

A full-page background image showing a long, straight road stretching towards a bright sunset on the horizon. The sun is low, creating a strong lens flare and illuminating the sky in shades of orange and yellow. The road is flanked by dark, blurred areas, suggesting motion or a long perspective.

# BRAVE NEW DAWN

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## **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

SMRT Corporation Ltd (SMRT) is a leading multi-modal public transport operator and a transport engineering and service solutions provider.

Established in 1987 and listed on the Singapore Exchange since 2000, SMRT has a market capitalisation of more than \$2.5 billion backed by total assets of \$1.4 billion. Our annual turnover stands at \$802.1 million.

In our core transport business in Singapore, our suite of train, bus and taxi services make a positive commuting experience for the public while lifestyle services within our stations bring convenience to our customers. Defining our non-fare business are our growing interests in the provision of taxi services, leasing of commercial spaces, advertising within our network, operations and maintenance services, project management and engineering consultancy.

A market leader, SMRT continues to distinguish itself through sound corporate governance and transparent practices. In managing its businesses and driving community initiatives, SMRT's focus is clearly on sustainable development.


**A brave new world awaits us. One where commuters will have a bigger say than ever before. Where keener competition will be felt all round. And where increased frequency and integration of services will demand even greater efficiency from us. Here at SMRT, we see these challenges as golden opportunities to grow the company further. It is common knowledge that tomorrow starts now. For us, tomorrow starts this very second.**

**5.20am**



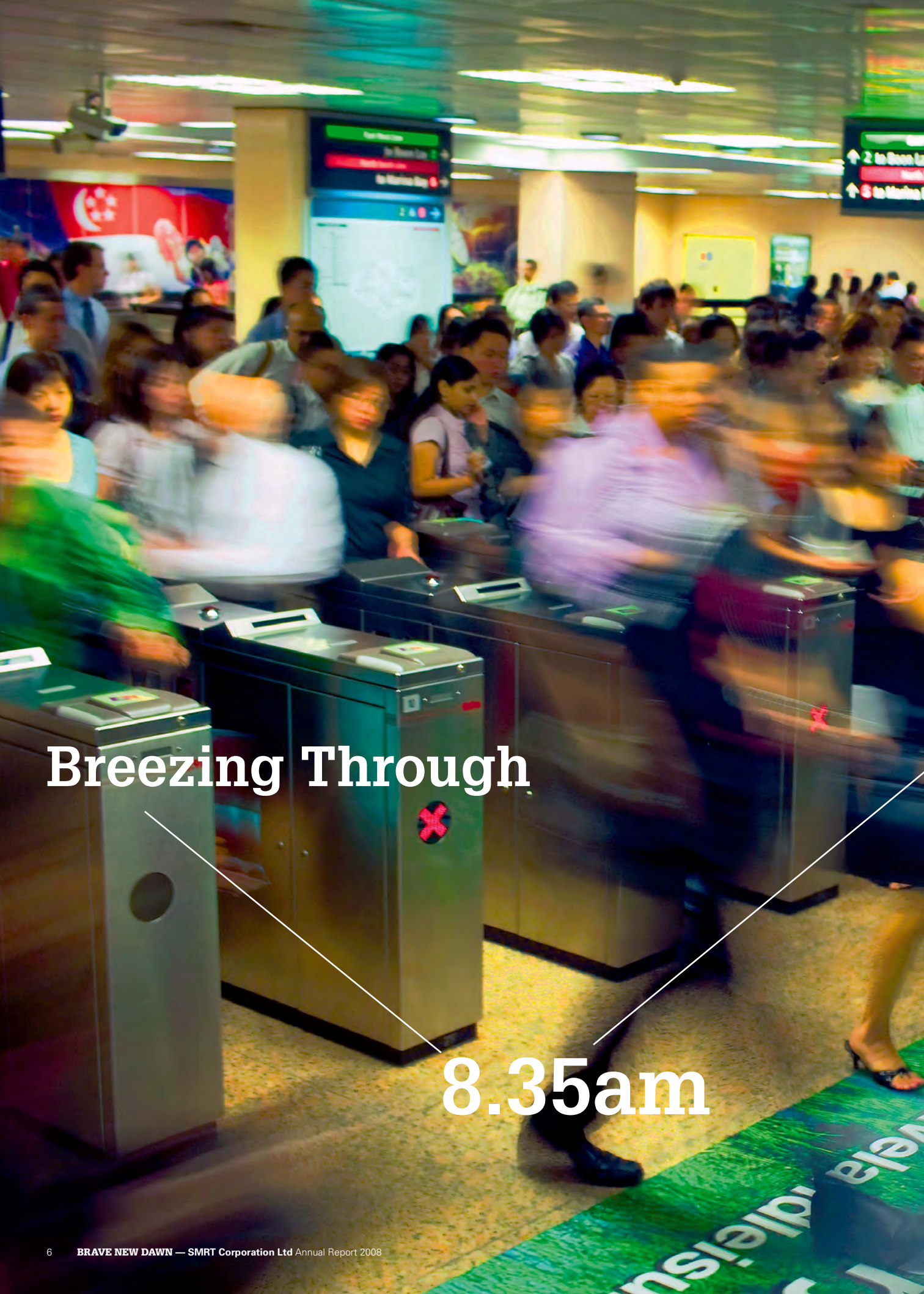
# Picking Up The Early Birds

6.45am



Service guides that make journey planning a joy, express services that shorten travel time: gearing for growth with a premium touch.

“ Every morning I meet this Service Leader who greets every passenger “Good Morning”. This is the kind of Service Leader that lifts the image of Singapore and gives bus riding a whole new feeling. ”



# Breezing Through

8.35am





Staying focused on the customer with more than 700 additional train trips, enhanced station ambience, and greater selection of lifestyle conveniences – all within the network.


“ My experience with your staff has impressed upon me the quality of the SMRT Corporation. I like the professionalism and helpfulness. ”

# Pulling Power



12.00pm

Partnering business owners, offering them spaces that add buzz and platforms to stir the imagination and in so doing, enrich the travel experience.




“ Our presence in the SMRT system dovetails with SMRT’s own strategy to add value to the commuter experience, realise the value of SMRT’s unique real estate assets, and to strengthen the attractiveness of SMRT’s retail precincts as lifestyle destinations. ”



# Going the Distance

4.00pm

Supporting partners through innovative hirer schemes, comprehensive incentive packages and creative customer promotions.

A white SMRT taxi is shown in motion, driving on a road. The background is blurred, showing a building with a red and white facade and some greenery. The taxi has the SMRT logo on its side. A white line points from the text to the taxi.


“ We recently adjusted our shift timing with the last shift ending at 1 am. SMRT Taxis helped with the transport arrangements and their staff went the extra mile by being present to ensure the transportation arrangements ran smoothly. ”



**3.35am**

**While You  
Were Sleeping**

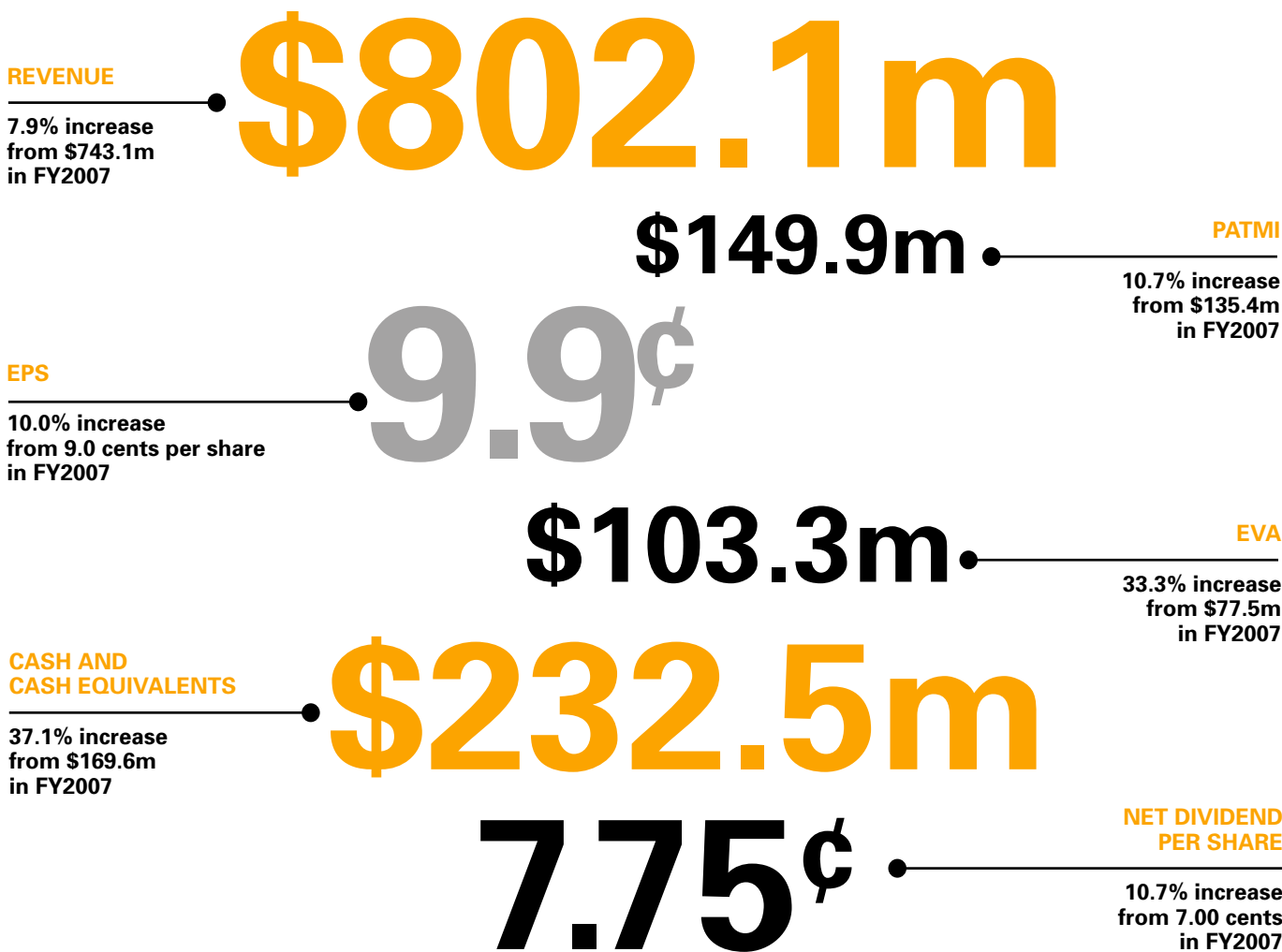
“ Maintenance crew checks, repairs and gives the all-clear every morning before the sun rises. By the time the first train leaves the depot, everything would have been ironed out. ”



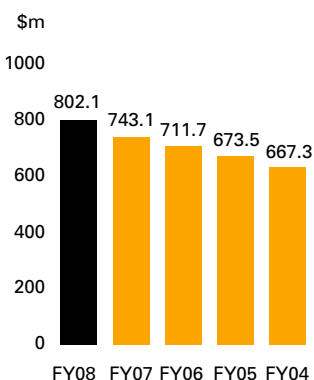
Continuing focus on engineering excellence to maintain the highest standards of system reliability and performance.

# Group Financial Highlights

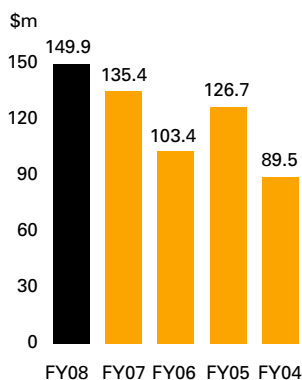
## FY2008 Financial Performance



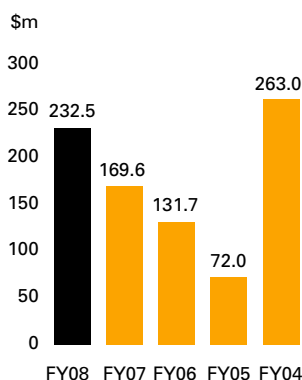
Revenue



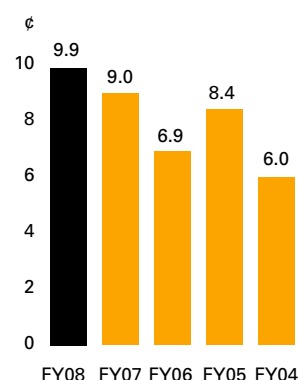
PATMI



Cash and Cash Equivalents



Basic EPS





## FOR THE YEAR

\$m	FY2008	FY2007	FY2006	FY2005	FY2004
Revenue	<b>802.1</b>	743.1	711.7	673.5	667.3
Profit					
EBITDA <sup>1</sup>	<b>284.1</b>	255.0	247.2	230.0	225.5
Operating profit	<b>178.0</b>	145.3	138.8	92.8	99.3
Before tax	<b>176.2</b>	142.3	124.1	83.9	86.2
After tax	<b>149.9</b>	135.8	103.6	126.6	90.2
PATMI <sup>2</sup>	<b>149.9</b>	135.4	103.4	126.7	89.5
Capital expenditure	<b>118.3</b>	107.9	89.9	138.6	33.4
Cash from operations	<b>286.9</b>	296.7	247.5	223.8	234.6
Free cash flow	<b>51.5</b>	110.3	60.0	1.5	157.1
Economic value added (EVA)	<b>103.3</b>	77.5	61.9	47.6	24.6
Financial ratios					
EBIT margin (%)	<b>22.2</b>	19.5	19.5	13.8	14.9
Net profit margin (%)	<b>18.7</b>	18.3	14.6	18.8	13.5
Interest cover (times)	<b>35.4</b>	25.7	25.6	16.5	14.3

## AT YEAR-END

\$m	FY2008	FY2007	FY2006	FY2005	FY2004
Cash and cash equivalents	<b>232.5</b>	169.6	131.7	72.0	263.0
Short-term and long-term borrowings	<b>250.0</b>	250.0	300.0	300.0	500.0
Shareholders' funds	<b>677.1</b>	640.2	586.0	553.1	480.7
Net gearing (times) <sup>3</sup>	<b>0.03</b>	0.13	0.29	0.41	0.49

## PER SHARE

Cents	FY2008	FY2007	FY2006	FY2005	FY2004
Basic earnings per share (EPS)	<b>9.9</b>	9.0	6.9	8.4	6.0
Net asset value <sup>4</sup>	<b>44.7</b>	42.3	38.8	36.8	32.0
Net tangible assets <sup>5</sup>	<b>41.9</b>	39.6	36.1	34.0	27.8

## SHAREHOLDERS' RETURN

	FY2008	FY2007	FY2006	FY2005	FY2004
Gross dividend (cents)	<b>7.75</b>	7.25	7.0	6.5	4.5
Net dividend (cents)	<b>7.75</b>	7.00	5.6	5.2	3.6
Share price at year-end (\$)	<b>1.82</b>	1.49	1.12	0.93	0.60
Total shareholder return (%) <sup>6</sup>	<b>26.6</b>	39.1	26.9	63.6	23.0
Return on total assets (%)	<b>10.6</b>	9.8	7.5	8.6	5.6
Return on equity (%) <sup>7</sup>	<b>22.8</b>	22.1	18.2	24.5	19.7

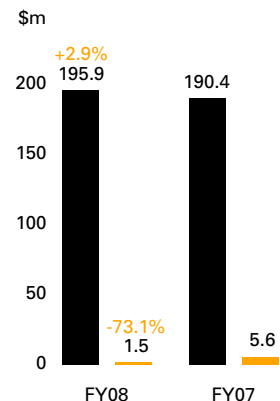
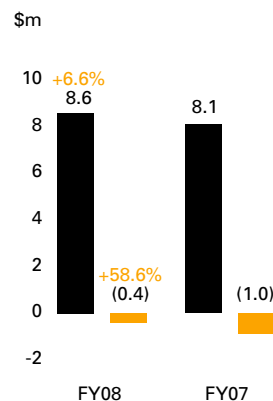
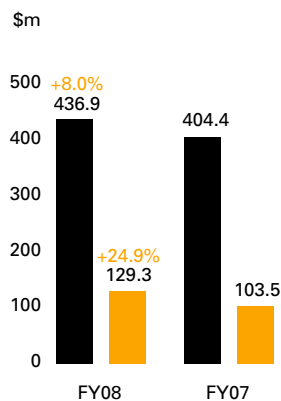
### Notes:

- 1 EBITDA – Earnings before interest, tax, depreciation and amortisation
- 2 Profit after tax and minority interests
- 3 Net gearing = (total borrowings – cash and cash equivalents) / total equity
- 4 Net asset value per share excludes minority interests
- 5 Net tangible assets per share excludes goodwill on consolidation
- 6 Total shareholder return = capital gain % (based on end-of-year share price) + dividend yield
- 7 Return on equity = PATMI / average equity

# At a Glance



	MRT	LRT	BUSES
<b>Facts</b>	<ul style="list-style-type: none"> <li>Operates Singapore's first Mass Rapid Transit (MRT) system (North South and East West lines) which commenced in 1987</li> <li>Runs and maintains 89.4 kilometres of double track along 51 stations</li> </ul>	<ul style="list-style-type: none"> <li>Operates Singapore's first fully-automated Light Rapid Transit (LRT) system which commenced in 1999</li> <li>Network comprises 7.8 kilometres of elevated guideways linking 14 stations in Bukit Panjang</li> </ul>	<ul style="list-style-type: none"> <li>Operates a fleet of more than 860 buses from three leased depots and six interchanges</li> <li>Provides 83 bus services between the Western and North-Western areas and the rest of Singapore</li> </ul>
<b>Highlights in FY2008</b>	<ul style="list-style-type: none"> <li>Full-year FY2008 ridership grew 7.9% to 469.3 million from 434.9 million in FY2007</li> <li>Received Best Passenger Experience Award at the international Metro Awards 2008 at MetroRail 2008 and Most Customer-Friendly Transport at the Land Transport Excellence Awards by Land Transport Authority</li> </ul>	<ul style="list-style-type: none"> <li>Full-year FY2008 ridership increased 5.7% to 15.1 million from 14.3 million in FY2007</li> </ul>	<ul style="list-style-type: none"> <li>Full-year FY2008 ridership increased 2.6% to 277.3 million from 270.3 million in FY2007</li> <li>Fare increase of 1.8% approved by Public Transport Council</li> <li>Completed mid-life upgrade of 179 buses and purchased 67 new Euro V buses</li> </ul>
<b>Business Outlook for FY2009</b>	<ul style="list-style-type: none"> <li>Ridership is expected to grow</li> <li>Preparation for Boon Lay Extension revenue service in 2009</li> <li>Increase in headcount to prepare for commencement of Circle Line Stage 3 revenue service in mid-2009</li> </ul>	<ul style="list-style-type: none"> <li>Ridership is expected to grow</li> </ul>	<ul style="list-style-type: none"> <li>Ridership is expected to increase</li> <li>Delivery of 67 new Euro V buses</li> </ul>



■ Revenue (\$m)  
■ Operating profit (\$m)



### TAXIS

- Second largest taxi operator in Singapore with more than 16 years of experience
- Manages and leases a fleet of about 3,000 taxis, including MPVs, sedans and London cabs

- Revised taxi fare structure to better match supply and demand needs
- Successfully turned around taxi business
- Achieved 90.5% average hired-out rate from 79.1% in FY2007

- To continue to improve hired-out rate for taxis through strategic incentives to attract and retain hirers
- Expect to add 300 environmentally-friendly taxis to the fleet

### RENTAL

- Leases approximately 27,862 square metres of commercial spaces, as at 31 March 2008, at 51 MRT and 13 LRT stations

- Refurbished commercial spaces at 10 stations, including three Xchanges
- Total lettable space increased by 20.3% in FY2008
- Achieved average occupancy rate of 98.1% in FY2008

- Rental revenue is expected to increase by more than \$10.0 million

### ADVERTISING

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

- Introduced Tunnel TV, a new advertising medium
- Launched several major advertising campaigns

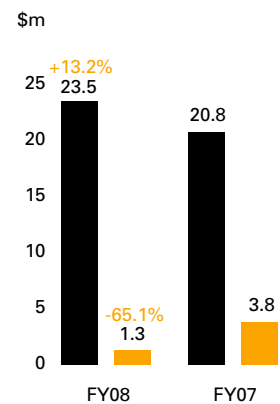
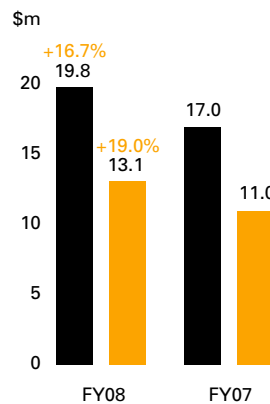
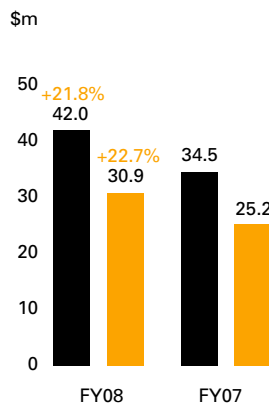
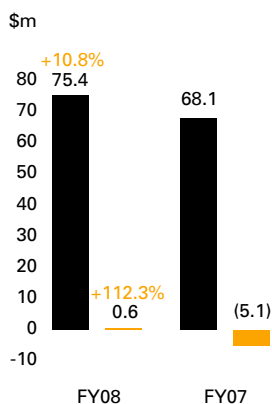
- Continue to identify and develop more advertising spaces and mediums

### ENGINEERING AND OTHER SERVICES

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

- Secured first major overseas project to provide mobilisation consultancy for The Palm Jumeirah Monorail System

- Continue to pursue opportunities in land transport operations in Asia and Middle East





“ The Singapore Government has drawn up a comprehensive road map where public transportation will be the centrepiece of the nation’s land transport system. The initiatives announced open a whole new world of opportunities for SMRT. ”

# Chairman's Message

## STRONG PERFORMANCE

SMRT registered growth in revenue and profit in FY2008, despite rising energy and other operating costs. Our improved performance underscores the effectiveness of our strategies and initiatives which continue to grow our businesses and contain costs, thereby creating value for our shareholders.

## ACROSS-THE-BOARD GROWTH

In FY2008, SMRT Group revenue rose 7.9 per cent to \$802.1 million driven by strong train and bus ridership growth, higher average hired-out taxi fleet and growth in our rental and advertising businesses.

Total operating costs for the year increased 3.1 per cent to \$645.0 million. The higher cost is due mainly to increases in repair and maintenance expenditure, energy costs and other operating expenses.

On the back of the strong ridership growth coupled with revenue increases from our rental and advertising businesses, SMRT after-tax net profit climbed 10.4 per cent to \$149.9 million. This strong performance mitigated the cost increases we faced from a two percentage point rise in goods and services tax, a 1.5 percentage point increase in employers' Central Provident Fund contribution and higher electricity and diesel costs.

In FY2008, our basic earnings per share rose 10.0 per cent to 9.9 cents from 9.0 cents previously whilst Economic Value Added rose 33.3 per cent to \$103.3 million from the previous year's \$77.5 million.

## RETURNING VALUE TO SHAREHOLDERS

In recognition of shareholders' loyalty, our Board is proposing to pay 78.3% of our FY2008 PATMI to shareholders.

SMRT is proposing a final dividend of 6.0 cents per share (tax exempt one-tier) to be paid on 4 August 2008, subject to shareholders' approval at the Ninth Annual General Meeting on 11 July 2008. Together with our interim dividend of 1.75 cents per share which was paid on 23 November 2007, the Company would have declared a total of 7.75 cents per share in dividends for FY2008. In all, shareholders will receive gross dividends totalling \$117.4 million.

We will endeavour to maintain or increase dividend payout each year in terms of cents per share, targeting a minimum payout ratio of 60 per cent of PATMI per year for the interim and final ordinary dividends. For the past five years from financial year 2004 to financial year 2008, we have consistently achieved a minimum dividend payout ratio of about 60 per cent of PATMI.

At the end of FY2008, our market capitalisation reached \$2.8 billion against \$2.3 billion at the close of FY2007. Our share price ended FY2008 at \$1.82. Taking into account the 22.2 per cent appreciation in our share price at the end of FY2008, our total shareholder value return was 26.6 per cent versus 39.1 per cent in FY2007.

Our balance sheet remained healthy as it continued to benefit from the strong operating cash flows generated by our growing businesses. We are therefore well-positioned to ride on new growth opportunities and return value to our shareholders.

## MAJOR DEVELOPMENTS IN THE YEAR

SMRT's fare and non-fare businesses continued to power revenue growth in FY2008.

Ridership on both our bus and train services rose, buoyed by the robust Singapore economy which bolstered overall business activity and

employment. We grew our suite of bus and train services in tandem with this expanding demand. On a broader level, the enhancements reflect our commitment to provide convenient and affordable public transportation that is accessible to all.

While our train fares remained unchanged, SMRT adjusted bus fares by a modest 1.8 per cent. Even with the adjustment, bus fares remain affordable to the majority of Singaporeans. Still, we are aware that lower income groups may face difficulties in coping with the increasing costs of living and contributed \$100,000 worth of travel vouchers to the Public Transport Fund.

## SMRT Trains

Our train business remained firmly on the growth track in FY2008. From February 2008, we added 83 more train trips per week during the morning and evening peak to shorten waiting time and offer passengers a more comfortable ride. From May 2008, we will add another 700 trips per week over both the peak and non-peak periods.

In addition to service enhancements, we continued to invest in our hardware. Our on-going train mid-life upgrade project is progressing well and scheduled for completion in FY2009.

## SMRT Buses

Fleet enhancements are underway at SMRT Buses. We invested in 67 Euro V compliant, wheelchair accessible buses which will be delivered progressively from the first quarter of FY2009. In addition, our buses are undergoing mid-life upgrading, comprising both aesthetic and mechanical enhancements, to ensure our buses remain roadworthy and in prime condition.

# Chairman's Message

In response to customer feedback and market demand, we introduced eight new bus services aimed at boosting our service levels and offering commuters a wider range of travel options.

## SMRT Taxis

In FY2008, we achieved operating profits of \$0.6 million, delivering on our commitment to turnaround our taxi business. Despite the keen competition for taxi hirers, our average hired-out rate climbed to 93.7 per cent in the fourth quarter of FY2008, thanks to a host of innovative hirer-centric initiatives. In December 2007, we also adjusted our taxi fare structure to help boost the income of our hirers.

## SMRT Investments

The transformation of our stations into vibrant retail hubs continued in FY2008. We completed the upgrading of retail spaces in 10 stations, increasing our total lettable space to 27,862 square metres.

We also launched a cutting-edge medium, Tunnel TV. This captivating medium, essentially a series of 360 LED panels installed in our train tunnel to create moving visuals, reinforces our appeal as a value-added advertising platform.

## SMRT Engineering

FY2008 proved to be an eventful year for our engineering business, which clinched a major monorail consultancy project in Dubai. The Palm Jumeirah Rail Transit mobilisation contract is now well underway.

Drawn by the bright prospects of the dynamic Middle East market, SMRT has set up an office in Dubai which will be its launching pad to the region. Our engineering division also made inroads in India and Sri Lanka.

## REACHING OUT TO THE COMMUNITY

In line with our unswerving commitment to serve the larger community, SMRT donated more than \$3.6 million in cash and in-kind sponsorship in FY2008. Our donations were spread across a range of charity and community projects.

While we believe charity is its own reward, I am gratified to note that our efforts have been recognised. In November 2007, the National Volunteer and Philanthropy Centre honoured us with the Most Outstanding Corporate Citizen Award for our philanthropic contributions and active volunteerism.

## Investing in Our People

SMRT is fully committed to investing in our people. Among the host of programmes we introduced in FY2008 is the SMRT Leader Model. We also introduced a 360 Feedback programme to inculcate a culture of giving and receiving feedback.

In 2007, we celebrated our 20th Anniversary and took the opportunity to show our appreciation to staff for their commitment by presenting everyone with an anniversary gift package.

## Recognition for Our Commitment

SMRT's efforts in providing customer-friendly services have gained recognition both at home and abroad. In February 2008, we won the Most Customer-Friendly Transport at the Land Transport Excellence Awards by the Land Transport Authority. Our customer-friendly approach also received kudos at the inaugural Metro Awards 2008 held in Denmark, where we received the Best Passenger Experience Award. These awards spur us to continue to hone our service levels and deliver to our passengers a travel experience that is second to none.

SMRT also fared favourably in a nationwide survey by the Institute of Service Excellence. The Institute was appointed by the Workforce Development Agency to implement an annual benchmark for Singapore's service-related industries. SMRT scored 69.9 on the Customer Satisfaction Index of Singapore, compared with the transport and logistics sector's average of 69.1 and the national average of 68.7. Among companies within the sector, SMRT Trains came out third after Singapore Airlines and Qantas. Overall, Singapore's residents gave the mass rapid transit system here a score of 69.0, while foreign visitors gave a score of 80.2.

For our initiatives towards good corporate governance, we won the Best Managed Board (Bronze) Award for companies with market capitalisation of \$500 million or more at the Singapore Corporate Awards 2008. At the Securities Investors Association (Singapore) (SIAS) Investors' Choice Awards, we received the Singapore Corporate Governance Award, Mainboard Category (Second), and was runner-up in the Most Transparent Company Award in the Transport/ Storage/ Communications Category.

## CORPORATE GOVERNANCE

At SMRT, we are driven by the commitment of the Board of Directors and Management to build a culture of responsibility, accountability, transparency, excellence and trust in our people. A sound system of policies, practices and internal controls are necessary in sustaining the long-term growth of the Company's business and performance.

In the spirit of good corporate governance, the roles of the Chairman and President & CEO are always kept distinct within SMRT. For greater transparency, the Board has in place a Role Statement for the Chairman and CEO to make the division of responsibilities clearer. To enhance the assessment process of the Board's effectiveness, Directors' Peer Evaluation as well as Directors' Self Evaluation is conducted yearly.

In managing our business, we are guided by our commitment to good corporate governance and also have in place a whistle-blowing policy and available channels for reporting, in good faith, any suspected improper conduct.

Through the Enterprise Risk Management function, we further strengthened our risk management culture by enhancing our annual and half-year risk assessment process and leveraging available channels to raise awareness of risk management practices organisation-wide.

In FY2008, Management kept up with its regular meetings with the investment community, updating them on developments and seeking their views. Through our partnership with SIAS, we continued to engage our retail investors, providing them access to SIAS seminars, programmes and research so that they can be better informed investors.

### **BOARD AND MANAGEMENT DEVELOPMENTS**

In FY2008, two new members joined the Board. Mdm Halimah Yacob and Mr Dilhan Pillay Sandrasegara, who also sits on the Audit Committee, became directors on 8 October 2007 and 15 April 2008, respectively. Together, Mdm Halimah and Mr Dilhan Pillay bring to SMRT a wealth of experience in labour

and trade union matters, law and corporate governance.

Ms Engelin Teh Guek Ngor and Mr Edmund Koh Kian Chew will step down from the Board at the forthcoming Ninth Annual General Meeting in accordance with the Company's Articles of Association on retirement of Directors by rotation. Ms Teh has served as a Director since 2001 while Mr Koh has served as Director since 2005.

The Board expresses its appreciation to Ms Teh and Mr Koh for their dedicated service and invaluable contributions. The Group has benefited from their wise counsel and guidance during their tenure as Directors.

### **OUTLOOK FOR THE YEAR AHEAD**

The Singapore Government has drawn up a comprehensive road map where public transportation will be the centrepiece of the nation's land transport system. Among the initiatives announced is a doubling of the rail network and contestability in the rail and bus network in a bid to boost service levels.

These initiatives, which will intensify competition in the train and bus industries, open a whole new world of opportunities for SMRT. Leveraging our experience and expertise, we are poised to grow our rail network and bus services as added competition will spur us to further improve our service levels.

We will continue to invest in and drive growth in our fare and non-fare businesses. Initiatives to enhance services will continue unabated to meet the expected rise in bus and train ridership. We are also confident our upgraded trains and buses as well as new fleet of Euro V compliant buses will provide greater convenience and comfort for all our passengers.

In FY2009, we are adding 300 environmentally-friendly taxis to our fleet and positioning ourselves for better financial performance through continued focus on operational effectiveness and innovative initiatives to attract and retain taxi hirers.

We expect growth in our rental and advertising businesses through better rental yield and increased space in FY2009. Another seven MRT and LRT stations are currently under renovation.

Geographically, capitalising on our strong brand name overseas, we are pursuing overseas opportunities in public transport in regions such as Asia and the Middle East.

Operationally, we expect an increase in operating expenses. Key contributing factors include higher energy prices, and staff and related cost as headcount will be higher with increased preparation work for the opening of Circle Line Stage 3.

The exceptional performance of the Management and staff at SMRT in the past year has shown that through investing in and continuously challenging our people, we will continue to do right by ourselves and bring value to our stakeholders.

I wish to take this opportunity to thank the Board for their wise counsel, the Management and staff of SMRT for their commitment and dedication, and our stakeholders for their continued support.



**Choo Chiau Beng**  
Chairman





# Board of Directors

## 1 CHOO CHIAU BENG Chairman

Choo Chiau Beng, 60, 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 Private Limited.

Mr Choo sits on the boards of Keppel Land Limited, k1 Ventures Ltd 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 board 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, 53, 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 is a director of The Esplanade Co Ltd and a board member of the National Environment Agency. She also sits on the Board of Trustees

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

She was conferred the Leading CEO Award in 2005, organised by the Singapore HR Institute and a Medal of Commendation at the 2007 May Day Award.

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 DILHAN PILLAY SANDRASEGARA

Dilhan Pillay Sandrasegara, 45, is the Managing Partner of WongPartnership LLP. He has 19 years of experience in the legal industry. His main areas of practice are in the fields of mergers and acquisitions and corporate governance. Mr Dilhan Pillay holds a Bachelor of Laws Honours degree from the National University of Singapore and a Master of Law degree from the University of Cambridge. He was admitted to the Singapore Bar in 1989.

He is a Trustee of the Singapore Management University as well as a member of the Advisory Board of its Law School. In addition, he is a board member of the Accounting and Corporate Regulatory Authority of Singapore and a director of Alexandra Health Pte Ltd, Babcock & Brown Structured Finance Fund Limited, Banyan Tree Holdings Ltd, CapitaRetail China Trust Management Limited, Changi Airports International Pte Ltd, Hup Soon Global Corporation Limited, MOH Holdings Pte Ltd and SP Services Ltd.

## 4 HALIMAH YACOB

Halimah Yacob, 53, is a Member of Parliament of the Jurong Group Representation Constituency, Chairman of the Government Parliamentary

Committee on Health and Chairman of the Jurong Town Council. She is also the Deputy Secretary General of NTUC and the Executive Secretary of the United Workers of Electrical and Electronics Industries.

Since 1999, Mdm Halimah has been a Member of the International Labour Organisation Governing Body in Geneva, Switzerland, representing the Workers' Group. Currently, she is the Workers' Spokesperson for the Technical Cooperation Committee of the International Labour Conference.

Mdm Halimah is a board member of the Economic Development Board, Housing & Development Board and a trustee of the National University of Singapore. She is a trustee of seven unions affiliated to the NTUC, Co-Chairperson for the Tripartite Alliance on Fair Employment Practices, and Chairperson for the Tripartite Workgroup on Women Back to Work Programme. Mdm Halimah is also actively involved in the Malay community. She is the Co-Chairperson of the Employability Network and the UFUK Co-operative, President of the Malay Teachers' Union Co-operative, and Patron of the Young Muslim Women's Association.

Mdm Halimah holds a Master of Laws degree from the National University of Singapore and was called to the Singapore Bar in 1981.

## 5 EDMUND KOH KIAN CHEW

Edmund Koh, 48, is the President of Ta Chong Bank Limited in Taiwan, a portfolio company of the Carlyle Group. Most recently, he was 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



# Board of Directors

Corporation Ltd and Citibank N.A. Mr Koh was the Chairman of Network for Electronic Transfers (S) Pte Ltd, is a current board member of the Housing & Development Board and a director of SNP Corporation Limited, International Medical Insurers Pte Ltd, and Deputy Chairman of the Singapore Sports Council.

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

## 6 KOH YONG GUAN

Koh Yong Guan, 62, 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.

Mr Koh was appointed as Singapore's High Commissioner to Canada in January 2008.

## 7 PAUL MA KAH WOH

Paul Ma, 60, is Chairman of Mapletree Logistics Trust Management Limited and a director of Mapletree Investments Pte Ltd. He is also a director of Ascott Residence Trust Management Limited, Capitaland China Development Fund Pte Ltd, Hwa Hong Corporation Limited and Tenet Insurance Company 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, 38, is Chief Executive of 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. Currently, he is the Deputy Chairman of the Employment and Employability Institute Pte Ltd (e2i). He sits on the Boards of Ascendas Pte Ltd, SPRING Singapore and the Institute of Systems Science. He also serves on the Board of Trustees of UniSIM, the Board of Governors of Northlight School, and the Board of the Singapore Workforce Development Agency. He is also a member of the Panel of Advisors to the Institute of Management Consultants Singapore and a Trustee of the Singapore LSE Trust.

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, 56, is Chairman of Jurong Engineering Limited as well as a director of Power Seraya 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, 53, 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 sits on the Regional Panel as well as the Panel for Sports Arbitration of the Singapore International Arbitration Centre and the Panel of Arbitration of the Law Society Arbitration Scheme. Ms Teh is also on the Panel of Arbitrators of the International Chamber of Commerce (Singapore). She is appointed member of the Inquiry Panel (Law Society) and is a member of the Competition Appeal Board appointed by the Ministry of Trade and Industry.

