

FINANCIAL REPORT

110	Directors' Report
118	Statement by Directors
119	Independent Auditors' Report
120	Balance Sheets
121	Consolidated Income Statement
122	Consolidated Statement of Changes in Equity
123	Statement of Changes in Equity
124	Consolidated Cash Flow Statement
126	Notes to the Financial Statements

Directors' Report

Year ended 31 March 2008

We are pleased to submit this report to the members of the Company together with the audited financial statements for the financial year ended 31 March 2008.

DIRECTORS

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

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

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of Director and Corporation in which interests are held	Holdings in the name of the Director, Spouse or Infant children	
	At beginning of the year/date of appointment	At end of the year
Choo Chiau Beng		
SMRT Corporation Ltd		
– ordinary shares	100,000	100,000
Neptune Orient Lines Limited		
– ordinary shares	100,000	–
Singapore Airlines Limited		
– ordinary shares	6,000	–
Singapore Computer Systems Limited		
– ordinary shares	200,000	–
Singapore Food Industries Limited		
– ordinary shares	20,000	20,000
Singapore Telecommunications Limited		
– ordinary shares	1,680	1,680
Saw Phaik Hwa		
SMRT Corporation Ltd		
– ordinary shares	240,000	274,700

DIRECTORS' INTERESTS (cont'd)

Name of Director and Corporation in which interests are held	Holdings in the name of the Director, Spouse or Infant children	
	At beginning of the year/date of appointment	At end of the year
Edmund Koh Kian Chew		
SNP Corporation Ltd		
– ordinary shares	10,000	60,000
– options to subscribe for ordinary shares at:		
– \$0.59 between 15/4/2004 to 14/4/2008	25,000	–
– \$1.19 between 21/4/2005 to 20/4/2009	25,000	25,000
– \$0.90 between 19/4/2006 to 18/4/2010	27,500	27,500
– \$1.02 between 25/4/2007 to 24/4/2011	27,500	27,500
– \$1.07 between 24/4/2008 to 23/4/2012	–	27,500
Koh Yong Guan		
SMRT Corporation Ltd		
– ordinary shares	70,000	70,000
Chartered Semiconductor Manufacturing Ltd		
– ordinary shares	2,000	2,000
Mapletree Logistics Trust Management Ltd		
– units in Mapletree Logistics Trust	5,000	5,000
Singapore Airlines Limited		
– ordinary shares	5,000	4,800
Singapore Computer Systems Limited		
– ordinary shares	10,000	10,000
Singapore Food Industries Limited		
– ordinary shares	17,000	17,000
Singapore Telecommunications Limited		
– ordinary shares	19,090	19,090
Singapore Technologies Engineering Ltd		
– ordinary shares	23,108	23,108
SP AusNet		
– stapled securities	96,000	96,000
Paul Ma Kah Woh		
Singapore Telecommunications Limited		
– ordinary shares	380	380
StarHub Ltd		
– ordinary shares	85,720	78,580
Ong Ye Kung		
Singapore Telecommunications Limited		
– ordinary shares	1,800	1,800

Directors' Report

Year ended 31 March 2008

DIRECTORS' INTERESTS (cont'd)

Name of Director and Corporation in which interests are held	Holdings in the name of the Director, Spouse or Infant children	
	At beginning of the year/date of appointment	At end of the year
Engelin Teh Guek Ngor		
SMRT Corporation Ltd		
– ordinary shares	150,000	150,000
Singapore Computer Systems Limited		
– ordinary shares	100,000	100,000
Singapore Telecommunications Limited		
– ordinary shares	1,360	1,360
SP AusNet		
– stapled securities	31,000	31,000

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

The interest of Mr Dilhan Pillay Sandrasegara in shares, debentures and share options in the Company and in related corporations (other than wholly-owned subsidiaries) as at the date of his appointment on 15 April 2008 (being a date after the financial year end) is as follows:

Name of Director and Corporation in which interests are held	Holdings in the name of the Director, Spouse or Infant children at date of appointment	
	Dilhan Pillay Sandrasegara	
Singapore Airlines Limited		
– ordinary shares		2,000
Singapore Telecommunications Limited		
– ordinary shares		936
SP AusNet		
– stapled securities		50,000

There were no changes in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 April 2008.

Except as disclosed under the "Share Options and Share Plans" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except as disclosed in note 21(b) to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

SHARE OPTIONS AND SHARE PLANS

The SMRT Corporation Employee Share Option Plan (“SMRT ESOP”) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRT ESOP comprises two distinct schemes:

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

The SMRT Corporation Restricted Share Plan (“SMRT RSP”) and the SMRT Corporation Performance Share Plan (“SMRT PSP”) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2004.

The SMRT ESOP, SMRT RSP and SMRT PSP are administered by the Remuneration Committee (the “Committee”), comprising Mr Choo Chiau Beng, Chairman of the Committee, Mr Edmund Koh Kian Chew, Mr Koh Yong Guan and Mr Bob Tan Beng Hai.

In exercising its discretion, the Committee must act in accordance with any guidelines that may be provided by the Board of Directors. The Committee shall refer any matter not falling within the scope of its terms of reference to the Board. The Committee shall have the power, from time to time, to make and vary such regulations for the implementation and administration of the SMRT ESOP, SMRT RSP and SMRT PSP as it thinks fit.

The salient features of the SMRT ESOP, SMRT RSP and SMRT PSP are as follows:

SMRT ESOP

i. Eligible participants

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

ii. Maximum allowable allotment

The total number of shares which may be issued under the SMRT ESOP (“ESOP Shares”) when added to the number of shares which may be issued pursuant to awards granted under the SMRT RSP and SMRT PSP shall not exceed fifteen percent of the issued share capital of the Company on the Grant Date.

The number of ESOP Shares to be offered to a participant shall be determined by the Committee at its absolute discretion after taking into account the length of service and performance of the participant and such other general criteria as the Committee may consider appropriate.

iii. Subscription price

The subscription price for each share in respect of which an option is exercisable shall be the average of the last dealt prices of the shares as published by the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the five consecutive market days immediately preceding the Grant Date.

iv. Option period

The options granted under the Management Scheme will be vested over a 3-year period (that is 33% in the first year, 66% in the second year and 100% in the third year) and may be exercised during the period commencing after the vesting date but before the tenth anniversary of the Grant Date.

The options granted under the Employee Scheme may be exercised during the period commencing after the second anniversary of the Grant Date but before the tenth anniversary of the Grant Date. The right of the participants to exercise their options is in all cases subject to such vesting schedule (if any) stipulated by the Committee and any other conditions which may be imposed by the Committee from time to time in its absolute discretion.

Directors' Report

Year ended 31 March 2008

SHARE OPTIONS AND SHARE PLANS (cont'd)

SMRT ESOP (cont'd)

At the end of the financial year, details of the options granted under the SMRT ESOP on the unissued ordinary shares of the Company are as follows:

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

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

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

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

Since the commencement of the SMRT ESOP, no options have been granted to the employees of the holding company or its related corporations under the SMRT ESOP.

The options granted by the Company do not entitle the holders of the option, by virtue of such holdings, to any rights to participate in any share issue of any other company.

During the financial year, no options have been granted.

SMRT RSP and SMRT PSP (collectively "The Plans")

The SMRT RSP is intended to enhance the Group's overall compensation packages and strengthen the Group's ability to attract and retain high performing talent.

The SMRT PSP is targeted at senior management in key positions who are able to drive the growth of the Company through innovation, creativity and superior performance.

i. Eligible participants

- Group employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time; and
- Associated company employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The selection of employees and the number of shares which are the subject of each award to be granted to employees in accordance with the Plans shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, contribution to the success and development of the Group and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

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

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

ii. Awards

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

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

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

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

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

iii. Size and duration

The total number of new shares which may be issued pursuant to awards granted under the Plans, when added to the number of options granted under SMRT ESOP shall not exceed fifteen percent of the issued share capital of the Company on the day preceding the relevant date of award.

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

The Plans shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing from 15 July 2004, provided always that the Plans may continue beyond the 10-year period with the approval of the shareholders in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the Plans, any awards made to employees prior to such expiry or termination will continue to remain valid.

iv. Events prior to vesting

Special provisions for vesting and lapsing of awards apply such as the termination of the employment, misconduct, retirement and any other events approved by the Committee. Upon occurrence of any of the events, the Committee will consider, at its discretion, whether or not to release any award, and will take into account circumstances on a case-by-case basis, including (but not limited to) the contributions made by the employee.

During the financial year, the conditional shares awarded under the SMRT PSP and RSP to the senior management staff are described below:

	SMRT PSP	SMRT RSP
Plan description	Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives.	Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a two-year performance period based on medium-term corporate and business unit objectives with some degree of stretch.
Date of grant	12 November 2007	12 November 2007
Performance period	1 April 2007 to 31 March 2010	1 April 2007 to 31 March 2009
Vesting condition	Vesting based on meeting stated performance conditions over a three-year performance period.	Based on meeting stated performance conditions over a two-year performance period, 1/3 of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements.
Payout	0% – 125% depending on the achievement of pre-set performance targets over the performance period.	0% – 121% depending on the achievement of pre-set performance targets over the performance period.

Directors' Report

Year ended 31 March 2008

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

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

The details of shares awarded, cancelled and released during the year pursuant to the Plans were as follows:

SMRT PSP

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

SMRT RSP

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

Under the Plans, eligible key executives are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in SMRT, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2008 were 486,500 and 1,774,200 (2007: 303,500 and 1,254,200) for SMRT PSP and SMRT RSP respectively. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 608,200 and 2,117,600 (2007: 379,400 and 1,410,200) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

AUDIT COMMITTEE

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

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

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

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

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

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

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

The Committee met six times during the year.

