

ENERGY IN MOTION



SMRT CORPORATION LTD Annual Report 2006

VISION

Moving People, Enhancing Lives

MISSION

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

CORE VALUES

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

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

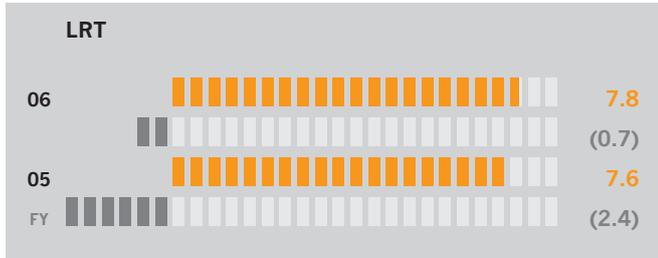
Established in 1987, SMRT has been listed on the Singapore Exchange since July 2000. SMRT has a market capitalisation of S\$1.7 billion. Our annual turnover stands at more than S\$700 million and our total assets at S\$1.4 billion.

In our core transport business, our goal is to offer a safe, reliable and friendly travel experience on our trains, buses and taxis. Going beyond transport, we also offer commuters the convenience of retail and lifestyle amenities located within our stations. These commercial spaces contribute to our non-fare revenue, which also encompasses income streams from taxis, advertising, engineering consultancy, project management, operations and maintenance services.

AT A GLANCE



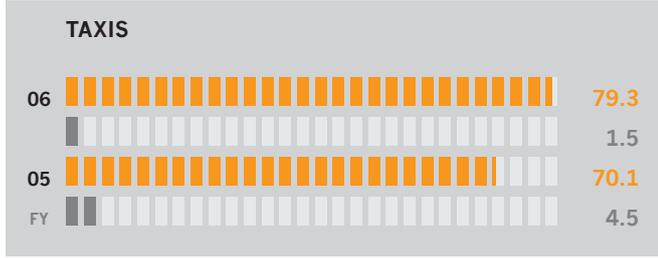
- Operates the first mass rapid transit system in Singapore (North South and East West lines) since 1987
- Network comprises 89.4 kilometres of double track along 51 stations
- Average daily ridership in FY2006 was 1,134,000 (FY2005: 1,103,000)
- Average fare per passenger in FY2006 was S\$0.921 (FY2005: S\$0.909)



- Operates Singapore's first fully-automated Bukit Panjang Light Rapid Transit system since 1999
- Network comprises 7.8 kilometres along 14 stations
- Average daily ridership in FY2006 was 38,600 (FY2005: 37,800)
- Average fare per passenger in FY2006 was S\$0.557 (FY2005: S\$0.549)



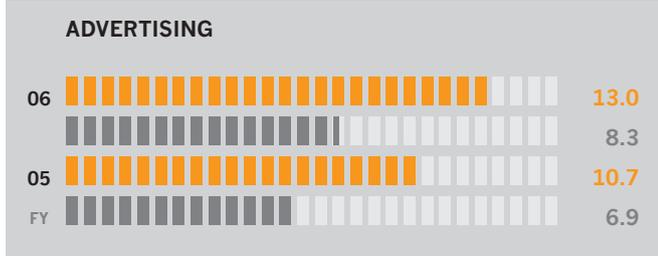
- Operates a fleet of 838 buses from three leased depots and six interchanges
- Provides 76 bus services concentrated in the Western and North-Western areas in Singapore
- Average daily ridership in FY2006 was 726,900 (FY2005: 736,200)
- Average fare per passenger in FY2006 was S\$0.675 (FY2005: S\$0.662)



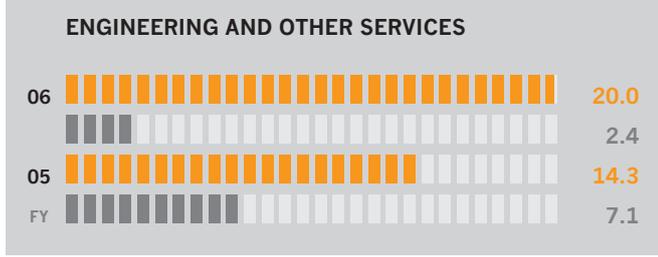
- Manages and leases a fleet of 2,659 taxis, including Mercedes and London cabs
- Provides competitive packages and incentives to taxi hirers
- Average number of taxis hired out during the year was 2,439 (FY2005: 2,168)



- Leases approximately 20,400 square metres of commercial space at MRT and LRT stations
- Average occupancy rate in FY2006 was 98.0 per cent (FY2005: 95.0 per cent)



- Sole representative for advertising and promotion of all media spaces on SMRT premises and vehicles (MRT, LRT, Buses, Taxis)



- Provides engineering consultancy, project management, operations and maintenance services
- Leases fibre optic cables

- ➡ Revenue rose 4.0 per cent to S\$381.0 million in FY2006 on the back of ridership growth
- ➡ Operating profits increased to S\$93.5 million due largely to revenue contributions from increased ridership, improved cost efficiencies and productivity

- ➡ Ridership is expected to remain stable

- ➡ Revenue increased 3.5 per cent to S\$7.8 million with improvement in ridership
- ➡ Operating losses reduced by 69.7 per cent to S\$0.7 million as a result of cost efficiencies achieved

- ➡ Revenue is expected to stay the same with similar levels of ridership

- ➡ Revenue was flat compared to FY2005 at S\$184.8 million
- ➡ Operating profits declined 8.0 per cent to S\$9.9 million due to the rise in diesel costs which was largely offset by lower depreciation expenses

- ➡ Ridership and revenue are expected to remain stable

- ➡ Revenue grew by 13.0 per cent or S\$9.2 million as a result of a larger average hired-out fleet
- ➡ Operating earnings declined 67.8 per cent to S\$1.5 million due to provision for doubtful receivables from drivers and diesel subsidies to alleviate hirers' burden of high fuel costs

- ➡ Competition in the taxi industry remains keen
- ➡ Taxi business is expected to improve with a younger taxi fleet and new schemes for hirers

- ➡ Rental revenue contributed a total of S\$25.9 million in FY2006, representing a strong increase of 31.4 per cent. Contributions from newly refurbished commercial spaces at five stations, opening of new shops at Bishan Station and higher rental yields led to the increase
- ➡ Operating profits for the year was boosted to a high of S\$21.0 million

- ➡ Revenue is expected to increase with additional rental revenue contribution from redeveloped commercial spaces at 18 MRT stations, which will be progressively completed in FY2007

- ➡ Advertising revenue posted a healthy growth of 21.6 per cent at S\$13.0 million
- ➡ Operating profits increased 21.2 per cent or S\$1.5 million to S\$8.3 million

- ➡ The redevelopment of commercial spaces at 18 MRT stations is expected to bring about more avenues for advertising
- ➡ Continued investment in more creative and varied advertising mediums

- ➡ Revenue increased to S\$20.0 million due mainly to higher diesel sales to taxi hirers
- ➡ Operating earnings for the year was lower at S\$2.4 million as the previous year saw profit contribution from a completed project

- ➡ Continued pursuit of overseas opportunities in existing and new MRT lines

FINANCIAL HIGHLIGHTS

	FY2002	FY2003	FY2004	FY2005 ^(a)	FY2006
Profit & Loss Statement for the Year Ended 31 March (S\$million)					
Revenue	496.8	685.6	667.3	673.5	711.7
Other operating income	14.0	19.9	28.8	26.4	24.7
Staff and related costs	(184.0)	(261.9)	(256.4)	(247.7)	(253.5)
Repairs and maintenance costs	(37.9)	(59.0)	(63.3)	(56.9)	(57.7)
Electricity and diesel costs	(40.8)	(51.9)	(49.4)	(57.4)	(66.4)
Other operating expenses	(51.5)	(89.0)	(101.5)	(107.8)	(111.7)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	196.6	243.7	225.5	230.0	247.2
Depreciation and impairment losses of property, plant and equipment	(149.7)	(186.2)	(154.2)	(141.3)	(131.5)
Amortisation of asset-related grant	46.6	42.0	31.7	25.5	23.1
Amortisation and impairment losses on goodwill	(1.2)	(3.6)	(3.6)	(21.4)	–
Earnings before interest and tax (EBIT)	92.3	96.0	99.3	92.8	138.8
Finance costs	(6.3)	(20.3)	(15.8)	(14.0)	(9.7)
Interest and investment income/(expense)	2.5	(0.5)	3.0	5.4	1.3
Share of results of associates	(6.3)	(2.6)	(0.3)	(0.3)	(6.3)
Profit before tax	82.3	72.7	86.2	83.9	124.1
Profit after tax	56.8	72.2	90.2	126.6	103.6
Net profit (after minority interests) attributable to shareholders	56.8	72.1	89.5	126.7	103.4
Net dividends declared	32.2	36.0	53.6	78.1	84.6^(b)

^(a) Figures have been restated to comply with revised or new Financial Reporting Standards.

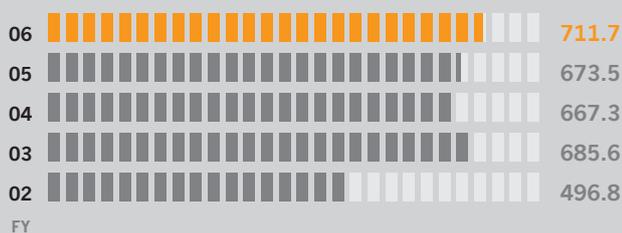
^(b) Upon approval of final dividend at the Seventh Annual General Meeting on 20 July 2006.

Summarised Balance Sheet as at 31 March (S\$million)

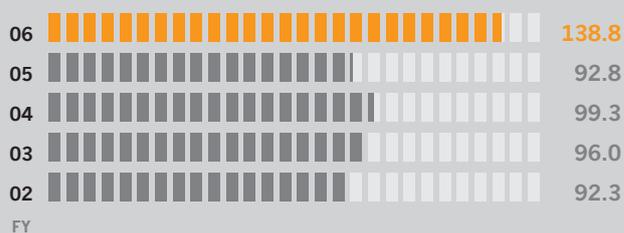
Non-current assets	1,466.1	1,419.3	1,242.1	1,203.0	1,130.9
Current assets	458.8	190.6	342.7	160.8	253.2
Current liabilities	547.4	244.6	456.5	163.7	402.6
Net current assets/(liabilities)	(88.6)	(54.0)	(113.8)	(2.9)	(149.4)
Non-current liabilities	988.3	936.4	645.3	644.9	393.2
Shareholders' funds	387.8	427.2	480.7	553.1	586.0

FINANCIAL HIGHLIGHTS

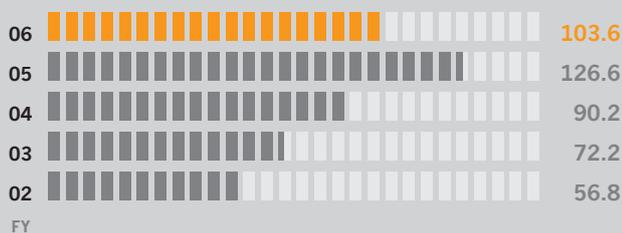
REVENUE (S\$million)



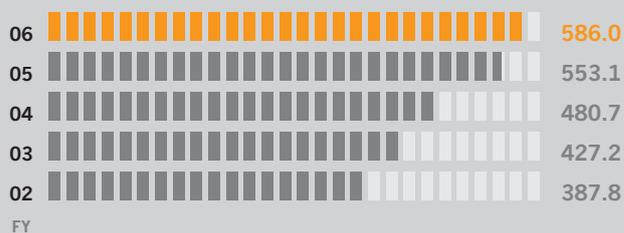
EARNINGS BEFORE INTEREST AND TAX (EBIT) (S\$million)



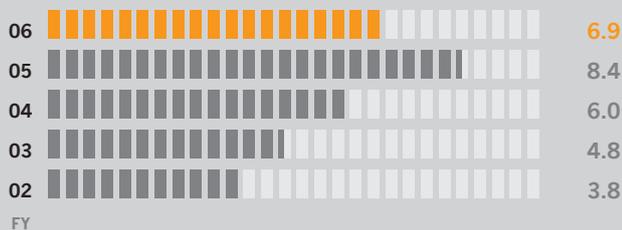
PROFIT AFTER TAX (S\$million)



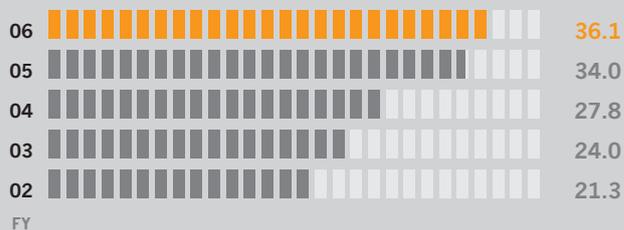
SHAREHOLDERS' FUNDS (S\$million)



BASIC EARNINGS PER SHARE (cents)



NET TANGIBLE ASSET PER SHARE (cents)



FINANCIAL HIGHLIGHTS

	FY2002	FY2003	FY2004	FY2005 ^(a)	FY2006
Financial indicators					
EBITDA margin (%)	39.6	35.5	33.8	34.2	34.7
EBIT margin (%)	18.6	14.0	14.9	13.8	19.5
Net gearing	0.70	0.95	0.49	0.41	0.29
Interest cover (times)	31.3	12.0	14.3	16.5	25.6
Per share					
Basic earnings per share (cents)	3.8	4.8	6.0	8.4	6.9
Net asset value per share (cents)	25.9	28.5	32.0	36.8	38.8
Net tangible asset per share (cents)	21.3	24.0	27.8	34.0	36.1
Gross dividend per share (cents)	2.8	3.1	4.5	6.5	7.0
Productivity data					
Staff strength	6,102	6,194	5,975	5,775	5,715
Employment costs per \$ of turnover (S\$)	0.37	0.38	0.38	0.37	0.36
Economic value-added (S\$million)	4.7	3.4	24.6	47.6	61.9
Economic value-added per employee (S\$)	765.98	556.34	4,109.12	8,244.85	10,828.70
Value-added (S\$million)	386.1	508.9	493.0	496.9	509.7
Value-added per employee (S\$)	93,926.61 ^(b)	82,163.22	82,507.78	86,051.26	89,181.45
Value-added per \$ of employment costs (S\$)	2.10	1.94	1.92	2.01	2.01
Value-added per \$ of gross fixed assets (S\$)	0.21	0.25	0.25	0.24	0.25
Value-added per \$ of turnover (S\$)	0.78	0.74	0.74	0.74	0.72

^(a) Figures have been restated to comply with revised or new Financial Reporting Standards.

^(b) Adjusted for effect of acquisition of TIBS Holdings Ltd (now known as SMRT Road Holdings Ltd) in December 2001.

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 MARCH 2006		FINANCIAL YEAR ENDING 31 MARCH 2007	
29 April 2005	Announcement of Audited Full Year Results for Financial Year Ended 31 March 2005 Webcast of Media and Analysts Briefing	28 April 2006	Announcement of Audited Full Year Results for Financial Year Ended 31 March 2006 Webcast of Media and Analysts Briefing
14 July 2005	Sixth Annual General Meeting	20 July 2006	Seventh Annual General Meeting
21-22 July 2005	Books Closure Dates (both dates inclusive)	27-28 July 2006	Books Closure Dates (both dates inclusive)
29 July 2005	Announcement of Financial Results for First Quarter Ended 30 June 2005 Media and Analysts Teleconference	28 July 2006	Announcement of Financial Results for First Quarter Ending 30 June 2006
3 August 2005	Payment of FY2005 Final Dividend	8 August 2006	Proposed Payment of FY2006 Final Dividend
28 October 2005	Announcement of Financial Results for Second Quarter and Half Year Ended 30 September 2005 Webcast of Media and Analysts Briefing	27 October 2006	Announcement of Financial Results for Second Quarter and Half Year Ending 30 September 2006
17-18 November 2005	Books Closure Dates (both dates inclusive)	26 January 2007	Announcement of Financial Results for Third Quarter Ending 31 December 2006
25 November 2005	Payment of FY2006 Interim Dividend		
24 January 2006	Announcement of Financial Results for Third Quarter Ended 31 December 2005 Media and Analysts Teleconference		

Note:

The dates after July 2006 are indicative and subject to change.

Please check for updates on the financial calendar at http://www.smrt.com.sg/investors/financial_calendar.html.





DELIVERING VALUE

Safe, reliable and affordable travel has long been the hallmark of SMRT's multi-modal transport services. Today, SMRT is delivering value in areas that go well beyond the operational. From train stations that are destinations in their own right to bus routes that are fine-tuned to passenger needs, every day and in every way, we stretch ourselves to offer moving experiences to all commuters.





FULFILLING ASPIRATIONS

Ours is a business about people and their aspirations. Within SMRT, every individual is empowered to perform to his or her highest potential, from the leader of a business unit to the bus service leader. But it doesn't stop with our staff. Through our core operations and community programmes, we reach out to the wider community that supports us. In ways big and small, we make a difference to the lives of those we serve.





PROPELLING GROWTH

A passion for excellence, a far-sighted vision and a global mindset – these are the attributes that drive our organisation to the next level of growth. But experience tells us that growth doesn't necessarily follow from ambitious plans alone. It could mean taking a second look at things and doing our jobs better, or seizing opportunities to carve out new businesses. The point is to constantly propel ourselves forward to scale greater heights. That's the best way to create the strong returns that our stakeholders richly deserve.

CHAIRMAN'S MESSAGE



CHOO CHIAU BENG
Chairman

CHAIRMAN'S MESSAGE

Chairman's Message

FY2006 can be described as a year of growth for SMRT. Our robust growth is across our operations, both in our regulated businesses as well as in our non-fare businesses.

The Group achieved S\$103.6 million in profit after tax for the year ended 31 March 2006. During the year we worked hard to strengthen the fundamentals that underpin the success of the SMRT Group. At the same time, we launched bold new initiatives to serve our customers better and maximise returns to our shareholders.

Financial Performance

Group revenue for FY2006 rose 5.7 per cent to S\$711.7 million due mainly to strong growth from rental and advertising, and increased train ridership. Non-fare revenue made up 19.4 per cent of Group revenue, compared to 17.1 per cent in FY2005.

Operating expenses fell 1.5 per cent to S\$597.7 million in FY2006 as operating expenses in the previous year took into account an impairment loss on goodwill of S\$21.4 million. Excluding the impairment loss on goodwill in FY2005, total operating expenses in FY2006 would have increased by S\$12.1 million or 2.1 per cent. Staff costs, rising energy costs, repairs and maintenance expenses and other operating expenses accounted for the increase in total operating expenses which was partially offset by lower depreciation, net of amortisation of an asset-related grant.

In FY2006, profit after tax for the Group declined 18.1 per cent to S\$103.6 million. It should be noted that in FY2005, profit after tax included a tax write back of S\$58.3 million and an impairment loss on goodwill of S\$21.4 million. Net profit for FY2006 also included a S\$2.1 million tax write-back of deferred tax provision that was made with respect to previous years. Excluding these exceptional items, profit after tax in FY2006 would have increased S\$11.9 million or 13.3 per cent to S\$101.5 million.

Taking into account the current operating environment, we have performed well and are pleased to recommend higher dividends for our shareholders this year.

The Board of Directors is recommending a final gross dividend of 5.5 cents per share at the forthcoming Annual General Meeting. Total gross dividends for FY2006, including the interim dividend of 1.5 cents per share, amount to 7.0 cents per share or S\$84.6 million net of tax. This figure is the equivalent of 81.6 per cent of Group's net profit.

The Year In Review

During the year, we set ourselves the goal of living out our vision of "Moving People, Enhancing Lives" through the actions of all our employees, in all areas of our work and across all our operations. And the key to living out this mission was to focus our energies on our customers.

In rolling out our varied slate of customer service initiatives, our intention was not to merely delight our customers with impeccable service but also to meet current needs and anticipate future ones through carefully planned programmes that respond to the changing travel and lifestyle patterns of commuters. For example, our bus operations saw the opening of Sembawang Bus Interchange, the introduction of new bus services in response to changing demographics and the refinement of existing services to better respond to commuter needs.

To stimulate demand for our services and to inject an element of excitement into the daily commute, we launched the Ride SMRT & Win promotion throughout our network in October 2005. Our train stations were upgraded to offer an improved transit experience for commuters. Programmes like the SMRT Taxi Hirers' Care Programme and Team Taxi address the welfare of our taxi hirers by helping them earn a reasonable income despite the keen competition in the industry. At the same time, we challenged our hirers to excel in customer service through initiatives like the SMRT Taxis Service Promise, which encourages customers to tip drivers who render exemplary service. Backing up our promise of good customer service, under this scheme, SMRT also undertakes to refund the fares of customers who have received poor service from our taxi drivers.

CHAIRMAN'S MESSAGE

In the non-fare sectors of our business, we tapped the revenue-generating potential of our station spaces through advertising and leasing. Beyond our shores, we made forays into China where we took on project consulting and operations and maintenance training assignments.

On home ground, we have worked hard to strengthen both the soft and hard aspects of our security infrastructure. At the same time, we continue to engage the larger community in which we operate by promoting safe travel practices throughout our network.

Corporate Governance

The SMRT Group is a socially responsible company committed to effective corporate governance.

The Securities Investors Association (Singapore) acknowledged our commitment to the highest standards of corporate governance by awarding us second place in its 2005 Investors' Choice Awards for Corporate Governance under the category of companies listed on the Mainboard of the Singapore Exchange.

During the year, we pressed ahead with initiatives to add more depth to the culture of corporate transparency within our organisation.

Our Risk Management Committee has established the Enterprise Risk Management Framework. To foster a higher level of risk and control awareness, we have initiated a Control Self-Assessment programme in FY2006. The programme involves management

and staff conducting a self-assessment of the effectiveness of their department's control processes.

We have also taken the proactive step of adopting the recommendations of the Code of Corporate Governance 2005, wherever practicable. This is well ahead of the 1 January 2007 deadline when the Code will be applied to all Annual General Meetings held thereafter.

