



moving forward
TOGETHER

SMRT CORPORATION LTD
Annual Report 2003



In Financial Year 2003, SMRT Corporation Ltd (SMRT Corp) seized every opportunity to offer our commuters a better travel experience. Our trains and buses made the progressive switchover to ez-link Card, a contactless smart card that paved the way for faster fare payment and smoother boarding and alighting. Electronic display screens were introduced in our stations to keep commuters updated with real time travel information, public service announcements and commercial messages. From our corporate website to our award-winning call centre at TIBS Taxis, we kept the communication channels open at all times to stay in touch with commuters and their needs.

we open all doors

A woman with long dark hair, wearing a dark purple jacket, is smiling from the driver's seat of a white taxi. The taxi has a blue sign on the roof that says "TAXI" in red letters. The background shows a modern building with a glass facade and some greenery.

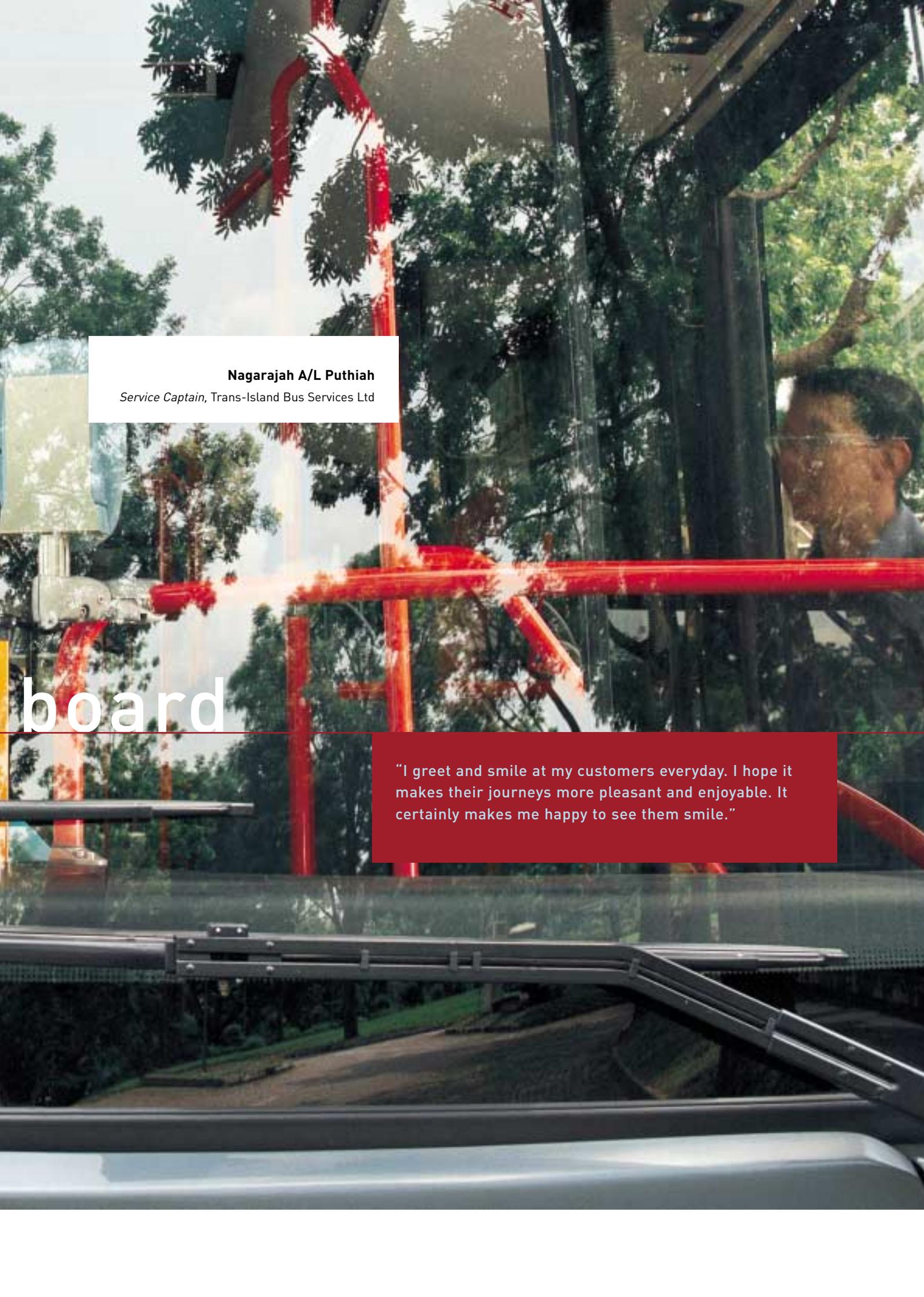
Michael Yeo Siew Sin
Hirer, TIBS Taxis Pte Ltd

“What I enjoy most about my job is meeting people from all walks of life. Because every customer is different, I try to give each one my personal attention. Hopefully, they’ll like my customised service and leave my taxi satisfied.”

A photograph of a bus driver, a man with a mustache wearing a patterned shirt, smiling from the driver's seat. The background shows the interior of the bus and a view of trees through the windshield.

for everyone to get on

Responding to our commuters, we introduced new bus services such as Service 965, that gives Woodlands and Yishun residents a direct link to Sengkang New Town. Other bus services were rerouted for better connectivity. Similarly, we fine-tuned our train services and facilities to the needs of our commuters. Wider fare gates were introduced in our stations for the convenience of parents with young children, the elderly, the disabled and air travellers. A “Keep Left” policy was introduced on station escalators, in yet another initiative to ease rush-hour blues.



Nagarajah A/L Puthiah

Service Captain, Trans-Island Bus Services Ltd

board

“I greet and smile at my customers everyday. I hope it makes their journeys more pleasant and enjoyable. It certainly makes me happy to see them smile.”

A photograph of a man in a light-colored, button-down shirt smiling broadly in a meeting. He is looking towards the right. In the foreground, the back of another person's head and glasses is visible, slightly out of focus. The background shows a wooden door and a white wall with a poster. The text "to work out where we are going" is overlaid in white on a dark red horizontal line.

to work out where we
are going

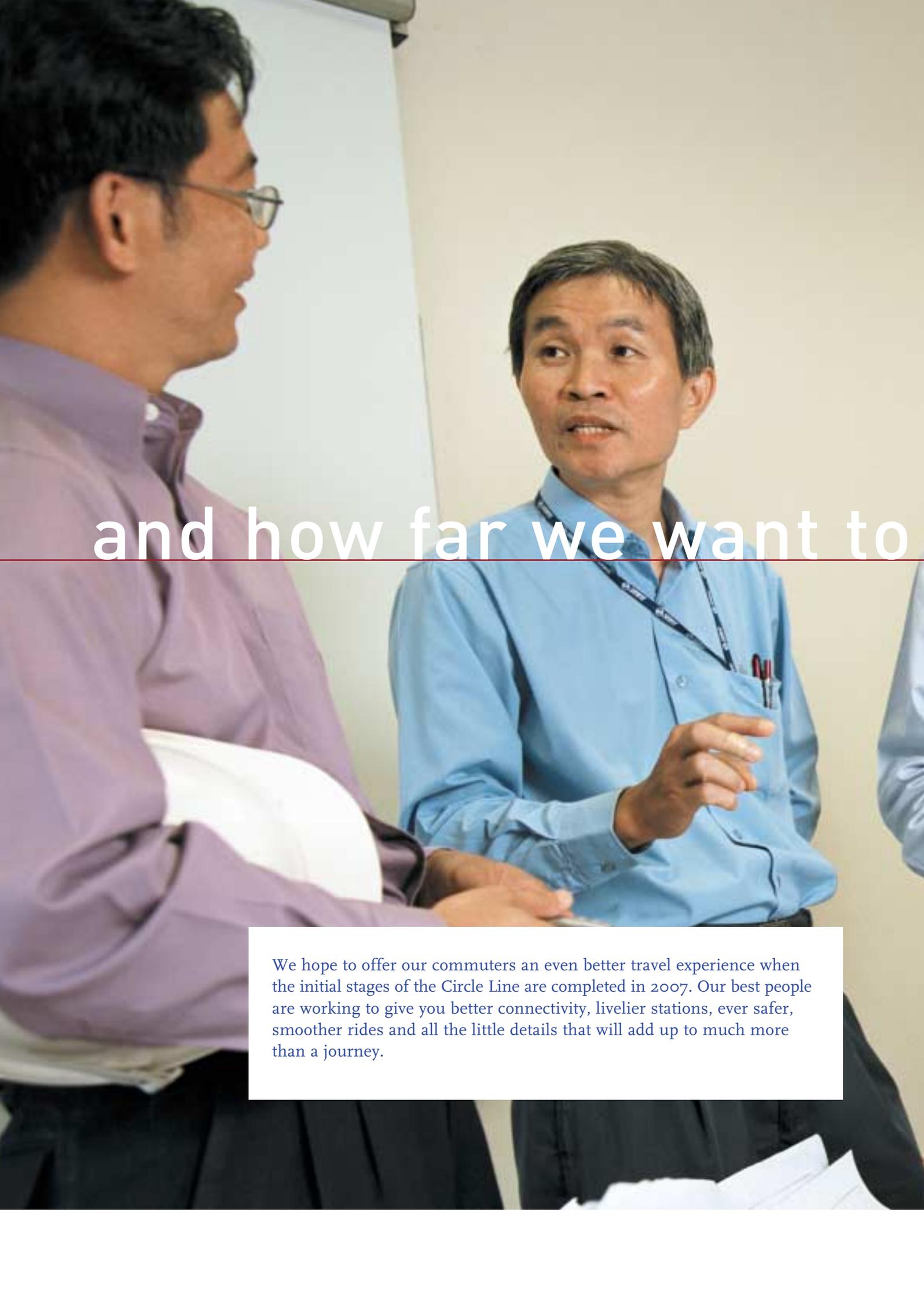
Internally, we are doing our homework, training hard and working even harder to raise service standards. We continue to seek out customer feedback to do a better job everyday in all areas of our operations from frontline transport services to engineering, motor maintenance to car rentals, station and interchange operations to auxiliary services like convenience stores.



Harry Tan

Senior Director (Maintenance), Singapore MRT Ltd

“We know we have done well in managing maintenance issues when all the trains run smoothly without delays. Moving forward, the challenge is to improve service reliability without increasing costs.”

A photograph of two men in business attire. The man on the left is wearing a purple shirt and glasses, looking towards the man on the right. The man on the right is wearing a light blue shirt and a lanyard, gesturing with his hands as if speaking. A whiteboard is visible in the background.

and how far we want to

We hope to offer our commuters an even better travel experience when the initial stages of the Circle Line are completed in 2007. Our best people are working to give you better connectivity, livelier stations, ever safer, smoother rides and all the little details that will add up to much more than a journey.

Chia Chun Wah

*Manager (Operations), Circle Line Division,
Singapore MRT Ltd*

go

“Never does a day go by without more changes as the Circle Line takes shape. From poring over design details to back-to-back discussions, the challenge is immense. What motivates me is knowing that you have to scale a mountain to enjoy the exhilarating view from the top.”





But in all our efforts we have not lost track of what matters most: our commuters. We will remain focused on serving you better as we journey into the future together.

so we can move
forward together



Saedah binte Mohd Said

Customer Service Officer, Singapore MRT Ltd

“At the frontline, my job is to help meet the commuter’s needs. I put myself in every commuter’s position so that my heart and mind share the same service vision. Each day brings different challenges and I try my best to adapt to them. I know I have done my job well when commuters acknowledge the service I have rendered.”

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FINANCIAL CALENDAR

Financial Year Ended 31 March 2003

9 May 2003

Announcement of FY 2003 Results

17 July 2003

Annual General Meeting

24-25 July 2003 (both dates inclusive)

Books Closure Dates

5 August 2003

Proposed Payment of Final Dividend

Financial Year Ending 31 March 2004

July 2003

Announcement of 1Q 2004 Results

October 2003

Announcement of 2Q 2004 Results

November 2003

Books Closure

November 2003

Payment of Interim Dividend

January 2004

Announcement of 3Q 2004 Results

STATISTICAL HIGHLIGHTS

	FY 2003	FY 2002	% Change
Group (\$ million)			
Total Revenue	685.6	496.8	38.0
Total Operating Expenses	461.8	314.2	47.0
EBITDA	243.7	196.6	24.0
EBIT	96.0	92.3	4.0
Profit After Tax	72.2	56.8	27.1
Profit Attributable to Shareholders	72.1	56.8	26.9
Total Assets	1,608.2	1,924.9	(16.5)
Shareholders' Funds	427.2	387.8	10.2
Value Added	508.9	386.1	31.8
Financial Ratio (%)			
EBITDA Margin	35.5	39.6	(10.4)
EBIT Margin	14.0	18.6	(24.7)
Return on Equity	17.7	14.8	19.6
Return on Assets	4.1	3.4	20.6
Net Debt/Equity Ratio (Times)	1.0	0.7	(42.9)
Share Information			
Earnings per Share (Cents)	4.80	3.79	26.6
Dividends per Share (Cents)	3.08	2.80	10.0
Share Price (\$\$) (31 March)	0.52	0.68	(23.5)
Market Capitalisation (\$\$million) (31 March)	780.0	1,020.0	(23.5)
Operational Highlights			
Average Daily Ridership ('000)			
SMRT	1,080	1,067	1.2
SLRT	38.7	40.1	(3.5)
Tibs	758	797	(4.9)

Notes:

1. SMRT Corporation Ltd's financial year is from 1 April to 31 March.
2. Total operating expenses exclude depreciation and amortisation.
3. EBITDA refers to earnings before interest, taxation, depreciation and amortisation.
4. EBIT refers to earnings before interest and taxation.
5. Earnings per share is computed by dividing the profit after taxation and minority interests by the weighted average number of fully paid shares in issue.

CHAIRMAN'S STATEMENT

The year in review saw a slowdown in the growth of ridership on the MRT system as well as on the TIBS buses. This reflected the direct link between the SMRT Group's core business of public transport services and the Singapore economy. The number of passengers on the trains grew by just over 1 per cent from the preceding year while average daily bus ridership declined by 4.9 per cent.

Compared to financial year 2001-2002, the Group's revenue from passenger fares increased 31 per cent to \$577.5 million. This increase was largely due to contribution from the TIBS operations for a full twelve months versus four months in the year before. With similarly larger contribution from taxi and vehicle rentals, other revenue doubled to \$108.2 million. Revenue from space rentals and from advertising were stagnant. Consolidation of TIBS' costs for the whole year, and the costs associated with the implementation of the Enhanced Integrated Fare System for the ez-link Card, caused expenses to rise 46 per cent to \$609.5 million. Consequently, the Group's profit after tax would have been below the previous year's, if not for a write-back of tax amounting to \$20.3 million, arising mainly from the reduction in corporate tax rate from 24.5 per cent to 22 per cent.

In accordance with stated policy, the Board is recommending a final gross dividend of 1.78 cents per share, which, together with the interim gross dividend of 1.30 cents per share, will amount to \$36 million net of tax, and represent approximately half of the net profit of \$72.1 million for the year.

Apart from the tax write-back, the results for the year were aided by the increase in fares effective July 2002 which, even though it came two years after the last general adjustments, was controversial. Public reaction was vocal because the increase took effect amid a weakening local economy. However, the Group had to meet higher cost of electricity and of diesel fuel, and although it is in the

Chairman's Statement

business of public transport, it has to generate a surplus from operations in order to service and to repay bond borrowings, as well as to fund capital reinvestment such as for replacement, refurbishment and heavy maintenance of the trains, the tracks and the signalling equipment. Such major programmes are needed to maintain high standards of safety and reliability. Furthermore, the Group should compensate the staff competitively and pay a dividend that represents a fair return to shareholders who have provided capital for the business.

Our bus and train operations remain focused on providing safe, reliable, convenient and affordable transportation for 1.8 million commuters everyday, seven days a week. Both operations continue to exceed the performance standards set by the Land Transport Authority, and the MRT system is widely regarded as among the best in the world. Regrettably, the same commendation could not apply to the LRT operations in Bukit Panjang, which after attaining satisfactory service reliability for the first half year, suffered a prolonged shut-down in October 2002. We sincerely apologise to our customers for the inconvenience it caused. We learned many lessons from the experience which will be valuable in our ongoing efforts to improve the LRT operations.

Behind the scenes, the management and the staff have been working diligently on the integration of the support systems in SMRT and TIBS. Operationally, the merger has been quite seamless and transparent to the customers. We made a conscious decision to keep the two brand identities, in consideration of the reserve of customer goodwill that each has earned. This will not hinder the rationalisation of services that can be shared, such as in finance and administration.

A dedicated team has been formed to work with the Land Transport Authority and the system consultants and contractors for the development of the Circle

Line. Our deep involvement at this early stage was drawn from lessons learnt from the LRT operations and should prove beneficial when the new line comes into service.

Business in the new financial year has had an unfortunate start. Sars hit ridership severely and with the extended closure of schools, the passenger numbers dropped 15 per cent on the MRT and 10 per cent on the buses in the month of April. Thankfully, there is now evidence of a recovery in the traffic. The prospects for the year ahead depend on how quickly Sars is conquered and on the performance of the Singapore economy. We are hopeful that the advent of the North-East Line will create interline synergies and prove accretive to MRT ridership.

During the past year, Mr Boey Tak Hap resigned for health and personal reasons and was succeeded as President & CEO by Ms Saw Phaik Hwa, who was appointed after a comprehensive selection process in which the entire Board of Directors was involved. Ms Saw has also been appointed to the Board.

At the Annual General Meeting last July, Mr Lye Fei and Mr Tan Yong Soon retired from the Board. Last October, Mrs Margaret Lui-Chan Ann Soo was appointed as alternate director to Mr Jimmy Phoon Siew Heng. In March this year, Mr Niam Chiang Meng and Mr Nithiah Nandan s/o Arumugam were appointed to the Board as independent members.

On behalf of the Board, I express appreciation to Mr Lye, Mr Tan and Mr Boey for their service and valuable contributions as past Directors, and welcome Mrs Lui, Mr Niam, Mr Nithiah Nandan and Ms Saw to the Board.

Chairman's Statement

I joined the Board of SMRT prior to its public listing and have been a Director for over six years now, during the second half of which I have been privileged to be the Chairman. With a strong management team in place and continuity in service of the majority of a conscientious board, and given other demands on my time, this is an appropriate juncture for me to step down and take my leave. I am happy that, subject to his formal re-election as a Director at the coming Annual General Meeting, I can hand over the Chair to Mr Choo Chiau Beng, who has recently joined the Board. Mr Choo's distinguished career achievements bear testimony to his ability to lead the SMRT Group to greater heights. I shall be cheering him from the sidelines.

In closing, I want to thank all our customers, business associates and shareholders for their continued support and confidence. I must also record my gratitude and appreciation to the management and staff, and to my fellow Directors for their hard work and the assistance and co-operation that they have given me.



Chew Choon Seng
Chairman

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BOARD OF DIRECTORS

1 / Chew Choon Seng

Chairman

Chew Choon Seng, 56, has been Chairman of SMRT Corp since its incorporation. A veteran of the aviation industry, Mr Chew takes over as Chief Executive Officer of Singapore Airlines Limited in June 2003. He joined Singapore Airlines Limited in 1972 and has served in various capacities, the most recent being Senior Executive Vice President (Administration). He is Chairman of Singapore Aircraft Leasing Enterprise Pte Ltd and concurrently holds directorships in Singapore Airlines Limited, SIA Engineering Company Limited and Singapore Airport Terminal Services Ltd. He is also a member of the Board of Governors of the Singapore International Foundation.

Mr Chew graduated with a Master of Science from Imperial College, University of London after attaining a First Class Honours degree in Mechanical Engineering from the University of Singapore.

2 / Saw Phaik Hwa

President & Chief Executive Officer

Saw Phaik Hwa, 49, was appointed President and Chief Executive Officer of SMRT Corp in December 2002. Ms Saw brings to SMRT Corp a wealth of experience in retail and international business. 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 DFS Venture Singapore (Pte) Ltd saw her rising through management ranks to her final position.

Ms Saw is also a Director of Singapore Tourism Board. She graduated with an Honours degree in Biochemistry from the University of Singapore.

3 / Cheah Kean Huat

Cheah Kean Huat, 50, is the Vice President and General Manager of Asia Pacific Hewlett-Packard Services Pte Ltd. He is also a member of the Board of Trustees of Singapore Management University. From September 1998 to July 2001, he was Chairman of Data Storage Institute. He served as Managing Director (South Asia) for Hewlett Packard Far East Pte Ltd from 1995 to 2000.

Mr Cheah has a Master of Business Administration from Stanford University. Prior to that he earned a degree in Economics and Electrical Engineering from Yale University.

4 / Choo Chiau Beng (not in picture)

Appointed to the Board in May 2003, Choo Chiau Beng, 55, is the Chairman and Chief Executive Officer of Keppel Offshore & Marine Ltd. He is also Chairman of Keppel FELS Limited, Singapore Petroleum Company Limited and Ngee Ann Polytechnic Council. Mr Choo sits on the Boards of Directors of Keppel Corporation Ltd, Keppel Land Limited and K1 Ventures Ltd.

A Colombo Plan Scholar, Mr Choo has a First Class Honours degree in Naval Architecture and a Master of Science degree in Naval Architecture from the University of Newcastle Upon Tyne in the United Kingdom.

5 / Daniel Ee Hock Huat

Daniel Ee, 50, is Managing Director of Meridian Capital Pte Ltd. Prior to that, he served as Chief Executive of Standard Chartered Merchant Bank Asia Ltd from 1996 to 1999.

Mr Ee serves on the Boards of Directors of other listed companies, namely, Surface Mount Technology (Holdings) Limited, Kyosha Holdings (Singapore) Limited and Darco Water Technologies Limited. He is also the Chairman of Gas Supply Pte Ltd and has been a member of the Civil Aviation Authority of Singapore since 1995.

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

6 / Koh Kheng Siong

Mr Koh Kheng Siong, 55, is the Financial Controller of ExxonMobil Oil Singapore Pte Ltd.

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

(continues on next page)

7 / Victor Loh Kwok Hoong

Victor Loh, 64, serves on the Boards of Thakral Corporation Limited, FHTK Holdings Limited, Seksun Corporation Limited and First Engineering Limited.

Since January 2000, Mr Loh has been Singapore's Ambassador (non-resident) to Poland. He joined Philips Singapore in 1974 and from 1991 to 1999, was the Chairman, President and CEO of the Philips Group of Companies in Singapore, China and Hong Kong. Mr Loh also served on the Board of the Port of Singapore Authority, the Council of the National University of Singapore, the National Science and Technology Board and the Board of Governors of The Institute of Policy Studies. He read law at the Inn of Courts School of Law, Council of Legal Education in England and is a Fellow of the British Institute of Management. He received the Singapore Business Award as the Outstanding Chief Executive of the Year in 1997.

8 / Ng Ser Miang

Ng Ser Miang, 54, who is a Nominated Member of Parliament and Singapore's Ambassador to Norway and Hungary, is currently Chairman of TIBS International Pte Ltd. He was Managing Director of TIBS Holdings Ltd from 1992 to 2001. Mr Ng is also Chairman of NTUC Choice Homes Co-operative Limited, Vice President of Singapore National Olympic Council, and Member of the International Olympic Committee. He sits on the Board of Transpac Industrial Holdings Limited.

Mr Ng holds a Bachelor of Business Administration from the University of Singapore.

9 / Niam Chiang Meng

Niam Chiang Meng, 45, is the Chief Executive Officer of the Housing and Development Board ("HDB"). Before taking up his appointment at the HDB in January 2000, he had served in several ministries. Mr Niam earned an Honours degree in Economics from the National University of Singapore and has a Master in Public Administration from Harvard University. He is a Member of the Economics Society of Singapore.

10 / Nithiah Nandan s/o Arumugam

Nithiah Nandan, 54, is the Executive Secretary of the Union of Power and Gas Employees and the Vice President of NTUC Central Committee. He is a Director of NTUC Childcare Board and NTUC Media Co-operative and also sits on the Board of SPRING Singapore. Mr Nithiah Nandan currently serves as a Nominated Member of Parliament. He holds a Diploma in Industrial Relations.

11 / Jimmy Phoon Siew Heng

Jimmy Phoon, 40, is Managing Director of Strategic Development (Asia Investments) at Temasek Holdings (Private) Limited. Prior to joining Temasek, he was with Standard Chartered Merchant Bank Asia Ltd. Mr Phoon is a director of several companies, among them Singapore Airport Terminal Services Limited, Fullerton Global Corporation Limited, PowerGrid Limited and SIA Engineering Company Limited. Mr Phoon has a degree in Economics from Australia's Monash University.

12 / Engelin Teh Guek Ngor

Engelin Teh, 48, the Managing Director of law firm Engelin Teh Practice LLC, is a Senior Counsel as well as a Fellow of the Singapore Institute of Arbitrators and sits on the panel of the Singapore Arbitration Centre. She is also a Fellow of the Singapore Institute of Directors and serves as a Director on the Board of Singapore Power Limited. Ms Teh is a Member of the Singapore Association of Women Lawyers, the Asean Intellectual Property Association, the International Bar Association and the Inter-Pacific Bar Association. Ms Teh has an Honours degree in Law from the University of Singapore.

13 / Margaret Lui-Chan Ann Soo

Margaret Lui, 44, is Managing Director, Strategic Development (Global Investments) at Temasek Holdings (Private) Limited. She has an Accountancy degree from the University of Singapore. She also sits on the Boards of Tuas Power Ltd, Hazeltree Holdings Pte Ltd, Singapore Cruise Centre Pte Ltd and CIAS International Pte Ltd.

