and case studies of actual accidents. In our bid to improve security on board our buses, we embarked on a trial project with LTA, installing CCTV cameras in some of our buses.

To keep our staff motivated, engaged and committed, SMRT Buses invests in employee training and welfare. This includes initiatives such as higher entry pay and English language courses for service leaders. We have also implemented a five-day shift work week for our service leaders through the Job Recreation Programme Service Leader Scheme. Apart from helping service leaders achieve better work-life balance, the scheme offers them a dual career option either to enrich their skills to perform troubleshooting on the road, or train to be a technician with SMRT Automotive Services, as well as attractive medical benefits and incentives.



Operating and Financial Review

SMRT Buses



During the year, the benefits of the Integrated Bus Operating System (IBOS) introduced in FY2006 flowed through to all aspects of our operations. The real-time tracking of bus locations enhanced operational efficiencies, improved adherence to schedules and made for better response to changes in passenger demand. IBOS also enabled faster response to emergencies, as off-service buses can be quickly deployed during train service disruptions or unplanned road closures.

For the convenience of passengers, we installed the Passenger Information System in 600 buses and produced town service guides. Environmentally-friendly measures were also introduced across our fleet during the year. One such effort was the reduction of particulate emissions. We achieved a 100% pass rate in LTA's Chassis Dynamometer Smoke Test.

FUTURE PROSPECTS

SMRT Buses will continue to review its services in view of passengers' changing travel patterns. We endeavour to raise the performance bar by delivering services that reduce travelling times while enhancing accessibility and passenger convenience. In FY2008, we will roll out another express service, Service 854E, which will shave a fifth of the travel time for journeys between Yishun,

Hougang and Bedok Interchange during morning peak hours on weekdays. We are working closely with LTA to improve bus services, such as expanding full-day bus lanes to cover more areas, revising existing bus lane hours to better reflect the evening peak traffic as well as developing real-time bus arrival information.

Reflecting the aspirations of an increasingly inclusive society, we will introduce a new fleet of 66 wheelchair-accessible buses by 2008.

Action plans for FY2008 will be in various areas. To raise customer service levels, we will introduce a scheme to showcase outstanding employees who demonstrate an excellent service attitude. To promote a clean and green environment, we will promote better housekeeping and support a litter-free bus and interchange campaign jointly organised with the National Environment Agency. To heighten safety awareness, we plan to introduce a training simulator with day and night functions. Also in the pipeline are plans to improve security at Woodlands Regional Interchange by upgrading the CCTV system.

Operating and Financial Review

SMRT Buses

REPAIR AND MAINTENANCE

SMRT Automotive Services Pte Ltd provides repair and maintenance support for SMRT Buses, Bus-Plus and SMRT Taxis. The company derives about 22% of its revenue from the sale of diesel to SMRT taxi hirers while the remaining 78% of revenue is derived from vehicle repair and maintenance services undertaken at its three main workshops at Ang Mo Kio, Woodlands and Kranji.

In FY2007, initiatives to improve customer service and to optimise costs were at the top of the agenda for SMRT Automotive Services in support of our bus and taxi businesses. One of the key service initiatives involved the installation of a computerised system to track repeat jobs according to customer records.

Under this system, any job that returns to the workshop within seven days of the previous repair is classified as a repeat job. As repeat jobs are factored into the calculation of the service technician's performance incentive, the technician will be motivated to ensure quality repairs the first time round, thus ensuring customer satisfaction.



In another move that improves service delivery, a mileage-based preventive maintenance system was implemented. This change saves taxi hirers with low mileage from the inconvenience of servicing their vehicles before it is really necessary.

To improve performance, we make it a point to seek feedback from our customers. Under a novel, coloured ball feedback system introduced during the year, customers either select a red ball to indicate their dissatisfaction with our service or a green ball to show they are more than happy to work with us again.

Taxi hirers can also look forward to taking a break in the comfortable new Customer Service Centre at Woodlands while waiting for their taxis to be serviced. The centre's service concept has been changed to a "restaurant system" where service advisers come up to the driver to take their vehicle repair or maintenance "orders" as he is comfortably seated enjoying a cuppa. The taxi workshop at Woodlands has also introduced a single hotline number (6555 5556) for easy recall by drivers.

To retain our competitive edge, SMRT Automotive Services actively manages costs in every aspect of our business. A contract awarded in FY2006 to ExxonMobil through reverse auction ensures three years of uninterrupted diesel supply at a fixed discount. Over at our workshops, the use of alternative parts such as Original Equipment Manufacturer and after-market parts has led to cost savings of \$515,000 for taxi parts and \$448,000 for bus parts. We continue to outsource maintenance functions that cannot be performed economically in-house such as tyre management and the maintenance of our fleet of Ssangyong taxis.

In the year ahead, service improvements for the convenience of our customers include Internet bookings for corrective maintenance jobs and a wireless job intake system. An online Vicom system is also in the pipeline. This system will transmit up-to-date data on the number of taxis that pass the statutory inspection daily at the workshop, thus allowing technicians to fine-tune their rectification works and response times.



In FY2008, we aim to sharpen our competitive edge in the industry and take our place as the taxi operator of choice for customers.

Lo Chee Wen
Vice President
SMRT Taxis Pte Ltd

SMRT Taxis



Operating and Financial Review

SMRT Taxis

FY2007 saw us building on our strengths and reinforcing our service culture in line with our corporate mission of being “The Customer’s Choice”.

The robust growth in the Singapore economy during the year in review led to intense competition among taxi operators to recruit drivers. Against this backdrop, SMRT Taxis carved a niche for itself through initiatives to improve business prospects and the well-being of taxi drivers. These efforts make good on the service promise central to SMRT Taxis’ philosophy, “We take better care of our drivers”.

Singapore’s taxi industry has been undergoing a transformation since it was liberalised. The deregulation of taxi fares in September 1998 allowed taxi companies to set their own fares. In June 2003, limits on the number of taxi companies and their fleet sizes were lifted resulting in intense competition in the industry. Notwithstanding these challenges, SMRT Taxis has grown from strength to strength, growing from a fleet of 1,889 taxis prior to liberalisation to 2,993 taxis as at end March 2007.

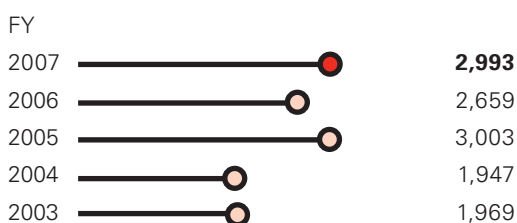
INITIATIVES & INNOVATIONS

The growth of our fleet has been built on our commitment to the well-being of our drivers. During the year, we revamped and introduced a new benefit scheme for both our full time and relief drivers. The Enhanced SMRT Taxis Hi-Care Programme helps drivers by lowering their daily operating cost in tangible ways. Under the scheme, drivers are offered up to 36 rent-free days a year while diesel rebates are made available to all drivers including relief drivers. Long service drivers are also rewarded for their loyalty to SMRT Taxis through better rental discounts of \$2 – \$5 per day, up from the previous \$1 – \$3 per day.

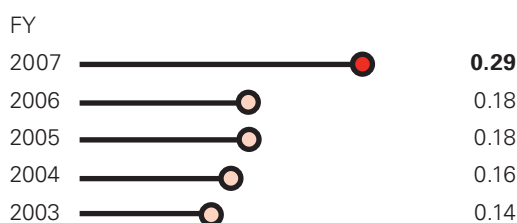
Making good on our pledge to take better care of our drivers, our basic insurance plan covers our drivers until they are 73 years old. We also extended cash outlays to drivers discharged from hospital and recuperating at home, assisting them in their time of need.

In addition, SMRT Taxis introduced a number of low rental schemes to cater to the particular needs of different categories of new and existing drivers. For example, hirers who opt for a Nissan taxi enjoy rental rates that are as low as \$65 per day.

Taxi Fleet Size

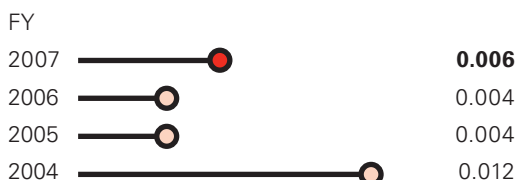


Commendations per 100,000 km



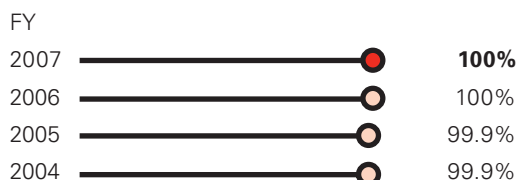
Customer Satisfaction

No more than 0.02 offence per 100,000 km¹



Safety: First Inspection Passing Rate

At least 95%¹



¹ Quality of Standards by the Land Transport Authority

Operating and Financial Review

SMRT Taxis

In celebration of SMRT's 20th Anniversary, SMRT Taxis presented a cash bonus of \$20 a week for a total of 20 weeks to existing drivers. This was in appreciation of their loyalty to SMRT Taxis regardless of the economy's performance. For the first time in the history of Singapore's taxi industry, new hirers were given attractive cash bonuses of up to \$2,800.

Over and above cash incentives, SMRT Taxis constantly rolls out innovative marketing promotions to drive our business and in the process, enhance the income of our drivers.

In May 2006, SMRT Taxis launched its "Book & Win" promotion to coincide with the Great Singapore Sale. Shopping vouchers valued at \$100 were given away daily during the three-month promotion that saw an encouraging increase in taxi call bookings.

In July 2006, the taxi industry introduced its first fare hike in 12 years. Taxi flag-down rates were increased by 10 cents to \$2.50 while the peak period surcharge doubled to \$4. With the change, every 10 cents in fares takes passengers over a distance of 210 metres instead of the previous 225 metres for journeys of 10 kilometres or less. For distances of more than 10 kilometres, 10 cents will be charged for every 175 metres instead of the previous 200 metres. All in all, the fare hike increased the average monthly income of drivers by about \$200.

Regular and enlightened driver training is the foundation upon which SMRT Taxis' service quality stands. When Singapore hosted the annual meetings of the IMF – World Bank Annual Meetings, 50% of our drivers participated in in-house programmes that trained them to provide service with a smile to all delegates.

In other new training initiatives, all new hirers are required to attend a Safe Driving course before they are allocated their vehicles. These safe driving courses are conducted twice a month compared to once a month previously. Our goal is to raise our drivers' awareness of road safety when they are on the road.

In the same way, customer service training for new hirers has been stepped up since September 2006 with new drivers attending a two-hour customer service programme compared to the previous half-hour programme. This programme has been expanded to equip new drivers with core skills essential to an excellent service attitude.

Reflecting SMRT Taxis' commitment to service excellence, the year in review also saw the formation of a One-stop Service Committee to plan, direct and implement service strategies. The objective is to make positive service mindset an integral part of our organisational culture.

With effect from 1 October 2006, all taxis registered in Singapore have to be Euro IV compliant and SMRT Taxis will keep doing its part to promote an environmentally-friendly taxi industry through vehicle acquisitions that conform to these requirements.

To provide more choices to our customers, SMRT Taxis introduced 50 Euro IV compliant SsangYong Rodius MPV taxis. Dubbed "SMRT Space", these new seven-seater space wagons have been an immediate hit with both passengers and drivers. Orders have been placed for more SMRT Space taxis and delivery is expected in the first quarter of FY2008.

LOOKING AHEAD

Singapore's taxi industry is expected to remain highly competitive in the immediate future, suggesting that FY2008 is likely to be as challenging as FY2007, if not more so. In the medium term, the outlook for the industry is positive with a projected increase in tourist arrivals and spin-offs from the development of integrated resorts.

In FY2008, SMRT Taxis will continue to improve on customer service, augment the earning power of our drivers and leverage technology to improve operational efficiency and effectiveness. Through these efforts, we aim to sharpen our competitive edge in the industry and take our place as the taxi operator of choice for customers.

SMRT Investments (Properties & Media)

Currently, we have approximately 4,800 square metres of commercial space under construction throughout the island. Of the new commercial spaces being developed, Choa Chu Kang and Tanjong Pagar will adopt the Xchange brand putting more lifestyle conveniences within reach of the passengers we serve.

Teo Chew Hoon
Vice President
SMRT Investments Pte Ltd



Operating and Financial Review

SMRT Investments (Properties & Media)

SMRT Investments is one of the key contributors to the Group's non-fare revenue. The property component of our operations involves the leasing of commercial spaces within our network of stations and bus interchanges while our media-related work involves the marketing of advertising spaces at our stations, bus interchanges and on board our network of trains, buses and taxis.

PROPERTIES

In FY2007, we made steady progress in our efforts to transform our stations into vibrant and inviting lifestyle hubs. During the year, we completed the development of new commercial shops at 10 stations, namely Bugis, Dhoby Ghaut, Eunos, Expo, Kranji, Pasir Ris, Redhill, Simei, Tampines and Tiong Bahru. Work on another 10 stations, including Choa Chu Kang, Lavender, Paya Lebar and Somerset, amongst others, are underway and completion is expected in the second half of FY2008.

Our inventory of total lettable space in FY2007 stands at 23,201 square metres.

In designing these new commercial spaces, one of our considerations has been to improve public access to our stations by incorporating more covered links and brightly lit walkways to adjacent developments. As our experience with Eunos, Pasir Ris and Tampines stations shows, these measures have been warmly received by passengers while raising the profile of the retail and media spaces within our stations.

Occupancy rate for the year was extremely encouraging, at an average of 99%, up from 98% in FY2006.

