# SMRT CORPORATION LTD

**(Company Registration No: 200001855H)**

## Unaudited Financial Statements for the First Quarter ended 30 June 2010

The Directors of SMRT Corporation Ltd wish to announce the unaudited results of the Group for the first quarter ended 30 June 2010 ("1Q FY2011").

## 1(a)(i) CONSOLIDATED INCOME STATEMENTS

| | The Group | | |
|---|---|---|---|
| | Apr - Jun 2010 | Apr - Jun 2009 | Increase/ (Decrease) |
| | $'000 | $'000 | % |
| Revenue | 235,341 | 215,840 | 9.0 |
| Other operating income | 4,363 | 13,134 | (66.8) |
| | 239,704 | 228,974 | 4.7 |
| Staff and related costs | (76,241) | (69,408) | 9.8 |
| Depreciation of property, plant and equipment | (33,716) | (32,901) | 2.5 |
| Amortisation of asset-related grants | 4,234 | 4,549 | (6.9) |
| Repairs and maintenance costs | (18,727) | (17,204) | 8.9 |
| Electricity and diesel costs | (30,168) | (23,417) | 28.8 |
| Other operating expenses | (38,945) | (32,767) | 18.9 |
| **Total operating expenses** | (193,563) | (171,148) | 13.1 |
| **Profit from operations** | 46,141 | 57,826 | (20.2) |
| Finance costs | (1,783) | (1,810) | (1.5) |
| Interest and investment income | 601 | 580 | 3.6 |
| Share of results of associates (net of tax) | 784 | 115 | 581.7 |
| **Profit before income tax** | 45,743 | 56,711 | (19.3) |
| Income tax expense | (7,500) | (8,508) | (11.8) |
| **Profit for the period attributable to equity holders of SMRT** | 38,243 | 48,203 | (20.7) |

| | The Group | | |
|---|---|---|---|
| | Apr - Jun 2010 | Apr - Jun 2009 | Increase/ (Decrease) |
| | | | % |
| EBITDA ($'000) | 75,623 | 86,178 | (12.2) |
| EBITDA margin | 32.1% | 39.9% | (7.8) |
| EBIT margin | 19.6% | 26.8% | (7.2) |
| PAT margin | 16.3% | 22.3% | (6.0) |
| Interest coverage (x) | 42.4 | 47.6 | (10.9) |
| Earnings Per Share (EPS) (cents) | | | |
| - basic | 2.5 | 3.2 | (20.7) |
| - diluted | 2.5 | 3.2 | (20.8) |
| Economic Value Added (EVA) ($'000) | 25,395 | 35,652 | (28.8) |
| Return On Equity (ROE) | 19.4% | 25.8% | (6.4) |

**1(a)(ii)** Included in the determination of net profit are the following items:-

| | The Group | |
|---|---|---|
| | Apr - Jun 2010 | Apr - Jun 2009 |
| | $'000 | $'000 |
| *After Charging / (Crediting) :-* | | |
| - Impairment loss for trade receivables | 771 | 19 |
| - Allowance for obsolete inventories | 629 | 760 |
| - Inventory written off | 97 | 53 |
| - Foreign exchange (gain)/loss | (338) | 1,802 |
| - Loss/(Gain) on disposal of property, plant and equipment | 317 | (109) |
| - Gain on disposal of other investments | (7) | - |
| - Property, plant and equipment written off | 188 | 59 |
| - Overprovision of deferred tax in respect of prior years | - | (6) |

## 1 (b) EARNINGS PER ORDINARY SHARE

| | The Group | | |
|---|---|---|---|
| | Apr - Jun 2010 | Apr - Jun 2009 | Increase/ (Decrease) % |
| Earnings per ordinary share (cents)*:- | | | |
| (a) Basic | 2.5 | 3.2 | (20.7) |
| - Weighted average number of shares for basic EPS ('000) | 1,517,440 | 1,516,212 | |
| (b) Fully Diluted | 2.5 | 3.2 | (20.8) |
| - Weighted average number of shares for diluted EPS ('000) | 1,521,926 | 1,520,184 | |