We are proposing changes to our Memorandum & Articles of Association in line with the latest amendments to the Companies Act. In addition to this, we are obtaining a Share Purchase Mandate, which will allow Directors to optimise the share capital structure of the Group by giving the Company the flexibility to undertake purchases of its shares at any time during the period when the Mandate remains in force and to hold such purchases as Treasury shares.

Board and Management Developments

We added new members and new perspectives to our Board in July and August 2005 with the appointment of Mr Paul Ma and Mr Edmund Koh respectively who have a wealth of experience in finance, audit, accounting and business development. Mr Ma sits on the Audit Committee while Mr Koh sits on the Remuneration Committee.

Two of our Directors, Mr Niam Chiang Meng and Mr Nithiah Nandan will step down from the Board at the forthcoming Annual General Meeting, in accordance with the Company's Articles of Association on retirement of directors by rotation. Both Mr Niam and Mr Nithiah Nandan were first

appointed to SMRT's Board on 20 March 2003. Mr Niam sits on the Nominating Committee while Mr Nithiah Nandan sits on the Remuneration Committee. The Board would like to thank the outgoing Directors for their dedicated service and invaluable contributions to the Group.

The Nominating Committee has been actively evaluating candidates with the necessary expertise and experience to make meaningful contributions to the Board.

As regards the Group's Senior Management, we would like to thank Mr Tan Hup Foi, Deputy President, and Mr Oh Seong Tatt, Vice President, SMRT Taxis for their services. We warmly welcome Mr Lo Chee Wen on board as Vice President of SMRT Taxis.

Prospects for FY2007

In the year ahead, we will continue to focus our energies on our fare operations. A mid-life refurbishment programme for 66 of our oldest trains is currently underway. In FY2007, we will be investing S\$54 million as part of this three-year refurbishment programme worth S\$142 million. The mid-life upgrading of 29 trains and the full-year impact from the implementation of the Integrated Bus Operating System will increase depreciation expenses for the year.

Oil prices have been increasing in recent years, with diesel prices climbing by an average of 40 per cent in FY2006. We are mindful of the fact that continued increases in oil prices will have an impact on our energy costs.

CHAIRMAN'S MESSAGE

The challenge before us is to accelerate growth in our revenue and profit contributions while simultaneously managing cost increases through improvements in productivity and efficiency.

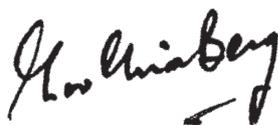
We will press ahead with our efforts to grow and expand our non-fare operations. Rental revenue experienced robust growth in FY2006. We expect to build on this momentum to develop more commercial spaces in FY2007. Another 18 stations are currently being developed and will be completed progressively. The first quarter of FY2007 will witness the opening of a new lifestyle hub, Dhoby Xchange. Advertising revenue is poised to increase as our revamped stations yield more avenues for advertising and as we invest in more creative and varied advertising mediums.

We have and will continue to respond swiftly and decisively to the competition in the taxi industry by rolling out competitive packages to retain and attract taxi hirers. These initiatives are backed by effective marketing campaigns to boost the earnings of taxi hirers.

Our experience and expertise in operating and maintaining train systems in Singapore also means that we are well placed to go beyond operations and maintenance consultancy to run existing and new mass rapid transit lines overseas.

Customer service will remain the key focus for FY2007 as the SMRT Group focuses on growth strategies in its fare and non-fare operations.

In conclusion, I wish to extend my thanks to the Board of Directors for their support and wise counsel during the year. On behalf of the Board, I would also like to thank the Management and staff of SMRT for their wholehearted commitment to serve our commuters and shareholders.



CHOO CHIAU BENG

Chairman

BOARD OF DIRECTORS



1 CHOO CHIAU BENG

Chairman

Choo Chiau Beng, 58, is Chairman of SMRT Corporation Ltd. He is also Chairman and Chief Executive Officer of Keppel Offshore & Marine Ltd, Senior Executive Director of Keppel Corporation Limited and Chairman of Singapore Petroleum Company Limited and Singapore Refining Company Pte Ltd.

Mr Choo sits on the Boards of Keppel Land Limited, k1 Ventures Limited, EDB Investments Pte Ltd and Singapore Maritime Foundation Limited and is a Board Member of the Maritime and Port Authority of Singapore. He is a Member of the Nanyang MBA Advisory Committee. He is also Chairman of Det Norske Veritas South East Asia Committee, Council Member of the American Bureau of Shipping and Member of the American Bureau of Shipping's Southeast Asia Regional Committee and Special Committee on Mobile Offshore Drilling Units.

He is Singapore's Non-Resident Ambassador to Brazil.

Mr Choo was conferred the Public Service Star Award (BBM) in August 2004.

2 SAW PHAIK HWA

President and Chief Executive Officer

Saw Phaik Hwa, 51, is President and Chief Executive Officer of SMRT Corporation Ltd. Ms Saw brings to SMRT a wealth of experience in retail and international business. Prior to

joining SMRT, she served as Regional President for DFS Venture Singapore (Pte) Ltd, in charge of businesses in Singapore, Indonesia and Malaysia. Her 19-year career with the DFS group of companies saw her rising through management ranks, including assuming operational responsibilities in Hong Kong, Macau and Vietnam, to her final position.

She sits on the Board of the Singapore Tourism Board, Singapore Management University Board of Trustees and the Board of Trustees for the Tan Tock Seng Hospital Community Charity Fund. She is also a Resource Panel Member on the Government Parliamentary Committee (Transport).

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

3 DANIEL EE HOCK HUAT

Daniel Ee, 53, is an independent Director and chairs SMRT's Audit Committee. He has more than 14 years of experience in investment banking, 10 years in the public sector and was Chief Executive of Standard Chartered Merchant Bank Asia Ltd from 1996 to 1999. Mr Ee also serves on the Boards of Citibank Singapore Limited, Surface Mount Technology (Holdings) Limited and Pacific Healthcare Holdings Ltd, and is Chairman of Gas Supply Pte Ltd.

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

4 EDMUND KOH KIAN CHEW

Edmund Koh, 46, is Managing Director and the Head of Regional Consumer Banking Group of DBS Bank Ltd (DBS).

Before joining DBS, Mr Koh was the CEO of Alverdine Pte Ltd. Prior to that, Mr Koh was CEO of Prudential Assurance Company, Singapore. Earlier in his career, Mr Koh held several senior management positions in Hongkong & Shanghai Banking Corporation Ltd and Citibank N.A.

Mr Koh is also a Board Member of the Housing and Development Board and a Director of SNP Corporation Limited, DBS Vickers Securities Holdings Pte Ltd, DBS Vickers Securities Online Holdings Pte Ltd, International Medical Insurers Pte Ltd, Hutchison DBS Card Ltd (Hong Kong), Capital OK Company Ltd (Thailand), and a Council Member of the Singapore Sports Council.

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



5 KOH KHENG SIONG

Koh Kheng Siong, 58, is a non-executive, independent Director of SIA Engineering Company Limited.

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

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

6 PAUL MA KAH WO

Paul Ma, 58, is Chairman of Mapletree Logistics Trust Management Limited and a Director of Mapletree Investments Pte Ltd. He is also a Director of Golden Harvest Entertainment (Holdings) Limited, Asia General Holdings Limited, The Asia Life Assurance Society Limited, The Asia Insurance Company Limited, Ascott Residence Trust Management Limited, Capitaland China Development Fund Pte Ltd and Hwa Hong Corporation Limited. In

addition, Mr Ma sits on the Board of Trustees of the National University of Singapore.

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

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

7 NIAM CHIANG MENG

Niam Chiang Meng, 48, is Permanent Secretary of the Ministry of Community Development, Youth and Sports (MCYS). Before taking up his appointment at MCYS in January 2005, he was Chief Executive Officer of the Housing and Development Board and also served in several ministries. Mr Niam earned an Honours degree in Economics from the National University of Singapore and has a Master in Public Administration from Harvard University.

8 NITHIAH NANDAN S/O ARUMUGAM

Nithiah Nandan, 56, is Executive Secretary of the Union of Power and Gas Employees and Vice President of NTUC Central Committee. He is a Director of NTUC Childcare Co-operative and NTUC Media Co-operative and also a Member of the Government Feedback Panel. Mr

Nithiah Nandan also served as a Nominated Member of Parliament. He holds a Diploma in Industrial Relations.

9 ENGELIN TEH GUEK NGOR

Engelin Teh, 51, is Managing Director of law corporation Engelin Teh Practice LLC and a Senior Counsel. She is a Fellow of the Singapore Institute of Arbitrators and has recently been appointed to the Institute's Panel of Arbitrators. She also sits on the Panel of the Singapore International Arbitration Centre. Ms Teh is also appointed a Member of the Competition Appeal Board by the Ministry of Trade and Industry. She is a Fellow of the Singapore Institute of Directors as well as a Member of the Singapore Association of Women Lawyers, the ASEAN Intellectual Property Association, International Women's Forum (Singapore) and the Inter-Pacific Bar Association.

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

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

SENIOR MANAGEMENT



1 Saw Phaik Hwa
President and Chief Executive Officer
SMRT Corporation Ltd
(Ms Saw's profile is on page 18)

2 Yeo Meng Hin
Executive Vice President
Corporate Services
SMRT Corporation Ltd

Yeo Meng Hin, 41, joined SMRT Corporation Ltd as Executive Vice President of Human Resource and Corporate Services in August 2003. Prior to this, Mr Yeo was employed in human resource and consultancy roles in a wide array of industries including hospitality, fast food, professional services, property, financial services and retail. He last held the position of Group Vice President, Human Resource, in DFS Group, covering Asia Pacific operations.

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

He is currently a Member of the Singapore Advisory Council, the HR Accreditation Board of Singapore Human Resources Institute and the Singapore National Employers' Federation (SNEF) Industrial Relations Panel. He is also Chairman of the Land and

Sea Transport Sector under SNEF, Chairman of the Transport and Logistics Sector Work Group on the Employability of Older Workers and a Committee Member in the Tripartite Committee Work Group on Employment Practice, Wage and Benefits Structure for Older Workers under the Ministry of Manpower.

3 Patrick Lau Li Tah
Executive Vice President, Finance
SMRT Corporation Ltd

Patrick Lau, 51, is Executive Vice President of Finance at SMRT Corporation Ltd, responsible for the company's financial management and supply chain management. Before he joined SMRT in September 2003, highlights of his career included positions as Chief Financial Officer at Informatics Holdings Ltd, Regional Head of Finance, Asia-Pacific and Australasia at Equant Pte Ltd, and Chief Financial Officer at O.R. Computer Pte Ltd.

He graduated with an accounting degree and a Master of Business Administration from the National University of Singapore. He is a Fellow of the Institute of Certified Public Accountants of Singapore, Fellow of CPA Australia, and Associate of the Singapore Association of the Institute of Chartered Secretaries and Administrators.

4 Catherine Kuan-Lee Yee Fong
Senior Vice President, Finance
SMRT Corporation Ltd

Catherine Kuan, 54, is Senior Vice President, Finance at SMRT Corporation Ltd. She joined the Mass Rapid Transit Corporation in 1986 and then SMRT in 1994. Prior to her career in the transport sector, she was with Intraco Ltd for 10 years and her last held position was Financial Controller/Company Secretary. She was awarded the Public Administration Medal in 1994.

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

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

Vincent Tan, 51, is Vice President of Rail Operations at SMRT Trains. He joined the Mass Rapid Transit Corporation in 1985 and then SMRT in 1987, where he assumed positions in rail traffic management. Prior to his career with SMRT, he was a Principal Mechanical Engineer with the Port of Singapore Authority, and had served on the Standards Committee in SPRING Singapore (previously known as Singapore Productivity and Standards Board) for three years.

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



6 Harry Tan Chuan Huat

*Vice President, Engineering
SMRT Trains Ltd
Vice President
SMRT Engineering Pte Ltd*

Harry Tan, 55, is Vice President of Engineering at SMRT Trains Ltd. He is also Vice President of SMRT Engineering Pte Ltd where he oversees SMRT's overseas business. Prior to joining SMRT in 1996, Mr Tan was with the Republic of Singapore Air Force for 22 years before joining Singapore Technologies Aerospace in 1994 as Aircraft Manager. He was awarded the Singapore Armed Forces Commendation Medal (Bronze) in 1982.

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

7 Khoo Hean Siang

*Vice President, Circle Line
SMRT Trains Ltd*

Khoo Hean Siang, 57, is Vice President of the Circle Line and a Director of SMRT Engineering Pte Ltd. Mr Khoo was previously a Senior Engineer at Singapore Telecoms and a Design Engineer at the Mass Rapid Transit Corporation.

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

8 Lo Chee Wen

*Vice President, SMRT Taxis Pte Ltd
(From 16 January 2006)*

Lo Chee Wen, 49, was appointed Vice President of SMRT Taxis Pte Ltd on 16 January 2006. Prior to joining the Internal Audit Department of the Mass Rapid Transit Corporation in 1984, Mr Lo worked in audit firms and the Port of Singapore Authority. In 1989, he joined SMRT and was involved in the development and operations of the fare ticketing system, management of the corporate insurance programme, and thereafter, the operation of stations within the SMRT network. In 2004, Mr Lo was appointed Director of SMRT's Organisation Development Unit.

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

9 Lee Seng Kee

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

Lee Seng Kee, 54, is Vice President of SMRT Buses Ltd, SMRT Automotive Services Pte Ltd and Bus-Plus Services Pte Ltd. Mr Lee joined the Mass Rapid Transit Corporation (MRTC) in 1984 and has experience in contracts and maintenance engineering between 1984 and 1987. He assumed the post of Deputy Director of Rail Maintenance (Structure and Permanent Way) in 1997. Before joining MRTC, he had several years of experience as a design/construction engineer and had served on the Standards Committee in SPRING Singapore (previously known as Singapore Productivity and Standards Board) for 10 years.

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

SENIOR MANAGEMENT



10 Teo Chew Hoon

*Vice President, Commercial Business
SMRT Investments Pte Ltd*

Teo Chew Hoon, 42, is Vice President of Commercial Business at SMRT Investments Pte Ltd. Before joining SMRT, Ms Teo held positions as Group Sales Manager and subsequently General Manager of Airport Operations at DFS Venture Singapore (Pte) Ltd from 1999. The businesses under her charge included Duty Free Liquor, Wines, Tobacco, Beauty, Fashion Goods, Watches, Souvenirs and Packaged Food.

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

11 Lawrence Lau Kai Kum

*Chief Internal Auditor
Vice President, Audit Division
SMRT Corporation Ltd*

Lawrence Lau, 53, is Chief Internal Auditor and Vice President of Audit Division at SMRT Corporation Ltd. He joined the Mass Rapid Transit Corporation (MRTC) as a Manager of Internal Audit in 1984. Prior to that, he worked in large public accounting firms, both overseas and locally. He was previously Group Internal Audit Manager for the Union Carbide Singapore group of companies. Mr Lau was awarded the Public Administration Medal in 1993.

Mr Lau served on the Board of Governors of the Institute of Internal Auditors (Singapore) from 1980 to 1982. He is a fellow Chartered Accountant, fellow member of the Institute of Internal Auditors (Singapore), Accredited Quality Assurance Assessor (IIA) and a member of the National Institute for Governance (Australia).

12 Goh Chee Kong

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

Goh Chee Kong, 50, is Vice President, Corporate Marketing and Communications of SMRT Corporation Ltd. Prior to this, he served in the Singapore Armed Forces (SAF) of the Ministry of Defence (MINDEF) for 26 years. His appointments in the SAF included Head, Defence Relations Department, Commander, 8th Singapore Armoured Brigade, Commander, Officer Cadet School, and Director, Public Affairs and spokesman for MINDEF. He was awarded the Public Administration Medal (Bronze) in 1998.

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

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

13 S. Prema

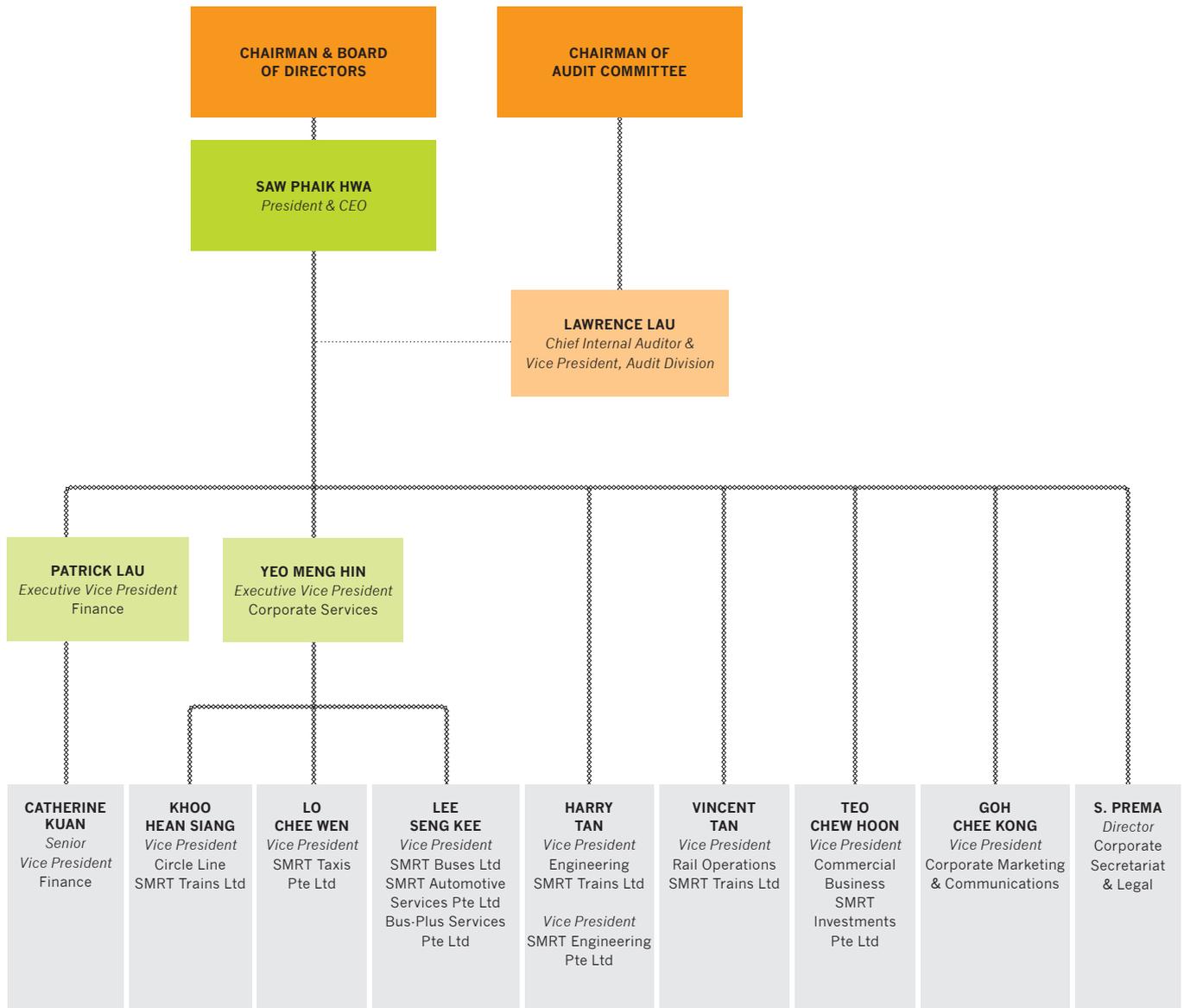
*Director
Corporate Secretariat and Legal
SMRT Corporation Ltd*

Ms S. Prema, 40, is Director, Corporate Secretariat and Legal of SMRT Corporation Ltd. She is also the Company Secretary and the Secretary of the Audit, Nominating and Remuneration Committees for SMRT Corporation Ltd.

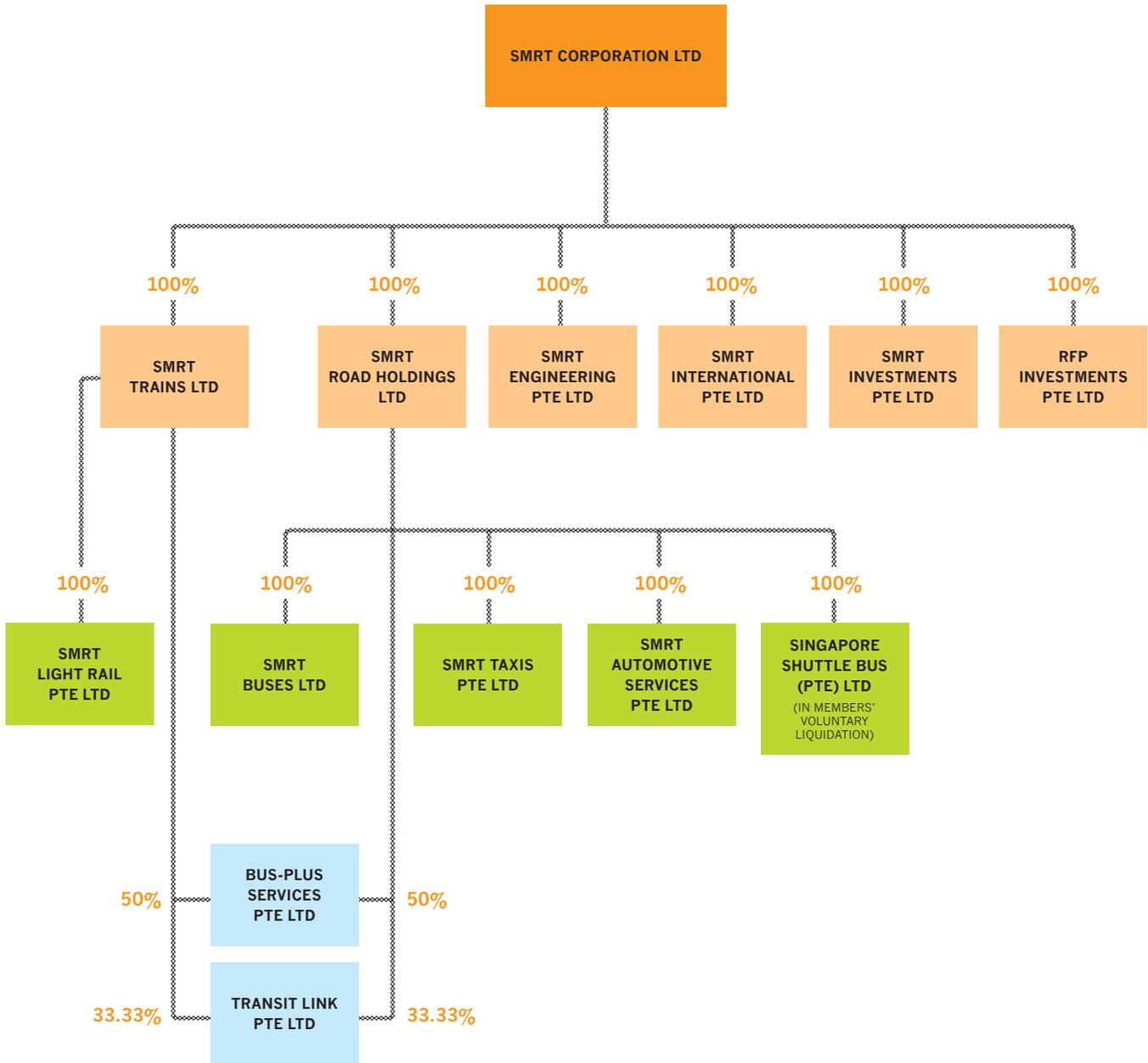
Prior to this appointment, she was with Singapore Technologies Kinetics Ltd for eight years.