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

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

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

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

AUDITORS

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

On behalf of the Board of Directors



Choo Chia Beng
Director



Saw Phaik Hwa
Director

29 April 2008

Statement by Directors

Year ended 31 March 2008

In our opinion:

- a. the financial statements set out on pages 120 to 166 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- b. at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors



Choo Chiau Beng
Director



Saw Phaik Hwa
Director

29 April 2008

Independent Auditors' Report

Year ended 31 March 2008

Members of the Company
SMRT Corporation Ltd

We have audited the accompanying financial statements of SMRT Corporation Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 March 2008, the income statement, statement of changes in equity and cash flow statement of the Group and of the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 120 to 166.

Management's responsibility for the financial statements

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

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion:

- a. the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2008 and the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date; and
- b. the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG
Public Accountants and
Certified Public Accountants

Singapore
29 April 2008

Balance Sheets

As at 31 March 2008

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

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

Consolidated Income Statement

Year ended 31 March 2008

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

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

Consolidated Statement of Changes in Equity

Year ended 31 March 2008

Group	Share capital \$'000	Foreign currency translation reserve \$'000	Fair value reserve \$'000	Share- based payment reserve \$'000	Accu- mulated profits \$'000	Total attributable to equity holders of SMRT \$'000	Minority interest \$'000	Total equity \$'000
At 1 April 2006	156,493	–	3,120	518	425,898	586,029	2,364	588,393
Net fair value changes on available-for-sale financial assets	–	–	1,420	–	–	1,420	–	1,420
Net gain recognised directly in equity	–	–	1,420	–	–	1,420	–	1,420
Profit for the year	–	–	–	–	135,407	135,407	383	135,790
Total recognised income and expense for the year	–	–	1,420	–	135,407	136,827	383	137,210
Disposal of subsidiary	–	–	–	–	–	–	(2,747)	(2,747)
Issue of shares under SMRT ESOP	2,331	–	–	–	–	2,331	–	2,331
Value of employee services received for share-based payment	–	–	–	361	–	361	–	361
Final dividend paid of 5.50 cents per share less tax at 20% in respect of year 2006	–	–	–	–	(66,438)	(66,438)	–	(66,438)
Interim dividend paid of 1.23 cents per share less tax at 20% in respect of year 2007	–	–	–	–	(14,863)	(14,863)	–	(14,863)
Interim dividend paid of 0.27 cents per share in respect of year 2007	–	–	–	–	(4,078)	(4,078)	–	(4,078)
At 31 March 2007	158,824	–	4,540	879	475,926	640,169	–	640,169
At 1 April 2007	158,824	–	4,540	879	475,926	640,169	–	640,169
Net fair value changes on available-for-sale financial assets	–	–	(1,988)	–	–	(1,988)	–	(1,988)
Translation differences relating to financial statement of foreign subsidiary	–	(46)	–	–	–	(46)	–	(46)
Net gain/(loss) recognised directly in equity	–	(46)	(1,988)	–	–	(2,034)	–	(2,034)
Profit for the year	–	–	–	–	149,939	149,939	–	149,939
Total recognised income and expense for the year	–	(46)	(1,988)	–	149,939	147,905	–	147,905
Issue of shares under SMRT ESOP	1,783	–	–	–	–	1,783	–	1,783
Issue of shares under SMRT RSP	205	–	–	(205)	–	–	–	–
Value of employee services received for share-based payment	–	–	–	890	–	890	–	890
Final dividend paid of 5.75 cents per share in respect of year 2007	–	–	–	–	(87,094)	(87,094)	–	(87,094)
Interim dividend paid of 1.75 cents per share in respect of year 2008	–	–	–	–	(26,512)	(26,512)	–	(26,512)
At 31 March 2008	160,812	(46)	2,552	1,564	512,259	677,141	–	677,141

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

Statement of Changes in Equity

Year ended 31 March 2008

Company	Share capital \$'000	Share-based payment reserve \$'000	Accumulated profits \$'000	Total equity \$'000
At 1 April 2006	156,493	518	105,113	262,124
Profit for the year	–	–	110,005	110,005
Total recognised income and expense for the year	–	–	110,005	110,005
Issue of shares under SMRT ESOP	2,331	–	–	2,331
Value of employee services received for share-based payment	–	361	–	361
Final dividend paid of 5.50 cents per share less tax at 20% in respect of year 2006	–	–	(66,438)	(66,438)
Interim dividend paid of 1.23 cents per share less tax at 20% in respect of year 2007	–	–	(14,863)	(14,863)
Interim dividend paid of 0.27 cents per share in respect of year 2007	–	–	(4,078)	(4,078)
At 31 March 2007	158,824	879	129,739	289,442
At 1 April 2007	158,824	879	129,739	289,442
Profit for the year	–	–	115,459	115,459
Total recognised income and expense for the year	–	–	115,459	115,459
Issue of shares under SMRT ESOP	1,783	–	–	1,783
Issue of shares under SMRT RSP	205	(205)	–	–
Value of employee services received for share-based payment	–	890	–	890
Final dividend paid of 5.75 cents per share in respect of year 2007	–	–	(87,094)	(87,094)
Interim dividend paid of 1.75 cents per share in respect of year 2008	–	–	(26,512)	(26,512)
At 31 March 2008	160,812	1,564	131,592	293,968

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

Consolidated Cash Flow Statement

Year ended 31 March 2008

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

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

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

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

Notes to the Financial Statements

Year ended 31 March 2008

These notes form an integral part of the financial statements.

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

1. DOMICILE AND ACTIVITIES

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

The principal activities of the Company are those relating to investment holding and provision of management services to group companies. The subsidiaries are involved in seven key businesses as follows:

i. Rail operations

Its principal activities are to provide transport-related businesses in Singapore. It operates the East-West and North-South lines of the Mass Rapid Transit System (the “MRT System”) and the Bukit Panjang Light Rapid Transit System (the “LRT System”).

ii. Bus operations

Its principal activities are to provide bus services and charter hire services.

iii. Taxi operations

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

iv. Rental

Its principal activities are the leasing of commercial space and kiosks.

v. Advertising

Its principal activities are the leasing of advertising space at the MRT and LRT stations as well as in trains, and on buses and taxis.

vi. Engineering and other services

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

vii. Investment holding

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

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

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

2. LICENCE AND OPERATING AGREEMENT

a. SMRT Trains Ltd (“MRT”)

A Licence and Operating Agreement (“the MRT LOA”) with the Land Transport Authority (“LTA”) under which MRT is licensed to operate the existing MRT System in Singapore came into effect on 1 April 1998. The MRT LOA sets out the terms and conditions under which the licence is granted and include the following:

- i. The licence is for a period of 30 years commencing 1 April 1998 at an annual licence fee calculated at 0.5% of the annual passenger revenue net of goods and services tax and rebates for the first 5 years of the MRT LOA, and at 1% from 1 April 2003 to 31 March 2010 and thereafter, the percentage shall be determined by LTA and reviewed every ten years. MRT may request LTA to extend the licence or subsequent licence for a period of 30 years subject to any other terms and conditions as LTA may impose.

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

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

- ii. MRT may apply for a grant from LTA for the replacement of eligible operating assets to be computed on the basis as set out in the MRT LOA. The main categories of eligible operating assets are trains, permanent way vehicles, power supply equipment and cabling, supervisory control system, escalators and lifts, platforms screen doors, environmental control system, electrical service and fire protection system, signalling system, communication system, automatic fare collection system and depot workshop equipment.
- iii. Upon the expiration or cancellation of the licence, MRT is required to surrender all parts of the MRT system owned by LTA in a condition substantially similar to their state as at the date of the MRT LOA subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the MRT LOA terms by MRT, MRT is required upon cancellation, to refund to LTA the total amount of the replacement grants received or such portion thereof as LTA may determine.

b. SMRT Light Rail Pte Ltd ("LRT")

A Licence and Operating Agreement ("the LRT LOA") with LTA under which LRT is licensed to operate the LRT System in Singapore came into effect on 6 November 1999. The LRT LOA sets out the terms and conditions under which the licence is granted and includes the following:

- i. The licence is for the period from 6 November 1999 to 31 March 2028 at an annual licence fee calculated at 0.5% of the annual passenger revenue of the preceding financial year net of goods and services tax and rebates from 6 November 2004 to 5 November 2010, and thereafter the percentage will be reviewed every 5 years by LTA. LRT may request LTA to extend the licence for a period of 30 years and LTA may renew the licence for a period of 30 years or such other period and upon such other terms and conditions as LTA may impose.
- ii. LRT is required to purchase the operating assets of the LRT System from LTA at book values by 25 October 2015 or within such other period as may be agreed in writing between LTA and LRT. However, LTA may require LRT to do so earlier if it is of the view that it is reasonable to do so by giving 12 months notice. If LRT can satisfy LTA that it is not economically viable to do so, LRT may defer such purchase.
- iii. Prior to LRT's purchase of the operating assets, LRT is required to set aside annually the sum of \$3 million or 75% of the post tax surplus (whichever is lower) in a reserve fund account for capital expenditure which includes the cost of any major overhaul of equipment, machinery or any part of the LRT System comprising all assets and infrastructure required to operate the LRT System.
- iv. Upon the purchase of the operating assets by LRT, there is no requirement to maintain the reserve fund account. However, LRT is required to set aside an amount equivalent to 20% of the annual depreciation charge of trains, maintenance service vehicles, power supply equipment and cabling, escalators and lifts, platforms screen doors, environmental control system, electrical services and fire protection system, signalling system, communication equipment, automatic fare collection system, depot workshop equipment and ATC Central console and equipment in specified investments. LRT may use such amount from these investments to meet up to half of the purchase costs of replaced operating assets. LRT may apply for a grant from LTA for certain replaced operating assets to be computed on the basis as set out in the LRT LOA.
- v. If the licence is cancelled prior to LRT purchasing the operating assets of the LRT System, LRT is required to surrender to the LTA the operating assets and the infrastructure of the LRT system owned by LTA. The operating assets are to be surrendered in a condition similar to their state as at the date of their handing over by LTA to LRT without any deduction for wear and tear, whilst the infrastructure is to be surrendered subject to reasonable wear and tear. LRT is required to compensate LTA for any shortfall in the value of the operating assets at the date of surrender compared with the value at the date of handing over to LRT.
- vi. If the licence is cancelled after LRT purchased the operating assets, LRT is required to surrender the infrastructure owned by LTA in a condition substantially similar to their state as at the date of their handing over by LTA to LRT subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the LRT LOA terms by LRT, LRT is required to refund to LTA the total amount or such portion thereof as LTA may determine of the replacement grants received by LRT upon cancellation.