** To the nearest 0.1 cents*

## 1(c)(i) BALANCE SHEETS

| | Notes | The Group | | The Company | |
|---|---|---|---|---|---|
| | | As at 30 Jun 2010 | As at 31 Mar 2010 | As at 30 Jun 2010 | As at 31 Mar 2010 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | 1,015,984 | 1,036,601 | 5,225 | 5,586 |
| Intangible asset | | 35,288 | 35,288 | - | - |
| Investments in subsidiaries | | - | - | 323,247 | 323,247 |
| Interest in associate | | 67,040 | 66,345 | - | - |
| Other investments | | 15,615 | 13,246 | - | - |
| | | 1,133,927 | 1,151,480 | 328,472 | 328,833 |
| **Current assets** | | | | | |
| Inventories | | 52,241 | 49,680 | - | - |
| Trade and other receivables | | 55,435 | 54,248 | 200,513 | 196,565 |
| Tax recoverable | | 56 | 17 | 56 | 17 |
| Fixed deposits with banks and financial institutions | | 345,743 | 308,932 | - | - |
| Cash at banks and in hand | | 23,849 | 17,079 | 2,034 | 2,149 |
| Asset classified as held for sale | | - | 1,732 | - | - |
| | | 477,324 | 431,688 | 202,603 | 198,731 |
| **Total assets** | (a) | 1,611,251 | 1,583,168 | 531,075 | 527,564 |
| **Equity attributable to equity holders of SMRT** | | | | | |
| Share capital | | 163,177 | 163,078 | 163,177 | 163,078 |
| Reserves | | 3,505 | 4,040 | 2,966 | 2,674 |
| Accumulated profits | | 641,141 | 602,898 | 244,025 | 242,154 |
| **Total equity** | | 807,823 | 770,016 | 410,168 | 407,906 |
| **Non-current liabilities** | | | | | |
| Interest-bearing borrowings | | 250,000 | 250,000 | 100,000 | 100,000 |
| Provisions | | 3,570 | 3,331 | 40 | 37 |
| Deferred tax liabilities | | 127,317 | 131,342 | 871 | 871 |
| Fuel equalisation account | | 20,312 | 20,312 | - | - |
| Deferred grant | | 86,569 | 90,454 | 92 | 97 |
| | | 487,768 | 495,439 | 101,003 | 101,005 |
| **Current liabilities** | | | | | |
| Trade and other payables | | 250,856 | 261,140 | 19,643 | 18,453 |
| Provisions | | 28,444 | 25,889 | 261 | 200 |
| Current tax payable | | 36,360 | 30,684 | - | - |
| | | 315,660 | 317,713 | 19,904 | 18,653 |
| **Total liabilities** | (b) | 803,428 | 813,152 | 120,907 | 119,658 |
| **Total equity and liabilities** | | 1,611,251 | 1,583,168 | 531,075 | 527,564 |

Notes to Balance Sheets:

(a) Total assets increased by $28.1 million (1.8%) due mainly to higher cash and cash equivalents ($43.6 million), higher other investments ($2.4 million), higher inventories ($2.6 million) and higher trade and other receivables ($1.2 million). These were partially offset by lower property, plant and equipment ($20.6 million).

Other investments increased due mainly to the purchase of fixed rate bonds in 1Q FY2011. The decrease in property, plant and equipment was due mainly to depreciation charges.

As at balance sheet date, asset classified as held for sale relating to the 50% equity in Transit Link Pte Ltd has been disposed of.

(b) Total liabilities decreased by $9.7 million (1.2%) due mainly to lower trade and other payables ($10.3 million).