Having graduated from the National University of Singapore with an Honours degree in Law and called to the Bar in 1991, Ms Prema has accumulated more than 14 years of experience in her legal career.

ORGANISATION STRUCTURE



SMRT GROUP STRUCTURE



CORPORATE INFORMATION

Registered Office

251 North Bridge Road
Singapore 179102
Telephone: (65) 6331 1000
Facsimile: (65) 6334 0247
Website: www.smrt.com.sg

Place of Incorporation

Singapore

Company Registration Number

200001855H

Date of Incorporation

6 March 2000

Board of Directors

Choo Chiau Beng, *Chairman*
Saw Phaik Hwa, *President & CEO*
Daniel Ee Hock Huat
Edmund Koh Kian Chew
Koh Kheng Siong
Paul Ma Kah Woh
Niam Chiang Meng
Nithiah Nandan s/o Arumugam
Engelin Teh Guek Ngor

Company Secretary

S. Prema

Audit Committee

Daniel Ee Hock Huat, *Chairman*
Koh Kheng Siong
Paul Ma Kah Woh
Engelin Teh Guek Ngor

Remuneration Committee

Choo Chiau Beng, *Chairman*
Daniel Ee Hock Huat (*appointed on 15 March 2006*)
Edmund Koh Kian Chew (*appointed on 15 March 2006*)
Koh Kheng Siong
Nithiah Nandan s/o Arumugam

Nominating Committee

Engelin Teh Guek Ngor, *Chairman*
Choo Chiau Beng
Niam Chiang Meng

Auditors

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

Audit Partner-in-charge:

Yap Chee Meng (*appointed in FY2004*)

Principal Bankers

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

Share Registrar

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

SIGNIFICANT EVENTS

2005

April

- ➔ SMRT reported a full-year net profit of S\$126.9 million for FY2005, the highest since the Company's listing on the Singapore Exchange. The Board of Directors recommended a final dividend of 5.0 cents per share, less tax at 20 per cent. Total dividends, including paid interim dividend, amounted to 6.5 cents per share or S\$78.1 million net of tax.
- ➔ SMRT marked the finale of its "Ride-for-Free Countdown Promotion" by giving away a Nissan March to the Grand Prize winner. The nationwide promotion was launched in October 2004 to encourage and reward commuters for travelling on SMRT's trains and buses.

May

- ➔ SMRT signed a new supplementary MRT Licence and Operating Agreement with the Land Transport Authority.

June

- ➔ SMRT Taxis launched the "SMRT Taxis Hirers' Care (Hi-Care) Programme" as well as three related driver-friendly schemes. The Flexi-Benefits Scheme, Compassionate Leave Scheme and Courtesy Taxi Scheme are aimed at enhancing welfare, boosting income and lowering operating costs for taxi hirers.
- ➔ SMRT's President and Chief Executive Officer, Saw Phaik Hwa, was conferred the Leading CEO Award by the Singapore Human Resource Institute for her efforts in driving the professional and personal development of staff.

July

- ➔ MRT, LRT and bus fares were adjusted to reflect current social and economic conditions. SMRT withheld the approved one-cent increase for Senior Citizen ez-link concession fares for one year and extended the concession travel hours for senior citizens.
- ➔ SMRT bagged the prestigious Minister for Defence Award (MiDA) and the Meritorious Defence Partner Award. With the awards, SMRT joins the MiDAs league of leaders, advocates and partners for Total Defence.
- ➔ SMRT announced 13.9 per cent growth in Profit After Tax and Minority Interests (PATMI) to S\$23.9 million for the first quarter ended 30 June 2005.

August

- ➔ To reward customers for travelling with SMRT Taxis, a three-month long "Lowest Booking Fees" promotion was launched featuring discounted booking fees and a partial waiver of the midnight surcharge. The promotion was initiated to help taxi hirers increase their income.
- ➔ Three SMRT employees received the Singapore Labour Foundation Educational Tours Award for Model Workers 2005.
- ➔ SMRT received the Commendation Award for employers of NSmen from the Ministry of Home Affairs in recognition of its contributions to National Service and Total Defence.

September

- ➔ In a first for the industry, SMRT Taxis introduced the "Revenue Sharing Hire Scheme" to attract and reward hirers. The scheme offers a win-win proposition in which a guaranteed income is complemented by a range of incentives and absolutely no start-up costs.

- ➔ In the spirit of corporate philanthropy, SMRT donated a handicap-friendly mini bus to the Handicaps Welfare Association and a de-registered taxi to Alexandra Hospital for its Car Transfer Rehabilitation Programme. These gifts meet the needs of the mobility-impaired for convenient and comfortable travel.

October

- ➔ The inaugural SMRT Challenge saw more than 500 participants racing through various bus interchanges, taxi stands and train stations to complete courtesy and safety related tasks. The Challenge was the highlight of the three-week long annual SMRT Courtesy and Safety Programme comprising road shows, radio and SMS contests, and the SMRT Courtesy and Safety Art Competition aimed at pre-school and primary school children.
- ➔ For the fifth consecutive year, SMRT received the Silver Singapore H.E.A.L.T.H (Helping Employees Achieve Life-Time Health) Award from the Health Promotion Board for encouraging employees to lead healthy and vibrant lives.
- ➔ For the second consecutive year, SMRT was presented with the Singapore Corporate Governance Award by the Securities Investors Association (Singapore). SMRT clinched the second prize for demonstrating its commitment to raising corporate governance standards.
- ➔ A six-month long island-wide "Ride SMRT & Win" Promotion was launched to encourage and reward commuters travelling on SMRT's network of trains, buses and taxis.

SIGNIFICANT EVENTS

⇒ SMRT Engineering became a founding member of the Singapore Land Transport Consortium together with CPG Corporation Pte Ltd, MSI Global Pte Ltd, SembCorp Engineers and Constructors Pte Ltd, and Singapore Technologies Electronics Limited. The Consortium will leverage its collective capabilities to seize regional business opportunities related to land transport systems. The alliance was facilitated and supported by IE Singapore.

⇒ SMRT posted a 14.7 per cent growth in PATMI to S\$29.6 million for the second quarter ended 30 September 2005, excluding exceptional items reported in the previous corresponding quarter. The Board of Directors recommended an interim dividend of 1.5 cents per share less tax of 20 per cent or S\$18.1 million.

⇒ 458 SMRT staff were honoured at the Excellent Service Award 2005 for their commitment to service excellence.

November

⇒ 63 SMRT staff received honours for exemplary service at the Transport Gold Award 2005, organised by the Singapore Kindness Movement.

⇒ Chow Hung Hoeng, SMRT's manager for Investor Relations, won the award for 'Best Investor Relations Officer (Small or Mid-Cap)' at the IR Magazine South East Asia Conference & Awards 2005.

⇒ Sembawang Bus Interchange commenced operations in conjunction with the launch of SMRT's new Service 882. The new Interchange serves as an integrated transport hub with easy access to both bus and train services.

⇒ SMRT Buses completed the final development phase of its Integrated Bus Operations System (IBOS) for its buses. By enabling the movement of all buses to be tracked, the IBOS system serves to enhance efficiency in bus operations.

December

⇒ Two ground breaking initiatives, the "SMRT Taxis Service Promise and Money-Back Guarantee" and the "Tip-the-Drivers Initiative" were introduced to promote quality customer service. In a move that is an industry first, cabbies are encouraged to deliver the SMRT Service Promise while customers are urged to reward good service by tipping.

⇒ SMRT Buses introduced the "Job Re-creation Programme – Service Leader Scheme" to improve the welfare of bus drivers. Drivers enjoy a host of benefits including a five-day week of shift work, a dual career option, a starting pay of S\$1,200 and attractive medical benefits.

⇒ SMRT Engineering secured a consultancy project with the Asian Development Bank to optimise non-fare revenue on the Ho Chi Minh City Rail System.

⇒ SMRT Engineering completed four training sessions for 61 personnel from Nanjing Metro Company Limited to equip them with the necessary know-how in train system operations and maintenance.

2006

January

⇒ SMRT appointed Mr Lo Chee Wen as Vice President, SMRT Taxis.

⇒ "Exercise NorthStar V", a civil emergency exercise involving 22 Homefront and related agencies, was conducted at five transport hub locations. Train commuters participated actively in this first large-scale simulated exercise aimed at validating the emergency response systems of various agencies to a surprise terror attack.

⇒ SMRT recorded a 25.8 per cent growth in PATMI to S\$30.0 million for the third quarter ended 31 December 2005.

February

⇒ SMRT was ranked amongst the top 10 in the Business Times Corporate Transparency Index.

⇒ SMRT Buses launched its first Express Bus Service 963E, reducing travelling time from Bukit Panjang to HarbourFront Interchange by 20 per cent.

March

⇒ SMRT Taxis rolled out the new "48-Day Rent Free Scheme" to reward new hirers holding valid Taxi Driver Vocational Licences with up to 48 rent-free days a year. The "SMRT Taxis Hi-Care Scheme" was also improved to extend diesel and rental rebates to hirers with more than two years of service.

⇒ SMRT Engineering disposed of its shares in TranSys Pte Ltd to Singapore Technologies Electronics Limited. The divestment is in line with SMRT Engineering's focus on its core business of providing operations and maintenance services, engineering consultancy and project management expertise in railway systems.



YEAR IN REVIEW

In FY2006 we strengthened the fundamentals that underpin the success of SMRT and embarked on bold new ventures to offer commuters a superlative travel experience on our network of trains, buses and taxis.

Various programmes were launched to elevate the standards of customer service throughout our operations.

At SMRT Trains, we focussed on customer needs by restructuring our operations for greater efficiency and refining our services to suit demand. Similarly, in our bus operations, new services were introduced, existing ones were extended and better facilities were introduced – all with the comfort and convenience of commuters as the paramount consideration.

Our non-fare businesses continued to ride on the momentum we have built up in recent years. Dhoby Xchange came hot on the heels of the success of Raffles Xchange as we pressed ahead with plans to redevelop our stations into destinations in their own right. Imaginative marketing unlocked the potential of our unique media spaces while our taxi operations were boosted by proactive measures to recruit and retain drivers, reward excellent customer service and tighten credit control.

All in all, in 2006 we marshalled our energies to launch ourselves on a deliberate yet dynamic growth path focussed on creating value for all our stakeholders. Through the rigours of this process, we have transformed SMRT into the living embodiment of “Energy In Motion”.

SMRT TRAINS & SMRT LIGHT RAIL



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



SMRT TRAINS & SMRT LIGHT RAIL

SMRT Trains

Every day in Singapore, commuters make an average of 1.13 million trips on board SMRT trains with every confidence that they will arrive at their destinations safely, comfortably and in good time.

Safe, reliable and affordable journeys on board SMRT trains don't just happen. They are the result of the commitment to sound engineering, meticulous quality control and superior customer service behind the SMRT brand name.

SMRT Trains operate the North South and East West lines covering a combined route length of 89.4 km. We maintain a stable of 106 trains each of which comprises six cars. There are a total of 51 stations within our network.

Construction work is currently underway to extend the East West line westwards from Boon Lay Station so as to serve Jurong West residents and workers from the industrial estates in Jurong and Tuas. Known as the Boon Lay Extension, this project will involve the building of two stations at Jurong West Street 63 and Joo Koon Circle. Completion is scheduled for 2009.

Raising The Performance Bar

In FY2006, we worked hard to live up to our mission of being the transport provider of choice for commuters. We restructured our operations, updated our performance standards, introduced customer service leaders and enhanced our core train services to suit demand.

In July 2005, fares for the MRT, together with LRT and buses, were revised with the approval of the Public Transport Council. The fare revision saw a 1 to 2 cents increase for most commuters with larger increases imposed for cash fares. This difference is deliberate, as we would like to encourage the use of contactless smartcards that are more convenient for commuters and more efficient for operators.

To soften the impact of the fare adjustments, we held back on implementing the approved 1 cent revision for Senior Citizen ez-link fares. Simultaneously, concession periods were lengthened by one hour during the morning peak hours and 30 minutes during the evening peak hours. On Saturdays, Sundays and Public Holidays, concession fares apply throughout the day. To help the needy to cope better with their transport expenses, SMRT Corporation contributed S\$1.15 million to the Public Transport Fund administered by the Community Development Councils and National Trades Union Congress.

Every year, we aim for a level of performance in our operations that exceeds the standards set by the Land Transport Authority (LTA). FY2006 was no exception with our operations going beyond the LTA's standards in every category of assessment.

In punctuality, the most basic of the performance indicators, 97.7 per cent of trains arrived within two minutes of schedule, surpassing the LTA's criteria of 94 per cent. Trains departed within two minutes of schedule in 99.1 per cent of all instances, against the LTA's requirement of 96 per cent, while the availability of our train services stood at 99.96 per cent, in compliance with LTA's 98 per cent requirement.

At SMRT Trains, we routinely benchmark our performance against two groups of the world's top metro operators, Nova and CoMET, that represent major metros in key cities around the world like Berlin, Hong Kong, London, New York, Montréal, Paris, São Paulo, Taipei and Tokyo, amongst others.

Notwithstanding the addition of new metro players with no previous performance records to the groupings, we continued to perform well in FY2006 when ranked against the best in the industry.

In the worldwide rankings, we stood at third place for both cost efficiency and manpower efficiency. We achieved a score of 99.8 per cent for train service quality. In safety, we achieved a consistent score of 95.2 per cent for safety based on our performance data for the last five years.

As part of a constant quest for excellence, we restructured our operations departments during the year to achieve greater resource utilisation and to deliver customer-focussed initiatives. Job scopes have been redefined in the interests of greater synergies and productivity. The changes empower our staff on the ground to take ownership of their jobs leading to more streamlined decision-making and faster response times.

Polishing Up Our Service

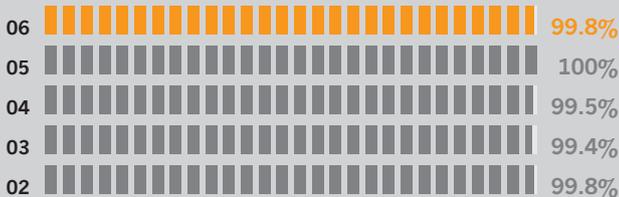
Following the restructuring exercise, 39 Customer Service Leaders (CSL) were introduced at the front line of six stations, namely City Hall, Bugis and Redhill on the East West line and Bukit Batok, Bukit Gombak and Choa Chu Kang on the North South line. These energetic diploma-holders seek to engage customers and win over the community through superior service. They also go out of their way to assist customers with difficulties so that they can enjoy smooth, pleasant rides. Ideally, every CSL should live out the conviction that there is "No Wrong Door" that the customer can knock on in his quest for service from SMRT.

SMRT TRAINS & SMRT LIGHT RAIL

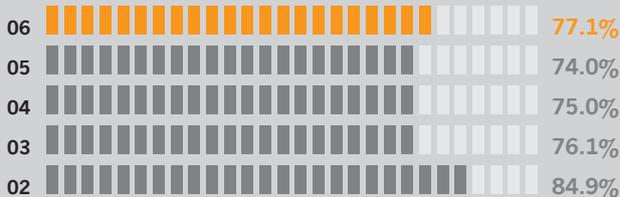
MRT INTERNATIONAL BENCHMARKING

The Nova and CoMET metro benchmarking groups are formed by the world's top metro operators, who represent major metros in key cities around the world such as London, Paris, Madrid, Moscow, Berlin, New York, Montréal, Mexico City, São Paulo, Tokyo, Taipei and Hong Kong.

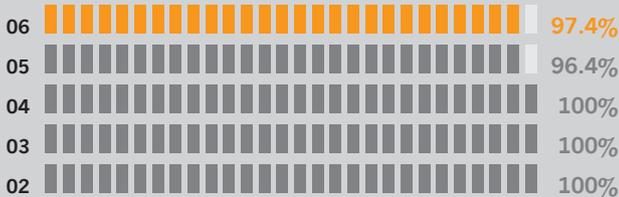
PUNCTUALITY: Timeliness of train arrivals



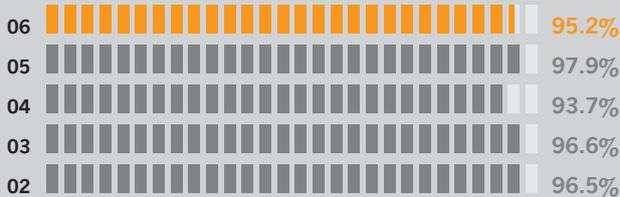
MANPOWER EFFICIENCY: Passenger-km per total staff and contractor hours



COST EFFICIENCY: Operating cost per standardised place-km



SAFETY: Fatalities due to accidents per billion passenger journeys (cumulative)



Best Performance = 100%

Note: In FY2006, SMRT benchmarked against the 15 largest metros from both the Nova and CoMET groups. In FY2005, the benchmarking was against 14 metros; and prior to FY2005, SMRT benchmarked against 10 metros in the Nova group.

Stepping Up Security, Sprucing Up Stations

Various measures have been introduced to step up security at our stations and on board our trains in recent years. These initiatives included the deployment of transit security personnel at MRT and LRT stations and at bus interchanges.

The London bombings of July 2005 drove home the urgency of testing the response of our staff, emergency services and commuters to a similar large-scale attack. In January 2006, the Authorities, with the active participation of SMRT, held a major security exercise, NorthStar V. Real life commuters participated in the emergency exercise which tested the limits of our contingency plans to great effect. Similar security exercises will be held in FY2007 to hone our skills in disaster preparedness and response.

On the question of day-to-day commuter safety, all cameras in our 51 MRT stations have recording features and are also connected to the SMRT Operations Control Centre. The recording functions will help investigations into incidents such as track intrusions.

The counters at the Passenger Service Centres within our 26 elevated stations were redesigned to make for friendlier, more effective communication between commuters and staff. New coatings were also introduced on the walls, ceilings and doors of public toilets at all elevated stations to reduce odour.



SMRT TRAINS & SMRT LIGHT RAIL

For the convenience and safety of passengers, new announcements have been introduced over the public address system. These include reminders to mind the platform gap and requests to passengers who are unwell or laden with bulky items to use the lifts.

Enhancing Lives, Engaging Communities

Our trains typically run from 5 a.m. to almost 1 a.m. daily. In FY2006, we made a deliberate effort to revise our operating hours and augment our services to meet the needs of commuters over festive periods. The operating hours of our train services were extended till about 2.30 a.m. on Christmas Eve, New Year's Eve, on the eve of the Lunar New Year and on the day before National Day. More train services were also introduced over the Christmas shopping season from 15 November to 30 December 2005 and on 3 and 4 February 2006 when the Chingay Parade was held along Orchard Road.

Commuters had yet another reason to travel with SMRT when the "Ride SMRT & Win" promotion was launched in October 2005. This six-month long promotion gave commuters on all our trains, light rail, buses and taxis the chance to win prizes worth S\$100,000 from Samsung Electronics and Goldheart Jewellery.

In line with our vision "Moving People, Enhancing Lives", at SMRT we do not hesitate to utilise our stations and trains to bring the arts and sports to the communities we serve. Our support for Arts on the Move 05, the outreach programme of the Singapore Arts Festival saw a rich and fascinating repertoire of performances playing in and around MRT stations at Yew Tee, Orchard, Woodlands and Boon Lay. Mime, puppetry, percussion ensembles and dance groups were part of the festive buzz that saw commuters interacting with performing artists.

In another example of bringing the arts to the people, various arts groups showed off their talents at Somerset Station under the banner of the Community Life Arts Programme or CLAP! supported by the Central Singapore Community Development Council.

Pressing Ahead With The Circle Line

When it is completed in 2010, the Circle Line will add a vibrant new dimension to Singapore's public transport landscape. As its name implies, the Circle Line is an orbital circuit that links all existing MRT lines to the city centre. By allowing commuters to bypass busy interchanges like Raffles Place, the new line will trim travelling time significantly.

Starting from Dhoby Ghaut, the Circle Line will run underground for its entire 33.3-km route through some of the busiest areas in the city before ending at HarbourFront. SMRT Trains has been working with the LTA to roll out a user-friendly, technologically advanced and cost efficient system for the Circle Line since 2001 when we were awarded the operating licence.

In the first half of 2005, the Government announced its decision to extend the Circle Line by establishing the Downtown Extension line into the Marina Bay where the future Business Financial Centre and the Integrated Resort will be located. SMRT is proud to have been awarded the licence to operate the Downtown Extension line. Our priority now is to work with the LTA on the alignment of this new route, the details of which should be finalised soon.