Notes to the Financial Statements

Year ended 31 March 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except otherwise described below.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

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

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

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

3.2 Consolidation

Subsidiaries

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

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

Business combination

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.2 Consolidation *(cont'd)*

Associates

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

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

Transactions eliminated on consolidation

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

Accounting policies of subsidiaries and associates

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

3.3 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions.

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

3.4 Property, plant and equipment

Owned assets

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

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

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the Financial Statements

Year ended 31 March 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.4 Property, plant and equipment *(cont'd)*

Subsequent expenditure

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

Depreciation

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

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

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

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

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

3.5 Intangible assets

Goodwill in a business combination represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less impairment losses. Goodwill on the acquisition of subsidiaries is presented as intangible assets. Goodwill on the acquisition of associates is presented together with investments in associates.

Goodwill is tested for impairment on an annual basis in accordance with note 3.11.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.6 Available-for-sale financial assets

Equity and debt securities held by the Group are classified as being available-for-sale and are stated at fair value, determined as the quoted bid price at the balance sheet date. Any resultant gain or loss is recognised directly in equity. The exceptions are impairment losses and foreign exchange gains and losses on monetary items such as debt securities, which are recognised in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

Unquoted equity and other investments are measured at cost less accumulated impairment losses. It is not practicable to reliably estimate the fair value of unquoted available-for-sale financial assets due to the lack of market prices in an active market, significant range of fair value estimates, and the inability to reasonably assess the probabilities of the various estimates. However, management believes that the carrying amounts recorded at balance sheet date reflect the corresponding fair values.

Financial assets classified as available-for-sale are recognised by the Group on the date it commits to purchase the investments, and derecognised on the date a sale is committed.

3.7 Derivative financial instruments

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

Forward foreign exchange contracts are recognised initially at fair value. Subsequent to initial recognition, these instruments are remeasured at fair value. The fair value is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

3.8 Inventories

Inventories comprising engineering spares and consumables used for the maintenance of the MRT and LRT systems, buses and taxis and which are not intended for resale, are stated at cost less allowance for obsolete inventories. Allowance is made for obsolete, slow-moving and defective inventories based on management's estimates and judgement, taking into account historical trends and market conditions etc.

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

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

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

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

3.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Notes to the Financial Statements

Year ended 31 March 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

3.11 Impairment

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

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the assets is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

Calculation of recoverable amount

The recoverable amount is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Reversals of impairment

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

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

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

3.12 Liabilities and interest-bearing borrowings

Trade and other payables are recognised initially at fair value. Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, trade and other payables and interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Provisions

A provision is recognised in the balance sheet when the Group and the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

Accident claims

A provision for accident claims is recognised when an accident has occurred. The amount of provision is based on the claims outstanding and estimated amounts payable.

The expected reimbursement from insurance policies and other parties in respect of the expenses required to settle a provision, is recognised as a separate asset disclosed as "Recoverable in respect of accident claims" included in "Other receivables, deposits and prepayments".

3.14 Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill, the initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that they probably will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.15 Fuel Equalisation Account ("FEA")

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

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

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

Notes to the Financial Statements

Year ended 31 March 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.16 Grants

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

3.17 Dividends

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

3.18 Revenue recognition

Passenger revenue

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

Taxi rental and rental revenue

Rental revenue receivable under operating leases is recognised in the income statement on a straight-line basis over the terms of the leases. Lease incentives granted are recognised as an integral part of the total rental income to be received.

Advertising revenue

Advertising revenue is recognised on an accrual basis over the terms of the contract.

Sales of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyers. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Engineering and other services

Revenue from short-term workshop and other services is recognised upon completion of services rendered.

Revenue from engineering consultancy and project management services is recognised on the percentage of completion method. The stage of completion is recognised upon completion of work done at designated phases of the contracts. Where appropriate, the percentage of completion is estimated by reference to the proportion of contract costs incurred to date to the estimated total contract costs for each project.

Provision for foreseeable losses, on contracts not yet completed, is made as soon as such losses are determinable.

3.19 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the income statement on a straight-line basis over the terms of the leases.

3.20 Finance costs

Interest expense and similar charges are recognised in the income statement using the effective interest method.

3.21 Interest and investment income

Interest income from bank deposits and other debt securities is recognised in the income statement using the effective interest method.

Dividend income from subsidiaries is recognised on the date that the Group's right to receive payment is established.

Dividend income from other equity investments is recognised in the income statement at gross on a receipt basis.

Gain or loss on disposal of investment is accounted for in the income statement as they arise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.22 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3.23 Employee benefits

a. *Defined contribution plans*

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

b. *Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine the present value. The discount rate is the market yield of quoted Singapore Government Bonds at balance sheet date. The calculation is performed using the projected unit credit method.

When the benefits of a plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

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

c. *Short-term accumulating compensated absences*

Provision is made when services are rendered by employees that increase their entitlement to future compensated absences.

d. *Equity and equity related compensated benefits*

The SMRT Employee Share Option Plan ("SMRT ESOP") allows the Group's employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") allow the Group to award employees fully paid shares, their equivalent cash value or combination thereof, free of charge, provided that certain prescribed performance targets are met and, in the case of awards under the SMRT RSP, upon expiry of the prescribed vesting period. For shares granted pursuant to awards under these plans, and the amount of cash which may be paid upon the release of such awards, the fair value of the awards is measured at grant date and spread over the vesting period. At each balance sheet date, the Group may revise the fair value of the awards based on actual performance achieved. It recognises the impact of the revision of original estimates in employee expense and a corresponding adjustment to equity over the remaining vesting period.

Notes to the Financial Statements

Year ended 31 March 2008

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and properties \$'000	Furniture, fittings, office equipment and computers \$'000	Motor vehicles \$'000	Rolling stock \$'000	Power supply equipment \$'000
Cost					
At 1 April 2006	71,696	55,851	3,649	820,954	137,853
Arising on disposal of subsidiary	(1,914)	(18,551)	(154)	–	–
Additions	55	4,044	82	213	780
Disposals/Write offs	–	(3,438)	(123)	(1,935)	(767)
Transfers/Reclassifications	21,250	2,092	–	8,368	–
At 31 March 2007	91,087	39,998	3,454	827,600	137,866
Additions	58	863	252	112	761
Disposals/Write offs	(845)	(2,570)	(235)	(6,599)	(853)
Transfers/Reclassifications	50,628	2,217	–	48,117	658
At 31 March 2008	140,928	40,508	3,471	869,230	138,432
Accumulated depreciation and impairment losses					
At 1 April 2006	11,326	31,120	2,934	434,121	65,143
Arising on disposal of subsidiary	(1,259)	(18,028)	(146)	–	–
Depreciation charge for the year	3,610	9,173	289	42,341	8,203
Disposals/Write offs	–	(3,409)	(123)	(1,894)	(442)
At 31 March 2007	13,677	18,856	2,954	474,568	72,904
Depreciation charge for the year	5,502	6,263	256	43,522	8,171
Disposals/Write offs	(184)	(2,465)	(235)	(6,436)	(728)
Transfers/Reclassifications	–	3	–	–	–
At 31 March 2008	18,995	22,657	2,975	511,654	80,347
Carrying amount					
At 1 April 2006	60,370	24,731	715	386,833	72,710
At 31 March 2007	77,410	21,142	500	353,032	64,962
At 31 March 2008	121,933	17,851	496	357,576	58,085

Signalling, communication and automatic fare collection systems \$'000	Buses \$'000	Taxis and vehicles for rental \$'000	Plant and machinery \$'000	Other operating equipment \$'000	Assets under construction \$'000	Total \$'000
262,691	181,893	190,870	22,546	296,813	25,321	2,070,137
(769)	–	–	–	–	–	(21,388)
445	257	16,334	384	690	84,655	107,939
(8,503)	(344)	(22,514)	(17)	(774)	–	(38,415)
2,987	378	17,389	–	4,453	(56,917)	–
256,851	182,184	202,079	22,913	301,182	53,059	2,118,273
430	525	2,076	523	590	112,101	118,291
(30)	(1,181)	(4,423)	(13)	(1,148)	(270)	(18,167)
1,410	3,361	4,462	(9)	1,800	(112,644)	–
258,661	184,889	204,194	23,414	302,424	52,246	2,218,397
129,601	74,751	35,817	19,383	183,797	–	987,993
(744)	–	–	–	–	–	(20,177)
20,147	9,910	21,880	1,336	15,068	–	131,957
(8,457)	(245)	(12,533)	(17)	(597)	–	(27,717)
140,547	84,416	45,164	20,702	198,268	–	1,072,056
15,238	10,519	22,563	1,197	14,135	–	127,366
(29)	(1,181)	(1,576)	(11)	(969)	–	(13,814)
–	6	(17)	8	–	–	–
155,756	93,760	66,134	21,896	211,434	–	1,185,608
133,090	107,142	155,053	3,163	113,016	25,321	1,082,144
116,304	97,768	156,915	2,211	102,914	53,059	1,046,217
102,905	91,129	138,060	1,518	90,990	52,246	1,032,789