BOLD MOVES, INNOVATIVE SERVICES

In our commercial development, we provided new spaces for automated machines. These machines offer passengers convenient access to payment facilities for settling bills, depositing or withdrawing cash, taking instant photographs, purchasing movie tickets, beverages and even renting DVDs.

In FY2007, SMRT forged a strategic partnership with Citibank to launch a bold service initiative, the Citibank-SMRT card, a truly innovative 2-in-1 Visa card that functions as both a contactless ez-link card as well as a credit card. The tie-up takes customer convenience to another level by offering greater value to our passengers. The deal also sees Citibank installing ATM machines and opening bank branches in our stations – a move that resonates with SMRT's vision of transforming our stations into destinations in their own right.



In FY2008, we look forward to creating more quality commercial spaces in our stations. Currently, we have approximately 4,800 square metres of commercial space under construction throughout the island. Of the new commercial spaces being developed, Choa Chu Kang and Tanjong Pagar will adopt the Xchange brand putting more amenities, shopping options and services within reach of the passengers we serve.

MEDIA

Industry statistics show that outdoor advertising revenue grew by 12% from January to December 2006 compared to growth of 4% in overall advertising expenditure. Outperforming the industry, SMRT Media posted revenue growth of 31% to \$16.9 million for FY2007.

CAMPAIGNS WITH A DIFFERENCE

During the year, SMRT Media launched several imaginative and visually arresting campaigns that reinforced our appeal as a value-added advertising platform.

One of the more prominent campaigns for the year was for furniture giant, IKEA. IKEA's "More of us for more of you this Christmas" campaign was designed to announce the opening of their new mega store in Tampines and to encourage shoppers to visit the store over the Christmas and Lunar New Year festive season. Over a three-month period from November 2006, every part of Tampines Station was creatively decked up to evoke the IKEA experience for passengers, with pictures of IKEA products mounted on fare gates, floors, walls, pillars, stair risers, seats and on a concept train.

Operating and Financial Review

SMRT Investments (Properties & Media)

In another crowd pleasing campaign for beer company Asia Pacific Breweries, a 50-metre walkway at Somerset MRT station was ringed with real wire fencing to resemble an electric fence. The overall effect of the visual elements was to position Baron's Strong Brew as a beer "not for the faint-hearted".

In conjunction with the FIFA World Cup in June 2006, an Adidas campaign built around its "Impossible is Nothing" tagline was launched at our stations. The campaign which featured world famous soccer stars ran at Bugis, City Hall, Dhoby Ghaut and Orchard stations.

In a Valentine's Day promotion with a difference, Microsoft marked the global launch of Office Vista Exchange (L.O.V.E) with the maiden voyage of a specially branded Vista "Love" train. The event kicked off at Expo MRT Station where 400 Microsoft staff and business partners boarded the train. Arriving at City Hall and Raffles Place stations, Microsoft staff spread the L.O.V.E message and gave out heart-shaped balloons to passengers.

DOING OUR PART FOR OUR INDUSTRY

SMRT Media actively sponsors a variety of industry events and awards as part of our commitment to foster the growth of Singapore's advertising industry.

In July 2006, SMRT Media was the proud sponsor of an inaugural award to acknowledge the outstanding achievements of creative directors working in Singapore's advertising industry. The newly-created award, part of the prestigious Singapore Advertising Hall of Fame Awards 2006, was launched with a press conference and publicised within our stations through full length posters of Singapore's most influential creative directors.

To further encourage creativity in media campaigns and on our networks, SMRT Media served as a key event sponsor in the Singapore Outdoor Advertising Awards for the third consecutive year.

During the year, SMRT Media supported business partners by sponsoring the EFFIE® award for campaigns that successfully combined disciplines such as planning, media, creative, market research and account management in a marketing programme.

While looking to provide advertisers with more creative spaces for their advertising campaigns, SMRT Media also backed initiatives for the wider community. During the year, we celebrated and promoted Singapore HeritageFest 2006 by sponsoring advertising spaces in our stations and trains, reaching out to more Singaporeans and visitors to participate in the various activities.



SMRT Engineering



The well-respected SMRT brand name has helped open doors for us, leading to invitations by foreign Governments or their public transport operators to tender for operations and maintenance projects.

Harry Tan Chuan Huat
Managing Director
SMRT Engineering Pte Ltd

Operating and Financial Review

SMRT Engineering

OUR STRATEGY

FY2007 proved to be a profitable year for SMRT Engineering (SMRTE) as clients from the Asia Pacific and Middle East sought our services in operations and maintenance (O&M), engineering consultancy and project management.

Competition in the international marketplace has been intense given the emergence of new players in the industry. To sharpen our competitive edge, we leverage the Group's vast experience and in-depth expertise in land transport to move up the value chain of engineering consultancy work. Given the proliferation of rail transport development projects worldwide in recent years, our considered strategy is to focus on higher value projects such as operating and maintaining foreign urban rail systems.

HIGHLIGHTS OF THE YEAR

During the year, our key projects comprised a mix of O&M work, project management and consultancy for clients based in Singapore and the region.

At Singapore's Sentosa Island, our project management team provided technical consultancy and managed the construction and installation work of the monorail system. The system was successfully completed and handed over to Sentosa Development Corporation within schedule in December 2006. A separate project for the Sentosa Island Access and Ticketing System was also completed on schedule and put into operation in January 2007.

At Paya Lebar MRT station, our team completed interim Alteration and Addition works that involved managing the installation, testing and commissioning of the railway signalling system.

In Vietnam, our study on the optimisation of non-fare revenue for Ho Chi Minh City (HCMC) Rail System was completed and our report was duly submitted to the Asian Development Bank (ADB). We are in talks with ADB to explore opportunities arising from the next stage of development of the HCMC Rail System.

Following up on work started in the previous financial year, we conducted O&M training for management and supervisory staff of Nanjing Metro Company Ltd. The training sessions on rail operations, rolling stock maintenance and other support service functions were designed to prepare them for the commencement of revenue service.

Training seminars were also conducted for management and supervisory staff of Delhi Metro. The focus was on train operations and train operators training as well as MRT structure and Permanent Way maintenance.

Our Facilities-Based Operator (FBO) business continued to contribute to our revenue stream during FY2007. This aspect of our business involves leasing SMRTE's optical fibre network capacity to telecommunication players for voice and data communication services. During the year, we secured new leases on bandwidth upgrades from existing Telco clients such as Reach International Telecom, France Telecom, MCI WorldCom and Bluetel Networks Pte Ltd.

LOOKING TO THE FUTURE

We continue to stay abreast of developments and technological advances in the international transport industry so as to offer our clients a modern, comprehensive and sophisticated suite of O&M services. These efforts combined with strong business partnerships and alliances with like-minded and financially sound companies will position SMRTE to seize opportunities for dynamic growth.

The well-respected SMRT brand name has helped open doors for us, leading to invitations by foreign governments or their public transport operators to tender for O&M projects. This working year saw us submitting a number of O&M tender bids in response to invitations from foreign rail system authorities and owners.

In our FBO business, we are seeking meaningful collaborations with like-minded companies to jointly participate in the Infocomm Development Authority's (IDA) iN2015 next generation national broadband network project.

Looking ahead, we will continue to pursue business opportunities in the fast developing Asia Pacific region. The outlook is bright in countries such as China, Dubai, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam as their governments have publicly acknowledged that a strong and reliable public transport network is essential to economic growth and prosperity.

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Directors' Report

Year ended 31 March 2007

We are pleased to submit this report to the members of the Company together with the audited financial statements for the financial year ended 31 March 2007.

DIRECTORS

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

Choo Chiau Beng	Chairman
Saw Phaik Hwa	
Daniel Ee Hock Huat	
Koh Kheng Siong	
Edmund Koh Kian Chew	
Koh Yong Guan	(Appointed on 2 April 2007)
Paul Ma Kah Woh	
Ong Ye Kung	(Appointed on 1 August 2006)
Bob Tan Beng Hai	(Appointed on 1 August 2006)
Engelin Teh Guek Ngor	

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are 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	At End of the Year
Choo Chiau Beng		
SMRT Corporation Ltd – ordinary shares	100,000	100,000
Neptune Orient Lines Ltd – ordinary shares	100,000	100,000
Singapore Airlines Limited – ordinary shares	–	6,000
Singapore Computer Systems Ltd – ordinary shares	–	200,000
SIA Engineering Company Limited – ordinary shares	100,000	–
Singapore Food Industries Limited – ordinary shares	20,000	20,000
Singapore Telecommunications Limited – ordinary shares	1,746	1,680
Saw Phaik Hwa		
SMRT Corporation Ltd – ordinary shares	186,000	240,000
– options to subscribe for ordinary shares at \$0.623 between 22/7/2004 to 21/7/2013	54,000	–

Directors' Report

Year ended 31 March 2007

DIRECTORS' INTERESTS (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	At End of the Year
Daniel Ee Hock Huat		
SMRT Corporation Ltd – ordinary shares	55,000	55,000
SembCorp Industries Ltd – ordinary shares	3,486	*
Singapore Food Industries Limited – ordinary shares	61,000	61,000
Singapore Technologies Engineering Ltd – ordinary shares	10,000	10,000
Singapore Telecommunications Limited – ordinary shares	3,500	3,350
Koh Kheng Siong		
SembCorp Industries Ltd – ordinary shares	18,800	*
Singapore Airlines Limited – ordinary shares	15,000	15,000
Singapore Technologies Engineering Ltd – ordinary shares	34,361	34,361
Singapore Telecommunications Limited – ordinary shares	14,090	13,400
Edmund Koh Kian Chew		
SNP Corporation Ltd – ordinary shares	10,000	10,000
– options to subscribe for ordinary shares at:		
– \$0.69 between 17/4/2003 to 16/4/2007	25,000	25,000
– \$0.59 between 15/4/2004 to 14/4/2008	25,000	25,000
– \$1.19 between 21/4/2005 to 20/4/2009	25,000	25,000
– \$0.90 between 19/4/2006 to 18/4/2010	27,500	27,500
Paul Ma Kah Woh		
Singapore Telecommunications Limited – ordinary shares	380	380
StarHub Ltd – ordinary shares	100,000	85,720
Ong Ye Kung		
Singapore Telecommunications Limited – ordinary shares	1,880	1,800

Directors' Report

Year ended 31 March 2007

DIRECTORS' INTERESTS (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	At End of the Year
Engelin Teh Guek Ngor		
SMRT Corporation Ltd – ordinary shares	150,000	150,000
SembCorp Logistics Ltd – ordinary shares	50,000	*
Singapore Computer Systems Ltd – ordinary shares	–	100,000
Singapore Telecommunications Limited – ordinary shares	100,000	1,360
SP AusNet – stapled securities	31,000	31,000

* SembCorp Industries Ltd and SembCorp Logistics Ltd ceased to be related corporations of SMRT Corporation Ltd during the financial year.

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

The interest of Mr Koh Yong Guan in shares, debentures and share options in the Company and in related corporations (other than wholly-owned subsidiaries) as at the date of his appointment on 2 April 2007 (being a date after the financial year end) is as follows:

Name of Director and Corporation in which Interests are Held	Holdings in the Name of the Director, Spouse or Infant Children at Date of Appointment
Koh Yong Guan	
SMRT Corporation Ltd – ordinary shares	70,000
Chartered Semiconductor Manufacturing Ltd – ordinary shares	2,000
Mapletree Logistics Trust Management Ltd – units in Mapletree Logistics Trust	5,000
Singapore Airlines Limited – ordinary shares	5,000
Singapore Computer Systems Limited – ordinary shares	10,000
Singapore Food Industries Limited – ordinary shares	17,000
Singapore Telecommunications Limited – ordinary shares	19,090
Singapore Technologies Engineering Ltd – ordinary shares	23,108
SP AusNet – stapled securities	96,000

Directors' Report

Year ended 31 March 2007

DIRECTORS' INTERESTS (cont'd)

There were no changes in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 April 2007 except for Mr Choo Chiau Beng's interest in the shares of Singapore Airlines Limited which is set out below:

Name of Director and Corporation in which Interests are Held	Holdings in the Name of the Director, Spouse or Infant Children	
	At End of the Year	At 21 April 2007
Choo Chiau Beng Singapore Airlines Limited – ordinary shares	6,000	10,000

Except as disclosed under the "Share Options and Share Plans" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

Except as disclosed in note 21(b) to the financial statements, since the end of the last 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.

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 was 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 Choo Chiau Beng, Chairman of the Committee, Mr Daniel Ee Hock Huat, Mr Koh Kheng Siong and Mr Edmund Koh Kian Chew.

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 2007

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 fifteen percent 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 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 Share	Options Outstanding at 1 April 2006	Options Exercised	Options Forfeited/ Expired	Options Outstanding at 31 March 2007	Number of Option Holders at 31 March 2007	Exercise Period
16/7/2001	\$0.816	3,461,000	1,051,500	74,000	2,335,500	995	16/7/2002 to 15/7/2011
22/7/2002	\$0.676	2,380,600	833,000	52,200	1,495,400	1,243	22/7/2003 to 21/7/2012
22/7/2003	\$0.623	3,262,494	1,461,110	77,534	1,723,850	1,264	22/7/2004 to 21/7/2013
		9,104,094	3,345,610	203,734	5,554,750		

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.

Directors' Report

Year ended 31 March 2007

SHARE OPTIONS AND SHARE PLANS (cont'd)

SMRT ESOP (cont'd)

Details of options granted to directors of the Company under the SMRT ESOP are as follows:

Name of Director	Options Granted for Financial Year Ended 31 March 2007	Aggregate Options Granted Since Commencement of Scheme to 31 March 2007	Aggregate Options Exercised Since Commencement of Scheme to 31 March 2007	Aggregate Options Outstanding as at 31 March 2007
Saw Phaik Hwa	–	160,000	160,000	–

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.