Stepping Up System Testing

Returning to our preparation for the launch of the main Circle Line, all scheduled Factory Acceptance Test Activities involving SMRT Trains were completed within FY2006. We look forward to delivery of the first train to operate on the Circle Line in the first quarter of FY2007.

There has been no let up in the pace of construction and installation activities for the electrical and mechanical systems, in particular at Kim Chuan Depot. We are on schedule to complete all equipment installation work at the depot by the end of FY2007.



SMRT TRAINS & SMRT LIGHT RAIL

System testing for the Circle Line moved into the next phase in FY2006 with a total of 1,000 man-days set aside for on-site installation and testing in collaboration with the LTA and the Circle Line's various contractors. Our involvement in this stage of the system testing is central to our training objectives. It is imperative for our key staff to be thoroughly familiar with the specific characteristics of the systems well before the Circle Line is launched.

Changes For The Better

In FY2006, SMRT Train's Circle Line team exercised effective budget control. Our expenditure for the year was contained within our budget due to our speedy response to changes in the project timeline given by the authorities.

During the year, we spared no effort to ensure that the systems that are eventually installed in the Circle Line are designed and configured to perform at optimum levels. In FY2006, the Circle Line team together with the LTA made additional operational improvements valued at more than S\$2 million to the final design of the deliverables in areas ranging from signalling systems to electrical and mechanical systems and power systems. These improvements were recommended after the team completed a detailed study of 14,000 Design Acceptance Reviews.

Additionally, the Circle Line team is currently taking delivery of the next categories of Procurement, Manufacturing and Fabrication documents for our subsequent review and comment. In another big step forward, our team completed the first draft of all Work Instructions for the operations of the Circle Line during the year.

Training Progress

By the end of FY2005, staff training in preparation for the revenue service of the Circle Line amounted to 700 man-days. In FY2006, we completed an additional 200 training man-days.

The drafting of Operations and Maintenance training manuals has got off to a strong start. The manual will utilise content that is based on design documents that have been adopted by our Circle Line project team. This drafting process kick starts the next phase of training, which will involve systems training by contractors.

Given the investment made by the LTA on the Circle Line and our proactive role in the design of its systems, we have every reason to look forward to the successful launch of the Circle Line and its potential revenue contribution.

SMRT Light Rail Pte Ltd

SMRT Light Rail Pte Ltd operates Singapore's first fully automated light rapid transit system – the Bukit Panjang LRT system comprising a network of 14 suburban stations linked by approximately 7.8 km of elevated guideways. Adjoining Choa Chu Kang MRT Station, the Bukit Panjang LRT system connects Bukit Panjang residents to the rest of the island through the larger MRT network.

FY2006 was a good year for SMRT Light Rail as the Bukit Panjang LRT system achieved a service availability record of 99.92 per cent, overtaking the 99.86 per cent performance attained in FY2005.

Moving beyond day-to-day operational efficiency, SMRT Light Rail focussed on customer service and community initiatives during the year.



SMRT TRAINS & SMRT LIGHT RAIL

One of our key objectives was to encourage more commuters to use the LRT and to patronise the regional shopping centres along its route.

SMRT Light Rail has a track record of working with retailers to publicise the attractions at Ten Mile Junction and to promote Service C of Bukit Panjang LRT that serves the shopping centre. In FY2006, LRT took this collaboration with retailers one step further by offering incentives for passengers to ride the LRT and shop at Ten Mile Junction. A special machine has been placed at Ten Mile Junction Station to dispense coupons to commuters. These coupons can be used to claim discounts from retailers like Sheng Siong Supermarket at Ten Mile Junction.

The coupon dispenser, designed and built by SMRT, has enormous potential for commercial tie-ups in any station where it is deployed. Following the debut of the machine at Ten Mile Junction Station, a second machine has since been installed at Choa Chu Kang Station, offering discounts for popcorn at a cinema in the adjacent shopping centre.

Revelling in our role as a community railway, we actively supported many community activities such as several mass brisk walks organised by the community clubs in the area. The largest of these events organised by Zhenghua Constituency saw an encouraging turnout of 600 participants. All the organised walks ended at the Ten Mile Junction Station where local businesses had organised various fun-filled activities.

We also hosted educational tours on the Bukit Panjang LRT organised by various groups such as the National Library Board. Some children on these tours enjoyed storytelling sessions on board the LRT while others, such as 70 children from Kinderland Kindergarten, were briefed by LRT staff on the workings of the rail system.

During the year, we reached out to potential Bukit Panjang residents in our effort to promote the LRT as the top commuting choice within the Bukit Panjang area. Promotional LRT rides were given to potential homebuyers who participated in the HDB walk-in selection exercise.

Engineering Division

The Engineering Division is the operational heart of SMRT Trains. This is where the mechanics behind every safe, smooth ride is precisely formulated, refined, and over time upgraded and overhauled.

In FY2006, the Engineering Division work plan spanned plant and machinery maintenance, station upgrades, fleet renewal and energy conservation, among other projects.

Fleet Renewal

A well-maintained, glitch-free fleet is the centrepiece of any smooth running transport operations. The first generation of our trains that were manufactured by Kawasaki Heavy Industries and commissioned in 1987 are almost 20 years old. In FY2006, we launched a programme to refurbish and renew the interior saloon and exterior body of these trains that are now midway through their life cycle. The interior overhaul, valued at S\$142 million over three years, incorporates the addition of accessible, commuter-friendly and aesthetically pleasing features that make for a safer, more comfortable ride. For external refurbishment, a film was applied to the train body to create a brighter, smarter finish that better complements the made-over train interiors. The refurbishment programme will be progressively carried out on all first generation Kawasaki trains.

The technology on board these first generation trains was also upgraded to prevent sudden power blackouts and service disruptions. An intelligent monitoring circuit was installed on board the trains to detect failing power supplies and trigger early warning signals to train operators.

Station Spruce Up

Completed in the late 1980s, 20-year-old Outram Park Station was given a new look during the year. A new ceiling system was installed to improve the ambience of the station foyer making the station spaces more inviting to commuters. Toa Payoh Station also got a sunny new look with its refreshing yellow interiors. The station's walls and columns, which used to feature ceramic tiles, were refinished to resemble panels stylishly set off by artificial joints.



SMRT TRAINS & SMRT LIGHT RAIL

During the year, we pressed ahead to complete overhaul works on platform screen doors at seven out of our 15 oldest stations. After being in service for 19 years, the pneumatic systems that inject air supply to the platform doors were nearing the end of their life cycle. These components were replaced so the doors could continue to open and shut smoothly – a key requirement for the swift movement of passengers on and off trains.

One of the key functions performed by our engineering teams is to maintain the reliability of our hardware. During the year, our staff overhauled 31 escalators. This upgrading programme, which will continue into FY2007, goes a long way towards reducing the number of escalator breakdowns. An average escalator availability of 99.99 per cent in FY2006 offered commuters the smooth, effortless transit experience that they have come to associate with SMRT.

At SMRT, we seek to serve all members of society including the physically disabled. Working with the LTA, another 24 passenger lifts were added to our stations in the year, bringing the total number of passenger lifts in the system to 62. Coupled with barrier-free facilities such as ramps, the lifts improve movement through the system and allow for seamless train to street-level access.

Overhauling Hardware

A midlife overhaul programme was launched during the year targeting the 750Vdc rectifier, a critical component in the supply of traction power to our trains. Since 2005, we have systematically replaced the worn parts of the rectifiers with competitively-priced locally-manufactured spares to improve reliability over its remaining lifespan. This move has reduced breakdowns that lead to train service delays.

Locomotives enable track-borne machines to carry out maintenance works such as rail replacement and grinding on main-line tracks. During the year, the electrical, hydraulics and pneumatic systems of 15 locomotives were upgraded so that they would be available for track maintenance to proceed according to plan.

Reduce, Recycle

In the Engineering Division, there is no let up in efforts to devise feasible ways to reduce energy costs. When new cooling systems were installed for the Communications Equipment Room and Uninterruptible Power Supply (UPS), steps were taken to redesign the system to enable a lower cooling capacity. This successful innovation will be implemented at more stations to achieve greater energy savings.

In the same spirit, our engineering teams actively worked to integrate renewable resources into our operations. During the year, selective power rails recovered from site were recycled as alternative components of the third rail system and successfully re-introduced into service. This pro-environment recycling initiative has since been progressively implemented, helping us save about S\$250,000 per year in recurring material costs.

In line with our mission to be the customers' choice, the LTA appointed SMRT Trains to design, supply, install and commission the computer-based Supervisory Control System (SCS) for the two new stations of the Boon Lay Extension.

More Next Year

Looking ahead, FY2007 promises to be an equally busy and rewarding year for the Engineering Division. Key projects planned include the replacement of existing UPS with a better, more energy efficient system that employs Insulated Gate Bipolar Transistor technology, the replacement of air compressors for air conditioning and mechanical ventilation units and a study on the automation of track inspection, amongst others.



MRT KEY OPERATING DATA

The table below shows passenger and other selected operating data of the MRT System for the financial years ended 31 March:

	YEAR ENDED 31 MARCH					
	2001	2002	2003	2004	2005	2006
Route length at period end (kilometres)	84.94	89.4	89.4	89.4	89.4	89.4
Total ridership (million)	387.39	389.66	394.25	391.46	402.59	413.77
Growth in ridership (%)	5.50	0.59	1.18	(0.71)	2.84	2.78
Total car-kilometres operated (million)	75.3	81.38	89.62	77.39	75.11	75.54
Growth in car-kilometres operated (%)	1.61	8.07	10.13	(13.64)	(2.96)	0.58
Average number of weekday passenger-trips (thousand)	1,108.0	1,125.0	1,139.3	1,131.4	1,171.9	1,212.2
Growth in weekday passenger-trips (%)	6.33	1.53	1.27	(0.69)	3.58	3.45
Aggregate passenger distance travelled per year (million kilometres)	4,935.0	4,963.0	4,988.9	4,861.3	4,928.3	5,058.3
Growth in passenger distance (%)	5.29	0.57	0.52	(2.56)	1.38	2.64
Average operating car occupancy (persons)	65.5	60.98	55.7	63.2	65.6	67.0
Growth in operating car occupancy (%)	3.97	(6.90)	(8.66)	13.46	3.79	2.14
Selected operating ratios	S\$	S\$	S\$	S\$	S\$	S\$
Amount per passenger-trip						
MRT cash operating costs ^(a)	0.58	0.59	0.64	0.61	0.60	0.55
MRT EBITDA ^(b)	0.46	0.45	0.39	0.38	0.36	0.45
Amount per car-kilometre operated						
MRT cash operating costs ^(a)	3.00	2.84	2.80	3.08	3.22	3.04
MRT EBITDA ^(b)	2.36	2.17	1.73	1.90	1.95	2.44

Notes:

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

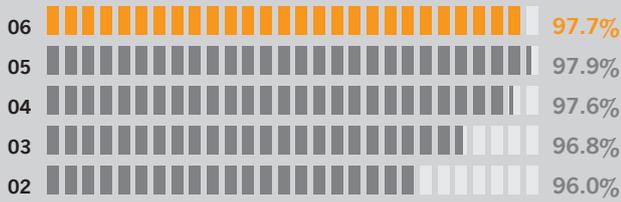
^(b) Railway EBITDA means earnings before interest, tax, depreciation and amortisation of the MRT System excluding interest and investment income.



MRT OPERATING DATA

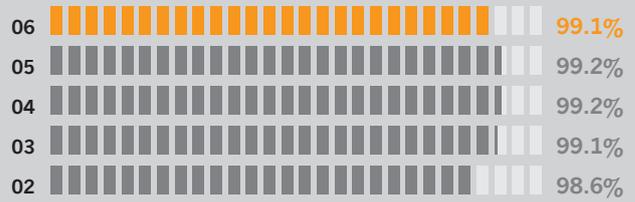
TRAIN ARRIVALS

At least 94% within 2 minutes of schedule



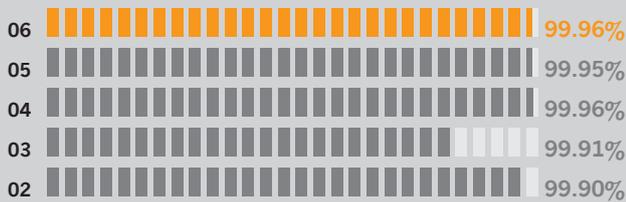
TRAIN DEPARTURES

At least 96% within 2 minutes of schedule



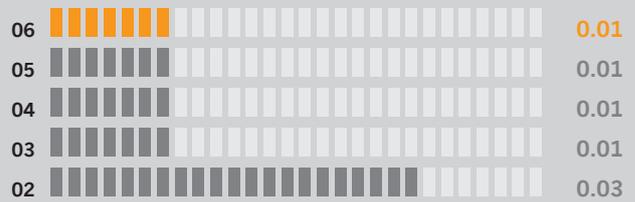
TRAIN SERVICE AVAILABILITY

At least 98%



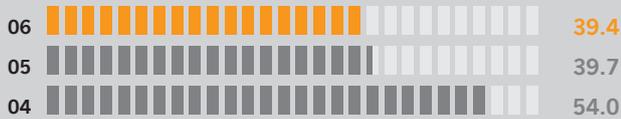
CUSTOMER INJURY RATE

No more than 0.4 injuries per 1,000,000 customers



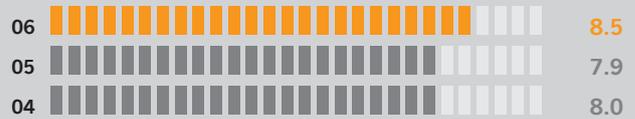
GENERAL TICKETING MACHINES*

Downtime no more than 500 hours per 10,000 hours of operation



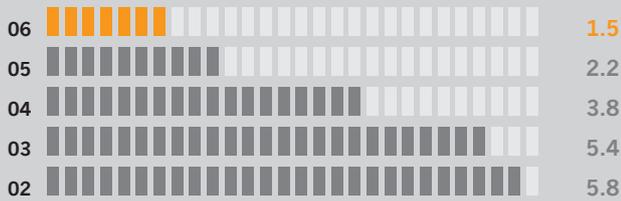
FARE GATES*

Downtime no more than 500 hours per 10,000 hours of operation



ESCALATORS

Downtime no more than 100 hours per 10,000 hours of operation



LIFTS**

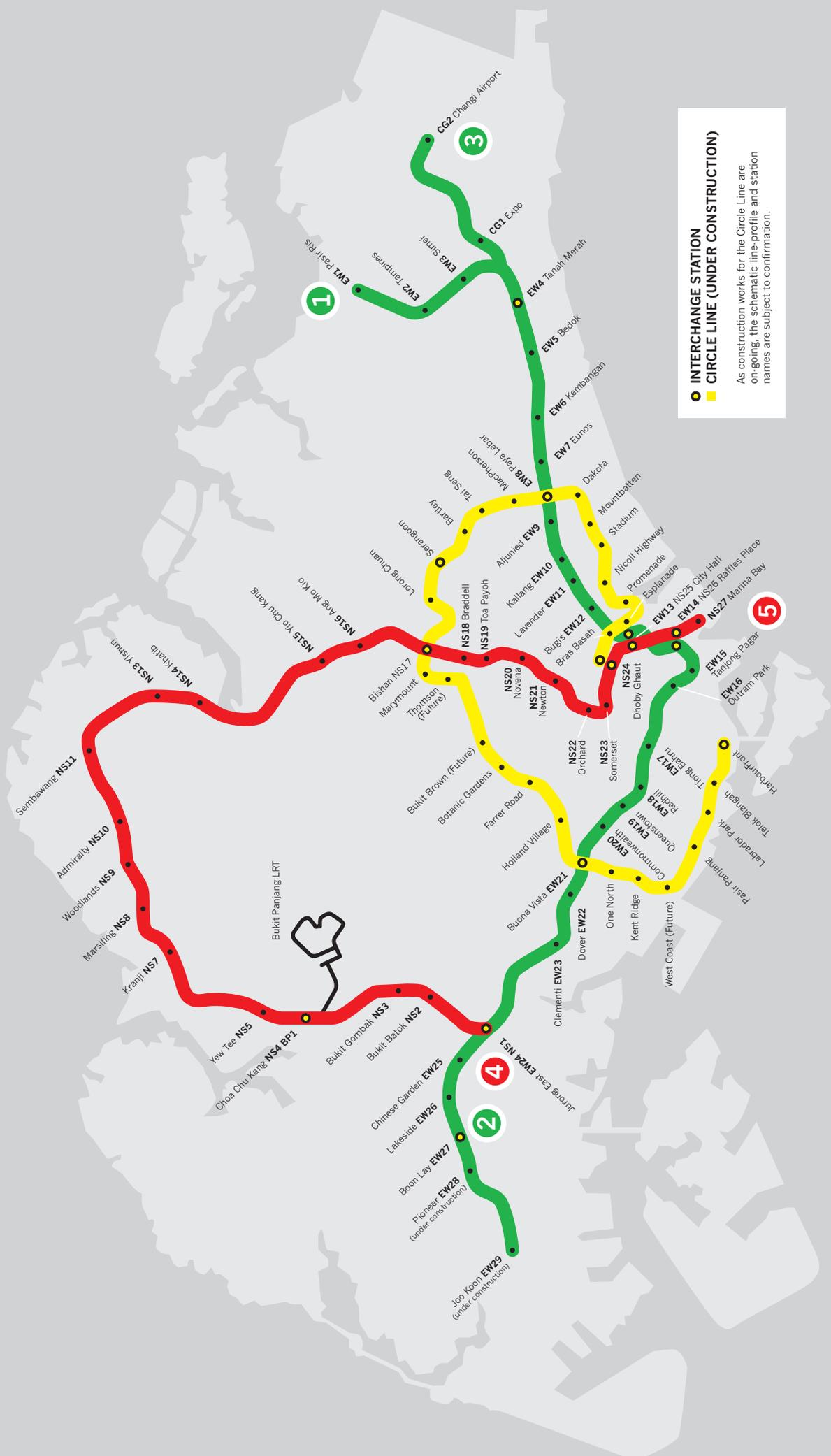
Downtime no more than 200 hours per 10,000 hours of operation



* The equipment under measurement was operational from 2004.

** The equipment under measurement was operational from 2006.

SMRT RAIL NETWORK



INTERCHANGE STATION (UNDER CONSTRUCTION)

As construction works for the Circle Line are on-going, the schematic line-profile and station names are subject to confirmation.

SMRT BUSES



Lee Seng Kee

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



SMRT BUSES

SMRT Buses

Buses are the ordinary Singaporean's most accessible form of mobility, complementing the MRT, which is the backbone of our public transport system. At SMRT Buses, we take great pride in serving Singaporeans from all walks of life through services that are smooth, prompt and increasingly fine-tuned to the needs of commuters.

We maintain a fleet of 838 buses plying 75 routes comprising 49 trunk services, 13 feeder services, six intra-town services and seven night services. In addition, we also operate a supplementary service, City Shuttle Service 608, which maintains a fleet of 25 buses.

Bus fares on all SMRT Buses were revised in July 2005. To soften the impact of the fare adjustments, SMRT withheld the implementation of the approved increase of 1 cent for Senior Citizen ez-link fares. At the same time, we extended the concession hours by an hour during the morning peak period and 30 minutes during the evening peak period. On Saturdays, Sundays and public holidays, concession travel is allowed the whole day.

In FY2006, we continued to tailor our services to the needs of commuters by opening a new bus interchange, introducing new services and extending or diverting existing ones.

New Services, Better Routes

One of the highlights of the year for bus passengers in Singapore's northern suburbs was the launch of the Sembawang Interchange in November 2005. Adjoining Sembawang MRT Station, Sembawang Interchange is equipped with facilities designed to make bus travel more pleasant and efficient for commuters. These facilities include a Passenger Service Centre, a canteen, ez-link card value adding machines and electronic displays indicating bus departure times.

Existing bus services 167, 859, 980 and 981 operate from the interchange, as does the newly introduced service 882 that runs from the interchange to Sembawang Road End. We will continuously review the need to introduce new services at Sembawang Town to better respond to passenger needs.

We launched a new express bus service 963E on 20 February 2006 to cater to commuters who want to spend less time on the road. A variant of its parent service 963 (running between Bukit Panjang and HarbourFront), service 963E travels along expressways for part of its journey. As a result, travelling time on the express service is reduced by 20 per cent compared to its parent service.

Several bus services were amended in response to the changing travel patterns of commuters. With effect from 29 May 2005, Service 920 was diverted from Bukit Panjang Ring Road to Senja Road while Service 962 was diverted from Gambas Avenue to ply along Sembawang Way and Sembawang Crescent. In December 2005, Service 806 was diverted to loop at Yishun Street 31.

Service 925 was also enhanced to make the farms in Kranji more accessible to visitors on Sundays and public holidays. The service, which used to end at the Sungei Buloh Wetland Reserve, now loops at Lim Chu Kang Lane 3. It operates from Woodlands Regional Interchange. The service extension supports efforts by the Kranji Countryside Association to promote Kranji as a popular recreational and educational venue.

To do our bit to promote festive cheer within the larger community, SMRT Buses kept up its annual tradition of launching a free Chinatown shuttle service over the Lunar New Year 2006 period. The shuttle buses connect Tanjong Pagar and Raffles Place MRT stations with Chinatown. Over the same period, our seven NightRider services extended their routes into Chinatown to ply South Bridge Road/Eu Tong Sen Street via Cantonment Road. For the two days preceding the Lunar New Year, the hours of operation on 12 feeder services at Bukit Batok, Choa Chu Kang, Woodlands and Yishun towns were extended to allow commuters on the last train for the night to catch a bus home.

Reorganise, Revitalise

As a company we reorganised our internal structure for greater efficiency and rolled out vital new fleet management technologies during the year.

In April 2005, SMRT Buses underwent an organisational restructuring to improve the efficiencies of our operations. As a result of the reorganisation, the group supervisor scheme was introduced. To forge a stronger link between management and our front line staff, group supervisors operate from the bus interchanges where they also look after the welfare and development of our service leaders.