CORPORATE DATA

Registered Office

251 North Bridge Road
Singapore 179102
Telephone: 65 63311000
Facsimile: 65 63340247
Website: www.smrtcorp.com

Place of Incorporation

Singapore

Date of Incorporation

6 March 2000

Board of Directors

Chew Choon Seng, *Chairman*
Saw Phaik Hwa, *President & CEO*
Cheah Kean Huat
Choo Chiau Beng
Daniel Ee Hock Huat
Koh Kheng Siong
Victor Loh Kwok Hoong
Ng Ser Miang
Niam Chiang Meng
Nithiah Nandan s/o Arumugam
Jimmy Phoon Siew Heng
Engelin Teh Guek Ngor
Margaret Lui-Chan Ann Soo, *Alternate Director to Jimmy Phoon Siew Heng*

Company Secretary

April Jacqueline Loh

Audit Committee

Daniel Ee Hock Huat, *Chairman*
Koh Kheng Siong
Victor Loh Kwok Hoong
Engelin Teh Guek Ngor

Executive Committee

Chew Choon Seng, *Chairman*
Ng Ser Miang
Jimmy Phoon Siew Heng

Remuneration Committee

Chew Choon Seng, *Chairman*
Cheah Kean Huat
Koh Kheng Siong

Nominating Committee

Engelin Teh Guek Ngor, *Chairman*
Chew Choon Seng
Jimmy Phoon Siew Heng

Auditors

KPMG
Audit Partner: Chay Fook Yuen
(With effect from financial year ended 31 March 2003)
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Principal Bankers

The Development Bank of Singapore Ltd
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

Share Registrar

Lim Associates (Pte) Ltd
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315



SENIOR MANAGEMENT

(1st row, l > r)

Saw Phaik Hwa

President & CEO
SMRT Corporation Ltd
Managing Director
Singapore MRT Ltd

Tan Hup Foi

Deputy President
SMRT Corporation Ltd
Chief Executive
Trans-Island Bus Services Ltd

Fong Seck Kong

Executive Vice President
SMRT Corporation Ltd
Deputy Managing Director
Singapore MRT Ltd

(2nd row, l > r)

Catherine Kuan-Lee Yee Fong

Senior Vice President (Finance)
SMRT Corporation Ltd
General Manager (Finance)
Singapore MRT Ltd

Teo Joo Huak

General Manager
Trans-Island Bus Services Ltd

Low Ah Tee

Senior Vice President (Corporate Services)
SMRT Corporation Ltd
General Manager (Human Resource and Administration)
Singapore MRT Ltd

(3rd row, l > r)

Karine Lim

Assistant General Manager
(Human Resource)
Trans-Island Bus Services Ltd

Teo Chew Hoon

Director (Commercial)
Singapore MRT Ltd

Oh Seong Tatt

General Manager
TIBS Taxis Pte Ltd

April Jacqueline Loh

Company Secretary / Legal Manager
SMRT Corporation Ltd

(4th row, l > r)

Wong Joon Pok

General Manager
TIBS Motors Pte Ltd

Goh Chee Kong

Director (Corporate Communications)
Singapore MRT Ltd

Leong Yim Sing

Director (Training & Productivity)
Singapore MRT Ltd

Tay Tien Seng

Director (SLRT)
Singapore LRT Pte Ltd

(top row, l > r)

Harry Tan Chuan Huat

Senior Director (Maintenance)
Singapore MRT Ltd

Khoo Hean Siang

Director (Circle Line)
Singapore MRT Ltd

Vincent Tan Peng Hock

Senior Director (Traffic)
Singapore MRT Ltd

Morris Piper

Assistant General Manager (Traffic)
Trans-Island Bus Services Ltd
General Manager
Bus-Plus Services Pte Ltd

Lawrence Lau Kai Kum

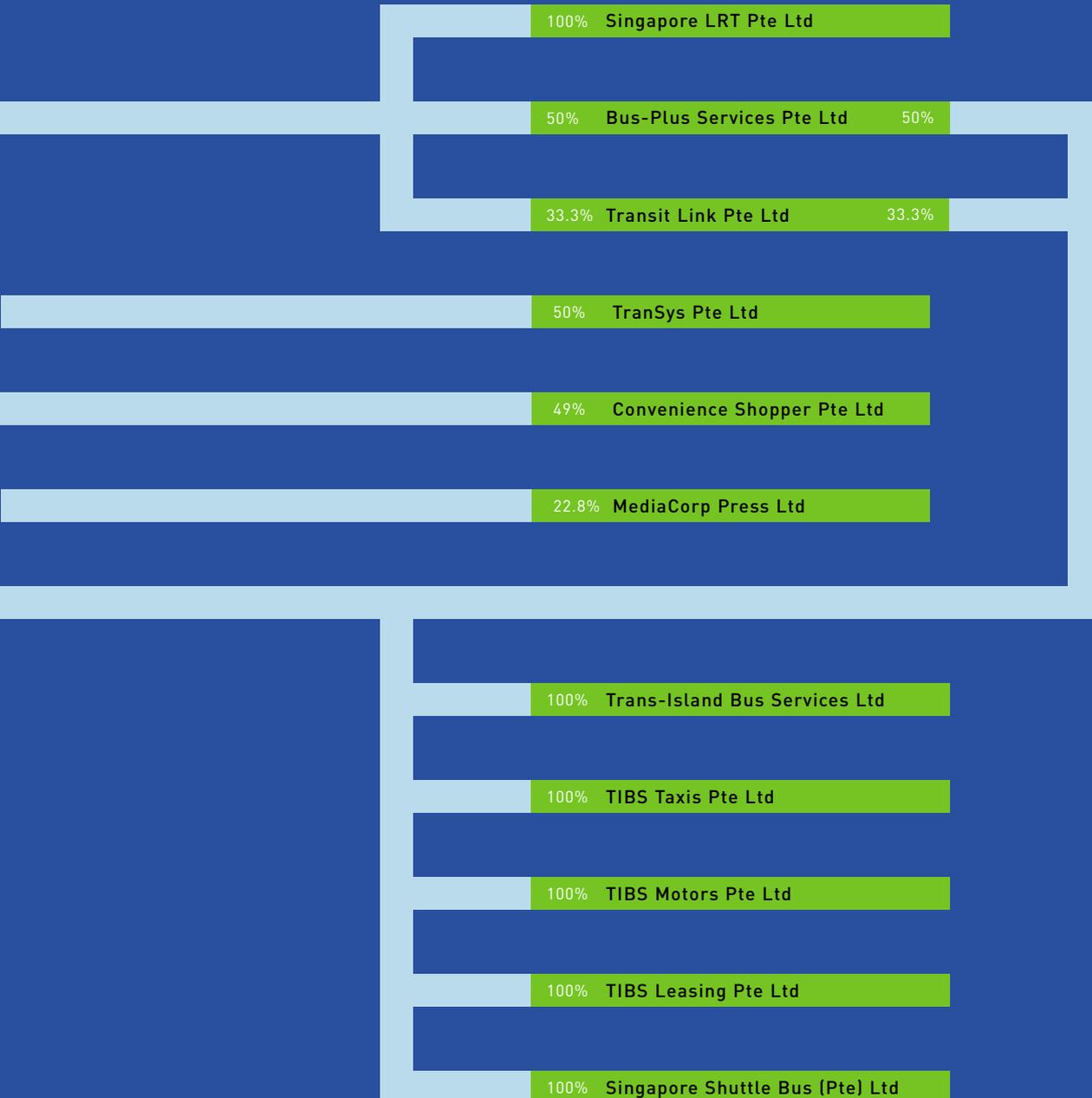
Director (Internal Audit)
SMRT Corporation Ltd

CORPORATE STRUCTURE

as at 31 March 2003



Corporate Structure



Note:

Dormant companies are not reflected.



the year in review

Financial Year 2003 saw the launch of the Enhanced Integrated Fare System (EIFS) and the bus and train fare adjustments making the headlines.

Bus and train commuters gradually switched over from magnetic farecards to the ez-link Card with the introduction of EIFS. After much deliberation, the Public Transport Council announced bus, MRT and LRT fare increases in July 2002. Train fares and bus fares were increased by 4 cents and 3 cents respectively for adult passengers using ez-link Cards.

In the second half of the Financial Year, SMRT Corp actively addressed security and health issues that came into focus within the community.

In view of the heightened security concerns following the September 11 terrorist attacks, several security measures were introduced including the progressive installation of a Closed-Circuit Television system in all MRT stations.

The outbreak of Severe Acute Respiratory Syndrome (Sars) in March saw SMRT Corp taking decisive action to protect commuters and staff so as to ensure uninterrupted services. These preventive measures include intensified cleaning and disinfecting of stations, buses and trains, temperature checks for all staff and taxi hirers and the setting up of contingency teams for critical functions.

Notwithstanding these developments, SMRT Corp is confident that it will continue to offer safe, comfortable and affordable transport services in the year ahead.



SIGNIFICANT EVENTS

- 2002
- April** A new contactless smart card system, ez-link Card, is introduced for use on buses and trains. To ease commuters into the new system, existing magnetic cards were used alongside the ez-link Cards for an initial period of eight months. / A “Keep Left” scheme is introduced for commuters using escalators in all MRT stations. Passengers are encouraged to keep left on moving escalators, allowing those in a hurry to move forward quickly on the right.
- May** Three hundred and seventy-five SMRT Corp frontline staff and drivers are honoured for exemplary service in the Commendation Awards Ceremony. A ‘Linkway of Excellence’ showcasing eight outstanding employees is inaugurated between the train station and bus interchange at Woodlands. / SMRT Corp releases its full year results for Financial Year 2002, posting a net profit of \$56.8 million. Revenue rose to \$497.0 million and the Board recommends a final dividend of 1.5 cents per share. This, together with the interim dividend of 1.3 cents per share, brings the total gross dividend for FY2002 to 2.8 cents per share. / City Hall wins the coveted ‘Station of the Year’ award for 2001, scoring on customer service, cleanliness, station aesthetics and customer feedback. Aljunied Station clinches the award for ‘Most Improved Station’.
- July** Bus, MRT and LRT fares are adjusted to keep pace with rising operating costs. MRT and LRT fares increase 4 cents for adults using ez-link Cards while bus fares go up by 3 cents for adult ez-link Card users. / Tibs launches Service 965 to offer Woodlands and Yishun residents a link to Sengkang New Town via the expressways. / SMRT Corp holds its third Annual General Meeting. / SPRING Singapore awards the Singapore Quality Class status to SMRT, marking the company’s progress in offering quality service.
- August** Tibs attains the ISO 9001:2000 Certification, for its quality standards in the design and provision of bus services. / SMRT Corp President & CEO Boey Tak Hap announces his decision to leave office. Tan Hup Foi, Chief Executive, Tibs, is to act as Chief Executive Officer from 28 November 2002. / SMRT Corp clinches the Singapore Sports ACE 2002 certificate from the Singapore Sports Council for promoting sports and fitness among its employees.
- September** TranSys secures a \$22.5 million deal from SBS Transit to maintain the automatic fare collection system on the North-East Line and the Sengkang and Punggol LRT lines. / Tampines Fiesta, a 10-day bazaar is launched at Tampines Station, marking the start of a programme to transform MRT stations and Tibs bus interchanges into vibrant lifestyle hubs. / The Health Promotion Board honours SMRT Corp with the Singapore H.E.A.L.T.H Award (Silver) 2002 for promoting employee health and well-being.
- October** SMRT Corp announces its interim results, reporting a net profit of \$41.4 million for the six months ended September 30, 2002. Revenue for the period under review is \$344.0 million and the Company will pay out an interim dividend of 1.3 cents per share. / The National Council of Social Service presents SMRT Corp with the Share Programme Distinguished Platinum Award for contributions to the community made by the organisation and its staff.

Significant Events

<p>TIBS Taxis bags several individual awards in the National Call Centre Awards held to raise professional standards in the call centre industry. / Tibs is honoured as a Distinguished Partner by the Institute of Technical Education for its contributions to technical training. / The Tibs Shop at Yishun Interchange is officially opened. The outlet showcases Tibs through a heritage display and the sale of Tibs collectibles. / Tan Chor Kwan, lead driver of Singapore Shuttle Bus wins a Superstar award at the Excellent Service Award 2002, doing the organisation proud. Another 400 other staff throughout SMRT Corp win similar honours at the award ceremony.</p>	November	
<p>Singapore's public transport system completes its switchover to ez-link Cards, fully replacing magnetic farecards that have been in use for the last 15 years. / SMRT Corp announces the appointment of Ms Saw Phaik Hwa as President & CEO of SMRT Corp. Ms Saw was formerly the Regional President for DFS Venture Singapore (Pte) Ltd. / TIBS Holdings Ltd (TIBS) clinches three National Productivity Awards, making it the top winner among the organisations receiving the National Productivity Awards. / SMRT Corp is ranked 8th among 25 Singapore-based companies featured in Far Eastern Economic Review's annual survey of Asia's leading companies. / Wider fare gates are introduced for commuters with special needs. All MRT stations will be fitted with wide gates by August 2003.</p>	December	
<p>Motion Ads, the advertising arm of TIBS Motors, is appointed advertising representative for train and station advertising in addition to its existing role in bus advertising. / Seventy-three SMRT Corp frontline staff and drivers receive the National Courtesy Award – Transport Gold 2002 in recognition of their efforts to create a pleasant travel experience for all commuters. / Tibs introduces Club 001 to help its service captains achieve specific, easily recalled targets on customer service and safety. / Tibs is the first public transport operator to be awarded the Certified Workforce status by SPRING Singapore.</p>	January	2003
<p>From 1 February 2003, Tibs' bus drivers are re-designated service captains to better reflect their commitment to service excellence.</p>	February	
<p>Yishun Station was named best station of the year for 2002 in the annual Inter-Station Competition. Dover Station bagged the Gold Award while the Silver Award went to Marina Bay Station. Bukit Batok Station was named the year's Most Improved Station. / Ten exemplary members of the public received awards from SMRT Corp and LTA for their part in averting a potentially serious train accident on 3 March. Minister for Transport, Yeo Cheow Tong praised the 10 individuals and train officer, Francis Rodrick Julius, for their courage and swift actions. / TIBS Taxis attains ISO 9001:2000 certification for achieving quality standards in the provision of taxi services.</p>	March	



Goh Kim Han

Train Officer, Singapore MRT Ltd

“My priority is to give my passengers a reliable and safe ride. It is all in a day’s work for me to check the train before service and look out for passengers before closing the train doors.”

RAIL OPERATIONS

Singapore MRT Ltd (SMRT) SMRT renews its commitment to provide safe, reliable and affordable travel on its trains every day of the year. As the pioneer operator of Singapore's rapid transit network, it is imperative that we offer the best rail services possible to the commuting public. To this end, we benchmark our services against stringent performance indicators set by the Land Transport Authority (LTA).

Thanks to the collective effort of our dedicated staff, in 2002, our performance in all categories exceeded the standards set by the LTA. Punctuality was a strong point with 96.8 per cent of our trains arriving within two minutes of schedule, against the LTA's required 94 per cent. Trains departed within two minutes of schedule in 99.1 per cent of our services, against the LTA's requirement of 96 per cent. SMRT scored 99.1 per cent for train service availability, against LTA's standard of 98 per cent. We also surpassed LTA's standards in other areas such as the reliability of escalators, ticketing machines and signalling systems.

In July 2002, train fares were increased to keep pace with higher operating costs. Train fares were increased by 4 cents for adult passengers using the ez-link Card. To offer commuters a value-for-money experience every time they travel on our trains, we will continue to invest in better hardware and improved systems even as we strive to achieve better service levels.

Our operational statistics demonstrate how the MRT has become an essential part of Singapore's urban landscape. Average daily ridership during the year stood at 1.08 million, representing a ridership increase of 1.2 per cent over the previous year. This modest growth reflects the weakness in the economy. The outbreak of Severe Acute Respiratory Syndrome (Sars) dragged down ridership further in the last month of Financial Year 2003. For the year in review, rail operations contributed \$384.4 million in fare revenue to the Group.

We will continue to spare no effort to raise the standards of urban transportation in Singapore.

Towards Smoother Rides The introduction of the Enhanced Integrated Fare System (EIFS) in April 2002 marked a major turning point in the development of land transport in Singapore. EIFS provides for a user-friendly, integrated ticketing and fare structure built around the use of a contactless smart card, the ez-link Card.

Various types of ez-link Card and other new EIFS equipment were progressively introduced on both MRT and LRT trains from April 2002. Migration to the new system was fully completed on 1 December 2002 after which magnetic farecards were withdrawn.

With the advent of EIFS, General Ticketing Machines that process contactless smartcards replaced existing ticket vending machines used for magnetic cards. General Ticketing Machines dispense standard tickets that are equivalent to single trip tickets and provide top-up and analysis functions as well as GIRO scheme applications for ez-link Cards. The user-friendly machines allow commuters to perform all ticket related transactions on their own, without assistance from station staff.

In line with the introduction of the contactless smart card, all Automatic Fare Collection (AFC) Gates were modified to incorporate electronic readers to process the ez-link Card. The tap-and-go card readers on fare gates are complemented by the Wide Gate project to cater to passengers with special needs.

In November 2000, a decision was made to install wide fare gates at MRT stations to address the needs of commuters with young children, the disabled, elderly and infirm. This move is also in line with the lift-upgrading project in all MRT stations.

Under the Wide Gate project, one pair of wide gates will be installed at every MRT station with the exception

of Changi Airport whose existing fare gates already feature wider aisles.

Since January 2003, wide gates have been installed at Novena, Tampines, Bishan, Outram Park and Bukit Batok stations. The system-wide installation is due for completion by August 2003. SMRT's maintenance teams are closely monitoring the performance of the wide gates so as to fine-tune the system for the benefit of commuters.

A Better Transit Experience Specific initiatives were adopted during the year to ensure a pleasant transit experience for commuters using our trains and stations, especially during peak hours.

Waiting lines, in the form of L-shaped yellow lines placed at the entrance to train doors, were introduced to help commuters board and alight trains smoothly. The waiting lines were initially introduced on a trial basis at the platforms of four selected stations from June to October 2001. Following the success of these trials, a decision was taken to introduce waiting lines at all stations. The project is scheduled for completion by third quarter 2003.

In a similar move aimed at easing passenger movement through stations, SMRT introduced a "Keep Left" scheme on escalators. This scheme encourages passengers to stand on the left side of moving escalators, allowing other commuters who need to move quickly to pass them on the right. The "Keep Left" principle was first put to the test at Raffles Place Station in January 2002. "SMRT Ambassadors" were deployed over the trial period to encourage commuters to adopt the new escalator etiquette. Radio deejays were also roped in to raise awareness of the new scheme through live broadcasts at selected stations. The scheme was successfully implemented in all 51 stations by May 2002.

The year in review also saw the successful implementation of the Rail Travel Information System (RATIS) at all

train stations. RATIS is a display system designed to provide commuters with travel information such as train arrival times, delays and disruptions as well as public service messages such as those on national emergencies and MINDEF Open Mobilisation exercises. The system can also be used to display commercial messages, corporate information or to run entertainment videos.

The LTA awarded the \$14 million contract for the supply and installation of RATIS to SingTel Aeradio in April 1999. By September 2002, all installation of RATIS components such as the Central Management System and Passenger Information Display was fully completed.

Apart from RATIS, SMRT Communications Branch is also working with the LTA to offer commuters a similar information system on board the new MRT trains. The Visual Passenger Information System (VPIS) delivers travel information, entertainment and advertisements on full colour liquid crystal display screens on board trains. The system also provides for the display of operational messages such as "doors opening" and "next station" on Light Emitting Diode (LED) screens on board the trains.

VPIS works by tapping into the wireless local area networks located at 17 base stations and three depots. Once trains running on the mainline and in the depots come within the coverage of these base stations, they can download schedules and video files for display. When necessary, the VPIS operator at Operations Control Centre can also send short ad-hoc or emergency message directly to the train LED screens.

Installation work for VPIS has been completed. Trial runs are now being conducted on trains and antenna rectification work is underway in all three depots.

SMRT has held an annual inter-station competition since 1997 to encourage friendly competition among its train stations. In March 2003, Yishun was named Best Station

Rail Operations

of the Year for 2002, scoring top marks for customer service, cleanliness, station aesthetics and feedback received. The Gold Award went to Dover Station while Marina Bay won the Silver Award. The competition saw 20,000 commuters being surveyed in the process of identifying the '2002 MRT Station of the Year'.

Beyond our trains and stations, our drive to improve the technical aspects of our operations is unrelenting.

Raising Proficiency Levels Among other initiatives, a new radio communication system is now in its final lap of completion. The \$33.7 million Dimetra Digital Trunked Radio System, an integrated digital radio communication system, provides at least 98 per cent radio coverage along SMRT's island-wide train routes and at the three train depots.

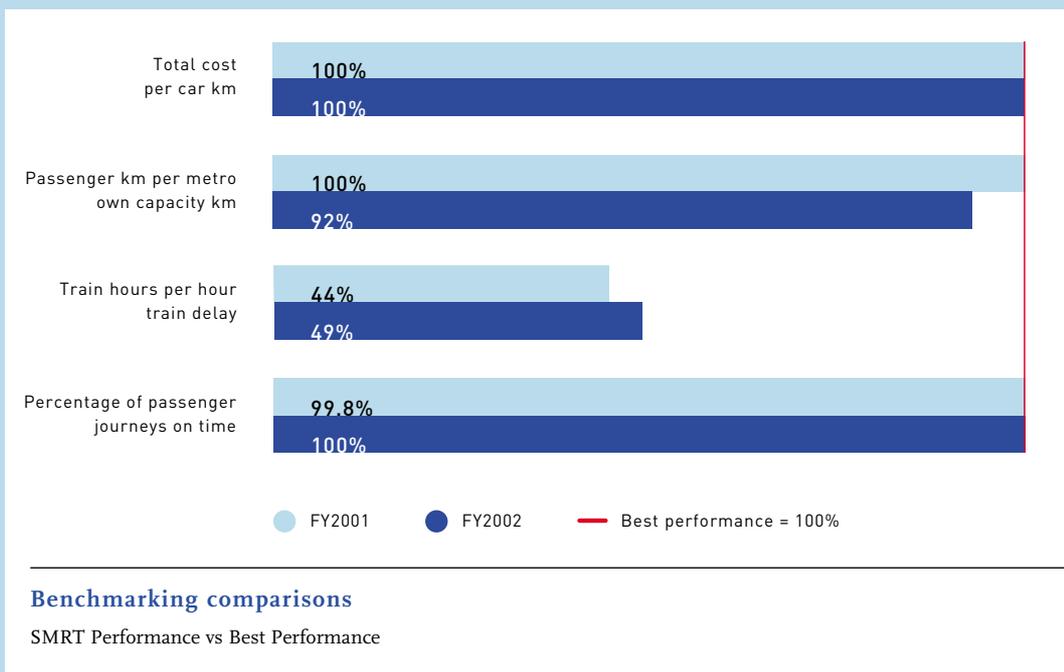
The system allows for better command and control of the trains from the Operations Control Centre as well as in-train communication between the Operations Control Centre and passengers. Designed with multiple layers of back-up functions built in, the deliverables

for the project were all in place by the end of 2002. System-wide testing for the new radio system which allows for clearer and more reliable communication was conducted in March 2003.

During the year, the new Automatic Train Supervision System (ATSS) was successfully commissioned to improve train supervision and operations. The system-wide upgrading project replaces obsolete equipment and improves functionalities. The final phase of the project was smoothly completed in August 2002. Plans are underway to equip the proposed training/standby Operations Control Centre at Bishan with the new ATSS.

Another operational initiative saw the Signalling Section moving into the second phase of a programme to replace BR clamp locks with better-performing MJ80 points at 73 locations over a two-year period from 2002 to 2003. Point machines are vital components of the railway that provide the means for trains to safely switch tracks to alternative routes.

(continues on page 35)



SMRT is a member of an international metro benchmarking group. The group comprises eleven metros, three Asian, one North American and seven European operators. SMRT has attained leading positions for cost efficiency (total cost per car km) and service quality (percentage of passenger journeys on time).

SELECTED OPERATING DATA

The table below shows passenger growth and other selected operating data of the MRT System for the financial years ended 31 March 1999, 2000, 2001, 2002 and 2003.

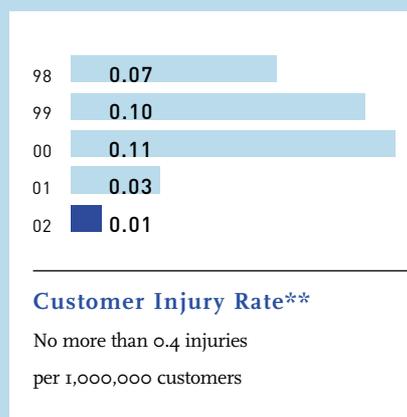
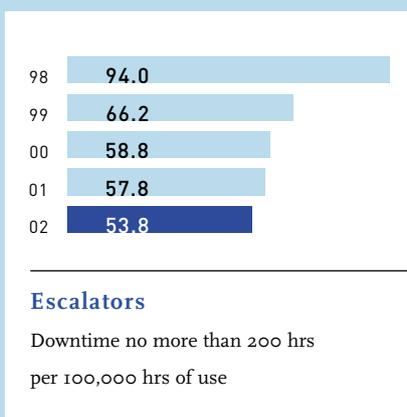
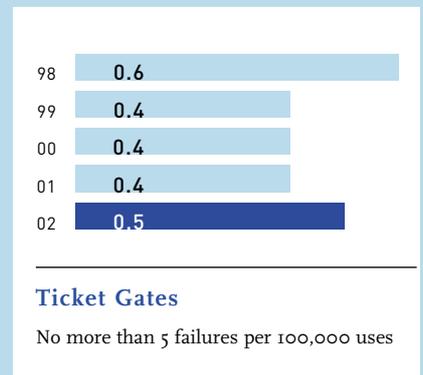
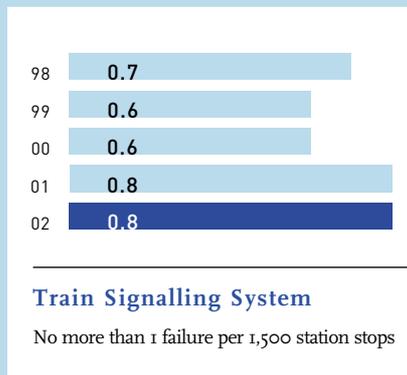
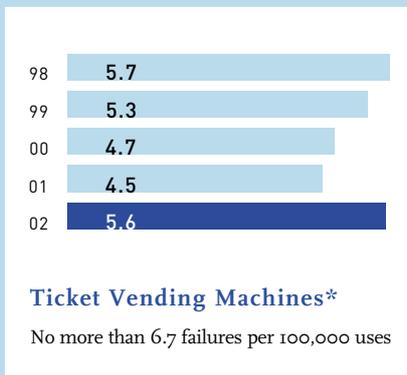
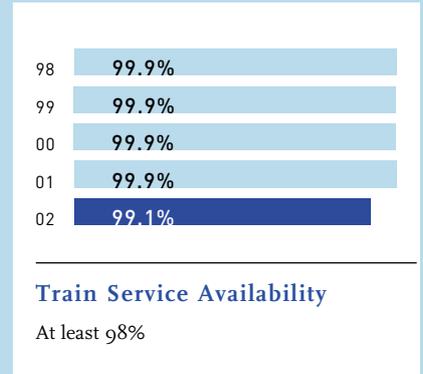
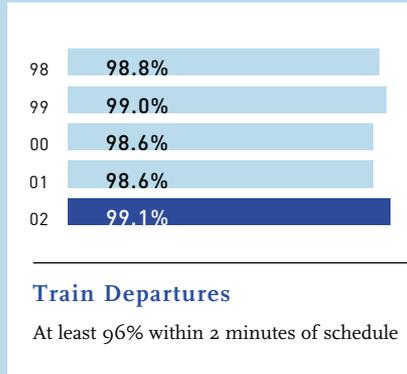
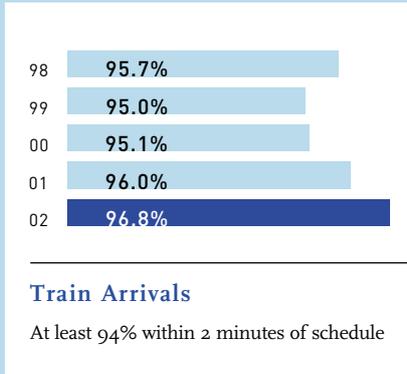
	Year ended 31 March				
	1999	2000	2001	2002	2003
Route length at period end (kilometres)	83.0	83.0	84.94	89.4	89.4
Total number of passengers (millions)	346.35	367.19	387.39	389.66	394.25
Growth in passenger numbers (%)	2.78	6.02	5.50	0.59	1.18
Car kilometres operated (millions)	73.5	74.1	75.3	81.38	89.62
Growth in car kilometres operated (%)	0	0.82	1.61	8.07	10.13
Average number of weekday passengers (thousands)	987.0	1,042.0	1,108.0	1,125.0	1,139.3
Growth in weekday passenger (%)	3.35	5.57	6.33	1.53	1.27
Aggregate passenger distance travelled per year (million kilometres)	4,408.7	4,687.0	4,935.0	4,963.0	4,988.9
Growth in passenger distance (%)	3.84	6.31	5.29	0.57	0.52
Average operating car occupancy (persons)	60.0	63.0	65.5	60.98	55.7
Growth in operating car occupancy (%)	3.45	5.00	3.97	-6.9	-8.66
Total employees at period end (persons)	2,805	2,830	2,871	2,919	2,893
Growth in employees (%)	4.12	0.89	1.45	1.67	-0.89
Selected operating ratios	S\$	S\$	S\$	S\$	S\$
Amounts per passenger carried					
– Railway cash operating costs ^(a)	0.56	0.55	0.58	0.59	0.64
– Railway EBITDA ^(b)	0.46	0.44	0.46	0.45	0.39
Amounts per car km operated					
– Railway cash operating costs ^(a)	2.65	2.72	3.00	2.84	2.80
– Railway EBITDA ^(b)	2.14	2.19	2.37	2.17	1.73

Notes:

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

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

Service Performance Standards



* Figure for 2002 is based on data for January – October 2002. The ticket vending machines ceased operation on 13 October 2002 and were replaced by General Ticketing Machines.