Ms Teh is a Fellow of the Singapore Institute of Directors and 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. She 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

**1 SAW PHAIK HWA**  
**President &**  
**Chief Executive Officer**

(Ms Saw's profile is on page 23)

**2 YEO MENG HIN**  
**Deputy President &**  
**Chief Operating Officer**  
**SMRT Corporation Ltd**

Yeo Meng Hin, 44, joined SMRT Corporation Ltd as Executive Vice President of Human Resource and Corporate Services in August 2003. Prior to SMRT, Mr Yeo was part of the top management team for DFS Asia Pacific Operations and had strategic oversight of the business. Mr Yeo had been in a wide array of other industries including hospitality, fast food, professional services, property and financial services. Besides human resource, he had also accumulated experience in logistics and consultancy.

Mr Yeo is currently Chairman of TransitLink. He is also a member of the SAFRA staff establishment committee and sits on the HR Accreditation Board of the Singapore Human Resources Institute. In addition, he co-chairs the work group for Human Resource Manpower Skills and Training Council HRD. Mr Yeo was named the Best HR Leader at the 2007 HRM Awards Singapore.

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

**3 LIM CHENG CHENG**  
**Executive Vice President &**  
**Chief Financial Officer**  
**SMRT Corporation Ltd**

Lim Cheng Cheng, 37, is Chief Financial Officer of SMRT Corporation Ltd. Prior to joining SMRT in July 2006, 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 TOMMY NG YEW CHYE**  
**Senior Vice President,**  
**Corporate Services**  
**SMRT Corporation Ltd**

Tommy Ng Yew Chye, 48, joined SMRT Corporation Ltd as Senior Vice President, Corporate Services in August 2007. He comes with more than 20 years of vast experience in Human Resource and Human Resource Development. In his HR career, Mr Ng had worked in the hospitality, financial and manufacturing industries. Mr Ng is a strong advocate of good industrial relations practices. He cultivated harmonious bipartite relations and nurtured good union-management relationship. For his significant contributions to workers' welfare and development, Mr Ng was conferred the Medal of Commendation by the National Trades Union Congress in the May Day Award 2007.

Mr Ng is a member of the Industrial Arbitration Court's employers panel. He has chaired a sectoral workgroup for the Tripartite Committee on Employability of Older Workers and also a Wage Restructuring Workgroup.

Mr Ng holds a Masters in Business Administration from the University of Strathclyde and a Diploma in Human Resource Management.



**5 KHOO HEAN SIANG**  
**Vice President,**  
**Circle Line**  
**SMRT Trains Ltd**

Khoo Hean Siang, 59, 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.

**6 HARRY TAN CHUAN HUAT**  
**Vice President, Engineering**  
**SMRT Trains Ltd**  
**Managing Director**  
**SMRT Engineering Pte Ltd**

Harry Tan, 57, 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 from the Embry Riddle Aeronautical University in 1986.

**7 VINCENT TAN PENG HOCK**  
**Vice President, Rail Operations**  
**SMRT Trains Ltd**

Vincent Tan, 53, is Vice President of Rail Operations at SMRT Trains Ltd. 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.

# Senior Management

## 8 LEE SENG KEE

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

Lee Seng Kee, 56, 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.

## 9 GOH CHEE KONG

**Vice President,  
Corporate Marketing &  
Communications  
SMRT Corporation Ltd**

Goh Chee Kong, 52, 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, St. Andrew's School and Singapore Red Cross. He is also a member of the Programmes Advisory Committee for English Television and Radio Programming.

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.

## 10 LAWRENCE LAU KAI KUM

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

Lawrence Lau, 55, 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. 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 awarded the Public Administration Medal (Bronze) in 1993.

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), Certified Fraud Examiner (US), Accredited Quality Assurance Assessor (IIA), and a Member of the National Institute for Governance (Australia). He is the chair of TransitLink's Audit Advisory Committee.

## 11 S. PREMA

**Vice President,  
Corporate Secretariat & Legal  
SMRT Corporation Ltd**

S. Prema, 42, 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 16 years of experience in her legal career. She is a Member of the Singapore Academy of Law.

**12 CATHERINE KUAN-LEE  
YEE FONG**

**Senior Vice President,  
Finance**

**SMRT Corporation Ltd**

Catherine Kuan, 56, 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.

**13 LO CHEE WEN  
Vice President  
SMRT Taxis Pte Ltd**

Lo Chee Wen, 51, 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.

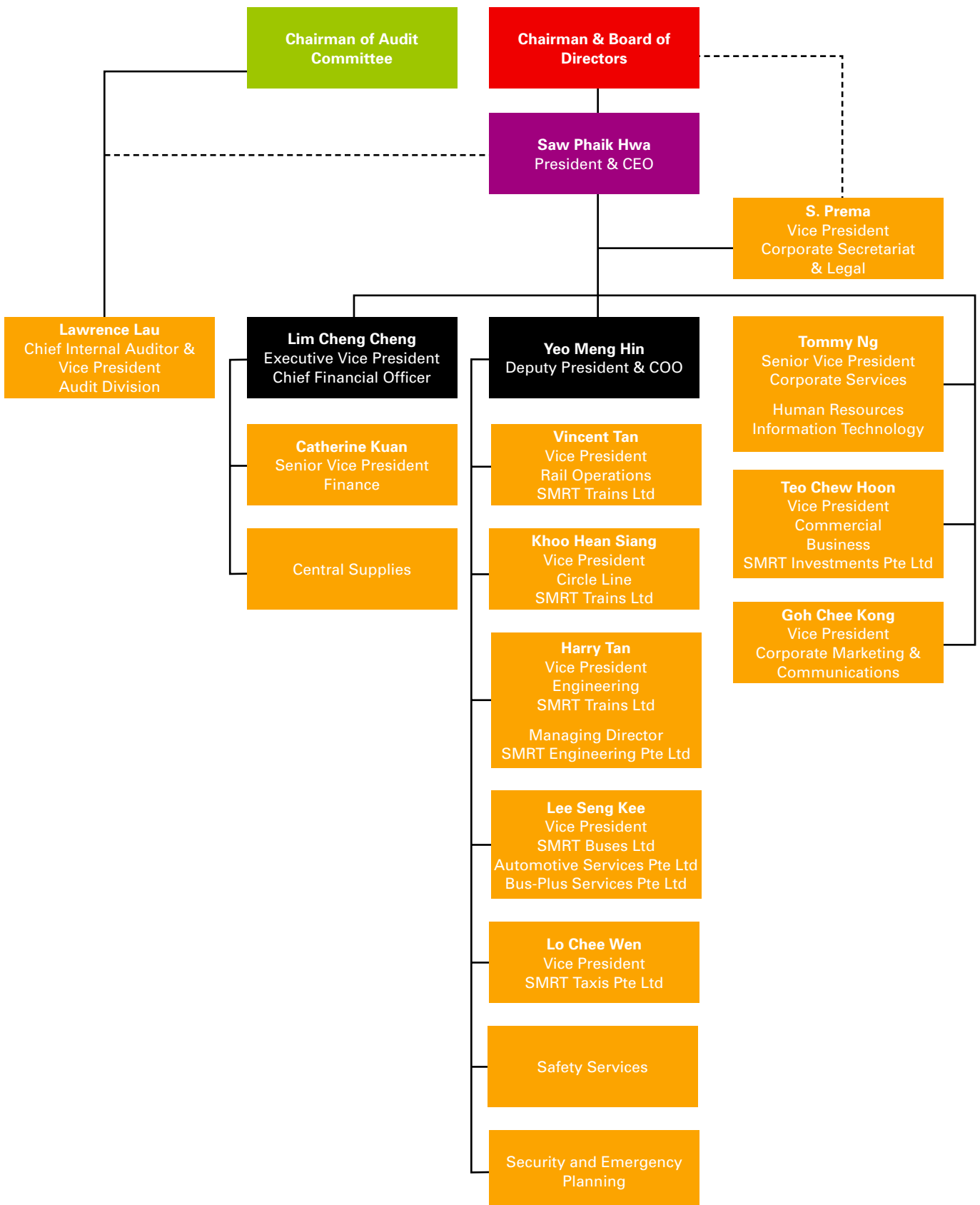
Mr Lo holds a degree in Accountancy from the National University of Singapore.

**14 TEO CHEW HOON  
Vice President,  
Commercial Business  
SMRT Investments Pte Ltd**

Teo Chew Hoon, 44, 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.

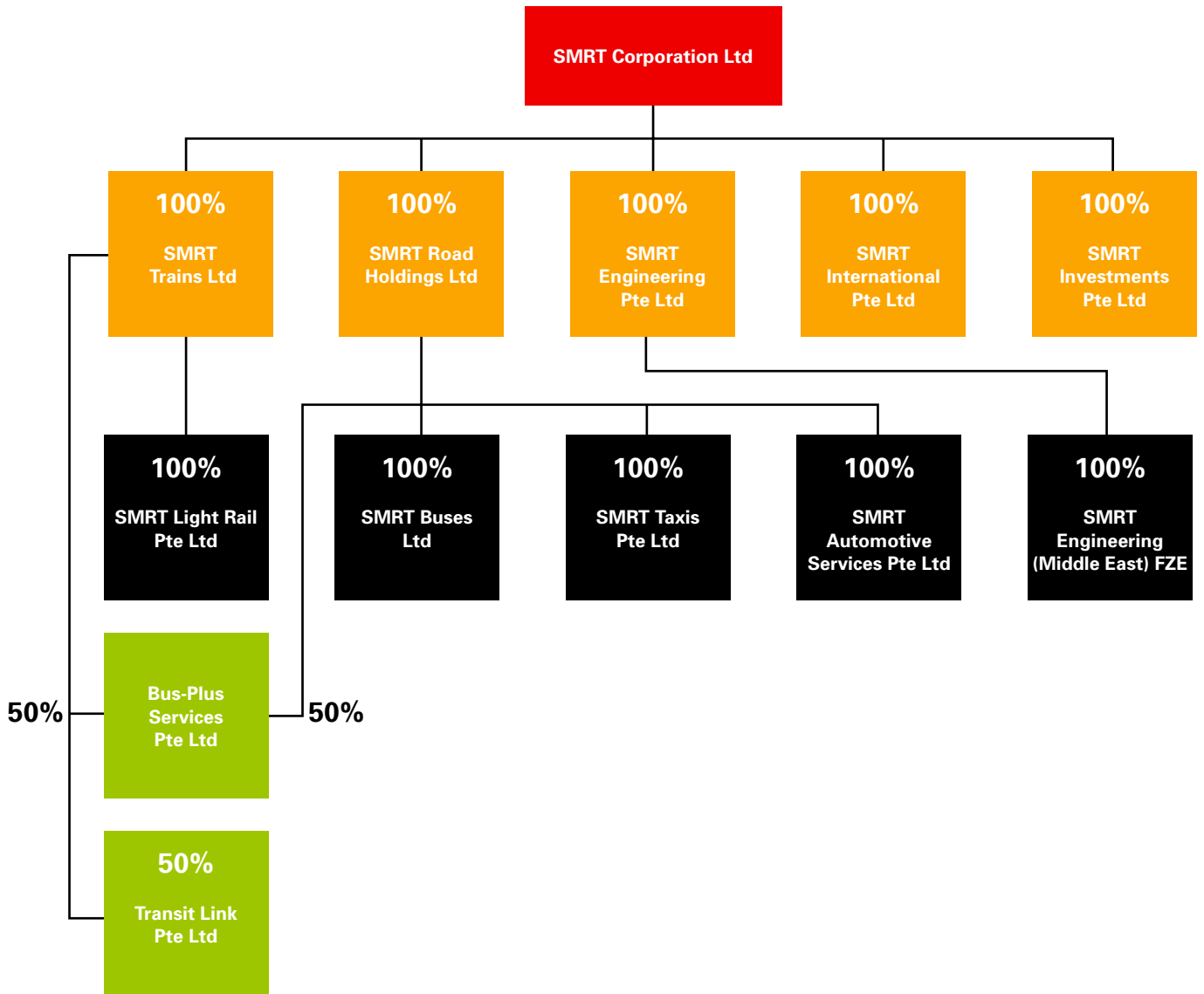
Ms Teo graduated from the National University of Singapore with a Bachelor of Science in Mathematics and Economics.

# Organisation Structure





# 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  
Dilhan Pillay Sandrasegara  
*(Appointed on 15 April 2008)*  
Halimah Yacob  
*(Appointed on 8 October 2007)*  
Edmund Koh Kian Chew  
Koh Yong Guan  
Paul Ma Kah Woh  
Ong Ye Kung  
Bob Tan Beng Hai  
Engelin Teh Guek Ngor

## COMPANY SECRETARY

S. Prema

## AUDIT COMMITTEE

Paul Ma Kah Woh, Chairman  
Dilhan Pillay Sandrasegara  
*(Appointed on 15 April 2008)*  
Bob Tan Beng Hai  
Engelin Teh Guek Ngor

## REMUNERATION COMMITTEE

Choo Chiau Beng, Chairman  
Edmund Koh Kian Chew  
Koh Yong Guan  
*(Appointed on 12 July 2007)*  
Bob Tan Beng Hai  
*(Appointed on 1 August 2007)*

## NOMINATING COMMITTEE

Engelin Teh Guek Ngor, Chairman  
Choo Chiau Beng  
Paul Ma Kah Woh  
Ong Ye Kung

## 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

Boardroom Corporate &  
Advisory Services Pte Ltd  
3 Church Street #08-01  
Samsung Hub  
Singapore 049483

## INVESTOR RELATIONS

Elizabeth Loo Suet Quan  
Tel: (65) 6331 1219  
Fax: (65) 6334 1407  
Email: Investors\_R@smrt.com.sg

# Corporate Governance

SMRT Group believes in having a sound corporate governance framework that enhances corporate transparency and encourages corporate ethical behaviour. Besides clinching second place for the Singapore Corporate Governance Award in 2007 presented by the Securities Investors Association of Singapore (SIAS), the Group was also a runner-up for the Most Transparent Company Award in the Transport/Storage/Communication category. At the Singapore Corporate Awards 2008, the Board of SMRT was awarded Bronze for the Best Managed Boards Award.

This section of the SMRT Corporation Ltd Annual Report 2008 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 the 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.

Financial matters that require the Board's approval are set out in the Group's Financial Procedures Manual ("FPM"). The FPM provides the Group with clearly defined policies and procedures on all financial matters and sets out the approval limits.

Board meetings are scheduled quarterly for the purpose of, inter alia, approving the release of the Group's financial results. A Board meeting is also held at the end of every financial year for Directors to consider the Group's annual budget for the following year. Close to the end of each 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. Ad hoc Board meetings are also held whenever the Board's guidance or approval is required. The number of Board and Board Committee meetings as well as Board members' attendance thereat is set out below:

## BOARD AND BOARD COMMITTEE MEETINGS AND ATTENDANCE FROM 1 APRIL 2007 TO 31 MARCH 2008

	BOARD				BOARD COMMITTEES			
			AUDIT		REMUNERATION		NOMINATING	
	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
<b>Board Of Directors</b>								
Choo Chiau Beng (Chairman)	7	7			3	3	2	2
Saw Phaik Hwa (President & CEO)	7	7						
Halimah Jacob	4	3						
Edmund Koh Kian Chew	7	3			3	2		
Koh Yong Guan	7	7			2	2		
Paul Ma Kah Woh	7	7	6	6			2	2
Ong Ye Kung	7	7					2	2
Bob Tan Beng Hai	7	7	6	6	2	2		
Engelin Teh Guek Ngor	7	6	6	5			2	2

# Corporate Governance

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 Directors.

A Director who is unable to attend a Board meeting can still participate in the Board's deliberations and decision making process because the Company's Articles of Association allow Board meetings to be conducted via telephone conference, video conference, audiovisual or other means of similar communication equipment. Decisions of the Board and Board Committees may also be obtained via circulation.

Upon appointment, a Director will receive a formal letter of appointment from the Board Chairman explaining his role, duties and responsibilities 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.

Directors are expected to make decisions objectively and in the best interest of the Group. One of the assessment criteria in the Chairman's annual assessment of Directors is a Director's ability to be decisive and his preparedness to take a firm stand on difficult issues. Also, when a Director evaluates himself and his peers, he has to consider whether he and his peers have the ability to be a supportive team player without sacrificing an independent position.

As part of the Company's continuing education for Directors, the Company Secretary will inform Directors of upcoming conferences and seminars relevant to their role as Directors. Some of the seminars that the Directors attended include talks on Singapore's regulatory environment and ethical leadership. Expert speakers will also be invited to share with the Board on relevant new laws and continuing listing obligations and regulations. From time to time, Directors will be sent articles, reports and press releases relevant to the Group's business.

Newly appointed Directors will be given a comprehensive induction by Management. This one-day orientation program includes briefings to familiarise them with the Group's strategies, business activities and governance practices, site visits to the Group's bus depots, MRT stations and MRT tunnels, and meetings with the Group's Senior Management team.

## **Nominating Committee**

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 Board Committee meetings are circulated to all Board members.

## **Audit Committee**

The Audit Committee ("AC") is chaired by Paul Ma Kah Woh, and includes members Dilhan Pillay Sandrasegara, 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.

## **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 the Company's substantial shareholder, Temasek Holdings (Private) Limited.

The primary function of the NC, which has been 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 of each Director to the Board's effectiveness. At the end of each financial year, the NC will review its Charter to ensure that the terms of reference, procedures and practices remain relevant and are in line with best practices.

The activities of the NC are explained in detail in the sections under Principles 2, 3, 4 and 5 in the subsequent paragraphs. The NC held 2 meetings during the year 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), Edmund Koh Kian Chew, Koh Yong Guan and Bob Tan Beng Hai. All members of the RC are independent and non-executive Directors. As stipulated in its Charter, 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, and to formulate and review the Group's succession plans with the

aim of building talent and renewing strong and sound leadership. Every year, the RC will review its Charter to ensure that it remains relevant and is in line with best practices.

The functions of the RC are explained in detail in the sections under Principles 7, 8 and 9 in the following paragraphs. The RC held two meetings during the year.

#### **Management Committee**

The Management Committee ("MC") is not a Board Committee. Chaired by the President & CEO, the MC which comprises members of Senior Management, 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 to deliberate on proposed strategic objectives, key policies and operational issues.

#### **Risk Management Committee**

The Risk Management Committee ("RMC"), which is also not a Board

Committee, leads the Group's efforts in strengthening its risk management processes and framework. It is chaired by the President & CEO and comprises the heads of all the Group's business functions. The RMC is responsible for the development and implementation of the Group's enterprise risk management policies and meets regularly to review the Group's strategic and operational risks. The RMC reports to the AC and its activities are set out in the section under Risk Management.

#### **BOARD COMPOSITION AND GUIDANCE (PRINCIPLE 2)**

The Board comprises 10 Directors, all of whom are independent and non-executive, except for the President & CEO, Saw Phaik Hwa. The composition of SMRT's Board is shown below.

The Board consists of Directors with core competencies in areas such as business, accounting, audit, finance, human resource, 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 45 to 50. The Board believes that the present Board size and composition is appropriate for the requirements of the Group's business.

The NC is responsible for assessing the independence of Directors. Annually, each Director is required to complete a Director's Independence Checklist to confirm his independence. The Checklist which is drawn up based on the guidelines provided in the Code, further requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code. The NC will then review the Checklist completed by each Director to determine whether a Director is independent. Newly-appointed Directors are also requested to

### **COMPOSITION OF BOARD & BOARD COMMITTEES**

<b>Name Of Director</b>	<b>Board Appointments</b> • Executive or Non-Executive Director • Independent or Non-Independent Director	<b>Audit</b>	<b>Board Committees As Chairman or Member</b>	
			<b>Nominating</b>	<b>Remuneration</b>
Choo Chiau Beng (Chairman)	Non-Executive/Independent		Member	Chairman
Saw Phaik Hwa (President & CEO)	Executive/Non-Independent			
Dilhan Pillay Sandrasegara	Non-Executive/Independent	Member		
Halimah Jacob	Non-Executive/Independent			
Edmund Koh Kian Chew	Non-Executive/Independent			Member
Koh Yong Guan	Non-Executive/Independent			Member
Paul Ma Kah Woh	Non-Executive/Independent	Chairman	Member	
Ong Ye Kung	Non-Executive/Independent		Member	
Bob Tan Beng Hai	Non-Executive/Independent	Member		Member
Engelin Teh Guek Ngor	Non-Executive/Independent	Member	Chairman	

# Corporate Governance

complete the Checklist to confirm their independence. For FY2008, with the exception of the President & CEO who is an executive Director, the NC has determined that all 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. Annually, the NC will review the Directors who are due to retire in accordance with the Company's Articles of Association and, taking into consideration factors such as a Director's contribution, his performance as well as his length of service on the Board, will recommend their re-election.

Directors are free to debate openly at Board meetings, which are held in a candid and constructive environment, and to make decisions using their collective wisdom whilst at all times acting in the best interest of the Group. Non-Executive Directors regularly meet without Management's presence to discuss matters such as the Board's effectiveness, Management's performance and the Group's long-term strategies. For the financial year ended 31 March 2008, the Non-Executive Directors conducted two meetings without Management's presence. At the Group's annual Board Strategy Retreat in October 2007, Directors and Management were given the opportunity to deliberate together on SMRT's 3-year business plan and SMRT's drive to "Go Green".

Members of the Board receive monthly operational and financial reports on the performance of each business unit and key corporate departments. These reports provide the Board with status updates on significant projects and key performance indicators, which includes financial and productivity indicators, and debtors' aging analyses. 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 in order to maintain effective oversight. Since FY2007, the Board has provided the Chairman and the CEO each with a Role Statement for greater transparency.

In the Role Statement for Chairman it is clearly set out that the Chairman of the Board is responsible for:

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

As Chairman of the RC, Choo Chiau Beng is also responsible for ensuring that the Group's succession plans are effective and its remuneration policies are appropriate.

As the highest-ranking executive officer of the Group, 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 strategies, policies, budget and business plans approved by the Board. The Role Statement for the CEO sets out the CEO's principal responsibilities as follows:

- running of the Group's business and developing the Group's vision, mission, core values, strategies and business objectives,
- reporting to the Board on all aspects of the Group's operations and performance (including overall financial performance, internal controls and risk management), and
- ensuring 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.

## **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.

Although the Company does not have a fixed term of office for its Directors, the total tenure for a Director is usually about six years. The NC regularly reviews 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 to identify the Board's current and future needs, taking into consideration the evolving business requirements of the Group. The NC will consider, inter alia, the range of expertise, skills and attributes of the existing Directors, the retirement and re-election of Directors, each Director's contribution and performance (such as attendance, preparedness, participation and candour) and whether new competencies are required to improve the Board's effectiveness. When the need for a new Director arises, either to replace a retiring Director or to enhance the Board's bench strength, the NC will, after shortlisting potential candidates, meet each of these candidates for an interview, before recommending the most suitable candidate to the Board

for appointment as Director. As regards the annual retirement and re-election of Directors, the NC will review each of the retiring Director's contribution to the Board and make the relevant recommendations to the Board for shareholders' approval at the AGM.

Key information regarding Directors such as academic and professional qualifications and directorships are set out on pages 45 to 50.

#### **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**

Directors are 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 NC Chairman will collate and present the feedback from the completed Questionnaires to the Chairman of the Board. The Board Chairman will then review and discuss the feedback with Board members.

##### **b Director's self-assessment**

Each Director is also required to assess himself by completing a Director's Self-Assessment Questionnaire. The Questionnaire not only invites ratings on a Director's attributes relating to his duties, skills and knowledge but also asks for a Director's comments on his personal contribution to the Board. The completed

Questionnaires will be directly returned to an external consultant who will prepare and present to the Board a report with its own analysis on the responses provided. The Chairman of the Board may take these results into account when the NC is determining the re-election of Directors or the appointment of Directors onto Board Committees.

##### **c Directors' Peer Evaluation**

Each Director will also rate his peers by completing the Directors' Peer Evaluation Questionnaire. Questions are categorised into three main areas: 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 external consultant will also present to the Board a report on the overall evaluation results. The Chairman of the Board may take these results into account when the NC is determining the re-election of Directors or the appointment of Directors onto Board Committees.

##### **d Evaluation of Directors by the Board Chairman**

At the end of each financial year, the Board Chairman will evaluate 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.

# Corporate Governance

The engagement of an independent party as consultant in the analysis of the Directors' Self and Peer Evaluation Questionnaires not only encourages a more candid response from Directors but also gives a more objective and transparent assessment of the evaluation process.

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. As the number of directorships a Director holds is only one measure of his time commitment to the Company, the NC will also consider a Director's level of participation in the Company, such as his attendance and level of participation at meetings or company events, and whether he has given sufficient time and attention in addressing matters or issues raised to the Board.

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 33. 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 furnishes the Board with timely 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 unrestricted 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. When major incidents occur, Directors will be immediately informed via SMS.

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 the agenda for Board and Board Committee meetings in consultation with the respective Chairmen 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. Directors

will also be informed of any significant developments or events relating to the Group. Any Director may in the furtherance of his duties take independent professional advice at the Company's expense.

## **PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (PRINCIPLE 7)**

The RC develops remuneration policies as recommended by the Code. 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. 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 Company's success.

The RC held two meetings during the year.

## **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 other Board Committees. The RC has access to professional advice from appropriate consultants to determine the level and mix of remuneration for Directors as well as Management. Directors of the Company receiving remuneration from the Group for the year ended 31 March 2008 is as proposed on page 39.



## REMUNERATION OF DIRECTORS

Remuneration Band & Name of Director	Directors' Fee \$	Basic Salary \$	Variable or Performance Related Income/ Bonuses \$	Benefits-in-kind \$	SMRT ESOP, SMRT RSP & SMRT PSP \$	Total \$
<b>\$400,000 and Above</b>						
Saw Phaik Hwa	–	622,027	427,549	60,000	200,722	1,310,298
<b>Below \$250,000</b>						
Choo Chiau Beng	98,000	–	–	–	–	98,000
Daniel Ee Hock Huat <sup>1</sup>	21,951	–	–	–	–	21,951
Halimah Yacob <sup>2</sup>	19,235	–	–	–	–	19,235
Edmund Koh Kian Chew	48,000	–	–	–	–	48,000
Koh Kheng Siong <sup>1</sup>	19,137	–	–	–	–	19,137
Koh Yong Guan <sup>3</sup>	45,661	–	–	–	–	45,661
Paul Ma Kah Woh <sup>4</sup>	75,213	–	–	–	–	75,213
Ong Ye Kung	48,000	–	–	–	–	48,000
Bob Tan Beng Hai <sup>5</sup>	65,333	–	–	–	–	65,333
Engelin Teh Guek Ngor	75,000	–	–	–	–	75,000

The above fees have been pro-rated accordingly for services rendered in the financial year ended 31 March 2008.

1 Retired on 12 July 2007

2 Appointed as Board Member on 8 October 2007

3 Appointed as Board Member on 2 April 2007 and as RC Member on 12 July 2007

4 Appointed as AC Chairman on 12 July 2007

5 Appointed as RC Member on 1 August 2007

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

Remuneration Bands	2008	2007
\$400,000 and above	1	1
\$250,000 to \$399,999	–	–
Below \$250,000	10	10
Total	11	11

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 %
<b>\$400,000 to \$550,000</b> (in alphabetical order)					
Lim Cheng Cheng	64.1%	21.1%	8.2%	6.6%	0.0%
Yeo Meng Hin	54.2%	24.3%	8.3%	13.2%	0.0%
<b>\$250,000 to \$399,999</b> (in alphabetical order)					
Catherine Kuan-Lee Yee Fong	60.5%	25.6%	7.7%	6.1%	0.0%
Lawrence Lau Kai Kum	57.0%	30.5%	5.4%	7.0%	0.0%
<b>Below \$250,000</b>					
Tommy Ng Yew Chye <sup>1</sup>	82.7%	3.9%	9.9%	3.5%	0.0%

1 Tommy Ng Yew Chye has less than a year of service for the financial year ended 31 March 2008

# Corporate Governance

In this vibrant and dynamic industry, the Group requires talented and highly engaged employees to propel its business strategies to build a progressive and high performance organisation so as to create value to shareholders. Ensuring market competitiveness is one of the criteria of the compensation strategies that the RC has established to attract and retain critical talents. The compensation must also be flexible and adaptable to market conditions critical for future success.

Since FY2005, the Company has stopped granting options under the SMRT Employee Share Option Plan (SMRT ESOP) as part of its review of the total compensation structure. Current long term incentives for Senior Management, like the SMRT Restricted Share Plan (SMRT RSP) and SMRT Performance Share Plan (SMRT PSP), emphasise performance and focus on creating value for shareholders. Details of the SMRT ESOP, SMRT RSP and SMRT PSP are set out on pages 113 to 116.

The RC reviews remuneration taking into consideration the achievements of the business units and the performance of individual employees.

## **ACCOUNTABILITY (PRINCIPLE 10)**

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. Since the Singapore Exchange Securities Trading Limited's ("SGX-ST") introduction of the requirement for Directors to issue a Negative Assurance

Statement to accompany its quarterly financial results announcement, Management has been providing the Board with quarterly certifications on the integrity of the Group's financial statements and internal control systems. Additionally, heads of each business unit will confirm that the financial processes and controls of each respective business unit is in place. A financial watchlist showing the status of significant financial issues of the Group is also compiled for the Board's attention.

## **AUDIT COMMITTEE (PRINCIPLE 11)**

The AC comprises members who are non-executive, independent and appropriately qualified to discharge their responsibilities. The Chairman has accounting, auditing and risk management expertise and experience. The other members provide expertise in accounting, legal and business issues.

The AC met six times during the year under review. The President & CEO, Deputy President & COO, Executive Vice President & CFO, Chief Internal Auditor & Vice President (Audit Division), Company Secretary and the external auditors are usually invited to these meetings. During the financial year, the AC had one meeting with the external auditors and three meetings with the internal auditors, 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. Annually, the AC will review its Charter to ensure that it remains relevant and is in line with best practices.

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.

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

The AC oversees the Group's Whistleblowing Programme. 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.

On an annual basis, the Internal Audit Division prepares a risk-based audit plan to review the adequacy and effectiveness of the Group's system of internal controls. Upon completion of each review, a formal report detailing the audit findings and the appropriate recommendations will be issued to the Chairman of the Board, the AC, the President & CEO, the Deputy President & COO and the external auditors for their information. A copy of the report is also issued to the heads of business units for their follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

Our external auditors from KPMG provide an independent perspective on the internal financial control system and their findings are reported to the AC annually.

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:

- review of and discussions on risks identified by Management;
- review of internal and external audit plans; and
- review of significant issues arising from internal and external audits.

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 reviewed by the Company's internal auditors and ISO Internal Quality Management System auditors.

Since March 2005, the Group has, via its Code of Business Ethics and Conduct (Ethics Code), 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 Ethics Code. Briefing sessions are regularly held to help new employees understand and apply the Ethics Code.

#### **Whistleblowing**

To reinforce a culture of good business ethics and governance, a Whistleblowing Programme was implemented in November 2006 to encourage the reporting in good faith of any suspected improper conduct whilst protecting the whistleblowers from reprisals within the limits of the law.

The secured and protected disclosure channels which are manned by the Chief Internal Auditor & Vice President (Audit Division) allow whistleblowers to disclose their concerns in strict confidence. In addition, a whistleblower is able to disclose directly to the AC Chairman via a dedicated and secured e-mail channel if he is of the view that the case has not been handled satisfactorily or if there is an apparent conflict of interest.

# Corporate Governance

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

## Financial Reporting

The Board is regularly updated on the Group's financial performance via monthly reports. These reports provide explanations for significant variances of financial performance and revised full year forecast, in comparison with budgets and financial performance of corresponding periods in the preceding year. Business units also provide the Board with monthly updates on key operational activities.

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

The Group's financial results are reported to shareholders quarterly in accordance with the requirements of the SGX-ST. For the first three quarters, the financial results are released within one month of the close of each quarter. For the fourth quarter, the financial results of that quarter together with the full year financial results are released within one month of the year ending 31 March.

## Financial Management

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

Having a 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

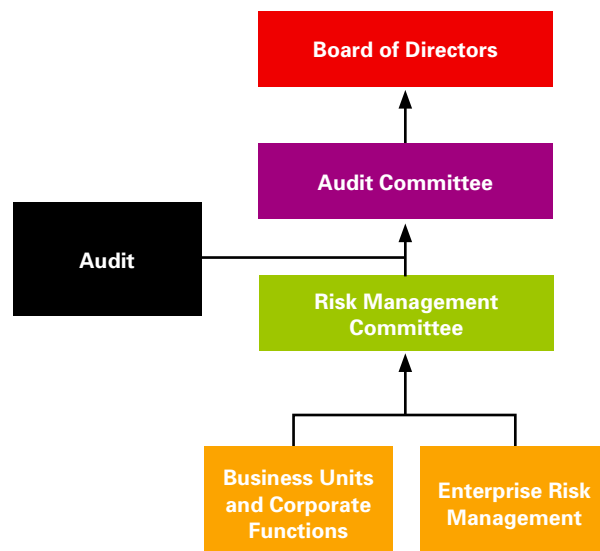
The RMC adopts and implements an Enterprise Risk Management (ERM) framework in the organisation with the following objectives:

- 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 business units and corporate functions; and
- To create a risk awareness culture.

Supported by the ERM function, the RMC spearheads the risk management initiatives and ensures that the Group's risks are adequately addressed.

## Risk Management Structure

The risk management structure of the Group is illustrated below:



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. Reporting to the RMC, the ERM function consolidates reports from all the business units and corporate functions monthly, and in addition, provides feedback to the 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. RMC updates AC on the results of risk reviews and action plans to manage the Group's risks on a half-yearly basis. The responsibilities of each role are described in the "Risk Management" section on page 80.

#### **Control Self Assessment Programme (CSA Programme)**

The CSA Programme was launched with the following objectives:

- To enhance the awareness of key process risks and controls amongst the line management and staff;
- To establish a risk-based approach for the business units to assess the effectiveness of their control systems;
- To clearly document the identified control owners for key processes and hence inculcate a strong sense of accountability throughout the Group; and
- To provide a tangible framework for Management to obtain assurance on the state of internal controls.

Under the CSA Programme, the line management and staff will conduct self-assessments on the effectiveness of their control processes. Thereafter, the Internal Audit Division will perform independent and random reviews to validate the results of these self assessments.

#### **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. Internal Audit Division's mission statement and charter require it to provide independent and objective assessments and consulting services which are designed to evaluate the adequacy and effectiveness of the Group's system of internal controls. A risk-based approach is used to develop the annual audit plan to ensure that all high risk areas are monitored for proper coverage and audit frequency. The audit plans are reviewed and approved by the AC.

Internal Audit Division is committed to performing its work in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) pronounced by the Institute of Internal Auditors (IIA). An ongoing quality assurance programme comprising internal and external assessments is in place to ensure that all audits are performed in accordance with the Standards.

The Division employs suitably qualified and experienced personnel to provide audit and consulting services. They either possess a recognised degree in Accountancy or an equivalent professional qualification and a post graduate Masters degree. In addition, they are either Certified Internal Auditors (CIA), Certified Fraud Examiners (CFE), Certified Information Systems Auditors (CISA), Certified Information Systems Security Professionals (CISSP), Certified Information Security Managers (CISM), Certified Public Accountants (CPA) or hold the Certification in Control Self Assessment (CCSA). The certification bodies that govern these professional accreditations require their members to maintain a programme of continuing education.

On an annual basis, the Internal Audit Division completes a self-assessment on the adequacy of its internal audit activities against its charter as well as both AC's and Management's expectations. To align SMRT's audit practices with those from leading practitioners, the assessment criteria used is based on the IIA Standards and best practices as recommended by reputable and professional organisations and associations.

#### **COMMUNICATION WITH SHAREHOLDERS (PRINCIPLE 14 AND PRINCIPLE 15)**

The Company's Investor Relations (IR) team, which is led by the Executive Vice President & CFO with active involvement from the President & CEO, is responsible for regular and effective communication with members of the investment community and investing public to provide clear, timely and fair disclosure of information about the Group's business developments and financial performance.

Information is disseminated regularly and takes the form of quarterly reporting on the Group's financial results, SGX-ST announcements, the Group's Summary and Annual Reports, monthly reporting of MRT and bus ridership data, and mid-quarter updates of any material information on major developments of the Group.

All material information is disclosed on a timely basis via SGXNET. It is also uploaded on the Company's website at [www.smrt.com.sg](http://www.smrt.com.sg) which serves as a one-stop source of updated 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. The contact details of the IR team are also available on the Company's website, which allows shareholders to contact the Company easily.

# Corporate Governance

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

The IR team and Senior Management meet institutional investors and analysts on a regular basis to receive and attend to their queries and concerns. In the financial year ended 31 March 2008, we held over 90 meetings with companies from eight major financial centres. In addition to face-to-face meetings, the IR team also engages in regular telephone and e-mail communication with analysts and investors to gather inputs and update them on the latest corporate developments.

The IR team has in place guidelines for addressing investors' queries or complaints as soon as possible. Depending on the nature of the query or complaint, it will be addressed by the IR team, forwarded to the Executive Vice President & CFO, or the Company Secretary for corporate governance matters, and even brought to the attention of the President & CEO, if necessary. Management and the Board are also kept informed on comments and views received via monthly reports.