The year in review also saw the full implementation of a real-time fleet management system that paved the way for SMRT Buses to better manage its bus service operations.

SMRT BUSES

Fully operational in November 2005, the Integrated Bus Operating System or IBOS is customised to SMRT Buses' specific needs and enables real-time tracking of bus locations from a centralised Bus Operations Control Centre. Employing Global Positioning System (GPS) technology, IBOS monitors bus operating frequencies and minimises bus-bunching incidents. IBOS also provides for direct data and voice communications between the control centre and the service leader – a critical feature in the event of an emergency.

IBOS also allows for essential travel information such as the location of the next bus stop to be displayed onboard the buses. This passenger-friendly feature makes for pleasant, hassle-free trips as commuters who are unfamiliar with a route can rely on these displays to prepare to get off the bus.

Welfare and environmental issues were not neglected during the year. Staff offices and crew recreation rooms at bus interchanges were renovated to create a better environment for service leaders and frontline staff to work and unwind. In support of the National Environmental Agency's call for environmentally friendly fuels, our entire fleet of buses switched to ultra-low sulphur diesel (ULSD) in December 2005.

Bus Key Operating Data

The table below shows passenger and other selected operating data of the basic bus services for the financial years ended 31 March:

	YEAR ENDED 31 MARCH					
	2001	2002	2003	2004	2005	2006
Route length at period end (kilometres)	2,189.8	2,393.6	2,503.1	2,463.5	2,479.8	2,523.7
Total ridership (million)	272.26	290.85	278.16	264.70	268.73	265.31
Growth in ridership (%)	–	6.83	(4.37)	(4.84)	1.53	(1.27)
Total bus-kilometres operated (million)	63.6	77.2	79.9	79.3	78.4	76.1
Growth in bus-kilometres operated (%)	–	21.33	3.49	(0.68)	(1.16)	(2.88)
Aggregate passenger distance travelled per year (million kilometres)	1,706.4	1,796.7	1,689.4	1,591.0	1,613.0	1,612.7
Growth in passenger distance (%)	–	5.29	(5.97)	(5.83)	1.38	(0.02)
Load factor (%) ^(a)	29.0	25.2	22.1	22.6	22.8	22.8
Growth in load factor (%)	–	(12.82)	(12.30)	2.02	1.16	(0.13)
Selected operating ratios	S\$	S\$	S\$	S\$	S\$	S\$
Amount per passenger-trip						
Bus cash operating costs ^(b)	0.43	0.45	0.51	0.53	0.53	0.58
Bus EBITDA ^(c)	0.13	0.12	0.14	0.16	0.14	0.10
Amount per bus-kilometre operated						
Bus cash operating costs ^(b)	1.83	1.69	1.77	1.76	1.83	2.01
Bus EBITDA ^(c)	0.54	0.45	0.48	0.53	0.47	0.36

Notes:

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

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

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

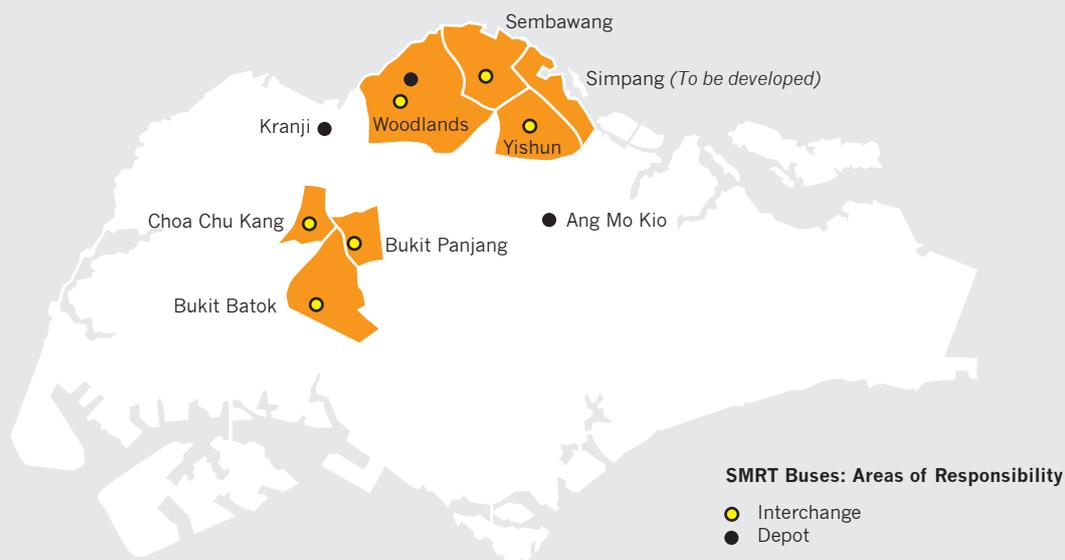
Charters Thrive

Bus-Plus operates our private bus and bus chartering services. In December 2005, the Lexus Cup saw Bus-Plus supplying eight mini buses to help tournament personnel travel to the event and back. The Lexus Cup, held at Tanah Merah Country Club, was a prestigious ladies golf tournament.

Also in November 2005, Bus-Plus was engaged by the Kranji Countryside Association to provide the public with transport to their year-end event, "Xmas Celebration in Kranji." The sell-out two-day event saw 3,500 visitors hopping on board our buses to visit the farms at Kranji. The crowds returned to Kranji over the Lunar New Year period in January 2006. The Spring celebration at Kranji saw eight of our buses transporting about 2,800 visitors to the farms.

In addition to meeting transport needs during special events, Bus-Plus enjoys stable revenue contributions from the supply of shuttle services between new condominiums and MRT stations.

SMRT BUSES



Maintenance and Repairs

SMRT Automotive Services is a wholly-owned subsidiary that provides repair and maintenance support to SMRT Buses, Bus-Plus and SMRT Taxis. While we retail diesel to SMRT taxi hirers and provide vehicle maintenance training, more than 80 per cent of our total revenue is derived from vehicle repairs and services.

SMRT Automotive Services operates three main workshops, in Ang Mo Kio, Kranji and Woodlands. In FY2006, SMRT Automotive Services launched several initiatives to better serve its customers and derive cost savings.

Working with SMRT Taxis, SMRT Automotive Services introduced the Courtesy Taxi Scheme in July 2005 to offer taxi hirers replacement taxis whenever their taxis are in the workshop for maintenance or repairs. Three months later, we went the extra mile again to stand by our service standards by reimbursing our taxi hirers. All taxi hirers were reimbursed with double their downtime refund whenever their taxis broke down on the road.

With the use of ULSD for diesel vehicles in December 2005, we invited tenders for the supply of 195 million litres of ULSD, openly indicating our price ceiling in the process. The reverse auction that ensued led to savings of S\$5 million for three years' supply of diesel. Pressing ahead to optimise the cost of operations, we outsourced the repair and maintenance of 206 Mercedes Benz taxis. Over a three-year term, this arrangement should yield projected savings of S\$1.87 million. In a similar initiative, a reverse auction for the outsourcing of Total Tyre Management reduced the maintenance cost of buses by more than S\$500,000 per year.

SMRT TAXIS

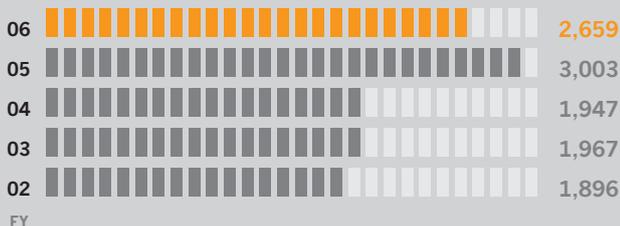


Lo Chee Wen
Vice President, SMRT Taxis Pte Ltd

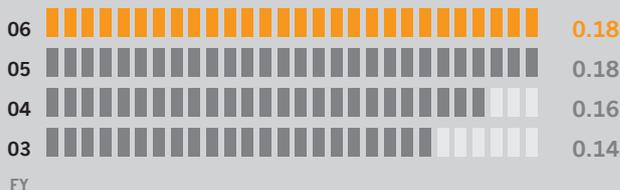


SMRT TAXIS

TAXI FLEET

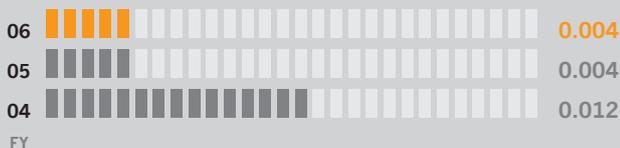


COMMENDATIONS PER 100,000 KM



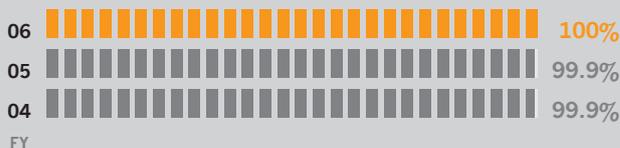
CUSTOMER SATISFACTION:

No more than 0.02 offence per 100,000 km



SAFETY: FIRST INSPECTION PASSING RATE

At least 95%



SMRT Taxis

In FY2005, SMRT Taxis moved decisively to expand its fleet so as to capture a larger share of the taxi market. Following that period of rapid expansion, FY2006 saw us consolidating our business against a backdrop of keen competition and rising diesel prices. Among other initiatives, we adjusted our fare structure, implemented new hiring schemes and introduced more attractive driver benefits.

Boosting Business, Managing Costs

At SMRT Taxis, the well being of our drivers is important to us. During the year, various measures were launched to ensure that our fares remain competitive for our customers and that our drivers continue to earn a reasonable income.

To promote our taxi services and boost income for our drivers, we introduced the “Book & Win” Promotion from March to July 2005. Featuring discounted booking fees and weekly lucky draws, the promotion persuaded more customers to choose SMRT Taxis. We kept up these efforts to augment the income of our taxi drivers and to reward our customers with the six-month long “Ride SMRT & Win” promotion. Spanning our entire network of trains, buses and taxis, this promotion was launched in October 2005.

Sensitive to the cost pressures faced by our drivers, we adjusted taxi fares in August 2005 to help drivers boost their income, but our customers were not forgotten. Over a three month period beginning 1 August 2005, we launched the “Lowest Booking Fee” promotion in which booking fees were discounted and midnight charges were waived between 11.30 p.m. and 11.59 p.m.

Driver-Friendly Initiatives

Recognising that courteous, committed taxi drivers are key to our success, a series of driver-friendly initiatives were rolled out during the year.

June 2005 saw the launch of the “SMRT Taxi Hirers’ Care (Hi-Care) Programme” that featured three key benefit components. The SMRT Flexi Benefit Scheme rewards drivers for paying their rental promptly, maintaining accident-free records and delivering quality customer service. These benefits are truly ‘flexi’ in that drivers can choose to redeem their bonus points in the form of 14 rental-free days per year, diesel vouchers worth S\$1,200 or HDB parking coupons. Under the SMRT Compassionate Leave Scheme, hirers can apply for three days of compassionate leave when a member of their immediate family passes away. A “Courtesy Taxi Scheme” was also put in place to provide drivers with a replacement taxi, courtesy of SMRT Taxis, when their own vehicles are being repaired or serviced. This allows drivers to stay on the road with minimal disruption to their income.

With effect from 1 April 2006, the Hi-Care programme was improved further. SMRT taxi hirers now automatically enjoy monthly diesel rebates worth S\$30 to S\$80, up to three days of rental rebates monthly and loyalty discounts of between S\$2 and S\$5 every day depending on the length of their service with us.

In September 2005, we launched the “Taxi Revenue Sharing Hire Scheme” designed to attract newcomers to the industry and to ease them into the business environment faced by taxi drivers. A first for the taxi industry, this scheme offers drivers a guaranteed monthly income topped up with cash incentives subject to fare collection targets. There are no start-up costs

SMRT TAXIS

whatsoever as SMRT Taxis pays for operating costs such as those arising from diesel bills and routine service and maintenance charges. 'Team Taxi', a cash incentive scheme, was launched in the same month. The scheme encourages existing drivers to introduce friends and relatives who might be interested to become taxi drivers with SMRT Taxis. Introducers earn cash incentives for each successful introduction.

Pushing Service Excellence

In a bold move to raise the bar in customer service, SMRT Taxis launched the "SMRT Taxis Service Promise and Money-Back Guarantee" and "Tip-the-Drivers Initiative" in December 2005. Our drivers are encouraged to deliver exemplary service on every trip while passengers are encouraged to tip drivers who have gone the extra mile. At the same time, passengers who encounter poor service can get their money back upon providing feedback to SMRT Taxis.

This push for strong service standards is timely, as Singapore will play host to 16,000 international visitors when the Annual Meeting of the International Monetary Fund and World Bank Group is held here in September 2006. To prepare for this event, we introduced a Customer Service Singapore 2006 course to our drivers in March 2006. Developed in association with the Workforce Development Agency, this course equips drivers with useful tips on extending excellent hospitality and service to visitors.

Recognising that our drivers are also our internal customers, we introduced Express Service Counters in June 2005 to field short enquiries from drivers or conduct simple transactions for them. This was quickly followed by the launch of the one-stop service initiative at our Customer Service Centre in September 2005. This one-stop centre caters to all the administrative needs of drivers such as payment processing and relief-hirer matching. Roving officers are also on hand to assist drivers with queries. Renovations are underway at our Drivers' Lounge and Customer Service Centre. When the renovations are completed in June 2006, drivers can enjoy better facilities that exude a pleasing ambience.

Preserving The Environment, Renewing Our Fleet

Supporting the call for environmentally friendly vehicles, SMRT Taxis introduced 200 CDI Mercedes taxis that conform to the more stringent, new Euro IV standards in 2005. This is ahead of the 1 October 2006 deadline by the National Environment Agency (NEA). In compliance with regulations set by the NEA, only ultra-low sulphur diesel has been on sale at all SMRT diesel pumps since 1 December 2005.

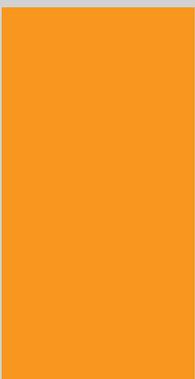
We have embarked on a fleet renewal exercise aimed at delivering a quality experience to customers every time they take a ride with us. By the end of FY2006, 94 per cent of our total fleet is less than four years old. In FY2007, we will continue to help hirers increase their earnings through innovative marketing efforts while simultaneously offering attractive benefits and incentives.

SMRT INVESTMENTS (PROPERTIES & MEDIA)



Teo Chew Hoon

Vice President, Commercial Business
SMRT Investments Pte Ltd



SMRT INVESTMENTS (PROPERTIES & MEDIA)

SMRT Investments (Properties & Media)

SMRT Investments contributes significantly to the Group's non-fare revenue stream. The property component of our operations involves the leasing of commercial space within our network of stations while our media-related work involves the marketing of media space at our stations and on board our network of trains, buses and taxis.

Pushing Ahead To Transform Our Stations

In FY2005, we embarked on the exciting journey of transforming our train stations into destinations in their own right. This process kicked off with the revamp of Bukit Batok, Marsiling, Sembawang and Yew Tee stations, followed by the successful launch of Raffles Xchange, the inviting retail and lifestyle centre within Raffles Place Station.

In FY2006, we kept up the momentum of these efforts by designing new and appealing retail spaces in six stations, namely Bishan, Pasir Ris, Tampines, Simei, Eunos and Dhoby Ghaut. All in all, 112 new shops representing a total of 3,100 square metres of retail space were developed with those in Bishan opening within the financial year and the rest opening in FY2007.

Drawing on our experience from the first phase of station renovations, provisions were made for more shops, allowing for a wider, more flexible range of food and beverage choices at these six revamped stations.

Dhoby Ghaut Station witnessed a dramatic makeover with the new Dhoby Xchange. The entire Basement One of the station has been turned into a vibrant retail floor. A layout, designed for higher efficiency and better marketing opportunities, saw many more smaller shops with a wider variety of retailers and merchandise filling up the station spaces. The result is a lively retail environment that appeals to all commuters while effectively tuning in to the particular needs of youths from the tertiary institutions in the vicinity. Dhoby Xchange is poised to open in the first quarter of FY2007.

The new look stations have prompted popular brand names to set up outlets within our station network for the first time. Familiar brands like Old Chang Kee, Pepper Lunch, Body Shop and SK Jewellery will be occupying newly completed shops at Dhoby Ghaut, Tampines and Simei stations.

Our total inventory of commercial space at the end of FY2005 stood at 23,800 square metres. However, the construction of the Circle Line necessitated building works at Buona Vista and revamp works at Tanjong Pagar stations that resulted in the loss of 3,400 square metres of existing commercial space. With the addition of the 3,100 square metres of space from the six newly refurbished stations, our inventory in FY2006 stands at 23,500 square metres. During the year, occupancy rates for our properties increased from 95 per cent in FY2005 to 98 per cent in FY2006.

SMRT Investments is also in talks with the LTA to incorporate new shops and services into the stations of the Downtown Extension which are Bayfront, Landmark, Cross Street and Chinatown stations.

Agenda For FY2007

Looking ahead to FY2007, two new Xchanges are in the pipeline for Choa Chu Kang and Tanjong Pagar stations. Retail spaces in stations namely Aljunied, Bugis, Bukit Batok, Bukit Gombak, Expo, Kranji, Lavender, Tiong Bahru, Paya Lebar, Redhill and Somerset will also be opened progressively and expected to generate additional revenue in FY2007.

SMRT Investments recently took over the management of five bus interchanges at Yishun, Sembawang, Woodlands, Choa Chu Kang and Bukit Panjang from the LTA. Three of the interchanges, namely Yishun, Woodlands and Choa Chu Kang currently have a total of seven kiosks leased out to sundry and newspaper vendors.



SMRT INVESTMENTS (PROPERTIES & MEDIA)

In FY2007, we plan to increase the total commercial spaces currently available at the five interchanges while simultaneously expanding and enhancing the existing media spaces there. The interchanges also incorporate event spaces that we are currently marketing for short-term events.

Media On The Go

With a network of train stations, bus interchanges, trains, buses and taxis at our disposal, SMRT Media offers countless opportunities for creative advertising that is literally “on the go”. Our vision is to provide advertisers with a one-stop service for media buys that have the potential to touch consumers on their daily commute.

During the year, several innovative advertising campaigns were launched aboard our trains and within our stations. The Silkair campaign, which ran from July to August 2005, saw ambient advertising being introduced to City Hall Station. Furniture and walls at platform level were dressed up as exotic destinations. At the same time, two trains were decked out to resemble a golf course and a sandy beach, instantly ‘transporting’ commuters to a dream holiday.

The AIA HealthShield Gold campaign, which ran from September to November 2005, proved to be a sensorial experience of ‘scent advertising’ for commuters. The launch of AIA’s latest medical insurance plan saw the fresh, zesty fragrance of oranges wafting through the interiors of two trains.

When Ribena launched its advertising campaign in November and December 2005, the sight of a man-sized Ribena mobile pack rushing up the escalators at Bugis Station injected some fun into the daily routine of commuters. Large Ribena mascots were also to be found riding around town on the tops of SMRT buses.

Other innovative campaigns that took advantage of the station spaces during the year included a Gillette campaign in which the platform of City Hall Station was swathed in green light and

plastered with photos of Gillette spokesman David Beckham, a first-ever ride on the SMRT for Star Wars characters to mark the launch of Star Wars Episode III and the opening of the movie Charlie and the Chocolate Factory which had a life-sized movie backdrop, chocolate giveaways and TV trailers playing at all stations.

Playing A Part In The Industry

SMRT Media is committed to doing its part to encourage creativity in media advertising. To this end, the SMRT GEM Award was created to salute creative advertising ideas in SMRT stations, trains, buses and taxis. In September 2005, the second GEM Award ceremony was held as part of a media industry event – the Singapore Outdoor Advertising Awards.

As we have done in previous years, SMRT Media was a sponsor in the Gold Category and the Special Award Category that includes the SMRT GEM award. The GEM award is our way of inspiring creativity in outdoor media by rewarding inspired work for our media spaces.

In FY2007, the SMRT GEM Award will be expanded to include the Youth GEM award aimed at nurturing budding creative talents among young people. Students from tertiary design schools will be invited to submit their works. Award winners can look forward to seeing their winning entries come to life as displays in our media spaces. In line with our mission of “Creating Possibilities, Inspiring Always”, we hope this initiative will pave the way for youths to sharpen their creative skills, build up their portfolios and realise their full potential.

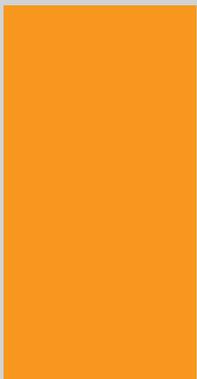
SMRT Media also participated actively in AdAsia, a major regional media industry event held over three days at the end of November 2005. Approximately 800 overseas delegates participated in the event that saw SMRT Media showcasing its services out of a booth shaped like a life-sized train. SMRT was also the only official transportation sponsor for the event. Delegates were driven around on SMRT buses specially dressed up for AdAsia. Our participation in AdAsia increased awareness of SMRT Media among regional advertisers.





Harry Tan Chuan Huat

*Vice President, Engineering, SMRT Trains Ltd
Vice President, SMRT Engineering Pte Ltd*



SMRT ENGINEERING

SMRT Engineering

Drawing on SMRT's strong track record in land transport, SMRT Engineering (SMRTE) provides operation and maintenance consultancy and project management services for public transport systems.

The past year has been challenging for us, as competition from other players in the industry was intense. Undeterred, we pressed ahead with our efforts to market our services in Asia and the Middle East. Our strategy has been to stay lean as we stake our claim on a share of the business in a region where growth in the transport sector is rapidly gathering momentum.

Key Projects

During the year, our key projects comprised a mix of regional and Singapore-based jobs in project management, consultancy and training.