** The above passenger cumulative injury rates (above first aid cases) are based on a new criterion adopted in 2001. Prior to 2001, passenger injuries caused by personal illness, suicide, assault and drug abuse were included. The injury rates from 1998 to 2000 given above, have been re-worked to reflect the new criterion which excludes passenger injuries caused by personal illness, suicide, assault, drug and alcohol abuse, carelessness and improper use of facilities.



Norizan bin Idris

Assistant Engineer, Singapore LRT Pte Ltd

“I have learnt a lot through the trouble-shooting process and hands-on experience of running the first driverless LRT system. In this world where adding value is vital to a company’s success, I would go the extra mile to win over the hearts of customers.”

Rail Operations

On-going efforts to ensure the smooth functioning of all railway components saw the installation of Schwihag Integrated Roller Plates at Ang Mo Kio and 11 other problematic point locations on MRT tracks from April 2002. The six-month long trial of the roller plates proved to be successful with no point failures reported. A decision was subsequently taken to install the rollers on a system-wide basis. The first batch of roller plates targeted for 42 critical points on the mainline were purchased at a cost of \$280,000 and delivered at end March 2003.

In July 2002, work also commenced on the implementation of modified railhead profiles to reduce the wheel/rail contact stress at curves on our train tracks. Undertaken with Australia's BHP Institute of Railway Technology, the project is a follow-up to an earlier study in recurring rail flaws on our tracks. It will take two years to complete.

Other efforts to enhance our maintenance capability include the introduction of LED type signal lights and the installation of new equipment monitoring facilities.

Singapore LRT Pte Ltd (SLRT) SLRT is the operator of the Bukit Panjang Light Rapid Transit System, a fully automated passenger feeder service linked to the MRT system at Choa Chu Kang Station.

The Bukit Panjang LRT service experienced three disruptions during the year under review. The third of the disruptions, which happened in late October, lasted six days. To show SLRT's appreciation for passengers who were inconvenienced by the disruption, a free travel day was declared on Sunday, 27 October 2002.

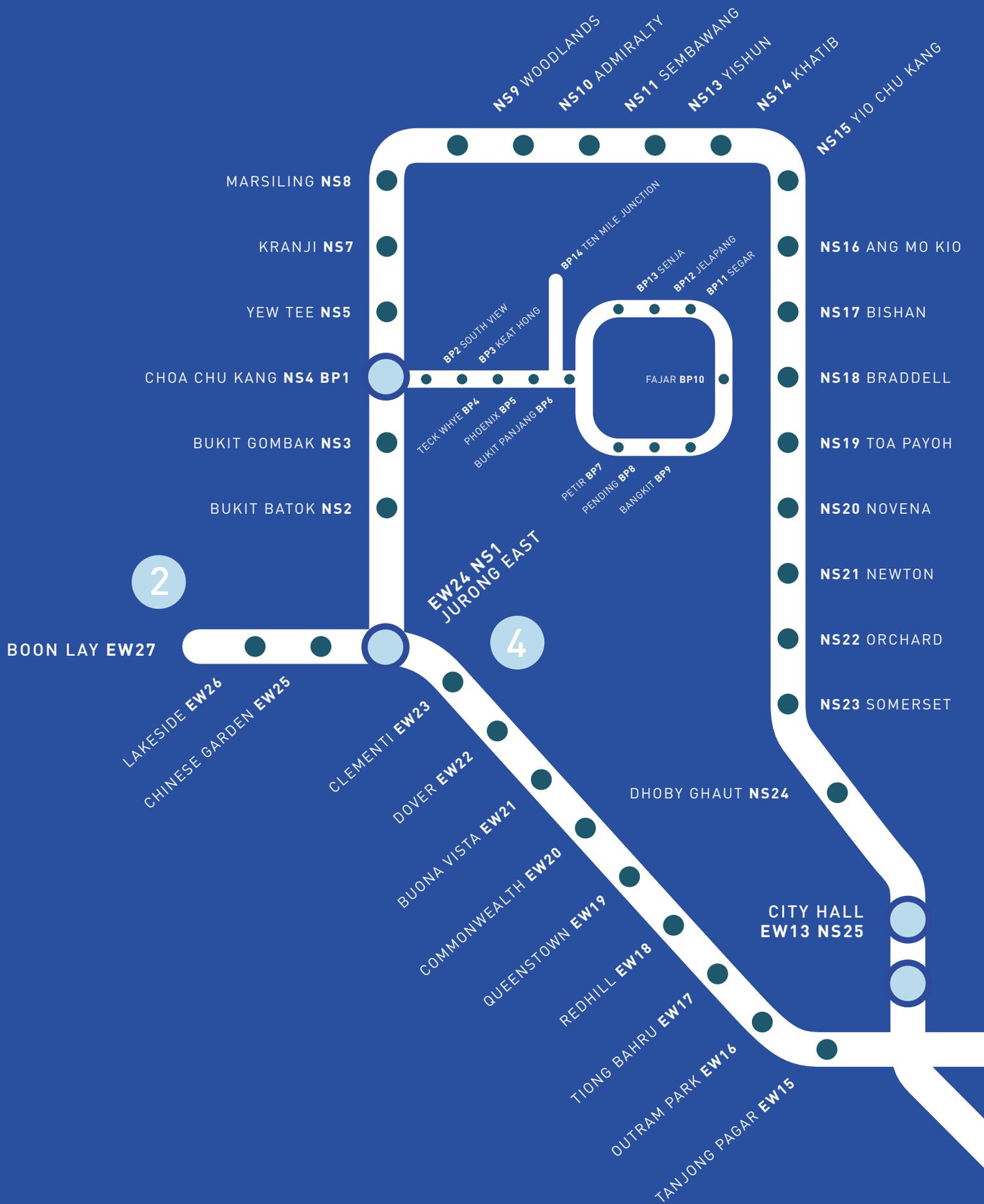
SLRT is taking decisive actions to raise its level of service and reliability so as to better cater to the needs of commuters in the future.

An agreement signed in July 2002 with Bombardier Transportation, which supplied the light rail system,

provides for Bombardier engineers to provide consultancy services in preventive maintenance. The two engineers who are attached to SLRT will also support the field site implementation of hardware or software modifications. Two trainers are also on attachment to conduct refresher training for staff.

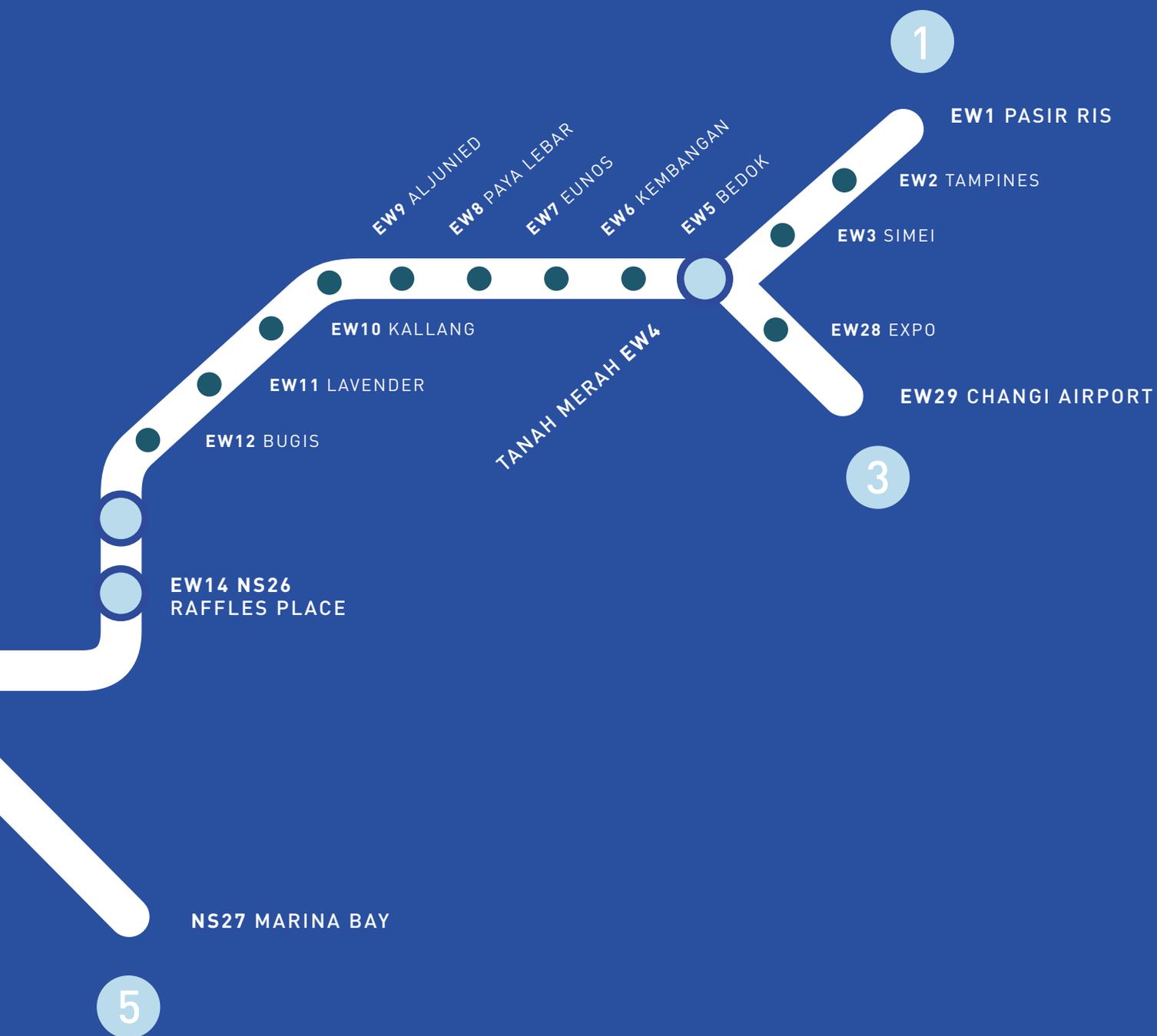
Following the October service disruption, the LTA conducted an audit of the maintenance system of the Bukit Panjang LRT. LTA's audit found that maintenance procedures were in place and staff members were adequately trained. The LTA however recommended measures to tighten maintenance processes. In response, SLRT has worked out an action plan to be implemented immediately.

To ensure the reliability of every facet of the light rail service, SLRT is re-examining various aspects of maintenance procedures and systems design with a view to delivering a better level of service. Service availability for seven months of the year exceeded the LTA's target of 99.7 per cent. However, SLRT's year-long record was dragged down by the three service disruptions. Every effort will be made in the year ahead to ensure continued service availability on the Bukit Panjang LRT.



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Zainal bin Sarib

*Senior Service Assistant , Trans-Island
Bus Services Ltd*

“The automated dispatching system helps me keep track of buses arriving and leaving the interchange. This is to ensure we provide a reliable service we can all take pride in.”

ROAD OPERATIONS

Trans-Island Bus Services Ltd (Tibs) Tibs currently maintains a fleet of more than 800 buses and operates 47 trunk services, 19 feeder services and 10 night bus services. In the year under review, the company's bus fleet increased by 3 per cent. A new service, 965, was introduced to give residents of Woodlands and Yishun a direct link to Sengkang new town. Improvements were also made to existing services such as 911, 912 and 913 to better meet the needs of commuters.

The Enhanced Integrated Fare System (EIFS) with the tap and go ez-link Card as its centerpiece was launched in April 2002. Once commuters adjusted to the new fare system, the existing magnetic card system was phased out completely by December 2002. The new fare system allows for faster, hassle-free fare payment and makes it easier for commuters to get on and off buses smoothly.

In July 2002, bus fares were increased to reflect higher operating costs. Bus fares increased by 3 cents for adult passengers using the ez-link Card while cash fares were increased by 10 cents for all commuters except children and students. Tibs will make every effort to improve bus services to offer a higher level of convenience and comfort to commuters. Tibs frontline staff will also continue to be proactive in offering commuters friendly and courteous services at all times.

In other operational improvements, the Integrated Bus Operating System (IBOS), comprising the Interchange and Depot Dispatching System was fully implemented in 2002. The new system links up all depots, bus terminals and interchanges electronically; leading to the efficient and timely management of bus operations islandwide. Through its fleet management function, IBOS optimises the use of resources and automation within Tibs.

Phase 2 of IBOS, which uses a satellite-based global positioning system to track buses in real time, is progressing as scheduled. The bus tracking modules will be integrated with the Interchange and Depot

Dispatching System to function as one integrated system. IBOS effectively harnesses the latest technology to improve the efficiencies of bus operations while meeting the information needs of staff and bus commuters.

There was no let up in Tibs' efforts to enhance customer service during the year. Service guides, made available on-board buses, were produced for all trunk services. Selected routes were equipped with easy-guide line diagrams highlighting places of interest and amenities. A novel retail-cum-customer service outlet named The Tibs Shop, opened at Yishun Interchange in November. The shop features a customer service desk and showcases the company's history and vision. It also sells Tibs collectibles.

To highlight the service-driven aspects of their jobs, Tibs bus drivers were renamed 'service captains' with effect from February 2003. The new designation reflects the expanded scope of their duties which now include giving commuters service information, ensuring correct fares are paid and being familiar with the latest technology from the ez-link Card to back-end systems. Service captains render these additional services over and above their core duty of driving buses safely along the stipulated routes.

Service excellence, a year-long priority of our frontline staff, was given a boost during the annual courtesy campaign in December 2002. The month-long campaign saw Tibs service captains receiving more than 1,000 letters from commuters complimenting them on their outstanding service.

To promote a level of service that is as safe as it is friendly, a new scheme known as 'Club 001' was introduced in January 2003. Only the best service captains gain membership to the exclusive Club 001 as a stringent set of criteria applies stipulating 0 accidents, 0 complaints and at least 1 compliment over a one-month period.

The year in review saw Tibs achieving the honours of being the first public transport operator to be awarded

the Certified Workforce status by SPRING Singapore. To earn the award, 795 Tibs staff including 714 service captains were successfully assessed while performing duties like driving and interacting with customers.

TIBS Taxis Pte Ltd TIBS Taxis maintains a fleet of over 2,000 taxis. Sympathetic to the difficult economic conditions during the year, TIBS Taxis developed various initiatives to assist its drivers and customers.

A GST Relief package was introduced to help cabbies defray rising operating costs related to the increase in GST introduced at the start of 2003. The Relief Package sees TIBS Taxis absorbing the 1 per cent increase in GST charged on taxi rentals for the year 2003. At the same time, taxi rentals have been reduced by \$365 per year or \$1 per day for the duration of the year. The rental reduction applies to all taxis, including London taxis, which have been in operation for five years or more as at 1 January 2003.

To encourage outstanding service, the company implemented a Rewards Point Scheme which awards points to cabbies for a strong track record in areas such as Skytrek bookings and positive customer feedback. These points are redeemable for gifts, diesel vouchers and essential items.

In February 2003, TIBS Taxis revised its time-based fare structure, reverting to a basic fare with the accompanying meter charges and surcharges. The company also reduced its booking charges by 40 cents, becoming the taxi operator to offer the lowest fares for phone bookings in Singapore. At the same time, commuters continued to enjoy the waiver of the midnight booking fee.

TIBS Motors Pte Ltd TIBS Motors, the vehicle maintenance subsidiary within the group, maintains a total of 4,732 vehicles per year, comprising 800 buses, 2,000 taxis, 991 commercial vehicles and 941 motorcycles. Operating out of three workshops in Ang Mo Kio,

Woodlands and Kranji, the company is designated to take on accident repair works for vehicles insured by Keppel Insurance and NTUC Income. It is also authorised by Goldbell Engineering to service and repair Mitsubishi commercial vehicles such as trucks and buses. The company also conducts pre-delivery inspections (PDI) and offers warranty support for Mitsubishi vehicles and sells Mitsubishi parts.

In addition to repairing and servicing automobiles, TIBS Motors retails diesel and used vehicles, provides vehicle engineering training under the Approved Training Centre scheme and distributes purpose-built London taxis. TIBS Motors also markets bus advertisement spaces. Through its business arm, Motion Ads, the company recently became the sole media representative for advertising on the SMRT and SLRT trains and stations. This move, which took effect on 2 January 2003, exploits the potential within the SMRT Group to create business synergies and increase advertising revenue.

TIBS Leasing Pte Ltd TIBS Leasing generates revenue from the leasing of its fleet of cars, from family saloons to luxury marques, all of which are maintained in mint condition. During the year under review, TIBS Leasing enjoyed a 13 per cent increase in its subscription-based Car-On-Demand membership, with subscriptions hitting \$1.3 million since the introduction of the scheme in 1997.

The company, which has a facility for online reservations for rental cars, launched a customer rewards programme in April 2002. The rewards programme uses redemption vouchers to help boost short-term transient rentals. It achieved a 11 per cent hike in transient rentals.

Singapore Shuttle Bus (Pte) Ltd Singapore Shuttle Bus, which started revenue service in 1975, operates the City Shuttle Service with four services plying between mature housing estates and the Central Business District. The company maintains a fleet of 65 buses.

Road Operations



During the year, the company generated additional revenue from its charter hire business, thus supplementing the fares collected from its scheduled services.

Bus-Plus Services Pte Ltd Bus-Plus maintains a fleet of 54 vehicles primarily focused on the charter business. The company secured several new term contracts during the year. Bus-Plus also operates three scheduled services and four express services.

During the year, Bus-Plus rolled out several initiatives aimed at raising the level of customer service by leveraging the potential of technology.

Bus-Plus has the distinction of being the first company in Singapore to make information on bus arrival times

available wirelessly through mobile phones. The Bus-Plus SMARTime System allows commuters to use the Short Message System (SMS) to check on the arrival times of buses on its three scheduled services. The information relayed via SMS includes the arrival times of the previous and next two buses as well as the fares required.

A flexi-card system was also introduced during the year to offer more flexibility to customers of chartered express services. Bus-Plus is looking into an on-line seat reservation system for the added convenience of its customers.

During the year, all Bus-Plus vehicles were EIFS-enabled, allowing customers to enjoy the tap and go ease of the ez-link Card. Bus-Plus is now working on a despatch system to increase the company's operational efficiency.



Koh Lian Soon
Commercial Manager, SMRT Engineering Pte Ltd

“No problem is too big or small for us. At all times and wherever required, we are committed to delivering specialised engineering solutions and reliable service to our clients.”

OTHER BUSINESSES

Apart from its core transport and transport-related businesses, SMRT Corp is also actively engaged in other business areas such as transit advertising, the leasing of commercial space and retail as well as consultancy and project management.

Commercial Ventures During the year, advertising and rental revenue increased 3.8 per cent to \$30.7 million. While rental revenue was stable, advertising revenue from MRT system and buses declined, mirroring the soft economic climate.

To boost revenue and add to the buzz at MRT stations, every effort is being made to transform MRT stations into lifestyle hubs frequented by commuters and local residents alike. SMRT leases more than 23,000 square metres of commercial space within train stations. The tenant mix within the stations is carefully managed to meet the daily needs of commuters and to enhance their travel experience. During the year under review, occupancy for the retail units and kiosks in all the stations stood at a robust 97.8 per cent.

A new era dawned in MRT advertising with the appointment of TIBS Motors to manage and maintain advertising space in the stations and on-board the trains. TIBS Motors takes over from JC Decaux Pearl & Dean whose agreement with SMRT expired on 31 December 2002. With a strong track record in bus advertising, TIBS Motors brings a wealth of experience to bear on MRT advertising. At the same time, working with TIBS Motors allows SMRT to leverage synergies within the Group to optimise advertising revenue.

During the year under review, SMRT Corp reduced its shareholding in the TODAY newspaper following a capital reduction and funding exercise which SMRT Corp decided not to participate in. As a result, its stake in TODAY has been diluted to 22.8 per cent as at 31 March 2003. SMRT Corp's share of losses in

TODAY has been capped at \$2.4 million for the financial year ended March 2003.

With over a million passenger journeys on our trains and another 800,000 on our buses everyday, we make every effort to delight our customers with a wider range of services. Cheers stores, located at MRT stations, are one such amenity designed for the convenience of our commuters. First set up in Ang Mo Kio, Tampines and Admiralty at the end of 2001, Cheers stores sell groceries and ready-to-eat food, and offer postal services. During the financial year, three more stores opened at Aljunied, Kallang and Kembangan. Keeping up the momentum of growth, two new stores at Lakeside and Chinese Garden are expected to open by July 2003, adding to existing sources of non-fare revenue.

Consultancy and Project Management SMRT Corp's maintenance consultancy and project management services in land transportation are carried out through SMRT Engineering Pte Ltd (SMRTE), a wholly-owned subsidiary of SMRT Corp.

In FY 2003, SMRTE continued to work with Sentosa Development Corporation, providing consultancy and project management services for the Sentosa People Mover System (PMS).

SMRTE also entered into a preliminary agreement with its associated company, TranSys Pte Ltd, to maintain the Automated Fare Collection (AFC) system on the North-East Line as well as on the Sengkang and Punggol LRT systems. SBS Transit Ltd operates the North-East Line and its LRT services. In other Singapore-based jobs, SMRTE rendered consultancy services and training to SBS Transit on signalling systems. SMRTE also took on project management works for SMRT International Pte Ltd (SMRTI) in relation to network installation within the MRT system.

Going international, SMRTE provided consultancy services to Maritima in Brazil for the maintenance, operations and integration of its Metro system and bus services. SMRTE also consulted with Marubeni Corporation on the maintenance of the Manila LRT 2 system.

In the year ahead, SMRTE expects recurrent revenues from the Sentosa PMS Project and AFC maintenance services contract with TranSys. Besides these secured projects, the company is actively pursuing prospects locally and regionally.

Transit Link Pte Ltd (TransitLink) is a service company set up by SBS Transit, SMRT and Tibs to develop an integrated public transport system that brings buses, the MRT and the LRT together within a single, comprehensive network. One way in which TransitLink works to realize these goals is through network and information integration. During the year in review, TransitLink launched the TransitLink Guide 2002 to update commuters on bus and train service and new initiatives to improve connectivity.

In fare integration, much of the year was taken up with a series of initiatives for the smooth transition to the ez-link Card system of fare collection. At the start of the financial year, TransitLink launched the Adult ez-link Card. This was followed by various categories of cards for students, children, senior citizens and NSMen.

Most recently, a facility to GIRO-link ez-link Cards was inaugurated. Unlike the GIRO-linked magnetic farecards of the past, commuters need not apply for a GIRO facility prior to using GIRO-linked ez-link Cards. As long as commuters have their DBS/POSB account numbers and ez-link Cards on hand, they can activate a GIRO link at any General Ticketing Machine.

OUR ROLE IN THE COMMUNITY

SMRT Corp touches countless lives daily through its train, bus and taxi services. This daily contact can be made more satisfying for our commuters by raising our standards of customer service. In the year ahead, we will put in place initiatives to inculcate in our people a genuine desire to serve our commuters better.

Beyond the sphere of our core transport businesses, we also want to make a difference in the larger community that supports us.

The Students Care Service is SMRT Corp's chosen welfare organisation under the Corporate Community Involvement Programme. In 2002, SMRT Corp contributed \$15,000 towards the publication of a book on children with special learning needs. The book, called 'A Hand to Hold', was launched on 30 November 2002.

In the spirit of fostering a caring spirit among staff, a 30-member strong "SMRT Volunteers" contingent was formed in July 2002. This group participates in community programmes coordinated by volunteer welfare organisations. On 29 August 2002, SMRT Volunteers got together to cheer up the elderly living alone in Telok Blangah Estate by visiting them and giving them boxed lunches.

In the lead-up to Christmas 2002, SMRT Corp lent its support to a Charity Bus Project, initiated by Tibs. The heart-warming project saw Tibs buses being used to collect Christmas gifts for children under the auspices of the Singapore Children's Society. Staff throughout SMRT Corp generously donated gifts to spread Christmas Cheer to the little ones. SMRT Corp also participated in a project to support the Movement of the Intellectually Disabled's (MINDs) Jurong Garden School through a food collection drive and the sale of charity bears. In addition, SMRT helped in the fundraising efforts of agencies such as the Singapore Anti-Narcotics Association, Singapore Spastic Children's Association and the Singapore Red Cross.

The Year In Review saw SMRT keeping up its sponsorship of the Celebes Hornbills at Jurong Bird Park and the cotton-top Tamarins at the Singapore Zoological Gardens at a cost of \$29,000.

However, it is SMRT Corp's sterling track record with the Community Chest's SHARE programme that remains the most tangible measure of its unflinching support for the community.

Management and staff of all SMRT Corp subsidiaries contribute generously to the SHARE programme. In 2002, participation by Tibs, TIBS Motors, SMRT and Bus-Plus Services in the SHARE programme stood at 96 per cent, 89 per cent, 88 per cent and 87 per cent respectively. The company matches employee contributions dollar for dollar. For 2002, total contributions for SMRT Corp were close to \$358,555.

In October 2002, SMRT Corp received the SHARE Programme Distinguished Platinum award from the National Council of Social Service. This award honours organisations that make exceptional contributions to the less privileged through participation in the SHARE programme.



Mohd Amin bin Raffi
Trainer, Singapore MRT Ltd

“I welcome the opportunity to share my many years of knowledge and experience through the training of staff. Whenever an operations staff excels in his performance, I know my contributions have helped achieve this point of excellence.”

PEOPLE AND PRODUCTIVITY

SMRT Corp's stable of trains, buses and taxis would not run safely and smoothly every day if not for the dedication and hard work of its people. From service captain to division director, station technician to head of engineering, our people do not hesitate to go beyond the call of duty to deliver the best services possible to the commuting public.

SMRT Corp's total staff strength stood at 6,194 at the end of Financial Year 2003. This figure represents a 1.5 per cent increase against the previous year.

Many of our staff members have grown along with the organisation over the years. In 2002, 546 members of staff received long service awards in recognition of their loyal service. Of these long serving staff, 399 have worked for more than 10 years with 21 individuals serving the Group for 20 years or more.

Training for Growth To continue to bring out the best in our people, SMRT Corp made significant investments in training in the year under review. Training expenditure for SMRT Corp came up to \$6.1 million in Financial Year 2003. Training man-days for staff averaged eight days, outperforming the national average of five days. Overall, staff attended a total of 22,953 courses and training workshops spanning areas as diverse as electrical safety, rail operating procedures, recovery drills and safe driving as well as bus and taxi customer service.

The year also saw no let up in the efforts of SMRT Corp to attain business excellence. In July 2002, SMRT joined the ranks of the Singapore Quality Class (SQC). SQC is a scheme to recognise organisations that have attained a commendable level of performance in the journey towards business excellence. On its part, Tibs and TIBS Taxis achieved the ISO 9001:2000 certification, reflecting how its systems and processes are benchmarked against current international standards. Tibs and TIBS Taxis Call Centre also achieved the Certified Workforce status.

Developing Our People SMRT is also striving to achieve the People Developer Standard (PDS) and has implemented various systems under the PDS.