More information about the Group's IR activities can be found on pages 51 to 54.

## Encourage Greater Shareholder Participation at General Meetings

The Group fully supports active shareholder participation at AGMs and Extraordinary General Meetings and views such General Meetings as principal dialogue sessions with shareholders. The Summary Report and the Notice of AGM are dispatched to shareholders, together with explanatory notes or a circular on items of special

business, at least 21 days before the AGM. Shareholders also have access to the full annual reports which are available on the corporate website or are dispatched upon request. Notice of General Meetings is also published in the Business Times.

About 400 shareholders attended the Group's Eighth AGM held on 12 July 2007. To encourage more shareholders to participate in AGMs, they are held at centrally located venues that are easily accessible by public transport. Since 2005, AGMs have been held at the Raffles City Convention Centre.

The Chairman, President & CEO, Chairman of each Board Committee, Board Members, Deputy President & COO, Executive Vice President & CFO and members of Senior Management are in attendance at AGMs 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 AGMs 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 General Meetings, 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 the proper authentication of the identity of the 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 General Meetings as separate resolutions.

The minutes of General Meetings prepared by the Company Secretary 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-ST'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.

## PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Present directorships (As at 31 March 2008)	Past directorships over the preceding three years (from 31 March 2005 to 31 March 2008)
Choo Chiau Beng 60 yrs	<ul style="list-style-type: none"> <li>• Bachelor of Science (Naval Architecture) 1st Class Hons, University of Newcastle Upon Tyne, United Kingdom (Colombo Plan Scholar)</li> <li>• Master of Science (Naval Architecture), University of Newcastle Upon Tyne, United Kingdom</li> <li>• Completed Programme for Management Development, Harvard Business School</li> <li>• Member of Wharton Society of Fellows</li> </ul>	01.05.2003 20.07.2006	<p><b>SMRT Group</b></p> <p>SMRT Corporation Ltd <i>(Chairman)</i></p> <p>SMRT Trains Ltd</p> <p>SMRT Road Holdings Ltd</p> <p>SMRT Buses Ltd</p> <p>SMRT Light Rail Pte Ltd</p> <p><b>Others</b></p> <p>Asian Lift Pte Ltd</p> <p>Keppel Corporation Limited <i>(Senior Executive Director)</i></p> <p>Keppel Energy Pte Ltd</p> <p>Keppel FELS Limited <i>(Chairman)</i></p> <p>Keppel Land Limited</p> <p>Keppel Offshore &amp; Marine Ltd <i>(Chairman/CEO)</i></p> <p>Keppel Offshore &amp; Marine Technology Centre Pte Ltd</p> <p>Keppel Shipyard Limited <i>(Chairman)</i></p> <p>K1 Ventures Ltd</p> <p>Maritime and Port Authority of Singapore <i>(Board Member)</i></p> <p>Offshore &amp; Marine AS</p> <p>Singapore Maritime Foundation Limited</p> <p>Singapore Petroleum Company Limited <i>(Chairman)</i></p> <p>Singapore Refining Company Private Limited <i>(Chairman)</i></p>	EDB Investments Pte Ltd

# Corporate Governance

## PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Present directorships (As at 31 March 2008)	Past directorships over the preceding three years (from 31 March 2005 to 31 March 2008)
Saw Phaik Hwa 53 yrs	• Bachelor of Science (Biochemistry) Hons, University of Singapore	20.03.2003 12.07.2007	<p><b>SMRT Group</b> SMRT Corporation Ltd <i>(President &amp; CEO)</i> SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd SMRT Automotive Services Pte Ltd SMRT Engineering Pte Ltd SMRT International Pte Ltd SMRT Investments Pte Ltd SMRT Light Rail Pte Ltd SMRT Taxis Pte Ltd</p> <p><b>Others</b> The Esplanade Co Ltd Government Parliamentary Committee on Transport <i>(Member of Resource Panel)</i> International Wu Style Tai Chi Chuan Federation <i>(Vice President of Executive Committee)</i> Singapore Jian Chuan Tai Chi Chuan Physical Culture Association <i>(Vice President)</i> Singapore Management University <i>(Board of Trustees)</i> Singapore Totalisator Board <i>(Member of Sports Sub-Committee)</i> Tan Tock Seng Hospital Community Charity Fund <i>(Board of Trustees)</i> Wu's Tai Chi Chuan Academy <i>(Governor – Singapore &amp; Malaysia)</i> Youth Business Singapore <i>(Board of Trustees)</i> 10TouchPoints DesignSingapore Council, Ministry of Information, Communication and Arts <i>(Member of Steering Committee)</i></p>	<p>Changi Airports International Pte Ltd EPL Ltd (In Members' Voluntary Liquidation) RFP Investments Pte Ltd (Struck off) Singapore Shuttle Bus (Pte) Ltd (Liquidated) Singapore Tourism Board Transit Link Pte Ltd Transys Pte Ltd</p>



## PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Present directorships (As at date of appointment 15 April 2008)	Past directorships over the preceding three years (from 15 April 2005 to 15 April 2008)
Dilhan Pillay Sandrasegara 45 yrs	<ul style="list-style-type: none"> <li>• Master of Law, University of Cambridge</li> <li>• Bachelor of Laws (2nd Class Upper Hons), National University of Singapore</li> </ul>	15.04.2008	<p><b>SMRT Group</b> SMRT Corporation Ltd</p> <p><b>Others</b> Accounting and Corporate Regulatory Authority <i>(Board Member)</i> Alexandra Health Pte. Ltd. Babcock &amp; Brown Structured Finance Fund Limited Banyan Tree Holdings Ltd CapitaRetail China Trust Management Limited Changi Airports International Pte. Ltd. Clifford Chance Wong Pte Ltd Dynasty Trust <i>(Board of Trustees)</i> Hup Soon Global Corporation Limited MOH Holdings Pte Ltd Singapore Management University <i>(Board of Trustees &amp; Member of Advisory Board of the School of Law)</i> The Ascott Group Limited SP Services Ltd WongPartnership LLP <i>(Managing Partner)</i> WOPA Services Pte Ltd</p>	<p>CapitaLand Retail (BJ) Investments Pte. Ltd.</p> <p>CapitaLand Retail (BJ1) Holdings Pte. Ltd.</p> <p>Hiap Seng Engineering Ltd</p> <p>PowerSeraya Ltd</p>
			(As at 31 March 2008)	(from 31 March 2005 to 31 March 2008)
Halimah Yacob 53 yrs	<ul style="list-style-type: none"> <li>• Master of Laws, National University of Singapore</li> <li>• LLB (Hons), University of Singapore</li> </ul>	08.10.2007	<p><b>SMRT Group</b> SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd</p> <p><b>Others</b> Economic Development Board <i>(Board Member)</i> Housing &amp; Development Board <i>(Board Member)</i> National University of Singapore <i>(Board of Trustees)</i></p>	<p>Jurong Town Corporation <i>(Board Member)</i></p> <p>National Environment Agency <i>(Board Member)</i></p>

# Corporate Governance

## PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Present directorships (As at 31 March 2008)	Past directorships over the preceding three years (from 31 March 2005 to 31 March 2008)
Edmund Koh Kian Chew 48 yrs	<ul style="list-style-type: none"> <li>Bachelor of Science, University of Toronto</li> </ul>	15.08.2005 20.07.2006	<p><b>SMRT Group</b> SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd</p> <p><b>Others</b> EM Services Pte Ltd <i>(Chairman)</i> Housing &amp; Development Board <i>(Board Member)</i> International Medical Insurers Pte Ltd National Youth Achievement Award Council <i>(Council Member)</i> Singapore Sports Council <i>(Deputy Chairman)</i> SNP Corporation Limited Ta Chong Bank Limited <i>(President)</i></p>	<p>Capital OK Company Ltd The Old Parliament House Ltd DBS Vickers Securities Holdings Pte Ltd DBS Vickers Securities Online Holdings Pte Ltd Hutchison DBS Card Ltd Network For Electronic Transfers (S) Pte Ltd Council on Governance of Institution of Public Character <i>(Council Member)</i></p>
Koh Yong Guan 62 yrs	<ul style="list-style-type: none"> <li>Master of Business Administration, Catholic University of Leuven, Belgium</li> <li>Master of Applied Science, Mechanical &amp; Biomedical Engineering, University of Toronto Canada</li> <li>Bachelor of Applied Science (1st Class Hons) Mechanical Engineering, University of Toronto, Canada</li> </ul>	02.04.2007 12.07.2007	<p><b>SMRT Group</b> SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd</p> <p><b>Others</b> Central Provident Fund Board <i>(Chairman)</i> Monetary Authority of Singapore Singapore Turf Club <i>(Chairman)</i></p>	<p>MND Holdings (Pte) Ltd Singapore Pools (Pte) Ltd Singapore Totalisator Board <i>(Deputy Chairman)</i></p>

## PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Present directorships (As at 31 March 2008)	Past directorships over the preceding three years (from 31 March 2005 to 31 March 2008)
Paul Ma Kah Woh 60 yrs	<ul style="list-style-type: none"> <li>• Fellow of the Institute of Chartered Accountants in England and Wales</li> <li>• Member of the Institute of Certified Public Accountants of Singapore</li> </ul>	15.07.2005 20.07.2006	<p><b>SMRT Group</b> SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd</p> <p><b>Others</b> Ascott Residence Trust Management Limited Capitaland China Development Fund Pte Ltd Hwa Hong Corporation Limited Mapletree Investments Pte Ltd Mapletree Logistics Trust Management Limited National University of Singapore <i>(Board of Trustees)</i> Tenet Insurance Company Limited</p>	<p>Asia General Holdings Limited Golden Harvest Entertainment (Holdings) Limited Jobcatch.com Pte Ltd The Asia Insurance Company Limited The Asia Life Assurance Society Limited</p>
Ong Ye Kung 38 yrs	<ul style="list-style-type: none"> <li>• Bachelor of Science (Economics) 1st Class Hons, University of London, London School of Economics and Political Science</li> <li>• Master of Business Administration, Institute of Management Development, Lausanne, Switzerland</li> </ul>	01.08.2006 12.07.2007	<p><b>SMRT Group</b> SMRT Corporation Ltd</p> <p><b>Others</b> Ascendas Pte Ltd Institute of Systems Science <i>(Board Member)</i> Institute of Management Consultants Singapore <i>(Member of Panel of Advisors)</i> Northlight School <i>(Member of Board of Governors)</i> SPRING Singapore Singapore Workforce Development Agency <i>(Board Member/Chief Executive)</i> UniSIM <i>(Board of Trustees)</i></p>	Civil Service College

# Corporate Governance

## PARTICULARS OF DIRECTORS

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Present directorships (As at 31 March 2008)	Past directorships over the preceding three years (from 31 March 2005 to 31 March 2008)
Bob Tan Beng Hai 56 yrs	<ul style="list-style-type: none"> <li>• Fellow of the Institute of Chartered Accountants in England and Wales</li> </ul>	01.08.2006 12.07.2007	<p><b>SMRT Group</b></p> <p>SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd</p> <p><b>Others</b></p> <p>ITE Holding Pte Ltd <i>(Chairman)</i></p> <p>Institute of Technical Education <i>(Chairman)</i></p> <p>Jurong Engineering Limited <i>(Chairman)</i></p> <p>NTUC Club Management Council <i>(Council Member)</i></p> <p>Ong Teng Cheong Institute of Labour Studies <i>(Board Member)</i></p> <p>PowerSeraya Ltd Sentosa Golf Club <i>(Management Committee – Member and Captain)</i></p> <p>Singapore Business Federation <i>(Deputy Honorary Treasurer)</i></p> <p>Singapore Golf Association <i>(Honorary Secretary)</i></p> <p>Singapore National Employment Federation <i>(Vice President)</i></p>	<p>NTUC Club Investment Pte Ltd Quebec Leisure International Pte Ltd UMS Holdings Ltd</p>
Engelin Teh Guek Ngor 53 yrs	<ul style="list-style-type: none"> <li>• LLB (Hons), University of Singapore</li> <li>• Fellowship of the Singapore Institute of Arbitrators</li> <li>• Fellow, Singapore Institute of Directors</li> <li>• Senior Counsel</li> </ul>	01.08.2001 14.07.2005	<p><b>SMRT Group</b></p> <p>SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd</p> <p><b>Others</b></p> <p>Engelin Teh Practice LLC <i>(Managing Director)</i></p>	<p>ETY Investments Pte Ltd (In Liquidation) Singapore Power Limited SP PowerAssets Limited</p>

# Investor Relations

At SMRT, we adopt a proactive investor relations (IR) approach in our regular communications with our investors and analysts.

Through clear and consistent communication with our investors on a timely, non-selective basis, we are building a best-of-class investor relations practice in order to nurture our investors' continued trust and confidence in us.

At the same time, we are committed to fostering long-term relationships with the investment community while upholding high corporate transparency standards.

## BUILDING LONG-TERM RELATIONSHIPS

In FY2008, SMRT's top management and the IR Team continued to proactively engage the investment community and meet investors on a regular basis to give them a clearer insight to our business units, the growth drivers and our strategies in leveraging opportunities and overcoming challenges.

Investors' interests in SMRT continued to grow during the year in review. The number of sell-side analysts covering SMRT grew to 17, up from 13 previously. We had more than 90 one-on-one meetings with investors and analysts, about 50% more than the 60 meetings in FY2007.

Our President and Chief Executive Officer (President & CEO), Saw Phaik Hwa, and our Executive Vice President & Chief Financial Officer (EVP & CFO), Lim Cheng Cheng, regularly attended these meetings to interact personally with the investment community.

To further engage the community, SMRT also participated in investor conferences organised by institutional brokers. These meetings were reinforced with regular emails or conference calls to keep our investors updated on the latest corporate developments.

We are also committed to developing the retail investor community. Since 2005, we have been investing in education for retail investors through our sponsorship of financial planning, investment services and learning programmes by the Securities Investors Association (Singapore) (SIAS).

In the year under review, we reinforced our partnership with SIAS and extended complimentary one-year associate membership to SMRT shareholders. As SIAS associate members, our shareholders enjoy free participation at investment seminars, courses and workshops organised by SIAS.

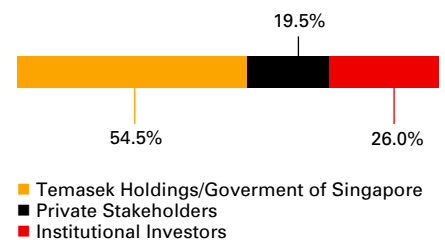
We distributed SIAS membership forms together with the SMRT FY2007 annual reports. The response was overwhelming, with some 2,400 shareholders signing up for membership.

## DIVERSE SHAREHOLDER BASE

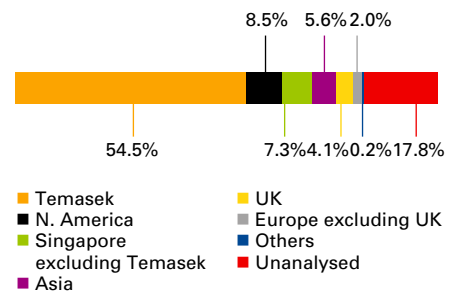
In FY2008, SMRT commissioned an analysis of our share register and the report identified more than 220 institutions and investors from around 55 cities.

Out of the Company's free float of 45.5%, about 26.0% were held by institutional investors. The top three geographic regions where our investors are based are: North America, Singapore and Asia (including Hong Kong and Japan). This diversification in our share holdings improves liquidity and helps ensure our shares are fairly valued.

### Shareholders' Profile <sup>1</sup>



### Institutional Shareholders by Region <sup>1</sup>



<sup>1</sup> Approximate figures based on share register analysis as at 28 May 2007

# Investor Relations

## COMPREHENSIVE INFORMATION DISCLOSURE

To ensure we provide clearer corporate transparency to our investors, the Group reports our quarterly financial results promptly, within one month of the close of each quarter and our audited full-year results within one month of our financial year-end of 31 March.

We have also worked hard to reach out to our stakeholders more effectively. Since 2005, we have broadcasted live webcasts of our quarterly and full-year results briefings to media and analysts. The interim and full-year results conferences are hosted by our President & CEO, while our EVP & CFO hosts the first and third-quarter conferences.

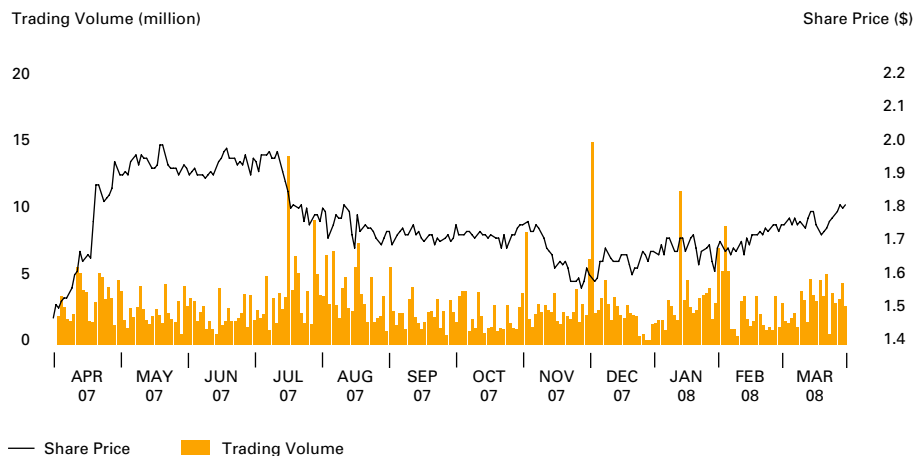
Both institutional and retail investors can listen in and raise queries during these briefings. Recordings of the briefings are also archived on the corporate website.

To give the investment community sufficient notice of our results announcements, the Group announces the dates via SGXNET two weeks before they are to be released. The investing public can also access this information via the financial calendar available on the corporate website.

## SMRT Share Price Compared to Straits Times Index in FY2008



## SMRT Share Price and Trading Volume in FY2008



Between quarters, analysts, shareholders and investors on the IR mailing list and those who have registered for Company updates will receive email alerts on material announcements issued via SGXNET, monthly updates of ridership data and media releases that cover relevant or significant developments in the transport industry.

These and other pertinent financial information, as well as contact details, are available on our dedicated IR pages on the corporate website, [www.smrt.com.sg/investors.asp](http://www.smrt.com.sg/investors.asp).

### **COMMITMENT TO ENHANCING SHAREHOLDER VALUE**

SMRT is committed to creating and enhancing shareholder value. In the year under review, we continued to reward our shareholders with generous dividends.

For FY2008, the Group is proposing a final dividend of 6.00 cents per share, tax exempt one-tier. If approved at the Ninth Annual General Meeting on 11 July 2008, this will bring the total dividend for FY2008 to 7.75 cents per share, equal to a dividend payout of 78.3% of PATMI in FY2008.

SMRT's share price appreciated 22.2% to \$1.82 at end of the financial year. For FY2008, total shareholder returns was 26.6% compared to 39.1% in FY2007.

Our formalised dividend policy approved by the Board of Directors was announced during the fourth quarter results announcement. We will endeavour to maintain or increase dividend payout each year in terms of cents per share, targeting a minimum payout ratio of 60% of PATMI per year for the interim and final ordinary dividend. In any particular year, we may also propose a special dividend to provide investors with greater returns and yield.

The dividend policy takes into account our long term objective of maximising shareholder value, the availability of cash and retained earnings, our expected financial performance and projected capex and other investment plans.

### **RECOGNITION**

In FY2008, SMRT continued to be recognised for our good corporate disclosure practices. We were ranked among the best in investor relations at the Singapore Corporate Awards 2007. We also won Best Investor Relations (Silver) award in the category for companies with a market capitalisation of more than \$500 million.

At the Investors' Choice Award presentation organised by SIAS in 2007, SMRT was presented with the runner-up award for the Most Transparent Company Award in the Transport/Storage/Communication category. We were also recognised as one of the top ten companies in terms of transparency among Singapore-listed companies surveyed in the Business Times Corporate Transparency Index (2007).

### **CONNECTING WITH THE INVESTOR RELATIONS COMMUNITY**

As a founding charter member, SMRT actively supports the Investor Relations Professionals Association (Singapore) (IRPAS). We helped organise events and programmes that provided a platform for IR practitioners to exchange views and share experiences. Through our participation in IRPAS, we are keeping abreast of best-in-class IR practices.

In FY2009, we remain committed to nurturing relations with our investors and enhancing our proactive IR approach in providing timely and transparent disclosure to them.

# Investor Relations

## INVESTOR RELATIONS AND FINANCIAL CALENDAR

### FY2008 (1 April 2007 to 31 March 2008)

24 April	Webcast of Media and Analyst Briefing on Full-Year FY2007 results
22-23 May	CLSA Corporate Access Forum (Singapore)
18 June	Release of Annual Report FY2007
12 July	Eighth Annual General Meeting
19-20 July	Books Closure Dates for FY2007 Final Dividend
1 August	Payment of FY2007 Final Dividend
27 July	Media and Analysts Teleconference on 1QFY2008 Results
2 August	Post Results Investors' Lunch
26 October	Webcast of Media and Analyst Briefing on 2QFY2008 results
30 October	Post Results Investors' Lunch
15-16 November	Books Closure Dates for FY2008 Interim Dividend
23 November	Payment of FY2008 Interim Dividend
25 January	Media and Analysts Teleconference on 3QFY2008 Results
31 January	Annual New Year Lunch with Analysts

### FY2009 (1 April 2008 to 31 March 2009)

29 April	Webcast of Media and Analyst Briefing on Full-Year FY2008 results
5 May	Post Results Investors' Lunch
21 May	CLSA Corporate Access Forum (Singapore)
17 June	Release of Annual Report FY2008
11 July	Ninth Annual General Meeting
21-22 July	Books Closure Dates for FY2008 Final Dividend
25 July	Media and Analysts Teleconference on 1QFY2009 Results *
4 August	Payment of FY2008 Final Dividend
31 October	Webcast of Media and Analyst Briefing on 2QFY2009 results *
30 January	Media and Analysts Teleconference on 3QFY2009 Results *

\* The dates are indicative and subject to change. Please check for updates on the financial calendar at [http://www.smrt.com.sg/investors/financial\\_Calendar.asp](http://www.smrt.com.sg/investors/financial_Calendar.asp)



# Corporate Social Responsibility

## REACHING OUT

SMRT takes our role as a responsible corporate citizen very seriously. We recognise that we are part of a larger community and must play a role in building and supporting it. Towards this end, we have expended both time and money, supporting charitable causes, public awareness programmes and in the process, enriching lives.

In FY2008, SMRT donated more than \$3.6 million in cash and in-kind sponsorship. These contributions went towards charity and community projects including public transport vouchers for the lower income group as well as sponsorship of media space, transportation and corporate gifts.

A large part of our efforts revolved around the SMRT Silver Tribute Fund (STF), which raised a total of \$932,181.62 during its eight-month drive from December 2006 to July 2007. Over 90% of our workforce participated in the various fundraising events. In keeping with our commitment to the beneficiaries and donors, all funds raised were distributed to the eight beneficiaries, with SMRT underwriting the operating costs.

In recognition of our commitment to corporate philanthropy and volunteerism, we received the Outstanding Corporate Citizen Award from the National Volunteer and Philanthropy Centre on 15 November. The award recognises organisations that have demonstrated active corporate citizenship through volunteerism and philanthropy.

## CHARITIES UNDER OUR WING

Under the SMRT Corporate Volunteer Programme (CVP), we adopted three charities – the Singapore Red Cross Blood Donor Recruitment Programme, Geylang East Home for the Aged (GEHA) and the Ang Mo Kio Family Service Centres (AMKFSC).

The Singapore Red Cross Blood Donor Recruitment Programme has been our adopted charity since 2004. In FY2008, SMRT collected a record-breaking 954 units of blood through four public blood donation drives and one staff drive. For our support, we received the Gold Award in the 2007 Champion Blood Donor Recognition Ceremony organised by the Singapore Red Cross Society.

Another SMRT adopted charity since 2004 is GEHA, a residential home and day activity centre for needy elderly. During the year, SMRT organised seven recreational activities for the residents including an overnight trip to Tanjung Batu, Indonesia and an outing to Sentosa during the annual SMRT Family Day. Our staff also helped maintain the home's facilities and assisted in the civil structural works for a sheltered linkway in the centre's premises.

The third charity close to our heart is AMKFSC, which we took under our wing in 2006. We supported the educational and developmental needs of children from disadvantaged families from its three centres. We also provided financial assistance and reached out to families under their care.



# Corporate Social Responsibility



## SUPPORTING WORTHY CAUSES

In addition to the adopted charities, we support initiatives geared towards sustainable development. For instance, we are a founding donor of the inaugural National Environment Agency (NEA) Corporate Environmental Outreach (CEO) Run, which took place at the Semakau Landfill on 17 November 2007. Funds raised during the run were donated to six environmental non-government organisations in Singapore.

Charitable causes we supported include the President's Challenge 2007 and the Community Chest Heartstrings Walk which took place in August last year.

We also provided media space to help raise public awareness of various issues including the NEA Litter-Free Bus Services Programme which encourages commuters not to litter on board buses. In September, we supported the Traffic Police Road Safety Public Education Programme 2007.

## ENRICHING LIVES

In FY2008, SMRT organised and supported various programmes that would add colour to the lives of the communities we serve.

During the Lunar New Year, we transformed Choa Chu Kang Xchange, our first heartland lifestyle hub, into a place of joyous celebration to spread festive cheer to our commuters.

In keeping with the festive theme, calligraphers and artists from the Life Art Society distributed auspicious couplets and brush paintings, all of which were completed on the spot. Joining in the festivities was our Guest-of-Honour, Dr Amy Khor, Mayor of South West District.

We have been an ardent supporter of the Ministry of Education's Learning Journeys (LJ) Programme since 2001. The programme enriches the learning experience of students through field trips to participating organisations. In FY2008, we welcomed 1,669 primary and 368 secondary school students who got a close look at our operations and left with a better understanding of what it takes to run a world-class public transportation network. They also learnt the importance of courteous and safe behaviour while travelling in the public transport system.

In September, we held our annual SMRT Courtesy and Safety Programme (CSP) 2007. Anchoring the event was SMRT Challenge which drew over 1,600 participants who took part in four exciting categories Ultimate, School, Family and Fun.

Other highlights of CSP 2007 included a static display of an SMRT train, bus and taxi, Captain SMRT skits, and games. The ever-popular CSP Children's Art Competition which raises awareness of gracious and safe travel behaviour through art once again pulled in the crowd.

A new element we introduced in CSP 2007 was the first-ever public transport Street Art Competition. With the theme 'Travel.SMRT', the competition pulled in five teams of two who re-lived their happy experiences with SMRT through their art.

To help promote and cultivate the habit of reading amongst the young, SMRT once again organised "Tales on SMRT Trains" which attracted some 600 children and their parents. The participants boarded a train at Kembangan MRT Station and settled down quickly for an hour of storytelling.



SMRT also supported the National Library Board's (NLB) annual Asian Children's Festival 2007 – MRT Read and Ride. On 25 November, some 400 children, their family members and helpers boarded our train for the 40-minute storytelling journey from Woodlands MRT Station to Marina Bay MRT Station. This event was part of NLB's 8th Asian Children's Festival, designed to create opportunities for children and their families to learn about Asian culture, traditions and heritage.



We are also gratified to say that our active promotion and support of the arts has garnered us a Patron of the Arts Award 2007 from the National Arts Council. Among the projects we sponsored are the Singapore Arts Festival 2007, SMRT Courtesy and Safety Art Competition and Street Art Competition, and a display of artwork by Life Art Society artists in the SMRT network.



#### **CONTINUED COMMITMENT**

SMRT remains firmly committed to supporting our three adopted charities. We will also continue to invest in our volunteers, sending them to conferences and workshops that would foster their understanding of volunteerism and inspire them to build on the CVP programme in place. In FY2009, our philanthropy, volunteerism and community outreach efforts will continue unabated with the aim of enriching lives.

#### **TRAVEL IN PEACE**

At SMRT, we remain vigilant in maintaining a safe and secure network for all we serve. We have adopted a holistic approach with active involvement from across the organisation.

In FY2008, we initiated and took part in a host of programmes to grow awareness, internally and externally, of the vital role safety and security plays in Singapore's public transport system.

#### **SAFE AND SOUND**

Passenger safety is of paramount importance to us. Over the years, we have consistently demonstrated our ability to attain our vision of becoming among the world's safest metro systems. In 2007, we achieved a passenger injury rate of just 0.002 per one million passenger trips, far below the Land Transport Authority's (LTA) stipulated 0.4 per one million.

#### **Growing Public Awareness**

We firmly believe in nurturing a safety culture among members of the public, helping them recognise that they play a vital role in ensuring their own and others' safety on the transport network.

The SMRT Courtesy and Safety Programme (CSP) is one of several public safety programmes we hold annually. We also enhanced station safety signage. In January 2008, we introduced new pictorial escalator safety signs that clearly depict safe usage.

# Corporate Social Responsibility

## Growing Staff Awareness

In addition to promoting passenger safety, SMRT places a premium on creating a safe working environment for our employees. We regularly monitor our staff performance on workplace safety, while nurturing a safety culture within the Group.

We are actively building and developing the competence and capabilities of our people in the safety field. This is achieved through collaboration with learning and development specialists to establish and identify our people's current and future training needs.

Our efforts have borne fruit. In 2007, we achieved zero workplace fatality. Our injury rate was 1.95 per million staff man-hours compared with the national average of approximately two per million. Even so, we endeavour to further improve our safety standards at the workplace and reach our target of not more than 1.2 injuries per million staff man-hours.

In line with this goal, we launched SMRT Shield a corporate safety programme to promote staff commitment towards building an organisation-wide safety culture.

## Safety Forward

In the year ahead, SMRT will continue to be proactive in dedicating ourselves to creating a safer environment for our passengers and our staff.

Among the initiatives underway is the implementation of the Integrated Incident Management System. This system will further shorten our response time to incidents, enabling us to promptly report and attend to incidents with follow-up actions implemented effectively. After thorough investigation to determine the cause, lessons learnt would be shared to prevent and minimise recurrence.

On our drawing board for FY2009 is a series of public safety education programmes focusing on safety in public areas such as escalator safety and platform safety.

We are also working with LTA to install half-height platform screen doors for all 34 existing above-ground stations. These new safeguards, expected to be completed by 2012, will provide an added layer of protection for passengers waiting on the platform.

## SECURITY

SMRT recognises that terrorism is an ever-present threat to the public transport system. We have been on constant alert since the 2004 Madrid train bombing. Terrorists target the public transport system for maximum effect, as evidenced by the 2005 London and 2006 Mumbai attacks. We therefore remain vigilant in identifying security gaps and addressing them promptly.

## Gearing for Action

To ensure our extensive transportation network remains secure, SMRT has implemented a series of programmes and initiatives to train our people and educate the public.

The centrepiece of our security efforts is the SMRT Community Emergency Preparedness (SCEP) programme, the first of its kind in the world. Launched in December 2006, the programme empowers the public to play a more active role in enhancing safety and security in the public transport system. Since its launch, SCEP has trained a total of 4,400 participants.

In line with the programme's goal, we organised a SCEP training exercise for over 530 youths from Heartware Network, a youth student leadership organisation. At the event held on 21 June 2007, Minister for Defence, Teo Chee Hean, was Guest-of-Honour.

In FY2008, we also conducted an SCEP exercise for residents at Bukit Panjang. Some 500 residents, led by Dr Teo Ho Pin, Mayor, North West District, took part in the event. SCEP roadshows were also held at City Hall MRT Station, Singapore Management University and Nanyang Technological University to recruit new participants.

In September, SMRT took SCEP to the world at the annual International Association of Public Transport Security Committee (SECOM) conference in Copenhagen. We briefed SECOM members on SCEP's unique and compelling attributes.

In business continuity planning, we conducted a corporate tabletop exercise involving SMRT senior management and 80 key responders of both the SMRT Rail Incident Management Plan and Bus Incident Management Plan. The plans were subsequently updated to reflect the enhanced measures in consideration of the exercise scenarios.

We also introduced Red Teaming, a security audit to identify and address gaps within our security environment. In addition, we increased the number of Transit Security Officers deployed at all MRT stations and bus interchanges during the morning and evening peak hours.

## Bigger Security Picture

While we educate our people and the public on security matters in our network, we are also mindful that we play a vital role in enhancing the overall security of Singapore. In May 2007, SMRT made a presentation on our security measures and challenges to the Security Policy Review Committee comprising both Deputy Prime Ministers and ministers from the key security ministries.

SMRT has also facilitated numerous security-related exercises with the Singapore Civil Defence Force, Singapore Armed Forces units and Police SWAT Team to ensure that we and all agencies are ready to respond effectively to any incident.

In addition, SMRT was awarded the Minister for Defence Award League Trophy on 1 July 2007 during the celebration for 40 years of National service.

### Securing the Future

In the coming year, we will remain vigilant in ensuring our transport network remains secure.

We will be conducting Red Teaming Exercises for SMRT staff as well as joint exercises with LTA and Police MRT Unit. Exercises will be conducted at MRT stations and bus interchanges to reinforce the security training of our frontline staff and security guards. It is also to raise the security bar and enable us to further tighten the system in response to the evolving security climate.

### INVESTING IN OUR FUTURE

Our people are our most precious resource. We are firmly committed to investing in them to empower them to achieve their full potential within our Group. In FY2008, we spent some \$1.8 million on staff training and skills development.

We also believe in listening to our people, harvesting their ideas and understanding their concerns. We actively cultivate and create communication avenues that enhance this engagement.

### GROOMING LEADERS

In FY2008, over 450 executives and above were introduced to the SMRT Leader Model. Under this programme, senior management met with the executives to discuss the model, hear their thoughts and address issues raised.

The next phase of the SMRT Leader programme took off with the launch of the 360 Degree Feedback process on 15 October 2007. The introduction of this feedback process is to help create self-awareness and nurture a culture of giving and receiving feedback in SMRT.

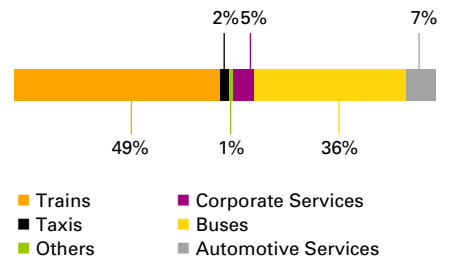
### NURTURING TALENTS

The grooming and nurturing of our people to continuously grow their talents and upgrade their skills is vital.

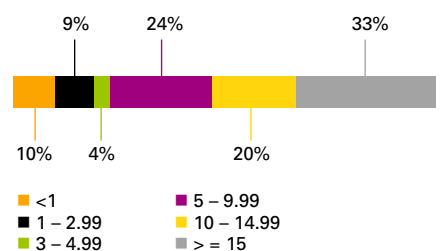
Amongst our initiatives in FY2008 was the Strategy Development & Organisational Alignment Workshop held in August 2007. The workshop, open to members of the SMRT Executive Development Pool, a promising group of leaders the organisation hopes to groom, was designed to help hone their strategic thinking capabilities and business acumen.

SMRT has also developed an Enhanced Talent Management Framework anchored on three programmes – Devel@p, Nurture and ACE, collectively referred to as the DNA of SMRT.

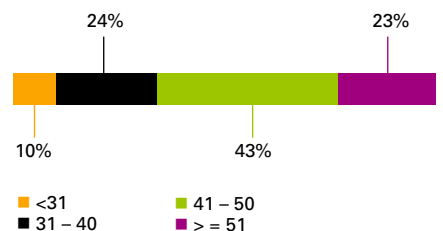
### Headcount by Business Unit



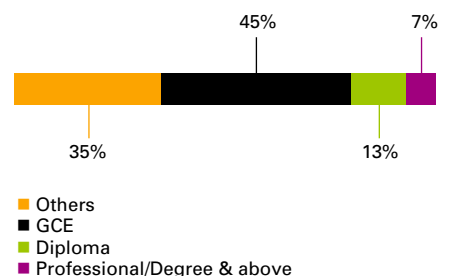
### Staff Profile by Completed Years of Service



### Staff Profile by Age Group



### Staff Profile by Qualification



# Corporate Social Responsibility

Devel@p, which stands for Developing Executives into Leaders Accelerated Programme, is designed for our graduate management trainees. The first batch of trainees will join SMRT by mid-2008. Nurture, which is about enabling the individual's future, will be geared towards non-managerial grade High Potentials (HiPOs) aged 30 & below. Managerial HiPOs, between 31 and 40, will undergo the Business Acumen, Competence & Cutting Edge (ACE) programme.

To support staff in their pursuit of lifelong learning, SMRT has in place an Education Assistance Policy where staff can request for training sponsorship for part-time Certificate, Diploma, Undergraduate and Graduate courses at approved institutions.

In addition, we are designing a structured on-boarding programme to help new employees ease into their respective roles at SMRT.

## Refreshing Our Talent Pool

SMRT recognises the need to renew our talent pool. In FY2008, we continued our search for talented young people to join and rejuvenate our organisation. We carried out a host of recruitment drives at Singapore's major tertiary and institutions and participated in career fairs.