For Singapore's Sentosa Island, our project management team for the Sentosa People Mover System worked closely with the system owner, Sentosa Development Corporation (SDC) and the system supplier, Hitachi Asia Ltd, to implement the construction and equipment installation phase of the project. Completion of the project is scheduled for December 2006. Apart from our project management role, our consultancy arm worked with SDC to establish the requirements and technical specifications for the Sentosa Island access and ticketing system. As part of our scope of service, we also evaluated the system supplier's tender proposal and managed the contractor's installation works.

Over at Paya Lebar MRT Station, we completed the interim portion of the Addition and Alteration (A&A) works that involves the shifting of key equipment to support the works. The A&A work is being carried out by the LTA and our role involves managing the installation, testing and commissioning of the Railway Signalling System.

Moving into the region, in December 2005, we secured an assignment with the Asian Development Bank to offer consultancy advice on the optimisation of non-fare revenue for the Ho Chi Minh City Rail System. Our recommendations for the project focussed on commercial and media leasing. Currently in the planning phase, the system will be the first rail network in Ho Chih Minh City.

Over in Nanjing China, SMRTE completed four training sessions for 61 personnel from the Nanjing Metro Company Ltd in December 2005. Our training sessions served to equip Nanjing Metro personnel with the necessary know-how in train system operations and maintenance in preparation for the start of revenue service.

During the year, we also completed a consultancy project with Singapore Technologies Electronics Ltd (ST Electronics). Our role in this project was to provide input on railway operations to facilitate ST Electronics' work in developing their software for the driverless train system.

In FY2006, our Facilities-Based Operator (FBO) business contributed steadily to our income stream. This sector of our business involves leasing SMRTE's optical fibre network capacity to telecommunication players for voice and/or data communication services. During the year, our clients increased their cable leasing requirements. These companies are Reach International Telecom, Flag Telecom, France Telecom, MCI WorldCom and Bluetel Networks Pte Ltd.

Strength In Numbers

One landmark event during the year was the formation of the Singapore Land Transport Consortium in October 2005 with SMRTE as one of five founding members. Other founding members of the consortium, supported by IE Singapore, include SembCorp Engineers and Constructors Pte Ltd, Singapore Technologies Electronics Ltd, MSI Global Pte Ltd and CPG Consultants Pte Ltd. Our participation as a consortium partner will go a long way towards increasing our visibility and reach in the region. With the combined capabilities of its members, the Consortium is well placed to bid for railway turnkey projects and provide one-stop engineering solutions. Working as a group also streamlines our marketing efforts, sharpening our competitive edge in the process. For a start, the Consortium aims to focus on infrastructure and service opportunities in China, India, the Middle East and Southeast Asia.

SMRTE's participation in the Singapore Land Transport Consortium is in line with our growth objectives that encompass building stronger ties with our business partners and strategic alliances with companies that have good track records and strong fundamentals.

Looking to the future, SMRTE will spare no effort to pursue business opportunities in the region. Our sights are set on countries such as China, Vietnam, Thailand, Indonesia, Philippines, India and Dubai whose governments are committed to develop and build a sound transport infrastructure to support sustained economic growth.

CORPORATE SOCIAL RESPONSIBILITY



Our Role In The Community

At SMRT, we believe that our success has to be channelled towards the greater good of the community. Our Corporate Social Responsibility programme sets out to make a positive impact on the economic, social and environmental well being of the communities we serve.

To engage and enhance the lives of those around us, we have established a sustained programme of corporate philanthropy, volunteerism and community outreach.

Gifts To The Community

SMRT's corporate philanthropy programme is directed at voluntary welfare organisations, national events, education, sports, arts and the environment. In FY2006, SMRT made community contributions totalling S\$3.18 million in cash contributions and sponsorships such as media space and corporate gifts.

Among voluntary welfare organisations, the Handicaps Welfare Association (HWA) received the gift of a retrofitted Toyota Hiace mini bus, worth S\$75,000 from SMRT. Members of the HWA were treated to rides on the MRT and LRT as well as a shopping excursion at Ten Mile Junction on the day the mini bus was handed over to the Association.

SMRT joined hands with the National Council of Social Services to lend our support to the Disability Awareness Public Education Campaign through cash donations and media space sponsorship with a total value of S\$140,890. Under the "Friends of the Disabled" Journey programme, we facilitated a train ride for 200 disabled persons to promote community awareness of the unique needs of the disabled.

As the nation's largest multi-modal transport operator, we were proud to fly the flag for Singapore's National Day Parade 2005. We did this through cash donations of S\$50,000 and media support valued at S\$288,000.

Our contributions to the nation's 40th birthday celebrations took the form of Singapore Express, a community project in which the external body of a SMRT train was offered as complimentary media space to the Ministry of Information, Communications and the Arts. Singapore Express galvanised 12,000 Primary Five students from 42 schools island-wide to design National Day decorations for public transport and bus stop shelters. The Singapore Express train served as the moving canvas on which the winning student's design was showcased.

CORPORATE SOCIAL RESPONSIBILITY



Our resources were put to good use when we donated a de-registered SMRT taxi to Alexandra Hospital for its Car Transfer Rehabilitation Programme. At Marine Parade Town Council's Clean, Green and Hygiene Carnival, three of our buses were used to display exhibits on environmental care.

In sports, we did our bit for the Commonwealth Games 2006. Four runners from SMRT took turns to carry the baton in the Singapore lap of the Queen's Relay, which involved travelling in trains on the North South line much to the delight of commuters.

Volunteering Where It Matters

One key objective of SMRT's Corporate Social Responsibility programme is to inculcate a spirit of volunteerism in our people. To encourage our people to volunteer their time to worthy causes on a regular basis, we identified three institutions catering to senior citizens, the sick and injured, and children to become our 'adopted' charities.

Geylang East Home For The Aged is one such organisation. During the year, SMRT staff faithfully organised outings, community work projects and fund-raising events for seniors from the Home, ranging from a walk-a-jog to raise funds and a

Lunar New Year outing. In September 2005, SMRT staff even accompanied seniors from the Home on an overnight trip to a seafood village and resort in Johor, Malaysia.

For several years now, SMRT has used its train and station network to support the Singapore Red Cross Society's life saving Blood Donor' Recruitment Programme. FY2006 was no different. Volunteers from SMRT helped out with the celebrations and publicity on World Red Cross Day and Blood Donors Day. Four separate blood donation drives were organised at Raffles Place and Changi Airport stations yielding a grand total of 769 units of blood for the Singapore Red Cross.

Our work with Beyond Social Services, our third adopted organisation, saw 400 SMRT staff volunteering their services for the annual MILK Run that raises funds for disabled and disadvantaged children.

Reaching Out To The Community

Apart from giving our time and our funds to the community, SMRT is also active in outreach programmes that add colour and vibrancy to community life while promoting the SMRT brand name.

CORPORATE SOCIAL RESPONSIBILITY



Many of these programmes to educate, entertain or inform the public through our transport network are undertaken in partnership with like-minded organisations.

One such fruitful collaboration is the SMRT and National Library Board Read and Ride Programme, an imaginative train ride that makes the magic of books come alive for children of the Internet generation. The programme started in 2002 with an audience of 50 children. In 2005, 600 children between four and 10 years old listened enthralled as celebrities and storytellers recounted enchanting Asian tales on a 75-minute ride from Woodlands to Expo via Jurong East and RedHill stations. Upon arrival at Expo Station, the children were treated to another hour of exciting performances in conjunction with the Asian Children's Festival.

We kept up these efforts to promote a love of reading over the June school holidays by organising seven story-telling sessions on board SMRT trains. Parents and children alike thoroughly enjoyed these fun-filled journeys with a difference.

The London bombings of July 2005 raised fears about the security of Singapore's public transport network. To allay these fears, SMRT conducted a series of educational seminars on safety and security features on the trains and in the stations. The sessions held for trainers from the People's Association and trainee teachers from the National Institute of Education, among others, expanded on the material used in the existing

Learning Journey's Programme for school children. SMRT also worked with the Ministry of Education to incorporate material on MRT safety and security into the mainstream school curriculum.

The annual SMRT Courtesy and Safety programme reminds commuters to adopt safe and well-mannered behaviour while in transit. The highlight of this year's programme held in October 2005 was the inaugural SMRT Challenge otherwise known as Singapore's ultimate travel race. The Challenge saw 500 participants performing tasks that stretched their sense of safety and courtesy throughout the SMRT network before making a dash for the finishing line.

Courtesy and safety messages were also publicised via action-packed road shows at four of the busier train stations as well as through an art competition that attracted 400 children.

The MRT stations of the SMRT network are very much a part of the lives of millions of SMRT commuters. Over the Lunar New Year period in January 2006, Raffles Place Station was transformed into a place of celebration for many commuters. Festive cheer was all around as calligraphers and artists from the Life Art Society gave out 5,000 auspicious couplets and 2,500 brush paintings all completed on the spot. Commuters who shopped at Raffles Xchange were in for more treats as complimentary SMRT red packets and movie tickets were given out with spending amounts of S\$28 and S\$88 respectively.

CORPORATE SOCIAL RESPONSIBILITY



SMRT has been a faithful supporter of arts events both big and small. In recognition of our contribution towards the promotion of the arts in Singapore, SMRT received the Associate of the Arts Award by the National Arts Council.

Our People, Our Future

In SMRT, the values that guide our Corporate Social Responsibility programmes are woven into the fabric of our daily operations and in our strategies for people development.

Our people are our most valuable asset. They hold the keys to SMRT's leadership renewal, business continuity, push for excellence and future prosperity. Our people development programmes focus on empowering our people with the necessary skills to build a high performance culture within SMRT.

In FY2006, we implemented a talent development programme with the long-term goal of leadership renewal and business continuity. Aimed at nurturing staff for leadership roles, the basic building block for this programme was a framework to enhance the leadership qualities and business acumen of managers. Related programmes to nurture leaders from our ranks were launched. Strategy-Linked Training set out to identify competency needs by business nature and job role while Cross-Business Up-Skilling fosters greater cross business understanding through job rotation opportunities and exposure to special projects.

All these training initiatives combined to create a total of 20,883 training places. This works out to an average of four training places per employee, surpassing the industry average of two training places per employee.

Looking ahead to FY2007, we see our human resource development being anchored in efforts to enhance the strength of the leadership team. A succession planning process has been implemented to identify candidates for key leadership positions. At the same time, we will remain steadfast in our commitment to develop every employee to his or her highest potential.

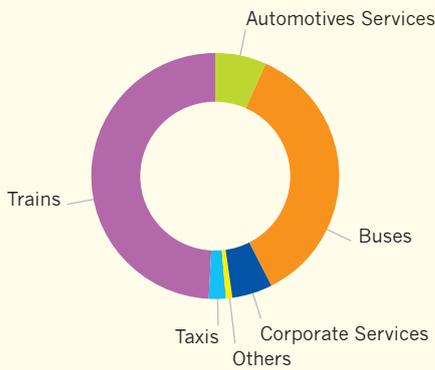
Welfare Benefits

To streamline employee welfare benefits, SMRT appointed an official medical provider and medical claims administrator in January 2006. This initiative gives staff greater access to affordable healthcare within easy reach of their homes.

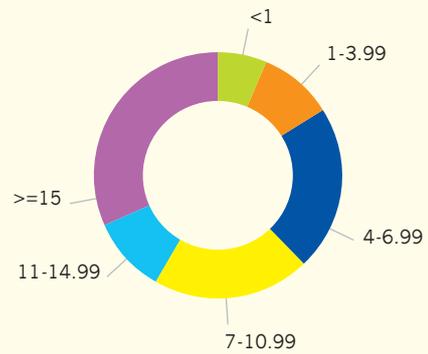
Many of the most practical improvements in any organisation come from the people involved in its day-to-day operations. At SMRT, staff are encouraged to speak up if they have ideas that can improve productivity and increase operational efficiency. Reflecting the enthusiasm of our people, 2,402 suggestions were made by employees in FY2006. 29 per cent of the suggestions were implemented in FY2006 against 21 per cent in FY2005.

CORPORATE SOCIAL RESPONSIBILITY

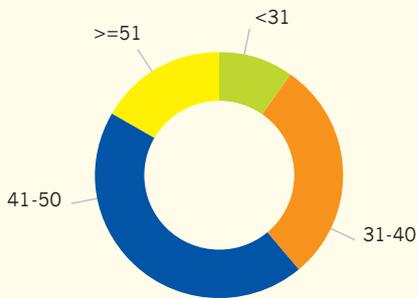
HEADCOUNT BY DIVISION/BUSINESS UNIT



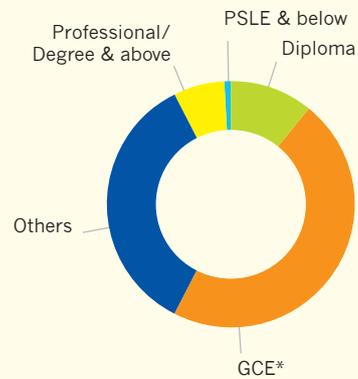
STAFF PROFILE BY COMPLETED YEARS OF SERVICES



STAFF PROFILE BY AGE GROUP



STAFF PROFILE BY QUALIFICATION



* Includes 'A', 'O', 'N' level and NITEC qualification

Growth and Continuity Through IT

A 12-month project to integrate the entire spectrum of HR services within a single platform, the HR Information System, was completed on time and within budget in FY2006. The integrated IT system offers SMRT staff the convenience of comprehensive online transactions and automates routine processes to enhance efficiencies.

During the year, our IT operations were restructured for better alignment with business needs.

In the same vein, deliberate efforts were made to match IT investments with business goals through cost management, higher standards of functional quality in IT service and delivery and more stringent IT governance.

Our IT infrastructure was expanded to provide integrated and comprehensive HR services to all SMRT staff on a 24/7 basis. The stepped-up IT capability also allowed us to launch various business initiatives such as the network-wide 'Ride

SMRT & Win' promotion, Revenue Sharing Hire Scheme for taxis, the QuickBook system for taxis and the enhanced taxi management systems at the taxi contact centre. Having an IT infrastructure with the capacity for multiple applications like ours leads to significant cost savings as many IT-enabled business initiatives can now be designed and executed in-house.

In FY2007, IT professionals within SMRT will press on with efforts to integrate, automate and enhance systems and processes. We will concentrate on providing IT continuity to support our services, infrastructure and assets.

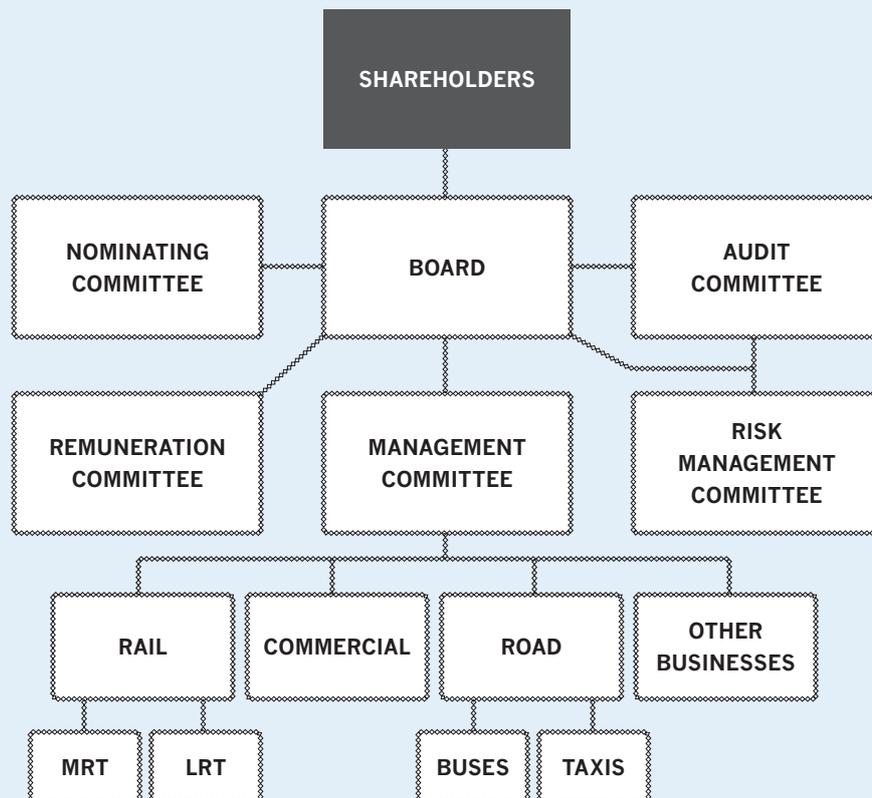
Among other specific goals, we aim to align IT investment with business goals to achieve tangible benefits for the organisation while sieving out unnecessary and unproductive IT costs in our pursuit of operational excellence. In line with the SMRT Group's focus on customer service, we will endeavour to improve our service quality by viewing our IT services through the eyes of the customer.

CORPORATE GOVERNANCE

This Corporate Governance section describes the Group's corporate governance processes, activities and achievements for FY2006, which is structured along the lines of the principles of the Code of Corporate Governance ("2001 Code").

The Group with the guidance of its Board, is dedicated to ensuring that it is a transparent organisation with sound policies and internal controls that protect shareholders' investment and create shareholder value whilst committing to constantly raising its standards of corporate governance. Our efforts in the pursuit of good corporate governance were recognised at the Securities Investors Association of Singapore's 2005 Investors' Choice Awards where we were awarded second place for Corporate Governance.

Although the Code of Corporate Governance 2005 ("2005 Code") only applies to Annual General Meetings held on or after 1 January 2007, the Group has taken steps to adopt the recommendations of the 2005 Code, wherever practicable. The diagram below illustrates the Group's Corporate Governance Structure.



The Board's Conduct of its Affairs (Principle 1)

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

- provides entrepreneurial leadership within a framework of prudent and effective controls which enable risks to be assessed and managed;
- sets, challenges and contributes to the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives, and reviews Senior Management performance;
- determines the appropriate levels of remuneration of executive directors and has a prime role in succession planning; and
- sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.

The Group has adopted internal guidelines, which are found in its Financial Procedures Manual ("FPM"), setting forth matters that require the Board's approval. The FPM was updated in the financial year ended 31 March 2006 to meet the evolving business needs of the Group especially in non fare growth areas such as commercial and taxis businesses. The FPM documents the levels of approvals necessary for matters such as the annual budget, capital expenditure and operating expenses.

CORPORATE GOVERNANCE

Board meetings are held on a quarterly basis to coincide with the announcement of the Group's quarterly results. Towards the end of the financial year, an "off-site" Board meeting is held for Directors to discuss the Group's strategies and plans together with Management. A Board meeting is also held at the end of each financial year for Directors to consider the Group's annual budget for the following year. During the year under review, the Board held two additional ad hoc meetings to consider certain issues which required the Board's guidance and approval.

The Directors are free to debate openly on proposals that are raised to the Board for consideration and approval. The Board also meets without the presence of Management to discuss, inter-alia, the strategic direction of the Group. Board meetings are open and constructive and the non-executive Directors regularly meet without the presence of Management. For the financial year ended 31 March 2006, the non-executive Directors had three meetings without Management's presence.

The Members of the Board receive monthly management and financial reports on the performance of each business unit including status updates on important projects and achievements in relation to key performance indicators, and business units are required to keep the Board apprised on any significant developments to ensure there are no surprises.

The Company's Articles of Association allow Board meetings to be conducted via telephonic and videoconference meetings.

The Board members' attendance at Board meetings and Board Committee meetings are shown on page 68. The attendance rate for Board and Board Committee meetings is above 90% and this demonstrates the commitment of Members. In addition, the Members of the Board constantly engage in ad hoc discussions amongst themselves and with Management on specific issues relating to the matters raised as agenda items and otherwise.

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

To give newly appointed Directors a better understanding of the Group's strategies and principal business activities so that they can make informed and effective business decisions, the Group has developed an orientation programme which comprises presentations by the President & Chief Executive Officer ("CEO") and the Vice Presidents of the various business units on their business plans for the year and visits to the Group's operation centres such as its headquarters, bus depots, train stations and a walk through its train tunnels. From time to time, the Company Secretary will arrange for the Directors to attend conferences and seminars on relevant laws and corporate governance issues. One of the seminars organised for Directors in the year under review was an update on the Companies (Amendment) Act 2005 conducted by a law firm.

Board and Management Committees

The Board is supported by the following Board Committees which have been established to assist the Board in discharging its responsibilities and enhancing the Group's corporate governance framework:

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

The Nominating Committee ("NC") comprises three members: Engelin Teh Guek Ngor (Chairman), Choo Chiau Beng and Niam Chiang Meng. All members of the NC are independent and non-executive Directors. The NC Chairman, is also not directly associated with Temasek Holdings (Private) Limited, which is the Company's substantial shareholder. The primary function of the NC is to review the composition of the Board regularly, assist the Board in determining a formal and transparent process for the appointment of new directors to the Board; to ensure that there is a formal assessment of the effectiveness of the Board as a whole and of the contribution made by each Director to the effectiveness of the Board, and oversee the succession plans of the Group.

The NC's terms of reference is defined in its Charter which also sets out, amongst other things, its authority, composition, conduct of meetings and responsibilities. During the year under review, the NC Charter was reviewed and updated. The activities of the NC are explained in detail in the sections under Principles 2, 3, 4 and 5 in the subsequent paragraphs. The NC met twice during the year under review and conducted several ad hoc meetings to identify and interview suitable candidates for appointment to the Board.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

The members of the Remuneration Committee (“RC”) are Choo Chiau Beng (Chairman), Koh Kheng Siong, Nithiah Nandan s/o Arumugam, Daniel Ee Hock Huat and Edmund Koh Kian Chew, the last two of whom were appointed during the year under review on 15 March 2006. All the members of the RC are independent and non-executive Directors. The primary function of the RC is to assist the Board in fulfilling its duties in developing formal and transparent policies on remuneration matters in the Company. During the year under review, the RC Charter was reviewed and updated, and the RC’s functions were expanded to include the approval of all appointments, promotions and removals of Senior Management holding the title Vice President and above. The functions of the RC are explained in detail in the sections under Principles 7, 8, and 9 in the subsequent paragraphs. The RC met three times during the year under review.