## 1(c)(ii) GROUP'S BORROWINGS

**Amounts repayable after one year**

| | As at 30 June 2010<br>$'000 | As at 31 March 2010<br>$'000 |
|---|---|---|
| Unsecured quoted SGD fixed rate notes - at 3.27% per annum due December 2011 | 100,000 | 100,000 |
| Unsecured quoted SGD fixed rate notes - at 2.42% per annum due October 2014 | 150,000 | 150,000 |

**Details of any collaterals**

Not applicable.

**Net Gearing**

| | | The Group | |
|---|---|---|---|
| | Note | As at<br>30 Jun 2010 | As at<br>31 Mar 2010 |
| Net gearing | (a) | net cash | net cash |

*(a)* The Group is in a net cash position as cash and cash equivalents exceed borrowings.

## 1(c)(iii) NET ASSET VALUE AND NET TANGIBLE ASSET PER ORDINARY SHARE

| | The Group | | The Company | |
|---|---|---|---|---|
| | As at 30 Jun 2010 | As at 31 Mar 2010 | As at 30 Jun 2010 | As at 31 Mar 2010 |
| Net asset value per ordinary share (cents) | 53.2 | 50.7 | 27.0 | 26.9 |
| Net tangible asset per ordinary share [1] (cents) | 50.9 | 48.4 | 27.0 | 26.9 |
| Number of shares at end of period (excluding treasury shares) [2] ('000) | 1,517,489 | 1,517,354 | 1,517,489 | 1,517,354 |

[1] Net tangible asset = net assets less intangible asset.

[2] Treasury shares - nil.

## 1(d) CONSOLIDATED CASH FLOW STATEMENTS

| | Notes | The Group Apr - Jun 2010 $'000 | The Group Apr - Jun 2009 $'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before income tax | | 45,743 | 56,711 |
| Adjustments for items not involving outlay of funds: | | | |
| Amortisation of asset-related grants | | (4,234) | (4,549) |
| Changes in fair value of financial instruments | | 3 | (1,564) |
| Exchange loss/(gain) | | - | 1,489 |
| Depreciation of property, plant and equipment | | 33,716 | 32,901 |
| Dividend income | | (141) | (85) |
| Grant released upon disposal/write-off of property, plant and equipment | | (53) | - |
| Interest expense | | 1,783 | 1,810 |
| Interest income | | (453) | (495) |
| Loss/(Gain) on disposal of: | | | |
| - property, plant and equipment | | 317 | (109) |
| - other investments | | (7) | - |
| Property, plant and equipment written off | | 188 | 59 |
| Provisions made during the period | | 3,661 | 3,912 |
| Share-based payment expenses | | 292 | 292 |
| Share of results of associates | | (784) | (115) |
| | | 80,031 | 90,257 |
| Changes in working capital: | | | |
| Inventories | | (2,561) | (19,522) |
| Trade and other receivables | | (345) | 8,129 |
| Amounts due to/from an associate | | - | 1,602 |
| Trade, other payables and provisions | | 14,352 | 20,118 |
| Cash generated from operations | | 91,477 | 100,584 |
| Income taxes paid, net | | (5,898) | (2,182) |
| Interest paid | | (3,446) | (3,276) |
| Cash flows from operating activities | (a) | 82,133 | 95,126 |
| **Investing activities** | | | |
| Dividends received | | 141 | 85 |
| Interest received | | 568 | 178 |
| Grant received | | 402 | - |
| Purchase of property, plant and equipment | | (38,398) | (35,110) |
| Purchase of other investments | | (3,123) | - |
| Proceeds from disposal of: | | | |
| - property, plant and equipment | | 66 | 13,449 |
| - associate | | 1,732 | - |
| - other investments | | 10 | 53 |
| Cash flows from investing activities | (b) | (38,602) | (21,345) |
| **Financing activities** | | | |
| Proceeds from issue of shares under share option plan | | 99 | 26 |
| Cash flows from financing activities | | 99 | 26 |
| Net (decrease)/increase in cash and cash equivalents | (c) | 43,630 | 73,807 |
| Cash and cash equivalents at beginning of period | | 326,011 | 245,599 |
| Effect of exchange rate fluctuations on cash held | | (49) | (146) |
| Cash and cash equivalents at end of the period | | 369,592 | 319,260 |
| Cash and cash equivalents at end of the period comprise: | | | |
| Fixed deposits with banks and financial institutions | | 345,743 | 292,133 |
| Cash at banks and in hand | | 23,849 | 27,127 |
| | | 369,592 | 319,260 |