Our search for talent also extended beyond Singapore's shores. We carried out a recruitment drive in China for Service Leaders. As at 31 March 2008, 94 of the recruited candidates had successfully passed their driving tests and are functioning as Service Leaders while another group is scheduled to arrive in Singapore in April 2008.

## ENGAGING OUR PEOPLE

In 2007, we celebrated our 20th Anniversary and took the opportunity to show our appreciation to staff for their commitment by presenting everyone with an anniversary gift package. Our President & CEO, Deputy President & COO, and members of the senior management team also personally visited bus interchanges, crew points and depots to celebrate with employees.

We also organised several staff events throughout the year including our Lunar New Year celebrations, SMRT A.C.T.I.V.E. Day, and recognised 1,060 staff with Long Service Awards at a ceremony held on 16 August 2007 at the Suntec Convention & Exhibition Centre.

## GAINING RECOGNITION

SMRT received several commendations at the 2007 Trade Union Congress May Day Awards, including the Medal of Commendation Award (Gold) for President & CEO, Saw Phaik Hwa, and a Company Commendation Award.

In FY2008, we marked another milestone when SMRT obtained ISO9000 Certification at the group level through an improved centralised quality management process.

SMRT staff were also the proud recipients of 372 Excellent Service Awards (EXSA) in 2007.

## LABOUR RELATIONS

To address staff concerns over the upcoming changes in Singapore's public transportation system, in January 2008 we organised a dialogue session with union officials from the Buses, Auto Services and Taxis divisions.

SMRT also developed a framework to further strengthen our Labour Management Relations. Called P.A.C.E., the programme will kick off with a Labour-Management Strategic Alliance Forum to be held in April 2008.

## LEVERAGING TECHNOLOGY

IT plays an important role in facilitating the smooth and efficient operations of our network of trains, buses and taxis. We believe in investing in best-in-class IT in order to keep on offering excellent service to all our customers.

## COST CONTROL

In FY2008, we continued to control costs through the consolidation of infrastructure using virtualisation technology and the streamlining of system processes and our business application systems. The total process of integration and consolidation yielded a 14% savings in ownership and IT maintenance costs.

As a result of the consolidation of our IT infrastructure, we now have fewer servers to operate and manage and this has reduced our energy consumption. We also sought to reduce unnecessary paper usage through the deployment of an electronic document management system. With this system in place, file records are kept in electronic form rather than hard copy.

## SUPPORTING OPERATIONS

We have invested in various IT systems that enhance our service to our customers. For instance, our newly implemented Internet Corporate Booking Portal, introduced in October 2007, offers our corporate clients an additional channel for booking SMRT taxis. We also upgraded our taxi management system in November 2007. The enhanced system facilitates the development of new hirer schemes to attract more drivers to our fold.

To minimise downtime for our hirers, SMRT launched the Corrective Maintenance Advanced Booking Portal in January 2008. This portal encourages our hirers to make advance booking for corrective maintenance, thereby enabling us to better schedule maintenance requests at our workshops. In turn, adherence to maintenance schedule is improved and hirers can better plan their day's trips.

SMRT is also collaborating with LTA to provide commuters timely travel information. Through our IT system, we are able to broadcast estimated bus arrival timings at selected bus stops across Singapore. This information will help commuters better plan their travel and reduce their waiting time.

As IT risk management remains a priority, we have reinforced our network by implementing an Intrusion Prevention system. This system, introduced last September, is designed to prevent unauthorised network intrusion that may damage the SMRT IT infrastructure.

We have also leveraged IT to introduce improvements in our Incident and Change Management process. This has not only reduced our downtime following an incident but we now have a knowledge base of incident resolution actions that can be used as a reference to resolve similar incidents.

## CONTINUING JOURNEY

In FY2009, we will study the feasibility of introducing two-factor authentication. This security process requires two identification methods before access to sensitive and confidential systems or computers is granted. SMRT will be looking at data-leak protection through the identification of types of sensitive data and implementation of alert and monitoring systems to prevent leaks. Above all, we will continue to align our IT investments to our business objectives.

## Awards & Accolades

### 2008

Best Passenger Experience  
Metro Awards 2008  
MetroRail 2008

Most Customer-Friendly Transport  
Land Transport Excellence Awards  
Land Transport Authority

Best Corporate Social  
Responsibility (Merit)  
PRISM Awards 2008  
Institute of Public Relations  
of Singapore

Clayton Ford Recruitment Award  
for Best Business Continuity Practices  
HRM Awards 2008

Best Managed Board (Bronze)  
Singapore Corporate Awards 2008  
The Business Times

### 2007

Outstanding Corporate Citizen Award  
National Volunteerism &  
Philanthropy Awards 2007  
National Volunteer & Philanthropy  
Centre

Patron of the Arts 2007  
National Arts Council, Singapore

Corporate Governance Award 2007  
Mainboard Category (Second)  
8th Investors' Choice Awards,  
Securities Investors Association  
(Singapore)

Most Transparent Company  
Award in the Transport/Storage/  
Communications Category (Runner Up)  
8th Investors' Choice Awards,  
Securities Investors Association  
(Singapore)

ISO 9000 Certification  
TÜV SÜD PSB Pte Ltd

Best Investor Relations (Silver)  
Singapore Corporate Awards 2007  
The Business Times

Best Managed Board (Bronze)  
Singapore Corporate Awards 2007  
The Business Times

# Significant Events



## APRIL 2007

- SMRT launched Express Service 854E which operates in addition to parent Service 854, providing passengers in Yishun, Yio Chu Kang and Hougang with a faster connection to Bedok.

## MAY 2007

- SMRT picked the grand prize winner of the “Ride SMRT, Go Places” promotion. The winner walked away with a seven-day holiday for four to Paris and London, and \$8,000 cash.
- SMRT Charity Movie Premiere was held in support of SMRT Silver Tribute Fund.
- SMRT launched Springleaf/ Springside estate service.
- SMRT won Best Managed Board (Bronze) Award and Best Investor Relations Award for companies with market capitalisation of \$500 million or more at the Singapore Corporate Awards 2007.

## JUNE 2007

- SMRT launched Express Service 188E which provides passengers in Choa Chu Kang and Bukit Batok towns with a faster link to HarbourFront.

## JULY 2007

- SMRT held its Eighth Annual General Meeting.
- The SMRT Silver Tribute Fund ended on a high note, raising \$932,181.62 for its eight beneficiaries.
- Two new premium bus services were introduced. Service 530 and 531 connect passengers from River Valley Road and Simei, respectively, to Shenton Way.

## AUGUST 2007

- Nakheel and SMRT Engineering Pte Ltd (SMRTE) entered a partnership for the operation of The Palm Jumeirah Monorail system in Dubai. The mobilisation contract sees SMRTE evaluating and defining the operational procedures as well as recruiting and training staff.
- SMRT Community Emergency Preparedness programme held its first recruitment roadshow at City Hall MRT Station.
- Chionh Chye Beng, Manager, Security and Emergency Planning, received the Minister for Home Affairs National Day Award for Long Service Police Volunteer. Mr Chionh has been a volunteer police officer for over 35 years.

## SEPTEMBER 2007

- SMRT launched its annual month-long Courtesy and Safety Programme. Activities included roadshows, children’s art competition, street art competition, and the SMRT Challenge – an exciting travel race to educate participants on courteous and safe conduct when taking public transport.
- SMRT extended NightRider services NR1 and NR6 to HarbourFront.
- SMRT reserved an entire train for the annual “Tales on SMRT Trains”, storytelling sessions on board our trains for children aged between 3 and 12 years old.
- The Citibank-SMRT Visa Platinum Debit Card was introduced as part of the strategic partnership between Citibank and SMRT to offer value and convenience to customers.

## OCTOBER 2007

- SMRT was named first runner-up in the Securities Investors Association (Singapore) (SIAS) Corporate Governance Award category and first runner-up in the SIAS Most Transparent Company Award in the Transport/Storage/ Communication category.





**NOVEMBER 2007**

- SMRT launched “Ride SMRT, Celebrate Life” promotion which encourages and rewards people for making greater use of public transport.
- SMRT extended service 858 to call at Changi Airport Terminal 3.
- SMRT received Outstanding Corporate Citizen Award from the National Volunteer and Philanthropy Centre. The award was presented to SMRT for our exemplary efforts in volunteerism and philanthropy.

**DECEMBER 2007**

- SMRT launched Tunnel TV, a new innovative advertising platform that creates moving images when the train passes through the tunnel.
- SMRT Taxis adjusted its fare structure to help boost the income of hirers.
- SMRT assumed care and maintenance of Kim Chuan Depot and seven trains stabled there that are for the new Circle Line.

**JANUARY 2008**

- SMRT installed 150 mini benches in high traffic city stations following public requests for more seats to be installed in the stations.
- SMRT opened first heartland Xchange at Choa Chu Kang. The retail space, with its well-rounded mix of 42 shops, caters to just about every person’s needs.

**FEBRUARY 2008**

- SMRT added 83 train trips per week during the weekday morning and evening peak periods. Commuters enjoy less crowded trains and shorter waiting time.
- SMRT received the Most Customer-Friendly Transport Award at the Land Transport Excellence Awards by the Land Transport Authority Singapore. This award recognises SMRT’s commitment to and achievements in the exemplary provision of customer-friendly services.
- SMRT won Best Managed Board (Bronze) Award at the Singapore Corporate Awards 2008 which recognised our good corporate governance initiatives.

- SMRT was awarded Best Corporate Social Responsibility (Merit) Award at the Public Relations in the Service of Mankind (PRISM) Awards 2008.

**MARCH 2008**

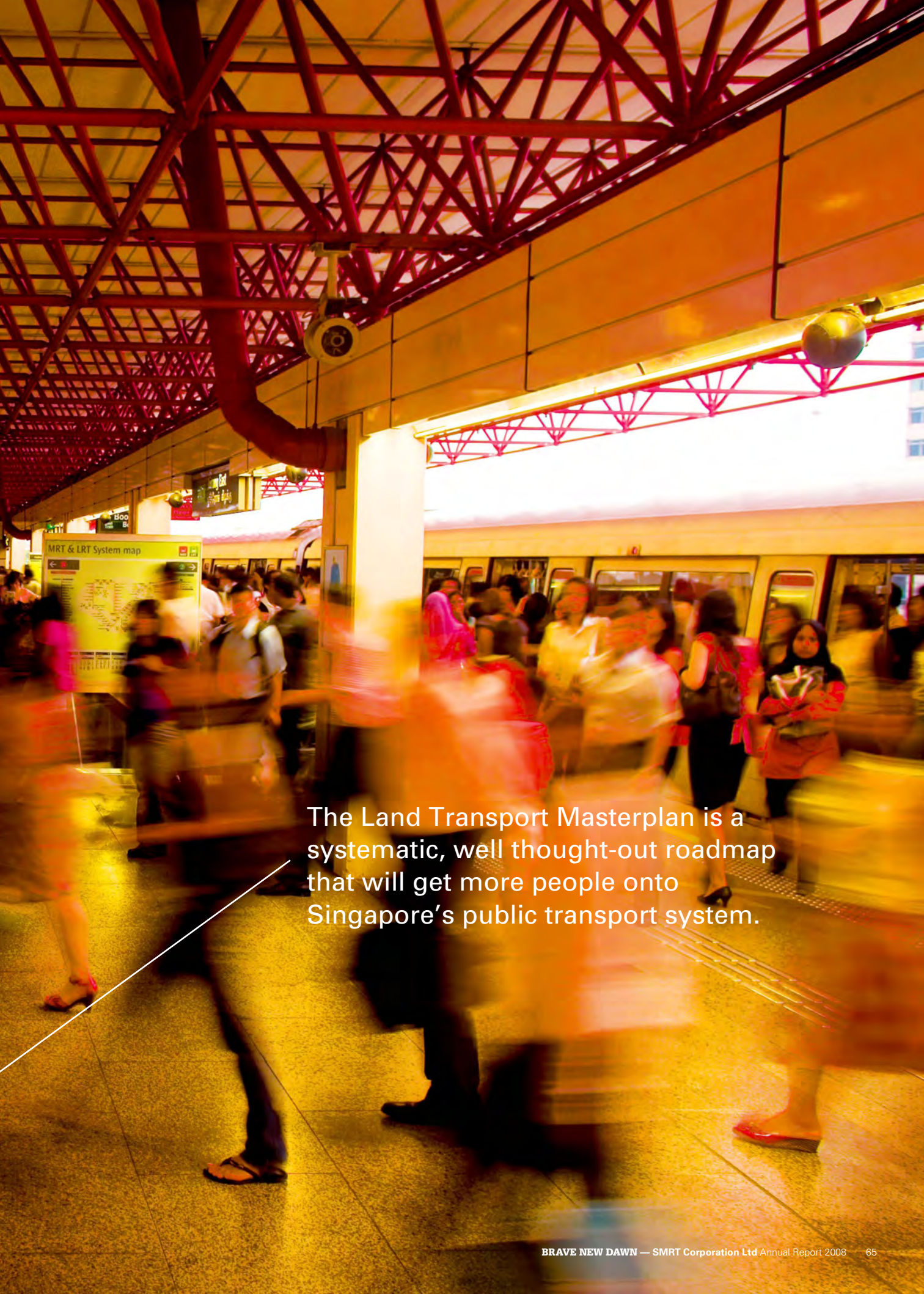
- SMRT cabby Victor Woo Wee Yeong is named Best Tourism Host – Transport (Taxi) in the Singapore Tourism Awards 2008.
- SMRT received the Clayton Ford Recruitment Award for Best Business Continuity Practices at the HRM Awards 2008. The award recognises SMRT for its business continuity practises and strategies for employee and organisational protection.

# Operating and Financial Review

## New Routes For Growth

6.55pm

By 2020, rail length will double from 138 km to 278 km while journeys will triple to 4.6 million from 1.4 million today. On the roads, there will be 150 km of bus lanes while full-day bus lanes will more than treble to 23 km.



The Land Transport Masterplan is a systematic, well thought-out roadmap that will get more people onto Singapore's public transport system.

# Operating and Financial Review

## New Routes For Growth



“ We welcome the extensive changes announced. Under the 2020 plans, SMRT is in a business the Government is making every effort to grow. It is essentially a 12-year guarantee for growth. ”

**SAW PHAIK HWA**  
President & CEO,  
SMRT Corporation Ltd

### NEW HORIZONS FOR PUBLIC TRANSPORT

SMRT is primed for the opportunities created by Singapore's new road map that will guide land transport developments over the next 12 years. Under the masterplan, a commuter-centric public transport network will be the centrepiece of the Lion City's land transport system. The broad-ranging changes, covering the entire spectrum of transportation services of bus, rail and taxi, will create exciting growth avenues for SMRT.

We welcome the extensive changes announced. Under the 2020 plans, SMRT is in a business the Government is making every effort to grow. It is essentially a 12-year guarantee for growth.

### RAPIDLY EXPANDING RAIL NETWORK

Singapore's rail network forms the backbone of the public transport system. The Government is expanding the rail network by adding more rail lines to new areas. By 2020, Singapore's rail network will double from today's 138 kilometres to 278 kilometres. It will carry triple the number of journeys, rising from today's 1.4 million a day to 4.6 million. The density of the network will also increase by 60% to 51 kilometres per million population by 2020, comparable to cities like New York and London, and surpassing Hong Kong and Tokyo. In all, commuters will benefit from enhanced connectivity between suburban areas and shorter journey time.

Even as the rail network is expanded, the rail industry will become more contestable to drive efficiency and enhance service standards for commuters. The Government will shorten the period for operating licences from the current 30 years to between 10 and 15 years. Operators will compete for the right to operate rail services and will have to meet service obligations or risk being replaced at the end of their term.

### ON TRACK FOR GROWTH

With over 20 years of rail operations and engineering experience under our belt, SMRT is well-positioned to compete for the new lines. We are keen to operate a more extensive mass rapid transit (MRT) network that complements our existing rail lines, bringing together a wider choice of travel options and greater convenience for commuters.

### **PAVING THE WAY**

On the roads, a comprehensive and efficient bus system is necessary to complement the rapidly expanding rail network. The Government's move to invest in bus service improvements will see the Land Transport Authority (LTA) undertaking central planning of the bus network by 2009. By integrating the planning of the bus, rail as well as the road network, LTA will be able to optimise the performance of the entire land transport system for commuters' benefit.

Another initiative to raise service levels is the series of bus priority measures being introduced. From June 2008, the network of bus lanes will be extended from 120 kilometres to 150 kilometres while full-day bus lanes will more than treble to 23 kilometres.

### **TICKET TO RIDE ON THE OPPORTUNITIES**

The introduction of these measures mean that we will be able to more efficiently manage our operations and improve service reliability to passengers. Travelling time will be reduced and a timely, more comfortable bus journey is to be expected.

SMRT also embraces the plan to enhance the contestability of bus services as the Government opens up basic bus service to more competition. We believe this is a good opportunity to grow our bus business which is currently limited to the North and North-West areas of Singapore. With 25 years of track record in managing and operating the bus business, we are confident we can compete effectively to deliver comfortable and prompt bus services that meet the evolving needs of commuters.

### **TAXI TRANSFORMATION**

Singapore's taxi industry has already undergone a major transformation since it was liberalised in 1998. Under the masterplan, the industry is headed for further transformation given the initiatives aimed at creating smoother flowing roads. Improved connectivity and shorter waiting time will also make public transport an attractive alternative and commuters may be compelled to rethink their travel choices. To help cushion the impact of these changes, SMRT Taxis is passing on to hirers the 15% reduction in road tax for all vehicles.

### **CAPITALISING ON OPPORTUNITIES**

Overall, SMRT believes the 2020 Masterplan spells good news for our group and the nation as a whole. Whilst the changes will intensify competition in the public transport arena, the initiatives being introduced will promote the use of public transport. This will benefit our environment and drive Singapore towards its goal of becoming an even more attractive city to live, work and play in.

Just as we are able and ready to serve commuters, SMRT is also keen to maximise shareholder value. With new rail and bus routes opening up, we will participate where it makes economic and social sense.

We welcome the competition and will meet the additional challenges head on. Contesting for the new rail and bus businesses will only enhance our efficiency and hone our competitive edge. With our proven track record, we are able to capitalise on the opportunities that await us.

# Operating and Financial Review

## 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, operations and maintenance services and fibre-optic cable leasing while SMRT Automotive provides fleet maintenance services and diesel sales.

The Group structure is shown on page 30.

## BUSINESS OBJECTIVES AND STRATEGIES

### Business Objectives

To be a leading multimodal transport operator differentiated by innovation and creativity

To be a global brand that epitomises excellence in quality service standards

To be a premium organisation that delivers in value through optimal and responsible use of resources

To be a key and trusted player in the international transportation scene, recognised for domain expertise and experience

To be an employer of choice, distinguished by people centered strategies

### Strategies in Action in FY2008

- Refurbished 10 more stations to provide lifestyle convenience to commuters and residents
- Launched "Ride SMRT, Celebrate Life" campaign to grow ridership
- Launched exciting advertising mediums including Tunnel TV
- Met and exceeded stipulated operational performance criteria
- Clinched "Best Passenger Experience Award" presented at the inaugural Metro Awards in Copenhagen, Denmark and "Most Customer Friendly Transport Award" presented by Land Transport Authority
- Achieved 10.7% increase in Group PATMI to \$149.9m
- EVA increased 33.3% from \$77.5m to \$103.3m
- Higher proposed full-year dividend of 7.75 cents per share, tax exempt one-tier
- Enterprise risk management in place to mitigate risks at all levels
- Awarded first major overseas consultancy project for Palm Jumeirah in Dubai
- Won Corporate Governance Award presented by Securities Investors Association (Singapore)
- Awarded HRM Award for Best Business Continuity Practices
- Conferred the Outstanding Corporate Citizen Award

## **BACKGROUND – REGULATORY FRAMEWORK**

### **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 126.

As part of the LOA, SMRT Trains complies with a set of performance standards. Page 86 carries a description of how it surpassed some of these standards in FY2008.

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 FY2008 are described in pages 90 and 92.

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. Stage 3 of Circle Line will commence operations in mid-2009. In addition, SMRT Trains will operate the Boon Lay Extension which is expected to be completed and operational in 2009.

### **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 127.

### **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.

Operating under the Bus Service Operator's Licence, SMRT Buses is required to comply with the Quality of Service (QoS) standards which, among other areas, focus on reliability, safety and availability. Page 95 carries a description of how SMRT Buses fulfilled some of these standards in FY2008.

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 97 to 98.

### **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.

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.

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 101 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 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 adverse economic conditions or significant deterioration in the overall affordability of public transport fares. To further ensure that passengers' interests are protected, while still allowing the public transport operators to earn reasonable returns, the Return-On-Total-Assets (ROTA) values of the public transport operators will be compared against that of other similar risk industries to serve as a reality check on the fare levels hitherto approved by the PTC. If the fare adjustment 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

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, children, senior citizens and full-time national servicemen.

Passengers can travel using standard single trip tickets or ez-link cards (contactless stored value tickets). 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.



# Operating and Financial Review

## GROUP PERFORMANCE OVERVIEW

In FY2008, SMRT achieved another year of strong performance. Revenue for the year was \$802.1m, up 7.9% from FY2007, underpinned by increased train and bus ridership, higher taxi average hired-out fleet and growth in rental and advertising businesses.

Other operating income was lower at \$20.9m in FY2008 compared to \$27.8m in FY2007 due mainly to the de-consolidation of Transit Link since 4QFY07 and the final contribution from expired farecards in 3QFY07.

Total operating expenses for the year increased 3.1% to \$645.0m due mainly to increases in repair and maintenance, energy costs and other operating expenses. On the back of higher revenue, EBIT was 22.6% higher at \$178.0m. Compared to FY2007, Group PATMI in FY2008 increased 10.7% to \$149.9m. The compounded annual growth rate in PATMI from FY2004 to FY2008 was 13.8%.

Earnings per share were 10.0% more over FY2007 at 9.9 cents. Return on equity reached 22.8%, as compared to 22.1% in FY2007 and Economic Value Added was \$103.3m, 33.3% higher than \$77.5m in FY2007.

Cash and cash equivalents at end of FY2008 increased from \$169.6m to \$232.5m as a result of lower investing and financing cash outflows, partially offset by lower cash inflow from operating activities.

On account of better performance, the Board of Directors is proposing a final dividend of 6.00 cents per share, tax exempt, one-tier. This will bring the total gross dividend for FY2008 to 7.75 cents per share or \$117.4m.

growth in average daily ridership. EBIT contribution from MRT in FY2008 grew 24.9% to \$129.3m as a result of strong ridership growth, partially offset by higher electricity costs. MRT operating profits accounted for 72.6% of Group EBIT.

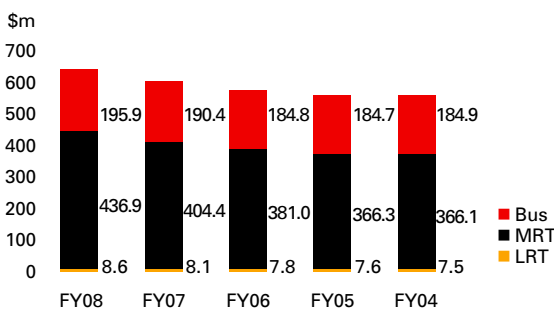
Revenue from **LRT operations** in FY2008 grew 6.6% to \$8.6m on the back of increased average daily ridership of 5.4% as compared to FY2007. Operating loss for FY2008 was more than halved at \$0.4m as a result of higher average daily ridership.

**Bus operations** contributed \$195.9m to the Group's FY2008 revenue, 2.9% or \$5.5m higher than FY2007 mainly on account of 2.3% increase in average daily ridership. On account of higher staff and related costs, diesel expenses and absence of other income from final contribution from expired farecards in 3QFY07, operating profits from Bus declined from \$5.6m to \$1.5m.

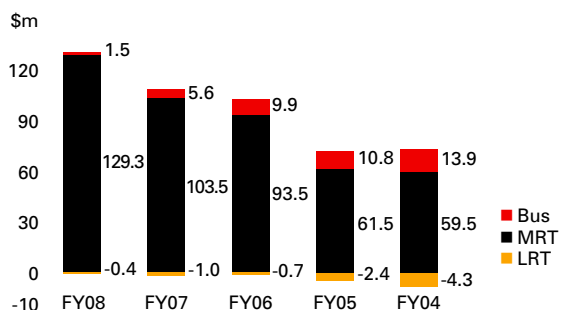
## SEGMENTAL PERFORMANCE

Revenue from **MRT operations** in FY2008 increased 8.0% or \$32.5m to \$436.9m and accounted for 54.5% of FY2008 Group revenue. The increase was driven mainly by the 7.6%

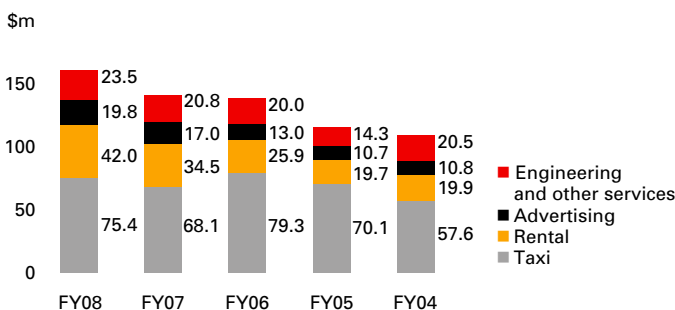
### Fare Revenue



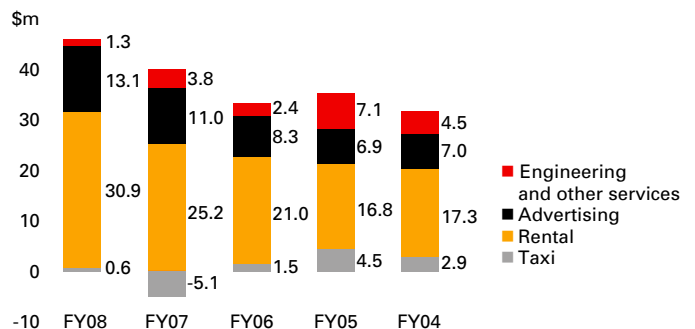
### EBIT from Fare Operations



### Non-Fare Revenue



### EBIT from Non-Fare Operations



# Operating and Financial Review

Revenue from **fare business** (comprising of revenue from MRT, LRT and Bus operations) contributed 80.0% of FY2008 total revenue (FY2007: 81.1%) and 73.2% of FY2008 EBIT (FY2007: 74.4%).

**Taxi operations** in FY2008 achieved revenue of \$75.4m, 10.8% or \$7.3m over FY2007. As a result, Taxis achieved operating profits of \$0.6m as compared to an operating loss of \$5.1m in FY2007.

During the year, 10 more MRT stations were refurbished. On account of an increase in lettable space combined with better rental yield, **rental revenue** rose 21.8% to \$42.0m in FY2008. EBIT from rental was up 22.7% to \$30.9m as compared to FY2007.

**Advertising revenue** grew 16.7% to \$19.8m as a result of increased advertising on trains, stations and buses. EBIT from advertising grew 19.0% to \$13.1m on the back of higher advertising revenue.

Revenue from **engineering and other services** was 13.2% higher at \$23.5m in FY2008 due to higher sale of diesel and consultancy revenue from the Palm Jumeirah Project in Dubai, partially offset by the de-consolidation of Transit Link's revenue since 4QFY07. EBIT from engineering and other services in FY2008 was lower at \$1.3m from \$3.8m a year ago due to higher project expenses.

## DISCUSSION AND ANALYSIS ON INCOME STATEMENTS

This section discusses the Income Statements as shown on page 121.

### Operating Expenses

Total operating expenditure in FY2008 increased, \$19.3m or 3.1% to \$645.0m. The following table provides a breakdown of the operating expenditure.

**Staff and related costs** in FY2008 increased marginally by 0.4m to \$263.5m due mainly to increased

headcount, salary adjustments and higher employers' CPF contribution by 1.5 percentage points, partially offset by the de-consolidation of Transit Link.

As at end FY2008, SMRT's staff strength was 5,555, as compared to 5,457 as at 31 March 2007.

**Depreciation and impairment losses of property, plant and equipment net of amortisation of asset-related grant** was 3.3% or \$3.6m lower due mainly to an increase in fully depreciated assets and the de-consolidation of Transit Link.

**Repair and maintenance costs** increased by \$2.7m or 4.4% due mainly to more scheduled repairs and maintenance for Trains and Buses, and a larger average hired-out fleet for Taxis.

**Electricity costs** was up \$7.7m or 19.4% to \$47.5m due mainly to higher cost of electricity and consumption.

	FY2008 (\$m)	FY2007 (\$m)	Increase/Decrease	
			\$m	%
Staff and related costs	263.5	263.1	0.4	0.1
Depreciation and impairment losses of property, plant and equipment net amortisation of asset-related grant	106.1	109.7	(3.6)	3.3
Repairs and maintenance costs	63.2	60.5	2.7	4.4
Energy costs	89.7	75.9	13.8	18.1
– Electricity costs	47.5	39.8	7.7	19.4
– Diesel costs	42.2	36.2	6.0	16.7
Other operating expenses	122.5	116.4	6.2	5.3
<b>Total operating expenses</b>	<b>645.0</b>	<b>625.6</b>	<b>19.3</b>	<b>3.1</b>

To mitigate the rising cost of electricity, SMRT Trains entered into two six-month contracts during FY2008 to purchase electricity supply at fixed rates. The existing six-month contract will end in September 2008 and a tender will be called in due course to source for another competitive contract for future electricity supply.

The purpose of the **Fuel Equalisation Account (FEA)** is described on page 133. Actual electricity tariff and diesel price in FY2008 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 2008, the electricity and diesel amounts standing in the credit of the FEA were approximately \$10.7m and \$8.4m respectively.

The current contract for the supply and delivery of diesel began in FY2006 and would last for three years until December 2008. With the contract, diesel rates are at a contracted discount off market prices. **Diesel costs** in FY2008 increased 16.7% from \$36.2m to \$42.2m following the increase in the cost of diesel.

**Other operating expenses**, at \$122.5m, was 5.3% more mainly because of higher cost of diesel sold to taxi hirers, increased project expenses and an increase in road tax and other costs associated with a larger average taxi fleet.

#### Finance Costs

Finance costs were lower at \$8.0m due to lower interest cost on borrowings.

#### Interest and Investment Income

The lower interest and investment income was due mainly to lower investment income and gain on disposal of available-for-sale financial assets, partially offset by loss on disposal of a subsidiary in FY2007.

#### Taxation

The income tax expense for FY2008 was higher at \$26.2m as compared to \$6.5m in FY2007 as there was no reduction in income tax rate as compared to 4QFY07 when there was a reduction in income tax rate by 2%.

#### QUARTERLY RESULTS

All the quarters in FY2008 reported higher revenue as compared to their corresponding quarters in FY2007 driven by higher train and bus ridership, higher average taxi hired-out fleet, and increased rental and advertising businesses. Compared to other quarters in FY2008, revenue in the fourth quarter was the highest due to higher train and bus ridership in that quarter.

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total (Year)
	\$m	% of FY	\$m	% of FY	\$m	% of FY	\$m	% of FY	\$m
<b>Revenue</b>									
2008	194.2	24.2	197.3	24.6	202.1	25.2	208.5	26.0	802.1
2007	180.2	24.2	187.6	25.2	188.4	25.4	186.9	25.2	743.1
<b>Operating profit</b>									
2008	44.6	25.1	48.0	27.0	46.7	26.2	38.8	21.8	178.0
2007	35.0	24.1	40.5	27.9	47.6	32.8	22.2	15.3	145.3
<b>Net profit after tax</b>									
2008	37.9	25.3	39.5	26.4	38.3	25.5	34.2	22.8	149.9
2007	27.4	20.2	31.6	23.3	40.7	30.0	36.2	26.7	135.8

# Operating and Financial Review

Except for the third quarter, all other quarters in FY2008 reported higher operating profits as compared to their corresponding quarters in FY2007. The lower year-on-year operating profits in the third quarter of \$46.7m was due mainly to lower other operating income and higher operating costs. Compared to other quarters within FY2008, operating profit margin was the highest in the second quarter, with operating profit of \$48.0m.

The first two quarters in FY2008 registered higher net profit after tax as compared to the corresponding quarters in FY2007 due to better operating profits. Net profits for the third quarter, was 5.9% lower as compared to the corresponding quarter last year which included exceptional items. The decrease was due mainly to lower operating profits and lower interest and investment income. The exceptional items were the final contribution from expired farecards in other operating income, gain on disposal of other available-for-sale financial assets and loss on disposal of investment in a subsidiary. Excluding the exceptional items in third quarter FY2007, the net profits for the third quarter would have been higher by 16.4%.

Net profits for the fourth quarter FY2008 was 5.5% lower due mainly to higher tax expenses partially offset by higher operating profits in that quarter. The tax expenses in 4QFY08 was higher as there was no reduction in income tax rate as compared to 4QFY07 when there was a reduction in income tax rate by 2%.

## DISCUSSION AND ANALYSIS ON BALANCE SHEETS

This section discusses the Balance Sheets as shown on page 120.

Total assets of the Group as at 31 March 2008 amounted to \$1.4b, 4.3% higher than the previous year due mainly to higher cash and cash equivalents of \$62.9m and higher trade and other receivables of \$12.2m partially offset by lower property, plant and equipment of \$13.4m.

Total liabilities increased by \$21.7m or 2.9% to \$760.5m as a result of higher trade and other payables of \$28.2m and current tax payable of \$23.2m partially offset by lower deferred grant of \$21.4m and deferred tax liabilities of \$9.5m. Our total debt remained at \$250.0m.

## CAPITAL EXPENDITURE (CAPEX)

CAPEX of \$118.3m, an increase of 9.6% or \$10.4m over FY2007, was incurred in FY2008. The main CAPEX items in the year were the mid-life upgrade for trains and buses, renovation works for redevelopment of commercial spaces and purchase of new taxis.

## Contractual Commitments

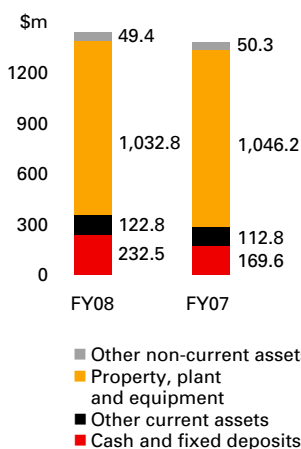
Contractual commitments relate to the mid-life upgrade of trains, redevelopment of commercial spaces at the stations, purchase of taxis and other significant items of capital expenditure, which have been contracted for, but not yet delivered. As at 31 March 2008, capital expenditure contracted but not provided for in the financial statements was \$174.0m.

## CASHFLOW

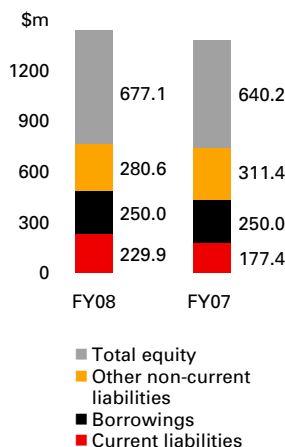
This section discusses the Cash Flow Statements as shown on pages 124 to 125.

Net cash inflow from operating activities of \$148.0m was lower in FY2008 as compared to \$200.9m in FY2007 due mainly to lower cash flow from operations and the payment of higher income taxes and dividend.

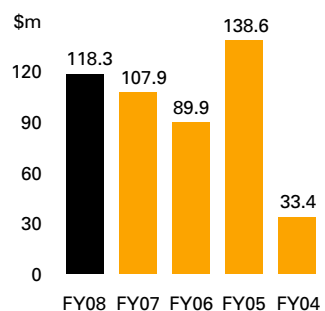
## Breakdown of Total Assets



## Breakdown of Total Liabilities



## Capital Expenditure



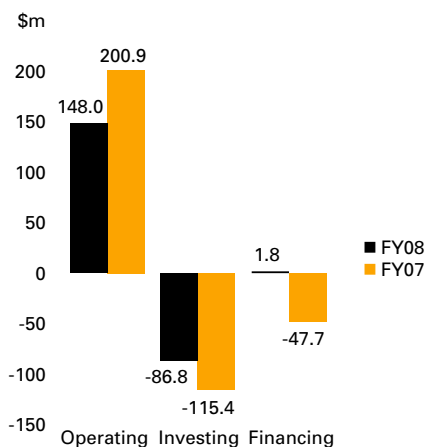
Cash flow used in investing activities in FY2008 was lower at \$86.8m as a result of the disposal of Transit Link in 3QFY07. The proceeds from the sale of Transit Link shares was lower than cash disposed following the de-consolidation of Transit Link as a subsidiary. There was also a net cash inflow of \$3.3m in FY2008 as compared to net cash outflow of \$15.2m in FY2007 as some of the investment in Variable Rate Notes were liquidated on maturity.

There was a higher net cash inflow from financing activities in FY2008 as compared to net cash outflow in FY2007 due to the repayment of interest-bearing borrowings in FY2007.

As a result of lower investing and financing outflows partially offset by lower cash flow from operating activities, the net increase in cash and cash equivalents rose to \$63.0m in FY2008 as compared to \$37.9m a year ago.

Free cash flow declined from \$110.3m last year to \$51.5m in FY2008 due mainly to lower cash inflow from operating activities as a result of higher income tax and dividends paid. In addition, the purchase of property, plant and equipment was higher in FY2008.

### Cash Flow



Cash and cash equivalents stood at \$232.5m as at 31 March 2008 as compared to \$169.6m in FY2007.