MANAGEMENT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

The Risk Management Committee (“RMC”), which is not a Board Committee, is chaired by the President & CEO and comprises the heads of all the Group’s business functions. The RMC meets regularly to consider the Group’s risk management policies and systems established by Management. The activities of the RMC are set out in the section under Principle 12.

Board Composition and Guidance (Principle 2)

The Board comprises nine Directors, all of whom are independent and non-executive, except for Saw Phaik Hwa who is the President & CEO, as shown on page 68.

The NC determines annually whether a Director is independent according to the definition as set out in the 2001 Code. Every year, each Director is required to confirm his independence by completing and returning the Director’s Independence Checklist to the NC. The Checklist is drawn up based on the guidance provided in the 2001 Code. For the year under review, the NC has determined that, with the exception of the President & CEO, who is an executive Director, all the other eight Directors, who are non-executive, are independent.

The NC also examines the size and composition of the Board, the core competencies of its members and the skills that are helpful to the Board and the Board Committees. In this regard, the NC takes into account factors such as the scope and nature of the Group’s operations, the balance of skills and experience of Directors, and the balance of executive and non-executive Directors. The NC is responsible for reviewing the retirement and re-election of Directors on an annual basis having regard to the Directors’ contribution, performance as well as the number of years of service on the Board.

The Board also considers the extent to which its size and composition are appropriate for effective decision-making. Within the current Board, the Directors provide core competencies in areas such as business, accounting, audit, finance, management and law. In addition, the vast work experience of the Directors spans the areas of risk management, strategic planning and customer relations. The Directors’ academic and professional qualifications are shown on pages 69 to 72.

Chairman and Chief Executive Officer (Principle 3)

The roles of the Chairman, Choo Chiau Beng, and the President & CEO, Saw Phaik Hwa, are kept distinct through a clear division of responsibilities. The Chairman, who is independent and non-executive, does not have any relationship with the executive management of the Group that could materially affect or interfere with his independent judgement and decision-making. He facilitates the effective contribution of non-executive Directors by encouraging open discussions and by having meetings without the presence of Management. The Chairman manages the business of the Board and ensures its effectiveness in its role. To encourage constructive relations between the Board and Management, the Chairman ensures that discussions held with Management at Board meetings are candid and practical, and that presentations made by Management to the Board at Board meetings are concise and comprehensive. The Chairman also chairs the Group’s General Meetings and ensures effective communication with shareholders at these meetings.

The CEO manages the business of the Group and, together with Management, implements the Board’s decisions.

Board Membership (Principle 4)

Board Performance (Principle 5)

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

CORPORATE GOVERNANCE

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

With effect from FY2007, the Board decided against fixing a term of office for Directors. Accordingly, the NC will regularly review the Board's composition to ensure the appointment of Directors who can make valuable contributions to the Group's business objectives.

Process for Selection, Appointment and Re-appointment of Directors

The NC reviews and considers the retirement and re-election of Directors and makes the relevant recommendations to the Board for shareholder approval at the AGM. In its review, the NC takes cognizance of the Director's contribution and performance, such as attendance, preparedness, participation and candour. The NC will also review the size and composition of the Board and identify its needs, in particular the range of expertise, skills and attributes, taking into account the evolving business needs of the Group.

When the need for a new Director arises, whether as a replacement for a retiring Director or as an addition to the Board, the NC will prepare a shortlist of candidates with the appropriate profile. Where necessary, the NC may seek assistance from external search consultants, such as the Singapore Institute of Directors, for selection of potential candidates. After the NC has interviewed and selected a suitable candidate, the NC will recommend him to the Board for appointment as Director.

Key information regarding Directors such as academic and professional qualifications and directorships are set out on pages 69 to 72.

Evaluation of Board Performance

The NC has adopted the following ways of evaluating Board performance and has set objective performance criteria for each type of evaluation:

A) EVALUATION OF THE BOARD AS A WHOLE

Each Director is required to annually assess the Board's effectiveness as a whole by completing a Board Evaluation Questionnaire. The Board Evaluation Questionnaire takes into consideration factors such as the Board's composition, the Board's proceedings and the Board's relationship with Management. The Board Evaluation Questionnaire submitted by each Director is then submitted to the Board for deliberation.

B) DIRECTOR'S SELF-ASSESSMENT

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

C) EVALUATION OF DIRECTORS BY THE BOARD CHAIRMAN

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

In addition to the abovementioned, the NC also sets objective performance criteria for the President & CEO for the purpose of evaluation by the Board. Every year, the Directors will evaluate the President & CEO and provide feedback on her performance. The Chairman will then compile the results of the evaluation and conduct an open assessment with the CEO.

The NC assesses the independence of Directors as mentioned under Principle 2 above.

The NC also reviews whether each Director has given sufficient time and attention to the affairs of the Group. Internal guidelines have been drawn up to address the issue of competing time commitments that are faced when Directors serve on multiple boards. For the year under review, the NC is of the view that although some Directors hold several directorships in other companies, all Directors have contributed sufficient time to fulfil the expectations of their role as Directors as can be seen from their excellent attendance record as set out on page 68. The NC has also determined that the Directors have allocated adequate time to fulfil their duties as Board and Board Committee members.

CORPORATE GOVERNANCE

Access to Information (Principle 6)

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

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

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

Procedures for Developing Remuneration Policies (Principle 7)

The Board appointed the RC to develop the Group's remuneration policies as recommended by the 2001 Code. With the expansion of its terms of reference effective 17 February 2006, the RC also has responsibility for overseeing the development of leadership and management talent.

Level and Mix Of Remuneration (Principle 8)

Non-executive Directors are paid Directors' fees comprising a basic fee and additional fees for appointments on other Board Committees. As an executive Director, the President & CEO does not receive Directors' fees.

The RC has established that the Compensation Strategies for the Group should meet the following criteria:

- 1) Compensation must be flexible and adaptable to market conditions, critical for future success;
- 2) There must be a strong link between payouts and results-based corporate and strategic business units (SBU)/divisional performance achievement and individual performance;
- 3) Inculcate individual accountability and innovation, whilst fostering teamwork;
- 4) Ensure market competitiveness to attract and retain key talents; and
- 5) Emphasize long term focus through longer term incentives subject to future performance to focus on shareholder value creation.

The RC reviews remuneration taking into consideration the Group's strategic business units and individual performance.

Disclosure on Remuneration (Principle 9)

The report on Directors' remuneration and the remuneration of the top five paying key executives are shown on page 151. There is no employee whose remuneration exceeded S\$150,000 during the financial year ended 31 March 2006 who is an immediate family member of a Director or the President & CEO.

Details of the SMRT Corporation Employee Share Option Plan, SMRT Corporation Restricted Share Plan and SMRT Corporation Performance Share Plan can be found on pages 91 to 95 of the Annual Report.

Accountability (Principle 10)

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

Audit Committee (Principle 11)

The AC comprise members who are non-executive, independent and appropriately qualified to discharge their responsibilities. Both the Chairman, Daniel Ee Hock Huat, and another member, Koh Kheng Siong, have accounting and/or related financial management expertise. As regards the other members, Paul Ma Kah Woh has accounting, auditing and risk management knowledge whilst Ms Engelin Teh Guek Ngor has experience in legal and business issues.

CORPORATE GOVERNANCE

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

The AC Charter provides guidance for the effective operation of the AC by setting out, amongst other things, the AC's terms of reference, authority, composition, conduct of meetings and responsibilities.

During the year under review, the AC:

- reviewed and recommended to the Board the release of the quarterly and full year financial statements;
- considered and approved the Audit Strategy and Planning Memorandum prepared by the external auditors and the Internal Audit Plan prepared by the Internal Audit Division;
- reviewed the scope and results of both internal and external audits, the adequacy of the internal audit function and the risk management processes within the Group;
- reviewed and recommended to the Board, the revisions to the Group Financial Procedures Manual which governs authority limits and procedures which was updated to cover the changes to its businesses; and
- reviewed the independence and objectivity of the external auditors, and the nature and extent of non-audit services provided by them.

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

The Group has since March 2005 adopted a formal Code of Business Ethics and Conduct ("Ethics Code"), which includes an Ethics Hotline that serves as an avenue for any party to channel their concerns in confidence and for appropriate investigation and follow up action. In this connection, the AC has full authority and mandate to conduct or authorise any investigations into any matters within its terms of reference and with the full cooperation of Management. The AC Charter was also updated to provide more clarity on the AC's responsibilities with regard to ensuring that arrangements are in place for the independent investigation of any issues raised by the Group's staff in confidence, and for appropriate follow up action.

Internal Controls (Principle 12)

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

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

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

- risk assessment and management processes;
- audit processes;
- review of internal and external audit plans; and
- review of significant issues arising from internal and external audits.

CORPORATE GOVERNANCE

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

Operating Structure

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

Policies, Procedures and Practices

Controls are detailed in formal procedures, instructions and manuals. Internal auditors and ISO 9001 auditors verify compliance with these controls.

Since March 2005, the Group has adopted a structured ethics programme to provide legal and ethical guidance in situations where ethical decisions have to be made. Values which Directors and employees of the Group are expected to adhere to (namely Integrity, Honesty, Care, Accountability, Timeliness and Fairness) are enumerated in the Group's Ethics Code. Effective communication channels, including an Ethics intranet website and an Ethics Hotline direct to the President & CEO (for reporting of suspected cases of non-compliance or violations) have been established and these communication procedures are set out in the Ethics Code. Briefing sessions are held to help new employees understand and apply the Ethics Code.

Financial Reporting

The Board approves the annual budget under a planning and budgeting system that is applied Group-wide. The reporting of actual performance against budget and revised forecasts to the Board is conducted monthly while the reporting to the shareholders in accordance with the requirements of the SGX-ST is conducted on a quarterly basis.

Financial Management

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

To achieve greater efficiency and synergy in the management of its financial resources, the Group centralised its Treasury function. All banking facilities and activities are consolidated at the Group level to leverage on the Company's financial strength.

Audit

Internal Audit performs continuous monitoring to ensure compliance with company policies, internal controls and procedures designed to manage risks and safeguard the business and assets of the Group. Internal Audit reports its findings to the President & CEO, the AC and the Chairman of the Board.

Our external auditors from KPMG provide an independent perspective in the course of their statutory audit of the Group and annually report their findings to the AC.

Risk Management

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

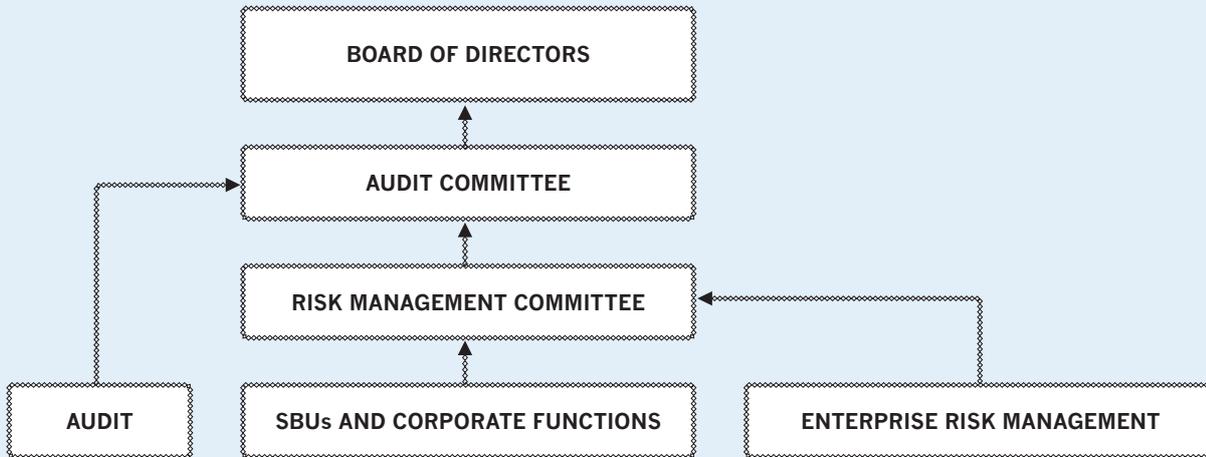
- provide a consistent risk management framework for management and staff to apply in decision making and strategy setting;
- establish a risk reporting mechanism;
- promote a holistic management of risk across all Strategic Business Units ("SBUs") and corporate functions; and
- create a risk awareness culture.

Supported by the ERM function, the RMC is responsible for leading the development and implementation of ERM throughout the Group and spearheading risk management initiatives.

CORPORATE GOVERNANCE

Risk Management Structure

The Risk Management structure of the Group is illustrated below:



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

Functions	Roles and Responsibilities
Audit Committee	<ul style="list-style-type: none"> – Takes responsibility for overseeing the Group’s risk management process through reviewing the adequacy and effectiveness of the risk management process, policy, methodology, tools, practices, strategies and treatments.
Risk Management Committee	<ul style="list-style-type: none"> – Leads the direction of ERM initiatives in the Group through initiating risk management policy, methodology, tools, practices, strategies and treatments. – Reviews and monitors Group level strategic risks.
ERM function	<ul style="list-style-type: none"> – Supports the RMC through developing and implementing risk management policy, methodology, tools, practices, strategies and treatments. – Facilitates the risk management process throughout the Group. – Builds and strengthens the risk culture through carrying out risk awareness initiatives.
SBU's and Corporate Functions	<ul style="list-style-type: none"> – Has responsibility for managing and monitoring the SBU/Corporate Function day-to-day risks in the business/operations. – Ensures compliance and promotes internalisation of risk management process, policy, methodology, tools, practices, strategies and treatments. – Determines and reports risks faced by business/operations.
Audit Division	<ul style="list-style-type: none"> – Takes on an independent role in evaluating effectiveness of the Group’s ERM framework.

Risk Management Process

The Risk Management Process is a structured and continuous process comprising the following steps:

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

CORPORATE GOVERNANCE

Risk Assessment Exercises

Three levels of risk assessment exercises are conducted in the Group which are detailed below:

a) Strategic Risk Assessment Exercise at RMC level

An annual Strategic Risk Assessment Exercise is conducted at RMC level which focuses on group level strategic risks that have a significant impact on the long term financial health or survival of a company. These risks would impair the Group from achieving the Group's strategic objectives. The RMC carried out its annual review of the Group's strategic objectives and risks to derive the Group's risk profile in the second quarter of FY2006.

Countermeasures were identified and assessed. Action plans were developed to better manage the strategic risks identified during this exercise. For each risk highlighted at the Group level, a risk owner, who is part of the RMC, was assigned to manage the risk. Existing countermeasures were developed and assessed at the RMC level for its effectiveness and compliance. A second review was conducted in the fourth quarter of FY2006 to establish the progress of the action plans developed earlier and to assess the risk levels of the strategic risks.

b) Risk Identification Exercise at Business Unit and Corporate Function level

Annual risk assessment exercises were also carried out at corporate and business unit levels to derive the risk profile of the business units and corporate functions.

During the fourth quarter of FY2006, all business units and corporate functions carried out their annual risk review to identify and assess their risks. The risks that were identified and assessed comprised strategic, operational, regulatory and financial risks. Current countermeasures were identified and assessed. Action plans were developed to better manage the risks identified in their risk profile. Risks at business unit or corporate function levels are reported to the RMC for review. The above strategic risks identified at the Group level were communicated to the business unit or corporate function levels and were also identified in the business unit risk profiles where applicable. This signifies alignment in risk concerns at both the Group and business unit or corporate function levels.

c) Project Risk Assessment and Management

Investment projects are subject to formal authorisation procedures with designated levels of authority as set out in the Group Financial Procedures Manual. Major projects are subject to the Board's review and approval. For each major project, a comprehensive risk assessment exercise is conducted through interactive discussion sessions. Project teams will go through the risk management process to identify the projects' objectives and risks, develop action plans to mitigate the risks and monitor the risks. Risk assessments are conducted at various stages of the project and are reported to the RMC. During FY2006, project risk assessments were carried out on a number of overseas and local projects at various stages of the projects. The risk profiles of the projects are reported to the RMC for review.

Risk Management Initiatives

Details on the risk management initiatives implemented in this financial year are detailed out in the operating and financial review section.

Control Self-Assessment Programme

The Group has also initiated a Control Self-Assessment programme ("CSA Programme") which is a structured system for management and staff to identify and assess strengths and weaknesses within their own risk and control systems and environment.

In the coming year, our Internal Audit Department will spearhead efforts to rollout the CSA Programme which aims to increase awareness of key process controls amongst line management and staff.

Internal Audit (Principle 13)

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

The Division adopts a risk-based approach to formulating the annual audit plan to ensure that all risk-rated auditable areas are reviewed for proper coverage and audit frequency. The risk-based audit plan is reviewed annually taking into account the changing nature of the business and the risk environment.

CORPORATE GOVERNANCE

The Internal Audit Division carries out its audits in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors (“IIA”). In line with the IIA’s requirements, the Internal Audit Division has established a quality assurance programme comprising internal and external assessments to provide reasonable assurance to the various stakeholders that the audit activities are performed in accordance with its charter and in an effective and efficient manner so as to add value to the stakeholders as well as to improve the operations of the organisation.

Communication with Shareholders (Principle 14 and 15)

The Group believes in open and regular communication with its shareholders and the investing public to provide clear, balanced and useful information on a timely basis about the Group’s performance, financial position and prospects. Its communication with shareholders and investors is guided by principles, policies and practices that adhere to the Code of Corporate Governance and Corporate Disclosure Policies of the SGX-ST Listing Manual. The Group ensures that it understands and responds to the feedback and needs of the investment community by constantly improving on its investor relations programme and the way it communicates with shareholders and investors.

Dissemination of Material Information

In disseminating material information, the Group observes the basic principle of making material information available to all shareholders and investors on a timely and non-selective basis.

Dissemination of material information takes the form of quarterly reporting of the Group’s financial results, monthly reporting of MRT ridership data via its corporate investor relations website, as its MRT operations account for more than half of the Group’s annual revenue, and mid-quarter updates of any material information. Such updates also include announcements issued by external parties that have impact on the Group and the market’s assessment of the Company.

All material information about the Group is disseminated through media releases or announcements via SGXNET, which is accessible from www.sgx.com. The information is also uploaded on the corporate website at www.smrt.com.sg to enable all other stakeholders equal access to the information. It is broadcasted to analysts, shareholders and investors on its investor relations mailing list and those who have registered for company updates.

Release of Financial Results

The Group reports its quarterly financial results promptly within one month of the close of the quarter and its audited results within a month of the financial year ending 31 March. The financial results are released via SGXNET onto the SGX-ST website after trading hours.

For the release of its half year and full year results, combined media and analyst conferences are organised with Senior Management, comprising the President & CEO and Executive Vice President (Finance). For the release of its first and third quarter results, teleconferences with the media and analysts are held to brief on the Group’s performance. Feedback from analysts indicate that the frequency of disclosure forums is currently adequate for their reporting and research purposes.

During the conferences and teleconferences, the Group provides, amongst other things, the operating results and metrics of each business segment, a clear breakdown of cost components and guidance for the next quarter or year. Such information would also be released via SGXNET.

To further enhance fairness and transparency in disclosure, the Group has, since FY2005, provided live audio webcasts of its media and analysts conferences for its half and full year results. This allows shareholders and the investor public to easily access the discussions at the conferences.

Staying Engaged with Investors

The Group is committed to cultivating long-term investor relationships and observes an open policy in its relations with shareholders and the investor public. The investor relations department organises meetings to engage with the investment community either individually or in groups to update on the Company’s development, address their concerns and to obtain feedback.

The Group also participates in investor conferences and roadshows organised by institutional brokers. At the same time, it stays in touch with retail investors through proxies such as the Securities Investors Association (Singapore) (“SIAS”), which has an established presence among retail investors. To support investor education for retail investors, the Company also sponsored SIAS’ investor education programmes.

CORPORATE GOVERNANCE

All the meeting platforms allow shareholders and investors to interact with the Group's Senior Management to gain a better understanding of its strategies, businesses, outlook and prospects. They also enable Senior Management to better appreciate the investment community's views about the Group. Furthermore, issues raised by shareholders and investors are conveyed to the Board on a monthly basis.

In addition to face-to-face meetings, the Investor Relations department also engages in regular telephone and email communication to update analysts on developments and to stay in touch with the market.

A dedicated Investor Relations section on the Group's corporate website, www.smrt.com.sg, provides easy access to the Group's operating data, financial information, Annual Reports and significant announcements. Shareholders and investors who require more information can also contact the Investor Relations department through the phone or via email.

The Group remains committed to sharing information with all individuals and groups in a fair and equitable manner. Care is taken to ensure that no previously disclosed material information is divulged to any class of shareholders or investors selectively. If material information is inadvertently disclosed, a media release or announcement will be issued immediately.

Encouraging Shareholder Participation at Annual General Meetings

The Group regards the AGM as an opportunity to communicate directly with shareholders. To encourage more shareholders to participate in the AGM, the meeting is held at a centrally located venue that is easily accessible by public transport.

The Chairman, President & CEO, Chairman of each Board Committee, the Chief Financial Officer and members of Senior Management attend the AGM to take questions and feedback from shareholders. Shareholders can also clarify or pose questions on issues pertaining to the proposed resolutions before they are voted on. The external auditors are present to address queries by shareholders relating to the financial accounts.

The Group treats shareholders' issues, particularly those that require shareholders' approval, such as re-election of Directors and approval of Directors' fees, as distinct subjects and submits them to the AGM as separate resolutions.

Shareholders' requests are also fairly assessed. In response to a shareholder's request at the last AGM, the Group has disclosed the actual remuneration amounts for the Directors of the Company in this Annual Report, although such disclosures are not a statutory requirement.

Voting in absentia by mail or electronic means has yet to be introduced because such voting methods will need to be carefully reviewed for feasibility to ensure no compromise to either the integrity of the information or proper authentication of the identity of shareholders.

The Company has not amended its Articles of Association to allow shareholders to appoint any number of proxies. Nevertheless, CPF investors who have duly submitted their requests to attend the Company's shareholders meetings as observers can do so.

The minutes of General Meetings prepared by the Company include substantial comments or queries from shareholders and the responses from the Chairman, Board Members and Management.