SMRT Corp constantly strives to deliver excellent service quality in all its areas of endeavour. Therefore, it was a tremendous honour for the Company when 401 members of the merged SMRT and TIBS family received Excellent Service awards at the national level in November 2002. Exemplary staff from business units throughout SMRT Corp clinched 46 Star Awards, 99 Gold Awards and 256 Silver Awards in all. Most impressive of all was Tan Chor Kwan, lead driver of Singapore Shuttle Bus, who went home with the event's top prize, the 2002 Superstar award.

In a separate event, two staff members from TIBS and one from SMRT proved to be an inspiration to all when they received the Singapore Labour Foundation Educational Tours Award For Model Workers. The award recognises and rewards workers who have contributed significantly to their company's performance. Internally, SMRT rewarded 63 employees with Employee of the Year awards in recognition of good performance and a positive work attitude. Staff who went the extra mile to deliver an exceptional level of customer service to commuters during the year were not forgotten. In 2002, a total of 726 SMRT Corp staff members on the frontline were presented with Commendation Awards.

SMRT Corp's Employee Share Option Plan (ESOP) was approved in July 2000 as part of a plan to attract, retain and nurture talent through a sense of belonging. A second ESOP grant exercise was carried out in July 2002. This time round, the ESOP grant was extended to TIBS staff who met certain criteria such as full-time employment for at least one year. The grant price for the share options was \$0.676. A total of 7,118,300 share options were allotted to staff, out of which a resounding 89.5 per cent or 6,370,200 were accepted.

In industrial relations, SMRT Corp enjoyed another year of cordial labour and management relations, laying the foundation for building mutual trust.

To support workers, SMRT Corp contributed to National Transport Workers' Union Scholarship and Bursary Fund, Union Team Building Programme, NTUC Education and Training Fund and NTUC Charity Golf. During the year, the Union reorganised its section committees to correspond to the organisation structure of the Group. This move will make communication between the Union and the different departments faster and more effective.

Increased Productivity, Better Health TIBS set a record for Singapore's productivity movement when it became the first organisation to win three awards in the same year from SPRING Singapore. The National Productivity Rally 2002 saw TIBS clinching three of the 21 individual awards for outstanding contributions to workplace productivity. Tan Hup Foi of TIBS Holdings, Tan Chor Kwan of Singapore Shuttle Bus and Zainal Bin Sarib of Trans-Island Bus Services were the three individuals honoured for advancing company goals through productivity.

SMRT Corp's efforts to raise its levels of productivity are spearheaded by the many quality circles (QCs) within the organisation. A total of 59 Circles participated in the 2002 National QC Convention and the teams did SMRT Corp proud by earning top honours, among them five Star awards and seven Gold awards. Reflecting a growing awareness of productivity issues, TIBS staff contributed more than 9,000 ideas to their staff suggestion scheme while SMRT's on-line Staff Suggestion Scheme received 5,422 suggestions.

SMRT Corp subscribes to the belief that healthy workers make for a happy and productive workforce. In that spirit, the Workplace Health Promotion Programme (WHPP), was actively implemented during the year. These activities, aimed at promoting health of mind and body, included

aerobics, line dancing, kick boxing, yoga as well as a cross country run cum telematch, basketball and badminton tournaments. The WHPP committee also organised health talks and a health screening exercise by the National Kidney Foundation. All SMRT Corp staff members and their families are also given free membership to the company's sports and recreation club.

A.C.T.I.V.E Day, one of the highlights of SMRT Corp's calendar of health promotion events, was held in September at Bishan Stadium and the Sports and Recreation Club. A 800-strong turnout from SMRT and TIBS joined in a vigorous workout with the Senior Minister of State for Transport and Information, Communications and the Arts, Mr Khaw Boon Wan looking on. Mr Khaw also inaugurated the Annual SMRT Games, which featured a fun-filled tele-match, table tennis games, American pool and darts.

These health promotion efforts did not go unnoticed. Both SMRT and TIBS received Silver Awards at the Singapore HEALTH Awards held in September 2002.

Going Electronic Internally In human resource (HR) management, SMRT took definite steps towards going electronic in Financial Year 2003. Several key HR processes were reviewed and subsequently rolled out as eHR initiatives. These included the ePayslip system to replace hard copies of payslips, the eDSTR system, which is a paperless submission and processing of overtime and allowances, and the placing of soft copies of forms on the Human Resource and Administration intranet to facilitate employees' information update and requests.

In other IT-related developments, SMRT's Computer Services Department implemented the SAP Plant Maintenance module in SLRT. The job was completed in October 2002.

The fully-integrated SAP system in SMRT allows all financial transactions from various maintenance

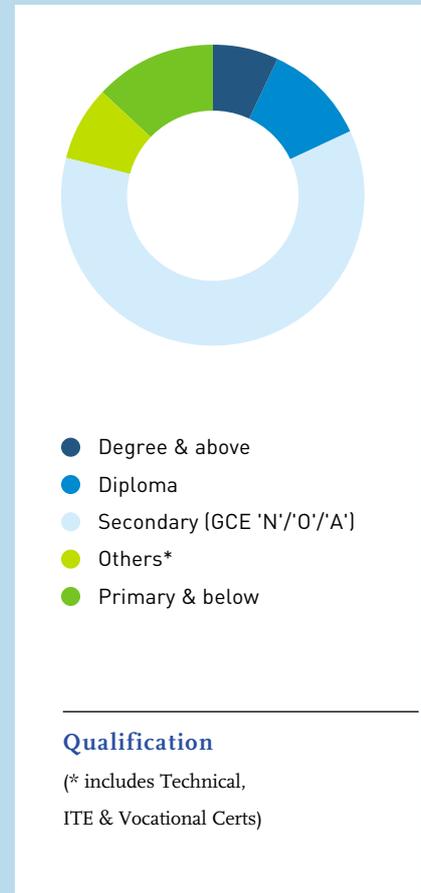
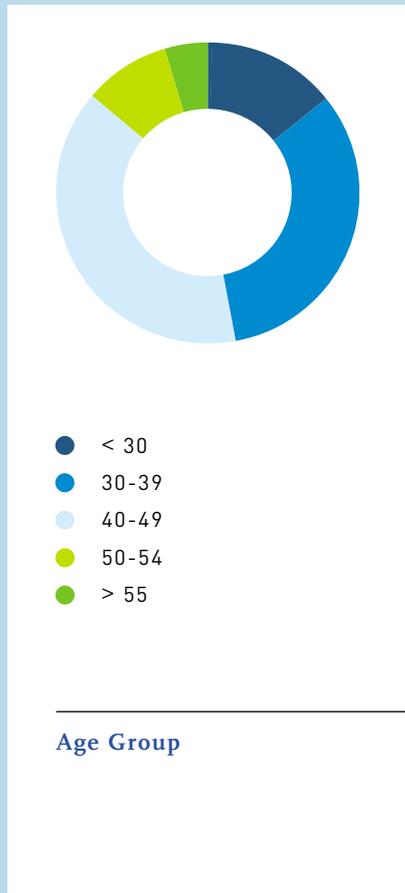
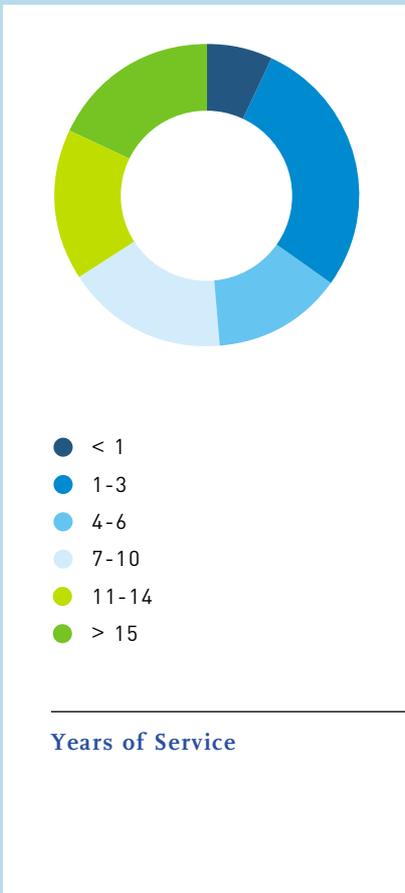
People and Productivity

activities to be updated on-line to the database, paving the way for the timely preparation of accounts and management reports. The system also allows users to access the Profit and Lost accounts of their own cost centres. Over the next few months, TIBS Group will be progressively migrating from the current ORACLE to the SAP system as part of the integration efforts.

The introduction of Storage Area Network (SAN) technology at SMRT has made the management of the organisation's computer servers and backup systems much more efficient. In the past, SMRT maintained

28 computer servers with 14 different backup systems. Not surprisingly, the task of managing these systems was tedious.

Determined to address the problem, the Computer Services Department evaluated several SAN technologies and decided on the system supplied by Hitachi, which was implemented in January 2003. The new SAN allows all the servers to share a common storage space and one centralised backup system. Computer response time is now faster and time spent on daily backup has been dramatically reduced.





Teo Chew Hoon

Director (Commercial), Singapore MRT Ltd

“My mission is to transform every station into a lifestyle hub, a destination of choice for people. This can be achieved by working with the authorities and our tenants to create the right trade and tenant mix and create a customer-focused environment.”

FUTURE GROWTH

In FY 2003, SMRT Corp strived to consolidate its operations and redefine its positioning to build on the opportunities for growth that it had seized in the previous year.

SMRT Corp's acquisition of TIBS completed at the end of 2001 ushered in a new era, marking its transformation into Singapore's first multi-modal transport operator. This new role brought with it a change in mindset: one that is epitomised by our commitment to offer commuters seamless, door-to-door connectivity.

Integrating With Care TIBS core business of bus and taxi operations and SMRT's traditional turf of rapid transit operations make for a natural and synergistic fit.

During the year, the integration process progressed steadily with an emphasis on unlocking the synergies of merger and seizing business opportunities that present themselves to the new, merged entity.

In management support and administration, the integration of the Internal Audit department was completed in 2002 while the integration of Company Secretariat and Legal was finalised in February 2003. Currently, efforts to centralise the functions of the Group's Human Resource and Training, Finance, Computer Services and Corporate Communications departments are underway with completion estimated before the end of 2003.

In terms of service integration, every effort has been made to align bus and train service schedules and information and to jointly market and promote our suite of bus, train and taxi services. At the same time, management is mindful not to act too hastily, so as to protect the core of the business and to keep intact the strong branding and vast reserves of goodwill associated with the Group's various business units such as SMRT, Tibs and TIBS Taxis.

Overall, the Group's considered approach to integration has reduced duplication while boosting productivity. In turn, greater productivity and the expediency that accrues from streamlined operations translate into a leaner cost structure for the Group.

Given our challenging business environment, efforts to manage costs better are being explored on various fronts. Where feasible, our operations will be reconfigured to achieve greater cost savings. However, management is mindful that in looking to contain costs, the safety and well-being of our commuters will at no time be compromised.

Circle Line To Break New Ground Looking ahead, the new Circle Line, which SMRT will operate upon its completion, opens up new vistas of growth.

Running through some of Singapore's most heavily populated urban corridors, the line promises to be well patronised. Management is currently working with the LTA to boost connectivity on the Circle Line by offering more entry points into each station, via passageways linked with retail spaces where appropriate. If successfully implemented, this move will drive greater passenger traffic through the stations and onto the trains; thus making the Circle Line a potentially lucrative source of revenue.

Gearing up for future operations, a dedicated team is already working on Circle Line and progress is brisk. The team worked closely with LTA to review the system contractor's design documents on operations and maintenance of driverless trains. Renowned French railway consultant Semaly International was engaged to assist the team in its efforts.

Circle Line Division's railway experience, coupled with an electronic document management system and Quality Management System, successfully drew

the first phase of preliminary design review to a close in September 2002. The development of railway procedures is on track for completion by Year 2005.

Moving forward, a training route map for Circle Line staff has been rolled out in preparation for revenue service. The training programme, which involves local and overseas training, specialist technical and non-technical courses, was launched by a 3-week attachment to RATP and another 3-week training organised by Keolis in France for a group of 17 staff in the third quarter of 2002.

Non-Fare Revenue To Grow Looking to non-fare revenue, SMRT Corp expects to reap tangible benefits from the recent appointment of Motion Ads, part of TIBS Motors as its advertising representative. As part of the SMRT Group of companies, the appointment of Motion Ads eliminates third party costs while ensuring that a dedicated advertising team is at its disposal. In addition, the wealth of experience that Motion Ads has gained in bus advertising will be brought to bear on station and train advertisements.

Turning to commercial revenue, management is keenly aware that the potential of commercial space within MRT stations has not been fully exploited. SMRT will work with the Authorities to find creative ways to improve the quantum and quality of commercial space at our MRT stations. In the process, a better mix of tenants will hopefully be attracted to our stations, encouraging heavier customer traffic and driving rents higher.

In the future SMRT Corp will continue to explore business development opportunities abroad. However, in pursuing consultancy assignments overseas, SMRT Corp has chosen to be prudent and selective given the volatility in the global economy.

In our core rail and road operations, we remain focused on offering Singapore commuters one of the

safest, most reliable and seamless transport services in the world.

However, we strive to surpass these goals to make each of our train stations and bus interchanges a lifestyle hub of choice for our commuters. We have put in place plans to achieve customer service excellence throughout the organisation. In the long run, we hope to empower our people to their utmost to serve our customers on whom our continued success rests.

Future Growth



CORPORATE GOVERNANCE

This report describes the corporate governance practices that were in place at SMRT Corp throughout the financial year. In line with the recommendations in the Code of Corporate Governance, SMRT Corp has taken steps towards achieving full compliance with the Code.

Board Matters

The Board comprises 12 Directors and one Alternate Director. Except for the President & Chief Executive Officer (“CEO”), the other 11 Directors are non-executive Directors. One Director and his Alternate Director are non-independent Directors while the remaining ten are considered independent Directors.

The Board comprises Directors who provide core competencies including accounting, finance, law, business and management. The Directors also bring to the Board their industry knowledge and vast experience in strategic planning and customer relations.

There is a clear division of responsibility between the Chairman, who is non-executive, and the President & CEO. The roles of the Chairman and the President & CEO are, and will remain, separate.

The Board met a total of six times during the year. The Board oversees the overall strategy of the Group and supervises its management and affairs. Apart from its statutory duties, the Board also approves the Group’s strategic directions, key operational initiatives, annual budgets, major acquisitions and disposals, authority levels for expenditure, major funding and investment proposals, and reviews the financial position of the Company and the Group.

To assist the Board in the discharge of its duties, Management provides the Board with balanced and understandable management accounts of the Group’s performance, position and prospects on a monthly basis. Directors receive Board and Committee papers several days in advance of Board and Committee meetings and have separate and independent access to the Company’s Senior Management and Company Secretary. The Board has adopted a procedure whereby any Director may in the furtherance of his duties take independent professional advice, if necessary, at the Company’s expense.

Apart from an orientation training programme to familiarise newly appointed Directors with the Company’s business and corporate governance practices, Directors receive further relevant training as and when necessary.

To facilitate effective management, certain functions have been delegated by the Board to the various Board Committees, each of which has its own written terms of reference. Assisting the Board are the Nominating, Executive, Remuneration and Audit Committees.

Nominating Committee The Nominating Committee (“NC”) comprises three members, the majority of whom are independent. The Committee is chaired by Engelin Teh Guek Ngor. The other members are Chew Choon Seng and Jimmy Phoon Siew Heng.

The main terms of reference are:

- To review and make recommendations to the Board on all Board appointments and re-appointments;
- To oversee the composition of the Board and Board Committees to ensure that they meet the composition and balance required under the Code of Corporate Governance;
- To ensure that the independent Directors meet the criteria set out in the SGX-ST guidelines;
- To conduct an exercise to determine the independence of each Director; and
- To conduct a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

Corporate Governance

Pursuant to the Company's Articles of Association, one-third of the Board of Directors retire and are subject to re-election at every annual general meeting of the Company. A newly appointed Director must also subject himself for retirement and election at the annual general meeting immediately following his appointment.

The NC has in adopting the Board Evaluation Questionnaire recommended by Temasek Holdings (Private) Limited adopted an objective performance criteria for assessing the contribution by each Director and also the effectiveness of the Board as a whole. The performance evaluation takes into account the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers, return on assets, return on equity, return on investment, economic value added and profitability on capital employed.

Key information regarding the Directors is given at page 59.

The NC had eight meetings during the year.

Executive Committee The Executive Committee ("Exco") is chaired by Chew Choon Seng and includes two other Board members, Ng Ser Miang and Jimmy Phoon Siew Heng. The Exco met four times during the year. On behalf of the Board, it oversees the management of the Group's business and affairs within the limits of authority delegated by the Board. The Exco reviews significant tenders, capital and operating budgets, treasury transactions, bank account opening arrangements, and where necessary, it considers and initiates proposals for restructuring business units, investments, acquisitions, divestments and funding.

Management Committee The Management Committee ("MC") is not a Board Committee. Decisions of the Board are communicated to the MC, which comprises Senior Management and Heads of Division, and is chaired by the President & CEO.

The MC meets on a fortnightly basis to review the status of various projects, discuss or propose strategic objectives, key policies and operational matters for the Group.

Remuneration Matters

Non-executive directors are paid directors' fees comprising a basic fee and additional fees for appointments in other Board Committees. The President & CEO as executive director does not receive directors' fees.

The report on Directors' remuneration and remuneration of top five key executives are at page 140. There is no employee, who is an immediate family member of a Director or the President & CEO, whose remuneration exceeds \$150,000 during the financial year ended 31 March 2003.

Remuneration Committee The Remuneration Committee ("RC") has three members, all of whom are non-executive and independent Directors. They are Chew Choon Seng (Chairman), Koh Kheng Siong and Cheah Kean Huat. The RC deals with the remuneration of the Directors, the President & CEO and Senior Management. The RC has access to expert opinion and advice on human resource matters whenever there is a need to consult externally. Its main terms of reference are:

- To evaluate the President & CEO's performance;
- To set the President & CEO's goals based on strategic plans;
- To administer the SMRT Employee Share Option Plan;
- To design executive compensation packages; and
- To ensure appropriate remuneration policies.

In setting remuneration packages, the RC will take into account the Company's performance and the performance of individual senior executives. It also reviews the Company's remuneration policy to ensure that it is in line with market practices.

The RC met five times during the year.

Accountability and Audit

Audit Committee Chaired by Daniel Ee Hock Huat, the Audit Committee ("AC") includes Victor Loh Kwok Hoong, Koh Kheng Siong and Engelin Teh Guek Ngor, all of whom are independent members. Two members have accounting or related financial management expertise or experience. The Committee met a total of eight times during the year. The President & CEO, the Senior Vice-President (Finance), Director (Internal Audit) and the external auditors normally attend the meetings. During the year, the AC also met separately with the external auditors and the internal auditors without the presence of Management. This is to provide the auditors with opportunities to raise issues encountered in the course of their work directly with the AC.

The main terms of reference of the AC are:

- To review with the internal and external auditors the adequacy of the internal control systems;
- To review the audit plans and findings of the internal and external auditors;
- To review interim and full year announcements and reports that are submitted to the Board for approval; and
- To review interested person transactions.

In accordance with the principles and best practices as set out in the Best Practices Guide issued by the SGX-ST, the AC has:

- Full access to and co-operation from Management as well as full discretion to invite any Director or executive officer to attend its meetings;
- Been given reasonable resources to enable it to complete its functions properly; and
- Reviewed findings and evaluation of the system of internal controls with internal and external auditors.

Having reviewed the volume of non-audit services to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the AC has recommended their re-nomination. The AC reviews the independence of the external auditors annually.

Internal Controls The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard shareholder investments and company assets. The Board believes that in the absence of any evidence to the contrary and from due enquiry, the system of internal controls maintained by the Group's Management and set in place throughout the financial year up to and as at 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 manage rather than eliminate the risk of failure to achieve business objectives. As such, the controls can only provide reasonable and not absolute assurance against material mis-statement or loss.

During the year, the Audit Committee reviewed the effectiveness of the Group's internal controls, including financial, operational and compliance controls, and risk management. The processes used by the Audit Committee to review the effectiveness of the system of internal controls and risk management include:

Corporate Governance

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

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

Operating Structure There is a clearly defined operating structure with lines of responsibility and delegated authority and adequate reporting mechanisms to Senior Management and the Board.

Financial Reporting There is a group-wide system of planning and budgeting, with the annual budget approved by the Board. There is a practice of monthly reporting of actual performance against budget and revised forecasts to the Board; and half yearly reporting to the shareholders in accordance with the requirements of the SGX-ST. Commencing this financial year, the Company will issue quarterly financial results.

Sub-Committees of Board The Board has established several sub-committees, namely the Audit, Executive, Remuneration and Nominating Committees, each with its clearly defined terms of reference, procedures, responsibilities and powers. The minutes of the Audit Committee and the Executive Committee meetings are circulated to Board Members for information.

Policies and Procedures Controls are detailed in formal procedures, instructions and manuals, and compliance is verified by the Group's internal auditors, external auditors and ISO 9002 auditors.

Risk Identification and Assessment Risk Management practices are in place with specialised functions dealing with individual risks. The Risk Management Committee ("RMC"), which is chaired by the President & CEO, comprises the heads of the key functional units and the Director (Internal Audit). The RMC is to ensure a consistent and integrated risk management policy across the businesses. In addition, the RMC also assists the Audit Committee in its annual review on the effectiveness of the risk management processes.

Internal Audit/External 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. The work of internal audit is focused on areas of greatest risk to the Group as determined through the audit planning process. The formal reports resulting from such reviews are provided to the Audit Committee and the Chairman of the Board. KPMG, our external auditors, provide a further independent perspective on certain aspects of the internal financial control system arising from their work and annually report their findings to the AC.

Property and Liability Risks The Group's risk exposure is consistently reviewed on an annual basis by risk management consultants to ensure that its insurance programme continues to address the risk exposure identified and is adequate for its needs.

Investment Projects These are subject to formal authorization procedures with designated levels of authority. Major projects are subject to Board review and approval.

Internal Audit The internal auditor's line of functional reporting is to the Chairman of the Audit Committee. Administratively, the internal auditor reports to the President & CEO.

The Audit Committee is satisfied that the internal auditor meets the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The Audit Committee is satisfied that the internal audit function is adequately resourced to carry out its duties effectively and has appropriate standing within the Company.

The Audit Committee reviews, on an annual basis, the adequacy of the internal audit function.

Communication with Shareholders

The Board regards the Annual General Meeting as an opportunity to communicate directly with private investors and encourages participative dialogue. The Chairman, President & CEO and Chairman of each Board Committee attend the Annual General Meeting and are available to answer questions from shareholders present. External auditors are also present to assist Directors in addressing relevant queries by shareholders.

The Group has an established Investor Relations unit within the organization that manages its investor relations programme. The Company, working through its Investor Relations and/or Corporate Communications Departments:

- issues prompt and broadly disseminated news releases on significant events and initiatives;
- updates regularly its corporate website at www.smrtcorp.com;
- makes presentations on the Group's performance and business directions to the investment and media community at appropriate times;
- complies with a strict internal disclosure policy to prevent selective disclosure;
- produces informative collateral, including comprehensive annual reports, to provide updates of the latest developments within the Group; and
- disseminates comprehensive investor and media kits upon request.

Dealings in Securities

The Group has adopted an internal code in conformity with the provisions of the Best Practices Guide issued by the SGX-ST to provide guidance to its Directors and officers in relation to the dealings in the Company's securities. A system for reporting security dealings to the Company Secretary by Directors has been established to effectively monitor the dealings of these parties in the securities of the Company. In addition, a circular is issued before the start of each period to remind officers to refrain from dealing in the Company's shares during the month prior to the release of the half-year and year-end announcements of the Group's financial results.