### CAPITAL STRUCTURE AND FUNDING

The Group maintains a strong balance sheet with strong operational cash flow from the business units.

The Group's capital expenditure and working capital requirements are currently financed by cash generated from operations and borrowings. The cash and cash equivalents are centrally managed by the Treasury function and the majority of the funds were invested in liquid assets such as fixed deposits and debt securities. The cash and cash equivalents as at year end is adequate to fund the committed and planned capital expenditure as well as to service interest on 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 through its \$500m Multicurrency Medium Term Note (MTN) Programme.

### Borrowings

As at 31st March 2008, the Company's total borrowings stood at \$250m,

which were made available under its \$500m MTN Programme, and remained unchanged as compared to end of last financial year. Every year, a credit analysis is conducted by Standard & Poors. As at 6 September 2007, the MTN Programme notes were rated "AAA" by Standard & Poors.

### Net Gearing

Equity or capital employed as at the end of FY2008 was \$677.1m, higher than \$640.2m as at the end of FY2007. Net debt (total borrowings less cash and fixed deposits) was \$17.5m at the end of FY2008, as compared to \$80.4m as at the end of FY2007 due mainly to higher cash and cash equivalents. As a result, net gearing was reduced from 0.13 to 0.03 as at 31 March 2008.

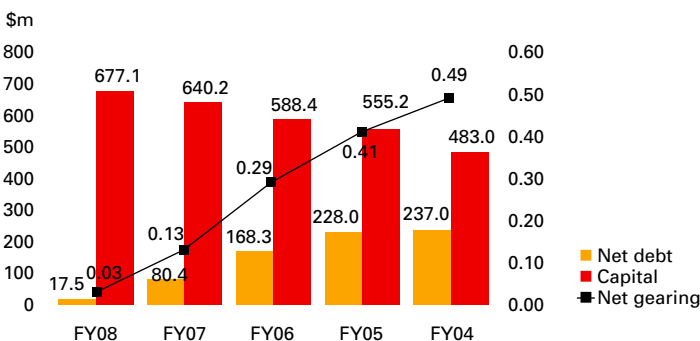
Interest coverage improved from 25.7 times in FY2007 to 35.4 times in FY2008 due to increased EBITDA and lower interest costs.

### DIVIDEND POLICY

Our formalised dividend policy approved by the Board of Directors was announced on 29 April 2008 during the 4QFY08 results announcement.

We will endeavour to maintain or increase dividend payout each year

### Borrowings and Gearing



# Operating and Financial Review

in terms of cents per share, targeting a minimum payout ratio of 60% of PATMI per year for the interim and final ordinary dividend. For the past five years from FY2004 to FY2008, we have consistently achieved a minimum dividend payout ratio of about 60% of PATMI.

In any particular year, we may also propose a special dividend to provide the investors with greater returns and yield.

The dividend policy takes into account our long term objective of maximising shareholder value, the availability of cash and retained earnings, our expected financial performance and projected capex and other investment plans.

## SHAREHOLDER RETURNS

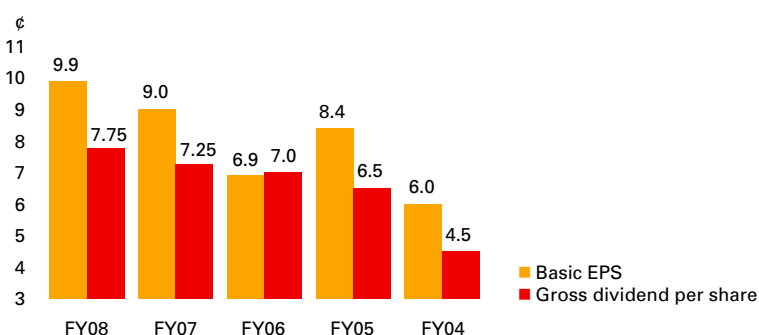
The Group's basic and diluted EPS for FY2008 were 9.9 cents (FY2007: 9.0 cents and 8.9 cents respectively). Return on equity (ROE) was 22.8%, as compared to 22.1% in FY2007. The higher EPS and ROE were a result of better financial performance.

To reward our shareholders, a final dividend of 6.00 cents per share, tax exempt one-tier amounting to about \$90.9m for FY2008 has been recommended by the Directors at the Ninth Annual General Meeting. This, if approved, will bring the total gross dividend for FY2008 to 7.75 cents per share or \$117.4m. This represents 78.3% of Group PATMI in FY2008.

In FY2008, SMRT shares generated a total shareholder return of 26.6% for its shareholders, compared to 39.1% generated in FY2007. The 26.6% shareholder return comprised 4.4% of dividend yield and 22.2% of capital gain for FY2008, compared to 6.1% of dividend yield and 33.0% of capital gain for FY2007.

(cents)	FY2008	FY2007	FY2006	FY2005	FY2004
Basic EPS	9.9	9.0	6.9	8.4	6.0
Gross dividend	7.75	7.25	7.0	6.5	4.5
Net dividend	7.75	7.00	5.6	5.2	3.6
Dividends declared for the year (\$m)	117.4	106.0	84.6	78.1	53.6
Dividend payout ratio (% of PATMI)	78.3	78.3	81.8	61.7	59.6

## Dividend/Earnings Per Share



## ECONOMIC VALUE ADDED STATEMENT

	FY2008 \$'000	FY2007 \$'000
<b>Profit from ordinary activities before taxation</b>	176,162	142,336
Adjustments for:		
Interest expense	8,028	9,930
Others	–	884
<b>Adjusted profit before interest and taxation</b>	184,190	153,150
Economic tax (Note 1)	(30,887)	(24,871)
<b>Net Operating Profit After Tax (NOPAT)</b>	153,303	128,279
Average capital employed (Note 2)	829,110	829,910
Weighted average cost of capital (Note 3)	6.03%	6.12%
<b>Capital Charge (CC)</b>	49,995	50,757
<b>Economic Value Added (EVA) (NOPAT–CC)</b>	103,308	77,522

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

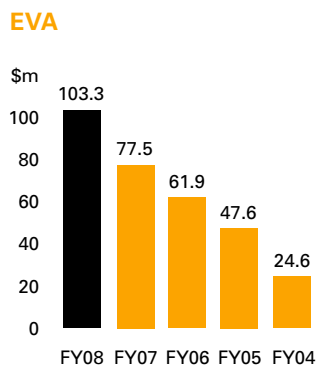
Note 2: Average shareholders' equity plus interest-bearing liabilities and timing provisions.

Major capital components	FY2008 \$'000
Long-term debt	250,000
Equity	579,110
	829,110

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 3.25%
- (iii) Ungeared beta at 0.54 based on peer analysis;
- (iv) Pre-tax Cost of Debt at 3.55% based on Pre-tax Risk-free rate plus credit spread.

We achieved EVA of \$103.3m in FY2008, \$25.8m or 33.3% over FY2007. This improvement in EVA was driven largely by better operating profit.



# Operating and Financial Review

## VALUE ADDED STATEMENT

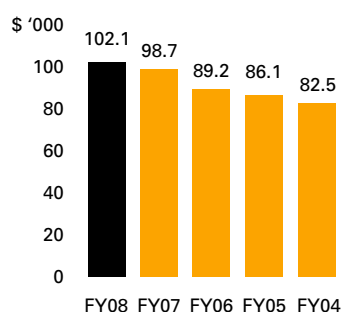
	FY2008 \$'000	FY2007 \$'000
Revenue	802,124	743,126
Less:		
Cost of bought-in goods and services	240,657	209,836
Gross value added	561,467	533,290
Share of results of an associate	342	92
Investment income	1,511	2,358
Interest income	4,294	4,551
Loss on disposal of property, plant and equipment	(478)	(1,477)
	567,136	538,814
Applied as follows:		
To Employees – staff and related costs	262,571	262,743
To Government – income and other taxes	40,521	20,645
To Providers of capital:		
Interest on borrowings	8,028	9,930
Dividends to shareholders	113,606	85,379
Balance reinvested in business:		
Depreciation of property, plant and equipment	127,366	131,957
Minority interests	–	383
Profit retained by the Group	36,333	50,028
Others	(21,289)	(22,251)
	567,136	538,814



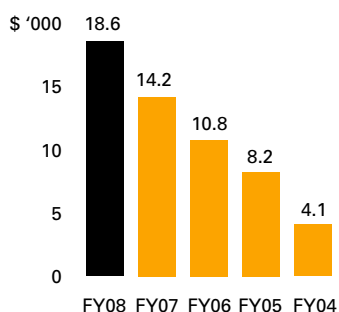
## PRODUCTIVITY ANALYSIS

	FY2008	FY2007	FY2006	FY2005	FY2004
Employment costs per \$ of turnover (\$)	0.33	0.35	0.36	0.37	0.38
Economic Value Added (\$m)	103.3	77.5	61.9	47.6	24.6
Economic Value Added per employee (\$)	18,597.30	14,205.06	10,828.70	8,244.85	4,109.12
Value added (\$m)	567.1	538.8	509.7	496.9	493.0
Value added per employee (\$)	102,094.69	98,738.13	89,181.45	86,051.26	82,507.78
Value added per \$ of employment costs (\$)	2.15	2.05	2.01	2.01	1.92
Value added per \$ of gross fixed assets (\$)	0.26	0.25	0.25	0.24	0.25
Value added per \$ of turnover (\$)	0.71	0.73	0.72	0.74	0.74

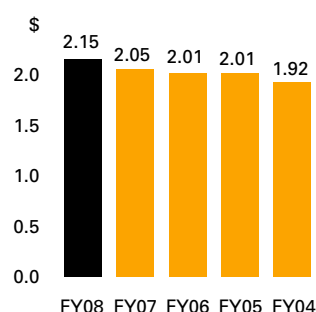
### Value Added Per Employee



### Economic Value Added Per Employee



### Value Added Per Dollar Employment Cost



Total value added by the Group in FY2008 was \$567.1m. The amount applied to the employees (staff and related costs) was \$262.6m, income and other taxes to the Government was \$40.5m, and interest and dividends to the providers of capital was \$121.6m leaving a balance of \$142.4m reinvested in the Group.

# Operating and Financial Review

## KEY DYNAMICS AND RISK MANAGEMENT

This section will begin with a description on the Group's risk management process, followed by a discussion on how the risks are managed within SMRT.

### Risk Management Process 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 the 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 on page 42.

The roles and responsibilities of the key functions involved in Risk Management are as follows.

### Risk Management Process

Risk Management is viewed as a systematic and continuous process for identifying, evaluating, controlling and reporting risks in the Group.

The Risk Management process adopts a standard framework throughout the Group. Annual risk assessment exercises and half-year risk 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 and on our stakeholders whereas the business units and corporate functions are concerned with risks relating to their respective business and functions.

During each annual and half-year risk assessments, strategic, operational, financial and regulatory risks inherent in the businesses are identified and evaluated based on criteria pre-defined by the Group. Countermeasures and action plans are developed and closely

monitored on a monthly basis to manage the identified risks. Results of the risk assessments are reported and submitted to the RMC on a monthly basis for review. RMC also updates the AC on the ERM developments twice a year.

To ensure alignment in risks within the Group, strategic risks identified by the RMC are communicated to the respective business unit or corporate function and are also identified in the business unit risk profiles where applicable.

### Risk Management for Projects

Investment projects are subject to formal authorisation procedures with 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 projects' 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 the RMC.

Functions	Roles and responsibilities
AC	<ul style="list-style-type: none"> <li>Oversees the effectiveness of the ERM system and practices and has oversight of key risk exposures</li> </ul>
RMC	<ul style="list-style-type: none"> <li>Spearheads risk management initiatives</li> <li>Monitors the implementation of ERM</li> <li>Reviews and monitors Group risk profile and action plans</li> </ul>
ERM function	<ul style="list-style-type: none"> <li>Supports the RMC in the building of an effective ERM framework</li> <li>Facilitates the risk management process throughout the Group</li> <li>Builds and strengthens risk awareness and practices</li> </ul>
Strategic Business Units (SBUs) and Corporate functions	<ul style="list-style-type: none"> <li>Identify and report risks faced by businesses/ operations</li> <li>Day-to-day management of risks</li> <li>Ensure compliance and promote internalisation of risk management policies and processes</li> </ul>
Audit Division	<ul style="list-style-type: none"> <li>Plays an independent role in evaluating the effectiveness of the Group's ERM framework</li> </ul>

### **Strengthening Risk Awareness Culture**

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

- Improve the Annual and Half-year Risk Assessment Processes for better ease-of-use
- Conduct Risk Management training for new staff
- Feature risk management initiatives of staff in corporate newsletters

### **Managing Our Risks Energy Cost Risks**

The Group is exposed to energy cost risks that are outside its control, such as fluctuations in oil and diesel prices, which affect its energy costs. The Group mitigates rising electricity costs by entering into electricity contracts for at least half a year or longer at fixed rates. To mitigate currency risk arising from purchase of diesel in foreign currency, forward exchange contracts are used. To secure more competitive prices for diesel, the Group has locked itself into a three year contract from FY2006 for the supply and delivery of diesel at fixed discounts off market rates. In addition, the Group also engages in conservation and fuel-efficient efforts to manage our usage of electricity and diesel throughout the whole organisation.

### **Security and Epidemic Risks**

The Group mitigates risks relating to safety and security of its transport system by having a safety and security management strategy covering assessment of threats and vulnerability, prevention, protection, response and recovery aspects.

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 community participation in its efforts to combat terrorism and to minimise the potential damages which terrorist attacks may cause. To date, over 4,000 participants (including community members and students) have been trained under the SCEP.

Regular drills such as bomb threat mitigation exercises were conducted at selected MRT stations and bus interchanges to allow staff to be familiar with the Group's emergency evacuation procedures. New CCTV systems for bus, bus interchanges and MRT stations are also being installed.

The Group is also mindful of the importance of Business Continuity Management (BCM) in view of the ever-increasing threat of a possible flu pandemic outbreak. We have put in place Business Continuity Plans for business units and corporate functions and will continue to review the plans. We also keep abreast of additional measures and guidelines recommended by relevant authorities.

### **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 license agreements with the Government. These standards relate to various aspects of service quality, safety and key equipment performances. These business units mitigate non-compliance risks by carrying out stringent maintenance and service improvement regimes every year.

SMRT Taxis is also subjected to regulatory operating standards relating to various aspects of service quality and safety performances. It 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.

In view of the changes based on the Land Transport Review, we believe that we are competitively positioned for both trains and buses. We will continue to engage the Government agencies and industry partners including Ministry of Transport, LTA and PTC.

To ensure the smooth running of operations, the Group continuously reviews its safety measures to bring them in line with global standards and current developments. We constantly ensure that safety procedures are followed by all staff and conduct regular refresher drills, training and periodic internal inspections and quality audits.

# Operating and Financial Review

## Reputation Risks

To mitigate its reputation risk, the Group continuously maintains close relations, as well as clear and accurate communications with its key stakeholders such as PTC, LTA, commuters, 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.

## Investment Risks

The Group's investment risks relate 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 senior management. The investment is approved in accordance with the authority limits set out in the Group Financial Procedures Manual.

Besides evaluating risk on capital investment projects, the business units 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 reports the findings to RMC. The results of the risk assessments are highlighted in approval papers and presented to senior

management and Board of Directors for approval.

## Financial Risks

Management of credit, liquidity, interest rate and currency rate risks are discussed in the Notes to the Financial Statements on pages 159 to 165.

## Property and Liability Risks

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

## SENSITIVITY ANALYSIS

### MRT Ridership

Every one percentage point change in annual MRT ridership will result in a \$4.4m change in revenue. This is assuming MRT fare structure remains at FY2008 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 FY2008 levels.

### Electricity Costs

Every one percentage point change in the rates of electricity, using FY2008 rates as a basis, will lead to a \$0.5m change in gross operating profit per year. This is assuming the electricity usage is maintained at FY2008 levels.

## Diesel Costs

Every one percentage point change in the rates of diesel, using FY2008 rates as a basis, will lead to a \$0.4m change in gross operating profit per year. This is assuming the diesel usage is maintained at FY2008 levels.

## Cost of Borrowing

Every 100 basis points change in interest rate of the \$50.0m MTN Programme notes outstanding at the end of FY2008 will result in a change in interest expense by \$0.5m per annum.

## ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the financial statements for FY2008 as compared with that of FY2007.

## OUTLOOK FOR FY2009

In the year ahead, we will continue to grow our revenue and profit contributions in both fare and non-fare operations.

## Revenue

Revenue from Train and Bus operations is expected to be higher due mainly to ridership growth. The Land Transport Review announced by the Government targets to encourage more people to take public transport. We hope that our initiatives to increase train runs and reduce waiting time will provide a better travelling experience for our commuters. On Buses, we have completed the mid-life upgrade for 179 buses in FY2008. These upgraded buses, together with the 67 new buses, will provide better convenience and comfort for our passengers.

The taxi industry will continue to remain competitive in FY2009. In FY2009, we are adding another 300 environmentally-friendly taxis to the fleet to provide more options for our hirers. We hope to be well positioned towards better financial performance through our innovative initiatives to attract and retain taxi hirers, and our continued focus on operational effectiveness.

Revenue from Rental and Advertising is expected to be higher due mainly to better rental yield and increased space following the redevelopment of the stations and increased advertising on trains, stations and buses. Another seven stations are currently under renovation. The new stations, together with the full-year revenue of completed stations in FY2008, are expected to contribute to increased rental revenue of more than \$10.0m.

Capitalising on our strong brand name overseas, we will go beyond operations and maintenance consultancy to pursue overseas opportunities in public transport within regions such as Asia and the Middle East.

### **Operating Expenses**

Group operating expenses are expected to be higher in FY2009. This is due mainly to higher energy prices and staff and related costs as headcount is expected to be higher with increased preparation work on Circle Line Stage 3.

We have just confirmed a new six-month electricity contract starting from 1 April 2008. The rates under this new contract will be about 15% higher than the previous six-month contract which ended in 31 March 2008.

The price of diesel is expected to remain volatile.

# SMRT Trains & SMRT Light Rail

## On The Ride Track

The MRT network comprises 89.4 km of double track along 51 stations, while the LRT network runs along 7.8 km of elevated guideways linking 14 stations in Bukit Panjang. All these mean good connectivity for SMRT rail users.

# Operating and Financial Review

## SMRT Trains & SMRT Light Rail



“ At SMRT, we are committed to ensuring our customers continue to enjoy a safe and comfortable travel experience with us. ”

**VINCENT TAN PENG HOCK**  
Vice President, Rail Operations  
SMRT Trains Ltd

### OUR NETWORK Timely Expansion

Singapore's rail network forms the backbone of the island republic's safe and efficient public transport system. As Singapore's first mass rapid transit operator, SMRT Trains runs the North South and East West lines which have a combined route length of 89.4 kilometres (km) and serve 51 stations. We maintain a fleet of 106 six-car trains.

To cater to the growing demand for rail transport, the network is expanding.

The North South Line will be lengthened one kilometre southwards by 2015 to serve upcoming developments in the southern Marina Bay Area whilst the East West Line will be extended westwards of Boon Lay MRT Station in two stages. The first stage, Boon Lay Extension, comprising two stations will be ready in 2009. The additional stations will serve the residents of Jurong West and workers from the industrial estates in the vicinity. In the second stage, the line will be extended another 14 km

westwards by 2015 to support the industrial growth in the Jurong and Tuas areas.

The Circle Line (CCL) will partially open in mid-2009. This 33.3 km fully underground orbital circuit, when fully operational, allows commuters to bypass the busy interchanges of City Hall and Raffles Place stations and significantly reduce travelling time between townships. By 2012, CCL will be extended from Promenade MRT Station to Marina Bay MRT Station.

Three other lines are also on the drawing board and SMRT is poised to capture these opportunities. The proposed Downtown Line, to be built in three stages, will connect the north-western and eastern neighbourhoods with the new Marina Bay downtown. The upcoming Thomson Line will link Woodlands to Marina Bay, while the Eastern Region Line will run from Marina Bay to Changi. When all these projects are completed, Singapore's rail network will double from today's 138 km to 278 km by 2020.

### Ridership Grows

In FY2008, ridership growth on our trains was powered by Singapore's robust economy which bolstered overall business activity in the Lion City. Some 469 million trips were made on our trains. This translates to a 7.9% growth in passenger trips, compared with the 5.1% expansion seen in the previous year.

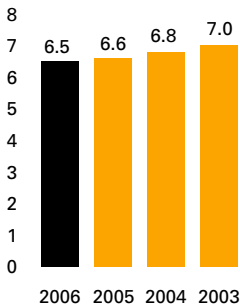
In line with the growing ridership, average operating car occupancy rose from 68.6 persons in FY2007 to 73.3 persons last year. SMRT responded to ease train loadings by increasing train frequency during the peak hours.

Since February 2008, our passengers have been able to enjoy the added convenience of 83 more train trips per week during the morning and evening peak periods. Following the move, we now maintain an average train load of 1,200 passengers wherever possible while our customers benefit from shorter waiting time and less crowded trains.

# Operating and Financial Review

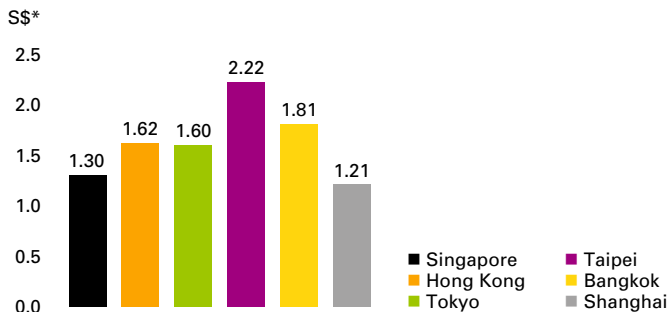
## SMRT Trains & SMRT Light Rail

### Singapore Public Transport Affordability Index



Source: Public Transport Council News Release, 11 September 2007

### Published Cash Fare for a 10km Journey



\* Adjusted using the 2006 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 FY2008, train fares remained unchanged. When compared against fares charged by public transport operators worldwide, the fares on the SMRT network remain affordable.

The latest figures reflected in Singapore's public transport affordability index also indicate 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.

### SURPASSING STANDARDS

In FY2008, we continued to surpass the Land Transport Authority's (LTA) stipulated standards on all fronts. In terms of punctuality, 97% of our trains arrived within two minutes of the schedule, surpassing LTA's 94% criterion. Our trains departed within two minutes of the schedule 98.5% of the time, compared with LTA's requirement of 96%. The availability of our train services stood at 99.96% against the stipulated 98%.

We also benchmark ourselves internationally in our continuing journey to become a world-class transport operator.

In line with this aspiration, we benchmark our performance against the world's top operators which belong to the Nova and Community of Metros (CoMET) benchmarking groups. SMRT Trains is benchmarked against 20 major metro operators in key cities including Berlin, Buenos Aires, Hong Kong, London, Madrid, Montreal, New York and Shanghai.

Last year, we were first in manpower efficiency and cost efficiency in the global ranking. We achieved 99.6% of the best performer rating for punctuality, and 95.8% for safety.

### SERVICE BEYOND EXPECTATIONS

At SMRT, we are committed to ensuring our customers continue to enjoy a safe and comfortable travel experience with us.

During the year in review, SMRT continued to engage our customers through a host of customer-friendly initiatives. Our popular "Ride SMRT", promotion rewards SMRT passengers with a chance to win attractive prizes.

The theme for the fourth promotion is "Ride SMRT, Celebrate Life" and the grand prize is a six-day holiday for four to Paris with \$3,000 cash. We also extended the lucky draw to shoppers at our stations and bus interchanges.

At SMRT, we listen to our customers and our people, and take onboard their views. For instance, based on public feedback and staff suggestions, we enhanced the identity of our stations. Now every Passenger Service Centre at our MRT stations prominently bears a sign with its name so that passengers can immediately identify their location. Again following customer feedback and staff suggestion, we replaced the 150 bum rests in our stations with mini-benches. The replacement exercise was completed in January 2008.

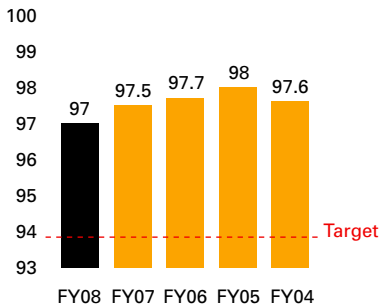
Our experience in handling the masses also made us a natural training ground for Bay Ambassadors for National Day Parade 2007. We helped train 46 student Bay Ambassadors from Woodlands Ring Secondary School. The students were attached to the Sembawang, Admiralty, Woodlands and Marsiling MRT stations to gain first hand experience in customer service.



## SMRT PERFORMANCE AGAINST STANDARDS SET BY LTA

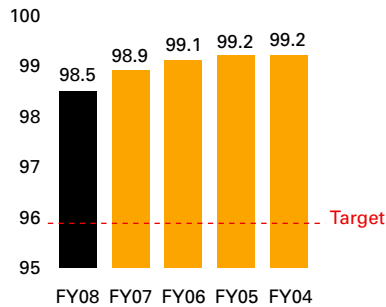
### Train Arrivals

(at least 94% within 2 minutes of schedule)



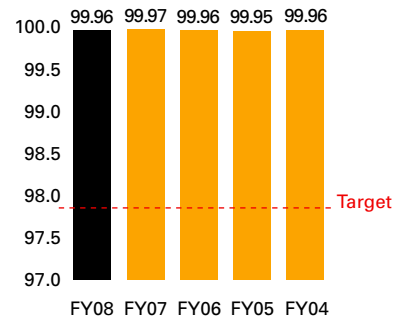
### Train Departures

(at least 96% within 2 minutes of schedule)



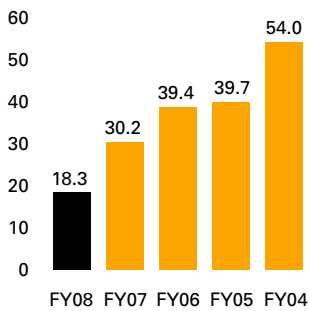
### Train Service Availability

(at least 98%)



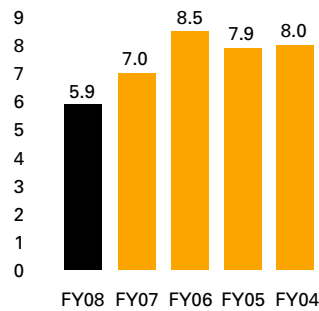
### General Ticketing Machine

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



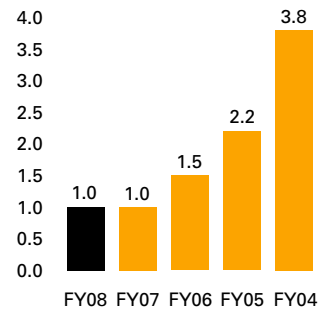
### Fare Gate

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



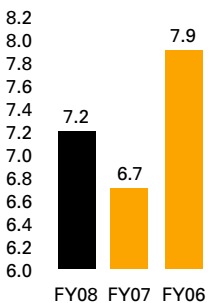
### Escalator

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



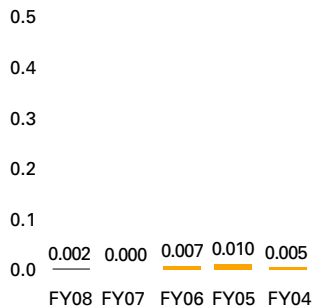
### Lift\*

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



### Customer Injury Rate

(no more than 0.4 injuries per million customers)



\* The equipment under measurement were operational from 2006

# Operating and Financial Review

## SMRT Trains & SMRT Light Rail

### Ridership on the Rise

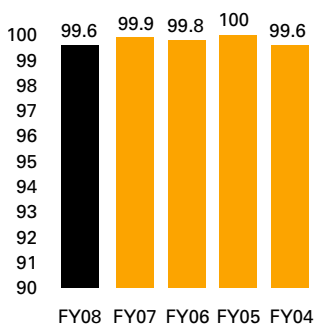
	FY2008	FY2007	FY2006	FY2005	FY2004
Total ridership (millions)	469.3	434.9	413.8	402.6	391.5
Growth in ridership (%)	7.9	5.1	2.8	2.8	(0.7)
Car kilometres operated (millions)	78.0	77.1	75.5	75.11	77.4
Growth in car kilometres operated (%)	1.2	2.0	0.6	(3.0)	(13.6)
Average weekday trips (thousands)	1,380.7	1,278.5	1,212.2	1,171.9	1,131.4
Growth in weekday trips (%)	8.0	5.5	3.5	3.6	(0.7)
Total passenger-trip distance (million kilometres)	5,714.5	5,288.3	5,058.3	4,928.3	4,861.3
Growth in passenger-trip distance (%)	8.1	4.6	2.6	1.4	(2.6)
Average operating car occupancy (persons)	73.3	68.6	67.0	65.6	63.2
Growth in operating car occupancy (%)	6.8	2.4	2.1	3.8	13.5

### SMRT TRAINS BENCHMARKED AGAINST NOVA AND COMET OPERATORS

Best Performance = 100%

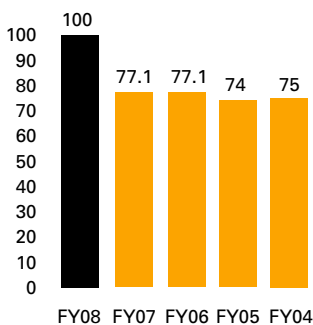
#### Punctuality

Timeliness of train arrivals



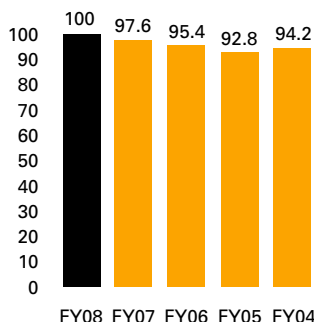
#### Manpower Efficiency

Passenger-km per total staff & contractor hours



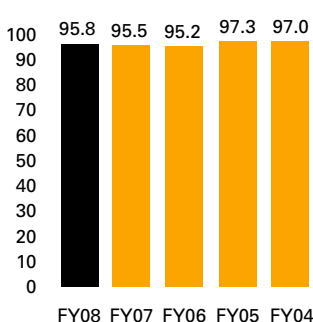
#### Cost Efficiency

Operating cost per standardised place-km



#### Safety

Fatalities due to accidents per billion passenger journeys (cumulative)



## SECURING OUR NETWORK

As a public transport service provider, maintaining a safe and secure environment at our stations is of paramount importance to us. We continually reinforce the trust the public has in our system by ensuring our staff and the community are trained to respond effectively to an emergency within the system.

Anchoring our security efforts on the community front is our public awareness and education initiative, SMRT Community Emergency Preparedness programme.

During the year, we conducted a corporate tabletop exercise to further reinforce staff preparedness for emergencies.

Security at all MRT stations was also enhanced with the deployment of additional transit security officers during the morning and evening peak hours. On a broader level, we facilitated numerous security-related exercises with the Singapore Civil Defence Force, Singapore Armed Forces and Singapore Police Force.

## DOWN THE LINE

At SMRT, we recognise we need to continue to enhance our customer service standards in order to meet the evolving and diverse expectations and needs of our customers.

Our efforts to provide customer-centric service and to introduce customer-friendly initiatives were recognised. Locally, we won the Most Customer-Friendly Transport Award at the Land Transport Excellence Awards by LTA. Globally, we clinched the Best Passenger Experience Award at the inaugural Metro Awards 2008 in Copenhagen, Denmark.

In the year ahead, we will ramp up our service levels while maintaining a safe and secure environment for our passengers.

On the service front, implementation of our Customer Service Framework has begun. This framework is designed to propel our service levels to new heights of excellence.

The steps we are taking include the review of existing feedback channels so that we are better able to understand our passengers' needs and, where possible, cater to them. We are also working to provide our passengers with timely travel and commuter information through a host of channels including electronic displays, our website and signage.

At SMRT, we are reinforcing customer service training for SMRT staff and contracted service staff as well as enhancing our leadership development programme. We will continue to empower our people with the necessary skills, knowledge and equipment to deliver the desired service even as we strengthen our customer service culture through better internal communication and a reward and recognition system.

Besides improving our customer service delivery, we are also taking steps to enhance commuters' travel experience with an additional 700 train trips a week starting from May 2008. Additional trains will be added just before and after the morning and evening peak hours to reduce waiting time from an average of 7 minutes to 5 minutes. During weekday lunch time, busy stretches within the network will see waiting time reduced from 7 minutes to no more than 3.5 minutes.

At the same time, we are actively mitigating the risk of accidental track intrusions through public education efforts including the SMRT Courtesy and Safety programme as well as Learning Journeys.

## COMPLETING THE CIRCLE

SMRT is geared up for the launch of CCL Stage 3 (CCL3) which is slated to open in mid-2009. This six-kilometre stretch between Bartley Road and Marymount Road will be served by five underground stations. It will be linked to the North East Line at Serangoon MRT Station and the North South Line at Bishan MRT Station.

Businesses and residents in north and northeast Singapore will benefit from the opening of CCL3. Commuters can look forward to shorter travelling time. For instance, residents in Serangoon will take just 25 minutes to reach Yishun by transferring to the North South Line at Bishan MRT Station, as compared to 45 minutes currently either by bus or train.

## CCL NERVE CENTRE

The nerve centre of CCL operations is Kim Chuan Depot (KCD) which houses the Operation Control Centre and maintenance centre.

In December 2007, we began work on the care and maintenance of KCD and seven new trains for CCL stabled there.

Operating the world's largest underground depot for driverless train operations opens a new and exciting world for SMRT. Our staff are being trained to manage train operations within the depot, undertake depot and train maintenance, and respond effectively to emergency situations.

# Operating and Financial Review

## SMRT Trains & SMRT Light Rail

Several safety features have been incorporated into the depot. These include a suspended walkway for staff to move safely to the stabling and handover areas, authorised access to the train automated area through the Access Control Management System, and motion detectors that monitor movement on the tracks.

Innovative features in the depot include a computerised Building Management System and the Automatic Storage and Retrieval System, a 23-metre high fully automated warehousing system.

### EMPOWERING THROUGH TRAINING

Even as we invest in cutting edge technology to run CCL, we are also investing heavily in our people who will be running it. We have begun recruiting skilled personnel to operate the line. More than one-third of CCL3 staff are from existing SMRT divisions. They bring with them a wealth of railway skills and expertise garnered from years of invaluable on-the-job experience.

From 2008, our staff will undergo training to ensure they are equipped with the necessary knowledge to operate a driverless system.

### LOOKING AHEAD

Work on getting CCL up and running will continue in FY2009. We will begin testing and commissioning the system as we work closely with LTA and contractors to ensure compliance with the testing criteria.

In early 2009, we will conduct trial runs as we test the robustness of our operating procedures and processes. We will also test our staff's understanding of these procedures through exercises based on diverse operational scenarios.

SMRT will be carrying out maintenance works at stations including Tai Seng and Promenade MRT stations which have received temporary occupation permits. Testing and commissioning of building services systems at other stations will continue as planned.

### LIGHTING THE WAY

SMRT Light Rail Pte Ltd operates Singapore's first fully automated light rapid transit system – the Bukit Panjang Light Rapid Transit (BPLRT) system. In FY2008, average daily ridership increased 5.4% to 44,045 passengers as compared to the 1.7% growth seen in FY2007.

BPLRT also outdid itself in operational performance. Service availability on the line was 99.97% as compared to 99.90% in FY2007. Down time for essential station equipment such as lifts, general ticketing machines and fare gates was minimal at less than 0.056%, 0.095% and 0.039% respectively.

Initiatives to draw more people to BPLRT included a lucky draw for the movie "Next" in May 2007, where commuters stood to win three sets of movie hampers. We also carried out a joint promotion with Shaw's CCK-Lot 1 Cineplex in June 2007. The first 100 BPLRT commuters to purchase a pair of movie tickets were entitled to Superbowl Centre vouchers.

As a value-added service to commuters, since November 2007, the bilingual daily My Paper is distributed at nine LRT stations.

As in other parts of our rail system, safety and security remain our paramount concerns. In May 2007, BPLRT jointly held a "Security and Safety on Public Transport" briefing with the Bukit Panjang Constituency Office for 500 of its residents.

In the year ahead, BPLRT will continue to engage the community it serves through a host of events including the Bukit Panjang Constituency Emergency Preparedness Day.

We will continue to monitor ridership trends to cater to the growing demands on the system. BPLRT staff will be sent for training to ensure they upgrade and update their skills so that they are able to respond effectively to evolving operational and service needs.

### ENGINEERING EXCELLENCE

At the heart of our operational excellence is our Engineering Division, which keeps maintenance standards high while containing maintenance costs against the twin challenges of rising inflation and energy prices. Assets renewal and the incorporation of cutting-edge technology remain the twin pillars of our customer service and system reliability.

### RENEWAL FROM THE INSIDE OUT

In FY2008, our focus was the on-going mid-life upgrade of our 66 Kawasaki Heavy Industries (KHI) trains. As at 31 March 2008, we have placed 29 upgraded trains into service. Five upgraded trains are undergoing trial runs currently and upgrading works for the remaining trains will be completed by FY2009.

Our KHI trains have also undergone their sixth overhaul cycle to improve their train ride quality and environmental controls. Major components of the suspension systems, such as air springs, layer springs, shock absorbers, and the air-conditioning systems' evaporator coils have been replaced. The overhaul project will be completed by April 2009.