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.

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.

Directors' Report

Year ended 31 March 2007

SHARE OPTIONS AND SHARE PLANS (cont'd) SMRT RSP and SMRT PSP (collectively "the Plans") (cont'd)

(ii) Awards (cont'd)

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 fifteen percent of the issued share capital of the Company on the day preceding the relevant date of award.

The number of existing shares purchased from the market which may be delivered pursuant to awards under the Plans, and the amount of cash which may be paid upon the release of such awards in lieu of shares, will not be subject to any limit as such methods will not involve the issuance of any new shares.

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 two-year performance period based on medium-term corporate and business unit objectives with some degree of stretch.
Date of grant	19 March 2007	19 March 2007
Performance period	1 April 2006 to 31 March 2009	1 April 2006 to 31 March 2008
Vesting condition	Vesting based on meeting stated performance conditions over a three-year performance period.	Based on meeting stated performance conditions over a two-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% - 125% depending on the achievement of pre-set performance targets over the performance period.	0% - 121% depending on the achievement of pre-set performance targets over the performance period.

Directors' Report

Year ended 31 March 2007

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 2006	Shares Granted During Financial Year	Shares Cancelled During Financial Year	Shares Released During Financial Year	Balance as at 31 March 2007
Grant date					
1 March 2006					
– For senior management	40,000	–	–	–	40,000
– For executive director (Saw Phaik Hwa)	100,000	–	–	–	100,000
19 March 2007					
– For senior management	–	63,500	–	–	63,500
– For executive director (Saw Phaik Hwa)	–	100,000	–	–	100,000
Total	140,000	163,500	–	–	303,500

SMRT RSP

	Balance as at 1 April 2006	Shares Granted During Financial Year	Shares Cancelled During Financial Year	Shares Released During Financial Year	Balance as at 31 March 2007
Grant date					
1 March 2006					
– For senior management	495,500	–	22,500	–	473,000
– For executive director (Saw Phaik Hwa)	100,000	–	–	–	100,000
19 March 2007					
– For senior management	–	581,200	–	–	581,200
– For executive director (Saw Phaik Hwa)	–	100,000	–	–	100,000
Total	595,500	681,200	22,500	–	1,254,200

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 2007 were 303,500 and 1,254,200 (2006: 140,000 and 595,500) 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 379,400 and 1,410,200 (2006: 175,000 and 716,920) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

AUDIT COMMITTEE

The Audit Committee (the "Committee") comprises five non-executive directors. The Committee's members during the year and at the date of this report are as follows:

Daniel Ee Hock Huat Chairman
Koh Kheng Siong
Paul Ma Kah Woh
Bob Tan Beng Hai
Engelin Teh Guek Ngor

The Committee performs the functions specified in Section 201B of the Act, the SGX-ST Listing Manual ("Listing Manual") and the Code of Corporate Governance.

Directors' Report

Year ended 31 March 2007

AUDIT COMMITTEE (cont'd)

The principal responsibility of the Committee is to assist the Board of Directors in the identification and monitoring of areas of significant business risks including the following:

- the effectiveness of the management of financial business risks and the reliability of management reporting;
- compliance with laws and regulations, particularly those of the Act and the Listing Manual;
- the appropriateness of quarterly and full year announcements and reports;
- the effectiveness of the Group's system of internal controls;
- the effectiveness and efficiency of internal and external audits; and
- interested person transactions.

Specific functions of the Committee include reviewing the scope of work of the internal and external auditors, reviewing the level of assistance given by the Group's officers to the internal and external auditors, and receiving and considering the reports of the internal and the external auditors, the internal auditors' evaluation of the system of internal controls and ensuring that management responds to recommendations made by the internal and external auditors. The Committee also recommends the appointment of the external auditors.

The Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The Committee met four times during the year.

The Committee has met with the internal auditors twice and external auditors once separately without the presence of management during the year.

The Committee reviewed the independence of the external auditors and determined that the external auditors were independent in carrying out their audit of the financial statements.

In addition, the Committee has, in accordance with Chapter 9 of the Listing Manual, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Group to identify and report and where necessary, seek approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The Committee has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Choo Chiau Beng
Director



Saw Phaik Hwa
Director

24 April 2007

Statement by Directors

Year ended 31 March 2007

In our opinion:

- (a) the financial statements set out on pages 109 to 156 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 2007 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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



Choo Chiau Beng
Director



Saw Phaik Hwa
Director

24 April 2007

Independent Auditors' Report

Year ended 31 March 2007

Members of the Company
SMRT Corporation Ltd

We have audited the accompanying financial statements of SMRT Corporation Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 March 2007, the income statement, statement of changes in equity and cash flow statement of the Group and of the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 109 to 156.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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:

- (a) the consolidated financial statements of the Group and the balance sheet and the 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 to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2007 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date; and
- (b) 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.



KPMG

Certified Public Accountants

Singapore
24 April 2007

Balance Sheets

As at 31 March 2007

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current assets					
Property, plant and equipment	4	1,046,217	1,082,144	5,610	4,851
Intangible asset	5	41,932	41,932	–	–
Investments in subsidiaries	6	–	–	329,891	333,191
Interest in an associate	7	764	–	–	–
Available-for-sale financial assets	8	7,652	6,873	–	–
		1,096,565	1,130,949	335,501	338,042
Current assets					
Inventories	9	34,640	36,388	–	–
Trade and other receivables	10	48,489	74,879	164,133	302,946
Available-for-sale financial assets	8	19,000	–	19,000	–
Tax recoverable	11	10,629	10,184	6,177	7,422
Fixed deposits with banks and financial institutions		132,380	91,263	119,400	–
Cash at banks and in hand		37,249	40,471	1,195	1,008
		282,387	253,185	309,905	311,376
Total assets		1,378,952	1,384,134	645,406	649,418
Equity attributable to equity holders of SMRT					
Share capital	12	158,824	156,493	158,824	156,493
Reserves	13	5,419	3,638	879	518
Accumulated profits		475,926	425,898	129,739	105,113
		640,169	586,029	289,442	262,124
Minority interests		–	2,364	–	–
Total equity		640,169	588,393	289,442	262,124
Non-current liabilities					
Interest-bearing borrowings	14	250,000	50,000	250,000	50,000
Provisions	15	3,183	2,869	37	167
Deferred tax liabilities	16	140,979	150,619	772	993
Fuel equalisation account	17	19,112	19,112	–	–
Deferred grant	18	148,136	170,560	–	–
		561,410	393,160	250,809	51,160
Current liabilities					
Trade and other payables	19	143,212	134,358	104,985	85,938
Interest-bearing borrowings	14	–	250,000	–	250,000
Provisions	15	16,977	17,308	170	196
Current tax payable		17,184	915	–	–
		177,373	402,581	105,155	336,134
Total liabilities		738,783	795,741	355,964	387,294
Total equity and liabilities		1,378,952	1,384,134	645,406	649,418

The accompanying notes form an integral part of these financial statements.

Consolidated Income Statement

Year ended 31 March 2007

	Note	Group 2007 \$'000	2006 \$'000
Revenue	20	743,126	711,742
Other operating income	21(a)	27,759	24,736
Staff and related costs	21(b)	(263,104)	(253,530)
Depreciation and impairment losses of property, plant and equipment	4	(131,957)	(131,525)
Amortisation of asset-related grant	18	22,251	23,106
Repairs and maintenance costs		(60,483)	(57,683)
Electricity and diesel costs		(75,941)	(66,385)
Other operating expenses	21(c)	(116,386)	(111,695)
Finance costs	21(d)	(9,930)	(9,658)
Interest and investment income	21(e)	6,909	1,302
Share of results of an associate (net of tax)		92	(6,339)
Profit before income tax	21	142,336	124,071
Income tax expense	22	(6,546)	(20,447)
Profit for the year		135,790	103,624
Attributable to:			
Equity holders of SMRT		135,407	103,436
Minority interests		383	188
Profit for the year		135,790	103,624
Earnings per share (in cents)			
Basic	23	9.0	6.9
Diluted	23	8.9	6.8

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

Group	Share Capital \$'000	Share Premium \$'000	Fair Value Reserve \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total Attributable to Equity Holders of SMRT \$'000	Minority Interest \$'000	Total \$'000
At 1 April 2005	150,256	1,606	1,345	419	400,786	554,412	2,178	556,590
Net fair value changes on available-for-sale financial assets	–	–	1,775	–	–	1,775	–	1,775
Net gain recognised directly in equity	–	–	1,775	–	–	1,775	–	1,775
Profit for the year	–	–	–	–	103,436	103,436	188	103,624
Total recognised income and expense for the year	–	–	1,775	–	103,436	105,211	188	105,399
Disposal of subsidiary	–	–	–	–	–	–	(2)	(2)
Issue of shares under SMRT ESOP	654	3,977	–	–	–	4,631	–	4,631
Value of employee services received for share-based payment	–	–	–	99	–	99	–	99
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	5,583	(5,583)	–	–	–	–	–	–
Final dividend paid of 5.00 cents per share less tax at 20% in respect of year 2005	–	–	–	–	(60,144)	(60,144)	–	(60,144)
Interim dividend paid of 1.50 cents per share less tax at 20% in respect of year 2006	–	–	–	–	(18,180)	(18,180)	–	(18,180)
At 31 March 2006	156,493	–	3,120	518	425,898	586,029	2,364	588,393

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

Group (cont'd)	Share Capital \$'000	Fair Value Reserve \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total Attributable to Equity Holders of SMRT \$'000	Minority Interest \$'000	Total \$'000
At 1 April 2006	156,493	3,120	518	425,898	586,029	2,364	588,393
Net fair value changes on available-for-sale financial assets	–	1,420	–	–	1,420	–	1,420
Net gain recognised directly in equity	–	1,420	–	–	1,420	–	1,420
Profit for the year	–	–	–	135,407	135,407	383	135,790
Total recognised income and expense for the year	–	1,420	–	135,407	136,827	383	137,210
Disposal of subsidiary	–	–	–	–	–	(2,747)	(2,747)
Issue of shares under SMRT ESOP	2,331	–	–	–	2,331	–	2,331
Value of employee services received for share-based payment	–	–	361	–	361	–	361
Final dividend paid of 5.5 cents per share less tax at 20% in respect of year 2006	–	–	–	(66,438)	(66,438)	–	(66,438)
Interim dividend paid of 1.23 cents per share less tax at 20% in respect of year 2007	–	–	–	(14,863)	(14,863)	–	(14,863)
Interim dividend paid of 0.27 cents per share in respect of year 2007	–	–	–	(4,078)	(4,078)	–	(4,078)
At 31 March 2007	158,824	4,540	879	475,926	640,169	–	640,169

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

Year ended 31 March 2007

Company	Share Capital \$'000	Share Premium \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total \$'000
At 1 April 2005	150,256	1,606	419	135,855	288,136
Profit for the year	–	–	–	47,582	47,582
Total recognised income and expense for the year	–	–	–	47,582	47,582
Issue of shares under SMRT ESOP	654	3,977	–	–	4,631
Value of employee services received for share-based payment	–	–	99	–	99
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	5,583	(5,583)	–	–	–
Final dividend paid of 5.00 cents per share less tax at 20% in respect of year 2005	–	–	–	(60,144)	(60,144)
Interim dividend paid of 1.50 cents per share less tax at 20% in respect of year 2006	–	–	–	(18,180)	(18,180)
At 31 March 2006	156,493	–	518	105,113	262,124

Company	Share Capital \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total \$'000
At 1 April 2006	156,493	518	105,113	262,124
Profit for the year	–	–	110,005	110,005
Total recognised income and expense for the year	–	–	110,005	110,005
Issue of shares under SMRT ESOP	2,331	–	–	2,331
Value of employee services received for share-based payment	–	361	–	361
Final dividend paid of 5.5 cents per share less tax at 20% in respect of year 2006	–	–	(66,438)	(66,438)
Interim dividend paid of 1.23 cents per share less tax at 20% in respect of year 2007	–	–	(14,863)	(14,863)
Interim dividend paid of 0.27 cents per share in respect of year 2007	–	–	(4,078)	(4,078)
At 31 March 2007	158,824	879	129,739	289,442

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2007

	2007 \$'000	2006 \$'000
Operating activities		
Profit before income tax	142,336	124,071
Adjustments for items not involving outlay of funds:		
Amortisation of asset-related grant	(22,251)	(23,106)
Depreciation and impairment losses of property, plant and equipment	131,957	131,525
Dividend and other income	(7,734)	(249)
Grant released upon disposal/write-off of property, plant and equipment	(173)	(108)
Interest expense	9,930	9,658
Interest income	(4,551)	(1,628)
(Gain)/loss on disposal of:		
– property, plant and equipment	1,477	516
– investment in subsidiaries	1,130	10
– investment in an associate	–	646
– other investments	(3,133)	(81)
Property, plant and equipment written off	884	533
Provisions made during the year	11,457	12,386
Share-based payment expenses	361	99
Share of results of an associate	(92)	6,339
Operating profit before working capital changes	261,598	260,611
Changes in working capital:		
Inventories	1,565	4,673
Trade and other receivables	10,367	(14,636)
Amounts due to/from an associate	583	290
Trade, other payables and provisions	22,587	(3,423)
Cash generated from operations	296,700	247,515
Income taxes paid (net)	(58)	(160)
Dividends paid	(85,379)	(78,324)
Interest paid	(10,335)	(9,504)
Cash flows from operating activities	200,928	159,527

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Note	2007 \$'000	2006 \$'000
Investing activities			
Dividends received		3,803	249
Interest received		4,107	1,412
Investment in an associate		–	(6,500)
Purchase of property, plant and equipment		(91,059)	(101,565)
Purchase of investments		(19,000)	–
Disposal of subsidiary, net of cash	25	(17,383)	5
Proceeds from disposal of:			
– property, plant and equipment		394	2,005
– investments		3,774	–
Cash flows from investing activities		(115,364)	(104,394)
Financing activities			
Proceeds from issue of shares under share option plan		2,331	4,631
Proceeds from issue of unsecured quoted fixed rate notes		200,000	–
Redemption of unsecured quoted bonds		(250,000)	–
Cash flows from financing activities		(47,669)	4,631
Net increase in cash and cash equivalents		37,895	59,764
Cash and cash equivalents at beginning of the year		131,734	71,970
Cash and cash equivalents at end of the year		169,629	131,734
Cash and cash equivalents at end of the year comprise:			
Fixed deposits with banks and financial institutions		132,380	91,263
Cash at banks and in hand		37,249	40,471
		169,629	131,734

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2007

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 24 April 2007.