Notes to Consolidated Cash Flow Statements:

(a) Net cash inflow from operating activities of $82.1 million for 1Q FY2011 was lower compared to $95.1 million for 1Q FY2010 due mainly to lower cash generated from operations and higher payment of income taxes.

(b) Net cash outflow from investing activities of $38.6 million in 1Q FY2011 was higher compared to $21.3 million in 1Q FY2010 due mainly to higher purchase of property, plant and equipment, higher purchase of other investments and lower proceeds from the disposal of property, plant and equipment. This was partially offset by higher proceeds from the disposal of associate which relates to the 50% equity in Transit Link Pte Ltd.

(c) Net increase in cash and cash equivalents of $43.6 million in 1Q FY2011 was lower compared to $73.8 million in 1Q FY2010 as a result of lower net cash inflow from operating activities and higher net cash outflow from investing activities.

## 1(e) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | The Group | |
|---|---|---|
| | Apr - Jun 2010 | Apr - Jun 2009 |
| | $'000 | $'000 |
| **Profit for the period** | 38,243 | 48,203 |
| **Other comprehensive income/(loss):** | | |
| Net fair value changes on available-for-sale financial assets | (727) | (597) |
| Change in fair value of available-for-sale financial assets transferred to the income statement, net of tax | (4) | - |
| Net change in fair value of cash flow hedges transferred to the income statement, net of tax | 47 | - |
| Translation differences relating to financial statements of foreign subsidiary and associate | (143) | (162) |
| **Other comprehensive income/(loss) for the period, net of income tax** | (827) | (759) |
| **Total comprehensive income for the period attributable to equity holders of SMRT** | 37,416 | 47,444 |

## 1(f)(i) STATEMENTS OF CHANGES IN EQUITY

The Group

| | Share Capital $'000 | Foreign Currency Translation Reserve $'000 | Fair Value Reserve $'000 | Hedge Reserve $'000 | Share-based Payment Reserve $'000 | Accumulated Profits $'000 | Total Attributable to Equity Holders of SMRT $'000 |
|---|---|---|---|---|---|---|---|
| **At 1 Apr 2009** | 161,774 | 150 | 465 | - | 2,149 | 557,540 | 722,078 |
| Comprehensive income/(expense) for the period | - | (162) | (597) | - | - | 48,203 | 47,444 |
| Issue of shares under SMRT ESOP | 26 | - | - | - | - | - | 26 |
| Value of employee services received for share-based payment | - | - | - | - | 292 | - | 292 |
| **At 30 Jun 2009** | **161,800** | **(12)** | **(132)** | **-** | **2,441** | **605,743** | **769,840** |
| | | | | | | | |
| **At 1 Apr 2010** | 163,078 | 297 | 1,917 | (848) | 2,674 | 602,898 | 770,016 |
| Comprehensive income/(expense) for the period | - | (143) | (731) | 47 | - | 38,243 | 37,416 |
| Issue of shares under SMRT ESOP | 99 | - | - | - | - | - | 99 |
| Value of employee services received for share-based payment | - | - | - | - | 292 | - | 292 |
| **At 30 Jun 2010** | **163,177** | **154** | **1,186** | **(801)** | **2,966** | **641,141** | **807,823** |