# Operating and Financial Review

## SMRT Trains & SMRT Light Rail

### RECYCLE, REUSE AND REDUCE

SMRT believes in coupling sound engineering principles with eco-friendly practices. In line with this enduring philosophy, we reuse, recycle and conserve our resources wherever possible.

We followed through an initiative which began in FY2007 to recover our power rails and recycle them as alternative components on our third rail system. This initiative resulted in cost savings totalling \$270,000 in FY2008.

Instead of replacing damaged timber sleepers on our tracks, we successfully repaired them without compromising track safety and reliability. This eco-friendly strategy yielded savings of some \$600,000. A total of 2,000 timber sleepers were repaired or replaced in the year in review.

In FY2008, we rolled out our new energy management programme. The air-conditioning systems of five of our underground stations underwent an energy audit. The aim was to make these stations more energy-efficient. Sensors now automatically reset the chilled water temperature according to each station's cooling load. If there are more people in the station, the temperature set point will be lowered, and vice versa. This initiative, which reduced energy use by 15%, brought about cost savings of \$160,000. This programme will be expanded to other stations in the year ahead.

### RECHARGE

In March 2008, we began replacing 108 sets of battery chargers and battery banks, which ensure uninterrupted power supply to our trains, stations and system. This \$2.2 million replacement exercise, which is expected to be completed in 2011, will enhance the reliability of power supply within our MRT system and reduce the frequency of unscheduled or corrective maintenance, thereby cutting our overall maintenance cost.

### REVAMP OF ESCALATORS

We have been maintaining the safety and reliability of our escalators through cyclical overhauls that started in August 1997. The overhaul programme, which will be completed in December 2009, will extend the life-span of the escalators in our network by another 15 years.

In the year in review, 30 escalators were overhauled bringing the total number of overhauled escalators to 269. In addition, we replaced steps from 25 escalators at a total cost of \$960,000.

In FY2009, some \$1.5 million will be spent to overhaul another 30 escalators. We will also continue with our programme to completely change-out escalator steps as well as to replace Forward Reversal Brakes that prevent back sliding.

### RAMPING UP SYSTEMS

In FY2008, we upgraded our existing track-to-train CCTV microwave transmission system with a Radio Frequency video system. The new system, which began operations in March 2008, improves the reliability and smooth running of our train network.

To improve in-train dissemination of travel information, SMRT developed the SMRT Train Active Routemap Information System (*STARiS*). This system, particularly useful for the hearing impaired, will provide real-time update of the train location using an electronic route map.

It will also indicate, in advance, the set of train doors that is opening and flash synchronised "Door Closing" messages to improve passenger egress. A moving text display above each train door will provide a transcript of relevant in-train broadcast messages.

The *STARiS* project, valued at \$6.5 million, was awarded in February 2008 and the expected date of completion is 2010. This system has potential for commercialisation.

### REINFORCING SECURITY

Given the continued concern for security, we are collaborating with the Internal Security Department and LTA to install cameras in our train system. With the proposed Train Video Surveillance System, images from in-train cameras will be wirelessly downloaded at stations and routed to the Operations Control Centre via the CCTV network. Work on this system will commence in the second quarter of FY2009.

At the same time, another 3,000 to 4,000 surveillance cameras will be installed in all MRT stations to enhance security in and around the stations. The tender will be awarded in the second quarter of FY2009, and work is expected to be completed in 2011.

# SMRT Buses

A woman with dark hair, wearing a light pink button-down shirt, is sitting in the driver's seat of a bus. She is smiling and looking towards the right. Her hands are on the steering wheel. The dashboard and steering wheel are visible. The background is a blurred green landscape, suggesting the bus is in motion. The text 'SMRT Buses' is in the top left, and 'Taking the Wheel' is in the center. A paragraph of text is in the bottom left, and the page number '93' is in the bottom right.

## Taking the Wheel

With over 800 buses offering more than 80 services that link heartlands to heartlands and the city centre, getting around on wheels is a breeze.

# Operating and Financial Review

## SMRT Buses



“ With bus routes slated to open for tender...SMRT Buses will have more opportunities to expand our operations to new areas across the island and increase our market share. ”

**LEE SENG KEE**  
Vice President  
SMRT Buses Ltd  
SMRT Automotive Services Pte Ltd  
Bus-Plus Services Pte Ltd

### ESTABLISHED PRESENCE

SMRT Buses takes pride in delivering smooth, comfortable and prompt bus services that evolve in tandem with the changing needs of commuters.

Our fleet of 861 12-metre and 18-metre buses are well-maintained to provide our passengers with an efficient and reliable mode of transportation. We operate 47 trunk, 14 feeder, six intra-town, seven night, three premium, three express and three special services.

Our bus chartering services arm, Bus-Plus Services, runs a fleet of 59 buses comprising 13 12-metre buses and 46 mini-buses. It offers two scheduled services and the chartered subscription-based Hume Express service.

Our bus network has a route length of 2,563 kilometres (km). In FY2008, total ridership on our buses was about 277 million, an increase of 2.6% outdoing FY2007's 1.9% expansion. The growth is due to Singapore's strong economy, which created more jobs and greater business activity for all.

### CHANGING WITH THE TIMES

SMRT Buses had another exciting year in FY2008 following a slew of initiatives that helped to spur further growth in various segments of the bus industry.

For one, the guidelines for premium bus services have been relaxed. Industry players now have more room to offer differentiated bus services and commuters who are willing to pay a little more can enjoy faster and more comfortable rides. SMRT Buses, as a major player in this field, is seizing the opportunity to provide more of such services to meet the growing demand for premium offerings.

On the roads, greater priority is being given to buses with the addition of more dedicated bus lanes across Singapore. Priority will also be given to buses exiting from bus bays. These initiatives promise a smoother and faster travel experience for bus commuters. It also helps improve the predictability of bus travel time.

Another upcoming change is centralised bus planning by the Land Transport Authority (LTA), which will also be giving out rights to operate bus services through competitive tendering. With bus routes slated to open for tender after LTA takes over centralised bus planning by 2009, SMRT Buses will have more opportunities to expand our operations to new areas across the island and increase our market share.



	FY2008	FY2007	FY2006	FY2005	FY2004
Route length (kilometres)	2,563.0	2,541.1	2,523.7	2,479.8	2,463.5
Total ridership (millions)	277.3	270.3	265.3	268.7	264.7
Growth in ridership (%)	2.6	1.9	(1.3)	1.5	(4.8)
Bus kilometres operated (millions)	76.3	75.9	76.1	78.4	79.3
Growth in bus kilometres operated (%)	0.5	(0.2)	(2.9)	(1.2)	(0.8)
Aggregate passenger-trip distance travelled per year (million kilometres)	1,674.4	1,643.3	1,612.7	1,613.0	1,591.0
Growth in passenger-trip distance (%)	1.9	1.9	(0.0)	1.4	(5.8)
Load factor (%) <sup>(a)</sup>	23.6	23.1	22.8	22.8	22.6

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

In October 2007, bus fares in Singapore were increased by one to two cents due to increased cost pressures. Even with this increase, bus fares remained affordable for the general public as the 1.8% increase is considerably lower than the 5.7%\* annual increase in average monthly household income seen in 2006. In addition, the fare adjustment does not cover the cost increases from the hike in diesel price, the two percentage point increase in the Goods and Services Tax and the 1.5 percentage point rise in employers' Central Provident Fund contribution.

Still, we realise that the needy and lower-income groups would need help to cope with the increasing costs of living. Thus, SMRT Buses contributed \$100,000 worth of travel vouchers to the Public Transport Fund to extend a helping hand to them.

### MAKING A MARK

Last year, the Public Transport Council (PTC) introduced more stringent Quality of Service (QoS) standards. We met the standards in the areas covering loading and safety.

We achieved 100% passing rate for bus loading, where each service bus loading shall not exceed 95% during weekday peak hours. Our bus breakdown rate stood at 1.18%, compared with the 1.5% allowed under the new QoS, while our accident rate of 0.69 per 100,000 bus kilometres per month was also below the stipulated 0.75.

In terms of bus service availability, our services achieved an average of 99% passing rate where according to the standards each service shall operate at least 96% of its trips monthly. We also achieved an average of 98.6% passing rate for service departures from their starting points, where according to the standards, each service shall have at least 85% departing within five minutes of their scheduled headways daily.

We will continue to pro-actively pursue measures to raise service levels and bolster customer satisfaction.

### MOVING WITH THE TIMES

SMRT Buses continually strives to enhance our operational efficiency and remain cost effective. In FY2008, we reduced manpower costs by reorganising and consolidating our operations. This move boosted the efficiency of our operations without compromising on our service quality.

We also took our search for Service Leaders (SLs) to China. The recruitment exercise was a resounding success, garnering 109 successful applicants. Once in Singapore, the new recruits will attend a Basic English course, practical driving training, driving test, and cultural immersion programme.

During the year in review, we continued to fine-tune our services, adding new routes and reducing overall waiting time to meet the evolving needs of our passengers.

For the convenience of commuters, we introduced two new express services, 854E and 188E last April and June respectively. With these two new services, commuters' travel time have been cut by up to one-fifth as the services call at selected stops on the parent routes.

\* Singapore Department of Statistics

# Operating and Financial Review

## SMRT Buses

Other service enhancements introduced last year include the launch of Premium Service 530, which links River Valley to Shenton Way, and 531, which plies between Simei and Shenton Way. In all, commuters benefit from the shorter travelling time and a more comfortable ride.

The year in review also saw the expansion of our NightRider services. In September 2007, Service NR1 and NR6 were extended to HarbourFront to cater to the late-night crowd at VivoCity and St James Power Station.

In response to demand, we launched a new service for residents of Lentor Estate, linking them directly to Yio Chu Kang MRT Station. In December, we introduced a service to Springleaf and Springside estates, bringing residents to Yio Chu Kang MRT Station. SMRT Buses also extended Service 858 to call at Changi Airport Terminal 3 in November 2007, ahead of its official opening in January 2008.

For the convenience of our commuters, we published SMRT Bus Service Guides for each of the six towns we serve – Bukit Batok, Bukit Panjang, Choa Chu Kang, Woodlands, Sembawang and Yishun. These guides provide route details of all bus services in the town and where these services interchange with other bus services and MRT and LRT services. The guides were distributed to every household.

For the convenience of our passengers, we established a one-stop bus and rail lost and found service. This has not only improved our work processes but also enhanced the quality of our customer service.

### BUS ENHANCEMENTS

To ensure our buses remain in good condition, 179 12-metre Mercedes buses have undergone a mid-life upgrade. We target to upgrade 85% of our fleet over the course of the next eight years. The aesthetic and mechanical enhancements include re-sealing of windows to prevent water seepage during rainy days, replacement of air suspension to maintain a comfortable ride, and replacement of air and brake systems to maintain efficiency and passenger safety.

Another enhancement to our bus fleet is the purchase of 67 environmentally-friendly wheelchair accessible 12-metre buses, which will be delivered from the first quarter of FY2009.

### KEEPING COMMUTERS INFORMED

SMRT is collaborating with LTA in the latter's drive to provide information on bus arrival times. To date, 20 electronic panels have been installed in Orchard Road, five in Ang Mo Kio and five in Yishun. Twenty more panels will be installed at bus stops with high volume of commuter traffic by May 2008.

### PEOPLE MATTER

At SMRT Buses, we value our people and strive to provide a conducive work environment and promote healthy living amongst our staff.

In FY2008, we renovated the Starter Office at Kranji Depot to create a warm, welcoming atmosphere and gave the crew rest areas a fresh coat of paint.

To help staff keep tabs on their health, all our SLs and Service Representatives undergo an annual health screening. Together with the Health Promotion Board, we also organised health exhibitions at our depots and interchanges.

### Service from the Heart

A company committed to service excellence, we proactively take steps to further raise the service level bar of our staff. They undergo regular training to keep them on their best service toes. We have even tailored a customer service course, Service From Your Heart, for all SLs. The course draws on real-life experiences, making it a relevant and practical primer for our SLs.

While we demand the best of our people, we also reward and recognise those who stand above the crowd.

We launched our Ambassador of Service scheme in July 2007 to showcase staff with outstanding service performance record.

Through posters that feature acts of service excellence and at SL training and monthly dialogue sessions, these Service Ambassadors will share their experiences. Our goal is to raise staff awareness of the importance of customer service through peer sharing.

### REINFORCING SECURITY

In FY2008, several initiatives were implemented to keep our security system robust and effective.

We installed 24-hour fire alarm monitoring systems at our Sembawang, Woodlands, Bukit Batok and Bukit Panjang interchanges. With these systems in place, fire security at these interchanges remains tight even after operating hours.

The CCTV system at one of our depots and bus interchanges were also upgraded and additional surveillance cameras installed. Another security reinforcement measure undertaken is the installation of a Security Management System at the guardrooms in our bus depots.

In collaboration with our Security and Emergency team, we carried out Red Teaming exercises at our bus interchanges. The Red Teamers tested the alertness and response of interchange staff to terrorist threats and any lapses would be corrected.

### **SAFETY FIRST**

Keeping our people and our passengers safe is another of our top priorities. We display posters and air videos on safety awareness in crew rest areas.

At the interchanges, there is a dedicated Safety Corner, where we display safety notices and circulars including information on accident-prone areas, actual case examples of how accidents occur as well as suggestions and messages on ways to reduce accidents on the road. To reinforce the message, there are safety briefings during monthly dialogues with SLs.

We also work closely with our Safety Services team to carry out safety exercises designed to test our office and frontline staff on safety competency, first aid and safe driving skills.

### **THE ROAD AHEAD**

SMRT Buses is geared up for the new growth opportunities arising from the Land Transport Review announced by the Minister for Transport in January 2008.

In particular, the premium bus service market is growing rapidly. Higher petrol prices and Electronic Road Pricing fees as well as dearer taxi fares have prompted many to seek more cost-effective alternatives. This segment of passengers is willing to pay a little more for a guaranteed seat and a more comfortable and faster journey.

To meet the growing needs of this market segment, SMRT Buses will add more premium services. In addition, our subsidiary, Bus-Plus Services, also plans to expand its premium subscription-based and seat reservation service to cater to this fast-expanding market.

To boost ridership on our buses, we will be publishing thematic service brochures. These brochures highlight places of interest along our bus routes as well as places where people can find good food, interesting shops and activities.

SMRT Buses will also continue to support LTA's efforts to provide accurate real-time bus arrival information to passengers.

Security remains a key concern. To bolster security awareness, our SLs will undergo training on security vigilance, including how to identify suspicious-looking items and how to handle various types of emergency situations.

On the safety front, SMRT will continue to actively promote bus safety awareness through safety talks, publication of safety booklets and safety programmes catered to members of the public.

### **QUALITY SERVICES**

SMRT Automotive Services provides repair and maintenance support for SMRT Buses, Bus-Plus Services and SMRT Taxis. Our comprehensive suite of services include accident repairs, motor accident claims, diesel retailing to SMRT taxi hirers and vehicle engineering project management.

In FY2008, 25% of our revenue came from the sale of diesel to SMRT taxi hirers, with the rest from vehicle repair and maintenance services at our three main workshops at Ang Mo Kio, Woodlands and Kranji, as well as our new satellite facilities at Tanjong Katong and Tiong Bahru.

### **STERLING STANDARDS**

At SMRT Automotive Services, we take pride in consistently meeting our key performance indicators (KPIs).

For both buses and taxis, we achieved a 100% statutory inspection passing rate in FY2008. Our bus and taxi breakdown rate also complied fully with LTA's requirements.

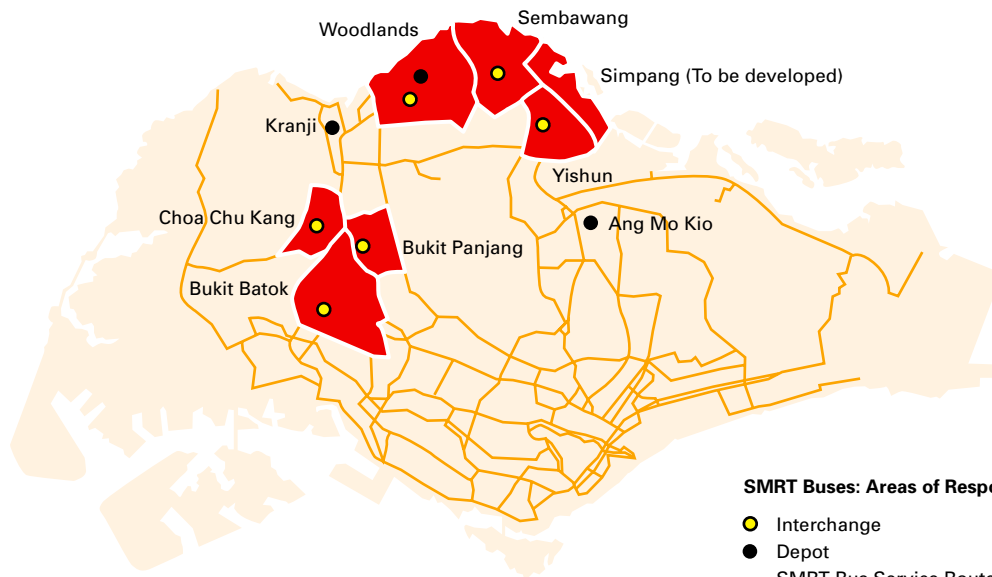
To ensure we maintain our good performance records, we hold regular meetings with our customers to stay current with and meet their needs and demands.

### **INNOVATIVE INITIATIVES Added Convenience to Hirers**

SMRT Automotive Services believes in doing things right the first time. Towards this end, we implemented a SAP Preventive Maintenance (PM) system that tracks repeat jobs for taxi repairs. Any job that returns to the workshop within seven days of the previous repair is considered a repeat job. This is a KPI for our workshop technicians who are rewarded when they provide quality repair services. In turn, this boosts our service levels to our customers.

# Operating and Financial Review

## SMRT Buses



In May 2007, we introduced guaranteed PM Servicing Time. Any customer who turns up at the appointed time will be attended to immediately, and the time taken to complete the servicing is guaranteed.

Another initiative is our on-line Corrective Maintenance Booking system launched in January 2008. This service offers our customers an additional avenue to pre-book unscheduled maintenance and guarantees zero waiting time for them.

Offering further convenience to our customers are two satellite workshops opened in FY2008. One is in the east at Tanjong Katong, and the other in the west at Tiong Bahru Road. These additional workshops make it easier for our customers to send their vehicles for checks and minor repairs.

### Enhancing Efficiency

To offer cost-effective services to our customers, we use alternative spare parts including Original Equipment Manufacturers and after-market parts. As a result, we achieved cost savings of \$604,000 in taxi parts and \$792,000 in bus parts.

In addition, we formed a taskforce to look at possible ways to reduce fuel consumption. On the recommendation of the taskforce, we carried out mechanical rectification on 25% of the bus fleet. This helped to enhance fuel efficiency and ensure that tyre pressures are at their optimum. Through these two initiatives, we reduced fuel cost by about \$1.0 million in FY2008.

To keep pace with the demand for our services, the roster for our technicians is drawn such that we achieve maximum force on weekends when demand for our services is high.

We continue to invest in training our staff to ensure they are equipped with the skills needed to do their jobs well. Staff, who do not have the necessary academic qualifications are sent for certification courses such as the Apprenticeship Training Scheme which is part of the National Industrial Technical Education Certificate. These courses are conducted at our certified On-The-Job Training Centre.

### Future Plans

In FY2009, we will implement a slew of initiatives to further raise our service levels to our customers.

A new wireless job intake system will enable our service advisers to extend assistance to customers on the ground instead of having customers report to the service counter. We will also introduce an on-line Vicom system that enables the workshop to check daily, the number of vehicles that pass the statutory requirements. This will improve the response time of our workshop technicians in carrying out final rectification works and minimise delay.

In the year ahead, we will continue to offer the consistently high level of service we deliver today. We will also grow the revenue contribution from accident repairs, comprehensive maintenance contracts and partnership with insurance companies to be their approved workshop for vehicle repairs by their policy holders.

# SMRT Taxis

## Take your Pick

With over 3000 taxis at your service, you can have your pick of standard taxis, MPVs, London cabs, and even environmentally-friendly taxis.

# Operating and Financial Review

## SMRT Taxis



“ Our operational initiatives coupled with our continued investment in commuter programmes to promote SMRT Taxis positions us well to address the challenges and capitalise on the opportunities ahead. ”

**LO CHEE WEN**  
Vice President  
SMRT Taxis Pte Ltd

### EVOLVING LANDSCAPE

Singapore's taxi industry has been undergoing a gradual metamorphosis over the past decade. The changes started first with the September 1998 deregulation of taxi fares, followed by a lifting of the limit on the number of taxi companies and their fleet sizes in June 2003.

As a result, the number of taxi companies in the industry has grown from four in 2003 to eight today. The influx of new taxi companies has intensified competition among taxi operators for hirers.

Against this backdrop of keen competition and rising diesel price, we continue to build on our strengths and reinforce our service culture in line with our corporate mission to be “The Customer's Choice”. We also remain committed to promoting the well-being of our drivers and honour our pledge that “We take better care of our drivers”.

As a result, SMRT Taxis continued to grow from strength to strength, launching a series of novel initiatives in FY2008 to grow our business and take care of our hirers. These initiatives included an adjustment of our fare structure, the introduction of more attractive hirer benefits and the implementation of new hiring schemes that gave our hirers greater flexibility and additional choices.

Our efforts bore fruit as we stayed unswervingly on our growth journey. Despite keen competition, more hirers signed up with SMRT. As a result, the average hired-out rate increased from 79.2% in 4QFY2007 to 93.7% in 4QFY2008. Our taxi fleet has also grown from strength to strength, expanding from 1,889 taxis prior to the 2003 liberalisation of the taxi industry to 3,002 in FY2008. Hirer demand for the SMRT Space vehicle fleet was particularly strong, driving the number of such taxis from 50 to 118 over the year.

### ENGAGING OUR DRIVERS AND PASSENGERS

#### Adjusting Fares to Meet Costs

Sensitive to cost pressures faced by our drivers and in line with our pledge to take better care of them, we revised taxi fares on 21 December 2007. Overhead costs, particularly diesel price, had risen significantly since the last fare revision in July 2006. As such, the fares needed to be adjusted to help mitigate these cost pressures and boost the income of our drivers.

With the revision, SMRT Taxis flag-down rate for standard taxis rose by 30 cents to \$2.80 and flag-down rate for limousine taxis rose by 40 cents to \$3.20. Distance-based charges are now 20 cents for every 385 metres instead of the previous 10 cents over a distance of 210 metres for trips of 10 kilometres and less. The peak period surcharge is now 35% of the metered fare versus a fixed fee of \$4.00 previously. The midnight surcharge timing was also adjusted from midnight to 5.59 am instead of 11.30 pm to 5.59 am.

The surcharge itself changed from staggered charges to a fixed 50% of the metered fare. The CBD surcharge also increased from \$1.00 to \$3.00 between 5 pm and midnight.

Despite the fare revisions, Singapore's taxi fares remain affordable. According to a survey by The Straits Times, fares here are still lower than those in Hong Kong, Taipei and Tokyo.

In keeping with our commitment to our hirers, SMRT maintained our current taxi rental rates to ensure our drivers could benefit from the revision. Our taxi rental packages remain the lowest, starting from \$65 per day. We also offered incentives that enhance the well-being of our hirers including comprehensive insurance coverage up to 73 years of age, cash bonuses, rent-free days, diesel rebates, and daily rental and vehicle age discounts.

### **Maintenance Services within Reach**

Apart from helping our hirers earn a reasonable living, we make every effort to facilitate the maintenance and repairs of taxis under their charge.

One such initiative is the access to two satellite workshops that cater to minor repairs, one in the East at Tanjong Katong, and the other in the West at Tiong Bahru.

Another initiative to help our hirers better plan their work day is the new on-line booking for corrective maintenance taxi repairs, which was rolled-out on 14 January 2008. The new user-friendly and convenient booking system enables our hirers to have more time on the road with minimal disruption to their income flow.

### **Serving our Partners**

In addition to our competitive hirer schemes, we also partnered various businesses to offer our hirers special rates for products and services. This included a partnership with OSIM where we placed six OSIM massage chairs in our Partners' Lounge so our hirers can enjoy a massage during their breaks. Those keen to purchase a chair could do so at a special price.

To better serve our hirers, all new customer service centre staff are required to attend a course on Excellence in Customer Service. The programme presents an overview of our customer service policy, benefits, schemes, and our hirers' customer service expectations.

### **Promoting Ridership**

On the marketing front, we held two "I Need a Taxi Now" promotions to provide more call booking jobs for our taxi partners and also to help passengers get taxis more easily. This service was offered at Suntec City and Bugis Junction where demand for taxis was consistently high.

To encourage commuters to choose to travel with SMRT Taxis, we launched the "I SMRT" initiative in May 2007. For two months from 25 May 2007 to 22 July 2007, passengers who flagged down or booked an SMRT taxi for five consecutive days were rewarded with a Robinsons shopping voucher.

We adapted this promotion and rolled out a "Tanah Merah Call Booking Promotion" for passengers at Tanah Merah Ferry Terminal.



# Operating and Financial Review

## SMRT Taxis

In FY2008, we supported the National Library Board Book Crossing programme which ran from 20 August to 2 September 2007. The programme, which aims to promote a self-sustaining learning community in Singapore, involved placing books at designated hot spots for public borrowing. Our support of this project included having participating hirers' taxis serve as a hot spot, and placement of BookCrossing decals in our taxis to publicise the programme.

To promote awareness of SMRT Space taxis, we partnered HSBC and introduced the "HSBC RADIUS Promotion". The two-month promotion which ran from 1 August to 31 October 2007, offered all 500,000 HSBC credit cardholders discounts of up to 20% off airport transfers and point to point transfers when they book an SMRT Space.

### THE ROAD AHEAD

#### Opportunities and Challenges

Singapore's taxi industry is expected to remain highly competitive. Business conditions are set to remain challenging, given the continued rise in diesel price and changes announced in the Public Transport Review.

Hirers can expect some positive impact from the changes to be introduced. SMRT Taxis will pass on the 15% cut in road tax, which comes into effect from July 2008, to our hirers. In addition, the Land Transport Authority has installed 15 new taxi stands in the Central Business District (CBD). The additional stands are expected to improve taxi services to commuters in the area and offer taxi drivers a more systematic and safer approach to picking up passengers.

#### Geared Up for Growth

SMRT Taxis will continue to improve on customer service and offer more creative and flexible services to our drivers.

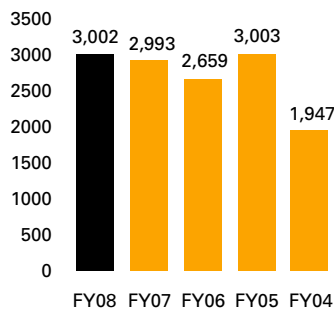
Work on a new Taxi Fleet Tracking and Dispatching System (TFTDS) and Taxi Management Information System is underway. When TFTDS is implemented, this scalable system will allow the contact centre to handle up to 30,000 calls daily creating a quantum improvement in our taxi service.

The TFTDS also offers users greater flexibility and convenience when booking their cabs either by phone or email.

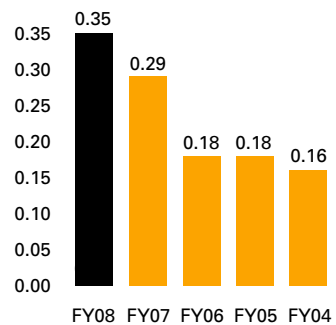
These operational initiatives coupled with our continued investment in marketing programmes to promote SMRT Taxis position us well to address the challenges and capitalise on the opportunities ahead.



### Taxi Fleet Size

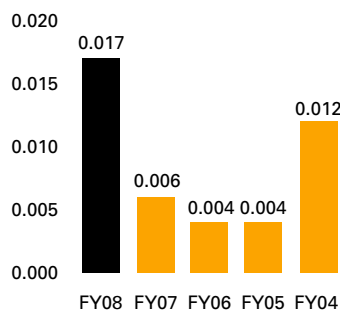


### Commendations Per 100,000 km



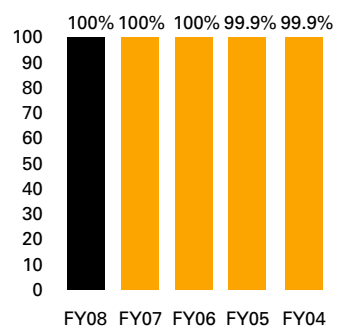
### Customer Satisfaction

No more than 0.02 offence per 100,000 km<sup>1</sup>



### Safety: First Inspection Passing Rate

At least 95%<sup>1</sup>



<sup>1</sup> Quality of Standards by the Land Transport Authority



# SMRT Investments (Properties & Media)

## Spaces and Possibilities

Our retail spaces and advertising channels are venues and platforms of lively exchanges that bring people together, so they are better served, better informed, better connected.

# Operating and Financial Review

## SMRT Investments (Properties & Media)



“ In FY2008, we continued to transform our stations, enriching and enhancing our commuters’ overall travel experience. ”

**TEO CHEW HOON**  
Vice President  
SMRT Investments Pte Ltd

### TWO STRONG PILLARS

SMRT Investments, a key contributor to the Group’s non-fare revenue and profit, is built on two robust business pillars, namely properties and media. Under properties, we lease commercial spaces within our network of train stations and bus interchanges. Our media-related business involves the marketing of advertising spaces at our stations, bus interchanges and on board our trains, buses and taxis. In FY2008, these two pillars generated a total of \$44.0 million in profit for the Group.

### PROPERTIES

#### Adding Vibrance

In FY2008, we continued to transform our stations, enriching and enhancing our commuters’ overall travel experience. In line with this goal, by FY2008, we completed the upgrade of retail spaces in 26 of our stations, including Somerset, Choa Chu Kang, Lavender, Bukit Gombak, Braddell, Paya

Lebar, Kallang, Kembangan, Boon Lay and Tanjong Pagar. With the upgrading, we have been able to introduce into the stations, services catered to commuters’ basic needs, from banking and payment facilities to convenience stores, food & beverage outlets, beauty and medical services, and fashion outlets.

The biggest transformation was at Choa Chu Kang (CCK) MRT station. Since the opening of CCK Xchange in January 2008, the retail space has become the focal point for commuters taking our trains, light rail or buses from CCK. The Xchange boasts a compelling mix of 42 outlets offering lifestyle convenience to commuters and nearby residents. After the redevelopment, the commercial space at the station increased by more than 10 times to nearly 1,000 sq metres and the new layout now seamlessly integrates shopping and travel.

Overall, the upgrading of retail spaces in our stations in FY2008 significantly increased our total leaseable space to close to 28,000 sq metres.

### Journey Partners

To promote the use of SMRT Trains for events, we co-organised a speed dating event on board one of our trains on 17 February 2008. Our partners in this venture were Ayer Rajah-West Coast Family Life Champion, Social Development Service and Youth Executive Committee.

A cabin was reserved for 26 single males and 26 single females to speed date during the two-hour train ride from Boon Lay to Pasir Ris and back. The participants said that speed dating on an MRT train was an exciting and refreshing experience, and interacting within such an exclusive environment was truly fun.

On top of the convenience of shopping while travelling within our MRT and bus network, we also offer commuters the option to cut their travel costs with our co-brand Visa card. The Citibank-SMRT card features an EZ-Link functionality that allows cardholders to travel on trains and buses as well as shop with it to chalk up SMRT dollars which they can redeem for free rides on SMRT trains, buses and taxis. This feature is in addition to the built-in credit and debit functionalities as well as the full suite of Citibank Card privileges and services. In addition, Citibank has opened six branches in our network and installed automatic teller machines (ATM) and AXS machines in most of our stations, making it truly convenient for our passengers.

Two other banks, DBS and UOB, are also expanding their ATM network in our stations, placing banking facilities within easy reach of commuters in our MRT network.

### Upgrading Further

In the year ahead, we will continue to transform our stations into vibrant, lifestyle hubs offering an exciting range of retail and F&B options. Our upgrading efforts will see us developing commercial spaces at seven MRT and LRT stations in FY2009.

### MEDIA

Outdoor advertising is one of the fastest developing media in the Asia Pacific region. Singapore is no exception. In just 10 years, the outdoor media industry here registered a 300% growth in advertising expenditure from \$44 million in 1997 to \$178 million in 2007. As a result, outdoor advertising's share of the overall media advertising pie has increased from 3% to 9%.\*

### Innovative Campaigns

During the year, SMRT Media launched several creative and attention-grabbing campaigns that reinforced our appeal as an effective advertising platform.

#### Tunnel TV

A truly eye-catching innovation launched in FY2008 was Tunnel TV, an advertising platform comprising a series of 360 LED panels mounted on the MRT tunnel wall. These panels are located on the walls of the southbound train tunnel between Newton and Orchard MRT stations. The visuals on the panels are synchronised to train speeds to create moving images. Our first advertisers are Standard Chartered Bank, The Republic of Singapore Navy and M&M's® Chocolate Candies.

#### Creative Ads

In 2007, SMRT's media network was home to several outstanding and effective creative executions.

One was the Guinness campaign launched at Somerset MRT Station in May 2007. The 50-metre long wall of the linkway featured the visual of a giant pool table, in line with Guinness' sponsorship of the regional 9-Ball Tour 2007.

The other spectacular and innovative execution was by Baron's Strong Brew at City Hall MRT Station in early August 2007. Themed "Beware. Only for the Strong", the advertisement featured giant three-dimensional (3-D) beer cans and cell-like bars that extended across two large walls of the station. The use of faregate stickers completed the whole campaign execution.

#### Fostering Growth

SMRT Media actively partners key players in major industry-related conferences and award events.



In FY2008, we were a supporting partner of two inaugural events, the Asia Outdoor Advertising 2007 and World Effie Festival (WEF), both of which were held in Singapore for the first time.

The WEF, held in February 2008, underscored the increasing focus on measuring the effectiveness of marketing campaigns and the emergence of Asia as a global force in the advertising and marketing industry. The festival boasted a stellar lineup of speakers comprising Singapore's Minister Mentor Lee Kuan Yew as well as industry icons and globally-renowned business leaders and thinkers.

Other events we sponsored include the Hall of Fame organised by the Institute of Advertising Singapore, of which SMRT Media was once again the category sponsor of the coveted "Creative Director of the Year" Award. Another award event is the Singapore Media Awards organised by the Association of Accredited Advertising Agents Singapore.

SMRT Media recognises we are part of Singapore's advertising fraternity and is fully committed to fostering growth and nurturing the industry's advancement.

\* Nielsen Advertising Information Services

## Setting our Sights

We bring to every partnership expertise in engineering and operations and maintenance of transport systems. The experience and know-how are honed over the years and strengthened through staying abreast of developments and advances in technology.

# Operating and Financial Review

## SMRT Engineering



“ We will continue to pursue opportunities in fast developing regions in the Middle East and Asia Pacific, particularly China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam. ”

**HARRY TAN CHUAN HUAT**  
Vice President, Engineering  
SMRT Trains Ltd  
Managing Director  
SMRT Engineering Pte Ltd

### ANOTHER PROFITABLE YEAR

FY2008 was another exciting year for SMRT Engineering Pte Ltd (SMRTE), which remained profitable in the year under review.

Our efforts in driving revenue from overseas business have grown from strength to strength as we broke into new markets and reinforced our position in established ones.

Leveraging our extensive experience and expertise, we continued to market our services in land transport. In particular, our strategy is to focus on high value Operations and Maintenance (O&M) services, engineering consultancy and project management services to clients in the Asia Pacific and fast growing countries in the Middle East.

### Spreading Our Wings

In a major breakthrough, SMRTE secured the Palm Jumeirah Rail Transit (PJRT) Mobilisation Contract from Dubai-based real estate giant Nakheel. Currently, a team of experienced SMRT engineers are based in Dubai to

advise Nakheel on various aspects of the monorail system design from an operation and maintenance perspective. The team will also prepare the ground through the hiring, training and strategic deployment of competent staff, equipment and materials for the smooth and efficient operation of the Dh1.4billion (\$526.0 million) monorail, the first to be built in the Middle East.

Construction of the monorail and its four stations began in March 2006 and is scheduled to be completed in November 2008 to coincide with the opening of luxury resort Atlantis The Palm, Dubai. The automatic driverless monorail when fully operational on 1 April 2009 will carry up to 2,400 passengers per hour per direction in four separate trains, each comprising three cars.

SMRTE was awarded the mobilisation contract through a competitive tender that attracted four international submissions. Nakheel will soon finalise the operations and maintenance contract. SMRTE, with its wealth of

engineering experience and first-hand knowledge of the monorail, is well positioned to be the operator of PJRT.

Having planted ourselves firmly in the United Arab Emirates with the establishment of SMRT Engineering (Middle East) FZE, Dubai shall be our springboard to the Middle East. The economies of this dynamic region are expanding rapidly, sparking an infrastructural surge. With our strong track record, we plan to capitalise on this boom and grow our business there.

Apart from the Middle East, we also made inroads into India. For Delhi Metro Rails Corporation, SMRTE supervised the maintenance service, reviewed its existing depot facilities and recommended improvements to the maintenance and overhaul of its trains. Over at Colombo Light Rail Transit, we provided operation and maintenance advice through our business partner, Singapore Land Transport Consortium.