1 DOMICILE AND ACTIVITIES

SMRT Corporation Ltd ("SMRT" or the "Company") is incorporated in the Republic of Singapore and has its registered office at 251 North Bridge Road, Singapore 179102.

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 seven key businesses as follows:

(i) Rail Operations

Its principal activities are to provide transport-related businesses in Singapore. It operates the East-West and North-South 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 bus services and charter hire services.

(iii) Taxi Operations

Its principal activities are to provide rental of taxis and provision of taxi services.

(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 and Other Services

The business provides consultancy, project management services, leasing of fibre optic cables, repair and maintenance services and sales of diesel to taxi hirers.

(vii) Investment Holding

Its principal activities are the provision of management services to Group companies and investment in associates.

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 (referred to as the "Group") and the Group's interests in associates.

2 LICENCE AND OPERATING AGREEMENT

(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 existing 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 include the following:

- (i) The licence is for a period of 30 years commencing 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 2010 and thereafter, the percentage shall be determined by LTA and reviewed every ten years. MRT may request LTA to extend the licence or subsequent licence for a period of 30 years subject to any other 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, platforms screen doors, environmental control system, electrical service and fire protection system, signalling system, communication system, automatic fare collection system and depot workshop equipment.

Notes to the Financial Statements

Year ended 31 March 2007

2 LICENCE AND OPERATING AGREEMENT (cont'd)

(a) SMRT Trains Ltd ("MRT") (cont'd)

(iii) Upon the expiration or cancellation of the licence, MRT is required to surrender all parts 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.

(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 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, and such percentage will be reviewed every 5 years by LTA. LRT may request LTA to extend the licence for a period of 30 years and LTA may renew the licence for a period of 30 years or such other period and upon such other 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.
- (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.

Notes to the Financial Statements

Year ended 31 March 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are stated at fair value.

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 financial statements 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation 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 31.

The Group adopted INT FRS 104 *Determining whether an Arrangement Contains a Lease* which is mandatory for annual reports beginning on or after 1 January 2006. An arrangement to use the operating assets of the LRT system is not in the legal form of an operating lease, but is accounted for as such based on its terms and conditions.

During the year, the Group early adopted INT FRS 112 *Service Concession Arrangements* which is effective for financial periods beginning on or after 1 January 2008. The MRT LOA and LRT LOA are considered service concession arrangements and accordingly, the infrastructure assets of the MRT and LRT systems shall not be recognised as the Group's property, plant and equipment.

The new or revised FRS which became effective for the current financial year did not give rise to any significant financial impact.

The accounting policies set out below have been applied consistently by the Group. The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

3.2 Consolidation

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Group's balance sheet at cost less impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Business Combination

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

Notes to the Financial Statements

Year ended 31 March 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Consolidation (cont'd)

Associates

Associates are companies in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associates, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations or made payments on behalf to satisfy obligations of the associates that the Group has guaranteed or otherwise committed.

Transactions Eliminated on Consolidation

All significant intra-group transactions, balances and unrealised gains are eliminated on consolidation. Unrealised gains resulting from transactions with an associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting Policies of Subsidiaries and Associates

Where necessary, accounting policies for subsidiaries and associates have been adjusted on consolidation to be consistent with the policies adopted by the Group.

3.3 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 reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below).

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 reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the date of the transactions.

Foreign exchange differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

3.4 Property, Plant and Equipment

Owned Assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

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.

Notes to the Financial Statements

Year ended 31 March 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, Plant and Equipment (cont'd)

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. 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.

Depreciation

Depreciation is provided on a straight-line basis so as to write off the cost of the property, plant and equipment and major components that are accounted for separately over their estimated useful lives as follows:

Leasehold land and properties	–	lease period ranging from 6 to 30 years
Furniture and fittings, office equipment and computers	–	3 to 10 years
Motor vehicles	–	5 to 6 years
Rolling stock	–	15 to 30 years
Power supply equipment	–	20 to 25 years
Signalling, communication and automatic fare collection systems	–	3 to 30 years
Buses	–	10 to 17 years
Taxis and vehicles for rental	–	6.67 to 7.67 years
Plant and machinery	–	3 to 12 years
Other operating equipment	–	15 to 30 years

No depreciation is provided on unregistered buses and taxis and assets under construction until such assets are completed and put into operational use.

Property, plant and equipment costing less than \$1,000 per item are expensed off as and when they are purchased.

Depreciation method, useful lives and residual values, are reviewed and adjusted as appropriate, at each reporting date.

3.5 Intangible Assets

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less 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 3.11.

3.6 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 directly in equity. 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 equity 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.

Notes to the Financial Statements

Year ended 31 March 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Available-for-sale Financial Assets (cont'd)

Unquoted equity and other investments are held at cost less impairment loss because of the lack of quoted market prices and the inability to reliably estimate fair value. Management believes that the carrying amounts recorded at balance sheet date reflect the corresponding fair values.

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.

3.7 Derivatives Financial Instruments

The Group uses forward foreign exchange contracts to partially hedge its exposure to foreign exchange risks arising from operational activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Forward foreign exchange contracts are recognised initially at fair value. Subsequent to initial recognition, these instruments are remeasured 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. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

3.8 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.

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.

3.9 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.

3.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

3.11 Impairment

The carrying amounts of the Group's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually and as and when indicators of impairment are identified.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Notes to the Financial Statements

Year ended 31 March 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Impairment (cont'd)

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 assets is impaired, the cumulative loss that had 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.

Calculation of Recoverable Amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of 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.

The recoverable amount is the greater of the assets' net selling price and value in use. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of Impairment

An impairment loss in respect of financial assets measured at amortised cost and available for sale debt securities is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale, the reversal is recognised directly in equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. However, an impairment loss in respect of goodwill is not reversed.

3.12 Liabilities and Interest-Bearing Borrowings

Trade and other payables 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.

3.13 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.

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".

Notes to the Financial Statements

Year ended 31 March 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 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.

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 provided in full, using the balance sheet method, on 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.

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.

3.15 Fuel Equalisation Account ("FEA")

The FEA has been set up in accordance with the directive of the Public Transport Council ("PTC") as part of the mechanism for regulating public transport fares. The FEA is computed based on the reference electricity tariff and diesel price for the year as determined by the PTC.

In the year where the actual electricity tariff and diesel price is below the reference electricity tariff and diesel price for that year, a fuel equalisation account is set up as a charge to the income statement for that year. In the year where the actual electricity tariff and diesel price is above the reference electricity tariff and diesel price for that year, the fuel equalisation account previously set up is released to that year's income statement. The amount that can be released to the income statement is limited to the maintenance of a minimum balance (or such other amount as may be approved by PTC) in the FEA equivalent to one year's fuel consumption calculated based on the reference electricity tariff and diesel price.

All transfers to and from the FEA must be approved by the PTC. The PTC may also direct such transfers that it considers necessary and has the obligation to ensure that the benefits relating to the balance in the FEA will be passed back to the commuting public.

3.16 Grants

Asset-related grants received from the Land Transport Authority for the purchase of eligible operating 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.

3.17 Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

3.18 Revenue Recognition

Passenger Revenue

Passenger revenue from MRT and LRT systems and buses 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.

Notes to the Financial Statements

Year ended 31 March 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Revenue Recognition (cont'd)

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 on the percentage of completion method. The stage of completion is recognised upon completion of work done at designated phases of the contracts. Provision for foreseeable losses, on contracts not yet completed, is made as soon as such losses are determinable.

3.19 Operating Leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the terms of the leases.

3.20 Finance Costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred.

3.21 Interest and Investment Income

Interest income from bank deposits and other debt securities is accrued on a time-apportioned basis.

Dividend income from other equity investments is recognised in the income statement at gross on a receipt basis.

Dividend income from subsidiaries is recognised on the date that the Group's right to receive payment is established.

Gain or loss on disposal of investment is accounted for in the income statement as they arise.

3.22 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3.23 Employee Benefits

(a) Defined Contribution Plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Notes to the Financial Statements

Year ended 31 March 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.23 Employee Benefits (cont'd)

(b) Defined Benefit 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 is recognised in the income statement in the period that the gain or loss arises.

(c) Short-term Accumulating Compensated Absences

Provision is made when services are rendered by employees that increase their entitlement to future compensated absences.

(d) Equity and Equity Related Compensated Benefits

The SMRT 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 2007

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Land and Properties \$'000	Furniture Fittings, Office Equipment and Computers \$'000	Motor Vehicles \$'000	Rolling Stock \$'000
Cost				
At 1 April 2005	62,091	42,355	3,854	820,913
Additions	395	3,353	251	66
Disposals/Write offs	(3)	(1,622)	(456)	(78)
Transfers/Reclassifications	9,213	11,765	–	53
At 31 March 2006	71,696	55,851	3,649	820,954
At 1 April 2006	71,696	55,851	3,649	820,954
Arising on disposal of subsidiary	(1,914)	(18,551)	(154)	–
Additions	55	4,044	82	213
Disposals/Write offs	–	(3,438)	(123)	(1,935)
Transfers/Reclassifications	21,250	2,092	–	8,368
At 31 March 2007	91,087	39,998	3,454	827,600
Accumulated depreciation and impairment losses				
At 1 April 2005	8,640	27,059	3,073	390,006
Depreciation charge for the year	2,689	5,653	312	44,129
Disposals/Write offs	(3)	(1,592)	(451)	(14)
At 31 March 2006	11,326	31,120	2,934	434,121
At 1 April 2006	11,326	31,120	2,934	434,121
Arising on disposal of subsidiary	(1,259)	(18,028)	(146)	–
Depreciation charge for the year	3,610	9,173	289	42,341
Disposals/Write offs	–	(3,409)	(123)	(1,894)
At 31 March 2007	13,677	18,856	2,954	474,568
Carrying amount				
At 1 April 2005	53,451	15,296	781	430,907
At 31 March 2006	60,370	24,731	715	386,833
At 31 March 2007	77,410	21,142	500	353,032

Notes to the Financial Statements

Year ended 31 March 2007

Power Supply Equipment \$'000	Signalling, Communication and Automatic Fare Collection Systems \$'000	Buses \$'000	Taxis and Vehicles For Rental \$'000	Plant and Machinery \$'000	Other Operating Equipment \$'000	Assets Under Construction \$'000	Total \$'000
138,289	262,670	181,999	185,838	22,335	289,923	46,689	2,056,956
393	924	9	29,636	93	1,268	53,551	89,939
(838)	(3,181)	(115)	(69,949)	(125)	(391)	–	(76,758)
9	2,278	–	45,345	243	6,013	(74,919)	–
137,853	262,691	181,893	190,870	22,546	296,813	25,321	2,070,137
137,853	262,691	181,893	190,870	22,546	296,813	25,321	2,070,137
–	(769)	–	–	–	–	–	(21,388)
780	445	257	16,334	384	690	84,655	107,939
(767)	(8,503)	(344)	(22,514)	(17)	(774)	–	(38,415)
–	2,987	378	17,389	–	4,453	(56,917)	–
137,866	256,851	182,184	202,079	22,913	301,182	53,059	2,118,273
57,526	112,194	64,922	49,684	18,420	168,567	–	900,091
8,226	20,449	9,934	23,499	1,088	15,546	–	131,525
(609)	(3,042)	(105)	(37,366)	(125)	(316)	–	(43,623)
65,143	129,601	74,751	35,817	19,383	183,797	–	987,993
65,143	129,601	74,751	35,817	19,383	183,797	–	987,993
–	(744)	–	–	–	–	–	(20,177)
8,203	20,147	9,910	21,880	1,336	15,068	–	131,957
(442)	(8,457)	(245)	(12,533)	(17)	(597)	–	(27,717)
72,904	140,547	84,416	45,164	20,702	198,268	–	1,072,056
80,763	150,476	117,077	136,154	3,915	121,356	46,689	1,156,865
72,710	133,090	107,142	155,053	3,163	113,016	25,321	1,082,144
64,962	116,304	97,768	156,915	2,211	102,914	53,059	1,046,217

Notes to the Financial Statements

Year ended 31 March 2007

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 2005	3,326	959	48	7	–	1,084	5,424
Additions	543	175	–	–	28	1,183	1,929
Disposals/Write offs	(15)	–	–	–	–	–	(15)
Transfers/Reclassifications	1,605	–	–	–	–	(1,605)	–
At 31 March 2006	5,459	1,134	48	7	28	662	7,338
At 1 April 2006	5,459	1,134	48	7	28	662	7,338
Additions	789	–	48	–	–	1,226	2,063
Disposals/Write offs	(25)	–	–	–	–	–	(25)
Transfers/Reclassifications	548	–	–	–	–	(548)	–
At 31 March 2007	6,771	1,134	96	7	28	1,340	9,376
Accumulated depreciation and impairment losses							
At 1 April 2005	888	266	10	1	–	–	1,165
Depreciation charge for the year	1,023	298	12	1	3	–	1,337
Disposals/Write offs	(15)	–	–	–	–	–	(15)
At 31 March 2006	1,896	564	22	2	3	–	2,487
At 1 April 2006	1,896	564	22	2	3	–	2,487
Depreciation charge for the year	1,194	89	16	2	3	–	1,304
Disposals/Write offs	(25)	–	–	–	–	–	(25)
At 31 March 2007	3,065	653	38	4	6	–	3,766
Carrying amount							
At 1 April 2005	2,438	693	38	6	–	1,084	4,259
At 31 March 2006	3,563	570	26	5	25	662	4,851
At 31 March 2007	3,706	481	58	3	22	1,340	5,610

Notes to the Financial Statements

Year ended 31 March 2007

5 INTANGIBLE ASSET

Group	Goodwill \$'000
Cost	
At 1 April 2006 and 31 March 2007	63,373
Impairment losses	
At 1 April 2006 and 31 March 2007	21,441
Carrying amount	
At 1 April 2006 and 31 March 2007	41,932

Impairment tests for business units containing goodwill

Goodwill is allocated to the Group's business units:

	2007 \$'000	2006 \$'000
Bus operations	28,318	28,318
Taxi operations	13,614	13,614
	41,932	41,932

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 key assumptions for the cash flow projections are stated below.