## 1(f)(i) STATEMENTS OF CHANGES IN EQUITY (cont'd)

The Company

| | Share Capital | Share-based Payment Reserve | Accumulated Profits | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **At 1 Apr 2009** | 161,774 | 2,149 | 215,418 | 379,341 |
| Comprehensive income for the period | - | - | 76,817 | 76,817 |
| Issue of shares under SMRT ESOP | 26 | - | - | 26 |
| Value of employee services received for share-based payment | - | 292 | - | 292 |
| **At 30 Jun 2009** | **161,800** | **2,441** | **292,235** | **456,476** |
| | | | | |
| **At 1 Apr 2010** | 163,078 | 2,674 | 242,154 | 407,906 |
| Comprehensive income for the period | - | - | 1,871 | 1,871 |
| Issue of shares under SMRT ESOP | 99 | - | - | 99 |
| Value of employee services received for share-based payment | - | 292 | - | 292 |
| **At 30 Jun 2010** | **163,177** | **2,966** | **244,025** | **410,168** |

**1(f)(ii)** The total number of issued shares excluding treasury shares of the Company as at 30 June 2010 and 31 March 2010 were 1,517,488,996 and 1,517,353,896 respectively.

The Company did not hold any treasury shares in 1Q FY2011 and as at 30 June 2010 (30 June 2009: Nil).

In 1Q FY2011, the Company issued and allotted 135,100 ordinary shares following the exercise of 135,100 share options under the SMRT Corporation Employee Share Option Plan ("SMRT ESOP").

As at 30 June 2010, the number of outstanding share options under the SMRT ESOP was 1,999,400 (30 June 2009: 2,416,650). Details of the options granted under the SMRT ESOP on the un-issued ordinary shares of the Company are as follows:-

| Date of grant of options | Exercise price per share | Options outstanding at 1/4/2010 | Options exercised | Options cancelled | Options outstanding at 30/6/2010 | Number of option holders at 30/6/2010 | Exercise period |
|---|---|---|---|---|---|---|---|
| 16/7/2001 | $0.816 | 1,025,000 | 68,000 | 1,000 | 956,000 | 432 | 16/7/2002 to 15/7/2011 |
| 22/7/2002 | $0.676 | 529,200 | 30,500 | - | 498,700 | 466 | 22/7/2003 to 21/7/2012 |
| 22/7/2003 | $0.623 | 582,800 | 36,600 | 1,500 | 544,700 | 458 | 22/7/2004 to 21/7/2013 |
| | Total | 2,137,000 | 135,100 | 2,500 | 1,999,400 | | |

As at 30 June 2010, the number of outstanding conditional shares awarded under the SMRT Corporation Restricted Share Plan and SMRT Corporation Performance Share Plan was 3,161,400 (30 June 2009: 2,665,700).

## 2. AUDIT

The figures for the quarters ended 30 June 2010 and 30 June 2009 have not been audited or reviewed.

## 3. ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the financial statements for the current period compared with the audited financial statements as at 31 March 2010.

## 4. REVIEW OF GROUP PERFORMANCE (1Q FY2011 AGAINST PREVIOUS CORRESPONDING PERIOD)

### 4.1 Overview

Group revenue increased by $19.5 million (9.0%) in 1Q FY2011 compared to 1Q FY2010 due mainly to higher MRT ridership, contribution from Circle Line Stages 1 and 2, higher Bus ridership and higher rental revenue, partially offset by lower revenue from Palm Jumeirah. In view of the uncertainty of receipt of payment for services, revenue for Palm Jumeirah was accounted for on a non accrual basis from 1Q FY2011.

Operating profits were lower by $11.7 million (20.2%) in 1Q FY2011 due mainly to higher total operating expenses and lower other operating income, partially offset by higher revenue.

Group net profit was lower by $10.0 million (20.7%) in 1Q FY2011 due mainly to lower operating profits, partially offset by share of better results of associates and lower income tax expenses.

### 4.2 Explanatory notes to Consolidated Income Statement

**Other operating income** decreased by $8.8 million (66.8%) in 1Q FY2011 due mainly to lower other maintenance and related income.

**Staff and related costs** were higher by $6.8 million (9.8%) in 1Q FY2011 due mainly to increased headcount, salary adjustments and lower jobs credit. Jobs credit was $1.2 million in 1Q FY2011 as compared to $4.4 million in 1Q FY2010. The jobs credit was extended at stepped down rates for 6 months from January to June 2010. The higher headcount is mainly attributed to the operation of Circle Line Stages 1 and 2 and increased train runs.