PARTICULARS OF DIRECTORS

Name of Director/ Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
Chew Choon Seng 56 yrs	Bachelor of Engineering (Mechanical) 1st Class Hons, University of Singapore Master of Science (Operational Research & Management Studies), Imperial College, University of London	07.03.2000 18.07.2001	Senior Executive Vice President (Administration) Director Director Chairman Director Member	Singapore Airlines Limited Singapore Airlines Limited Singapore Airport Terminal Services Limited Singapore Aircraft Leasing Enterprise Pte Ltd SIA Engineering Company Limited Board of Governors of Singapore International Foundation
Saw Phaik Hwa 49 yrs	Bachelor of Science (Biochemistry) Hons, University of Singapore	20.03.2003	Director Regional President	Singapore Tourism Board DFS Venture Singapore (Pte) Ltd (1985 to 2002)
Cheah Kean Huat 50 yrs	Bachelor of Science (Economics & Electrical Engineering), Yale University Master of Business Administration, Stanford University	20.04.2000	Vice President & General Manager Member Chairman Managing Director (South Asia)	Asia Pacific Hewlett-Packard Services Pte Ltd Board of Trustees, Singapore Management University Data Storage Institute (Sept 1998 to Jul 2001) Hewlett Packard Far East Pte Ltd (1995 to 2000)

Name of Director/ Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
Choo Chiau Beng 55 yrs	Bachelor of Science (Naval Architecture) 1st Class Hons, University of Newcastle Upon Tyne, United Kingdom (Colombo Plan Scholar) Master of Science (Naval Architecture), University of Newcastle Upon Tyne, United Kingdom	01.05.2003	Chairman & Chief Executive Officer	Keppel Offshore & Marine Ltd
			Chairman	Keppel FELS Limited
			Chairman	Singapore Petroleum Company Limited
			Chairman	Ngee Ann Polytechnic Council
			Director	Keppel Corporation Ltd
			Director	Keppel Land Limited
			Director	K1 Ventures Ltd
Daniel Ee Hock Huat 50 yrs	Bachelor of Science (Systems Engineering) 1st Class Hons, University of Bath (Colombo Plan Scholar) Master of Science (Industrial Engineering), National University of Singapore	17.04.2000 17.07.2002	Managing Director	Meridian Capital Pte Ltd
			Director	Surface Mount Technology (Holdings) Limited
			Director	Kyosha Holdings (Singapore) Limited
			Director	Darco Water Technologies Limited
			Chairman	Gas Supply Pte Ltd
			Director	Singapore Changi Airport Enterprise Pte Ltd
			Member	Civil Aviation Authority of Singapore
Koh Kheng Siong 55 yrs	Bachelor of Science (Economics) Hons, University of London Master of Business Administration (Finance), University of Chicago Graduate School of Business	07.03.2000 18.07.2001	Financial Controller	ExxonMobil Oil Singapore Pte Ltd

Particulars of Directors

Name of Director/ Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
Victor Loh Kwok Hoong 64 yrs	Read Law at the Inns of Court School of Law, Council of Legal Education in England Fellow of British Institute of Management	18.04.2000 17.07.2002	Ambassador (Non-Resident)	Poland
			Director	Thakral Corporation Limited
			Director	FHTK Holdings Limited
			Director	Seksun Corporation Limited
			Director	First Engineering Limited
			Member	Board of Governors, The Institute of Policy Studies (since 1995)
			Member	Council of National University of Singapore (1994 to 2000)
Ng Ser Miang 54 yrs	Bachelor of Business Administration, Hons, University of Singapore	13.12.2001 17.07.2002	Nominated Member of Parliament	
			Ambassador	Norway and Hungary
			Chairman	TIBS International Pte Ltd
			Chairman	NTUC Choice Homes Co-operative Limited
			Vice-President	Singapore National Olympic Council
			Director	Transpac Industrial Holdings Limited
			Chairman	Singapore Sports Council (1991 to 2002)
			Managing Director	TIBS Holdings Limited (from 1992 to 2001)

Particulars of Directors

Name of Director/ Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
Niam Chiang Meng 45 yrs	Bachelor of Social Science Hons, 2nd Class Upper, Economics, National University of Singapore Master in Public Administration, Harvard University	20.03.2002	Chief Executive Officer	Housing & Development Board
Nithiah Nandan s/o Arumugam 54 yrs	Diploma in Industrial Relations	20.03.2002	Nominated Member of Parliament	
			Vice President	NTUC Central Committee
			Executive Secretary	Union Power and Gas Employees
			Director	NTUC Childcare Board
			Director	NTUC Media Co-operative
			Director	SPRING Singapore
Jimmy Phoon Siew Heng 40 yrs	Bachelor of Economics Hons, Monash University, Australia	02.05.2001 18.07.2001	Managing Director Strategic Development (Asia Investments)	Temasek Holdings (Private) Limited
			Director	Singapore Airport Terminal Services Limited
			Director	SIA Engineering Company Limited
			Director	Fullerton Global Corporation Limited
			Director	Finlayson Global Corporation Limited
			Director	PowerGrid Limited

Particulars of Directors

Name of Director/ Age	Academic & Professional Qualifications	Directorship: Date first appointed Date last re-elected	Directorships or Chairmanships in other listed companies & other major appointments, both present and held over the preceding 3 years	
Engelin Teh Guek Ngor 48 yrs	LLB (Hons), University of Singapore Fellow of the Singapore Institute of Arbitrators Senior Counsel	01.08.2001 17.07.2002	Director Managing Director	Singapore Power Limited Engelin Teh Practice LLC
Margaret Lui-Chan Ann Soo 44 yrs	Bachelor of Accountancy, University of Singapore	25.10.2002	Managing Director, Strategic Development (Global Investments) Director Director Director Director	Temasek Holdings (Private) Limited Singapore Cruise Centre Pte Ltd Tuas Power Ltd HazelTree Holdings Pte Ltd CIAS International Pte Ltd

BOARD OF DIRECTORS & COMPOSITION OF BOARD COMMITTEES

Director	Board appointments – Executive or Non-executive Director – Independent or Non-independent Director	Board Committees as Chairman or Member			
		Audit	Executive	Nominating	Remuneration
Chew Choon Seng (Chairman)	Non-executive/Independent		Chairman	Member	Chairman
Saw Phaik Hwa (President & CEO)	Executive/Non-independent				
Cheah Kean Huat	Non-executive/Independent				Member
Choo Chiau Beng	Non-executive/Independent				
Daniel Ee Hock Huat	Non-executive/Independent	Chairman			
Koh Kheng Siong	Non-executive/Independent	Member			Member
Victor Loh Kwok Hoong	Non-executive/Independent	Member			
Ng Ser Miang	Non-executive/Independent		Member		
Niam Chiang Meng	Non-executive/Independent				
Nithiah Nandan s/o Arumugam	Non-executive/Independent				
Jimmy Phoon Siew Heng	Non-executive/Non-independent		Member	Member	
Engelin Teh Guek Ngor	Non-executive/Independent	Member		Chairman	
Margaret Lui-Chan Ann Soo	Non executive/Non-independent (Alternate to Jimmy Phoon Siew Heng)				

DIRECTORS & BOARD COMMITTEES MEETINGS & ATTENDANCE

Each director attended the following meetings and Board Committees during the year while being a member of the Board:

	Board		Committees							
	a	b	Audit		Executive		Remuneration		Nominating	
	a	b	a	b	a	b	a	b	a	b
Chew Choon Seng	6	6			4	4	5	5	8	8
Saw Phaik Hwa ⁽¹⁾	–	–								
Cheah Kean Huat	6	5					5	5		
Choo Chiau Beng ⁽²⁾	–	–								
Daniel Ee Hock Huat	6	6	8	8						
Koh Kheng Siong ⁽³⁾	6	6	8	8	2	1	5	5		
Victor Loh Kwok Hoong	6	6	8	6						
Ng Ser Miang	6	2			4	3				
Niam Chiang Meng ⁽⁴⁾	–	–								
Nithiah Nandan s/o Arumugam ⁽⁵⁾	–	–								
Jimmy Phoon Siew Heng	6	4			4	3			8	8
Engelin Teh Guek Ngor	6	5	8	8					8	8
Boey Tak Hap ⁽⁶⁾	4	4			4	4				
Lye Fei ⁽⁷⁾	1	–	2	–						
Tan Yong Soon ⁽⁸⁾	1	1								

Column a: number of meetings held while a member.

Column b: number of meetings attended.

(1) Appointed as Director on 20 March 2003

(2) Appointed as Director on 1 May 2003

(3) Resigned as Executive Committee Member on 10 June 2002

(4) Appointed as Director on 20 March 2003

(5) Appointed as Director on 20 March 2003

(6) Resigned as Director on 28 November 2002

(7) Resigned as Director and Audit Committee Member on 17 July 2002

(8) Resigned as Director on 17 July 2002

KEY EXECUTIVES

Tan Hup Foi

Deputy President, SMRT Corporation Ltd

Chief Executive, Trans-Island Bus Services Ltd

Mr Tan oversees the road business of the Group as well as manages key projects in which the Group undertakes. A Colombo Plan scholar, Mr Tan graduated with a Bachelor of Engineering (Honours) from Monash University, Australia, in 1974 and a Master of Science degree in Industrial Engineering from the University of Singapore in 1979. His career in the transport industry began some 28 years ago when he joined the local transport authority soon after his graduation. Mr Tan holds appointments in various external councils/boards, amongst which are Chairman of the Asia-Pacific Division of the International Union (Association) of Public Transport ("UITP"), and Vice President of UITP, Institute of Technical Education Board of Governors and the Trustee of the Singapore National Employers' Federation.

Fong Seck Kong

Executive Vice President, SMRT Corporation Ltd

Deputy Managing Director, Singapore MRT Ltd

Dr Fong is in charge of our rail operations. He graduated with a Bachelor of Science Honours degree from the University of Singapore in 1967 and was conferred with a PhD in Chemical Engineering from the University of New South Wales, Australia, in 1970. He worked in the Civil Service for 20 years holding senior appointments in various ministries before being seconded in 1987 to the Mass Rapid Transit Corporation as General Manager (Special Duties).

Low Ah Tee

Senior Vice President (Corporate Services), SMRT Corporation Ltd

General Manager (Human Resource and Administration)

Singapore MRT Ltd

Lieutenant-Colonel (RET) Low oversees the human resource and administration, and information technology functions of the Group. He graduated from the University of Singapore with a Bachelor of Science degree with Honours in 1967. He was with the Civil Service, holding senior appointments in the Prime Minister's Office, Defence, Finance and National Development ministries prior to joining the Mass Rapid Transit Corporation in 1985 as Manager (Personnel & Administration).

Catherine Kuan-Lee Yee Fong

Senior Vice President (Finance), SMRT Corporation Ltd

General Manager (Finance), Singapore MRT Ltd

Mrs Kuan oversees the finance functions of the Group. She has a Bachelor of Accountancy degree from the University of Singapore and is a registered member of the Institute of Certified Public Accountants. Prior to joining us in 1986, she was with Intraco Ltd for ten years as the Financial Controller/Company Secretary.

Teo Joo Huak

General Manager, Trans-Island Bus Services Ltd

Mr Teo is in charge of our bus operations. He holds a Bachelor of Accountancy degree from the University of Singapore and is a member of the Institute of Certified Public Accountants of Singapore. Prior to joining us in 1984, he worked for five years as a Financial Controller in the private sector.

FINANCIALS

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FINANCIAL REVIEW

Overview

Group revenue rose 38.0 per cent to \$685.6 million due to the consolidation of TIBS' results for the full year as compared to 4 months in the previous year. However, profit before tax of \$72.7 million was 11.7 per cent lower. This was primarily due to higher costs resulting from a scheduled train overhaul programme, and costs related to the implementation of the Enhanced Integrated Fare System ("EIFS"). The decline in profits was also due to interest expenses on the \$500 million bond issue in December 2001 to finance the acquisition of TIBS and the final instalment payment to LTA. After-tax profit increased 27.2 per cent to \$72.2 million due to a write-back of tax amounting to \$20.3 million arising mainly from the reduction in corporate tax rate from 24.5 per cent to 22.0 per cent.

Revenue

Group revenue rose 38.0 per cent or \$188.8 million due to the consolidation of TIBS' results for the full year.

Fare revenue from MRT operations reflected a fare adjustment in July 2002 and a modest growth in MRT ridership. Growth in daily average ridership of 1.2 per cent was low reflecting the generally weak economic condition.

The increase in revenue from bus and taxi operations reflected full-year contributions as compared to 4 months in the previous year.

Rental revenue was stable. Advertising revenue was adversely affected by the weak economic condition.

The higher revenue from engineering and other services was due mainly to a full-year contribution from TIBS.

Operating Expenses

The higher operating expenses in FY2003 included those of TIBS for a full-year as compared to 4 months in the previous year.

The increase in staff and related costs was due primarily to the enlarged staff force following the acquisition of TIBS. Excluding this factor, staff costs rose by 2.0 per cent.

Scheduled train overhaul by SMRT accounted for part of the increase in repairs and maintenance costs.

Other operating expenses included fees relating to the operation of the ez-link Card system.

The increase in depreciation reflected the capitalisation of operating assets including Rail Travel Information System, Visual Passenger Information System and EIFS.

Share of Results of Associates

Share of losses of associates related mainly to our investment in the company that publishes the TODAY newspaper. During the year, the Group accounted for its share of losses to the extent of its cost of investment. Accordingly in line with accounting standards, the Group will no longer recognise further losses, if any.

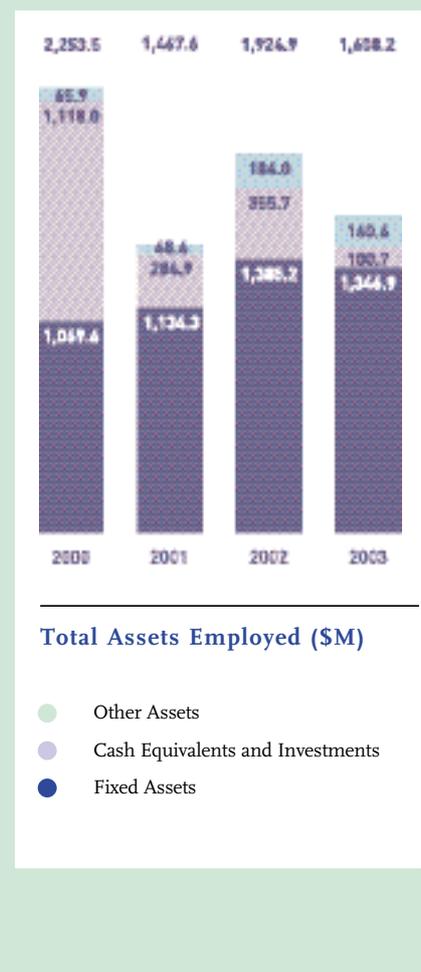
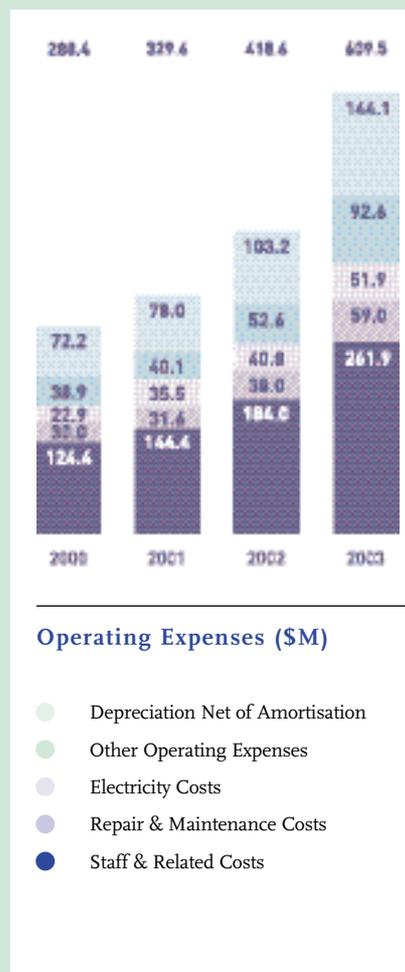
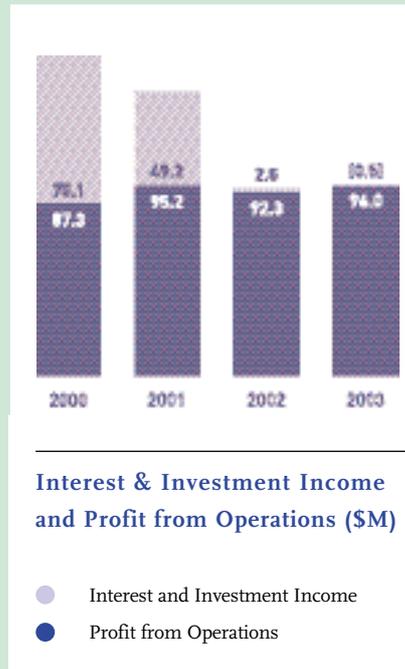
Financial Review

Dividends

The Board of Directors has proposed a final gross dividend of 17.8 per cent (1.78 cents) per share less tax at 22 per cent (\$20.84 million) for approval by the shareholders at the Annual General Meeting ("AGM") to be held on 17 July 2003.

This, together with the interim dividend, will bring the total gross dividends for FY2003 to 30.8 per cent (3.08 cents) per share less tax at 22 per cent amounting to \$36.05 million.

The Company intends to continue paying an ordinary dividend of approximately 50 per cent of the consolidated net profit from operations for each financial year, subject to capital expenditure and other investment plans.



DIRECTORS' REPORT

for the year ended 31 March 2003

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 March 2003.

Directors

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

Chew Choon Seng	Chairman
Saw Phaik Hwa	(Appointed on 20 March 2003)
Cheah Kean Huat	
Choo Chiau Beng	(Appointed on 1 May 2003)
Daniel Ee Hock Huat	
Koh Kheng Siong	
Victor Loh Kwok Hoong	
Ng Ser Miang	
Niam Chiang Meng	(Appointed on 20 March 2003)
Nithiah Nandan s/o Arumugam	(Appointed on 20 March 2003)
Jimmy Phoon Siew Heng	
Engelin Teh Guek Ngor	
Margaret Lui-Chan Ann Soo	(Alternate to Jimmy Phoon Siew Heng, appointed on 25 October 2002)

Principal Activities

The principal activities of the Company are those relating to investment holding and provision of engineering consultancy and other engineering services and management services to group companies.

The subsidiaries are involved in five key businesses as follows:

- (i) **Rail Operations** Its principal activities are to provide transport-related businesses in Singapore. It operates both the Mass Rapid Transit System ("MRT") and Bukit Panjang Light Rapid Transit System ("LRT").
- (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 and Advertising** Its principal activities are the leasing of commercial space, kiosks and advertising panels at the MRT and LRT stations as well as advertising panels in trains, buses and taxis.
- (v) **Engineering Services and Other Services** The business provides consultancy, project management services, leasing of fibre optic cables, leasing of motor vehicles and repair and maintenance services.

There have been no significant changes in activities of the Group or of the Company during the financial year.

Acquisitions and Disposals of Subsidiaries

The following subsidiaries were dissolved during the financial year:

	Effective Equity Interest Held by the Group
Subsidiaries of subsidiary, TIBS Holdings Ltd:	
Hollycourt Limited	100%
Tonfat Limited	100%

There were no acquisitions or disposals of any other subsidiaries during the financial year.

Financial Results

The results of the Group and of the Company for the financial year are as follows:

	The Group \$'000	The Company \$'000
Profit after taxation	72,068	192,900
Accumulated profits brought forward	237,835	77,808
	<u>309,903</u>	<u>270,708</u>
Appropriations:		
Final dividend paid of 1.50 cents per share less tax at 22% in respect of year 2002	(17,444)	(17,550)
Interim dividend paid of 1.30 cents per share less tax at 22% in respect of year 2003	(15,210)	(15,210)
	<u>(32,654)</u>	<u>(32,760)</u>
Accumulated profits carried forward	<u>277,249</u>	<u>237,948</u>

Transfers to or from Reserves and Provisions

There were no material transfers to or from reserves during the financial year. Material movements in provisions are as set out in the notes to the accompanying financial statements.

Issue of Shares and Debentures

Neither the Company nor its subsidiaries issued any shares or debentures during the financial year.

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects 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.

Directors' Report

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year in shares and debentures 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
Chew Choon Seng		
SMRT Corporation Ltd		
– ordinary shares of \$0.10 each	50,000	50,000
Raffles Holdings Limited		
– ordinary shares of \$0.50 each	12,000	12,000
SIA Engineering Company Limited		
– ordinary shares of \$0.10 each	20,000	20,000
Singapore Airlines Limited		
– ordinary shares of \$0.50 each	214,000	214,000
– options to subscribe for ordinary shares of \$0.50 each at:		
– \$15.34 between 28/3/2000 to 27/3/2010	60,000	60,000
– \$16.65 between 3/7/2000 to 2/7/2010	90,000	90,000
– \$11.96 between 2/7/2001 to 1/7/2011	152,000	152,000
– \$12.82 between 2/7/2002 to 1/7/2012	–	152,000
Singapore Airport Terminal Services Limited		
– ordinary shares of \$0.10 each	10,000	10,000
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	11,820	11,880
Saw Phaik Hwa		
SMRT Corporation Ltd		
– ordinary shares of \$0.10 each	80,000	80,000
Cheah Kean Huat		
SMRT Corporation Ltd		
– ordinary shares of \$0.10 each	30,000	30,000
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	–	10,000

Directors' Interests (cont'd)

Name of director and corporation in which interests are held	Holdings in the name of the director, spouse or infant children	
	At beginning of the year/ Date of appointment	At end of the year
Daniel Ee Hock Huat		
CapitaMall Trust Management Limited – units in property trust	–	20,000
SMRT Corporation Ltd – ordinary shares of \$0.10 each	55,000	55,000
SembCorp Industries Ltd – ordinary shares of \$0.25 each	3,709	3,709
Singapore Food Industries Limited – ordinary shares of \$0.05 each	60,000	61,000
Singapore Telecommunications Limited – ordinary shares of \$0.15 each	3,640	3,760
Singapore Technologies Engineering Ltd – ordinary shares of \$0.10 each	–	20,000
Vertex Venture Holdings Ltd – ordinary shares of \$0.20 each	7,120	–
Koh Kheng Siong		
CapitaLand Limited – ordinary shares of \$1.00 each	25,000	25,000
SembCorp Industries Ltd – ordinary shares of \$0.25 each	20,000	20,000
SembCorp Logistics Ltd – ordinary shares of \$0.25 each	24,000	24,000
SIA Engineering Company Limited – ordinary shares of \$0.10 each	2,000	2,000
Singapore Airlines Limited – ordinary shares of \$0.50 each	15,000	15,000
Singapore Technologies Engineering Ltd – ordinary shares of \$0.10 each	34,361	34,361

Directors' Report

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
Koh Kheng Siong (cont'd)		
Singapore Telecommunications Limited – ordinary shares of \$0.15 each	15,050	15,160
ST Assembly Test Services Ltd – ordinary shares of \$0.25 each	1,000	1,000
Victor Loh Kwok Hoong		
SMRT Corporation Ltd – ordinary shares of \$0.10 each	51,000	51,000
CapitaLand Limited – ordinary shares of \$1.00 each	1,000	1,000
Singapore Technologies Engineering Ltd – ordinary shares of \$0.10 each	2,000	92,000
Singapore Telecommunications Limited – ordinary shares of \$0.15 each	9,380	9,480
Ng Ser Miang		
SembCorp Industries Ltd – ordinary shares of \$0.25 each	25,000	100,000
Singapore Telecommunications Limited – ordinary shares of \$0.15 each	103,060	4,660
Niam Chiang Meng		
CapitaLand Limited – ordinary shares of \$1.00 each	10,000	10,000
CapitaMall Trust Management Limited – units in property trust	94,000	94,000
Singapore Telecommunications Limited – ordinary shares of \$0.15 each	15,200	15,200

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
Jimmy Phoon Siew Heng Singapore Telecommunications Limited – ordinary shares of \$0.15 each	4,440	4,560
Engelin Teh Guek Ngor Finlayson Global Corporation Ltd – 0% bonds maturing in 2004	\$10,000	\$10,000
Singapore Airlines Limited – ordinary shares of \$0.50 each	5,000	5,000
Singapore Telecommunications Limited – ordinary shares of \$0.15 each	1,490	1,540
ST Assembly Test Services Ltd – ordinary shares of \$0.25 each	1,000	1,000
The Ascott Group Limited – ordinary shares of \$0.20 each	10,000	10,000
Margaret Lui-Chan Ann Soo CapitaLand Limited – ordinary shares of \$1.00 each	10,000	10,000
SembCorp Industries Ltd – ordinary shares of \$0.25 each	11,000	11,000
Singapore Telecommunications Limited – ordinary shares of \$0.15 each	3,440	3,440

As at 21 April 2003 (being 21 days after the end of the financial year), the interests of directors who held office at the end of the financial year in shares in the Company and related corporations remained unchanged.

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

Directors' Report

Dividends

Since the end of the last financial year, the Company paid a net final dividend of \$17,550,000 in respect of the previous financial year as proposed in the directors' report for that year and a net interim dividend of \$15,210,000. The directors now recommend the payment of a net final dividend of \$20,840,000 in respect of the financial year under review.

Bad and Doubtful Debts

Before the profit and loss account and the balance sheet of the Company were made out, the directors took reasonable steps to ascertain what action had been taken in relation to writing off bad debts and providing for doubtful debts of the Company. The directors have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off for bad debts or provided for doubtful debts in the Group inadequate to any substantial extent.

Current Assets

Before the profit and loss account and the balance sheet of the Company were made out, the directors took reasonable steps to ascertain that current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values and that adequate provision has been made for the diminution in value of such current assets.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report which would render the values attributable to current assets in the Group misleading.

Charges and Contingent Liabilities

Since the end of the financial year:

- (i) no charge on the assets of the Group or of the Company has arisen which secures the liabilities of any other person; and
- (ii) no contingent liability of the Group or of the Company has arisen.

Ability to Meet Obligations

No contingent liability or other liability of the Group or of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

Other Circumstances Affecting the Financial Statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group or of the Company misleading.

Unusual Items

In the opinion of the directors, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Group or of the Company during the financial year.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Directors' Interests in Contracts

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

The SMRT Corporation Employee Share Option Plan ("SMRTC ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRTC ESOP is administered by the Remuneration Committee, comprising Mr Chew Choon Seng, Chairman of the Committee, Mr Cheah Kean Huat and Mr Koh Kheng Siong.

The SMRTC 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.

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 SMRTC ESOP as it thinks fit.

The salient features of the SMRTC ESOP are as follows:

- (i) **Eligible participants** At the absolute discretion of the Committee, all confirmed employees of the Group (including any director of the Group who performs an executive function) who are not less than 21 years old and have been in the service of the Group for at least one year prior to the date of which an Option is granted ("Grant Date") are eligible to participate in the SMRTC ESOP.
- (ii) **Maximum allowable allotment** The aggregate number of shares issued under the SMRTC ESOP ("ESOP Shares") 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.

Directors' Report

- (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).

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 SMRTC ESOP on the unissued ordinary shares of \$0.10 each of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1/4/2002	Options granted	Options exercised	Options cancelled/lapsed	Options outstanding at 31/3/2003	Number of option holders at 31/3/2003	Exercise period
16/7/2001	\$0.816	7,309,500	–	–	146,500	7,163,000	2,452	16/7/2002 to 15/7/2011
22/7/2002	\$0.676	–	6,370,200	–	59,000	6,311,200	3,541	22/7/2003 to 21/7/2012
		7,309,500	6,370,200	–	205,500	13,474,200	5,993	

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.

Since the commencement of the Scheme, no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

During the financial year, no options have been granted to the employees of the Company or its related corporations who receive 5% or more of the total options available to the employees of the Company or its related corporations under the SMRTC 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.

Audit Committee

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

Daniel Ee Hock Huat	(Chairman)
Lye Fei	(Resigned on 17 July 2002)
Koh Kheng Siong	
Victor Loh Kwok Hoong	
Engelin Teh Guek Ngor	

Audit Committee (cont'd)

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

- the effectiveness of the management of financial business risks and the reliability of management reporting;
- compliance with laws and regulations, particularly those of the Companies Act, Chapter 50 and the SGX-ST Listing Manual;
- the appropriateness of interim and full year announcements and reports;
- 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 and the assistance given by the Group's officers to the auditors, and receiving and considering the reports of the internal and the external auditors and the internal auditors' evaluation of the system of internal controls. The Committee also recommends the appointment of the external auditors.

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

The Committee has reviewed all non-audit services provided by the external auditors, KPMG, to the Group and is of the opinion that the provision of such non-audit services has not affected the independence of the external auditors.

In addition, the Committee has, in accordance with Chapter 9 of the SGX-ST 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



Chew Choon Seng
Director



Saw Phaik Hwa
Director

Singapore, 9 May 2003

STATEMENT BY DIRECTORS
for the year ended 31 March 2003

We, being directors of the Company, do hereby state that in our opinion:

- (a) the financial statements set out on pages 83 to 138 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 2003 and of the results of the business and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



Chew Choon Seng
Director



Saw Phaik Hwa
Director

Singapore, 9 May 2003

REPORT OF THE AUDITORS
TO THE MEMBERS OF SMRT CORPORATION LTD

We have audited the consolidated financial statements of the Group and the financial statements of the Company for the year ended 31 March 2003 as set out on pages 83 to 138. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group as at 31 March 2003 and of the results and changes in equity of the Company and of the Group and of the cash flows of the Group for the year ended on that date; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements;
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all the subsidiaries of which we have not acted as auditors, being financial statements that have been included in the consolidated financial statements of the Group. The names of these subsidiaries are stated in note 5 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and we have received satisfactory information and explanation as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification, and in respect of subsidiaries incorporated in Singapore, did not include any comments made under Section 207 (3) of the Act.