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. In this instance, the discounted terminal value is computed using Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) less replacement capital expenditure divided by the pre-tax Weighted Average Cost of Capital (WACC) of the Group.

The key assumptions used for the analysis of each business unit are:

- (a) The sizes of taxi and bus fleets are those existing at date of review.
- (b) There are no significant changes expected in bus ridership, bus fare and taxi rental rates as compared to current levels.
- (c) Fare adjustments based on new fare formula advised by the Public Transport Council.
- (d) The discount rate used is based on the pre-tax WACC of the Group.

Notes to the Financial Statements

Year ended 31 March 2007

6 INVESTMENTS IN SUBSIDIARIES

	Company	
	2007 \$'000	2006 \$'000
Unquoted equity shares, at cost	359,508	362,808
Impairment losses	(29,617)	(29,617)
	329,891	333,191

Details of the subsidiaries are as follows:

Name of Subsidiaries	Place of Incorporation and Business	Effective Equity Interest Held by the Group	
		2007 %	2006 %
1 SMRT Trains Ltd. and its subsidiary:	Singapore	100	100
1 SMRT Light Rail Pte. Ltd.	Singapore	100	100
1 SMRT Engineering Pte Ltd	Singapore	100	100
1 SMRT International Pte Ltd	Singapore	100	100
1 SMRT Investments Pte Ltd	Singapore	100	100
2 RFP Investments Pte Ltd	Singapore	100	100
1 SMRT Road Holdings Ltd. and its subsidiaries:	Singapore	100	100
1 SMRT Buses Ltd.	Singapore	100	100
3 Singapore Shuttle Bus (Pte) 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
4 Transit Link Pte Ltd	Singapore	*	66.67

1 Audited by KPMG, Singapore.

2 Not audited as the company has applied for deregistration from the register of the Accounting and Corporate Regulatory Authority during the year.

3 Not audited as the company is under members' voluntary liquidation.

4 Audited by PricewaterhouseCoopers, Singapore.

* During the year, Transit Link Pte Ltd ("Transit Link") ceased to be a subsidiary and became an associate of the Group (see Note 7), following the dilution of the Group's shareholding in the company from 66.67% to 50%. This resulted in a loss of \$1,130,000 to the Group (see Note 25).

7 INTEREST IN AN ASSOCIATE

Details of the associate are as follows:

Name of Associate	Place of Incorporation and Business	Effective Equity Interest Held by the Group	
		2007 %	2006 %
Held by SMRT Trains Ltd.			
Transit Link Pte Ltd	Singapore	50	*

* Consolidated as a subsidiary of the Group (see Note 6)

Notes to the Financial Statements

Year ended 31 March 2007

7 INTEREST IN AN ASSOCIATE (cont'd)

The summarised financial information of Transit Link which is not adjusted for the percentage of ownership held by the Group, is as follows:

	2007 \$'000
Assets and liabilities	
Total assets	25,609
Total liabilities	24,081
Results	
Revenue	5,812
Profit after taxation	478

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-current				
Quoted equity securities	7,526	6,106	–	–
Unquoted equity securities	–	574	–	–
Other investments	126	193	–	–
	7,652	6,873	–	–
Current				
Unquoted debt securities	19,000	–	19,000	–
	26,652	6,873	19,000	–

The unquoted debt securities have stated interest rates of 2.94% to 3.48% and mature within the next 12 months.

9 INVENTORIES

	Group	
	2007 \$'000	2006 \$'000
Spare parts, diesel, tyres and consumable stores	42,223	42,696
Allowance for obsolete inventories	(7,583)	(6,308)
	34,640	36,388

10 TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade receivables	10(a)	10,324	14,298	–	–
Other receivables, deposits and prepayments	10(b)	33,490	60,581	3,243	661
Amounts due from subsidiaries	10(c)	–	–	160,890	302,285
Amounts due from an associate		4,675	–	–	–
		48,489	74,879	164,133	302,946

Outstanding balances with an associate are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

Year ended 31 March 2007

10(a) TRADE RECEIVABLES

	2007 \$'000	Group 2006 \$'000
Trade receivables	16,469	19,977
Allowance for doubtful receivables	(6,145)	(5,679)
	10,324	14,298

Trade receivables of the Group include \$186,000 (2006: \$42,000) due from related corporations.

10(b) OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deposits	196	434	–	–
Prepayments	6,794	6,514	105	356
Recoverable expenses	1,740	4,946	–	7
Staff loans and advances	689	997	185	263
Interest receivable	665	221	653	–
Rebates*	3,699	26,061	–	–
Recoverable in respect of accident claims	8,866	7,943	–	–
Accrued income (trade)	–	3,392	–	–
Advances to suppliers	2,573	3,744	–	–
Other receivables	8,268	6,329	2,300	35
	33,490	60,581	3,243	661

* Rebates arise from de-registration of used vehicles. The rebate, which has a validity period of 12 months from the date of de-registration, can be used to offset various upfront vehicle taxes and fees of new registered vehicles.

10(c) AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2007 \$'000	2006 \$'000
Current account	538	553
Non-interest bearing loans	–	64,177
Interest bearing loans	160,352	237,555
	160,890	302,285

The interest-bearing loans to subsidiaries are unsecured, bear interest at rates ranging from 3.27% to 3.82% (2006: 1.81% to 3.41%) per annum and are repayable on demand.

The remaining balances are unsecured, interest-free and are repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

11 TAX RECOVERABLE

Tax recoverable of the Group and the Company relates mainly to tax deducted at source on dividend income received from its subsidiaries. The tax recoverable is refundable and/or is available for set-off against future tax liabilities of the Group and the Company.

Notes to the Financial Statements

Year ended 31 March 2007

12 SHARE CAPITAL

	2007		Company		2006	
	No. of Shares ('000)	\$'000	No. of Shares ('000)	\$'000	No. of Shares ('000)	\$'000
Issued and fully-paid:						
Ordinary shares						
At 1 April	1,509,104	156,493	1,502,561		150,256	
Issue of shares under SMRT ESOP	3,346	2,331	6,543		654	
Transfer from share premium account upon implementation of the Companies (Amendment) Act 2005	–	–	–		5,583	
At 31 March	1,512,450	158,824	1,509,104		156,493	

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, an additional 1,051,500, 833,000 and 1,461,110 (2006: 2,350,000, 1,903,100 and 2,289,506) new fully-paid ordinary shares were issued for cash at \$0.816, \$0.676 and \$0.623 per share respectively by the Company.

On the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006:

- the concept of authorised share capital was abolished;
- shares of the Company ceased to have par value; and
- the amount standing to the credit of the Company's share premium account became part of the Company's share capital.

13 RESERVES

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fair value reserve	4,540	3,120	–	–
Share-based payments reserve	879	518	879	518
	5,419	3,638	879	518

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

Share-based payment reserve represents the cumulative value of services received from employees for the issue of share options and performance shares.

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.

Notes to the Financial Statements

Year ended 31 March 2007

13 RESERVES (cont'd)

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") of the Company was 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 Choo Chiau Beng, Chairman of the Committee, Mr Daniel Ee Hock Huat, Mr Koh Kheng Siong and Mr Edmund Koh Kian Chew.

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.

SMRT ESOP

The salient features of the SMRT ESOP, SMRT RSP and SMRT PSP are as follows:

(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 fifteen percent 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 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 2007

13 RESERVES (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 Share	Options Outstanding at 1 April 2006	Options Exercised	Options Cancelled	Options Outstanding at 31 March 2007	Options Exercisable at 1 April 2006	Options Exercisable at 31 March 2007	Proceeds on Exercise of Options During the Year Credited to Share Capital \$'000	Weighted Average Share Price at Exercise Date of Option	Exercise Period
16/7/2001	\$0.816	3,461,000	1,051,500	74,000	2,335,500	3,461,000	2,335,500	858	\$1.32	16/7/2002 to 15/7/2011
22/7/2002	\$0.676	2,380,600	833,000	52,200	1,495,400	2,380,600	1,495,400	563	\$1.31	22/7/2003 to 21/7/2012
22/7/2003	\$0.623	3,262,494	1,461,110	77,534	1,723,850	2,852,194	1,723,850	910	\$1.25	22/7/2004 to 21/7/2013
		9,104,094	3,345,610	203,734	5,554,750	8,693,794	5,554,750	2,331		

During the financial year, no options have been granted.

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 2007

13 RESERVES (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 earning 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 fifteen percent of the issued share capital of the Company on the day preceding the relevant date of award.

The number of existing shares purchased from the market which may be delivered pursuant to awards under the Plans, and the amount of cash which may be paid upon the release of such awards in lieu of shares, will not be subject to any limit as such methods will not involve the issuance of any new shares.

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 2007

13 RESERVES (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 two-year performance period based on medium-term corporate and business unit objectives with some degree of stretch.
Date of grant	19 March 2007	19 March 2007
Performance period	1 April 2006 to 31 March 2009	1 April 2006 to 31 March 2008
Vesting condition	Vesting based on meeting stated performance conditions over a three-year performance period.	Based on meeting stated performance conditions over a two-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% - 125% depending on the achievement of pre-set performance targets over the performance period.	0% - 121% 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:

	SMRT PSP	SMRT RSP
Historical volatility		
SMRT	21.81%	21.81%
Straits Times Index	10.23%	10.23%
Risk-free interest rates		
Yield of Singapore Government Securities on Date of Grant	2.56%	2.38% to 2.67%
Term	2.3 years	1.3 to 3.3 years
SMRT expected dividend yield	————— Management's forecast —————	
Share price at grant date	\$1.46	\$1.46

For non-market conditions, achievement factors have been estimated based on feedback from the Remuneration Committee 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 year ended 31 March 2006.

Notes to the Financial Statements

Year ended 31 March 2007

13 RESERVES (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 2006	Shares Granted During Financial Year	Shares Cancelled During Financial Year	Shares Released During Financial Year	Balance as at 31 March 2007
Grant date					
1 March 2006					
- For senior management	40,000	-	-	-	40,000
- For executive director (Saw Phaik Hwa)	100,000	-	-	-	100,000
19 March 2007					
- For senior management	-	63,500	-	-	63,500
- For executive director (Saw Phaik Hwa)	-	100,000	-	-	100,000
Total	140,000	163,500	-	-	303,500

The estimated fair value at date of grant for each share granted on 19 March 2007 pursuant to SMRT PSP is \$0.991 (including \$0.236 for non-market based performance condition).

SMRT RSP

	Balance as at 1 April 2006	Shares Granted During Financial Year	Shares Cancelled During Financial Year	Shares Released During Financial Year	Balance as at 31 March 2007
Grant date					
1 March 2006					
- For senior management	495,500	-	22,500	-	473,000
- For executive director (Saw Phaik Hwa)	100,000	-	-	-	100,000
19 March 2007					
- For senior management	-	581,200	-	-	581,200
- For executive director (Saw Phaik Hwa)	-	100,000	-	-	100,000
Total	595,500	681,200	22,500	-	1,254,200

The estimated fair values at grant date for each share granted on 19 March 2007 pursuant to SMRT RSP ranges from \$1.120 to \$1.238.

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 2007 were 303,500 and 1,254,200 (2006: 140,000 and 595,500) 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 379,400 and 1,410,200 (2006: 175,000 and 716,920) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

Notes to the Financial Statements

Year ended 31 March 2007

13 RESERVES (cont'd)

The total amount recognised in the financial statements (before taxes) for share-based payment transactions with employees is summarised as follows:

	Group and Company	
	2007	2006
	\$'000	\$'000
Expenses		
(i) Share options under SMRT ESOP	1	69
(ii) Performance share plan under SMRT PSP	46	4
(iii) Performance-based restricted shares under SMRT RSP	314	26
	361	99

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 and currency risks, refer to Note 28.