**Repairs and maintenance costs** increased by $1.5 million (8.9%) in 1Q FY2011 due mainly to more scheduled repairs and maintenance for Train and Taxi.

**Electricity and diesel costs** increased by $6.8 million (28.8%) in 1Q FY2011. Electricity cost was $20.5 million in 1Q FY2011, compared to $16.0 million in 1Q FY2010. The increase in electricity cost in 1Q FY2011 was due mainly to higher average tariff and higher electricity consumption as a result of increased train runs and commencement of Circle Line Stages 1 and 2. Diesel cost was $9.6 million in 1Q FY2011, compared to $7.5 million in 1Q FY2010. The higher diesel cost in 1Q FY2011 was due mainly to higher diesel prices as compared to the previous corresponding period.

**Other operating expenses** increased by $6.2 million (18.9%) in 1Q FY2011 due mainly to higher fees for ticket payment services, higher allowance for doubtful debts and property tax expenses.

**Share of results of associates** in 1Q FY2011 related to the results of Shenzhen Zona while that in 1Q FY2010 related to the results of Transit Link Pte Ltd which had been disposed as at balance sheet date.

## 5. REVIEW OF SEGMENT PERFORMANCE (1Q FY2011 AGAINST PREVIOUS CORRESPONDING PERIOD)

A segmental breakdown by business is provided under note 10.

| | First Quarter | | |
|---|---|---|---|
| | 1Q FY2011 | 1Q FY2010 | Increase / (Decrease) |
| | $'000 | $'000 | % |
| **Train operations** | | | |
| Revenue | 129,624 | 115,567 | 12.2 |
| Operating profit | 27,735 | 36,732 | (24.5) |
| **LRT operations** | | | |
| Revenue | 2,336 | 2,187 | 6.8 |
| Operating profit/(loss) | (71) | 41 | (273.2) |
| **Bus operations** | | | |
| Revenue | 52,524 | 48,975 | 7.2 |
| Operating profit/(loss) | (770) | 1,238 | (162.2) |
| **Taxi operations** | | | |
| Revenue | 18,254 | 17,664 | 3.3 |
| Operating profit/(loss) | 655 | 1,115 | (41.3) |
| **Rental** | | | |
| Revenue | 17,326 | 15,475 | 12.0 |
| Operating profit | 13,480 | 12,498 | 7.9 |
| **Advertising** | | | |
| Revenue | 6,217 | 5,366 | 15.9 |
| Operating profit | 4,116 | 3,452 | 19.2 |
| **Engineering and Other Services** | | | |
| Revenue | 9,059 | 10,603 | (14.6) |
| Operating profit/(loss) | (1,067) | 1,357 | (178.6) |
| **Investment holding & Support Services / Consolidation elimination & adjustments** | | | |
| Revenue | 1 | 3 | (66.7) |
| Operating profit/(loss) | 2,063 | 1,393 | 48.1 |
| **Total** | | | |
| **Revenue** | **235,341** | **215,840** | **9.0** |
| **Operating profit** | **46,141** | **57,826** | **(20.2)** |

Revenue from **Train operations** increased by $14.1 million (12.2%) in 1Q FY2011 as a result of higher MRT ridership and contribution from Circle Line Stages 1 and 2. Operating profits decreased by $9.0 million (24.5%) in 1Q FY2011 due mainly to losses from Circle Line as a result of low ridership and lower other operating income. In addition, energy costs and staff and related expenses, as a result of lower jobs credit, were higher. This was partially offset by higher revenue.

Revenue from **Bus operations** increased by $3.5 million (7.2%) in 1Q FY2011 due mainly to higher ridership. Operating loss of $0.8 million in 1Q FY2011 as compared to operating profit of $1.2 million in 1Q FY2010 was due mainly to higher staff and related expenses as a result of lower jobs credit and higher diesel cost, partially offset by higher revenue.