KPMG
Certified Public Accountants
Singapore, 9 May 2003

BALANCE SHEETS

as at 31 March 2003

	Note	----- The Group -----		----- The Company -----	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Non-current assets					
Property, plant and equipment	4	1,346,891	1,385,158	184	249
Investments in subsidiaries	5	–	–	351,332	353,808
Interests in associates	6	1,215	3,783	–	–
Finance lease receivables due after 12 months	7	148	573	–	–
Financial assets	8	4,050	8,534	–	–
Intangible asset	9	66,960	68,007	–	–
		<u>1,419,264</u>	<u>1,466,055</u>	<u>351,516</u>	<u>354,057</u>
Current assets					
Inventories	10	45,456	42,249	–	–
Trade and other receivables	11	43,098	61,688	586,070	371,266
Financial assets	8	400	9,163	–	–
Tax recoverable	15	3,696	7,703	5,365	7,703
Fixed deposits with banks and financial institutions	36	58,102	305,198	–	–
Cash at banks and in hand		38,168	32,803	473	818
		<u>188,920</u>	<u>458,804</u>	<u>591,908</u>	<u>379,787</u>
Current liabilities					
Trade and other payables	16	216,269	176,306	55,355	5,883
Amount due to LTA	19	3,721	254,611	–	–
Interest-bearing borrowings	20	4,972	96,647	–	–
Employee benefits	21	4,011	5,611	121	153
Provisions	22	10,980	10,217	–	–
Current tax payable		2,987	4,009	–	–
		<u>242,940</u>	<u>547,401</u>	<u>55,476</u>	<u>6,036</u>
Net current (liabilities)/assets		<u>(54,020)</u>	<u>(88,597)</u>	<u>536,432</u>	<u>373,751</u>
Balance carried forward		<u>1,365,244</u>	<u>1,377,458</u>	<u>887,948</u>	<u>727,808</u>

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

BALANCE SHEETS (CONT'D)

	Note	----- The Group -----		----- The Company -----	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance brought forward		1,365,244	1,377,458	887,948	727,808
Non-current liabilities					
Interest-bearing borrowings	20	500,000	512,519	500,000	500,000
Employee benefits	21	6,043	5,196	—	—
Deferred tax liabilities	23	158,892	156,752	—	—
Fuel equalisation account	24	17,961	17,961	—	—
		682,896	692,428	500,000	500,000
Minority interests		1,582	1,318	—	—
Net assets		680,766	683,712	387,948	227,808
Share capital					
Share capital	25	150,000	150,000	150,000	150,000
Accumulated profits		277,249	237,835	237,948	77,808
Share capital and accumulated profits		427,249	387,835	387,948	227,808
Deferred grant	27	253,517	295,877	—	—
		680,766	683,712	387,948	227,808

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

PROFIT AND LOSS ACCOUNTS

for the year ended 31 March 2003

	Note	----- The Group -----		----- The Company -----	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue	28	685,638	496,804	264,249	82,109
Other operating income	29(a)	19,901	13,992	4	5
Staff and related costs	29(b)	(261,925)	(183,981)	(6,513)	(7,131)
Depreciation and impairment losses of property, plant and equipment	4	(186,168)	(149,732)	(90)	(89)
Amortisation of asset-related grant	27	42,049	46,564	-	-
Repairs and maintenance costs		(59,023)	(37,933)	-	-
Electricity and diesel costs		(51,871)	(40,756)	-	-
Other operating expenses		(92,609)	(52,635)	(4,337)	(8,375)
Profit from operations		95,992	92,323	253,313	66,519
Finance costs	29(d)	(20,279)	(6,280)	(15,743)	(4,301)
Interest and investment (expense)/ income	29(e)	(466)	2,508	9,219	796
Share of results of associates		(2,568)	(6,282)	-	-
Profit from ordinary activities before taxation	29	72,679	82,269	246,789	63,014
Income tax expenses	30	(483)	(25,490)	(53,889)	(18,142)
Profit from ordinary activities after taxation		72,196	56,779	192,900	44,872
Minority interests		(128)	18	-	-
Net profit for the year		72,068	56,797	192,900	44,872
Basic earnings per share (in cents)	31	4.80	3.79		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2003

	Share capital \$'000	Accumulated profits \$'000	Total \$'000
The Group			
At 1 April 2001	150,000	231,435	381,435
Net profit for the year	–	56,797	56,797
Final dividend paid of 1.50 cents per share less tax at 24.5% in respect of year 2001	–	(16,988)	(16,988)
Special dividend paid of 1.65 cents per share less tax at 24.5% in respect of year 2001	–	(18,686)	(18,686)
Interim dividend paid of 1.30 cents per share less tax at 24.5% in respect of year 2002	–	(14,723)	(14,723)
At 31 March 2002	150,000	237,835	387,835
Net profit for the year	–	72,068	72,068
Final dividend paid of 1.50 cents per share less tax at 22% in respect of year 2002	–	(17,444)	(17,444)
Interim dividend paid of 1.30 cents per share less tax at 22% in respect of year 2003	–	(15,210)	(15,210)
At 31 March 2003	150,000	277,249	427,249

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2003

	Share capital \$'000	Accumulated profits \$'000	Total \$'000
The Company			
At 1 April 2001	150,000	83,333	233,333
Net profit for the year	–	44,872	44,872
Final dividend paid of 1.50 cents per share less tax at 24.5% in respect of year 2001	–	(16,988)	(16,988)
Special dividend paid of 1.65 cents per share less tax at 24.5% in respect of year 2001	–	(18,686)	(18,686)
Interim dividend paid of 1.30 cents per share less tax at 24.5% in respect of year 2002	–	(14,723)	(14,723)
At 31 March 2002	150,000	77,808	227,808
Net profit for the year	–	192,900	192,900
Final dividend paid of 1.50 cents per share less tax at 22% in respect of year 2002	–	(17,550)	(17,550)
Interim dividend paid of 1.30 cents per share less tax at 22% in respect of year 2003	–	(15,210)	(15,210)
At 31 March 2003	150,000	237,948	387,948

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2003

	2003 \$'000	2002 \$'000
Operating Activities		
Profit from operating activities before taxation	72,679	82,269
Adjustments for items not involving outlay of funds:		
Allowance for obsolete inventories	728	1,024
Amortisation of asset-related grant	(42,049)	(46,564)
Amortisation of goodwill	3,587	1,153
Decrease in employee benefits	(730)	(489)
Depreciation and impairment losses of property, plant and equipment	186,168	149,732
Dividend income	(184)	(123)
Grant released	(311)	(128)
Interest expense	20,279	6,280
Interest income	(768)	(1,708)
Diminution in value of long-term investments	90	-
Loss/(gain) on disposals of:		
- investments	1,418	(677)
- property, plant and equipment	(1,118)	(223)
Property, plant and equipment written off	749	568
Provisions made during the year	5,905	1,618
Share of results of associates	2,568	6,282
Operating profit before working capital changes	249,011	199,014
Changes in working capital:		
Inventories	(3,935)	(14,085)
Finance lease receivables	1,475	823
Trade and other receivables	18,702	2,386
Amounts due from associates and related companies	(403)	3,547
Trade balance due to LTA	51	(994)
Trade and other payables and provisions	(57,372)	(35,436)
Income taxes refunded/(paid)	207,529	155,255
Dividends paid	5,129	(97)
Interest paid	(32,654)	(50,397)
	(20,236)	(1,980)
Cash flows from operating activities	159,768	102,781
Investing Activities		
Investments in associates	-	(8,219)
Dividends received	184	123
Interest received	854	3,293
Purchases of property, plant and equipment	(63,568)	(57,900)
Proceeds from disposals of investments	11,739	41,757
Proceeds from disposals of property, plant and equipment	4,427	3,073
Acquisition of subsidiaries, net of cash acquired	-	(193,960)
Cash flows used in investing activities	(46,364)	(211,833)
Balance carried forward	113,404	(109,052)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

for the year ended 31 March 2003

	2003 \$'000	2002 \$'000
Balance brought forward	113,404	(109,052)
Financing Activities		
Decrease in non-trade balance due to LTA	(250,941)	(271,456)
Proceeds from unsecured bonds	–	500,000
Repayment of bank loans	(24,216)	(50,365)
Redemption of unsecured bonds	(80,000)	–
Loan from minority shareholder of a subsidiary	22	–
Cash flows from financing activities	(355,135)	178,179
Net (Decrease)/Increase in cash and cash equivalents	(241,731)	69,127
Cash and cash equivalents at beginning of year	338,001	243,298
Adjustment due to business combination	–	25,576
Cash and cash equivalents at end of year	96,270	338,001

Cash and cash equivalents at end of the year comprise:

Fixed deposits with banks and financial institutions	58,102	305,198
Cash at banks and in hand	38,168	32,803
	96,270	338,001

The attributable net assets of subsidiaries acquired during the year are as follows:

Acquisition:

Property, plant and equipment	–	343,490
Investments	–	9,487
Other non-current assets	–	1,006
Current assets	–	40,578
Current liabilities	–	(144,732)
Non-current liabilities	–	(120,352)
Goodwill	–	69,160
Purchase consideration	–	198,637
Less:		
Net cash at bank of subsidiaries acquired	–	(4,677)
Cash outflow on acquisition	–	193,960

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2003

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Directors on 9 May 2003.

1. Domicile and Activities

SMRT Corporation Ltd (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 engineering consultancy and other engineering services and management services to group companies. The principal activities of the subsidiaries are set out in note 5 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the "Group") and the Group's interests in associates.

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

2. Licence and Operating Agreements

(a) *Singapore MRT Ltd ("SMRT")* A Licence and Operating Agreement ("the LOA") with the Land Transport Authority ("LTA") under which SMRT is licensed to operate the existing MRT system in Singapore came into effect on 1 April 1998. The 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 LOA, and at 1% from 1 April 2003 to 31 March 2010 and thereafter, the percentage shall be determined by LTA and renewed every ten years. SMRT may request LTA to extend the licence or subsequent licence for a period of 30 years subject to any other terms and conditions as LTA may impose.
- (ii) SMRT 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 LOA. The main categories of eligible operating assets are trains, permanent way vehicles, power supply equipment and cabling, supervisory control system, escalators and lifts, platform screen doors, environmental control system, electrical service and fire protection system, signalling system, communication system, automatic fare collection system and depot workshop equipment.
- (iii) Upon the expiration or cancellation of the licence, SMRT 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 LOA subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the LOA terms by SMRT, SMRT is required upon cancellation, to refund to LTA the total amount of the replacement grants received or such portion thereof as LTA may determine.

Notes to the Financial Statements

- (b) *Singapore LRT Pte Ltd ("SLRT")* A Licence and Operating Agreement ("the LRT LOA") with LTA under which SLRT is licensed to operate the Bukit Panjang Light Rapid Transit System ("the LRT System") in Singapore came into effect on 6 November 1999. The LRT LOA sets out the terms and conditions under which the licence is granted and includes the following:
- (i) The licence is for the period from 6 November 1999 to 31 March 2028 at an annual licence fee calculated at 0.5% of the annual passenger revenue of the preceding financial year net of goods and services tax and rebates, such percentage would be reviewed every 5 years by LTA. SLRT 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) SLRT 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 SLRT.
 - (iii) Prior to SLRT's purchase of the operating assets, SLRT 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 SLRT, there is no requirement to maintain the reserve fund account. However, SLRT 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, platform 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. SLRT may use such amount from these investments to meet up to half of the purchase costs of replaced operating assets. SLRT 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 SLRT purchasing the operating assets of the LRT System, SLRT 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 SLRT without any deduction for wear and tear, whilst the infrastructure is to be surrendered subject to reasonable wear and tear. SLRT 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 SLRT.
 - (vi) If the licence is cancelled after SLRT has purchased the operating assets, SLRT 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 SLRT subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the LRT LOA terms by SLRT, SLRT is required to refund to LTA the total amount or such portion thereof as LTA may determine of the replacement grants received by SLRT upon cancellation.

3. Summary of Significant Accounting Policies

3.1 Basis of Preparation

The financial statements are prepared in accordance with Singapore Statements of Accounting Standard (“SAS”) including related Interpretations promulgated by the Institute of Certified Public Accountants of Singapore and the applicable requirements of the Singapore Companies Act, Chapter 50.

The historical cost basis is used. Amounts are expressed in Singapore dollars, unless stated otherwise.

3.2 Basis of Consolidation

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

Investments in subsidiaries are stated in the Company’s balance sheet at cost less impairment losses. Subsidiaries are consolidated with the Company in the Group’s financial statements from the date that control commences until the date that control ceases.

In respect of acquisition of subsidiaries accounted for by the use of the purchase method of accounting, the difference between the cost of acquisition and fair values of the Group’s share of the identifiable net assets acquired is accounted for as goodwill in accordance with Note 3.5.

Merger and acquisition of subsidiaries which meet the criteria set out in Section 69B of the Act and in Statement of Accounting Standard No. 22, “Business Combinations”, are accounted for under the pooling of interests method in the preparation of the consolidated financial statements.

Associates An associate is a company 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.

Disposals On disposal of a subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement in Group reserves is included in the calculation of the profit or loss on disposal.

Accounting Policies of Subsidiaries Where necessary, accounting policies for subsidiaries have been adjusted on consolidation to be consistent with the policies adopted by the Group.

Notes to the Financial Statements

3.3 Foreign Currencies

Translation of Foreign Currencies Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at the exchange rates approximate to those ruling at the balance sheet date. Foreign currency assets and liabilities hedged by forward contracts are translated into Singapore dollars at the contracted forward exchange rates. Transactions in foreign currencies are translated at rates ruling on transaction dates. Translation differences are included in the profit and loss account.

Financial Statements of Foreign Operations The Group's foreign operations are not considered an integral part of the Company's operation. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Singapore dollars at the rates of exchange ruling at the balance sheet date. The results of foreign operations are translated at the average exchange rates for the year. Exchange differences arising on translation are recognised directly in equity.

3.4 Property, Plant and Equipment

Owned Assets Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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.

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 profit and loss account 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 2 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 and coaches	–	10 to 12 years
Taxis and vehicles for rental	–	6.67 to 10 years
Plant and machinery	–	3 to 5 years
Yacht	–	10 years
Other operation equipment	–	15 to 30 years

3. Summary of Significant Accounting Policies (cont'd)

3.4 Property, Plant and Equipment (cont'd)

Depreciation (cont'd) No depreciation is provided on unregistered buses, taxis and vehicles for rental.

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

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

3.5 Intangible Assets

Goodwill Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair values of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Goodwill is amortised from the date of initial recognition over a period of 20 years.

Negative Goodwill Negative goodwill arising on acquisition represents the excess of the fair values of the identifiable net assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

In respect of associates, the carrying amount of negative goodwill is included in the carrying amount of the investment in associates. The carrying amount of other negative goodwill is deducted from the carrying amount of intangible assets.

Subsequent Expenditure Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.6 Financial Assets

Equity securities and other investments held for the long-term are stated at cost less allowance for diminution in value which, in the opinion of the directors, is other than temporary.

Equity securities held for the short term are stated at cost less allowance for diminution in value to reflect the net carrying value at the lower of cost and market value, determined on an individual investment basis. Cost is determined on the weighted average method.

Profits or losses on disposal of financial assets are determined as the difference between the net disposal proceeds and the carrying amount of the financial assets and are accounted for in the profit and loss account as they arise.

Notes to the Financial Statements

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 accounted for on an equivalent basis to the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or positions.

3.8 Inventories

Inventories comprising engineering spares and consumables used for the maintenance of the MRT and LRT systems, buses, taxis and rental vehicles and not intended for resale, are stated at cost less allowance for obsolete inventories.

All other inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.9 Finance Lease, Trade and Other Receivables

Finance lease, trade and other receivables are stated at their cost less allowance for doubtful receivables.

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. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the profit and loss account.

3. Summary of Significant Accounting Policies (cont'd)

3.11 *Impairment (cont'd)*

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.

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. All reversals of impairment are recognised in the profit and loss account.

Any impairment loss in respect of goodwill is not reversed unless the loss was carried by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

3.12 *Liabilities and Interest Bearing Borrowings*

Trade and other payables and interest bearing borrowings are stated at cost.

3.13 *Employee Benefits*

Defined Contribution Plans Contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

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 profit and loss account 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 profit and loss account.

In calculating the Group's obligation in respect of a plan, any actuarial gain or loss is recognised in the profit and loss account in the period that the gain or loss arises.

Short-Term Accumulating Compensated Absences Provision is made when services are rendered by employees that increase their entitlement to future compensated absences.

Equity and Equity Related Compensated Benefits The SMRTC Employee Share Option Plan ("SMRTC ESOP") allows the Group's employees to acquire shares of the Group companies. No compensation cost or obligation is recognised. When options are exercised, equity is increased by the amount of the proceeds received.

Notes to the Financial Statements

3.14 Provisions

A provision is recognised in the balance sheet when the Group 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.

(i) 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” (refer to Note 13).

(ii) Warranties

A provision for warranties is recognised when motor vehicles are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.15 Income Tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account 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 substantially 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 liability 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 not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. 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 substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

3. Summary of Significant Accounting Policies (cont'd)

3.16 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 profit and loss account 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 profit and loss account. The amount that can be released to the profit and loss account is limited to the maintenance of a minimum balance (or such other amount as may be approved by PTC) in the FEA equivalent to one year's fuel consumption calculated based on the reference electricity tariff and diesel price.

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

3.17 Dividends

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

3.18 Grants

Assets related grants received from the Land Transport Authority for the purchase of eligible operating assets are deferred and amortised in the profit and loss account using the straight-line method and over the same periods in which the related property, plant and equipment are depreciated.

3.19 Revenue Recognition

Passenger revenue Passenger revenue from MRT, LRT and buses is recognised at the end of the ride.

Rental Revenue Rental revenue receivable under operating leases is recognised in the profit and loss account on a straight-line basis over the term of the leases.

Advertising Revenue Advertising revenue is recognised on an accrual basis according to the terms of the contract with its appointed agent.

Engineering and Workshop Services Revenue from short-term workshop and other services are recognised upon completion of services rendered.

Revenue from engineering consultancy and project management services is recognised on the percentage of completion method. The stage of completion is recognised upon completion of work done at designated phases of the contracts. Provision for foreseeable losses on uncompleted contracts is made as soon as such losses are determinable.

Sales of Goods and Motor Vehicles 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.

Notes to the Financial Statements

Dividend Income Dividend income from subsidiaries and associates is recognised in the profit and loss account when the right to receive payment is established.

Engineering and Management Service Fees from Subsidiaries Engineering and management service fees from subsidiaries are recognised on completion of services rendered.

Finance Lease Interest Interest revenue from finance leases is recognised on a reducing balance basis over the period of the finance leases.

3.20 *Operating Leases*

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the profit and loss account on a straight-line basis over the terms of the respective leases.

3.21 *Finance Costs*

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred.

3.22 *Interest and Investment Income*

Interest income from bank deposits and other debt securities is accrued on a time-apportioned basis.

Dividend income from investments is recognised in the profit and loss account at gross on a receipt basis.

Gain or loss on sale of investments is recognised upon the execution of sales contract with counterparties.

3.23 *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.

4. Property, Plant and Equipment

The Group	Leasehold land and properties \$'000	Furniture and fittings, office equipment and computers \$'000	Motor vehicles \$'000	Rolling stock \$'000	Power supply equipment \$'000
Cost					
At beginning of the year	56,334	38,839	3,713	816,918	138,032
Additions	343	2,725	555	7,322	395
Fair value adjustments arising from business combination	(12,946)	–	–	–	–
Disposals/write off	(1)	(381)	(151)	–	(417)
Transfers/reclassifications	1,437	8,105	–	–	–
At end of the year	45,167	49,288	4,117	824,240	138,010
Accumulated depreciation and impairment losses					
At beginning of the year	4,620	17,776	2,187	219,620	33,234
Depreciation charge for the year	1,636	6,739	641	70,131	8,274
Impairment losses for the year	–	–	–	–	–
Disposals/write off	(1)	(328)	(100)	–	(133)
Transfers/reclassifications	–	–	–	–	–
At end of the year	6,255	24,187	2,728	289,751	41,375
Depreciation charge for 2002	1,215	3,207	472	71,415	8,275
Carrying amount					
31 March 2003	38,912	25,101	1,389	534,489	96,635
31 March 2002	51,714	21,063	1,526	597,298	104,798

Notes to the Financial Statements

Signalling, communication and automatic fare collection systems \$'000	Buses and coaches \$'000	Taxis and vehicles for rental \$'000	Plant and machinery \$'000	Yacht \$'000	Other operation equipment \$'000	Assets under construction \$'000	Total \$'000
185,879	165,952	118,518	27,421	149	265,404	65,347	1,882,506
56,972	7,615	17,833	19,734	–	1,055	40,301	154,850
–	11,505	(1,451)	–	–	–	–	(2,892)
(2,326)	(2,072)	(1,875)	(127)	(149)	(2,041)	–	(9,540)
17,571	–	–	–	–	12,138	(39,913)	(662)
258,096	183,000	133,025	47,028	–	276,556	65,735	2,024,262
80,064	8,115	5,744	15,842	39	110,107	–	497,348
23,897	19,179	20,793	6,677	10	24,891	–	182,868
–	–	3,300	–	–	–	–	3,300
(2,215)	(300)	(677)	(99)	(49)	(1,581)	–	(5,483)
(662)	–	–	–	–	–	–	(662)
101,084	26,994	29,160	22,420	–	133,417	–	677,371
22,852	6,255	5,744	2,019	39	28,239	–	149,732
157,012	156,006	103,865	24,608	–	143,139	65,735	1,346,891
105,815	157,837	112,774	11,579	110	155,297	65,347	1,385,158

4. Property, Plant and Equipment (cont'd)

	Furniture and fittings, office equipment and computers \$'000	Other operation equipment \$'000	Total \$'000
The Company			
Cost			
At beginning of the year	329	42	371
Additions	29	–	29
Disposals	(10)	–	(10)
At end of the year	<u>348</u>	<u>42</u>	<u>390</u>
Accumulated depreciation			
At beginning of the year	118	4	122
Depreciation charge for the year	87	3	90
Disposals	(6)	–	(6)
At end of the year	<u>199</u>	<u>7</u>	<u>206</u>
Depreciation charge for 2002	<u>86</u>	<u>3</u>	<u>89</u>
Carrying amount			
31 March 2003	<u>149</u>	<u>35</u>	<u>184</u>
31 March 2002	<u>211</u>	<u>38</u>	<u>249</u>

5. Investments in Subsidiaries – The Company

	Note	2003 \$'000	2002 \$'000
Unquoted equity shares, at cost		362,808	362,808
Less:			
Impairment losses			
At beginning of the year		(9,000)	(3,600)
Recognised during the year	29(c)	(2,476)	(5,400)
At end of the year		<u>(11,476)</u>	<u>(9,000)</u>
		<u>351,332</u>	<u>353,808</u>

Notes to the Financial Statements

Details of the subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest Held		Cost of Investment	
			2003 %	2002 %	2003 \$'000	2002 \$'000
▲ Singapore MRT Ltd and its subsidiary:	Operation of Mass Rapid Transit System under licence from LTA	Singapore	100	100	150,000	150,000
▲ Singapore LRT Pte Ltd	Operation of the Bukit Panjang Light Rapid Transit System under licence from LTA	Singapore	100	100	—	—
▲ SMRT Engineering Pte Ltd	Provision of engineering consultancy and project management services	Singapore	100	100	1,495	1,495
▲ SMRT International Pte Ltd	Leasing of fibre optic cable, train operations, provision of consultancy services and investment holding	Singapore	100	100	200	200
▲ SMRT Investments Pte Ltd	Investment holding	Singapore	100	100	1,000	1,000
▲ RFP Investments Pte Ltd	Investment holding	Singapore	100	100	11,476	11,476
▲ TPG Investments Pte Ltd	Dormant	Singapore	100	100	*	*
▲ TIBS Holdings Ltd and its subsidiaries:	Investment holding and provision of management services	Singapore	100	100	198,637	198,637
▲ Trans-Island Bus Services Ltd	Bus operator	Singapore	100	100	—	—
▲ Singapore Shuttle Bus (Pte) Ltd	Bus operator	Singapore	100	100	—	—
Balance carried forward					362,808	362,808

5. Investments in Subsidiaries – The Company (cont'd)

Name of Subsidiary	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest Held		Cost of Investment	
			2003 %	2002 %	2003 \$'000	2002 \$'000
Balance brought forward					362,808	362,808
▲ TIBS Taxis Pte Ltd	Taxi operator	Singapore	100	100	–	–
▲ TIBS Motors Pte Ltd	Retailing, distribution and repair services for motor vehicles	Singapore	100	100	–	–
# TIBS China Automotive Industries Investment Pte Ltd	Awaiting approval for striking off	Singapore	100	100	–	–
▲ TIBS China Motor Investment Pte Ltd	Dormant	Singapore	100	100	–	–
▲ TIBS Leasing Pte Ltd	Car rental and leasing	Singapore	100	100	–	–
▲ TIBS Investment Pte Ltd and its subsidiaries:						
# TIBS Capital Pte Ltd	Awaiting approval for striking off	Singapore	100	100	–	–
# Seven Seas Marina Pte Ltd and its subsidiary:						
Hollycourt Limited	Dissolved	British Virgin Islands	–	100	–	–
▲▲ TIBS (Hong Kong) Investments Limited and its subsidiary:						
▲▲ Fin Holdings Limited	Investment holding	Republic of Ireland	100	100	–	–
Balance carried forward					362,808	362,808

Notes to the Financial Statements

Name of Subsidiary	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest Held		Cost of Investment	
			2003 %	2002 %	2003 \$'000	2002 \$'000
Balance brought forward					362,808	362,808
▲ TIBS Trading Pte Ltd and its subsidiary:	Dormant	Singapore	100	100	–	–
Tonfat Limited	Dissolved	Hong Kong	–	100	–	–
▲ Bus-Plus Services Pte Ltd	Bus operator	Singapore	100	100	–	–
◆ Transit Link Pte Ltd	Provision of services connected with the carriage of goods and passengers in public conveyances	Singapore	66.67 ⁺	66.67 ⁺	–	–
# EZCard Pte Ltd	Under member's voluntary liquidation	Singapore	55 ^o	55 ^o	–	–
					<u>362,808</u>	<u>362,808</u>

* Amount less than \$1,000.

▲ Audited by KPMG Singapore.

▲▲ Audited by member firms of KPMG International.

◆ Audited by PricewaterhouseCoopers, Singapore.

Not audited as company is under member's voluntary liquidation or in process of being struck off.

^ Effective interest held by the Group is 100% (2002: 100%).

+ Effective interest held by the Group is 66.67% (2002: 66.67%).

o Effective interest held by the Group is 55% (2002: 55%).

6. Interests in Associates – The Group

	2003 \$'000	2002 \$'000
Unquoted equity shares, at cost	13,343	13,343
Share of post-acquisition results	(12,128)	(9,560)
	<u>1,215</u>	<u>3,783</u>

Details of the associates are as follows:

Name of Associate	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest Held	
			2003 %	2002 %
<i>Held by SMRT Engineering Pte Ltd</i>				
▲ TranSys Pte Ltd**	Design, manufacture, promotion, distribution and sale of railway related parts and services	Singapore	50.0	50.0
<i>Held by RFP Investments Pte Ltd</i>				
◆ MediaCorp Press Ltd**	Printing, publishing and distribution of an English language newspaper "Today"	Singapore	22.8	30.2
During the year, the Group's interest in MediaCorp Press Ltd was diluted due to equity contribution by other shareholders.				
<i>Held by SMRT Investments Pte Ltd</i>				
▲ Convenience Shopper Pte Ltd	Operation of convenience stores	Singapore	49.0	49.0

** These are related corporations by virtue of Section 6 of the Companies Act, Chapter 50.

▲ Audited by KPMG Singapore.

◆ Audited by Ernst & Young, Singapore.

Notes to the Financial Statements

7. Finance Lease Receivables - The Group

Finance lease receivables comprise:

	Note	Minimum Lease Payment \$'000	Unguaranteed Residual Value \$'000	Gross Receivable \$'000	Unearned Finance Lease Interest \$'000	Allowance for Doubtful Receivables \$'000	Net Receivable \$'000
2003							
Receivable:							
Within 1 year	II	122	299	421	(25)	(3)	393
Within 2 to 5 years		62	102	164	(16)	–	148
		<u>184</u>	<u>401</u>	<u>585</u>	<u>(41)</u>	<u>(3)</u>	<u>541</u>
2002							
Receivable:							
Within 1 year	II	334	1,199	1,533	(80)	(10)	1,443
Within 2 to 5 years		168	451	619	(46)	–	573
		<u>502</u>	<u>1,650</u>	<u>2,152</u>	<u>(126)</u>	<u>(10)</u>	<u>2,016</u>

The movement in allowance for doubtful receivables is as follows:

	Note	2003 \$'000	2002 \$'000
At 1 April		10	–
Allowance made during the year	29(c)	–	12
Allowance used during the year		<u>(7)</u>	<u>(2)</u>
At 31 March		<u>3</u>	<u>10</u>

8. Financial Assets – The Group

	Note	2003 \$'000	2002 \$'000
(a) Long-term investments			
Quoted investments, at cost:			
Equity securities		3,129	3,129
Unquoted investments, at cost:			
Equity securities		573	2,966
Other unquoted investments		438	2,439
		<u>1,011</u>	<u>5,405</u>
		4,140	8,534
Less:			
Allowance for diminution in value of investments made during the year	29(c)	90	–
Net carrying value		<u>4,050</u>	<u>8,534</u>
Market value of quoted equity investments	36	<u>3,124</u>	<u>3,195</u>
(b) Short-term investments			
Quoted investments, at cost:			
Equity securities		–	8,691
Other quoted investments		–	72
		–	8,763
Unquoted investments, at cost:			
Preference shares		400	400
		<u>400</u>	<u>9,163</u>
Market values:			
Quoted equity investments		–	8,483
Other quoted investments		–	5
	36	<u>–</u>	<u>8,488</u>

Notes to the Financial Statements

9. Intangible Asset – The Group

	Note	Goodwill \$'000
Cost		
At 1 April 2002		69,160
Adjustment of goodwill (see below)		<u>2,540</u>
Balance at 31 March 2003		<u>71,700</u>
Accumulated Amortisation		
At 1 April 2002		1,153
Amortisation charge for the year	29(c)	<u>3,587</u>
Balance at 31 March 2003		<u>4,740</u>
Amortisation charge for 2002	29(c)	<u>1,153</u>
Carrying amount		
At 31 March 2003		<u>66,960</u>
At 31 March 2002		<u>68,007</u>

The goodwill arose from the Group's acquisition of TIBS Holdings Ltd and its subsidiaries on 11 December 2001. The goodwill at the date of acquisition and reflected in the consolidated financial statements for the year ended 31 March 2002 was determined based on the fair values of identifiable assets and liabilities acquired, except for significant categories of property, plant and equipment, which were based on book values at the date of acquisition, pending the completion of professional valuations. The goodwill is amortised over a period of 20 years.