	Group and Company	
	2007	2006
	\$'000	\$'000
Current liabilities		
Unsecured quoted bonds	–	250,000
Non-current liabilities		
Unsecured quoted floating rate notes	50,000	50,000
Unsecured quoted fixed rate notes	200,000	–
	250,000	50,000

	Year of Maturity	Repayable		
		Total \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000
2007				
Unsecured quoted fixed rate notes				
– S\$ fixed at 3.30% per annum	2009	100,000	–	100,000
Unsecured quoted floating rate notes				
– S\$ variable interest	2010	50,000	–	50,000
Unsecured quoted fixed rate notes				
– S\$ fixed at 3.27% per annum	2011	100,000	–	100,000
		250,000	–	250,000
2006				
Unsecured quoted bonds				
– S\$ fixed at 3.41% per annum	2006	250,000	250,000	–
Unsecured quoted floating rate notes				
– S\$ variable interest	2010	50,000	–	50,000
		300,000	250,000	50,000

On 13 January 2005, the Company put in place a S\$500 Million Multi-Currency Medium Term Note Programme (the "MTN Programme") pursuant to which the Company may issue notes from time to time to finance the general corporate funding requirements of the Group. Under the MTN Programme, the Company may issue notes from time to time in Singapore dollars or in other currencies, in various amounts and tenors, and may bear fixed, floating or variable rates of interest. Hybrid notes and zero coupon notes may also be issued under the MTN Programme.

Notes to the Financial Statements

Year ended 31 March 2007

14 INTEREST-BEARING BORROWINGS (cont'd)

Details of notes outstanding at the balance sheet date are as follows:

- (i) S\$50 million 5-year unsecured floating rate notes on 20 January 2005 due 2010. Interest payable is based on the six months money market rate and payable semi-annually in arrears. The floating rate notes are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST");
- (ii) S\$100 million 3-year unsecured fixed rate notes on 14 December 2006 due 2009. Interest is payable semi-annually in arrears. The fixed rate notes are listed on the SGX-ST.
- (iii) S\$100 million 5-year unsecured fixed rate notes on 14 December 2006 due 2011. Interest is payable semi-annually in arrears. The fixed rate notes are listed on the SGX-ST.

The \$250 million fixed rate bonds due 2006 were fully redeemed on 21 December 2006.

15 PROVISIONS

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Liability for defined benefit plan	3,229	2,908	37	167
Liability for short-term accumulating compensated absences	940	1,607	170	196
Accident claims	15,991	15,662	–	–
	20,160	20,177	207	363
Current	16,977	17,308	170	196
Non-current	3,183	2,869	37	167
	20,160	20,177	207	363

(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 who are eligible for the scheme, subject to having completed at least ten years of service prior to 31 March 2004, are entitled to a future benefit payable upon their retirement of an amount equal to their monthly basic salary as at 31 March 2004 multiplied by each completed year of service as at 31 March 2004.
- (ii) Certain 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.
- (iii) Certain other employees who are eligible for the scheme, subject to having completed at least five years of service prior to their retirement, 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 sixty-two 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 2007

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	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 April		2,908	3,245	167	634
Expense recognised/ (reversed) during the year	21(b)	358	245	(130)	103
Payments made		(37)	(582)	–	(570)
At 31 March		3,229	2,908	37	167

Recognised in the Income Statement

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current service costs	322	284	1	17
Interest on obligations	88	71	3	5
Actuarial (gain)/loss	(52)	(110)	(134)	81
	358	245	(130)	103

Principal Actuarial Assumptions

Principal actuarial assumptions used in calculating the Group's liability for defined benefit plan include estimated future salary increases and 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) 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	
		2007 \$'000	2006 \$'000
At 1 April		1,607	1,287
Provisions made during the year	21(b)	(474)	320
Disposal of subsidiary		(193)	–
At 31 March		940	1,607

(c) Accident Claims

Provisions relate to provisions for accidents claims and are accounted for in accordance with accounting policies set out in note 3.13. The Group expects to incur the liability over the next 12 months.

Movements in the Net Liability Recognised in the Balance Sheet

	Note	Group	
		2007 \$'000	2006 \$'000
At 1 April		15,662	14,689
Provisions made during the year	21(c)	13,151	12,702
Provisions used during the year		(12,391)	(11,467)
Provisions reversed during the year	21(c)	(431)	(262)
At 31 March		15,991	15,662

Notes to the Financial Statements

Year ended 31 March 2007

16 DEFERRED TAXATION

Deferred tax liabilities/(assets) and movements in temporary differences during the year are attributable to the following:

Group	At 1/4/2006 \$'000	Recognised in Income (Note 22) \$'000	Disposal of Subsidiary \$'000	At 31/3/2007 \$'000
Excess of net book value over tax written down				
value of property, plant and equipment	182,093	(32,448)	(119)	149,526
Unutilised wear and tear allowances	(18,122)	17,446	–	(676)
Other temporary differences	(13,352)	5,481	–	(7,871)
Total	150,619	(9,521)	(119)	140,979

Company	At 1/4/2006 \$'000	Recognised in Income \$'000	At 31/3/2007 \$'000
Excess of net book value over tax written down			
value of property, plant and equipment		917	827
Other temporary differences		76	(55)
Total		993	772

17 FUEL EQUALISATION ACCOUNT ("FEA")

	Group 2007 \$'000	2006 \$'000
At 1 April	19,112	18,711
Provision made during the year	–	401
At 31 March	19,112	19,112

The FEA is accounted for in accordance to the policy set out in note 3.15.

During the year, the actual electricity tariff and diesel price were above the reference electricity tariff and diesel price. However, there is no release of the FEA to the income statement as the outstanding balance in the FEA is below the cap of the one year's electricity and diesel consumption.

18 DEFERRED GRANT

	Note	Group 2007 \$'000	2006 \$'000
Grant received		480,000	480,000
Accumulated amortisation:			
At 1 April		(309,440)	(286,226)
Amortisation during the year		(22,251)	(23,106)
Released on assets disposed/written-off	21(a)	(173)	(108)
At 31 March		(331,864)	(309,440)
		148,136	170,560

This relates to an asset-related grant of \$480,000,000 received by SMRT Trains Ltd from LTA to defray part of the purchase cost of the operating assets of the MRT system.

Notes to the Financial Statements

Year ended 31 March 2007

19 TRADE AND OTHER PAYABLES

	Note	2007 \$'000	Group 2006 \$'000	2007 \$'000	Company 2006 \$'000
Trade payables and accrued operating expenses	19(a)	107,424	81,163	13,072	6,979
Other payables and refundable deposits	19(b)	28,605	53,195	6,115	4,059
Amounts due to subsidiaries	19(c)	–	–	85,798	74,900
Amounts due to an associate		7,183	–	–	–
		143,212	134,358	104,985	85,938

Outstanding balances with an associate are unsecured, interest free and repayable on demand.

19(a) TRADE PAYABLES AND ACCRUED OPERATING EXPENSES

Trade payables and accrued operating expenses of the Group include \$8,776,000 (2006: \$8,224,000) due to related corporations.

19(b) OTHER PAYABLES AND REFUNDABLE DEPOSITS

	2007 \$'000	Group 2006 \$'000	2007 \$'000	Company 2006 \$'000
Customers deposits	4,556	4,144	50	41
Unearned revenue received	1,339	550	–	–
Unused portion of farecards	–	12,097	–	–
Farecard refundable deposits	–	10,066	–	–
Rental deposits	9,723	7,478	–	–
Interest payable	2,282	2,687	2,282	2,687
Purchase of property, plant and equipment	8,806	8,675	1,198	702
Retention monies	353	4,956	–	–
Other payables	1,546	2,542	2,585	629
	28,605	53,195	6,115	4,059

19(c) AMOUNTS DUE TO SUBSIDIARIES

	2007 \$'000	Company 2006 \$'000
Current account	264	8,702
Interest-bearing loans	85,534	66,198
	85,798	74,900

The interest-bearing loans from subsidiaries are unsecured, bear interest at 3.30% to 3.47% (2006: 1.95% to 3.31%) per annum and are repayable on demand.

The remaining balances are unsecured, interest free and are repayable on demand.

20 REVENUE

	2007 \$'000	Group 2006 \$'000
Passenger revenue	602,807	573,573
Taxis rental	68,086	79,263
Rental revenue	34,468	25,946
Advertising revenue	16,969	13,008
Sales of goods	12,768	11,060
Engineering and others	8,028	8,892
	743,126	711,742

Notes to the Financial Statements

Year ended 31 March 2007

21 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before tax:

	2007 \$'000	Group 2006 \$'000
(a) Other operating income		
Commission and distribution fee	270	270
Unutilised tickets and farecards	15,860	7,633
Maintenance income	1,987	1,890
Miscellaneous rental income	379	658
Grant released upon disposal/write-off of property, plant and equipment	173	108
Operating expenses recharged to other transport operators	7,348	9,427
Foreign exchange gain	365	–
Others	1,377	4,750
	27,759	24,736
(b) Staff and related costs		
Wages and salaries	229,978	219,826
Contribution to defined contribution plans	24,840	24,526
Increase in liability for defined benefit plan	358	245
(Decrease)/Increase in liability for short-term accumulating compensated absences	(474)	320
Value of employee services received for share-based payment	361	99
Other staff-related expenses and benefits-in-kind	8,041	8,514
	263,104	253,530

Included in staff and related costs are compensation to key management personnel of the Group as follows:

Directors of the Company:		
– fees	529	428
– remuneration	1,050	1,008
Senior management personnel of the Group:		
– short-term employee benefits	3,453	3,924
– post-employment benefits	76	127
– share-based payments	134	18
	5,242	5,505

Notes to the Financial Statements

Year ended 31 March 2007

21 PROFIT BEFORE INCOME TAX (cont'd)

	Note	2007 \$'000	Group 2006 \$'000
(c) Other operating expenses			
Audit fees paid to:			
– auditors of the Company		233	221
– other auditors		40	54
Non-audit fees paid to auditors of the Company:			
– current year		171	176
Foreign exchange loss		–	662
Loss on disposal of property, plant and equipment		1,477	516
Operating lease expenses		3,351	3,634
Licence fees paid to LTA		4,240	4,005
Property, plant and equipment written off		884	533
Cost of inventories sold		12,224	11,171
Provisions for accident claims made during the year, net of reimbursement of \$1,147,000 (2006: \$1,020,000)	15(c)	12,004	11,682
Provisions for accident claims reversed	15(c)	(431)	(262)
<hr/>			
(d) Finance costs			
Interest paid and payable on:			
– unsecured quoted bonds		6,166	8,462
– unsecured quoted floating rate notes		1,820	1,112
– unsecured quoted fixed rate notes		1,944	–
– others		–	84
		9,930	9,658
<hr/>			
(e) Interest and investment income			
Dividends received from:			
– quoted equity investments		355	249
Interest income from:			
– bank deposits and balances		4,254	1,605
– unsecured quoted debt securities		293	–
– others		4	23
Gain/(Loss) on disposal of:			
– unquoted equity investment		3,111	–
– other unquoted investment		22	81
– investment in an associate		–	(646)
– investment in subsidiaries		(1,130)	(10)
		6,909	1,302
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Notes to the Financial Statements

Year ended 31 March 2007

22 INCOME TAX EXPENSE

	2007 \$'000	Group 2006 \$'000
Current tax expense		
Current year	17,678	(943)
Overprovision in respect of prior years	(1,611)	(4)
	16,067	(947)
Deferred tax expense		
Effect of reduction in tax rate	(15,017)	–
Movements in temporary differences	4,457	23,482
Under/(Over)provision in respect of prior years	1,039	(2,088)
	(9,521)	21,394
Income tax expense	6,546	20,447

Reconciliation of effective tax rate

	2007 \$'000	Group 2006 \$'000
Profit before tax	142,336	124,071
Less: Share of result of an associate (net of tax)	(92)	6,339
	142,244	130,410
Income tax using Singapore tax rate of 18% (2006: 20%)	25,604	26,082
Expenses not deductible for tax purposes	550	1,413
Income not subject to tax	(4,581)	(4,680)
Current year deferred tax assets not recognised	48	18
Utilisation of previously unrecognised deferred tax assets	(19)	(31)
Utilisation of tax losses previously not recognised	–	(264)
Tax losses not allowed to be set off against future taxable profits	–	1
Overprovision in respect of prior years	(572)	(2,092)
Effect of reduction in tax rate	(15,017)	–
Others	533	–
	6,546	20,447

Deferred tax assets have not been recognised for the following temporary differences:

	2007 \$'000	Group 2006 \$'000
Excess of tax written down value over net book value of property, plant and equipment	3,202	2,997
Unutilised tax losses	3,904	3,904
Unabsorbed wear and tear allowances	1,862	1,892
Deductible temporary differences	269	176
	9,237	8,969

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.

Notes to the Financial Statements

Year ended 31 March 2007

23 EARNINGS PER SHARE

Basic earnings per share is based on:

	2007 \$'000	Group 2006 \$'000
Net profit attributable to ordinary shareholders	135,407	103,436

	2007 No. of Shares '000	Group 2006 No. of Shares '000
Weighted average number of:		
– Issued shares at the beginning of the year	1,509,104	1,502,561
– Shares issued under share option scheme	1,444	4,458
Weighted average number of ordinary shares	1,510,548	1,507,019

Diluted earnings per share is based on:

	2007 \$'000	Group 2006 \$'000
Net profit attributable to ordinary shareholders	135,407	103,436

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:

	2007 No. of Shares '000	Group 2006 No. of Shares '000
Weighted average number of:		
– Shares used in the calculation of basic earnings per share	1,510,548	1,507,019
– Unissued shares under SMRT ESOP	5,555	9,104
– Contingently issuable shares under SMRT PSP and RSP	760	–
Number of shares that would have been issued at fair value	(3,337)	(6,011)
Weighted average number of ordinary issued and potential shares assuming full conversion	1,513,526	1,510,112

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.