Notes to the Financial Statements

Year ended 31 March 2008

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Furniture, fittings, office equipment and computers \$'000	Communication systems \$'000	Motor Vehicles \$'000	Other operating equipment \$'000	Plant and machinery \$'000	Assets under construction \$'000	Total \$'000
Cost							
At 1 April 2006	5,459	1,134	48	7	28	662	7,338
Additions	789	–	48	–	–	1,226	2,063
Disposals/Write offs	(25)	–	–	–	–	–	(25)
Transfers/Reclassifications	548	–	–	–	–	(548)	–
At 31 March 2007	6,771	1,134	96	7	28	1,340	9,376
Additions	371	4	–	9	–	1,962	2,346
Disposals/Write offs	(670)	–	(6)	–	–	–	(676)
Transfers/Reclassifications	544	–	–	–	–	(544)	–
At 31 March 2008	7,016	1,138	90	16	28	2,758	11,046
Accumulated depreciation and impairment losses							
At 1 April 2006	1,896	564	22	2	3	–	2,487
Depreciation charge for the year	1,194	89	16	2	3	–	1,304
Disposals/Write offs	(25)	–	–	–	–	–	(25)
At 31 March 2007	3,065	653	38	4	6	–	3,766
Depreciation charge for the year	1,387	70	21	2	2	–	1,482
Disposals/Write offs	(670)	–	(5)	–	–	–	(675)
At 31 March 2008	3,782	723	54	6	8	–	4,573
Carrying amount							
At 1 April 2006	3,563	570	26	5	25	662	4,851
At 31 March 2007	3,706	481	58	3	22	1,340	5,610
At 31 March 2008	3,234	415	36	10	20	2,758	6,473

5 INTANGIBLE ASSET

Group	Goodwill \$'000
Cost	
At 1 April 2007 and 31 March 2008	63,373
Impairment losses	
At 1 April 2007 and 31 March 2008	21,441
Carrying amount	
At 1 April 2007 and 31 March 2008	41,932

Impairment tests for business units containing goodwill

Goodwill is allocated to the Group's business units:

	2008 \$'000	2007 \$'000
Bus operations	28,318	28,318
Taxi operations	13,614	13,614
	41,932	41,932

The recoverable amount of a business unit is determined based on value-in-use calculations. The calculations use cash flow projections based on an approved five-year plan. The key assumptions for the cash flow projections are stated below.

The terminal value at the end of the five-year period is computed using the capitalised earnings method which converts a single period of expected earnings into an indication of value based on a capitalisation rate or earnings multiple. In this instance, the discounted terminal value is computed using Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") less replacement capital expenditure divided by the pre-tax Weighted Average Cost of Capital ("WACC") of the Group.

The key assumptions used for the analysis of each business unit are:

- a. The sizes of taxi and bus fleets are those existing at date of review.
- b. There are no significant changes expected in bus ridership and fare adjustments are based on fare formula set by the Public Transport Council.
- c. Taxi rental rates are based on current levels and prevailing market conditions.
- d. The discount rate used is based on the pre-tax WACC of the Group.

Notes to the Financial Statements

Year ended 31 March 2008

6 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008 \$'000	2007 \$'000
Unquoted equity shares, at cost	351,332	359,508
Impairment losses	(21,441)	(29,617)
	329,891	329,891

Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation and business	Effective equity interest held by the Group	
		2008 %	2007 %
1 SMRT Trains Ltd. and its subsidiary:	Singapore	100	100
1 SMRT Light Rail Pte Ltd	Singapore	100	100
1 SMRT Engineering Pte Ltd, and its subsidiary:	Singapore	100	100
2 SMRT Engineering (Middle East) FZE	United Arab Emirates	100	–
1 SMRT International Pte Ltd	Singapore	100	100
1 SMRT Investments Pte Ltd	Singapore	100	100
3 RFP Investments Pte Ltd	Singapore	–	100
1 SMRT Road Holdings Ltd. and its subsidiaries:	Singapore	100	100
1 SMRT Buses Ltd.	Singapore	100	100
4 Singapore Shuttle Bus (Pte) Ltd	Singapore	100	100
1 SMRT Taxis Pte Ltd	Singapore	100	100
1 SMRT Automotive Services Pte. Ltd.	Singapore	100	100
1 Bus-Plus Services Pte Ltd	Singapore	100	100

1 Audited by KPMG, Singapore

2 Audited by member firm of KPMG International

3 Deregistered during the year

4 Not audited as the company is under members' voluntary liquidation

7 INTEREST IN AN ASSOCIATE

Details of the associate are as follows:

Name of associate	Place of incorporation and business	Effective equity interest held by the Group	
		2008 %	2007 %
Held by SMRT Trains Ltd.			
Transit Link Pte Ltd	Singapore	50	50

Summarised financial information of Transit Link Pte Ltd is set out below:

	2008 \$'000	2007 \$'000
Assets and liabilities		
Total assets	44,106	34,913
Total liabilities	41,893	33,278
Results		
Revenue	5,154	5,593
Profit after taxation	685	585

The summarised financial information is not adjusted for the percentage of ownership held by the Group.

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Non-current				
Quoted equity securities	6,262	7,526	–	–
Other investments	126	126	–	–
	6,388	7,652	–	–
Current				
Unquoted debt securities	15,000	19,000	15,000	19,000
	21,388	26,652	15,000	19,000

The unquoted debt securities have stated interest rates of 1.13% to 1.87% (2007: 2.94% to 3.48%) per annum. The unquoted debt securities are neither past due nor impaired.

9 INVENTORIES

	2008 \$'000	Group 2007 \$'000
Spare parts, diesel, tyres and consumable stores	41,420	42,223
Allowance for obsolete inventories	(9,548)	(7,583)
	31,872	34,640

10 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	10a	13,019	10,324	–	–
Other receivables, deposits and prepayments	10b	42,142	33,490	1,782	3,243
Amounts due from subsidiaries	10c	–	–	259,221	160,890
Amounts due from an associate (trade)		5,556	4,675	–	–
		60,717	48,489	261,003	164,133

Outstanding balances with an associate are unsecured, interest free and repayable on demand.

10a TRADE RECEIVABLES

	2008 \$'000	Group 2007 \$'000
Trade receivables	18,529	16,469
Allowance for doubtful receivables	(5,510)	(6,145)
	13,019	10,324

Trade receivables of the Group include \$723,000 (2007: \$186,000) due from related corporations and there is no allowance for doubtful debts arising from the outstanding balances.

Notes to the Financial Statements

Year ended 31 March 2008

10b OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deposits	270	196	–	–
Prepayments	6,587	6,794	58	105
Recoverable expenses	1,770	1,740	–	–
Staff loans and advances	664	689	218	185
Interest receivable	70	665	69	653
Rebates*	1,650	3,699	–	–
Recoverable in respect of accident claims	10,291	8,866	–	–
Advances to suppliers	7,997	2,573	1	–
Other receivables	12,843	8,268	1,436	2,300
	42,142	33,490	1,782	3,243

* Rebates arise from de-registration of used vehicles. The rebate, which has a validity period of 12 months from the date of de-registration, can be used to offset various upfront vehicle taxes and fees of new registered vehicles.

10c AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2008 \$'000	2007 \$'000
Current account (non-trade)	519	538
Interest-bearing loans	258,702	160,352
	259,221	160,890

The interest-bearing loans to subsidiaries are unsecured, bear interest at rates ranging from 1.50% to 3.30% (2007: 3.27% to 3.82%) per annum and are repayable on demand.

The remaining balances are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

11 TAX RECOVERABLE

Tax recoverable of the Group and the Company relates mainly to tax deducted at source on dividend income received from its subsidiaries. The tax recoverable is refundable and/or is available for set-off against future tax liabilities of the Group and the Company.

12 SHARE CAPITAL

	No. of shares ('000)	Company	
		2008 \$'000	2007 \$'000
Issued and fully-paid:			
Ordinary shares			
At 1 April	1,512,450	158,824	1,509,104
Issue of shares under SMRT ESOP	2,512	1,783	3,346
Issue of shares under SMRT RSP	196	205	–
At 31 March	1,515,158	160,812	1,512,450

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Pursuant to the SMRT ESOP, an additional 931,500, 717,700 and 863,300 (2007: 1,051,500, 833,000 and 1,461,110) new fully-paid ordinary shares were issued during the year for cash at \$0.816, \$0.676 and \$0.623 per share respectively by the Company.

12 SHARE CAPITAL *(cont'd)*

Capital management

The Company's primary objectives in capital management are to provide adequate returns to shareholders and to manage the capital base so as to sustain future development of the business.

Management monitors the return on capital, which the Group defines as total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

Management regularly reviews and manages its capital structure to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There are no changes in the Group's approach to capital management during the year.

13 RESERVES

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fair value reserve	2,552	4,540	–	–
Share-based payment reserve	1,564	879	1,564	879
Foreign currency translation reserve	(46)	–	–	–
	4,070	5,419	1,564	879

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

The share-based payment reserve represents the cumulative value of services received from employees for the issue of share options and performance shares.

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

Equity compensation benefits

The SMRT Corporation Employee Share Option Plan ("SMRT ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRT ESOP comprises two distinct schemes:

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

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2004.

The SMRT ESOP, SMRT RSP and SMRT PSP are administered by the Remuneration Committee (the "Committee"), comprising Mr Choo Chiau Beng, Chairman of the Committee, Mr Edmund Koh Kian Chew, Mr Koh Yong Guan and Mr Bob Tan Beng Hai.

In exercising its discretion, the Committee must act in accordance with any guidelines that may be provided by the Board of Directors. The Committee shall refer any matter not falling within the scope of its terms of reference to the Board. The Committee shall have the power, from time to time, to make and vary such regulations for the implementation and administration of the SMRT ESOP, SMRT RSP and SMRT PSP as it thinks fit.

Notes to the Financial Statements

Year ended 31 March 2008

13 RESERVES (cont'd)

The salient features of the SMRT ESOP, SMRT RSP and SMRT PSP are as follows:

SMRT ESOP

i. Eligible participants

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

ii. Maximum allowable allotment

The total number of shares which may be issued under the SMRT ESOP ("ESOP Shares") when added to the number of shares which may be issued pursuant to awards granted under the SMRT RSP and SMRT PSP shall not exceed fifteen percent of the issued share capital of the Company on the Grant Date.