During the year, professional valuations to determine the fair values of buses, taxis and leasehold properties, retrospectively at the date of acquisition, were completed. The total fair values of these property, plant and equipment were determined to be lower than their book values at the date of acquisition. As a result, fair value adjustments of \$2,892,000 has been made to property, plant and equipment (refer Note 4).

Deferred tax on temporary differences between the tax bases and the carrying amounts of the property, plant and equipment arising from the fair value adjustments has also been recognised. The deferred tax asset recognised was \$352,000 (refer Note 23). Accordingly, goodwill was adjusted by the net amount of \$2,540,000.

Notes to the Financial Statements

10. Inventories - The Group

	Note	2003 \$'000	2002 \$'000
Motor vehicles held for sale		664	1,150
Spare parts, diesel, tyres and consumable stores		48,721	44,300
		<u>49,385</u>	<u>45,450</u>
Less:			
Allowance for obsolete inventories:			
At 1 April		3,201	2,177
Allowance made during the year	29(c)	728	1,024
At 31 March		<u>3,929</u>	<u>3,201</u>
		<u>45,456</u>	<u>42,249</u>

11. Trade and Other Receivables

	Note	----- The Group -----		----- The Company -----	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Trade receivables	12	16,638	23,386	–	–
Other receivables, deposits and prepayments	13	25,252	36,447	286	487
Amounts due from:					
– subsidiaries	14	–	–	585,779	370,775
– associates					
– trade		808	–	–	–
– non-trade		7	412	5	4
Finance lease receivables due within 12 months	7	393	1,443	–	–
		<u>43,098</u>	<u>61,688</u>	<u>586,070</u>	<u>371,266</u>

Trade receivables of the Group include amounts of \$268,985 (2002: NIL) due from related corporations.

The non-trade amounts due from associates are unsecured, interest-free and has no fixed terms of repayment.

12. Trade Receivables - The Group

	Note	2003 \$'000	2002 \$'000
Trade receivables		16,893	23,408
Less:			
Allowance for doubtful receivables:			
At 1 April		22	–
Allowance made during the year	29(c)	233	22
At 31 March		<u>255</u>	<u>22</u>
		<u>16,638</u>	<u>23,386</u>

Notes to the Financial Statements

13. Other Receivables, Deposits and Prepayments

	----- The Group -----		----- The Company -----	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Deposits	1,318	1,431	—	27
Prepayments	9,979	9,182	40	19
Recoverable expenses	2,792	10,834	34	—
Staff loans and advances	1,675	3,860	143	224
Interest receivable	18	104	—	86
Certificates of entitlement	434	524	—	—
Recoverable in respect of accident claims	4,872	3,871	—	—
Other receivables	4,164	6,641	69	131
	<u>25,252</u>	<u>36,447</u>	<u>286</u>	<u>487</u>

14. Amounts due from Subsidiaries – The Company

	Note	2003 \$'000	2002 \$'000
Current account		1,392	318,765
Interest receivable on loans		2,457	—
Non-interest bearing loans		180,960	—
Interest bearing loans		<u>401,125</u>	<u>52,010</u>
		585,934	370,775
Less:			
Allowances for doubtful receivables from subsidiaries	29(c)	<u>155</u>	—
		<u>585,779</u>	<u>370,775</u>

The interest bearing loans to subsidiaries are unsecured, bear interest at rates ranging from 0.66% to 3.41% (2002: 2.87%) per annum and have no fixed terms of repayment.

The remaining balances are unsecured, interest-free and has no fixed terms of repayment.

15. Tax Recoverable

Tax recoverable of the Group and Company relates to advance tax paid to the Comptroller of Income Tax by the Company for Section 44 franking of dividend payments, and in respect of the Company, also includes tax deducted at source on dividend income received from its subsidiaries. The tax recoverable is refundable and is available for set-off against future tax liability of the Company.

16. Trade and Other Payables

	Note	----- The Group -----		----- The Company -----	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Trade payables and accruals	17	77,261	88,860	1,555	1,571
Other payables and refundable deposits	18	139,008	87,446	4,346	4,312
Amounts due to subsidiaries (non-trade)		—	—	49,454	—
		<u>216,269</u>	<u>176,306</u>	<u>55,355</u>	<u>5,883</u>

Amounts due to subsidiaries are unsecured, bear interest at rates ranging from 0.66% to 1.17% per annum and have no fixed terms of repayment.

17. Trade Payables and Accruals - The Group

Trade payables and accruals of the Group include an amount of \$98,202 (2002: \$82,639) due to related corporations.

18. Other Payables and Refundable Deposits

	----- The Group -----		----- The Company -----	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Customers deposits	5,364	5,389	—	—
Unearned revenue received	232	346	—	—
Unused portion of farecards	14,981	46,866	—	—
Farecard refundable deposits	10,399	16,731	—	—
Rental deposits	4,095	3,865	—	—
Interest payable	4,344	4,301	4,344	4,301
Purchase of property, plant and equipment	91,282	—	—	—
Other payables	8,311	9,948	2	11
	<u>139,008</u>	<u>87,446</u>	<u>4,346</u>	<u>4,312</u>

Notes to the Financial Statements

19. Amount due to LTA – The Group

	2003 \$'000	2002 \$'000
Comprising:		
– Trade	1,968	1,917
– Non-trade	1,753	252,694
	<u>3,721</u>	<u>254,611</u>

The non-trade balance in 2002 relates mainly to the amounts payable to LTA in lieu of SMRT's obligations to surrender and restore the MRT system under the Licence and Operating Contract which expired on 31 March 1998 and the net purchase consideration for the purchase of the operating assets of the MRT system excluding infrastructure. The amounts were unsecured, interest-free and repayable in five equal annual instalments from the financial year ended 31 March 1999. The fifth and last instalment was paid on 1 April 2002.

The remaining non-trade balances are unsecured, interest-free and has no fixed terms of repayment.

20. Interest Bearing Borrowings

This note provides information about the contractual terms of the Group's interest bearing borrowings. For more information about the Group's exposure to interest rate and currency risks, refer to Note 36.

	----- The Group -----		----- The Company -----	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Non-current liabilities				
Unsecured long-term bank loans	–	12,519	–	–
Unsecured quoted bonds	500,000	500,000	500,000	500,000
	<u>500,000</u>	<u>512,519</u>	<u>500,000</u>	<u>500,000</u>
Current liabilities				
Unsecured loan from a minority shareholder of a subsidiary	472	450	–	–
Unsecured short-term bank loans	–	6,000	–	–
Current portion of:				
Unsecured long-term bank loans	4,500	10,197	–	–
Unsecured quoted bonds	–	80,000	–	–
	<u>4,972</u>	<u>96,647</u>	<u>–</u>	<u>–</u>

20. Interest Bearing Borrowings (cont'd)

	----- Repayable -----			
	Total \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000
The Group				
2003				
Unsecured loan from a minority shareholder of a subsidiary				
S\$ variable at 5.83% per annum	472	472	-	-
Unsecured long-term loans				
S\$ fixed at 4.55% to 4.93% per annum	4,500	4,500	-	-
Unsecured quoted bonds:				
S\$ fixed at 2.87% per annum due 2004	250,000	-	250,000	-
S\$ fixed at 3.41% per annum due 2006	250,000	-	250,000	-
	<u>504,972</u>	<u>4,972</u>	<u>500,000</u>	<u>-</u>
2002				
Unsecured loan from a minority shareholder of a subsidiary:				
S\$ variable at 5.83% to 5.88% per annum	450	450	-	-
Unsecured short-term loans:				
S\$ fixed at 1.54% to 1.63% per annum	6,000	6,000	-	-
Unsecured long-term loans:				
S\$ fixed at 4.55% to 5.95% per annum	13,725	9,225	4,500	-
S\$ variable at 1.80% to 5.25% per annum	8,991	972	8,019	-
Unsecured quoted bonds:				
S\$ fixed at 5.05% per annum due 2003	80,000	80,000	-	-
S\$ fixed at 2.87% per annum due 2004	250,000	-	250,000	-
S\$ fixed at 3.41% per annum due 2006	250,000	-	250,000	-
	<u>609,166</u>	<u>96,647</u>	<u>512,519</u>	<u>-</u>

Notes to the Financial Statements

	Repayable			
	Total \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000
The Company				
2003				
Unsecured quoted bonds:				
S\$ fixed at 2.87% per annum due 2004	250,000	–	250,000	–
S\$ fixed at 3.41% per annum due 2006	250,000	–	250,000	–
	<u>500,000</u>	<u>–</u>	<u>500,000</u>	<u>–</u>
2002				
Unsecured quoted bonds:				
S\$ fixed at 2.87% per annum due 2004	250,000	–	250,000	–
S\$ fixed at 3.41% per annum due 2006	250,000	–	250,000	–
	<u>500,000</u>	<u>–</u>	<u>500,000</u>	<u>–</u>

The bonds were issued in bearer form with interest coupons attached and in denominations of \$250,000 each. Interest is payable semi-annually in arrears. The bonds are listed on the Singapore Exchange Securities Trading Limited.

The bonds constitute direct, unconditional and unsecured obligations of the Company ranking pari passu as a single class without any preference or priority among themselves and ranking pari passu with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law or the Trust Deed) of the Company from time to time outstanding.

Unless previously redeemed or purchased and cancelled, the bonds due 2004 and 2006 shall be redeemed in whole at par on 21 December 2004 and 21 December 2006 respectively. The \$80,000,000 unsecured bond of the Group was redeemed in whole at par on 24 March 2003.

21. Employee Benefits

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Liability for defined benefit plan	6,081	5,218	–	–
Liability for short-term accumulating compensated absences	3,973	5,589	121	153
	<u>10,054</u>	<u>10,807</u>	<u>121</u>	<u>153</u>
Current	4,011	5,611	121	153
Non-current	6,043	5,196	–	–
	<u>10,054</u>	<u>10,807</u>	<u>121</u>	<u>153</u>

21. Employee Benefits (cont'd)

- (a) *Liability for Defined Benefit Plan* The Group pays retirement benefits to certain employees who have completed at least five years of service upon their retirement at the statutory retirement age of sixty-two years or above. The amount of future benefit is calculated based on 10% of the employee's last drawn monthly basic salary multiplied by each completed year of service over the number of years of service to sixty-two years. 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	----- The Group -----	
		2003 \$'000	2002 \$'000
At 1 April		5,218	–
Movement arising from acquisition of subsidiaries		–	5,399
Expenses recognised/(reversed) during the year	29(b)	886	(162)
Payments made		(23)	(19)
At 31 March		<u>6,081</u>	<u>5,218</u>
Expenses recognised in the profit and loss accounts			
Current service costs		502	123
Interest on obligations		73	34
Actuarial loss/(gain)		<u>311</u>	<u>(319)</u>
		<u>886</u>	<u>(162)</u>

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.
- (c) *Equity compensation benefits* The SMRTC Employee Share Option Plan ("SMRTC ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRTC ESOP is administered by the Remuneration Committee, comprising Mr Chew Choon Seng, Chairman of the Committee, Mr Cheah Kean Huat and Mr Koh Kheng Siong.

The SMRTC ESOP comprises two distinct schemes:

- (i) Management Scheme – designed for management staff in the positions of Deputy Director and above.
- (ii) Employee Scheme – designed for all other employees of the Group.

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 SMRTC ESOP as it thinks fit.

Notes to the Financial Statements

The salient features of the SMRTC ESOP are as follows:

(i) *Eligible participants* At the absolute discretion of the Committee, all confirmed employees of the Group (including any director of the Group who performs an executive function) who are not less than 21 years old and have been in the service of the Group for at least one year prior to the date of which an Option is granted ("Grant Date") are eligible to participate in the SMRTC ESOP.

(ii) *Maximum allowable allotment* The aggregate number of shares issued under the SMRTC ESOP ("ESOP Shares") 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 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).

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 SMRTC ESOP on the unissued ordinary shares of \$0.10 each of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1/4/2002	Options granted	Options cancelled/lapsed	Options outstanding at 31/3/2003	Number of option holders at 31/3/2003	Exercise period
16/7/2001	\$0.816	7,309,500	—	146,500	7,163,000	2,452	16/7/2002 to 15/7/2011
22/7/2002	\$0.676	—	6,370,200	59,000	6,311,200	3,541	22/7/2003 to 21/7/2012
		7,309,500	6,370,200	205,500	13,474,200	5,993	

22. Provisions - The Group

	Note	Accident Claims \$'000	Warranties \$'000	Total \$'000
At 1 April 2002		10,195	22	10,217
Provisions made during the year	29(c)	7,024	4	7,028
Provisions used during the year		(5,986)	(1)	(5,987)
Provisions reversed during the year	29(c)	(260)	(18)	(278)
At 31 March 2003		<u>10,973</u>	<u>7</u>	<u>10,980</u>

Provisions relate to provisions for accidents claims and warranties and are accounted for in accordance with accounting policies set out in note 3.14. The Group expects to incur the liability over the next 12 months.

23. Deferred Taxation - The Group

Deferred tax liabilities/(assets) and movements in temporary differences during the year are attributable to the following:

	Liability/ (Asset) At 1/4/2002 \$'000	Adjustment arising from business combination (note 9) \$'000	Recognised in income (note 30) \$'000	Liability/ (Asset) At 31/3/2003 \$'000
Excess of net book value over tax written down value of property, plant and equipment	191,825	(352)	1,938	193,411
Unutilised wear and tear allowances	(30,376)	–	3,797	(26,579)
Other temporary differences	(4,697)	–	(3,243)	(7,940)
	<u>156,752</u>	<u>(352)</u>	<u>2,492</u>	<u>158,892</u>

24. Fuel Equalisation Account ("FEA") - The Group

	2003 \$'000	2002 \$'000
At 1 April	17,961	8,688
Movement arising from acquisition of subsidiaries	–	9,273
At 31 March	<u>17,961</u>	<u>17,961</u>

The FEA is accounted for in accordance with the accounting policy set out in note 3.16.

During the year, the actual electricity tariff and diesel price was above the reference electricity tariff and diesel price. However, there is no release of the FEA to the profit and loss account as the outstanding balance in the FEA is below the cap of one year's electricity and diesel consumption.

Notes to the Financial Statements

25. Share Capital – The Company

	2003		2002	
	No. of shares ('000)	\$'000	No. of shares ('000)	\$'000
Authorised:				
Ordinary shares of \$0.10 each	<u>5,000,000</u>	<u>500,000</u>	<u>5,000,000</u>	<u>500,000</u>
Issued and fully paid:				
Ordinary shares of \$0.10 each	<u>1,500,000</u>	<u>150,000</u>	<u>1,500,000</u>	<u>150,000</u>

26. Dividends

After the balance sheet date, the directors proposed a final dividend of 1.78 cents (2002: 1.50 cents) per share less tax at 22% (2002: 22%) amounting to a net dividend of \$20,840,000 (2002: \$17,550,000). The dividends have not been provided for.

27. Deferred Grant – The Group

	Note	2003 \$'000	2002 \$'000
Grant received		480,000	480,000
Accumulated amortisation			
At 1 April		(184,123)	(137,431)
Amortisation during the year		(42,049)	(46,564)
Released on assets disposed/written-off	29(a)	(311)	(128)
At 31 March		<u>(226,483)</u>	<u>(184,123)</u>
		<u>253,517</u>	<u>295,877</u>

This relates to an asset-related grant of \$480,000,000 received by SMRT from LTA to defray part of the purchase cost of the operating assets of the MRT system.

28. Revenue

	----- The Group -----		----- The Company -----	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Passenger revenue	577,485	440,516	—	—
Taxis rental	60,462	20,178	—	—
Rental revenue	20,035	19,632	—	—
Advertising revenue	10,657	9,926	—	—
Engineering and workshop services	7,280	1,090	—	—
Sale of goods and motor vehicles	3,600	1,127	—	—
Dividend income from subsidiaries	—	—	260,400	78,177
Finance lease interest	74	54	—	—
Engineering and management service fees from subsidiaries	—	—	3,849	3,932
Others	6,045	4,281	—	—
	<u>685,638</u>	<u>496,804</u>	<u>264,249</u>	<u>82,109</u>

29. Profit from Ordinary Activities before Taxation

Profit from ordinary activities before taxation includes the following:

	Note	----- The Group -----		----- The Company -----	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Other operating income					
Commission and distribution fee		749	948	—	—
Exchange (loss)/gain		(68)	383	—	—
Gain on disposal of property, plant and equipment		1,118	223	—	—
Unutilised tickets		6,225	7,388	—	—
Maintenance income		1,202	1,144	—	—
Miscellaneous rental income		949	869	—	—
Grant released upon disposal/ write-off of property, plant and equipment	27	311	128	—	—
Operating expense charged to other transport operators		8,283	2,113	—	—
Others		1,132	796	4	5
		<u>19,901</u>	<u>13,992</u>	<u>4</u>	<u>5</u>

Notes to the Financial Statements

	Note	----- The Group -----		----- The Company -----	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(b) Staff and related costs					
Wages and salaries		224,877	157,084	5,390	5,871
Contributions to defined contribution plans		30,964	23,132	641	705
Increase/(decrease) in liability for defined benefit plan	21(a)	886	(162)	-	-
Decrease in liability for short-term accumulating compensated absences		(1,616)	(327)	(32)	(24)
Other staff-related expenses and benefits-in-kind		6,814	4,254	514	579
		<u>261,925</u>	<u>183,981</u>	<u>6,513</u>	<u>7,131</u>
Included in staff and related costs are directors' remuneration as follows:					
Directors of the Company					
- fees		270	223	187	173
- remuneration		649	592	649	567
Other directors					
- remuneration		250	90	-	-
		<u>1,169</u>	<u>905</u>	<u>836</u>	<u>740</u>
Number of employees					
at 31 March		<u>6,194</u>	<u>6,102</u>	<u>58</u>	<u>68</u>

29. Profit from Ordinary Activities before Taxation (cont'd)

	Note	----- The Group -----		----- The Company -----	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(c) Other expenses					
Allowance made for:					
– doubtful finance					
lease receivables	7	–	12	–	–
– diminution in value of					
long-term investments	8	90	–	–	–
– obsolete inventories	10	728	1,024	–	–
– doubtful trade receivables	12	233	22	–	–
– doubtful receivables					
from subsidiaries	14	–	–	155	–
Amortisation of goodwill	9	3,587	1,153	–	–
Auditors' remuneration:					
– auditors of the Company					
(KPMG Singapore)					
– current year		294	277	30	87
– overprovision in					
respect of prior year		–	(5)	–	(2)
– other auditors		45	13	–	–
Non-audit fees paid to					
auditors of the Company		172	70	61	35
Bad debts written off (trade)		100	15	–	–
Impairment losses on					
investment in a					
subsidiary	5	–	–	2,476	5,400
Licence fees paid to LTA		2,262	1,916	–	–
Loss on disposals of unquoted					
investments		–	3	–	–
Operating lease expenses		4,450	2,206	462	502
Preliminary expenses written off		–	7	–	–
Property, plant and equipment					
written off		749	568	–	–
Provisions made during the					
year, net of reimbursement					
of \$845,000 (2002: NIL)	22	6,183	1,618	–	–
Provisions reversed	22	(278)	–	–	–

Notes to the Financial Statements

Note	----- The Group -----		----- The Company -----	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(d) Finance costs				
Interest paid and payable on:				
– unsecured quoted bonds	19,706	5,640	15,743	4,301
– bank loans	363	632	–	–
– others	210	8	–	–
	<u>20,279</u>	<u>6,280</u>	<u>15,743</u>	<u>4,301</u>
(e) Interest and investment (expense)/income				
Dividends received from				
– quoted equity investments	69	8	–	–
– unquoted equity investments	115	115	–	–
Interest income from:				
– bank deposits	696	1,137	427	664
– loan to subsidiary	–	–	8,792	121
– bonds and floating rate notes	–	216	–	–
– others	72	355	–	11
(Loss)/gain on disposal of:				
– quoted equity investments	(1,460)	677	–	–
– unquoted equity investments	42	–	–	–
	<u>(466)</u>	<u>2,508</u>	<u>9,219</u>	<u>796</u>

30. Income Taxes

	----- The Group -----		----- The Company -----	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current tax credit				
Current year	(1,058)	(678)	55,740	18,142
Overprovision in respect of prior years	(951)	(19)	(1,851)	—
	<u>(2,009)</u>	<u>(697)</u>	<u>53,889</u>	<u>18,142</u>
Deferred tax expense				
Movement in temporary differences	21,803	26,098	—	—
Reduction in tax rate	(15,995)	—	—	—
Overprovision in respect of prior years	(3,316)	—	—	—
	<u>2,492</u>	<u>26,098</u>	<u>—</u>	<u>—</u>
Share of associates' taxation	—	89	—	—
	<u>483</u>	<u>25,490</u>	<u>53,889</u>	<u>18,142</u>

Reconciliation of effective tax rate

	----- 2003 -----		----- 2002 -----	
	%	\$'000	%	\$'000
The Group				
Profit before tax		<u>72,679</u>		<u>82,269</u>
Income tax using the Singapore tax rate	22.0%	15,989	24.5%	20,156
Effect of reduction in tax rate on deferred tax liabilities	(22.0%)	(15,995)	—	—
Expenses not deductible for tax purposes	4.8%	3,471	4.5%	3,720
Income not subject to tax	(0.1%)	(48)	—	—
Tax exempt revenue	(0.1%)	(39)	—	—
Current year deferred tax assets not recognised	1.8%	1,273	2.0%	1,633
Utilisation of tax losses previously not recognised	(0.0%)	(6)	—	—
Tax losses not allowed to be set-off against future taxable profits	0.1%	105	—	—
Overprovision in respect of prior years	(5.8%)	(4,267)	(0.0%)	(19)
	<u>0.7%</u>	<u>483</u>	<u>31.0%</u>	<u>25,490</u>
The Company				
Profit before tax		<u>246,789</u>		<u>63,014</u>
Income tax using Singapore tax rate	22.0%	54,294	24.5%	15,438
Expenses not deductible for tax purposes	0.6%	1,446	4.3%	2,704
Overprovision in respect of prior years	(0.8%)	(1,851)	—	—
	<u>21.8%</u>	<u>53,889</u>	<u>28.8%</u>	<u>18,142</u>

Notes to the Financial Statements

31. Earnings Per Share

Basic earnings per share is calculated based on the Group's net profit attributable to shareholders of \$72,068,000 (2002: \$56,797,000) divided by the number of ordinary shares in issue of 1,500,000,000 (2002: 1,500,000,000).

There is no diluted earnings per share as the Company does not have any outstanding share options that are dilutive in nature as at balance sheet date.

32. Segment Reporting

Segment information is presented in respect of the Group's business segments that are predominantly operated in Singapore. The primary format, business segment, 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, and corporate assets 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 comprises 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 and advertising:	Leasing of commercial space, kiosks and advertising panels at the MRT and LRT stations as well as in trains, buses and taxis.
Engineering and other services:	Provision of consultancy, project management services, leasing of fibre optic cables, leasing of motor vehicles and repair and maintenance services.

32. Segment Reporting (cont'd)

	Rail		Bus operations \$'000
	MRT operations \$'000	LRT operations \$'000	
(a) Revenue and expenses			
2003			
Revenue	384,372	7,826	185,287
Operating expenses	(235,381)	(10,951)	(144,958)
Depreciation, impairment and amortisation	(88,354)	(86)	(27,909)
Operating results	<u>60,637</u>	<u>(3,211)</u>	<u>12,420</u>
Unallocated expenses			
Amortisation of goodwill			
Finance costs			
Interest and investment income			
Share of results of associates			
Income tax expense			
Minority interests			
Net profit for the year			
2002			
Revenue	375,016	8,444	57,056
Operating expenses	(224,794)	(10,244)	(42,505)
Depreciation, impairment and amortisation	(86,500)	(61)	(8,280)
Operating results	<u>63,722</u>	<u>(1,861)</u>	<u>6,271</u>
Unallocated expenses			
Amortisation of goodwill			
Finance costs			
Interest and investment income			
Share of results of associates			
Income tax expense			
Minority interests			
Net profit for the year			

Notes to the Financial Statements

Taxi operations \$'000	Rental and advertising \$'000	Engineering and other services \$'000	Elimination \$'000	Total \$'000
60,462	30,692	16,999	—	685,638
(33,890)	(4,827)	(5,523)	—	(435,530)
(20,040)	(353)	(7,377)	—	(144,119)
<u>6,532</u>	<u>25,512</u>	<u>4,099</u>	<u>—</u>	<u>105,989</u>
				(6,410)
				(3,587)
				(20,279)
				(466)
				(2,568)
				(483)
				(128)
				<u>72,068</u>
20,178	29,558	6,552	—	496,804
(10,343)	(3,173)	(2,796)	—	(293,855)
(6,582)	(299)	(1,446)	—	(103,168)
<u>3,253</u>	<u>26,086</u>	<u>2,310</u>	<u>—</u>	<u>99,781</u>
				(6,305)
				(1,153)
				(6,280)
				2,508
				(6,282)
				(25,490)
				18
				<u>56,797</u>

32. Segment Reporting (cont'd)

	Rail		Bus operations \$'000
	MRT operations \$'000	LRT operations \$'000	
(b) Assets and Liabilities			
As at 31 March 2003			
Operating assets	983,509	6,672	222,909
Assets under construction	65,492	47	—
	<u>1,049,001</u>	<u>6,719</u>	<u>222,909</u>
Interests in associates			
Goodwill on consolidation			
Investments and cash equivalents			
Tax recoverable			
Unallocated assets			
Total assets			
Segment liabilities	122,867	3,235	52,747
Current tax payable			
Unsecured bonds			
Deferred tax liabilities			
Unallocated liabilities			
Total liabilities			
As at 31 March 2002			
Operating assets	1,014,311	3,121	225,347
Assets under construction	64,836	51	—
	<u>1,079,147</u>	<u>3,172</u>	<u>225,347</u>
Interests in associates			
Goodwill on consolidation			
Investments and cash equivalents			
Tax recoverable			
Unallocated assets			
Total assets			

Notes to the Financial Statements

Taxi operations \$'000	Rental and advertising \$'000	Engineering and other services \$'000	Elimination \$'000	Total \$'000
104,521	7,417	43,514	—	1,368,542
—	196	—	—	65,735
<u>104,521</u>	<u>7,613</u>	<u>43,514</u>	<u>—</u>	<u>1,434,277</u>
				1,215
				66,960
				100,720
				3,696
				<u>1,316</u>
				<u>1,608,184</u>
16,869	4,949	52,227	—	252,894
				2,987
				500,000
				158,892
				<u>11,063</u>
				<u>925,836</u>
109,763	5,734	58,204	—	1,416,480
—	460	—	—	65,347
<u>109,763</u>	<u>6,194</u>	<u>58,204</u>	<u>—</u>	<u>1,481,827</u>
				3,783
				68,007
				355,698
				7,703
				<u>7,841</u>
				<u>1,924,859</u>

32. Segment Reporting (cont'd)

	Rail		Bus operations \$'000
	MRT operations \$'000	LRT operations \$'000	
(b) Assets and Liabilities (cont'd)			
As at 31 March 2002 (cont'd)			
Segment liabilities	315,975	1,266	54,279
Current tax payable			
Unsecured bonds			
Deferred tax liabilities			
Unallocated liabilities			
Total liabilities			
(c) Other Segment Information			
2003			
Capital expenditure	105,990	297	28,287
Non-cash expenses other than depreciation, impairment losses and amortisation	(181)	—	1,926
2002			
Capital expenditure	46,003	120	2,081
Non-cash expenses other than depreciation, impairment losses and amortisation	1,224	20	(221)

Notes to the Financial Statements

Taxi operations \$'000	Rental and advertising \$'000	Engineering and other services \$'000	Elimination \$'000	Total \$'000
19,058	3,912	92,925	—	487,415 4,009 580,000 156,752 11,653 <u>1,239,829</u>
15,582	1,105	3,590	—	154,851
<u>4,473</u>	<u>—</u>	<u>247</u>	<u>—</u>	<u>6,465</u>
6,635	1,514	1,547	—	57,900
<u>61</u>	<u>—</u>	<u>(24)</u>	<u>—</u>	<u>1,060</u>

33. Significant Related Party Transactions – The Group

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, the Group had the following related party transactions on terms agreed between the parties:

	2003 \$'000	2002 \$'000
Rental income received/receivable	2,350	1,998
Maintenance income received/receivable	420	475
Commission and distribution fee received/receivable	1,101	1,299
Purchases of goods and services	<u>42,470</u>	<u>37,355</u>

34. Changes in Accounting Policies

The adoption of the limited revisions to SAS 17 (2001) – Employee Benefits did not give rise to any adjustments to the opening balances of accumulated profits of the prior and current years or to changes in comparatives.