**Taxi** rental revenue increased by $0.6 million (3.3%) in 1Q FY2011 due mainly to improved hired-out rates and larger average hired out fleet. Operating profit decreased by $0.5 million (41.3%) in 1Q FY2011 due mainly to higher repair and maintenance costs and hirers' benefits.

**Rental** revenue from commercial spaces increased by $1.9 million (12.0%) in 1Q FY2011 as a result of increased space following the redevelopment of commercial spaces at various MRT stations. Operating profit also increased by $1.0 million (7.9%) in 1Q FY2011 as compared to the previous corresponding period.

**Advertising** revenue increased by $0.9 million (15.9%) 1Q FY2011 as compared to 1Q FY2010 due mainly to increased advertising on trains and MRT stations. Operating profit also increased by $0.7 million (19.2%) in 1Q FY2011.

Revenue from **Engineering and Other Services** decreased by $1.5 million (14.6%) in 1Q FY2011 due mainly to lower revenue from Palm Jumeirah, partially offset by increased consultancy revenue. Operating loss of $1.1 million in 1Q FY2011 as compared to operating profit of $1.4 million in 1Q FY2010 was due mainly to lower revenue and higher allowance for doubtful debts of $0.7 million.

## 6. REVIEW OF PROSPECTS STATEMENT

The results for 1Q FY2011 are consistent with the prospects statement issued during the announcement of the 4Q FY2010 results.

## 7. SUBSEQUENT EVENTS

Subsequent to the period ended 30 June 2010, on 8 July 2010, Nakheel PJSC issued a notice to exercise its right of early termination to terminate the contract for the operation and maintenance of Palm Jumeirah with effect from 5 August 2010. Nakheel PJSC has stated in the notice that the termination is in line with Nakheel's ongoing restructuring of its business. Since receipt of the notice, the Group has commenced actions to discontinue operations and we are pursuing actions available under the terms of the contract. The termination of the contract undertaken by SMRT Engineering (Middle East) FZE, is not expected to have any material impact on the Group's operating profit.

In the opinion of the Directors, no other item, transaction or event of a material and unusual nature has arisen since 1 July 2010 to the date of this announcement which is likely to affect materially the results of the Group for 1Q FY2011.

## 8. PROSPECTS

Outlook for the next 12 months

Since the commencement of Circle Line Stages 1 and 2 on 17 April 2010, Circle Line ridership has risen from an average daily ridership of 124,000 to almost 145,000. However, this is below the expected ridership of 200,000. The shortfall in ridership and the high electricity costs will continue to negatively impact Circle Line profitability. While we expect Circle Line ridership to improve, the line will continue to operate at a significant loss over the next 12 months.

In addition, the Group is currently monitoring the impact of distance fares implementation on the Group fare revenue. With effect from 3 July 2010, Singapore's public transport switched from the existing transfer rebate regime to a system of distance-based charging, allowing passengers to pay according to the distance travelled regardless of the number of transfers made.

Rental revenue is expected to be higher than the preceding year with increased lettable space from the refurbishment of more stations.

Group operating expenses are expected to be higher. Staff and related costs will be higher due mainly to the absence of jobs credit from 2Q FY2011, higher CPF rates, increased headcount with the operation of Circle Line Stages 1 and 2 from 17 April 2010 and a tight labour market. Electricity cost is expected to be higher in the next quarter and volatility in energy prices is expected to continue to impact the profitability of the Group.

The outlook in the next 12 months for Train operations is expected to be challenging with continuing losses from Circle Line operations, increasing cost pressures and the impact of distance fares on fare revenue.

With these challenges, the profitability of FY2010 may not be maintained.

## 9. DIVIDENDS

No dividend will be declared for 1Q FY2011.