# Operating and Financial Review

## SMRT Engineering

### Home Market

At home, SMRTE provided management services to SMRT Trains. This included the supervision of the implementation of software testing services for Singapore Land Transport Authority and their commercial arm, MSI Global Pte Ltd.

Our Facilities-Based Operator (FBO) business also generated a steady stream of revenue in FY2008. The FBO business involves the leasing of optical fibre network capacity to telecommunication players for voice and data communication services. During the year, we secured a new contract from international telecom carrier Telecom Italia Sparkle, new leases on bandwidth upgrades from existing Telco clients such as Verizon Business, and renewed our contract with Reach International Telecom.

### ENGINEERED FOR EXPANSION

SMRTE is poised for further growth in the year ahead. Rail is becoming an increasingly attractive option as burgeoning cities grapple with the dual problems of traffic congestion and intensifying pollution.

To hone our competitive edge in the global arena, we will stay abreast of new developments and technological advances in the international transport industry.

As it is, we have made a name for ourselves globally. The SMRT name is synonymous with reliability, safety and efficiency. Our hallmark of excellence has helped raised our profile abroad, amongst both governments and transport operators, and garnered invitations to bid for their O&M projects.

We will continue to pursue opportunities in fast developing regions in the Middle East and Asia Pacific, particularly China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam. Their governments and city planners acknowledge that a strong and reliable public transport network is essential to support their countries' continued economic growth.

We can also look forward to exciting opportunities in our FBO business. Developments are underway in Singapore's telecommunications industry, spurring us to review and reexamine our business model. Our goal is to keep evolving to ensure we remain relevant as a FBO.

SMRTE will continue to attract telcos to our network and actively seek out new growth opportunities in cable leasing. In addition, we will take the opportunity to expand our fibre optic infrastructure through the Circle Line rail network.

At the same time, SMRTE is in discussion with Wireless@SG operators to collaborate on the government's nation-wide wireless broadband project. With data centre providers, we are exploring options to invest in and build last mile connectivity and the overall business potential of data centres.

Given these opportunities ahead, SMRTE can look forward to another exciting year in both our O&M and FBO businesses.



## **FINANCIAL REPORT**

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# Directors' Report

## Year ended 31 March 2008

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 2008.

### DIRECTORS

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

Choo Chiau Beng	Chairman
Saw Phaik Hwa	
Dilhan Pillay Sandrasegara	(Appointed on 15 April 2008)
Halimah Jacob	(Appointed on 8 October 2007)
Edmund Koh Kian Chew	
Koh Yong Guan	
Paul Ma Kah Woh	
Ong Ye Kung	
Bob Tan Beng Hai	
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
<b>Choo Chiau Beng</b>		
SMRT Corporation Ltd		
– ordinary shares	100,000	100,000
Neptune Orient Lines Limited		
– ordinary shares	100,000	–
Singapore Airlines Limited		
– ordinary shares	6,000	–
Singapore Computer Systems Limited		
– ordinary shares	200,000	–
Singapore Food Industries Limited		
– ordinary shares	20,000	20,000
Singapore Telecommunications Limited		
– ordinary shares	1,680	1,680
<b>Saw Phaik Hwa</b>		
SMRT Corporation Ltd		
– ordinary shares	240,000	274,700



**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
<b>Edmund Koh Kian Chew</b>		
SNP Corporation Ltd		
– ordinary shares	10,000	60,000
– options to subscribe for ordinary shares at:		
– \$0.59 between 15/4/2004 to 14/4/2008	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
– \$1.02 between 25/4/2007 to 24/4/2011	27,500	27,500
– \$1.07 between 24/4/2008 to 23/4/2012	–	27,500
<b>Koh Yong Guan</b>		
SMRT Corporation Ltd		
– ordinary shares	70,000	70,000
Chartered Semiconductor Manufacturing Ltd		
– ordinary shares	2,000	2,000
Mapletree Logistics Trust Management Ltd		
– units in Mapletree Logistics Trust	5,000	5,000
Singapore Airlines Limited		
– ordinary shares	5,000	4,800
Singapore Computer Systems Limited		
– ordinary shares	10,000	10,000
Singapore Food Industries Limited		
– ordinary shares	17,000	17,000
Singapore Telecommunications Limited		
– ordinary shares	19,090	19,090
Singapore Technologies Engineering Ltd		
– ordinary shares	23,108	23,108
SP AusNet		
– stapled securities	96,000	96,000
<b>Paul Ma Kah Woh</b>		
Singapore Telecommunications Limited		
– ordinary shares	380	380
StarHub Ltd		
– ordinary shares	85,720	78,580
<b>Ong Ye Kung</b>		
Singapore Telecommunications Limited		
– ordinary shares	1,800	1,800

# Directors' Report

## Year ended 31 March 2008

### 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
<b>Engelin Teh Guek Ngor</b>		
SMRT Corporation Ltd		
– ordinary shares	150,000	150,000
Singapore Computer Systems Limited		
– ordinary shares	100,000	100,000
Singapore Telecommunications Limited		
– ordinary shares	1,360	1,360
SP AusNet		
– stapled securities	31,000	31,000

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 Dilhan Pillay Sandrasegara 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 15 April 2008 (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	
	<b>Dilhan Pillay Sandrasegara</b>	
Singapore Airlines Limited		
– ordinary shares		2,000
Singapore Telecommunications Limited		
– ordinary shares		936
SP AusNet		
– stapled securities		50,000

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 2008.

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 Edmund Koh Kian Chew, Mr Koh Yong Guan and Mr Bob Tan Beng Hai.

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.

#### 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.

# Directors' Report

## Year ended 31 March 2008

### SHARE OPTIONS AND SHARE PLANS (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 2007	Options exercised	Options forfeited/ expired	Options outstanding at 31 March 2008	Number of option holders at 31 March 2008	Exercise period
16/7/2001	\$0.816	2,335,500	931,500	22,000	1,382,000	598	16/7/2002 to 15/7/2011
22/7/2002	\$0.676	1,495,400	717,700	28,100	749,600	618	22/7/2003 to 21/7/2012
22/7/2003	\$0.623	1,723,850	863,300	21,100	839,450	614	22/7/2004 to 21/7/2013
		5,554,750	2,512,500	71,200	2,971,050		

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

No director has been granted options under the SMRT ESOP except for Saw Phaik Hwa. Saw Phaik Hwa was granted the option to subscribe for 160,000 ordinary shares of the Company and she had since exercised these options. As at 31 March 2008, there are no outstanding options granted to directors under the SMRT ESOP.

Since the commencement of the SMRT ESOP, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the SMRT ESOP has been granted 5% or more of the total options available under the SMRT ESOP.

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.

## SHARE OPTIONS AND SHARE PLANS *(cont'd)*

### SMRT RSP and SMRT PSP (collectively "The Plans") *(cont'd)*

#### ii. Awards

Awards represent the right of an employee to receive fully paid shares, their equivalent cash value or combination thereof, free of charge, provided that certain prescribed performance targets are met and upon expiry of the prescribed vesting period.

It is the intention of SMRT to award performance-based restricted awards to ensure that the earnings of shares under the SMRT RSP is aligned with pay-for-performance principle.

Awards granted under the SMRT PSP are performance-based and the targets set under the plan are intended to be based on long-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

An individual employee who is a key management staff may be granted an award under the SMRT PSP, as well as the SMRT RSP although differing performance targets are likely to be set for each award.

Non-executive directors of the Group, the holding company and associated companies will not be eligible to participate in the Plans.

#### iii. Size and duration

The total number of new shares which may be issued pursuant to awards granted under the Plans, when added to the number of options granted under SMRT ESOP shall not exceed 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 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	12 November 2007	12 November 2007
Performance period	1 April 2007 to 31 March 2010	1 April 2007 to 31 March 2009
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 2008

### 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

Grant date	Balance as at 1 April 2007	Shares granted during financial year	Shares cancelled during financial year	Shares released during financial year	Adjustment due to performance modifier effect	Balance as at 31 March 2008
<b>1 March 2006</b>						
– For senior management	40,000	–	–	–	–	40,000
– For executive director (Saw Phaik Hwa)	100,000	–	–	–	–	100,000
<b>19 March 2007</b>						
– For senior management	63,500	–	–	–	–	63,500
– For executive director (Saw Phaik Hwa)	100,000	–	–	–	–	100,000
<b>12 November 2007</b>						
– For senior management	–	98,000	–	–	–	98,000
– For executive director (Saw Phaik Hwa)	–	85,000	–	–	–	85,000
Total	303,500	183,000	–	–	–	486,500

#### SMRT RSP

Grant date	Balance as at 1 April 2007	Shares granted during financial year	Shares cancelled during financial year	Shares released during financial year	Adjustment due to performance modifier effect	Balance as at 31 March 2008
<b>1 March 2006</b>						
– For senior management	473,000	–	(10,300)	(161,000)	10,600	312,300
– For executive director (Saw Phaik Hwa)	100,000	–	–	(34,700)	4,000	69,300
<b>19 March 2007</b>						
– For senior management	581,200	–	(38,500)	–	–	542,700
– For executive director (Saw Phaik Hwa)	100,000	–	–	–	–	100,000
<b>12 November 2007</b>						
– For senior management	–	672,400	(7,500)	–	–	664,900
– For executive director (Saw Phaik Hwa)	–	85,000	–	–	–	85,000
Total	1,254,200	757,400	(56,300)	(195,700)	14,600	1,774,200

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 2008 were 486,500 and 1,774,200 (2007: 303,500 and 1,254,200) 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 608,200 and 2,117,600 (2007: 379,400 and 1,410,200) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

## AUDIT COMMITTEE

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

Paul Ma Kah Woh                      Chairman  
Dilhan Pillay Sandrasegara      (Appointed on 15 April 2008)  
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.

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 six times during the year.

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

The Committee has reviewed the fees for non-audit services rendered by the auditors and their affiliates and is satisfied that the provision of such services did not affect the independence and objectivity of the auditors for the audit of the financial statements of the Group for the year ended 31 March 2008.

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 Chia Beng**  
Director



**Saw Phaik Hwa**  
Director

29 April 2008

# Statement by Directors

## Year ended 31 March 2008

In our opinion:

- a. the financial statements set out on pages 120 to 166 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 2008 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

29 April 2008



# Independent Auditors' Report

## Year ended 31 March 2008

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 2008, 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 120 to 166.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

- a. devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- b. selecting and applying appropriate accounting policies; and
- c. 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.

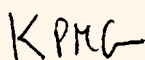
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion:

- a. the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and 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**  
Public Accountants and  
Certified Public Accountants

Singapore  
29 April 2008

# Balance Sheets

## As at 31 March 2008

	Note	2008 \$'000	Group 2007 \$'000	2008 \$'000	Company 2007 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	4	1,032,789	1,046,217	6,473	5,610
Intangible asset	5	41,932	41,932	–	–
Investments in subsidiaries	6	–	–	329,891	329,891
Interest in an associate	7	1,106	764	–	–
Available-for-sale financial assets	8	6,388	7,652	–	–
		<b>1,082,215</b>	1,096,565	<b>336,364</b>	335,501
<b>Current assets</b>					
Inventories	9	31,872	34,640	–	–
Trade and other receivables	10	60,717	48,489	261,003	164,133
Available-for-sale financial assets	8	15,000	19,000	15,000	19,000
Tax recoverable	11	15,253	10,629	11,049	6,177
Fixed deposits with banks and financial institutions		216,051	132,380	20,000	119,400
Cash at banks and in hand		16,493	37,249	4,038	1,195
		<b>355,386</b>	282,387	<b>311,090</b>	309,905
<b>Total assets</b>		<b>1,437,601</b>	1,378,952	<b>647,454</b>	645,406
<b>Equity attributable to equity holders of SMRT</b>					
Share capital	12	160,812	158,824	160,812	158,824
Reserves	13	4,070	5,419	1,564	879
Accumulated profits		512,259	475,926	131,592	129,739
<b>Total equity</b>		<b>677,141</b>	640,169	<b>293,968</b>	289,442
<b>Non-current liabilities</b>					
Interest-bearing borrowings	14	250,000	250,000	250,000	250,000
Provisions	15	3,215	3,183	35	37
Deferred tax liabilities	16	131,470	140,979	889	772
Fuel equalisation account	17	19,112	19,112	–	–
Deferred grant	18	126,760	148,136	–	–
		<b>530,557</b>	561,410	<b>250,924</b>	250,809
<b>Current liabilities</b>					
Trade and other payables	19	171,371	143,212	102,390	104,985
Provisions	15	18,167	16,977	172	170
Current tax payable		40,365	17,184	–	–
		<b>229,903</b>	177,373	<b>102,562</b>	105,155
<b>Total liabilities</b>		<b>760,460</b>	738,783	<b>353,486</b>	355,964
<b>Total equity and liabilities</b>		<b>1,437,601</b>	1,378,952	<b>647,454</b>	645,406

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

# Consolidated Income Statement

## Year ended 31 March 2008

	Note	2008 \$'000	2007 \$'000
Revenue	20	<b>802,124</b>	743,126
Other operating income	21(a)	<b>20,869</b>	27,759
Staff and related costs	21(b)	<b>(263,461)</b>	(263,104)
Depreciation and impairment losses of property, plant and equipment	4	<b>(127,366)</b>	(131,957)
Amortisation of asset-related grant	18	<b>21,289</b>	22,251
Repairs and maintenance costs		<b>(63,161)</b>	(60,483)
Electricity and diesel costs		<b>(89,704)</b>	(75,941)
Other operating expenses	21(c)	<b>(122,547)</b>	(116,386)
Finance costs	21(d)	<b>(8,028)</b>	(9,930)
Interest and investment income	21(e)	<b>5,805</b>	6,909
Share of results of an associate (net of tax)		<b>342</b>	92
<b>Profit before income tax</b>	21	<b>176,162</b>	142,336
Income tax expense	22	<b>(26,223)</b>	(6,546)
<b>Profit for the year</b>		<b>149,939</b>	135,790
<b>Attributable to:</b>			
Equity holders of SMRT		<b>149,939</b>	135,407
Minority interests		<b>–</b>	383
<b>Profit for the year</b>		<b>149,939</b>	135,790
<b>Earnings per share (in cents)</b>			
Basic	23	<b>9.9</b>	9.0
Diluted	23	<b>9.9</b>	8.9

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

# Consolidated Statement of Changes in Equity

## Year ended 31 March 2008

Group	Share capital \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Share- based payment reserve \$'000	Accu- mulated profits \$'000	Total attributable to equity holders of SMRT \$'000	Minority interest \$'000	Total equity \$'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 5.50 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
At 1 April 2007	158,824	–	4,540	879	475,926	640,169	–	640,169
Net fair value changes on available-for-sale financial assets	–	–	(1,988)	–	–	(1,988)	–	(1,988)
Translation differences relating to financial statement of foreign subsidiary	–	(46)	–	–	–	(46)	–	(46)
Net gain/(loss) recognised directly in equity	–	(46)	(1,988)	–	–	(2,034)	–	(2,034)
Profit for the year	–	–	–	–	149,939	149,939	–	149,939
Total recognised income and expense for the year	–	(46)	(1,988)	–	149,939	147,905	–	147,905
Issue of shares under SMRT ESOP	1,783	–	–	–	–	1,783	–	1,783
Issue of shares under SMRT RSP	205	–	–	(205)	–	–	–	–
Value of employee services received for share-based payment	–	–	–	890	–	890	–	890
Final dividend paid of 5.75 cents per share in respect of year 2007	–	–	–	–	(87,094)	(87,094)	–	(87,094)
Interim dividend paid of 1.75 cents per share in respect of year 2008	–	–	–	–	(26,512)	(26,512)	–	(26,512)
At 31 March 2008	160,812	(46)	2,552	1,564	512,259	677,141	–	677,141

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

# Statement of Changes in Equity

## Year ended 31 March 2008

Company	Share capital \$'000	Share-based payment reserve \$'000	Accumulated profits \$'000	Total equity \$'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 5.50 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
At 1 April 2007	158,824	879	129,739	289,442
Profit for the year	–	–	115,459	115,459
Total recognised income and expense for the year	–	–	115,459	115,459
Issue of shares under SMRT ESOP	1,783	–	–	1,783
Issue of shares under SMRT RSP	205	(205)	–	–
Value of employee services received for share-based payment	–	890	–	890
Final dividend paid of 5.75 cents per share in respect of year 2007	–	–	(87,094)	(87,094)
Interim dividend paid of 1.75 cents per share in respect of year 2008	–	–	(26,512)	(26,512)
At 31 March 2008	160,812	1,564	131,592	293,968

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

# Consolidated Cash Flow Statement

## Year ended 31 March 2008

	2008 \$'000	2007 \$'000
<b>Operating activities</b>		
Profit before income tax	<b>176,162</b>	142,336
Adjustments for items not involving outlay of funds:		
Amortisation of asset-related grant	<b>(21,289)</b>	(22,251)
Depreciation and impairment losses of property, plant and equipment	<b>127,366</b>	131,957
Dividend and other income	<b>(1,498)</b>	(7,734)
Grant released upon disposal/write-off of property, plant and equipment	<b>(87)</b>	(173)
Interest expense	<b>8,028</b>	9,930
Interest income	<b>(4,294)</b>	(4,551)
(Gain)/loss on disposals of:		
– property, plant and equipment	<b>478</b>	1,477
– investment in subsidiaries	–	1,130
– available-for-sale financial assets	<b>(13)</b>	(3,133)
Property, plant and equipment written off	<b>1,380</b>	884
Provisions made during the year	<b>11,692</b>	11,457
Share-based payment expenses	<b>890</b>	361
Share of results of an associate	<b>(342)</b>	(92)
	<b>298,473</b>	261,598
Changes in working capital:		
Inventories	<b>2,768</b>	1,565
Trade and other receivables	<b>(10,765)</b>	10,367
Amounts due to/from an associate	<b>(3,875)</b>	583
Trade, other payables and provisions	<b>337</b>	22,587
Cash generated from operations	<b>286,938</b>	296,700
Income taxes paid (net)	<b>(17,175)</b>	(58)
Dividends paid	<b>(113,606)</b>	(85,379)
Interest paid	<b>(8,137)</b>	(10,335)
<b>Cash flows from operating activities</b>	<b>148,020</b>	200,928

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

	Note	2008 \$'000	2007 \$'000
<b>Investing activities</b>			
Dividends received		1,498	3,803
Interest received		4,889	4,107
Purchase of property, plant and equipment		(97,070)	(91,059)
Purchase of available-for-sale financial assets		(11,724)	(19,000)
Disposal of subsidiary, net of cash	25	-	(17,383)
Proceeds from disposal of:			
– property, plant and equipment		552	394
– available-for-sale financial assets		15,013	3,774
<b>Cash flows from investing activities</b>		<b>(86,842)</b>	<b>(115,364)</b>
<b>Financing activities</b>			
Proceeds from issue of shares under share option plan		1,783	2,331
Proceeds from issue of unsecured quoted fixed rate notes		-	200,000
Redemption of unsecured quoted bonds		-	(250,000)
<b>Cash flows from financing activities</b>		<b>1,783</b>	<b>(47,669)</b>
<b>Net increase in cash and cash equivalents</b>		<b>62,961</b>	<b>37,895</b>
Cash and cash equivalents at beginning of the year		169,629	131,734
Effect of exchange rate fluctuations on cash held		(46)	-
<b>Cash and cash equivalents at end of the year</b>		<b>232,544</b>	<b>169,629</b>
Cash and cash equivalents at end of the year comprise:			
Fixed deposits with banks and financial institutions		216,051	132,380
Cash at banks and in hand		16,493	37,249
		<b>232,544</b>	<b>169,629</b>

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

# Notes to the Financial Statements

## Year ended 31 March 2008

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 April 2008.

### 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 holding.

The immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s 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.



## 2. LICENCE AND OPERATING AGREEMENT *(cont'd)*

### a. SMRT Trains Ltd ("MRT") *(cont'd)*

- 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.
- 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 from 6 November 2004 to 5 November 2010, and thereafter the 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 2008

### 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 otherwise described below.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

The preparation of 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 the following notes:

- Note 3.6, 3.7 and 3.11 – valuation of financial instruments
- Note 3.8 – valuation of inventories
- Note 5 – assumptions of recoverable amounts relating to goodwill impairment
- Note 13 – measurement of share-based payments
- Note 31 – accounting estimates and judgement

The new or revised FRS and interpretations 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 Company'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.

### **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 of 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 the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates 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 2008

### 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 ready for operational use.

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

Depreciation method, 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 Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(cont'd)*

#### **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.

Unquoted equity and other investments are measured at cost less accumulated impairment losses. It is not practicable to reliably estimate the fair value of unquoted available-for-sale financial assets due to the lack of market prices in an active market, significant range of fair value estimates, and the inability to reasonably assess the probabilities of the various estimates. However, 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 Derivative 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. Allowance is made for obsolete, slow-moving and defective inventories based on management's estimates and judgement, taking into account historical trends and market conditions etc.

All other inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **3.9 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.

# Notes to the Financial Statements

## Year ended 31 March 2008

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

#### 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.

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 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.

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.

##### **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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

#### **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".

#### **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. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **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.

# Notes to the Financial Statements

## Year ended 31 March 2008

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 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.

##### **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. Where appropriate, the percentage of completion is estimated by reference to the proportion of contract costs incurred to date to the estimated total contract costs for each project.

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 recognised in the income statement using the effective interest method.

#### 3.21 Interest and investment income

Interest income from bank deposits and other debt securities is recognised in the income statement using the effective interest method.

Dividend income from subsidiaries is recognised on the date that the Group's right to receive payment is established.

Dividend income from other equity investments is recognised in the income statement at gross on a receipt basis.

Gain or loss on disposal of investment is accounted for in the income statement as they arise.



### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

#### **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.

##### **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 2008

### 4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and properties \$'000	Furniture, fittings, office equipment and computers \$'000	Motor vehicles \$'000	Rolling stock \$'000	Power supply equipment \$'000
<b>Cost</b>					
At 1 April 2006	71,696	55,851	3,649	820,954	137,853
Arising on disposal of subsidiary	(1,914)	(18,551)	(154)	–	–
Additions	55	4,044	82	213	780
Disposals/Write offs	–	(3,438)	(123)	(1,935)	(767)
Transfers/Reclassifications	21,250	2,092	–	8,368	–
At 31 March 2007	91,087	39,998	3,454	827,600	137,866
Additions	58	863	252	112	761
Disposals/Write offs	(845)	(2,570)	(235)	(6,599)	(853)
Transfers/Reclassifications	50,628	2,217	–	48,117	658
At 31 March 2008	140,928	40,508	3,471	869,230	138,432
<b>Accumulated depreciation and impairment losses</b>					
At 1 April 2006	11,326	31,120	2,934	434,121	65,143
Arising on disposal of subsidiary	(1,259)	(18,028)	(146)	–	–
Depreciation charge for the year	3,610	9,173	289	42,341	8,203
Disposals/Write offs	–	(3,409)	(123)	(1,894)	(442)
At 31 March 2007	13,677	18,856	2,954	474,568	72,904
Depreciation charge for the year	5,502	6,263	256	43,522	8,171
Disposals/Write offs	(184)	(2,465)	(235)	(6,436)	(728)
Transfers/Reclassifications	–	3	–	–	–
At 31 March 2008	18,995	22,657	2,975	511,654	80,347
<b>Carrying amount</b>					
At 1 April 2006	60,370	24,731	715	386,833	72,710
At 31 March 2007	77,410	21,142	500	353,032	64,962
At 31 March 2008	121,933	17,851	496	357,576	58,085

<b>Signalling, communication and automatic fare collection systems \$'000</b>	<b>Buses \$'000</b>	<b>Taxis and vehicles for rental \$'000</b>	<b>Plant and machinery \$'000</b>	<b>Other operating equipment \$'000</b>	<b>Assets under construction \$'000</b>	<b>Total \$'000</b>
262,691	181,893	190,870	22,546	296,813	25,321	2,070,137
(769)	–	–	–	–	–	(21,388)
445	257	16,334	384	690	84,655	107,939
(8,503)	(344)	(22,514)	(17)	(774)	–	(38,415)
2,987	378	17,389	–	4,453	(56,917)	–
256,851	182,184	202,079	22,913	301,182	53,059	2,118,273
430	525	2,076	523	590	112,101	118,291
(30)	(1,181)	(4,423)	(13)	(1,148)	(270)	(18,167)
1,410	3,361	4,462	(9)	1,800	(112,644)	–
258,661	184,889	204,194	23,414	302,424	52,246	2,218,397
129,601	74,751	35,817	19,383	183,797	–	987,993
(744)	–	–	–	–	–	(20,177)
20,147	9,910	21,880	1,336	15,068	–	131,957
(8,457)	(245)	(12,533)	(17)	(597)	–	(27,717)
140,547	84,416	45,164	20,702	198,268	–	1,072,056
15,238	10,519	22,563	1,197	14,135	–	127,366
(29)	(1,181)	(1,576)	(11)	(969)	–	(13,814)
–	6	(17)	8	–	–	–
155,756	93,760	66,134	21,896	211,434	–	1,185,608
133,090	107,142	155,053	3,163	113,016	25,321	1,082,144
116,304	97,768	156,915	2,211	102,914	53,059	1,046,217
102,905	91,129	138,060	1,518	90,990	52,246	1,032,789

# Notes to the Financial Statements

## Year ended 31 March 2008

### 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
<b>Cost</b>							
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
Additions	371	4	–	9	–	1,962	2,346
Disposals/Write offs	(670)	–	(6)	–	–	–	(676)
Transfers/Reclassifications	544	–	–	–	–	(544)	–
At 31 March 2008	7,016	1,138	90	16	28	2,758	11,046
<b>Accumulated depreciation and impairment losses</b>							
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
Depreciation charge for the year	1,387	70	21	2	2	–	1,482
Disposals/Write offs	(670)	–	(5)	–	–	–	(675)
At 31 March 2008	3,782	723	54	6	8	–	4,573
<b>Carrying amount</b>							
At 1 April 2006	3,563	570	26	5	25	662	4,851
At 31 March 2007	3,706	481	58	3	22	1,340	5,610
At 31 March 2008	3,234	415	36	10	20	2,758	6,473

## 5 INTANGIBLE ASSET

Group	Goodwill \$'000
<b>Cost</b>	
At 1 April 2007 and 31 March 2008	63,373
<b>Impairment losses</b>	
At 1 April 2007 and 31 March 2008	21,441
<b>Carrying amount</b>	
At 1 April 2007 and 31 March 2008	41,932

### Impairment tests for business units containing goodwill

Goodwill is allocated to the Group's business units:

	2008 \$'000	2007 \$'000
Bus operations	<b>28,318</b>	28,318
Taxi operations	<b>13,614</b>	13,614
	<b>41,932</b>	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 and fare adjustments are based on fare formula set by the Public Transport Council.
- c. Taxi rental rates are based on current levels and prevailing market conditions.
- d. The discount rate used is based on the pre-tax WACC of the Group.

# Notes to the Financial Statements

## Year ended 31 March 2008

### 6 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008 \$'000	2007 \$'000
Unquoted equity shares, at cost	351,332	359,508
Impairment losses	(21,441)	(29,617)
	<b>329,891</b>	<b>329,891</b>

Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation and business	Effective equity interest held by the Group	
		2008 %	2007 %
1 SMRT Trains Ltd. and its subsidiary:	Singapore	100	100
1 SMRT Light Rail Pte Ltd	Singapore	100	100
1 SMRT Engineering Pte Ltd, and its subsidiary:	Singapore	100	100
2 SMRT Engineering (Middle East) FZE	United Arab Emirates	100	–
1 SMRT International Pte Ltd	Singapore	100	100
1 SMRT Investments Pte Ltd	Singapore	100	100
3 RFP Investments Pte Ltd	Singapore	–	100
1 SMRT Road Holdings Ltd. and its subsidiaries:	Singapore	100	100
1 SMRT Buses Ltd.	Singapore	100	100
4 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

1 Audited by KPMG, Singapore

2 Audited by member firm of KPMG International

3 Deregistered during the year

4 Not audited as the company is under members' voluntary liquidation

### 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	
		2008 %	2007 %
<b>Held by SMRT Trains Ltd.</b>			
Transit Link Pte Ltd	Singapore	50	50

Summarised financial information of Transit Link Pte Ltd is set out below:

	2008 \$'000	2007 \$'000
<b>Assets and liabilities</b>		
Total assets	44,106	34,913
Total liabilities	41,893	33,278
<b>Results</b>		
Revenue	5,154	5,593
Profit after taxation	685	585

The summarised financial information is not adjusted for the percentage of ownership held by the Group.

## 8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Non-current</b>				
Quoted equity securities	6,262	7,526	–	–
Other investments	126	126	–	–
	<b>6,388</b>	7,652	–	–
<b>Current</b>				
Unquoted debt securities	15,000	19,000	15,000	19,000
	<b>21,388</b>	26,652	<b>15,000</b>	19,000

The unquoted debt securities have stated interest rates of 1.13% to 1.87% (2007: 2.94% to 3.48%) per annum. The unquoted debt securities are neither past due nor impaired.

## 9 INVENTORIES

	Group	
	2008 \$'000	2007 \$'000
Spare parts, diesel, tyres and consumable stores	41,420	42,223
Allowance for obsolete inventories	(9,548)	(7,583)
	<b>31,872</b>	34,640

## 10 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	10a	13,019	10,324	–	–
Other receivables, deposits and prepayments	10b	42,142	33,490	1,782	3,243
Amounts due from subsidiaries	10c	–	–	259,221	160,890
Amounts due from an associate (trade)		5,556	4,675	–	–
		<b>60,717</b>	48,489	<b>261,003</b>	164,133

Outstanding balances with an associate are unsecured, interest free and repayable on demand.

### 10a TRADE RECEIVABLES

	Group	
	2008 \$'000	2007 \$'000
Trade receivables	18,529	16,469
Allowance for doubtful receivables	(5,510)	(6,145)
	<b>13,019</b>	10,324

Trade receivables of the Group include \$723,000 (2007: \$186,000) due from related corporations and there is no allowance for doubtful debts arising from the outstanding balances.

# Notes to the Financial Statements

## Year ended 31 March 2008

### 10b OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deposits	270	196	–	–
Prepayments	6,587	6,794	58	105
Recoverable expenses	1,770	1,740	–	–
Staff loans and advances	664	689	218	185
Interest receivable	70	665	69	653
Rebates*	1,650	3,699	–	–
Recoverable in respect of accident claims	10,291	8,866	–	–
Advances to suppliers	7,997	2,573	1	–
Other receivables	12,843	8,268	1,436	2,300
	<b>42,142</b>	<b>33,490</b>	<b>1,782</b>	<b>3,243</b>

\* 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.

### 10c AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2008 \$'000	2007 \$'000
Current account (non-trade)	519	538
Interest-bearing loans	258,702	160,352
	<b>259,221</b>	<b>160,890</b>

The interest-bearing loans to subsidiaries are unsecured, bear interest at rates ranging from 1.50% to 3.30% (2007: 3.27% to 3.82%) per annum and are repayable on demand.

The remaining balances are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

### 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.

### 12 SHARE CAPITAL

	No. of shares (‘000)	Company	
		2008 \$'000	2007 \$'000
<b>Issued and fully-paid:</b>			
<b>Ordinary shares</b>			
At 1 April	1,512,450	158,824	1,509,104
Issue of shares under SMRT ESOP	2,512	1,783	3,346
Issue of shares under SMRT RSP	196	205	–
At 31 March	<b>1,515,158</b>	<b>160,812</b>	<b>1,512,450</b>

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 931,500, 717,700 and 863,300 (2007: 1,051,500, 833,000 and 1,461,110) new fully-paid ordinary shares were issued during the year for cash at \$0.816, \$0.676 and \$0.623 per share respectively by the Company.



## 12 SHARE CAPITAL *(cont'd)*

### Capital management

The Company's primary objectives in capital management are to provide adequate returns to shareholders and to manage the capital base so as to sustain future development of the business.

Management monitors the return on capital, which the Group defines as total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

Management regularly reviews and manages its capital structure to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There are no changes in the Group's approach to capital management during the year.

## 13 RESERVES

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fair value reserve	2,552	4,540	–	–
Share-based payment reserve	1,564	879	1,564	879
Foreign currency translation reserve	(46)	–	–	–
	<b>4,070</b>	5,419	<b>1,564</b>	879

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

The share-based payment reserve represents the cumulative value of services received from employees for the issue of share options and performance shares.

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

### Equity compensation benefits

The SMRT Corporation Employee Share Option Plan ("SMRT ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRT ESOP comprises two distinct schemes:

- i. Management Scheme – Scheme designed for management staff in the positions of Deputy Director and above of the Group.
- ii. Employee Scheme – Scheme designed for all other employees of the Group.

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") of the Company 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 Edmund Koh Kian Chew, Mr Koh Yong Guan and Mr Bob Tan Beng Hai.

In exercising its discretion, the Committee must act in accordance with any guidelines that may be provided by the Board of Directors. The Committee shall refer any matter not falling within the scope of its terms of reference to the Board. The Committee shall have the power, from time to time, to make and vary such regulations for the implementation and administration of the SMRT ESOP, SMRT RSP and SMRT PSP as it thinks fit.

# Notes to the Financial Statements

## Year ended 31 March 2008

### 13 RESERVES (cont'd)

The salient features of the SMRT ESOP, SMRT RSP and SMRT PSP are as follows:

#### SMRT ESOP

##### i. Eligible participants

At the absolute discretion of the Committee, all confirmed employees of the Group (including any director of the Group who performs an executive function) who are not less than 21 years old and have been in the service of the Group for at least one year prior to the date of which an option is granted ("Grant Date") are eligible to participate in the SMRT ESOP.

##### ii. Maximum allowable allotment

The total number of shares which may be issued under the SMRT ESOP ("ESOP Shares") when added to the number of shares which may be issued pursuant to awards granted under the SMRT RSP and SMRT PSP shall not exceed 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.

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 2007	Options exercised	Options cancelled	Options outstanding at 31 March 2008	Options exercisable at 1 April 2007	Options exercisable at 31 March 2008	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	2,335,500	931,500	22,000	1,382,000	2,335,500	1,382,000	760	\$1.84	16/7/2002 to 15/7/2011
22/7/2002	\$0.676	1,495,400	717,700	28,100	749,600	1,495,400	749,600	485	\$1.86	22/7/2003 to 21/7/2012
22/7/2003	\$0.623	1,723,850	863,300	21,100	839,450	1,723,850	839,450	538	\$1.85	22/7/2004 to 21/7/2013
		5,554,750	2,512,500	71,200	2,971,050	5,554,750	2,971,050	1,783		

No option has been granted during the year.

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.

### 13 RESERVES (cont'd)

#### **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 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.

# Notes to the Financial Statements

## Year ended 31 March 2008

### 13 RESERVES (cont'd)

#### SMRT RSP and SMRT PSP (collectively "The Plans") (cont'd)

##### 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 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	12 November 2007	12 November 2007
Performance period	1 April 2007 to 31 March 2010	1 April 2007 to 31 March 2009
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
<b>Historical volatility</b>		
SMRT	23.84%	23.84%
Straits Times Index	11.44%	11.44%
<b>Risk-free interest rates</b>		
Yield of Singapore Government Securities on Date of Grant	2.13%	2.07% to 2.28%
Term	2.6 years	1.6 to 3.6 years
<b>SMRT expected dividend yield</b>	————— Management's forecast —————	
<b>Share price at grant date</b>	\$1.69	\$1.69

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 previous years.

### 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

Grant date	Balance as at 1 April 2007	Shares granted during financial year	Shares cancelled during financial year	Shares released during financial year	Adjustment due to performance modifier effect	Balance as at 31 March 2008
<b>1 March 2006</b>						
– For senior management	40,000	–	–	–	–	40,000
– For executive director (Saw Phaik Hwa)	100,000	–	–	–	–	100,000
<b>19 March 2007</b>						
– For senior management	63,500	–	–	–	–	63,500
– For executive director (Saw Phaik Hwa)	100,000	–	–	–	–	100,000
<b>12 November 2007</b>						
– For senior management	–	98,000	–	–	–	98,000
– For executive director (Saw Phaik Hwa)	–	85,000	–	–	–	85,000
Total	303,500	183,000	–	–	–	486,500

The estimated fair value at date of grant for each share granted on 12 November 2007 pursuant to SMRT PSP is \$1.12.

##### SMRT RSP

Grant date	Balance as at 1 April 2007	Shares granted during financial year	Shares cancelled during financial year	Shares released during financial year	Adjustment due to performance modifier effect	Balance as at 31 March 2008
<b>1 March 2006</b>						
– For senior management	473,000	–	(10,300)	(161,000)	10,600	312,300
– For executive director (Saw Phaik Hwa)	100,000	–	–	(34,700)	4,000	69,300
<b>19 March 2007</b>						
– For senior management	581,200	–	(38,500)	–	–	542,700
– For executive director (Saw Phaik Hwa)	100,000	–	–	–	–	100,000
<b>12 November 2007</b>						
– For senior management	–	672,400	(7,500)	–	–	664,900
– For executive director (Saw Phaik Hwa)	–	85,000	–	–	–	85,000
Total	1,254,200	757,400	(56,300)	(195,700)	14,600	1,774,200

The estimated fair values at grant date for each share granted on 12 November 2007 pursuant to SMRT RSP ranges from \$1.313 to \$1.425.

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.