Notes to the Financial Statements

Year ended 31 March 2007

24 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments that are predominantly operated in Singapore. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest income-earning assets and revenue, interest-bearing loans, borrowings and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

The Group's activities comprise the following main business segments:

Rail operations:	Provision of MRT and LRT services.
Bus operations:	Provision of bus services and charter hire services.
Taxi operations:	Rental of taxis and provision of taxi services.
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 and other services:	Provision of consultancy, project management services, leasing of fibre optic cables and repair and maintenance services and sales of diesel to taxi hirers.
Investment holding:	Provision of management services to Group companies and investment in associates.

Notes to the Financial Statements

Year ended 31 March 2007

24 SEGMENT REPORTING (cont'd)

	MRT \$'000	Rail LRT \$'000	Bus Operations \$'000	Taxi Operations \$'000	Rental \$'000	Advertising \$'000	Engineering and Other Services \$'000	Investment Holding \$'000	Elimination \$'000	Total \$'000
(a) Revenue and Expenses										
2007										
Revenue										
– external customers	404,353	8,057	190,397	68,086	34,468	16,969	20,794	2	–	743,126
– inter-segment	–	–	301	18	170	–	44,934	159,115	(204,538)	–
Operating expenses	(237,474)	(8,934)	(167,530)	(50,997)	(7,641)	(5,471)	(59,109)	(33,832)	82,833	(488,155)
Depreciation, impairment losses and amortisation	(63,428)	(86)	(17,567)	(22,201)	(1,795)	(480)	(2,846)	(1,303)	–	(109,706)
Operating profit/(loss)	103,451	(963)	5,601	(5,094)	25,202	11,018	3,773	123,982	(121,705)	145,265
Finance costs										(9,930)
Interest and investment income										6,909
Share of results of an associate										92
Income tax expense										(6,546)
Profit for the year										135,790
Attributable to:										
Equity holders of SMRT										135,407
Minority interest										383
										135,790
2006										
Revenue										
– external customers	380,969	7,840	184,764	79,263	25,946	13,008	19,891	61	–	711,742
– inter-segment	–	–	223	49	286	–	40,088	108,729	(149,375)	–
Operating expenses	(223,040)	(8,458)	(158,612)	(54,110)	(4,494)	(4,307)	(56,321)	(28,395)	73,180	(464,557)
Depreciation, impairment losses and amortisation	(64,412)	(95)	(16,446)	(23,741)	(767)	(396)	(1,224)	(1,338)	–	(108,419)
Operating profit/(loss)	93,517	(713)	9,929	1,461	20,971	8,305	2,434	79,057	(76,195)	138,766
Finance costs										(9,658)
Interest and investment income										1,302
Share of results of an associate										(6,339)
Income tax expense										(20,447)
Profit for the year										103,624
Attributable to:										
Equity holders of SMRT										103,436
Minority interest										188
										103,624

Notes to the Financial Statements

Year ended 31 March 2007

24 SEGMENT REPORTING (cont'd)

	MRT \$'000	Rail LRT \$'000	Bus Operations \$'000	Taxi Operations \$'000	Rental \$'000	Advertising \$'000	Engineering and Other Services \$'000	Investment Holding \$'000	Elimination \$'000	Total \$'000
(b) Assets and Liabilities										
2007										
Operating assets	712,849	5,781	140,434	175,785	48,639	6,992	25,281	566,697	(606,836)	1,075,622
Assets under construction	31,919	2	226	4,244	15,194	131	3	1,340	–	53,059
	744,768	5,783	140,660	180,029	63,833	7,123	25,284	568,037	(606,836)	1,128,681
Intangible asset										41,932
Interest in an associate										764
Investments and cash equivalents										196,281
Tax recoverable										10,629
Unallocated assets										665
Total assets										1,378,952
Segment liabilities	235,476	18,702	78,359	148,640	10,514	2,587	14,557	106,221	(284,436)	330,620
Current tax payable										17,184
Interest-bearing borrowings										250,000
Deferred tax liabilities										140,979
Total liabilities										738,783
2006										
Operating assets	765,621	5,939	159,526	202,988	27,303	5,558	48,531	718,919	(766,516)	1,167,869
Assets under construction	9,173	–	119	3,920	11,446	–	1	662	–	25,321
	774,794	5,939	159,645	206,908	38,749	5,558	48,532	719,581	(766,516)	1,193,190
Intangible asset										41,932
Investments and cash equivalents										138,607
Tax recoverable										10,184
Unallocated assets										221
Total assets										1,384,134
Segment liabilities	338,506	18,263	102,348	168,314	7,478	4,234	53,277	87,135	(435,348)	344,207
Current tax payable										915
Interest-bearing borrowings										300,000
Deferred tax liabilities										150,619
Total liabilities										795,741
(c) Other Segment Information										
2007										
Capital expenditure	41,208	6	966	35,204	24,918	686	2,888	2,063	–	107,939
Non-cash expenses other than depreciation, impairment losses and amortisation	1,433	64	4,343	10,530	4	9	388	(156)	–	16,615
2006										
Capital expenditure	10,615	28	4,575	51,996	20,018	161	615	1,930	–	89,938
Non-cash expenses other than depreciation, impairment losses and amortisation	1,698	67	3,641	14,031	(9)	39	704	52	–	20,223

Notes to the Financial Statements

Year ended 31 March 2007

25 DISPOSAL OF SUBSIDIARY

On 23 November 2006, Transit Link Pte Ltd ("Transit Link") ceased to be a subsidiary and became an associated company of the Group, following the dilution of its shareholding in the company from 66.67% to 50%. Accordingly, the Group ceased to consolidate Transit Link from that date and subsequently equity accounted for its interest in Transit Link.

During the last financial year, the Group liquidated a subsidiary, EZCard Pte Ltd.

The effect of the disposal of the subsidiary is set out below:

	2007 \$'000	Group 2006 \$'000
Property, plant and equipment	(1,211)	–
Inventories	(183)	–
Trade and other receivables	(22,787)	–
Cash at bank	(17,626)	(9)
Trade and other payables	33,070	5
Provisions	193	–
Current and deferred tax liabilities	303	–
Net identifiable assets and liabilities	(8,241)	(4)
Minority interest	2,747	2
Loss/(Gain) on disposal	1,130	(3)
Transfer to interest in an associate	4,121	–
Cash consideration received, satisfied in cash	(243)	(5)
Cash disposed of	17,626	–
Net cash outflow/(inflow)	17,383	(5)

26 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 related party transactions on terms agreed between the parties:

	2007 \$'000	Group 2006 \$'000
Related Corporations		
Sales of goods and services	79	–
Maintenance income received/receivable	851	545
Charter hire income received/receivable	447	917
Commission and distribution fee received/receivable	776	824
Consultancy income received/ receivable	–	66
Purchases of goods and services	54,325	45,842
Associate		
Maintenance income received/receivable	3,362	–
Purchases of goods and services	7,419	–

Notes to the Financial Statements

Year ended 31 March 2007

27 COMMITMENTS

The Group and the Company had the following commitments as at the balance sheet date:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Capital expenditure commitments				
(i) Contracted but not provided for with respect to purchase of property, plant and equipment	189,993	194,250	–	856
(ii) Approved but not provided for with respect to purchase of property, plant and equipment	62,340	205,202	–	–
(iii) The Group 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 (See Note 2(b)(ii)).				

(b) Non-cancellable operating leases payable:

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

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within 1 year	2,812	3,153	1,805	1,230
After 1 year but within 5 years	7,644	5,267	3,604	–
After 5 years	1,734	2,937	–	–
	12,190	11,357	5,409	1,230

The Group lease terminals and office facilities under operating leases. The leases typically run for periods of 2 years to 30 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

(c) Arrangement that contain a lease

As described in note 2(b), the Group is licensed to operate the LRT system in Singapore, including the use of its operating assets. The arrangement pertaining to the right to use the operating assets is not in the legal form of a lease. However, it is accounted for as an operating lease.

The LRT LOA is for the period from 6 November 1999 to 31 March 2028. Annual contingent rent is payable at 0.5% of the annual passenger revenue of the preceding financial year net of goods and services tax and rebates, from 1 April 2007 to 5 November 2010, and thereafter, the percentage would be reviewed every 5 years by LTA.

The Group has no commitment for future minimum lease payments under this lease arrangement.

(d) Non-cancellable operating lease rental receivable:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within 1 year	32,739	31,560	–	–
After 1 year but within 5 years	24,323	43,032	–	–
After 5 years	–	467	–	–
	57,062	75,059	–	–

Notes to the Financial Statements

Year ended 31 March 2007

28 FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

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 counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Where appropriate, the Group obtains collateral from customers. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Liquidity Risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Foreign Currency Risk

The Group incurs foreign currency risks on purchases that are denominated in a currency other than Singapore dollars. The currencies giving rise to this risk are primarily the AUD dollar, US dollar, Sterling pound, EURO and Japanese yen.

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. As at 31 March 2006 and 2007, the Group has no outstanding forward exchange contracts.

In respect of other monetary assets and liabilities held in currencies other than the Singapore dollar, 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.

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. The Group does not use derivative financial instruments to hedge against such risk exposure.

Notes to the Financial Statements

Year ended 31 March 2007

28 FINANCIAL INSTRUMENTS (cont'd)

Effective Interest Rates and Repricing Analysis

In respect of interest earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Note	Effective Interest Rate %	Total \$'000	Within 1 Year \$'000	1 to 5 Years \$'000
Group					
2007					
Financial assets					
Fixed deposits with banks and financial institutions		3.15	132,380	132,380	–
Unquoted floating rate debt securities	8	3.32	19,000	19,000	–
			151,380	151,380	–
Financial liabilities					
Unsecured quoted floating rate notes due 2010	14	3.57	50,000	50,000	–
Unsecured quoted fixed rate notes due 2009	14	3.30	100,000	–	100,000
Unsecured quoted fixed rate notes due 2011	14	3.27	100,000	–	100,000
			250,000	50,000	200,000
2006					
Financial asset					
Fixed deposits with banks and financial institutions		3.16	91,263	91,263	–
Financial liabilities					
Unsecured quoted bonds due 2006	14	3.41	250,000	250,000	–
Unsecured quoted floating rate notes due 2010	14	3.38	50,000	50,000	–
			300,000	300,000	–
Company					
2007					
Financial assets					
Amounts due from subsidiaries	10(c)	3.46	160,352	160,352	–
Fixed deposits with banks and financial institutions		3.19	119,400	119,400	–
Unquoted floating rate debt securities	8	3.32	19,000	19,000	–
			298,752	298,752	–
Financial liabilities					
Amounts due to subsidiaries	19(c)	3.36	85,534	85,534	–
Unsecured quoted floating rate notes due 2010	14	3.57	50,000	50,000	–
Unsecured quoted fixed rate notes due 2009	14	3.30	100,000	–	100,000
Unsecured quoted fixed rate notes due 2011	14	3.27	100,000	–	100,000
			335,534	135,534	200,000
2006					
Financial asset					
Amounts due from subsidiaries	10(c)	3.31	237,555	237,555	–
Financial liabilities					
Amounts due to subsidiaries	19(c)	3.31	66,198	66,198	–
Unsecured quoted bonds due 2006	14	3.41	250,000	250,000	–
Unsecured quoted floating rate notes due 2010	14	3.38	50,000	50,000	–
			366,198	366,198	–

Notes to the Financial Statements

Year ended 31 March 2007

28 FINANCIAL INSTRUMENTS (cont'd)

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 2007 are represented in the following table:

Group and Company	Note	2007		2006	
		Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial liabilities					
Unsecured quoted fixed rate notes	14	200,000	201,489	–	–
Unsecured quoted bonds	14	–	–	250,000	249,665
Unrecognised (loss)/gain			(1,489)		335

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.

29 DIVIDENDS

After the balance sheet date, the directors proposed a one-tier tax exempt final dividend of 5.75 cents (2006: 5.5 cents less tax at 20%) per share, amounting to a net dividend of \$86,965,866 (2006: \$66,400,576). The dividends have not been provided for.

30 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards and interpretations that have been issued as of balance sheet date but are not yet effective:

FRS 40 *Investment Property*

FRS 107 *Financial Instruments: Disclosures* and Amendments to FRS 1 *Presentation of Financial Statements: Capital Disclosures*

INT FRS 108 *Scope of FRS 102 Share-based Payment*

INT FRS 109 *Reassessment of Embedded Derivatives*

INT FRS 110 *Interim Financial Reporting and Impairment*

FRS 107 and amended FRS 1, which becomes mandatory for the Group's financial statements ending on 31 March 2008, will require additional disclosures with respect to the Group's financial instruments and share capital. This standard does not have any impact on the recognition and measurement of the Group's financial statements.

Notes to the Financial Statements

Year ended 31 March 2007

30 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (cont'd)

INT FRS 110 prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. INT FRS 110 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group first applied the measurement criteria of FRS 36 and FRS 39 respectively (ie 1 April 2005). The adoption of INT FRS 110 does not have any impact on the financial statements of the Group, as there has been no reversal of impairment loss since the adoption of FRS 36 and FRS 39.

The initial application of these standards and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

31 ACCOUNTING ESTIMATES AND JUDGEMENT

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

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 and Investment in Subsidiary

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the business units to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the business unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 March 2007 was \$41,932,000 (2006: \$41,932,000). More details are provided in note 5.