The number of ESOP Shares to be offered to a participant shall be determined by the Committee at its absolute discretion after taking into account the length of service and performance of the participant and such other general criteria as the Committee may consider appropriate.

iii. Subscription price

The subscription price for each share in respect of which an option is exercisable shall be the average of the last dealt prices of the shares as published by the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the Grant Date.

iv. Option period

The options granted under the Management Scheme will be vested over a 3-year period (that is 33% in the first year, 66% in the second year and 100% in the third year) and may be exercised during the period commencing after the vesting date but before the tenth anniversary of the Grant Date.

The options granted under the Employee Scheme may be exercised during the period commencing after the second anniversary of the Grant Date but before the tenth anniversary of the Grant Date. The right of the participants to exercise their options is in all cases subject to such vesting schedule (if any) stipulated by the Committee and any other conditions which may be imposed by the Committee from time to time in its absolute discretion.

At the end of the financial year, details of the options granted under the SMRT ESOP on the unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 April 2007	Options exercised	Options cancelled	Options outstanding at 31 March 2008	Options exercisable at 1 April 2007	Options exercisable at 31 March 2008	Proceeds on exercise of options during the year credited to share capital \$'000	Weighted average share price at exercise date of option	Exercise period
16/7/2001	\$0.816	2,335,500	931,500	22,000	1,382,000	2,335,500	1,382,000	760	\$1.84	16/7/2002 to 15/7/2011
22/7/2002	\$0.676	1,495,400	717,700	28,100	749,600	1,495,400	749,600	485	\$1.86	22/7/2003 to 21/7/2012
22/7/2003	\$0.623	1,723,850	863,300	21,100	839,450	1,723,850	839,450	538	\$1.85	22/7/2004 to 21/7/2013
		5,554,750	2,512,500	71,200	2,971,050	5,554,750	2,971,050	1,783		

No option has been granted during the year.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a modified Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected volatility is based on the historic volatility, calculated based on monthly share prices over three years prior to date of grant of options.

There are no market conditions associated with the share option grants. Service conditions and non-market performance conditions are not taken into account in the fair value measurement of the services received.

13 RESERVES (cont'd)

SMRT RSP and SMRT PSP (collectively "The Plans")

The SMRT RSP is intended to enhance the Group's overall compensation packages and strengthen the Group's ability to attract and retain high performing talent.

The SMRT PSP is targeted at senior management in key positions who are able to drive the growth of the Company through innovation, creativity and superior performance.

i. Eligible participants

- Group employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time; and
- Associated company employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The selection of employees and the number of shares which are the subject of each award to be granted to employees in accordance with the Plans shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, contribution to the success and development of the Group and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

ii. Awards

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

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

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

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

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

iii. Size and duration

The total number of new shares which may be issued pursuant to awards granted under the Plans, when added to the number of options granted under SMRT ESOP shall not exceed fifteen percent of the issued share capital of the Company on the day preceding the relevant date of award.

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

The Plans shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing from 15 July 2004, provided always that the Plans may continue beyond the 10-year period with the approval of the shareholders in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the Plans, any awards made to employees prior to such expiry or termination will continue to remain valid.

Notes to the Financial Statements

Year ended 31 March 2008

13 RESERVES (cont'd)

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

iv. Events prior to vesting

Special provisions for vesting and lapsing of awards apply such as the termination of the employment, misconduct, retirement and any other events approved by the Committee. Upon occurrence of any of the events, the Committee will consider, at its discretion, whether or not to release any award, and will take into account circumstances on a case-by-case basis, including (but not limited to) the contributions made by the employee.

During the financial year, the conditional shares awarded under the SMRT PSP and RSP to the senior management staff are described below:

	SMRT PSP	SMRT RSP
Plan description	Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives.	Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a two-year performance period based on medium-term corporate and business unit objectives with some degree of stretch.
Date of grant	12 November 2007	12 November 2007
Performance period	1 April 2007 to 31 March 2010	1 April 2007 to 31 March 2009
Vesting condition	Vesting based on meeting stated performance conditions over a three-year performance period.	Based on meeting stated performance conditions over a two-year performance period, 1/3 of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements.
Payout	0% – 125% depending on the achievement of pre-set performance targets over the performance period.	0% – 121% depending on the achievement of pre-set performance targets over the performance period.

A prospective Monte Carlo simulation model involving projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns was used to value the conditional share awards. The simulation model was based on the following key assumptions:

	SMRT PSP	SMRT RSP
Historical volatility		
SMRT	23.84%	23.84%
Straits Times Index	11.44%	11.44%
Risk-free interest rates		
Yield of Singapore Government Securities on Date of Grant	2.13%	2.07% to 2.28%
Term	2.6 years	1.6 to 3.6 years
SMRT expected dividend yield	————— Management's forecast —————	
Share price at grant date	\$1.69	\$1.69

For non-market conditions, achievement factors have been estimated based on feedback from the Remuneration Committee for the purpose of accrual for the SMRT RSP until the achievement of the targets can be accurately ascertained.

Details of conditional shares awarded in previous years are set out in the financial statements for the previous years.

13 RESERVES (cont'd)

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

The details of shares awarded, cancelled and released during the year pursuant to the Plans were as follows:

SMRT PSP

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

The estimated fair value at date of grant for each share granted on 12 November 2007 pursuant to SMRT PSP is \$1.12.

SMRT RSP

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

The estimated fair values at grant date for each share granted on 12 November 2007 pursuant to SMRT RSP ranges from \$1.313 to \$1.425.

Under the Plans, eligible key executives are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in SMRT, thus further aligning their interests with shareholders.

Notes to the Financial Statements

Year ended 31 March 2008

13 RESERVES (cont'd)

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

The number of contingent shares granted but not released as at 31 March 2008 were 486,500 and 1,774,200 (2007: 303,500 and 1,254,200) for SMRT PSP and SMRT RSP respectively. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 608,200 and 2,117,600 (2007: 379,400 and 1,410,200) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

The total amount recognised in the financial statements (before taxes) for share-based payment transactions with employees is summarised as follows:

	Group and Company 2008 \$'000	2007 \$'000
Expenses		
i. Share options under SMRT ESOP	–	1
ii. Performance share plan under SMRT PSP	136	46
iii. Performance-based restricted shares under SMRT RSP	754	314
	890	361

14 INTEREST-BEARING BORROWINGS

This note provides information about the contractual terms of interest-bearing borrowings. For more information about the Group's exposure to interest rate and currency risks, refer to Note 28.

	Group and Company 2008 \$'000	2007 \$'000
Non-current liabilities		
Unsecured quoted floating rate notes	50,000	50,000
Unsecured quoted fixed rate notes	200,000	200,000
	250,000	250,000

Terms and debt repayment schedule

2008 and 2007	Interest rate	Year of maturity	Carrying amount \$'000
Unsecured quoted fixed rate notes	3.30%	2009	100,000
Unsecured quoted floating rate notes	Variable rate (see note (i) below)	2010	50,000
Unsecured quoted fixed rate notes	3.27%	2011	100,000
			250,000

On 13 January 2005, the Company put in place a S\$500 Million Multi-Currency Medium Term Note Programme (the "MTN Programme") pursuant to which the Company may issue notes from time to time to finance the general corporate funding requirements of the Group. Under the MTN Programme, the Company may issue notes from time to time in Singapore dollars or in other currencies, in various amounts and tenors, and may bear fixed, floating or variable rates of interest. Hybrid notes and zero coupon notes may also be issued under the MTN Programme.

Details of notes outstanding at the balance sheet date are as follows:

- i. S\$50 million 5-year unsecured floating rate notes on 20 January 2005 due 2010. Interest payable is based on the six months money market rate and payable semi-annually in arrears. The floating rate notes are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST");
- ii. S\$100 million 3-year unsecured fixed rate notes on 14 December 2006 due 2009. Interest is payable semi-annually in arrears. The fixed rate notes are listed on the SGX-ST.

14 INTEREST-BEARING BORROWINGS *(cont'd)*

- iii. S\$100 million 5-year unsecured fixed rate notes on 14 December 2006 due 2011. Interest is payable semi-annually in arrears. The fixed rate notes are listed on the SGX-ST.

15 PROVISIONS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Liability for defined benefit plan	3,291	3,229	35	37
Liability for short-term accumulating compensated absences	1,005	940	172	170
Accident claims	17,086	15,991	–	–
	21,382	20,160	207	207
Current	18,167	16,977	172	170
Non-current	3,215	3,183	35	37
	21,382	20,160	207	207

a. Liability for defined benefit plan

The Group has a retirement benefit plan each for certain eligible management staff, executives and other employees. The terms of these plans, which are unfunded, are as follows:

- Certain management staff who are eligible for the scheme, subject to having completed at least ten years of service prior to 31 March 2004, are entitled to a future benefit payable upon their retirement of an amount equal to their monthly basic salary as at 31 March 2004 multiplied by each completed year of service as at 31 March 2004.
- Certain executives who are eligible for the scheme, subject to having completed at least five years of service prior to 31 March 2004, are entitled to a future benefit payable upon their retirement of an amount equal to 10% of their monthly basic salary as at 31 March 2004 multiplied by each completed year of service as at 31 March 2004. The maximum benefit is capped at two and a half times of their monthly basic salary as at 31 March 2004.
- Certain other employees who are eligible for the scheme, subject to having completed at least five years of service prior to their retirement, are entitled to a future benefit payable upon their retirement of an amount equal to 10% of their last drawn monthly basic salary multiplied by each completed year of service up to sixty-two years of age. The maximum benefit is capped at two and a half times of the last drawn monthly basic salary.