35. Commitments – The Group

The Group had the following commitments as at the balance sheet date:

	2003 \$'000	2002 \$'000
(a) Forward foreign exchange contracts	<u>2,857</u>	<u>2,379</u>
(b) Capital expenditure commitments		
(i) Contracted but not provided for with respect to purchase of property, plant and equipment	<u>17,687</u>	<u>52,647</u>
(ii) Approved but not contracted for with respect to purchase of property, plant and equipment	<u>2,309</u>	<u>–</u>
(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 SLRT (See Note 2(b)(ii)).		

Notes to the Financial Statements

	2003 \$'000	2002 \$'000
(c) Operating lease commitments under non-cancellable leases with terms exceeding one year:		
(i) Payable within 1 year	3,155	3,468
(ii) Payable within 2 to 5 years	4,634	5,637
(iii) Payable after 5 years	5,192	6,434
	<u>12,981</u>	<u>15,539</u>

The Group leases terminals, office facilities and staff apartments under operating leases. The leases typically run for an initial period of 3 years to 30 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

36. Financial Instruments

Financial Risk Management Objectives and Policies Exposure to credit, liquidity, interest rate and currency rate risks arise in the normal course of the Group's business. The Group's risk management policies and guidelines are summarised below:

The Group's accounting policies in relation to derivative financial instruments are set out in Note 3.7.

Credit risk Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Where appropriate, the Group obtains collateral from customers. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Liquidity risk The Group monitors 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.

Interest rate risk The Group's exposure to market risk for changes in interest rates relates primarily to the Group's investment portfolio and debt obligations. The Group does not use derivative financial instruments to hedge against such risk exposure.

36. Financial Instruments (cont'd)

Effective interest rates and repricing analysis

In respect of interest earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they reprice.

	Note	Effective Interest Rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
2003						
The Group						
Financial Assets						
Finance lease receivables	7	7.72%	585	421	164	–
Fixed deposits with banks and financial institutions		0.58%	58,102	58,102	–	–
			<u>58,687</u>	<u>58,523</u>	<u>164</u>	<u>–</u>
Financial Liabilities						
Unsecured loan from a minority shareholder of a subsidiary	20	5.83%	(472)	(472)	–	–
Unsecured long-term loans:						
– fixed rates	20	4.72%	(4,500)	(4,500)	–	–
Unsecured quoted bonds						
– due 2004	20	2.87%	(250,000)	–	(250,000)	–
– due 2006	20	3.41%	(250,000)	–	(250,000)	–
			<u>(504,972)</u>	<u>(4,972)</u>	<u>(500,000)</u>	<u>–</u>
Total			<u>(446,285)</u>	<u>53,551</u>	<u>(499,836)</u>	<u>–</u>
2002						
The Group						
Financial Assets						
Finance lease receivables	7	6.80%	2,152	1,533	619	–
Fixed deposits with banks and financial institutions		0.77%	305,198	305,198	–	–
			<u>307,350</u>	<u>306,731</u>	<u>619</u>	<u>–</u>
Balance carried forward			307,350	306,731	619	–

Notes to the Financial Statements

	Note	Effective Interest Rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
2002						
The Group						
Balance brought forward			307,350	306,731	619	–
Financial Liabilities						
Unsecured loan from a minority shareholder of a subsidiary	20	5.83%	(450)	(450)	–	–
Unsecured fixed rate short-term loans	20	1.61%	(6,000)	(6,000)	–	–
Unsecured long-term loans:						
– fixed rates	20	4.80%	(13,725)	(9,225)	(4,500)	–
– variable rates	20	1.80%	(8,991)	(8,991)	–	–
Unsecured quoted bonds						
– due 2003	20	5.05%	(80,000)	(80,000)	–	–
– due 2004	20	2.87%	(250,000)	–	(250,000)	–
– due 2006	20	3.41%	(250,000)	–	(250,000)	–
			<u>(609,166)</u>	<u>(104,666)</u>	<u>(504,500)</u>	<u>–</u>
Total			<u>(301,816)</u>	<u>202,065</u>	<u>(503,881)</u>	<u>–</u>
2003						
The Company						
Financial Asset						
		0.66% to				
Amounts due from subsidiaries	14	3.41%	<u>401,107</u>	<u>401,107</u>	<u>–</u>	<u>–</u>
Financial Liabilities						
		0.66% to				
Amounts due to subsidiaries	16	1.17%	(49,454)	(49,454)	–	–
Unsecured quoted bonds						
– due 2004	20	2.87%	(250,000)	–	(250,000)	–
– due 2006	20	3.41%	(250,000)	–	(250,000)	–
			<u>(549,454)</u>	<u>(49,454)</u>	<u>(500,000)</u>	<u>–</u>
Total			<u>(148,347)</u>	<u>351,653</u>	<u>(500,000)</u>	<u>–</u>

36. Financial Instruments (cont'd)

Effective interest rates and repricing analysis (cont'd)

	Note	Effective Interest Rate %	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
2002						
The Company						
Financial Asset						
Amounts due from subsidiary	14	2.87%	52,010	52,010	–	–
Financial Liabilities						
Unsecured quoted bonds						
– due 2004	20	2.87%	(250,000)	–	(250,000)	–
– due 2006	20	3.41%	(250,000)	–	(250,000)	–
			(500,000)	–	(500,000)	–
Total			(447,990)	52,010	(500,000)	–

Foreign currency risk

The Group incurs foreign currency risk on purchases that are denominated in a currency other than Singapore dollars. The currencies giving rise to this risk are primarily US dollar, Sterling pound, EURO and Japanese yen.

The Group uses forward exchange contracts to partially hedge its foreign currency risk. The Group only enters into forward exchange contracts with maturities of less than one year. Where necessary, the forward exchange contracts are rolled over upon maturity at market rates.

In respect of other monetary assets and liabilities held in currencies other than Singapore dollars, 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.

Fair values

Recognised financial instruments The aggregate net fair values of financial assets and liabilities which are not carried at fair value in the balance sheet as at 31 March 2003 are represented in the following table:

	Note	2003 Carrying amount \$'000	2003 Fair value \$'000	2002 Carrying amount \$'000	2002 Fair value \$'000
The Group					
Financial assets					
Finance Lease receivables	7	541	561	2,016	1,950
Long-term quoted investments	8(a)	3,058	3,124	3,129	3,195
Short-term quoted investments	8(b)	–	–	8,763	8,488
		3,599	3,685	13,908	13,633
Balance carried forward		3,599	3,685	13,908	13,633

Notes to the Financial Statements

	Note	2003 Carrying amount \$'000	2003 Fair value \$'000	2002 Carrying amount \$'000	2002 Fair value \$'000
The Group					
Balance brought forward		3,599	3,685	13,908	13,633
Financial liabilities					
Unsecured fixed rate long-term loans	20	–	–	(13,725)	(13,475)
Unsecured quoted bonds	20	<u>(500,000)</u>	<u>(523,348)</u>	<u>(580,000)</u>	<u>(584,044)</u>
		<u>(500,000)</u>	<u>(523,348)</u>	<u>(593,725)</u>	<u>(597,519)</u>
Total		<u>(496,401)</u>	<u>(519,663)</u>	<u>(579,817)</u>	<u>(583,886)</u>
Unrecognised loss			<u>(23,262)</u>		<u>(4,069)</u>
The Company					
Financial liabilities					
Unsecured quoted bonds	20	<u>(500,000)</u>	<u>(523,348)</u>	<u>(500,000)</u>	<u>(501,394)</u>
Unrecognised loss			<u>(23,348)</u>		<u>(1,394)</u>

The fair values of quoted investments and quoted bonds are the market value which are equivalent to the quoted bid price at the balance sheet date. The fair values of unsecured long-term fixed rate term loans and finance lease receivables are determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

It is not practicable to estimate the fair values of the Group's long-term and short-term unquoted investments because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs. However, management believes that the carrying amounts recorded at balance sheet date reflect the corresponding fair values.

In addition to the above, financial assets also comprise trade and other receivables and cash and cash equivalents. Financial liabilities also include trade and other payables and other interest bearing loans and borrowings. The carrying values of these 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.

36. Financial Instruments (cont'd)**Fair values (cont'd)**

Unrecognised financial instruments The valuation of financial instruments not recognised in the balance sheet reflects amounts which the Group expects to pay or receive to terminate the contracts or replace the contracts at their current market rates at the balance sheet date.

The notional amount and net fair value of financial instruments not recognised in the balance sheet as at balance sheet date are:

	2003 Notional amount \$'000	2003 Fair value \$'000	2002 Notional amount \$'000	2002 Fair value \$'000
The Group				
Forward foreign exchange contracts	2,857	4	2,379	69

37. Statutory Information Required by Paragraph 7 of the Ninth Schedule, Companies Act, Chapter 50

	2003		2002	
	Liabilities Payable \$'000	Debts Receivable \$'000	Liabilities Payable \$'000	Debts Receivable \$'000
The Company				
Within 2 years	305,476	591,908	6,036	378,969
After 2 years but within 5 years	250,000	—	500,000	—
	<u>555,476</u>	<u>591,908</u>	<u>506,036</u>	<u>378,969</u>

38. Contingent Liabilities

As at balance sheet date, the Group and the Company had the following unsecured contingent liabilities:

	The Group		The Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Performance bonds	872	—	872	—

39. Comparative Information

Certain items in the comparative figures have been reclassified to conform with the current year's presentation.

The following pages do not form part of the statutory audited financial statements

Supplementary Information (under SGX-ST Listing Manual requirements)

Supplementary Information (under SGX-ST Listing Manual requirements)

(A) Directors' Remuneration

Directors of the Company receiving remuneration from the Group for the year ended 31 March 2003.

Name of Director	Directors' Fees (%)	Base/Fixed Salary (%)	Variable or Performance- Related Income/ Bonuses (%)	Benefits in Kind	Total (%)
				Stock Options Granted and Other Long-term Incentives (%)	
\$250,000 to \$499,999					
Boey Tak Hap	—	76%	17%	7%	100%
Below \$250,000					
Chew Choon Seng	100%	—	—	—	100%
Saw Phaik Hwa	—	89%	—	11%	100%
Cheah Kean Huat	100%	—	—	—	100%
Daniel Ee Hock Huat	100%	—	—	—	100%
Koh Kheng Siong	100%	—	—	—	100%
Victor Loh Kwok Hoong	100%	—	—	—	100%
Lye Fei	100%	—	—	—	100%
Ng Ser Miang	100%	—	—	—	100%
Niam Chiang Meng	100%	—	—	—	100%
Nithiah Nandan s/o Arumugam	100%	—	—	—	100%
Jimmy Phoon Siew Heng	100%	—	—	—	100%
Tan Yong Soon	100%	—	—	—	100%
Engelin Teh Guek Ngor	100%	—	—	—	100%

Number of Directors of the Company receiving remuneration from the Group during the year:

	2003	2002
Remuneration Bands		
\$500,000 and above	—	—
\$250,000 to \$499,999	1	1
Below \$250,000	13	11
Total	14	12

(B) Top 5 Key Executives

Number of key executives of the Company in each remuneration band:

	2003
Remuneration Bands	
\$500,000 and above	1
\$250,000 to \$499,999	4
Below \$250,000	—
Total	5

Supplementary Information (under SGX-ST Listing Manual requirements)

(C) Group Properties

Major properties held for investment

Location	Description/Existing Use	Tenure of Lease	Term of Lease
3 Bishan Street 14	2-storey recreation clubhouse with tennis courts and basket/volley ball court.	Leasehold	17.5 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	9.7 years
209 Kranji Road	A single-storey bus depot with office-cum-canteen, workshop, washing shed and other ancillary facilities.	Leasehold	0.3 years
60 Woodlands Industrial Park E	A bus depot comprising garaging with 3-storey workshop facilities and 2-storey ancillary office.	Leasehold	24.3 years

(D) 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 purchase or sales of assets, undertakings or businesses.

Interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) \$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$'000
Purchases of goods and services		
SP eResources Pte Ltd	—	232
Senoko Energy Supply Pte Ltd	—	40,000
National Computer Systems Pte Ltd	—	1,053
MediaCorp Press Ltd	—	407
Sales of services		
Singapore Power Ltd	—	600
Singapore Telecommunications Ltd	—	1,617
The Development Bank of Singapore Ltd	—	384
TranSys Pte Ltd	—	14,232
MediaCorp Press Ltd	—	747
Service Fees		
TranSys Pte Ltd	—	263

STATISTICS OF SHAREHOLDERS

as at 26 May 2003

Authorised Share Capital:	\$500,000,000
Issued and fully paid capital:	\$150,000,003
Class of shares:	ordinary shares of \$0.10 each
Voting rights:	one vote per share

Distribution of Shareholders

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 999	5	0.01	1,682	0.00
1,000 – 10,000	53,021	93.03	128,641,600	8.58
10,001 – 1,000,000	3,952	6.93	160,881,368	10.72
1,000,001 and above	16	0.03	1,210,475,380	80.70
Total	56,994	100.00	1,500,000,030	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Temasek Holdings (Pte) Ltd	934,400,030	62.29
2	Raffles Nominees Pte Ltd	125,437,535	8.36
3	DBS Nominees Pte Ltd	41,194,074	2.75
4	HSBC (Singapore) Nominees Pte Ltd	39,340,367	2.62
5	United Overseas Bank Nominees Pte Ltd	31,985,000	2.13
6	Citibank Nominees Singapore Pte Ltd	11,925,165	0.80
7	Oversea-Chinese Bank Nominees Pte Ltd	11,256,000	0.75
8	DB Nominees (S) Pte Ltd	3,269,209	0.22
9	Choo Si Sen	2,000,000	0.13
10	The Asia Life Assurance Society Ltd – Singapore Life Fund	1,769,000	0.12
11	Meadowspring Pte Ltd	1,500,000	0.10
12	OCBC Securities Private Ltd	1,474,000	0.10
13	Phillip Securities Pte Ltd	1,437,000	0.10
14	Ko Teck Siang	1,300,000	0.09
15	Chen Siong Seng	1,170,000	0.08
16	Leong Khuen Nyeon	1,018,000	0.07
17	Lee Pineapple Company Pte Ltd	1,000,000	0.07
18	Ng Chuen Huay	1,000,000	0.07
19	Overseas Union Enterprise Limited	1,000,000	0.07
20	Quah Wee Lai	1,000,000	0.07
Total		1,214,475,380	80.99

Shareholders Location Distribution as at 26 May 2003

Location	No. of Shareholders	%	No. of Shares	%
Singapore	56,414	98.98	1,490,168,030	99.35
Malaysia	385	0.68	7,580,000	0.51
Hong Kong	31	0.05	487,000	0.03
Japan	3	0.01	54,000	0.00
United States	19	0.03	182,000	0.01
United Kingdom	8	0.01	16,000	0.00
Europe	1	0.00	3,000	0.00
Australia/New Zealand	49	0.09	550,000	0.04
Others	84	0.15	960,000	0.06
Total	56,994	100.00	1,500,000,030	100.00

Substantial Shareholder

Name of Substantial Shareholder	No. of Shares	%
Temasek Holdings (Private) Limited	934,400,030	62.29

Shareholding Held in Hands of Public

Based on information available to the Company as at 26 May 2003, approximately 37.66% 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.

HALF YEARLY RESULTS OF THE GROUP

		First Half	Second Half	Total
Total Revenue				
FY 2003	(\$ million)	343.7	341.9	685.6
	(%)	50.1	49.9	100.0
FY 2002	(\$ million)	206.9	289.9	496.8
	(%)	41.6	58.4	100.0
Total Expenditure				
FY 2003	(\$ million)	228.0	233.8	461.8
	(%)	49.0	50.6	100.0
FY 2002	(\$ million)	125.3	188.9	314.2
	(%)	39.9	60.1	100.0
EBITDA*				
FY 2003	(\$ million)	123.2	120.5	243.7
	(%)	50.6	49.4	100.0
FY 2002	(\$ million)	85.7	110.9	196.6
	(%)	43.6	56.4	100.0
EBIT**				
FY 2003	(\$ million)	48.8	47.2	96.0
	(%)	50.8	49.2	100.0
FY 2002	(\$ million)	44.2	48.1	92.3
	(%)	47.9	52.1	100.0
Profit After Tax				
FY 2003	(\$ million)	41.4	30.8	72.2
	(%)	57.3	42.7	100.0
FY 2002	(\$ million)	29.4	27.4	56.8
	(%)	51.8	48.2	100.0
Earnings Per Share				
FY 2003	(cents)	2.76	2.04	4.80
	(%)	57.5	42.5	100.0
FY 2002	(cents)	1.96	1.83	3.79
	(%)	51.7	48.3	100.0

* EBITDA refers to earnings before interest, taxation, depreciation and amortisation.

** EBIT refers to earnings before interest and taxation.

VALUE ADDED STATEMENT

for the year ended 31 March 2003

	2003 Total \$'000	2002 Total \$'000
Sales – third parties	685,638	499,953
Less:		
Cost of bought-in goods and services	<u>174,735</u>	<u>110,684</u>
Gross value added	510,903	389,269
Share of after tax profits less losses of associated companies	(2,568)	(6,282)
Investment income	(1,234)	685
Interest income	768	1,823
Exchange gain/ (loss)	(68)	383
Profit on sale of property, plant and equipment	<u>1,118</u>	<u>223</u>
	<u>508,919</u>	<u>386,101</u>
Applied as follows:		
To Employees – salaries and other staff cost	261,925	183,981
To government – income, payroll and other taxes	10,400	35,893
To Providers of Capital:		
Interest on borrowings	20,069	6,272
Dividends to shareholders	32,654	50,397
Others	210	8
Balance reinvested in business:		
Depreciation	182,868	149,732
Minority's share of subsidiary companies' profits less losses for the period	128	(18)
Profit for the period retained by the Group	39,414	6,400
Others	<u>(38,749)</u>	<u>(46,564)</u>
	<u>508,919</u>	<u>386,101</u>

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NOTICE OF ANNUAL GENERAL MEETING

SMRT Corporation Ltd (Incorporated in the Republic of Singapore)

To: All Shareholders

Notice is hereby given that the Fourth Annual General Meeting of the Company will be held at Grand Ballroom, Level 2, Grand Plaza Parkroyal, 10 Coleman Street Singapore 179809, on Thursday, 17 July 2003 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS:

- 1) To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 March 2003 together with the Auditors' Report thereon.
- 2) To declare a Final Dividend of 1.78 cents per share, less income tax at 22 per cent for the financial year ended 31 March 2003.
- 3) To approve Directors' Fees of \$187,344 for the financial year ended 31 March 2003 (FY 2002: \$173,000).
- 4) a. To re-elect Mr Cheah Kean Huat, a Director who is retiring in accordance with Article 94 of the Company's Articles of Association.

b. To note that the following Directors are retiring in accordance with Article 94 of the Company's Articles of Association:
(i) Mr Chew Choon Seng; and
(ii) Mr Jimmy Phoon Siew Heng.
- 5) To re-elect the following Directors who are retiring in accordance with Article 100 of the Company's Articles of Association:
a. Mr Choo Chiau Beng;
b. Mr Niam Chiang Meng;
c. Mr Nithiah Nandan s/o Arumugam; and
d. Ms Saw Phaik Hwa.
- 6) To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS:

- 7) To consider, and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"That authority be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the SMRT Corporation Employee Share Option Plan ("SMRTC ESOP") and to 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 SMRTC ESOP **PROVIDED ALWAYS THAT** the aggregate number of shares to be issued pursuant to the SMRTC ESOP shall not exceed 15 per cent of the issued share capital of the Company from time to time."

ANY OTHER BUSINESS:

- 8) To transact any other business that may be transacted at an Annual General Meeting.

By Order of the Board

April Jacqueline Loh
Company Secretary

20 June 2003, Singapore

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 24 July 2003 to 25 July 2003 (both dates inclusive) for the preparation of dividend warrants. The final dividend, if approved at the Fourth Annual General Meeting, will be paid on 5 August 2003 to members on the Register as at 23 July 2003. In respect of shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the said final dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

Duly completed transfers received by the Share Registrar, Lim Associates (Pte) Ltd, at 10 Collyer Quay #19-08 Ocean Building Singapore 049315 up to 5.00 p.m. on 23 July 2003 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 schedule of fees is the same as for the preceding year. Two additional non-executive directors were appointed and the Nominating Committee was formed during the course of the year.

The proposed schedule of fees (per annum) is set out below

BOARD OF DIRECTORS

Chairman's Allowance	\$12,000
Basic Fee	\$12,000

AUDIT COMMITTEE/EXECUTIVE COMMITTEE

Chairman's Allowance	\$10,000
Member's Allowance	\$5,000

REMUNERATION COMMITTEE/NOMINATING COMMITTEE

Chairman's Allowance	\$6,000
Member's Allowance	\$3,000

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

Resolution 7 is to authorise the Directors to offer and grant options in accordance with the SMRT Corporation Employee Share Option Plan ("SMRTC ESOP") which was approved at the Extraordinary General Meeting of the Company on 15 July 2000 and to 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 SMRTC ESOP.

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and to vote in his stead. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 251 North Bridge Road, Singapore 179102, at least 48 hours before the time appointed for the Meeting.

PROXY FORM ANNUAL GENERAL MEETING

SMRT CORPORATION LTD (Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy SMRT Corporation Ltd shares, the Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ NRIC/Passport No. _____ of _____

being a member/members of SMRT Corporation Ltd 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 Fourth Annual General Meeting of the Company, to be held on Thursday, 17 July 2003 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 direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	RESOLUTIONS	Indicate your vote For or Against with a tick	
		For	Against
	Ordinary Business		
1)	Adoption of Directors' Report, Audited Financial Statements and Auditors' Report		
2)	Declaration of Final Dividend		
3)	Approval of Directors' Fees		
4)	Re-election of Mr Cheah Kean Huat as Director		
5)	(a) Re-election of Mr Choo Chiau Beng as Director		
	(b) Re-election of Mr Niam Chiang Meng as Director		
	(c) Re-election of Mr Nithiah Nandan s/o Arumugam as Director		
	(d) Re-election of Ms Saw Phaik Hwa as Director		
6)	Re-appointment of KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
7)	Authorise Directors to offer and grant options and issue shares pursuant to the SMRT Corporation Employee Share Option Plan		
8)	ANY OTHER BUSINESS		

Dated this _____ day of _____ 2003

Total Number of Shares Held: _____

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting 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 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 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 Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Directory of Subsidiaries and Associated Companies

Singapore MRT Ltd

SMRT International Pte Ltd

SMRT Investments Pte Ltd

RFP Investments Pte Ltd

TPG Investments Pte Ltd

251 North Bridge Road

Singapore 179102

Telephone: 65 6331 1000

Facsimile: 65 6334 0247

www.smrtcorp.com

SMRT Engineering Pte Ltd

300 Bishan Road

Singapore 579828

Telephone: 65 6554 8000

Facsimile: 65 6453 7645

www.smrtcorp.com

Singapore LRT Pte Ltd

1 Woodlands Road

#03-01 Ten Mile Junction

Singapore 677899

Telephone: 65 6893 6456

Facsimile: 65 6762 6732

www.slrt.com.sg

TIBS Holdings Ltd

Trans-Island Bus Services Ltd

Singapore Shuttle Bus (Pte) Ltd

TIBS Trading Pte Ltd

TIBS Investment Pte Ltd

6 Ang Mo Kio Street 62

Singapore 569140

Telephone: 65 6482 3888

Facsimile: 65 6482 3842

www.tibs.com.sg

TIBS Taxis Pte Ltd

60 Woodlands Industrial Park E4

Singapore 757705

Telephone: 65 6369 0111

Facsimile: 65 6369 3639

www.tibstaxis.com.sg

TIBS Motors Pte Ltd

60 Woodlands Industrial Park E4

Singapore 757705

Telephone: 65 6365 4233

Facsimile: 65 6368 7421

www.tibs.com.sg/motors/

TIBS Leasing Pte Ltd

6 Teban Gardens Crescent

Singapore 608921

Telephone: 65 6778 8900

Facsimile: 65 6777 7255

www.tibs.com.sg/leasing/

Bus-Plus Services Pte Ltd

6 Ang Mo Kio Street 62

Singapore 569140

Telephone: 65 6482 3888

Facsimile: 65 6482 3842

www.busplus.com.sg

Transit Link Pte Ltd

100 North Buona Vista Road

#02-01 Buona Vista MRT Station

Singapore 139345

Telephone: 65 6779 7600

Facsimile: 65 6777 7044

www.transitlink.com.sg

TranSys Pte Ltd

2 Ang Mo Kio Street 64

#04-00 Ang Mo Kio Industrial Park 3

Singapore 569084

Telephone: 65 6481 0002

Facsimile: 65 6484 4728

www.transys.com.sg

MediaCorp Press Ltd

24 Raffles Place

#28-01/06 Clifford Centre

Singapore 048621

Telephone: 65 6236 4886

Facsimile: 65 6534 4217

Convenience Shopper Pte Ltd

680 Upper Thomson Road

Singapore 787103

Telephone: 65 6456 0233

Facsimile: 65 6456 1821

www.cheersstore.com



251 North Bridge Road, Singapore 179102
Telephone: 65 6331 1000, Facsimile: 65 6334 0247
www.smrtcorp.com