Depreciation of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 30 years. The carrying amount of the Group's property, plant and equipment at 31 March 2007 was \$1,046,217,000 (2006: \$1,082,144,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Provision for Accident Claims

Provisions are made based on estimates on repair costs, claims from third parties and loss of use.

Supplementary Information

The following pages do not form part of the statutory audited financial statements

Group Properties and Interested Person Transactions

GROUP PROPERTIES

Major properties held for investment are listed below.

Location	Description/Existing Use	Tenure of Lease	Remaining Term of Lease
3 Bishan St 14	2-storey recreation clubhouse with tennis courts and basket/volley ball court.	Leasehold	14.6 years
6 Ang Mo Kio St 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	5.7 years
60 Woodlands Industrial Park E	A bus depot comprising garaging with 3-storey workshop facilities and 2-storey ancillary office.	Leasehold	20.3 years
209 Kranji Road	A single-storey bus depot with office-cum-canteen, workshop, washing shed and other ancillary facilities.	Leasehold	7.8 years

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 during the financial year under review (excluding transactions less than \$100,000 and transactions entered into under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions entered into under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	\$'000	\$'000
Purchases of Goods and Services		
Senoko Energy Supply Pte Ltd	–	53,481
Singapore Technologies Kinetics Ltd	–	6,629
Sembwaste Pte Ltd	–	214
Sales of Goods and Services		
National University Hospital (Singapore) Pte Ltd	–	648
Singapore Telecommunications Limited	–	1,852

Shareholding Statistics

As at 21 May 2007

SHARE CAPITAL

Number of shares issued:	1,513,586,946
Issued and fully paid capital:	S\$159,639,606.868
Class of shares:	ordinary shares
Voting rights:	one vote per share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 999	65	0.15	28,726	0.00
1,000 – 10,000	38,996	93.02	95,663,551	6.32
10,001 – 1,000,000	2,841	6.78	139,289,786	9.20
1,000,001 and above	22	0.05	1,278,604,883	84.48
Total	41,924	100.00	1,513,586,946	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Temasek Holdings (Private) Limited	824,400,030	54.47
2	DBSN Services Pte Ltd	111,740,337	7.38
3	DBS Nominees Pte Ltd	81,781,199	5.40
4	HSBC (Singapore) Nominees Pte Ltd	69,763,734	4.61
5	Citibank Nominees Singapore Pte Ltd	61,785,518	4.08
6	Raffles Nominees Pte Ltd	42,918,875	2.84
7	United Overseas Bank Nominees Pte Ltd	25,302,081	1.67
8	DB Nominees (S) Pte Ltd	24,086,048	1.59
9	Lee Pineapple Company Pte Ltd	5,000,000	0.33
10	Phillip Securities Pte Ltd	4,579,362	0.30
11	OCBC Nominees Singapore Pte Ltd	4,126,799	0.27
12	Chong Kah Yung	3,500,000	0.23
13	Royal Bank Of Canada (Asia) Ltd	3,253,000	0.22
14	Quah Wee Lai	3,000,000	0.20
15	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,562,675	0.17
16	OCBC Securities Private Ltd	2,463,000	0.16
17	Merrill Lynch (Singapore) Pte Ltd	2,436,225	0.16
18	DBS Vickers Securities (S) Pte Ltd	1,302,000	0.09
19	UOB Kay Hian Pte Ltd	1,260,000	0.08
20	Ang Huan	1,150,000	0.08
	Total	1,276,410,883	84.33

SUBSTANTIAL SHAREHOLDER

Name of Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Temasek Holdings (Private) Limited	824,400,030	54.47	2,013,000	0.13

Note: Temasek Holdings (Private) Limited is deemed to be interested in the 2,013,000 shares in which DBS Group Holdings Ltd has an interest.

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 21 May 2007, approximately 45.34 per cent 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)

To: All Shareholders

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of the Company will be held at Raffles City Convention Centre, Stamford Ballroom, Level 4, 2 Stamford Road, Singapore 178882, on Thursday, 12 July 2007 at 2.30 p.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 March 2007 together with the Auditors' Report thereon.
2. To declare a Final (tax exempt one-tier) Dividend of 5.75 cents per share for the financial year ended 31 March 2007.
3. To approve the sum of \$529,236 as Directors' Fees for the financial year ended 31 March 2007 (FY2006: \$428,351).
4.
 - a) To re-elect Ms Saw Phaik Hwa who is retiring in accordance with Article 94 of the Company's Articles of Association.
 - b) To note the retirement of Mr Daniel Ee Hock Huat and Mr Koh Kheng Siong who are retiring in accordance with Article 94 of the Company's Articles of Association.
5. To re-elect the following Directors who are retiring in accordance with Article 100 of the Company's Articles of Association:
 - a) Mr Koh Yong Guan
 - b) Mr Ong Ye Kung
 - c) Mr Bob Tan Beng Hai
6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS:

7. To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:
 - 7.1 That authority be and is hereby given to the Directors to:
 - a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
 - b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:
 - 1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

Notice of Annual General Meeting

AS SPECIAL BUSINESS (cont'd):

- 2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - ii) any subsequent consolidation or subdivision of shares;
- 3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- 4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7.2 That authority be and is hereby given to the Directors to:

- a) grant awards in accordance with the provisions of the SMRT Corporation Restricted Share Plan ("SMRT RSP") and/or the SMRT Corporation Performance Share Plan ("SMRT PSP") (the SMRT RSP and SMRT PSP, together the "Share Plans"); and
- b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the SMRT Corporation Employee Share Option Plan ("SMRT ESOP") and/or such number of fully paid ordinary shares as may be required to be issued pursuant to the vesting of awards under the SMRT RSP and/or SMRT PSP,

provided always that the aggregate number of ordinary shares to be issued pursuant to the Share Plans and the SMRT ESOP shall not exceed 15 per cent of the issued shares in the capital of the Company from time to time.

8. To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"That for the purpose of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("Chapter 9"):

- a) approval be and is hereby given for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions, particulars of which are set out in Appendix A to the Notice of the Eighth Annual General Meeting ("Appendix A") provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- b) the approval given in paragraph (a) above (the "General Mandate") shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the General Mandate and/or this Resolution."

Notice of Annual General Meeting

AS SPECIAL BUSINESS (cont'd):

9. To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"That:

- a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore ("Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company 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 Singapore Exchange Securities Trading Limited ("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 of the Company as they may, in their absolute discretion, deem fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

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

- b) unless varied or revoked by the Company in General Meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company 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 annual general meeting of the Company is held; or
 - ii) the date by which the next annual general meeting of the Company is required by law to be held;

- c) in this Resolution:

"Prescribed Limit" means the number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date);

"Maximum Price" in relation to a Share to be purchased or acquired, means an amount (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% of the Average Closing Price of the Shares; and
- ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares,

where:

"Average Closing Price" means the average of the last dealt price of a Share over the last five (5) consecutive trading days on which transactions in the Shares were recorded immediately preceding the date of share purchase by the Company or, as the case may be, the date of the making of the offer for an Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate actions occurring after the relevant 5-day period; and

"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; and

Notice of Annual General Meeting

AS SPECIAL BUSINESS (cont'd):

- d) the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution."

ANY OTHER BUSINESS

10. To transact any other business that may be transacted at an Annual General Meeting.

By Order of the Board
S. PREMA (Ms)
Company Secretary

Singapore
18 June 2007

NOTICE OF CLOSURE OF BOOKS

Notice is hereby given that the Transfer Books and the Register of Members of the Company will be closed from 19 July 2007 to 20 July 2007 (both dates inclusive) for the preparation of dividend warrants. The final dividend, if approved at the Eighth Annual General Meeting, will be paid on 1 August 2007 to members on the Register as at 18 July 2007. In respect of shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the said final dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

Duly completed transfers received by the Share Registrar, Lim Associates (Pte) Ltd, at 3 Church Street #08-01, Samsung Hub, Singapore 049483 up to 5.00 p.m. on 18 July 2007 will be registered to determine shareholders' entitlements to the final dividend.

Explanatory notes on Ordinary Business to be transacted:

Resolution 3 Directors will be paid a basic fee and will get additional allowances for their services in other Board Committees.

To promote a market competitive fee structure, the Directors have recommended a revision in the basic fee and the allowances for services in Board Committees. The proposed scale of Directors' fees (per annum) is set out below:

Board of Directors

Chairman's Allowance	\$35,000
Basic Fee	\$40,000

Audit Committee

Chairman's Allowance	\$30,000
Member's Allowance	\$20,000

Remuneration Committee/Nominating Committee

Chairman's Allowance	\$15,000
Member's Allowance	\$8,000

Resolution 5(b) Mr Ong Ye Kung will, upon re-election as a Director of the Company, continue to serve as a Member of the Nominating Committee. Mr Ong Ye Kung is an independent director.

Resolution 5(c) Mr Bob Tan Beng Hai will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee. Mr Bob Tan is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

Explanatory notes on Special Business to be transacted:

- Resolution 7.1 Is to empower the Directors to issue shares in the Company 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 issued shares in the capital of the Company with a sub-limit of twenty per cent (20%) for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the issued shares in the capital of the Company at the time that Resolution 7.1 is passed, after adjusting for 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 Resolution 7.1 is passed, and any subsequent consolidation or subdivision of shares.
- Resolution 7.2 Is to authorise the Directors to:
- a) grant awards in accordance with the SMRT Corporation Restricted Share Plan ("SMRT RSP") and/or the SMRT Corporation Performance Share Plan ("SMRT PSP") both of which were approved at the Extraordinary General Meeting on 15 July 2004; and
 - b) allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the SMRT Corporation Employee Share Option Plan and/or such number of shares to be issued pursuant to the vesting of awards under the SMRT RSP and/or the SMRT PSP.
- Resolution 8 Is to renew the General Mandate granted by the Shareholders during the Seventh Annual General Meeting of the Company ("7th AGM") to authorise the Company, its subsidiaries and associated companies or any of them to enter into any of the mandated transactions with parties who are considered "Interested Persons" (as defined in Chapter 9). The nature of the interested persons transactions and the classes of interested persons in respect of which the General Mandate is sought to be renewed remains unchanged.
- Resolution 9 Is to renew for another year, up to the date of the next Annual General Meeting of the Company, the mandate for share purchases as described in Appendix B to this Notice of Eighth Annual General Meeting, which will, unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting.

Notes

1. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and 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 at 251 North Bridge Road, Singapore 179102, at least 48 hours before the time appointed for the Eighth Annual General Meeting.*

Proxy Form Annual General Meeting

SMRT CORPORATION LTD

(Incorporated in the Republic of Singapore)

(Company Registration Number : 200001855H)

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.

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 Eighth Annual General Meeting of the Company, to be held at Raffles City Convention Centre, Stamford Ballroom, Level 4, 2 Stamford Road, Singapore 178882, on Thursday, 12 July 2007 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.

NO.	RESOLUTIONS	INDICATE YOUR VOTE FOR OR AGAINST WITH A TICK	
		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		
4a)	Re-election of Ms Saw Phaik Hwa as Director		
5a)	Re-election of Mr Koh Yong Guan as Director		
5b)	Re-election of Mr Ong Ye Kung as Director		
5c)	Re-election of Mr Bob Tan Beng Hai as Director		
6.	Re-appointment of KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
7.1	Authority for Directors to issue shares		
7.2	Authority for Directors to grant awards and issue and allot shares, pursuant to the SMRT Corporation Employee Share Option Plan, SMRT Corporation Restricted Share Plan and SMRT Corporation Performance Share Plan		
8.	Renewal of the General Mandate for Interested Person Transactions		
9.	Renewal of the Share Purchase Mandate		
10.	ANY OTHER BUSINESS		

Dated this _____ day of _____, 2007

Total Number of Shares Held: _____

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES ON PAGE 167



3rd fold here and fold flap



PLEASE
AFFIX
POSTAGE
STAMP

THE COMPANY SECRETARY

SMRT Corporation Ltd
251 North Bridge Road
Singapore 179102

2nd fold here

1st fold here

NOTES TO PROXY FORM:

1. A member entitled to attend and vote at the Eighth 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 at the registered office of the Company at 251 North Bridge Road, Singapore 179102, at least 48 hours before the time appointed for the Eighth 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 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 Eighth Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Directory of Subsidiaries and Associated Companies

SUBSIDIARIES

SMRT Trains Ltd
SMRT Investments Pte Ltd
SMRT International Pte Ltd
RFP Investments Pte Ltd

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

SMRT Engineering Pte Ltd

300 Bishan Road
Singapore 579828
Telephone: (65) 6554 8535
Facsimile: (65) 6453 7645
www.smrt.com.sg

SMRT Light Rail Pte Ltd

1 Woodlands Road
#03-01 Ten Mile Junction
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) 6482 3888
Facsimile: (65) 6482 3842
www.smrt.com.sg

SMRT Taxis Pte Ltd

60 Woodlands Industrial Park E4
Singapore 757705
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) 6866 2697
Facsimile: (65) 6368 7421
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.smrt.com.sg

Singapore Shuttle Bus (Pte) Ltd

(In Members' Voluntary Liquidation)
c/o RSM Chio Lim
18 Cross Street #18-01
Marsh & McLennan Centre
Singapore 048423

ASSOCIATED COMPANY

Transit Link Pte Ltd

9 Maxwell Road #03-02 Annexe A
MND Complex
Singapore 069112
Telephone: (65) 6236 6666
Facsimile: (65) 6222 0220
www.transitlink.com.sg

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SMRT CORPORATION LTD

251 North Bridge Road Singapore 179102

Tel: 65 6331 1000 Fax: 65 6334 0247

www.smr.com.sg

(Company Registration No.: 200001855H)