Movements in the net liability recognised in the balance sheet

	Note	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
At 1 April		3,229	2,908	37	167
Expense recognised/(reversed) during the year	21(b)	174	358	(2)	(130)
Payments made		(112)	(37)	–	–
At 31 March		3,291	3,229	35	37

Recognised in the income statement

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current service costs	329	322	1	1
Interest on obligations	91	88	3	3
Actuarial (gain)/loss	(246)	(52)	(6)	(134)
	174	358	(2)	(130)

Notes to the Financial Statements

Year ended 31 March 2008

15 PROVISIONS (cont'd)

a. Liability for defined benefit plan (cont'd)

Principal actuarial assumptions

Principal actuarial assumptions used in calculating the Group's liability for defined benefit plan include estimated future salary increases and employee turnover rates based on historical trends and discount rates based on the market yield at balance sheet date on quoted Singapore Government Bonds that have maturity dates approximating the average discount period.

b. Short-term accumulating compensated absences

Short-term accumulating compensated absences are recognised when the employees render services that increase their entitlement to future compensated absences.

Movements in the net liability recognised in the balance sheet

	Note	2008 \$'000	Group 2007 \$'000
At 1 April		940	1,607
Provisions made during the year	21(b)	66	(474)
Translation difference on consolidation		(1)	–
Disposal of subsidiary		–	(193)
At 31 March		1,005	940

c. Accident claims

Provisions relate to provisions for accidents claims and are accounted for in accordance with accounting policies set out in note 3.13. The Group expects to incur the liability over the next 12 months.

Movements in the net liability recognised in the balance sheet

	Note	2008 \$'000	Group 2007 \$'000
At 1 April		15,991	15,662
Provisions made during the year	21(c)	14,632	13,151
Provisions reversed during the year	21(c)	(1,953)	(431)
Provisions used during the year		(11,584)	(12,391)
At 31 March		17,086	15,991

16 DEFERRED TAX

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

Group	At 1/4/2007 \$'000	Recognised in income statement (note 22) \$'000	Disposal of subsidiary \$'000	At 31/3/2008 \$'000
Excess of net book value over tax written down value of property, plant and equipment	149,526	(9,670)	–	139,856
Unutilised wear and tear allowances	(676)	676	–	–
Other temporary differences	(7,871)	(515)	–	(8,386)
Total	140,979	(9,509)	–	131,470

16 DEFERRED TAX (cont'd)

Group	At 1/4/2006 \$'000	Recognised in income statement (note 22) \$'000	Disposal of subsidiary \$'000	At 31/3/2007 \$'000
Excess of net book value over tax written down value				
of property, plant and equipment	182,093	(32,448)	(119)	149,526
Unutilised wear and tear allowances	(18,122)	17,446	–	(676)
Other temporary differences	(13,352)	5,481	–	(7,871)
Total	150,619	(9,521)	(119)	140,979

Company	At 1/4/2007 \$'000	Recognised in income statement \$'000	At 31/3/2008 \$'000
Excess of net book value over tax written down value			
of property, plant and equipment		827	927
Other temporary differences		(55)	(38)
Total		772	889

Company	At 1/4/2006 \$'000	Recognised in income statement \$'000	At 31/3/2007 \$'000
Excess of net book value over tax written down value			
of property, plant and equipment		917	827
Other temporary differences		76	(55)
Total		993	772

17 FUEL EQUALISATION ACCOUNT ("FEA")

	2008 \$'000	Group 2007 \$'000
At 1 April and 31 March	19,112	19,112

The FEA is accounted for in accordance to the policy set out in note 3.15.

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

18 DEFERRED GRANT

	Note	2008 \$'000	Group 2007 \$'000
Grant received		480,000	480,000
Accumulated amortisation:			
At 1 April		(331,864)	(309,440)
Amortisation during the year		(21,289)	(22,251)
Released on assets disposed/written-off	21(a)	(87)	(173)
At 31 March		(353,240)	(331,864)
		126,760	148,136

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

Notes to the Financial Statements

Year ended 31 March 2008

19 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade payables and accrued operating expenses	19a	108,243	107,424	14,025	13,072
Other payables and refundable deposits	19b	58,939	28,605	6,032	6,115
Amounts due to subsidiaries	19c	–	–	82,333	85,798
Amounts due to an associate (trade)		4,189	7,183	–	–
		171,371	143,212	102,390	104,985

Outstanding balances with subsidiaries and associate are unsecured, interest free and repayable on demand.

19a TRADE PAYABLES AND ACCRUED OPERATING EXPENSES

Trade payables and accrued operating expenses of the Group include \$8,395,000 (2007: \$8,776,000) due to related corporations.

19b OTHER PAYABLES AND REFUNDABLE DEPOSITS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unearned revenue received	3,635	1,339	–	–
Rental deposits	14,397	9,723	–	–
Other deposits	5,162	4,556	55	50
Interest payable	2,173	2,282	2,173	2,282
Purchase of property, plant and equipment	28,034	8,806	1,920	1,198
Retention monies	2,756	353	–	–
Other payables	2,782	1,546	1,884	2,585
	58,939	28,605	6,032	6,115

19c AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2008 \$'000	2007 \$'000
Current account (non-trade)	2,423	264
Interest-bearing loans	79,910	85,534
	82,333	85,798

The interest-bearing loans from subsidiaries are unsecured, bear interest at 1.50% (2007: 3.30% to 3.47%) per annum and are repayable on demand.

The remaining balances are unsecured, interest free and are repayable on demand.

20 REVENUE

	Company	
	2008 \$'000	2007 \$'000
Passenger revenue	641,369	602,807
Taxis rental	75,427	68,086
Rental revenue	41,984	34,468
Advertising revenue	19,807	16,969
Sales of goods	17,304	12,768
Engineering and others	6,233	8,028
	802,124	743,126

21 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

	Note	2008 \$'000	Group 2007 \$'000
a. Other operating income			
Commission and distribution fee		281	270
Unutilised tickets and farecards		8,536	15,860
Maintenance income		5,595	1,987
Miscellaneous rental income		114	379
Grant released upon disposal/write-off of property, plant and equipment		87	173
Operating expense recharged to other transport operators		–	7,348
Foreign exchange gain		235	365
Others		6,021	1,377
		20,869	27,759
b. Staff and related costs			
Wages and salaries		227,321	229,978
Contribution to defined contribution plans		26,646	24,840
Increase in liability for defined benefit plan		174	358
Increase/(decrease) in liability for short-term accumulating compensated absences		66	(474)
Value of employee services received for share-based payment		890	361
Other staff-related expenses and benefits-in-kind		8,364	8,041
		263,461	263,104
Included in staff and related costs are compensation to key management personnel of the Group as follows:			
Directors of the Company:			
– fees		516	529
– remuneration		1,310	1,050
Senior management personnel of the Group:			
– short-term employee benefits		4,070	3,453
– post-employment benefits		113	76
– share-based payments		389	134
		6,398	5,242
c. Other operating expenses			
Audit fees paid to:			
– auditors of the Company		233	233
– other auditors		22	40
Non-audit fees paid to:			
– auditors of the Company		133	171
– other auditors		314	–
Loss on disposal of property, plant and equipment		478	1,477
Operating lease expenses		3,616	3,351
Licence fees paid to LTA		4,567	4,240
Property, plant and equipment written off		1,380	884
Cost of inventories sold		17,913	12,224
Provisions for accident claims made during the year, net of reimbursement of \$1,226,000 (2007: \$1,147,000)	15(c)	13,406	12,004
Provisions for accident claims reversed	15(c)	(1,953)	(431)

Notes to the Financial Statements

Year ended 31 March 2008

21 PROFIT BEFORE INCOME TAX (cont'd)

	2008 \$'000	Group 2007 \$'000
d. Finance costs		
Interest paid and payable on:		
– quoted bonds	–	6,166
– quoted floating rate notes	1,440	1,820
– quoted fixed rate notes	6,588	1,944
	8,028	9,930
e. Interest and investment income		
Dividends received from available-for-sale financial assets	1,498	355
Interest income from:		
– bank deposits and balances	3,595	4,254
– available-for-sale financial assets	697	293
– others	2	4
Gain/(Loss) on disposal of:		
– available-for-sale financial assets	13	3,133
– investment in subsidiary	–	(1,130)
	5,805	6,909

22 INCOME TAX EXPENSE

	2008 \$'000	Group 2007 \$'000
Current tax expense		
Current year	38,177	17,678
Overprovision in respect of prior years	(2,445)	(1,611)
	35,732	16,067
Deferred tax expense		
Effect of reduction in tax rate	–	(15,017)
Movements in temporary differences	(9,522)	4,457
Underprovision in respect of prior years	13	1,039
	(9,509)	(9,521)
Income tax expense	26,223	6,546
Reconciliation of effective tax rate		
	2008 \$'000	2007 \$'000
Profit before income tax	176,162	142,336
Less: Share of result of an associate (net of tax)	(342)	(92)
	175,820	142,244
Income tax using Singapore tax rate of 18% (2007: 18%)	31,648	25,604
Expenses not deductible for tax purposes	1,291	550
Income not subject to tax	(4,068)	(4,581)
Overprovision in respect of prior years	(2,432)	(572)
Utilisation of previously unrecognised deferred tax assets	–	(19)
Effect of reduction in tax rate	–	(15,017)
Others	(216)	581
	26,223	6,546

22 INCOME TAX EXPENSE (cont'd)

Deferred tax assets have not been recognised for the following temporary differences:

	2008 \$'000	Group 2007 \$'000
(Shortfall)/Excess of tax written down value over net book value of property, plant and equipment	(296)	853
Deductible temporary differences	461	316
Unabsorbed wear and tear allowances	2,933	3,132
Unutilised tax losses	3,752	3,752
Unutilised donations	10	10
	6,860	8,063

The tax losses are subject to agreement by the Comptroller of Income Tax. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have been recognised only to the extent that it is probable that future taxable profits will be available against which the Group can utilise the benefits.