## 10. SEGMENT INFORMATION

| | Rail | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | MRT $'000 | LRT $'000 | Bus operations $'000 | Taxi operations $'000 | Rental $'000 | Advertising $'000 | Engineering and other services $'000 | Investment holding and support services $'000 | Consolidation elimination & adjustments $'000 | Total $'000 |
| **Revenue and expenses** | | | | | | | | | | |
| **1Q FY2011** | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| - external customers | 129,624 | 2,336 | 52,524 | 18,254 | 17,326 | 6,217 | 9,059 | 1 | - | 235,341 |
| - inter-segment | - | - | 103 | - | - | 94 | 12,832 | 11,845 | (24,874) | - |
| Operating expenses (net of other income) | (85,943) | (2,399) | (48,321) | (12,317) | (1,931) | (1,965) | (22,775) | (8,941) | 24,874 | (159,718) |
| Depreciation and amortisation | (15,946) | (8) | (5,076) | (5,282) | (1,915) | (230) | (183) | (430) | (412) | (29,482) |
| Segment operating results | 27,735 | (71) | (770) | 655 | 13,480 | 4,116 | (1,067) | 2,475 | (412) | 46,141 |
| Finance costs | | | | | | | | | | (1,783) |
| Interest income | | | | | | | | | | 453 |
| Investment income | | | | | | | | | | 148 |
| Share of results of associates | | | | | | | | | | 784 |
| Income tax expense | | | | | | | | | | (7,500) |
| Profit for the period attributable to equity holders of SMRT | | | | | | | | | | 38,243 |
| **1Q FY2010** | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| - external customers | 115,567 | 2,187 | 48,975 | 17,664 | 15,475 | 5,366 | 10,603 | 3 | - | 215,840 |
| - inter-segment | - | - | 114 | 15 | - | - | 12,180 | 10,782 | (23,091) | - |
| Operating expenses (net of other income) | (62,704) | (2,142) | (43,415) | (11,305) | (1,440) | (1,691) | (21,267) | (8,783) | 23,085 | (129,662) |
| Depreciation and amortisation | (16,131) | (4) | (4,436) | (5,259) | (1,537) | (223) | (159) | (448) | (155) | (28,352) |
| Segment operating results | 36,732 | 41 | 1,238 | 1,115 | 12,498 | 3,452 | 1,357 | 1,554 | (161) | 57,826 |
| Finance costs | | | | | | | | | | (1,810) |
| Interest income | | | | | | | | | | 495 |
| Investment income | | | | | | | | | | 85 |
| Share of results of an associate | | | | | | | | | | 115 |
| Income tax expense | | | | | | | | | | (8,508) |
| Profit for the period attributable to equity holders of SMRT | | | | | | | | | | 48,203 |

## 11. INTERESTED PERSON TRANSACTIONS

The aggregate value of interested person transactions entered into during the following periods are as follows:-

| Name of Interested Person | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) |
|---|---|---|
| | **1Q FY2011** | **1Q FY2011** |
| | $ '000 | $ '000 |
| **Sale of Goods and Services** | | |
| Singapore Telecommunications Ltd [(1)] | 1,925 | - |
| Singapore Technologies Kinetics Ltd [(2)] | 698 | - |
| Singapore Airlines Ltd [(3)] | 467 | - |
| Singapore Airport Terminal Services Limited [(3)] | 670 | - |
| Certis Cisco Aviation Security Pte Ltd [(4)] | 141 | - |
| **Purchases of Goods and Services** | | |
| Singapore Technologies Electronics Ltd [(2)] | 310 | - |
| Singapore Telecommunications Ltd [(1)] | 142 | - |
| Total | 4,353 | - |

*(1) Part of Singapore Telecommunications Group*
*(2) Part of Singapore Technologies Engineering Group*
*(3) Part of Singapore Airlines Group*
*(4) Part of Certis Cisco Security Group*

## 12. NEGATIVE ASSURANCE ON INTERIM FINANCIAL STATEMENTS

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the 1Q FY2011 financial results to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Ms S. Prema
Company Secretary
SMRT Corporation Ltd

30 July 2010