# Notes to the Financial Statements

## Year ended 31 March 2008

### 13 RESERVES (cont'd)

#### SMRT RSP and SMRT PSP (collectively "The Plans") (cont'd)

The number of contingent shares granted but not released as at 31 March 2008 were 486,500 and 1,774,200 (2007: 303,500 and 1,254,200) 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 608,200 and 2,117,600 (2007: 379,400 and 1,410,200) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

The total amount recognised in the financial statements (before taxes) for share-based payment transactions with employees is summarised as follows:

	Group and Company 2008 \$'000	2007 \$'000
Expenses		
i. Share options under SMRT ESOP	–	1
ii. Performance share plan under SMRT PSP	136	46
iii. Performance-based restricted shares under SMRT RSP	754	314
	<b>890</b>	<b>361</b>

### 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 2008 \$'000	2007 \$'000
<b>Non-current liabilities</b>		
Unsecured quoted floating rate notes	50,000	50,000
Unsecured quoted fixed rate notes	200,000	200,000
	<b>250,000</b>	<b>250,000</b>

#### Terms and debt repayment schedule

2008 and 2007	Interest rate	Year of maturity	Carrying amount \$'000
Unsecured quoted fixed rate notes	3.30%	2009	100,000
Unsecured quoted floating rate notes	Variable rate (see note (i) below)	2010	50,000
Unsecured quoted fixed rate notes	3.27%	2011	100,000
			<b>250,000</b>

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.

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.

#### 14 INTEREST-BEARING BORROWINGS *(cont'd)*

- 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.

#### 15 PROVISIONS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Liability for defined benefit plan	<b>3,291</b>	3,229	<b>35</b>	37
Liability for short-term accumulating compensated absences	<b>1,005</b>	940	<b>172</b>	170
Accident claims	<b>17,086</b>	15,991	–	–
	<b>21,382</b>	20,160	<b>207</b>	207
Current	<b>18,167</b>	16,977	<b>172</b>	170
Non-current	<b>3,215</b>	3,183	<b>35</b>	37
	<b>21,382</b>	20,160	<b>207</b>	207

##### 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:

- 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.
- 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.
- 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.

##### ***Movements in the net liability recognised in the balance sheet***

	Note	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 April		<b>3,229</b>	2,908	<b>37</b>	167
Expense recognised/(reversed) during the year	21(b)	<b>174</b>	358	<b>(2)</b>	(130)
Payments made		<b>(112)</b>	(37)	–	–
At 31 March		<b>3,291</b>	3,229	<b>35</b>	37

##### ***Recognised in the income statement***

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current service costs	<b>329</b>	322	<b>1</b>	1
Interest on obligations	<b>91</b>	88	<b>3</b>	3
Actuarial (gain)/loss	<b>(246)</b>	(52)	<b>(6)</b>	(134)
	<b>174</b>	358	<b>(2)</b>	(130)

# Notes to the Financial Statements

## Year ended 31 March 2008

### 15 PROVISIONS (cont'd)

#### a. Liability for defined benefit plan (cont'd)

##### 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	2008 \$'000	Group 2007 \$'000
At 1 April		940	1,607
Provisions made during the year	21(b)	66	(474)
Translation difference on consolidation		(1)	–
Disposal of subsidiary		–	(193)
At 31 March		1,005	940

#### 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	2008 \$'000	Group 2007 \$'000
At 1 April		15,991	15,662
Provisions made during the year	21(c)	14,632	13,151
Provisions reversed during the year	21(c)	(1,953)	(431)
Provisions used during the year		(11,584)	(12,391)
At 31 March		17,086	15,991

### 16 DEFERRED TAX

Deferred tax liabilities/(assets) and movements in temporary differences during the year are attributable to the following:

Group	At 1/4/2007 \$'000	Recognised in income statement (note 22) \$'000	Disposal of subsidiary \$'000	At 31/3/2008 \$'000
Excess of net book value over tax written down value of property, plant and equipment	149,526	(9,670)	–	139,856
Unutilised wear and tear allowances	(676)	676	–	–
Other temporary differences	(7,871)	(515)	–	(8,386)
Total	140,979	(9,509)	–	131,470



## 16 DEFERRED TAX (cont'd)

Group	At 1/4/2006 \$'000	Recognised in income statement (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)
<b>Total</b>	<b>150,619</b>	<b>(9,521)</b>	<b>(119)</b>	<b>140,979</b>

Company	At 1/4/2007 \$'000	Recognised in income statement \$'000	At 31/3/2008 \$'000
Excess of net book value over tax written down value			
of property, plant and equipment		827	927
Other temporary differences		(55)	(38)
<b>Total</b>		<b>772</b>	<b>889</b>

Company	At 1/4/2006 \$'000	Recognised in income statement \$'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)
<b>Total</b>		<b>993</b>	<b>772</b>

## 17 FUEL EQUALISATION ACCOUNT ("FEA")

	2008 \$'000	Group 2007 \$'000
At 1 April and 31 March	<b>19,112</b>	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	2008 \$'000	Group 2007 \$'000
Grant received		<b>480,000</b>	480,000
Accumulated amortisation:			
At 1 April		<b>(331,864)</b>	(309,440)
Amortisation during the year		<b>(21,289)</b>	(22,251)
Released on assets disposed/written-off	21(a)	<b>(87)</b>	(173)
At 31 March		<b>(353,240)</b>	(331,864)
		<b>126,760</b>	148,136

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 2008

### 19 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables and accrued operating expenses	19a	<b>108,243</b>	107,424	<b>14,025</b>	13,072
Other payables and refundable deposits	19b	<b>58,939</b>	28,605	<b>6,032</b>	6,115
Amounts due to subsidiaries	19c	–	–	<b>82,333</b>	85,798
Amounts due to an associate (trade)		<b>4,189</b>	7,183	–	–
		<b>171,371</b>	143,212	<b>102,390</b>	104,985

Outstanding balances with subsidiaries and associate are unsecured, interest free and repayable on demand.

#### 19a TRADE PAYABLES AND ACCRUED OPERATING EXPENSES

Trade payables and accrued operating expenses of the Group include \$8,395,000 (2007: \$8,776,000) due to related corporations.

#### 19b OTHER PAYABLES AND REFUNDABLE DEPOSITS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unearned revenue received	<b>3,635</b>	1,339	–	–
Rental deposits	<b>14,397</b>	9,723	–	–
Other deposits	<b>5,162</b>	4,556	<b>55</b>	50
Interest payable	<b>2,173</b>	2,282	<b>2,173</b>	2,282
Purchase of property, plant and equipment	<b>28,034</b>	8,806	<b>1,920</b>	1,198
Retention monies	<b>2,756</b>	353	–	–
Other payables	<b>2,782</b>	1,546	<b>1,884</b>	2,585
	<b>58,939</b>	28,605	<b>6,032</b>	6,115

#### 19c AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2008 \$'000	2007 \$'000
Current account (non-trade)	<b>2,423</b>	264
Interest-bearing loans	<b>79,910</b>	85,534
	<b>82,333</b>	85,798

The interest-bearing loans from subsidiaries are unsecured, bear interest at 1.50% (2007: 3.30% to 3.47%) per annum and are repayable on demand.

The remaining balances are unsecured, interest free and are repayable on demand.

### 20 REVENUE

	Company	
	2008 \$'000	2007 \$'000
Passenger revenue	<b>641,369</b>	602,807
Taxis rental	<b>75,427</b>	68,086
Rental revenue	<b>41,984</b>	34,468
Advertising revenue	<b>19,807</b>	16,969
Sales of goods	<b>17,304</b>	12,768
Engineering and others	<b>6,233</b>	8,028
	<b>802,124</b>	743,126

## 21 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

	Note	2008 \$'000	Group 2007 \$'000
<b>a. Other operating income</b>			
Commission and distribution fee		281	270
Unutilised tickets and farecards		8,536	15,860
Maintenance income		5,595	1,987
Miscellaneous rental income		114	379
Grant released upon disposal/write-off of property, plant and equipment		87	173
Operating expense recharged to other transport operators		–	7,348
Foreign exchange gain		235	365
Others		6,021	1,377
		<b>20,869</b>	<b>27,759</b>
<b>b. Staff and related costs</b>			
Wages and salaries		227,321	229,978
Contribution to defined contribution plans		26,646	24,840
Increase in liability for defined benefit plan		174	358
Increase/(decrease) in liability for short-term accumulating compensated absences		66	(474)
Value of employee services received for share-based payment		890	361
Other staff-related expenses and benefits-in-kind		8,364	8,041
		<b>263,461</b>	<b>263,104</b>
Included in staff and related costs are compensation to key management personnel of the Group as follows:			
Directors of the Company:			
– fees		516	529
– remuneration		1,310	1,050
Senior management personnel of the Group:			
– short-term employee benefits		4,070	3,453
– post-employment benefits		113	76
– share-based payments		389	134
		<b>6,398</b>	<b>5,242</b>
<b>c. Other operating expenses</b>			
Audit fees paid to:			
– auditors of the Company		233	233
– other auditors		22	40
Non-audit fees paid to:			
– auditors of the Company		133	171
– other auditors		314	–
Loss on disposal of property, plant and equipment		478	1,477
Operating lease expenses		3,616	3,351
Licence fees paid to LTA		4,567	4,240
Property, plant and equipment written off		1,380	884
Cost of inventories sold		17,913	12,224
Provisions for accident claims made during the year, net of reimbursement of \$1,226,000 (2007: \$1,147,000)	15(c)	13,406	12,004
Provisions for accident claims reversed	15(c)	(1,953)	(431)

# Notes to the Financial Statements

## Year ended 31 March 2008

### 21 PROFIT BEFORE INCOME TAX (cont'd)

	2008 \$'000	Group 2007 \$'000
<b>d. Finance costs</b>		
Interest paid and payable on:		
– quoted bonds	–	6,166
– quoted floating rate notes	1,440	1,820
– quoted fixed rate notes	6,588	1,944
	<b>8,028</b>	9,930
<b>e. Interest and investment income</b>		
Dividends received from available-for-sale financial assets	1,498	355
Interest income from:		
– bank deposits and balances	3,595	4,254
– available-for-sale financial assets	697	293
– others	2	4
Gain/(Loss) on disposal of:		
– available-for-sale financial assets	13	3,133
– investment in subsidiary	–	(1,130)
	<b>5,805</b>	6,909

### 22 INCOME TAX EXPENSE

	2008 \$'000	Group 2007 \$'000
<b>Current tax expense</b>		
Current year	38,177	17,678
Overprovision in respect of prior years	(2,445)	(1,611)
	<b>35,732</b>	16,067
<b>Deferred tax expense</b>		
Effect of reduction in tax rate	–	(15,017)
Movements in temporary differences	(9,522)	4,457
Underprovision in respect of prior years	13	1,039
	<b>(9,509)</b>	(9,521)
Income tax expense	<b>26,223</b>	6,546
<b>Reconciliation of effective tax rate</b>		
	2008 \$'000	2007 \$'000
Profit before income tax	176,162	142,336
Less: Share of result of an associate (net of tax)	(342)	(92)
	<b>175,820</b>	142,244
Income tax using Singapore tax rate of 18% (2007: 18%)	31,648	25,604
Expenses not deductible for tax purposes	1,291	550
Income not subject to tax	(4,068)	(4,581)
Overprovision in respect of prior years	(2,432)	(572)
Utilisation of previously unrecognised deferred tax assets	–	(19)
Effect of reduction in tax rate	–	(15,017)
Others	(216)	581
	<b>26,223</b>	6,546

## 22 INCOME TAX EXPENSE *(cont'd)*

Deferred tax assets have not been recognised for the following temporary differences:

	2008 \$'000	Group 2007 \$'000
(Shortfall)/Excess of tax written down value over net book value of property, plant and equipment	<b>(296)</b>	853
Deductible temporary differences	<b>461</b>	316
Unabsorbed wear and tear allowances	<b>2,933</b>	3,132
Unutilised tax losses	<b>3,752</b>	3,752
Unutilised donations	<b>10</b>	10
	<b>6,860</b>	8,063

The tax losses are subject to agreement by the Comptroller of Income Tax. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have been recognised only to the extent that it is probable that future taxable profits will be available against which the Group can utilise the benefits.

## 23 EARNINGS PER SHARE

Basic earnings per share is based on:

	2008 \$'000	Group 2007 \$'000
Net profit attributable to ordinary shareholders	<b>149,939</b>	135,407
	No. of shares '000	No. of shares '000
Weighted average number of shares based on:		
– issued shares at the beginning of the year	<b>1,512,450</b>	1,509,104
– shares issued under share option scheme	<b>2,075</b>	1,444
– shares issued under share plan	<b>147</b>	–
Weighted average number of ordinary shares in issue	<b>1,514,672</b>	1,510,548

Diluted earnings per share is based on:

	2008 \$'000	Group 2007 \$'000
Net profit attributable to ordinary shareholders	<b>149,939</b>	135,407

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:

	2008 No. of shares '000	Group 2007 No. of shares '000
Weighted average number of:		
– shares used in the calculation of basic earnings per share	<b>1,514,672</b>	1,510,548
– unissued shares under SMRT ESOP	<b>2,971</b>	5,555
– contingently issuable shares under SMRT PSP and RSP	<b>1,687</b>	760
Number of shares that would have been issued at fair value	<b>(1,223)</b>	(3,337)
Weighted average number of ordinary issued and potential shares assuming full conversion	<b>1,518,107</b>	1,513,526

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 2008

### 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 holding.

	Rail		Bus operations \$'000	Taxi operations \$'000	Rental \$'000	Advertising \$'000	Engineering and other services \$'000	Investment holding \$'000	Elimination \$'000	Total \$'000
	MRT \$'000	LRT \$'000								
<b>a. Revenue and expenses</b>										
<b>2008</b>										
Revenue										
– external customers	436,856	8,590	195,923	75,427	41,984	19,807	23,537	–	–	802,124
– inter-segment	–	–	361	7	–	278	47,038	162,263	(209,947)	–
Operating expenses	(246,261)	(8,930)	(178,581)	(51,874)	(8,059)	(6,457)	(68,699)	(32,368)	83,225	(518,004)
Depreciation, impairment losses and amortisation	(61,339)	(59)	(16,196)	(22,931)	(2,993)	(516)	(560)	(1,483)	–	(106,077)
Operating profit/(loss)	129,256	(399)	1,507	629	30,932	13,112	1,316	128,412	(126,722)	178,043
Finance costs										(8,028)
Interest and investment income										5,805
Share of results of an associate										342
Income tax expense										(26,223)
Profit for the year										149,939
Attributable to:										
Equity holders of SMRT										149,939
Minority interest										–
										149,939
<b>2007</b>										
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

## 24 SEGMENT REPORTING (cont'd)

	Rail		Bus operations \$'000	Taxi operations \$'000	Rental \$'000	Advertising \$'000	Engineering and other services \$'000	Investment holding \$'000	Elimination \$'000	Total \$'000
	MRT \$'000	LRT \$'000								
<b>b. Assets and liabilities</b>										
<b>2008</b>										
Operating assets	789,770	5,295	137,626	156,584	98,814	12,486	19,712	674,248	(821,404)	1,073,131
Assets under construction	16,752	–	346	4,425	27,422	460	83	2,758	–	52,246
	806,522	5,295	137,972	161,009	126,236	12,946	19,795	677,006	(821,404)	1,125,377
Intangible asset										41,932
Interest in associate										1,106
Investments and cash equivalents										253,932
Tax recoverable										15,253
Unallocated assets										1
<b>Total assets</b>										1,437,601
Segment liabilities	472,334	19,469	72,934	133,242	15,714	3,680	18,307	102,609	(499,664)	338,625
Current tax payable										40,365
Interest-bearing borrowings										250,000
Deferred tax liabilities										131,470
<b>Total liabilities</b>										760,460
<b>2007</b>										
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 associate										764
Investments and cash equivalents										196,281
Tax recoverable										10,629
Unallocated assets										665
<b>Total assets</b>										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
<b>Total liabilities</b>										738,783
<b>c. Other segment information</b>										
<b>2008</b>										
Capital expenditure	38,739	–	4,244	7,211	62,805	2,592	354	2,346	–	118,291
Non-cash expenses other than depreciation, impairment losses and amortisation	2,537	174	3,259	9,967	4	(46)	344	–	–	16,239
<b>2007</b>										
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

# Notes to the Financial Statements

## Year ended 31 March 2008

### 25 DISPOSAL OF SUBSIDIARY

In the last financial year, 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.

The effect of the deemed disposal of the subsidiary is as follows:

	Group 2007 \$'000
Property, plant and equipment	(1,211)
Inventories	(183)
Trade and other receivables	(22,787)
Cash at bank	(17,626)
Trade and other payables	33,070
Provisions	193
Current and deferred tax liabilities	303
Net identifiable assets and liabilities	(8,241)
Minority interest	2,747
Loss on disposal	1,130
Transfer to interest in an associate	4,121
Cash consideration received, satisfied in cash	(243)
Cash disposed of	17,626
Net cash outflow	17,383

### 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:

	2008 \$'000	Group 2007 \$'000
<b>Related corporations</b>		
Maintenance income received/receivable	621	851
Charter hire income received/receivable	367	447
Service income received/receivable	555	–
Sales of other goods and services	819	855
Purchases of goods and services	66,540	54,325
<b>Associate</b>		
Maintenance income received/receivable	9,045	3,362
Purchases of goods and services	12,987	7,419



## 27 COMMITMENTS

The Group and the Company had the following commitments as at the balance sheet date:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>a. Capital expenditure commitments:</b>				
i. Contracted but not provided for with respect to purchase of property, plant and equipment	<b>173,842</b>	189,993	–	–
ii. Approved but not provided for with respect to purchase of property, plant and equipment	<b>78,016</b>	62,340	–	–
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)(iii))				

### b. Non-cancellable operating leases payable:

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

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within 1 year	<b>2,993</b>	2,812	<b>1,829</b>	1,805
After 1 year but within 5 years	<b>8,497</b>	7,644	<b>4,372</b>	3,604
After 5 years	<b>852</b>	1,734	–	–
	<b>12,342</b>	12,190	<b>6,201</b>	5,409

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. Non-cancellable operating lease rental receivable:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within 1 year	<b>49,629</b>	32,739	–	–
After 1 year but within 5 years	<b>62,364</b>	24,323	–	–
After 5 years	<b>864</b>	–	–	–
	<b>112,857</b>	57,062	–	–

## 28 FINANCIAL RISK MANAGEMENT

### Overview

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. Risk management policy and system are reviewed regularly against best practices in the market and to reflect changes in the Group's risk management requirement.

The Audit Committee oversees the Group's risk management process through reviewing the adequacy and effectiveness of the risk management policy, methodology, tools, practices, strategies and treatments.

# Notes to the Financial Statements

## Year ended 31 March 2008

### 28 FINANCIAL RISK MANAGEMENT (cont'd)

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.

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Where appropriate, the Group obtains collaterals from customers. In respect of trade receivables, the Group has guidelines governing the process of granting credit as a service provider in respective segments of its business. Investments and financial transactions are restricted to counterparties that meet the appropriate credit criteria and are of high credit standing.

The Group has a diversified portfolio of businesses and as at balance sheet date. There were no significant concentrations of credit risk, apart from available-for-sale investment with a counterparty of \$12,000,000 (2007: \$12,000,000) and trade receivable amount of \$5,556,000 (2007: \$4,675,000) due from its associate. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

The maximum exposure to credit risk for trade receivables (net of impairment), excluding amount due from associate, at reporting date by business segment is as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Taxi operations	888	490	–	–
Advertising business	4,322	5,719	–	–
Rental of premises	2,044	2,010	–	–
Others	5,765	2,105	–	–
	<b>13,019</b>	<b>10,324</b>	<b>–</b>	<b>–</b>

#### Impairment losses

Included in trade and other receivables are trade debtors, including amount due from associate, with the following aging analysis as of the balance sheet date:

Group	Gross	Impairment	Gross	Impairment
	2008 \$'000	losses 2008 \$'000	2007 \$'000	losses 2007 \$'000
Not past due	12,272	–	7,717	–
Past due 1 – 30 days	2,931	83	3,224	51
Past due 31 – 120 days	3,321	322	4,389	429
Past due more than 120 days	5,561	5,105	5,814	5,665
	<b>24,085</b>	<b>5,510</b>	<b>21,144</b>	<b>6,145</b>

The changes in impairment loss in respect of trade receivables during the year are as follows:

	Group	
	2008 \$'000	2007 \$'000
At 1 April	6,145	5,679
(Reversal of impairment loss)/impairment loss recognised	(416)	548
Write-off against debtors	(219)	(82)
At 31 March	<b>5,510</b>	<b>6,145</b>

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

## 28 FINANCIAL RISK MANAGEMENT *(cont'd)*

### Credit risk *(cont'd)*

The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of those balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Company has no trade receivables. The Company has no carried forward impairment loss and has not made any impairment loss for other receivables or outstanding balances from subsidiaries during the year.

### 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.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments.

Group	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
<b>2008</b>					
<b>Non-derivative financial liabilities</b>					
Unsecured quoted fixed rate notes due 2009	100,000	106,609	3,309	103,300	–
Unsecured quoted floating rate notes due 2010	50,000	51,905	954	50,951	–
Unsecured quoted fixed rate notes due 2011	100,000	113,089	3,279	109,810	–
Trade and other payables*	75,936	75,936	75,936	–	–
	325,936	347,539	83,478	264,061	–
<b>2007</b>					
<b>Non-derivative financial liabilities</b>					
Unsecured quoted fixed rate notes due 2009	100,000	109,909	3,300	106,609	–
Unsecured quoted floating rate notes due 2010	50,000	55,366	1,787	53,579	–
Unsecured quoted fixed rate notes due 2011	100,000	116,359	3,270	113,089	–
Trade and other payables*	65,866	65,866	65,866	–	–
	315,866	347,500	74,223	273,277	–

\* Excludes unearned revenue received, rental deposits and accrued operating expenses

Company	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
<b>2008</b>					
<b>Non-derivative financial liabilities</b>					
Unsecured quoted fixed rate notes due 2009	100,000	106,609	3,309	103,300	–
Unsecured quoted floating rate notes due 2010	50,000	51,905	954	50,951	–
Unsecured quoted fixed rate notes due 2011	100,000	113,089	3,279	109,810	–
Amounts due to subsidiaries	82,333	83,533	83,533	–	–
Trade and other payables*	6,336	6,336	6,336	–	–
	338,669	361,472	97,411	264,061	–

# Notes to the Financial Statements

## Year ended 31 March 2008

### 28 FINANCIAL RISK MANAGEMENT *(cont'd)*

#### Liquidity risk *(cont'd)*

Company	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
<b>2007</b>					
<b>Non-derivative financial liabilities</b>					
Unsecured quoted fixed rate notes due 2009	100,000	109,909	3,300	106,609	–
Unsecured quoted floating rate notes due 2010	50,000	55,366	1,787	53,579	–
Unsecured quoted fixed rate notes due 2011	100,000	116,359	3,270	113,089	–
Amounts due to subsidiaries	85,798	88,684	88,684	–	–
Trade and other payables*	6,153	6,153	6,153	–	–
	341,951	376,471	103,194	273,277	–

\* Excludes accrued operating expenses

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### Foreign currency risk

The Group incurs foreign currency risks on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the Australian (AUD) dollar, United States (US) dollar, EURO and Japanese yen ("Jap 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 2007 and 2008, 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.

The Group's exposure to foreign currency are as follows:

Group	2008				2007			
	US dollar \$'000	EURO \$'000	Jap yen \$'000	AUD dollar \$'000	US dollar \$'000	EURO \$'000	Jap yen \$'000	AUD dollar \$'000
Cash and cash equivalents	–	51	–	–	–	3,980	–	–
Trade and other payables	(5,409)	(549)	(133)	(101)	(3,314)	(516)	(22)	(59)
Net exposure	(5,409)	(498)	(133)	(101)	(3,314)	3,464	(22)	(59)

## 28 FINANCIAL RISK MANAGEMENT *(cont'd)*

### Foreign currency risk *(cont'd)*

#### Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	Group	
	2008 \$'000	2007 \$'000
US dollar	541	331
EURO	50	(346)
Japanese yen	13	2
AUD dollar	10	6
	<b>614</b>	<b>(7)</b>

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

The Company does not have any significant foreign currency exposure.

### 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.

#### Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest-earning financial assets and interest-bearing financial liabilities at balance sheet date.

Group	Effective interest rate	
	2008 %	2007 %
<b>Financial assets</b>		
Fixed deposits with banks and financial institutions	1.18	3.15
Unquoted floating rate debt securities	1.72	3.32
<b>Financial liabilities</b>		
Unsecured quoted floating rate notes due 2010	1.90	3.57
Unsecured quoted fixed rate notes due 2009	3.30	3.30
Unsecured quoted fixed rate notes due 2011	3.27	3.27
<b>Company</b>		
<b>Financial assets</b>		
Amounts due from subsidiaries	2.96	3.46
Fixed deposits with banks and financial institutions	1.32	3.19
Unquoted floating rate debt securities	1.72	3.32
<b>Financial liabilities</b>		
Amounts due to subsidiaries	1.50	3.36
Unsecured quoted floating rate notes due 2010	1.90	3.57
Unsecured quoted fixed rate notes due 2009	3.30	3.30
Unsecured quoted fixed rate notes due 2011	3.27	3.27

# Notes to the Financial Statements

## Year ended 31 March 2008

### 28 FINANCIAL RISK MANAGEMENT *(cont'd)*

#### Interest rate risk *(cont'd)*

##### Sensitivity analysis

At the reporting date, the profile of the Group's interest-bearing variable-rate financial instruments are as set out below.

	Group	
	2008 \$'000	2007 \$'000
<b>Financial assets</b>		
Fixed deposits with banks and financial institutions	216,051	132,380
Unquoted floating rate debt securities	15,000	19,000
<b>Financial liabilities</b>		
Unsecured quoted floating rate notes	(50,000)	(50,000)
	<b>181,051</b>	<b>101,380</b>

	Company	
	2008 \$'000	2007 \$'000
<b>Financial assets</b>		
Amounts due from subsidiaries	258,702	160,352
Fixed deposits with banks and financial institutions	20,000	119,400
Unquoted floating rate debt securities	15,000	19,000
<b>Financial liabilities</b>		
Amounts due to subsidiaries	(79,910)	(85,534)
Unsecured quoted floating rate notes	(50,000)	(50,000)
	<b>163,792</b>	<b>163,218</b>

For these variable-rate financial assets and liabilities, an increase in 100 basis points in interest rate at the reporting date would increase profit before tax by the amounts shown below. The analysis assumes that all other variables remain constant.

	Group \$'000	Company \$'000
<b>2008</b>		
Variable rate instruments (net exposure)	1,811	1,638
<b>2007</b>		
Variable rate instruments (net exposure)	1,014	1,632

A 100 basis points decrease in interest rate at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

#### Equity price risk

##### Sensitivity analysis

The Group has available-for-sale investments in equity securities and is exposed to price risk. The Group's quoted equity securities are listed on the SGX-ST. On the basis that all other variables remain unchanged, a 10% increase/(decrease) in the underlying listed equity prices at the reporting date would increase/(decrease) fair value reserve by \$626,000 (2007: \$753,000).

The Company has no equity investments apart from its investments in subsidiaries.

## 28 FINANCIAL RISK MANAGEMENT (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 2008 are represented in the following table.

Group and Company	Note	2008		2007	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair Value \$'000
<b>Financial liabilities</b>					
Unsecured quoted fixed rate notes	14	200,000	207,245	200,000	201,489
Unrecognised loss			(7,245)		(1,489)

The fair value of interest-bearing borrowings is determined by reference to their quoted ask prices at the reporting date.

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 6.00 cents (2007: 5.75 cents) per share, amounting to a net dividend of \$90,909,483 (2007: \$86,965,866). 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 1 (revised 2008)	<i>Presentation of Financial Statements</i>
FRS 23 (revised)	<i>Borrowing Cost</i>
FRS 108	<i>Operating Segments</i>
INT FRS 113	<i>Customer Loyalty Programmes</i>
INT FRS 114	<i>FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

FRS 23 (revised) will become effective for financial statements for the year ending 31 March 2010. FRS 23 (revised) removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group is currently reviewing the potential effect of FRS 23 (revised).

FRS 108 will become effective for the financial statements for the year ending 31 March 2010. FRS 108 which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group is currently reviewing the presentation of segments for disclosure under FRS 108.

Other than the above, the initial application of these standards (and their consequential amendments) 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.

# Notes to the Financial Statements

## Year ended 31 March 2008

### 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***

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 2008 was \$41,932,000 (2007: \$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 2008 was \$1,032,789,000 (2007: \$1,046,217,000). 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 of 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 Street 14	2-storey recreation clubhouse with tennis courts and basket/volley ball court	Leasehold	13.6 years
6 Ang Mo Kio Street 62	A bus depot comprising a 4-storey administrative office block, a workshop building with a 2-storey office block and 7 single-storey bus parking bay-cum-workshop	Leasehold	4.7 years
60 Woodlands Industrial Park E	A bus depot comprising garaging with 3-storey workshop facilities and 2-storey ancillary office	Leasehold	19.3 years
209 Kranji Road	A single-storey bus depot with office-cum-canteen, workshop, washing shed and other ancillary facilities	Leasehold	6.8 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 entered into during the financial year under review (excluding transactions less than \$100,000 and transactions entered into under Shareholders' Mandate pursuant to Rule 920) \$ '000	Aggregate value of all interested person transactions entered into under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$ '000
<b>Purchases of Goods and Services</b>		
Senoko Energy Supply Pte Ltd	–	54,078
Singapore Telecommunications Ltd	–	661
Singapore Computer Systems Ltd	–	1,299
NCS Pte Ltd	–	597
Singapore Technologies Kinetics Ltd	–	300
Sembwaste Pte Ltd	–	204
<b>Sale of Goods and Services</b>		
Singapore Technologies Electronics Ltd	–	847
Singapore Telecommunications Ltd	–	192
Mediacorp Publishing Pte Ltd	–	527
Mediacorp Press Ltd	–	606

# Shareholding Statistics

## As At 20 May 2008

### SHARE CAPITAL

Number of shares issued : 1,515,253,746  
 Issued and fully paid capital : S\$160,879,183.768  
 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	82	0.19	38,002	0.00
1,000–10,000	39,001	92.28	100,228,211	6.62
10,001–1,000,000	3,157	7.47	145,967,950	9.63
1,000,001 and above	26	0.06	1,269,019,583	83.75
Total	42,266	100.00	1,515,253,746	100.00

### TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Temasek Holdings (Private) Limited	824,400,030	54.41
2	DBS Nominees Pte Ltd	121,652,192	8.03
3	HSBC (Singapore) Nominees Pte Ltd	80,579,636	5.32
4	Citibank Nominees Singapore Pte Ltd	74,683,880	4.93
5	United Overseas Bank Nominees Pte Ltd	48,086,620	3.17
6	DBSN Services Pte Ltd	46,600,358	3.08
7	Raffles Nominees Pte Ltd	17,781,758	1.17
8	DB Nominees (S) Pte Ltd	9,736,692	0.64
9	Lee Pineapple Company Pte Ltd	5,000,000	0.33
10	Royal Bank of Canada (Asia) Ltd	4,953,000	0.33
11	OCBC Nominees Singapore Pte Ltd	4,716,899	0.31
12	Phillip Securities Pte Ltd	3,926,635	0.26
13	Kim Eng Securities Pte. Ltd.	3,686,000	0.24
14	Quah Wee Lai	3,000,000	0.20
15	Citibank Consumer Nominees Pte Ltd	2,718,000	0.18
16	Merrill Lynch (Singapore) Pte Ltd	2,424,000	0.16
17	Chong Kah Yung	2,200,000	0.15
18	Morgan Stanley Asia (S'pore) Securities Pte Ltd	1,958,042	0.13
19	Khoo Poh Koon	1,742,100	0.11
20	OCBC Securities Private Ltd	1,644,000	0.11
	Total	1,261,489,842	83.26

### SUBSTANTIAL SHAREHOLDER

Name of Shareholder	Director Interest No of Shares	%	Deemed Interest No of Shares	%
Temasek Holdings (Private) Limited	824,400,030	54.41	13,367,000	0.88

*Note:*  
 Temasek Holdings (Private) Limited is deemed to be interested in the 13,367,000 shares in which Fullerton Fund Management Company Ltd and DBS Group Holdings Ltd are deemed to have an interest.

### SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 20 May 2008, approximately 44.65 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 Ninth Annual General Meeting of the Company will be held at Raffles City Convention Centre, 4th Level, Stamford Ballroom, Fairmont Singapore, 80 Bras Basah Road, Singapore 189560, on Friday, 11 July 2008 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 2008 together with the Auditors' Report thereon.
2. To declare a Final (tax exempt one-tier) Dividend of 6.00 cents per share for the financial year ended 31 March 2008.
3. To approve the sum of \$515,530 as Directors' Fees for the financial year ended 31 March 2008 (FY2007: \$529,236).
- 4a. To re-elect Mr Paul Ma Kah Woh who is retiring in accordance with Article 94 of the Company's Articles of Association.
- 4b. To note the retirement of Mr Edmund Koh Kian Chew and Ms Engelin Teh Guek Ngor 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 Dilhan Pillay Sandrasegara
  - b. Mdm Halimah Jacob
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. allot and issue shares in 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 total number of issued shares, excluding treasury shares, (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 10 per cent of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (2) below);

#### 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 total number of issued shares, excluding treasury shares, shall be based on the Company's total number of issued shares, excluding treasury shares, at the time this Resolution is passed, after adjusting for:
- i. new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - ii. any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the 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 total number of issued shares, excluding treasury shares, 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 Ninth 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 closing market prices of a Share over the last five (5) market days on which transactions in the Shares on the SGX-ST were recorded immediately preceding the date of the On-Market 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

d. the Directors of the Company 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 and/or authorised 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  
17 June 2008

### 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 21 July 2008 to 22 July 2008 (both dates inclusive) for the preparation of dividend warrants. The final dividend, if approved at the Ninth Annual General Meeting, will be paid on 4 August 2008 to members on the Register as at 18 July 2008. 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, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street #08-01, Samsung Hub, Singapore 049483 up to 5.00 p.m. on 18 July 2008 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. The proposed scale of Directors' fees (per annum) set out below is the same as per last year:

#### 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 4a. Mr Paul Ma Kah Woh will, upon re-election as a Director of the Company, continue to serve as Chairman and Member of the Audit Committee. Mr Paul Ma is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Resolution 5a. Mr Dilhan Pillay Sandrasegara will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee. Mr Dilhan Pillay 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 total number of issued shares excluding treasury shares of the Company with a sub-limit of ten per cent (10%) 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 total number of issued shares excluding treasury shares will be calculated based on the Company's total number of issued shares excluding treasury shares 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 bonus issue, consolidation or subdivision of shares.
- Resolution 7.2 Is to authorise the Directors to:
- 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
  - 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 Eighth Annual General Meeting of the Company ("8th 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 person 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, the mandate for share purchases as described in Appendix B to this Notice of Annual General Meeting, which will, unless revoked or varied by the Company at a General Meeting, continue in force until the next Annual General Meeting of the Company. This ordinary resolution, if passed, will authorise the Directors of the Company to make purchases or otherwise acquire issued ordinary shares in the capital of the Company subject to and in accordance with the guidelines set out in Appendix B to this Notice of Annual General Meeting.

## Notes:

- 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.*
- 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 Ninth Annual General Meeting.*



# Proxy Form

## Annual General Meeting

### SMRT Corporation Ltd

Incorporated in the Republic of Singapore  
Company Registration Number: 200001855H

#### IMPORTANT:

- 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.
- 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 Ninth Annual General Meeting of the Company, to be held at Raffles City Convention Centre, 4th Level, Stamford Ballroom, Fairmont Singapore, 80 Bras Basah Road, Singapore 189560, on Friday, 11 July 2008 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
<b>Ordinary Business</b>			
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 Mr Paul Ma Kah Woh as Director		
5a.	Re-election of Mr Dilhan Pillay Sandrasegara as Director		
5b.	Re-election of Mdm Halimah Yacob as Director		
6.	Re-appointment of KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration		
<b>Special Business</b>			
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.	<b>Any Other Business</b>		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2008

**Total Number of Shares Held:**

\_\_\_\_\_  
Signature(s) of Member(s) or Common Seal

**IMPORTANT: PLEASE READ NOTES ON THE REVERSE**



**NOTES TO PROXY FORM:**

1. A member entitled to attend and vote at the Ninth 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 Ninth 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 Ninth Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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PLEASE  
AFFIX  
POSTAGE  
STAMP

The Company Secretary  
**SMRT CORPORATION LTD**  
251 North Bridge Road  
Singapore 179102

2nd fold here and glue along dotted line

# Directory of Subsidiaries and Associated Companies

## SUBSIDIARIES

### SINGAPORE

#### **SMRT Trains Ltd**

#### **SMRT Investments Pte Ltd**

#### **SMRT International Pte Ltd**

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

### MIDDLE EAST

#### **SMRT Engineering (Middle East) FZE**

P. O. Box 126370  
Dubai, United Arab Emirates  
Telephone: (971) 4 361 2592  
[www.smrt.com.sg](http://www.smrt.com.sg)

### 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](http://www.transitlink.com.sg)



**SMRT CORPORATION LTD**

251 North Bridge Road Singapore 179102

Tel: 65 6331 1000 Fax: 65 6334 0247

[www.smrt.com.sg](http://www.smrt.com.sg)

*Company Registration No.: 200001855H*