23 EARNINGS PER SHARE

Basic earnings per share is based on:

	2008 \$'000	Group 2007 \$'000
Net profit attributable to ordinary shareholders	149,939	135,407
	No. of shares '000	No. of shares '000
Weighted average number of shares based on:		
– issued shares at the beginning of the year	1,512,450	1,509,104
– shares issued under share option scheme	2,075	1,444
– shares issued under share plan	147	–
Weighted average number of ordinary shares in issue	1,514,672	1,510,548

Diluted earnings per share is based on:

	2008 \$'000	Group 2007 \$'000
Net profit attributable to ordinary shareholders	149,939	135,407

The effect of the exercise of share options and issue of contingently issuable shares on the weighted average number of ordinary shares in issue is as follows:

	2008 No. of shares '000	Group 2007 No. of shares '000
Weighted average number of:		
– shares used in the calculation of basic earnings per share	1,514,672	1,510,548
– unissued shares under SMRT ESOP	2,971	5,555
– contingently issuable shares under SMRT PSP and RSP	1,687	760
Number of shares that would have been issued at fair value	(1,223)	(3,337)
Weighted average number of ordinary issued and potential shares assuming full conversion	1,518,107	1,513,526

For the purpose of calculating the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options and contingently issuable shares, with the potential ordinary shares weighted for the period outstanding.

Notes to the Financial Statements

Year ended 31 March 2008

24 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments that are predominantly operated in Singapore. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest income-earning assets and revenue, interest-bearing loans, borrowings and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

The Group's activities comprise the following main business segments:

Rail operations:	Provision of MRT and LRT services.
Bus operations:	Provision of bus services and charter hire services.
Taxi operations:	Rental of taxis and provision of taxi services.
Rental:	Leasing of commercial space and kiosks.
Advertising:	Leasing of advertising space at the MRT and LRT stations as well as in trains, and on buses and taxis.
Engineering and other services:	Provision of consultancy, project management services, leasing of fibre optic cables and repair and maintenance services and sales of diesel to taxi hirers.
Investment holding:	Provision of management services to Group companies and investment holding.

	Rail		Bus operations \$'000	Taxi operations \$'000	Rental \$'000	Advertising \$'000	Engineering and other services \$'000	Investment holding \$'000	Elimination \$'000	Total \$'000
	MRT \$'000	LRT \$'000								
a. Revenue and expenses										
2008										
Revenue										
– external customers	436,856	8,590	195,923	75,427	41,984	19,807	23,537	–	–	802,124
– inter-segment	–	–	361	7	–	278	47,038	162,263	(209,947)	–
Operating expenses	(246,261)	(8,930)	(178,581)	(51,874)	(8,059)	(6,457)	(68,699)	(32,368)	83,225	(518,004)
Depreciation, impairment losses and amortisation	(61,339)	(59)	(16,196)	(22,931)	(2,993)	(516)	(560)	(1,483)	–	(106,077)
Operating profit/(loss)	129,256	(399)	1,507	629	30,932	13,112	1,316	128,412	(126,722)	178,043
Finance costs										(8,028)
Interest and investment income										5,805
Share of results of an associate										342
Income tax expense										(26,223)
Profit for the year										149,939
Attributable to:										
Equity holders of SMRT										149,939
Minority interest										–
										149,939
2007										
Revenue										
– external customers	404,353	8,057	190,397	68,086	34,468	16,969	20,794	2	–	743,126
– inter-segment	–	–	301	18	170	–	44,934	159,115	(204,538)	–
Operating expenses	(237,474)	(8,934)	(167,530)	(50,997)	(7,641)	(5,471)	(59,109)	(33,832)	82,833	(488,155)
Depreciation, impairment losses and amortisation	(63,428)	(86)	(17,567)	(22,201)	(1,795)	(480)	(2,846)	(1,303)	–	(109,706)
Operating profit/(loss)	103,451	(963)	5,601	(5,094)	25,202	11,018	3,773	123,982	(121,705)	145,265
Finance costs										(9,930)
Interest and investment income										6,909
Share of results of an associate										92
Income tax expense										(6,546)
Profit for the year										135,790
Attributable to:										
Equity holders of SMRT										135,407
Minority interest										383
										135,790

24 SEGMENT REPORTING (cont'd)

	Rail		Bus operations \$'000	Taxi operations \$'000	Rental \$'000	Advertising \$'000	Engineering and other services \$'000	Investment holding \$'000	Elimination \$'000	Total \$'000
	MRT \$'000	LRT \$'000								
b. Assets and liabilities										
2008										
Operating assets	789,770	5,295	137,626	156,584	98,814	12,486	19,712	674,248	(821,404)	1,073,131
Assets under construction	16,752	–	346	4,425	27,422	460	83	2,758	–	52,246
	806,522	5,295	137,972	161,009	126,236	12,946	19,795	677,006	(821,404)	1,125,377
Intangible asset										41,932
Interest in associate										1,106
Investments and cash equivalents										253,932
Tax recoverable										15,253
Unallocated assets										1
Total assets										1,437,601
Segment liabilities	472,334	19,469	72,934	133,242	15,714	3,680	18,307	102,609	(499,664)	338,625
Current tax payable										40,365
Interest-bearing borrowings										250,000
Deferred tax liabilities										131,470
Total liabilities										760,460
2007										
Operating assets	712,849	5,781	140,434	175,785	48,639	6,992	25,281	566,697	(606,836)	1,075,622
Assets under construction	31,919	2	226	4,244	15,194	131	3	1,340	–	53,059
	744,768	5,783	140,660	180,029	63,833	7,123	25,284	568,037	(606,836)	1,128,681
Intangible asset										41,932
Interest in associate										764
Investments and cash equivalents										196,281
Tax recoverable										10,629
Unallocated assets										665
Total assets										1,378,952
Segment liabilities	235,476	18,702	78,359	148,640	10,514	2,587	14,557	106,221	(284,436)	330,620
Current tax payable										17,184
Interest-bearing borrowings										250,000
Deferred tax liabilities										140,979
Total liabilities										738,783
c. Other segment information										
2008										
Capital expenditure	38,739	–	4,244	7,211	62,805	2,592	354	2,346	–	118,291
Non-cash expenses other than depreciation, impairment losses and amortisation	2,537	174	3,259	9,967	4	(46)	344	–	–	16,239
2007										
Capital expenditure	41,208	6	966	35,204	24,918	686	2,888	2,063	–	107,939
Non-cash expenses other than depreciation, impairment losses and amortisation	1,433	64	4,343	10,530	4	9	388	(156)	–	16,615

Notes to the Financial Statements

Year ended 31 March 2008

25 DISPOSAL OF SUBSIDIARY

In the last financial year, Transit Link Pte Ltd ("Transit Link") ceased to be a subsidiary and became an associated company of the Group, following the dilution of its shareholding in the company from 66.67% to 50%. Accordingly, the Group ceased to consolidate Transit Link from that date and subsequently equity accounted for its interest in Transit Link.

The effect of the deemed disposal of the subsidiary is as follows:

	Group 2007 \$'000
Property, plant and equipment	(1,211)
Inventories	(183)
Trade and other receivables	(22,787)
Cash at bank	(17,626)
Trade and other payables	33,070
Provisions	193
Current and deferred tax liabilities	303
Net identifiable assets and liabilities	(8,241)
Minority interest	2,747
Loss on disposal	1,130
Transfer to interest in an associate	4,121
Cash consideration received, satisfied in cash	(243)
Cash disposed of	17,626
Net cash outflow	17,383

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

During the financial year, other than those disclosed elsewhere, the Group had the following related party transactions on terms agreed between the parties:

	2008 \$'000	Group 2007 \$'000
Related corporations		
Maintenance income received/receivable	621	851
Charter hire income received/receivable	367	447
Service income received/receivable	555	–
Sales of other goods and services	819	855
Purchases of goods and services	66,540	54,325
Associate		
Maintenance income received/receivable	9,045	3,362
Purchases of goods and services	12,987	7,419

27 COMMITMENTS

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

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
a. Capital expenditure commitments:				
i. Contracted but not provided for with respect to purchase of property, plant and equipment	173,842	189,993	–	–
ii. Approved but not provided for with respect to purchase of property, plant and equipment	78,016	62,340	–	–
iii. The Group is required to purchase the operating assets of the LRT System from LTA at book values by 25 October 2015 or within such other period as may be agreed in writing between LTA and LRT (See Note 2(b)(iii))				

b. Non-cancellable operating leases payable:

Future minimum lease payables under non-cancellable operating leases are as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within 1 year	2,993	2,812	1,829	1,805
After 1 year but within 5 years	8,497	7,644	4,372	3,604
After 5 years	852	1,734	–	–
	12,342	12,190	6,201	5,409

The Group lease terminals and office facilities under operating leases. The leases typically run for periods of 2 years to 30 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

c. Non-cancellable operating lease rental receivable:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Within 1 year	49,629	32,739	–	–
After 1 year but within 5 years	62,364	24,323	–	–
After 5 years	864	–	–	–
	112,857	57,062	–	–

28 FINANCIAL RISK MANAGEMENT

Overview

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policy and system are reviewed regularly against best practices in the market and to reflect changes in the Group's risk management requirement.

The Audit Committee oversees the Group's risk management process through reviewing the adequacy and effectiveness of the risk management policy, methodology, tools, practices, strategies and treatments.

Notes to the Financial Statements

Year ended 31 March 2008

28 FINANCIAL RISK MANAGEMENT (cont'd)

The Group's risk management policies and guidelines are summarised below:

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Where appropriate, the Group obtains collaterals from customers. In respect of trade receivables, the Group has guidelines governing the process of granting credit as a service provider in respective segments of its business. Investments and financial transactions are restricted to counterparties that meet the appropriate credit criteria and are of high credit standing.

The Group has a diversified portfolio of businesses and as at balance sheet date. There were no significant concentrations of credit risk, apart from available-for-sale investment with a counterparty of \$12,000,000 (2007: \$12,000,000) and trade receivable amount of \$5,556,000 (2007: \$4,675,000) due from its associate. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

The maximum exposure to credit risk for trade receivables (net of impairment), excluding amount due from associate, at reporting date by business segment is as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Taxi operations	888	490	–	–
Advertising business	4,322	5,719	–	–
Rental of premises	2,044	2,010	–	–
Others	5,765	2,105	–	–
	13,019	10,324	–	–

Impairment losses

Included in trade and other receivables are trade debtors, including amount due from associate, with the following aging analysis as of the balance sheet date:

Group	Gross	Impairment	Gross	Impairment
	2008 \$'000	losses 2008 \$'000	2007 \$'000	losses 2007 \$'000
Not past due	12,272	–	7,717	–
Past due 1 – 30 days	2,931	83	3,224	51
Past due 31 – 120 days	3,321	322	4,389	429
Past due more than 120 days	5,561	5,105	5,814	5,665
	24,085	5,510	21,144	6,145

The changes in impairment loss in respect of trade receivables during the year are as follows:

	Group	
	2008 \$'000	2007 \$'000
At 1 April	6,145	5,679
(Reversal of impairment loss)/impairment loss recognised	(416)	548
Write-off against debtors	(219)	(82)
At 31 March	5,510	6,145

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

28 FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there were no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of those balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Company has no trade receivables. The Company has no carried forward impairment loss and has not made any impairment loss for other receivables or outstanding balances from subsidiaries during the year.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments.

Group	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
2008					
Non-derivative financial liabilities					
Unsecured quoted fixed rate notes due 2009	100,000	106,609	3,309	103,300	–
Unsecured quoted floating rate notes due 2010	50,000	51,905	954	50,951	–
Unsecured quoted fixed rate notes due 2011	100,000	113,089	3,279	109,810	–
Trade and other payables*	75,936	75,936	75,936	–	–
	325,936	347,539	83,478	264,061	–
2007					
Non-derivative financial liabilities					
Unsecured quoted fixed rate notes due 2009	100,000	109,909	3,300	106,609	–
Unsecured quoted floating rate notes due 2010	50,000	55,366	1,787	53,579	–
Unsecured quoted fixed rate notes due 2011	100,000	116,359	3,270	113,089	–
Trade and other payables*	65,866	65,866	65,866	–	–
	315,866	347,500	74,223	273,277	–

* Excludes unearned revenue received, rental deposits and accrued operating expenses

Company	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
2008					
Non-derivative financial liabilities					
Unsecured quoted fixed rate notes due 2009	100,000	106,609	3,309	103,300	–
Unsecured quoted floating rate notes due 2010	50,000	51,905	954	50,951	–
Unsecured quoted fixed rate notes due 2011	100,000	113,089	3,279	109,810	–
Amounts due to subsidiaries	82,333	83,533	83,533	–	–
Trade and other payables*	6,336	6,336	6,336	–	–
	338,669	361,472	97,411	264,061	–

Notes to the Financial Statements

Year ended 31 March 2008

28 FINANCIAL RISK MANAGEMENT *(cont'd)*

Liquidity risk *(cont'd)*

Company	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
2007					
Non-derivative financial liabilities					
Unsecured quoted fixed rate notes due 2009	100,000	109,909	3,300	106,609	–
Unsecured quoted floating rate notes due 2010	50,000	55,366	1,787	53,579	–
Unsecured quoted fixed rate notes due 2011	100,000	116,359	3,270	113,089	–
Amounts due to subsidiaries	85,798	88,684	88,684	–	–
Trade and other payables*	6,153	6,153	6,153	–	–
	341,951	376,471	103,194	273,277	–

* Excludes accrued operating expenses

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group incurs foreign currency risks on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the Australian (AUD) dollar, United States (US) dollar, EURO and Japanese yen ("Jap yen").

The Group uses forward exchange contracts to partially hedge its foreign currency risk. The Group only enters into forward exchange contracts with maturities of less than one year. Where necessary, the forward exchange contracts are rolled over upon maturity at market rates. As at 31 March 2007 and 2008, the Group has no outstanding forward exchange contracts.

In respect of other monetary assets and liabilities held in currencies other than the Singapore dollar, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group's exposure to foreign currency are as follows:

Group	2008				2007			
	US dollar \$'000	EURO \$'000	Jap yen \$'000	AUD dollar \$'000	US dollar \$'000	EURO \$'000	Jap yen \$'000	AUD dollar \$'000
Cash and cash equivalents	–	51	–	–	–	3,980	–	–
Trade and other payables	(5,409)	(549)	(133)	(101)	(3,314)	(516)	(22)	(59)
Net exposure	(5,409)	(498)	(133)	(101)	(3,314)	3,464	(22)	(59)

28 FINANCIAL RISK MANAGEMENT *(cont'd)*

Foreign currency risk *(cont'd)*

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	Group	
	2008 \$'000	2007 \$'000
US dollar	541	331
EURO	50	(346)
Japanese yen	13	2
AUD dollar	10	6
	614	(7)

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain unchanged.

The Company does not have any significant foreign currency exposure.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. The Group does not use derivative financial instruments to hedge against such risk exposure.

Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest-earning financial assets and interest-bearing financial liabilities at balance sheet date.

Group	Effective interest rate	
	2008 %	2007 %
Financial assets		
Fixed deposits with banks and financial institutions	1.18	3.15
Unquoted floating rate debt securities	1.72	3.32
Financial liabilities		
Unsecured quoted floating rate notes due 2010	1.90	3.57
Unsecured quoted fixed rate notes due 2009	3.30	3.30
Unsecured quoted fixed rate notes due 2011	3.27	3.27
Company		
Financial assets		
Amounts due from subsidiaries	2.96	3.46
Fixed deposits with banks and financial institutions	1.32	3.19
Unquoted floating rate debt securities	1.72	3.32
Financial liabilities		
Amounts due to subsidiaries	1.50	3.36
Unsecured quoted floating rate notes due 2010	1.90	3.57
Unsecured quoted fixed rate notes due 2009	3.30	3.30
Unsecured quoted fixed rate notes due 2011	3.27	3.27

Notes to the Financial Statements

Year ended 31 March 2008

28 FINANCIAL RISK MANAGEMENT *(cont'd)*

Interest rate risk *(cont'd)*

Sensitivity analysis

At the reporting date, the profile of the Group's interest-bearing variable-rate financial instruments are as set out below.

	Group	
	2008 \$'000	2007 \$'000
Financial assets		
Fixed deposits with banks and financial institutions	216,051	132,380
Unquoted floating rate debt securities	15,000	19,000
Financial liabilities		
Unsecured quoted floating rate notes	(50,000)	(50,000)
	181,051	101,380
	Company	
	2008 \$'000	2007 \$'000
Financial assets		
Amounts due from subsidiaries	258,702	160,352
Fixed deposits with banks and financial institutions	20,000	119,400
Unquoted floating rate debt securities	15,000	19,000
Financial liabilities		
Amounts due to subsidiaries	(79,910)	(85,534)
Unsecured quoted floating rate notes	(50,000)	(50,000)
	163,792	163,218

For these variable-rate financial assets and liabilities, an increase in 100 basis points in interest rate at the reporting date would increase profit before tax by the amounts shown below. The analysis assumes that all other variables remain constant.

	Group \$'000	Company \$'000
2008		
Variable rate instruments (net exposure)	1,811	1,638
2007		
Variable rate instruments (net exposure)	1,014	1,632

A 100 basis points decrease in interest rate at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain unchanged.

Equity price risk

Sensitivity analysis

The Group has available-for-sale investments in equity securities and is exposed to price risk. The Group's quoted equity securities are listed on the SGX-ST. On the basis that all other variables remain unchanged, a 10% increase/(decrease) in the underlying listed equity prices at the reporting date would increase/(decrease) fair value reserve by \$626,000 (2007: \$753,000).

The Company has no equity investments apart from its investments in subsidiaries.

28 FINANCIAL RISK MANAGEMENT (cont'd)

Fair values

The fair values of financial assets and liabilities which are not carried at fair value in the balance sheet as at 31 March 2008 are represented in the following table.

Group and Company	Note	2008		2007	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair Value \$'000
Financial liabilities					
Unsecured quoted fixed rate notes	14	200,000	207,245	200,000	201,489
Unrecognised loss			(7,245)		(1,489)

The fair value of interest-bearing borrowings is determined by reference to their quoted ask prices at the reporting date.

The carrying values of other financial assets and liabilities are approximations of their fair values because they are either:

- carried at fair values; or
- short-term in nature; or
- repriced frequently.

29 DIVIDENDS

After the balance sheet date, the directors proposed a one-tier tax exempt final dividend of 6.00 cents (2007: 5.75 cents) per share, amounting to a net dividend of \$90,909,483 (2007: \$86,965,866). The dividends have not been provided for.

30 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The Group has not applied the following accounting standards and interpretations that have been issued as of balance sheet date but are not yet effective:

FRS 1 (revised 2008)	<i>Presentation of Financial Statements</i>
FRS 23 (revised)	<i>Borrowing Cost</i>
FRS 108	<i>Operating Segments</i>
INT FRS 113	<i>Customer Loyalty Programmes</i>
INT FRS 114	<i>FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

FRS 23 (revised) will become effective for financial statements for the year ending 31 March 2010. FRS 23 (revised) removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group is currently reviewing the potential effect of FRS 23 (revised).

FRS 108 will become effective for the financial statements for the year ending 31 March 2010. FRS 108 which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group is currently reviewing the presentation of segments for disclosure under FRS 108.

Other than the above, the initial application of these standards (and their consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

Notes to the Financial Statements

Year ended 31 March 2008

31 ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting judgements made in applying the Group and Company's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the business units to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the business unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 March 2008 was \$41,932,000 (2007: \$41,932,000). More details are provided in note 5.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 30 years. The carrying amount of the Group's property, plant and equipment at 31 March 2008 was \$1,032,789,000 (2007: \$1,046,217,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Provision for accident claims

Provisions are made based on estimates of repair costs, claims from third parties and loss of use.