Dealings in Securities

The Group has an internal code of conduct for Directors and employees on securities transactions when they are in possession of unpublished price-sensitive information on the Company's securities. In accordance with the Group's internal code, Directors and employees are advised not to deal in the Company's securities during the period commencing one month before the announcement of the Group's financial results (i.e. the quarterly and full year results) and ending on the date of the announcement of the relevant results.

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

CORPORATE GOVERNANCE

Directors & Board Committee Meetings & Attendance from 1 April 2005 to 31 March 2006

Board Of Directors	Board		Audit		Board Committees Remuneration		Nominating	
	A	B	A	B	A	B	A	B
Choo Chiau Beng (Chairman)	8	8			3	3	2	2
Saw Phaik Hwa (President & CEO)	8	8						
Daniel Ee Hock Huat	8	8	6	6				
Edmund Koh Kian Chew	4	3						
Koh Kheng Siong	8	7	6	6	3	3		
Paul Ma Kah Woh	5	5	4	4				
Niam Chiang Meng	8	5					2	2
Nithiah Nandan s/o Arumugam	8	4			3	1		
Engelin Teh Guek Ngor	8	8	6	6			2	2

Column A: number of meetings held while a member.

Column B: number of meetings attended.

Board of Directors & Composition of Board Committees

Name of Director	Board Appointments – Executive or Non-Executive Director – Independent or Non-Independent Director	Board Committees As Chairman or Member		
		Audit	Nominating	Remuneration
Choo Chiau Beng (Chairman)	Non-Executive/Independent		Member	Chairman
Saw Phaik Hwa (President & CEO)	Executive/Non-Independent			
Daniel Ee Hock Huat	Non-Executive/Independent	Chairman		Member
Edmund Koh Kian Chew	Non-Executive/Independent			Member
Koh Kheng Siong	Non-Executive/Independent	Member		Member
Paul Ma Kah Woh	Non-Executive/Independent	Member		
Niam Chiang Meng	Non-Executive/Independent		Member	
Nithiah Nandan s/o Arumugam	Non-Executive/Independent			Member
Engelin Teh Guek Ngor	Non-Executive/Independent	Member	Chairman	

CORPORATE GOVERNANCE

Particulars of Directors

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Choo Chiau Beng 58 yrs	– Bachelor of Science (Naval Architecture) 1 st Class Hons, University of Newcastle Upon Tyne, United Kingdom (Colombo Plan Scholar) – Master of Science (Naval Architecture), University of Newcastle Upon Tyne, United Kingdom – Completed Programme for Management Development, Harvard Business School – Member of Wharton Society of Fellows	01.05.2003	Ambassador	Brazil
		17.07.2003	(Non-Resident)	
			Chairman & Chief Executive Officer	Keppel Offshore & Marine Ltd
			Chairman	Keppel FELS Limited
			Chairman	Singapore Petroleum Company Limited
			Chairman	Singapore Refining Company Pte Ltd
			Senior Executive Director	Keppel Corporation Limited
			Director	Keppel Land Limited
			Director	k1 Ventures Limited
			Director	EDB Investments Pte Ltd
	Board Member	Maritime & Port Authority of Singapore		
	Director	Singapore Maritime Foundation Limited		
Saw Phaik Hwa 51 yrs	– Bachelor of Science (Biochemistry) Hons, University of Singapore	20.03.2003	Director	Singapore Tourism Board
		17.07.2003	Member	Board of Trustees, Singapore Management University
			Member	Board of Trustees, Tan Tock Seng Hospital Community Charity Fund
			Director	Changi Airport Managers And Partners (Singapore) Pte Ltd (from 1 May 2005 to 31 March 2006)
			Regional President	DFS Venture Singapore (Pte) Ltd (1985 to 2002)

CORPORATE GOVERNANCE

Particulars of Directors (cont'd)

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Daniel Ee Hock Huat 53 yrs	– Bachelor of Science (Systems Engineering) 1 st Class Hons, University of Bath (Colombo Plan Scholar) – Master of Science (Industrial Engineering), National University of Singapore	17.04.2000	Director	Citibank Singapore Limited
		15.07.2004	Director	Pacific Healthcare Holdings Ltd
			Director	Surface Mount Technology (Holdings) Limited
			Chairman	Gas Supply Pte Ltd
			Director	Changi Airport Managers And Partners (Singapore) Pte Ltd (from November 2004 to March 2006)
			Director	Kyosha Holdings (Singapore) Limited (from 14 February 2000 to 1 April 2004)
			Director	Darco Water Technologies Limited (from 20 June 2002 to 30 April 2005)
			Board Member	Civil Aviation Authority of Singapore (from 1 September 1995 to 31 August 2005)
Edmund Koh Kian Chew 46 yrs	– Bachelor of Science, University of Toronto	15.08.2005	Managing Director and Head, Regional Consumer Banking Group	DBS Bank Ltd
			Board Member	Housing & Development Board
			Director	SNP Corporation Limited
			Director	DBS Vickers Securities Holdings Pte Ltd
			Director	DBS Vickers Securities Online Holdings Pte Ltd
			Director	International Medical Insurers Pte Ltd
			Director	Hutchison DBS Card Ltd (Hong Kong)
			Director	Capital OK Company Ltd (Thailand)
			Council Member	Singapore Sports Council
			Director	The Old Parliament House Ltd (from 11 December 2002 to 31 March 2006)

CORPORATE GOVERNANCE

Particulars of Directors (cont'd)

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Edmund Koh Kian Chew 46 yrs (cont'd)			Council Member	Council on Governance of Institution of Public Character (from 1 January 2004 to 31 December 2005)
Koh Kheng Siong 58 yrs	– Bachelor of Science (Economics) Hons, University of London – Master of Business Administration (Finance), University of Chicago Graduate School of Business	07.03.2000 15.07.2004	Director Financial Controller	SIA Engineering Company Ltd ExxonMobil Asia Pacific Pte Ltd (retired in August 2005)
Paul Ma Kah Woh 58 yrs	– Fellow of the Institute of Chartered Accountants in England and Wales – Member of the Institute of Certified Public Accountants of Singapore	15.07.2005	Director Chairman Director Director Director Director Director Trustee	Mapletree Investments Pte Ltd Mapletree Logistics Trust Management Limited Golden Harvest Entertainment (Holdings) Limited Asia General Holdings Limited The Asia Life Assurance Society Limited The Asia Insurance Company Limited Capitaland China Development Fund Pte Ltd Ascott Residence Trust Management Limited Hwa Hong Corporation Limited Board of Trustees, National University of Singapore
Niam Chiang Meng 48 yrs	– Bachelor of Social Science, Hons, 2 nd Class Upper, Economics, National University of Singapore – Master of Public Administration, Harvard University	20.03.2003 17.07.2003	Permanent Secretary Director Chairman and Director (ex-officio) Chairman	Ministry of Community Development, Youth and Sports Keppel Land Limited Singapore Sports School Ltd Board of Trustees for the Community Assistance Fund

CORPORATE GOVERNANCE

Particulars of Directors (cont'd)

Name of Director/Age	Academic & Professional Qualifications	Directorship: Date First Appointed Date Last Re-Elected	Directorships or Chairmanships in other Listed Companies and other Major Appointments, both present and held over the preceding three years	
Niam Chiang Meng 48 yrs (cont'd)			Member (ex-officio)	Singapore Totalisator Board
			Member	Bioethics Advisory Committee
			Member	Council on Governance of Institutions of Public Character (IPCs)
			Chairperson	Board of Trustees for the Sporting Singapore Fund
			Member	ComCare Fund Supervisory Committee
Nithiah Nandan s/o Arumugam 56 yrs	– Diploma in Industrial Relations	20.03.2003 17.07.2003	Chief Executive Officer	Housing & Development Board (January 2002 to December 2004)
			Vice President	NTUC Central Committee
			Executive Secretary	Union of Power and Gas Employees
			Director	NTUC Media Co-operative
			Director	NTUC Childcare Co-operative
			Member	Government Feedback Panel
			Nominated Member	Parliament (July 2002 to December 2004)
			Director	SPRING Singapore (April 2002 to March 2004)
Director	NTUC Income Board (June 1991 to May 2003)			
Engelin Teh Guek Ngor 51 yrs	– LLB (Hons), University of Singapore – Fellowship of the Singapore Institute of Arbitrators – Fellow, Singapore Institute of Directors – Senior Counsel	01.08.2001 14.07.2005	Managing Director	Engelin Teh Practice LLC
			Director	Singapore Power Limited (January 2002 to July 2005)
			Director	SP PowerAssets Limited (October 2003 to July 2005)

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OPERATING AND FINANCIAL REVIEW

The following should be read in conjunction with the audited financial statements and notes thereto for the financial years ended 31 March 2005 and 2006.

Background

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

Incorporated on 6 March 2000, SMRT Corporation Ltd (“the Company”) was listed on the mainboard of the Singapore Exchange Securities Trading Limited on 26 July 2000. It wholly owns SMRT Trains Ltd (formerly known as Singapore MRT Ltd) which operates the MRT System and SMRT Light Rail Pte Ltd (formerly known as Singapore LRT Pte Ltd) which runs the LRT System.

In December 2001, the Company acquired SMRT Road Holdings Ltd (“SRH”, formerly known as TIBS Holdings Ltd) for S\$198.6 million and added bus and taxis operations to its business. With this acquisition, it became Singapore’s first multi-modal land transport operator. Goodwill arising from the acquisition amounted to S\$71.7 million. The Company, together with its wholly owned subsidiaries (the “Group”), recorded its first full-year consolidation of SRH’s earnings in FY2003.

The wholly owned subsidiary, SMRT Investments Pte Ltd, comprises SMRT Properties and SMRT Media. SMRT Properties is primarily involved in the development, leasing and marketing of approximately 20,400 square metres of commercial spaces at MRT and LRT stations as of 31 March 2006. SMRT Media is the advertising arm of the Group that manages and promotes media spaces in the Group’s stations, trains, buses and taxis.

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

In FY2006, about 80.6 per cent of Group revenue was made up of fare revenue from its MRT, LRT and bus operations. The remaining 19.4 per cent was non-fare revenue from taxi rentals, commercial space rentals, advertising, engineering and other services. Staff strength of the Group stood at 5,715 as of 31 March 2006.

The Group structure is shown on page 24.

Licence and Operating Agreements

SMRT Trains

SMRT Trains’ first licence to operate the MRT System was granted by Singapore’s Land Transport Authority (“LTA”) in August 1987 for a period of 10 years and was later extended to 31 March 1998. The current licence to operate the MRT System for a further period of 30 years came into force on 1 April 1998. The salient terms and conditions of this Licence and Operating Agreement (“LOA”) entered into by SMRT Trains and LTA on 1 April 1998 are stated in the “Notes to the Financial Statements” on page 106.

As part of the LOA, SMRT Trains complies with a set of performance standards. Page 38 carries a description of how it surpassed some of these standards in FY2006. The licence fee payable is 1.0 per cent of the gross annual fare revenue.

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

While SMRT Trains now owns the operating assets, the infrastructure of the MRT System, which includes tunnels, tracks, viaducts and stations, remains the property of LTA and is leased to SMRT Trains at a nominal annual fee. SMRT Trains is required to repair and maintain the infrastructure as stipulated in the Lease and Maintenance Agreement.

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

In addition, SMRT Trains will operate the Boon Lay Extension and Downtown Extension which are expected to be completed in 2009 and 2012 respectively. Further details of the new developments can be found in pages 31 and 33 respectively.

OPERATING AND FINANCIAL REVIEW

SMRT Light Rail

SMRT Light Rail has been granted a similar LOA by LTA to operate the LRT System commencing 6 November 1999 until 31 March 2028. LTA currently owns all the operating assets and infrastructure required to operate the LRT System. The salient terms and conditions of the LOA for the LRT System are found on pages 106 to 107.

SMRT Buses

SMRT Buses operates a fleet of 838 modern city buses plying 76 routes, including 50 trunk services, 13 feeder and six intra-town services, and seven night services. Its primary areas of responsibilities include Yishun, Sembawang, Woodlands, Bukit Panjang, Choa Chu Kang, Bukit Batok and Simpang (to be developed).

Trunk services generally provide inter-town or town-to-city connections. These are usually longer in distance than the feeder services, which bring people from the different parts of a housing estate to the town centre where an interchange, MRT station and/or LRT station is sited. A variant of the feeder service is the intra-town service, which provides connection between different neighbourhoods so that people can travel from one neighbourhood to another without having to transfer to another feeder service.

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

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

SMRT Buses operates from three leased depots at Ang Mo Kio, Kranji and Woodlands. Out of 22 existing bus interchanges in Singapore, SMRT Buses maintains six of them, which are located in Yishun, Woodlands, Bukit Panjang, Choa Chu Kang, Bukit Batok and Sembawang.

As of 3 April 2006, with the commencement of the PTC (Amendment) Act 2006, new licensing and regulatory regimes, including the bus service operator licensing scheme and ticket payment services licensing framework, have been placed under the purview of PTC. Along with the new bus service operator licences, PTC will also introduce a new set of Quality of Service (“QoS”) standards to better regulate bus services. Further details will be announced by PTC.

SMRT Taxis

In June 2003, the government introduced a new licensing framework for taxi operators and a revised Vocational Licence Points System for taxi drivers. These changes were introduced to allow greater competition in the taxi industry and to improve taxi services. With these changes, three new taxi operators entered the market.

Under the new taxi licensing framework, interested parties who wish to operate a taxi business will have to apply for a Taxi Operator Licence (“TOL”) from LTA. Applicants are assessed based on a comprehensive set of criteria, which includes their financial resources and the necessary infrastructure to provide quality service to commuters. The TOL is a term licence valid for a period of 10 years and may be extended for an additional 10 years at the discretion of LTA.

The licence will, amongst other things, include conditions to comply with a set of QoS standards, codes of practices and audit directions. The QoS standards specify the level of performance operators have to meet in three areas, namely, the availability of taxis through radiophone bookings, safety and customer satisfaction.

With effect from 1 June 2004, the taxi industry became fully liberalised with the removal of a limit on taxi fleet size. Taxi operators are now free to decide on the size of their fleet to meet market demand.

The TOL from LTA under which SMRT Taxis is licensed to operate a taxi business in Singapore came into effect on 1 June 2003. The licence fee payable is 0.1 per cent of the gross revenue payable on a yearly basis.

As of 31 March 2006, SMRT Taxis had a holding fleet of 2,659 taxis.

OPERATING AND FINANCIAL REVIEW

Fare Adjustment Formula

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

In March 2004, the Minister for Transport appointed a Government Parliamentary Committee to review the public transport fare review mechanism. In March 2005, the Minister approved the Committee's recommended changes to the existing fare adjustment formula, which took effect in 2005. The new formula is such that the maximum fare adjustment will be as follows:

$$\text{Maximum Fare Adjustment} = \text{Price Index} - 0.3\%$$

where Price Index = $0.5\text{CPI} + 0.5\text{WI}$, and 0.3 per cent is the productivity extraction to be used for the next three years. CPI refers to the change in Consumer Price Index over the preceding year and WI refers to the change in Average Monthly Earnings (Annual National Average) over the preceding year, adjusted to account for any change in the employer's CPF contribution rate. The productivity extraction is half of the public transport operators' average productivity gains achieved for the period from 1997 to 2002, which was 0.6 per cent per annum.

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

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

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

Fare Structure and Regulation

On 30 May 2005, PTC approved the train and bus fare increases to a maximum of 2.4 per cent for 2005, which were in line with the new fare review framework. The fare structure for SMRT Trains, SMRT Light Rail and SMRT Buses and their revised fares, which took effect from 1 July 2005, are described in the following paragraphs.

SMRT Trains

SMRT Trains' fare structure is based on the distance travelled by commuters. Concessionary fares are available to students, senior citizens and full-time national servicemen.

Passengers using the ez-link cards may enjoy transfer rebates for the first, second and third valid transfers on a single journey between bus, LRT and MRT services regardless of the operators. The rebates are generally 25 cents for adults and senior citizens, and 10 cents for children and students. The rebates reduce the minimum boarding charges and thus lower the fares which would otherwise be payable by passengers making such subsequent legs of their journeys.

Prior to the fare increase in 2005, the single trip fare for the MRT System ranged from S\$0.80 to S\$1.80, with lower fare scale if stored-value ez-link cards were used. With the fare adjustment from 1 July 2005, the single trip fare now ranges from S\$0.90 to S\$1.90.

SMRT Light Rail

The fare structure of the LRT System is similar to that of the MRT System, based on distance travelled. The concessionary fares and transfer rebate structure are also similar to those of the MRT System.

Prior to the fare increase in 2005, the single trip fare for the LRT System ranged from S\$0.80 to S\$1.00, with a lower fare scale if ez-link cards were used. Since 1 July 2005, the single trip fare now ranges from S\$0.90 to S\$1.10.

OPERATING AND FINANCIAL REVIEW

SMRT Buses

The fare structure of SMRT Buses is also based on distance travelled. The concessionary fares and transfer rebate structure for travel on buses using ez-link cards are similar to that of the MRT System.

The single trip fare of SMRT Buses ranged from S\$0.80 to S\$1.70, with a lower fare scale if ez-link cards were used prior to the fare adjustment. Since the July 2005 fare increase, the single trip fare now ranges from S\$0.80 to S\$1.80.

For 2006, PTC announced on 18 April 2006 the deferment of the fare revision exercise for trains, buses and LRT by three months with the deadline for application for fare revision by public transport operators moved to 1 August 2006. Any approved fare adjustment will take effect from 1 October 2006.

Review of Performance for Financial Year Ended 31 March 2006

Figures for FY2005 have been restated to comply with revised or new Financial Reporting Standards.

	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
Revenue (S\$million)					
FY2006	176.1	182.1	179.0	174.5	711.7
FY2005	165.6	172.4	170.2	165.3	673.5
Other operating income (S\$million)					
FY2006	5.3	5.5	8.3	5.6	24.7
FY2005	5.0	5.8	6.1	9.5	26.4
Earnings before interest, tax, depreciation and amortisation (S\$million)					
FY2006	60.6	62.7	71.3	52.6	247.2
FY2005	56.2	62.6	59.8	51.4	230.0
Earnings before interest and tax (S\$million)					
FY2006	30.9	37.6	44.5	25.8	138.8
FY2005	27.7	10.4	31.4	23.3	92.8
Profit before tax (S\$million)					
FY2006	28.7	35.2	37.4	22.8	124.1
FY2005	24.1	10.6	28.4	20.8	83.9
Profit after tax (S\$million)					
FY2006	23.9	29.7	30.0	20.0	103.6
FY2005	21.1	60.2	23.8	21.5	126.6
Earnings per share (cents)					
FY2006	1.6	2.0	2.0	1.3	6.9
FY2005	1.3	4.1	1.6	1.4	8.4
Net tangible asset per share (cents)					
FY2006	35.8	33.8	34.6	36.1	36.1
FY2005	29.2	32.1	32.5	34.0	34.0
Net gearing					
FY2006	0.37	0.42	0.35	0.29	0.29
FY2005	0.55	0.55	0.48	0.41	0.41

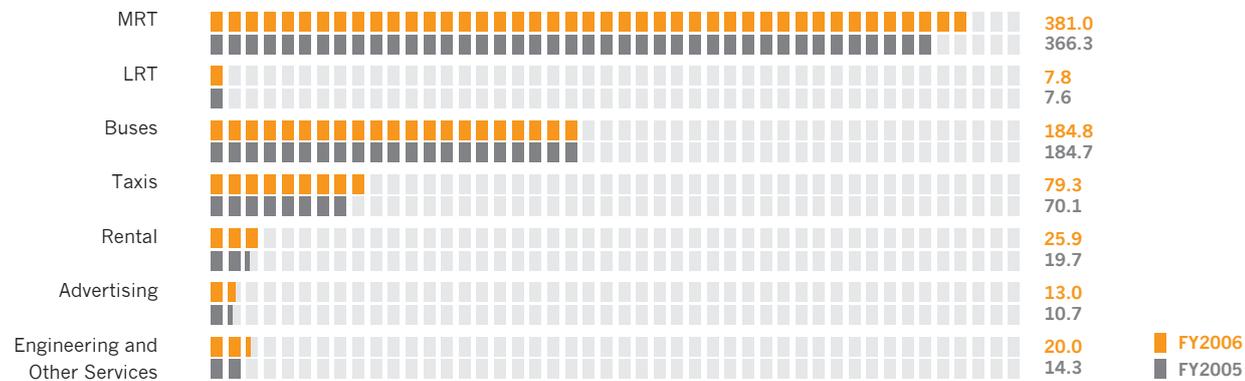
OPERATING AND FINANCIAL REVIEW

Revenue

Group revenue for FY2006 rose to S\$711.7 million, an increase of 5.7 per cent over FY2005. (Revenue is stated net of Goods and Services Tax or GST). Revenue increase was a result of strong contributions from rental and advertising, and increased ridership.

Review of Sectoral Revenue

SECTORAL REVENUE (S\$million)



(S\$million)	QTR 1	QTR 2	QTR 3	QTR 4	Total
MRT					
FY2006	92.4	97.0	96.5	95.1	381.0
FY2005	89.9	93.4	92.6	90.4	366.3
LRT					
FY2006	1.9	2.0	1.9	2.0	7.8
FY2005	1.9	1.9	1.8	2.0	7.6
Buses					
FY2006	45.3	47.2	46.1	46.2	184.8
FY2005	46.1	47.2	45.4	46.0	184.7
Taxis					
FY2006	21.7	20.2	19.4	18.0	79.3
FY2005	15.8	17.3	18.3	18.7	70.1
Rental					
FY2006	6.1	6.4	6.7	6.7	25.9
FY2005	4.8	4.6	4.5	5.8	19.7
Advertising					
FY2006	3.2	3.3	3.5	3.0	13.0
FY2005	2.5	2.8	2.8	2.6	10.7
Engineering and Other Services					
FY2006	5.6	5.9	5.0	3.5	20.0
FY2005	4.6	5.2	4.8	-0.3	14.3

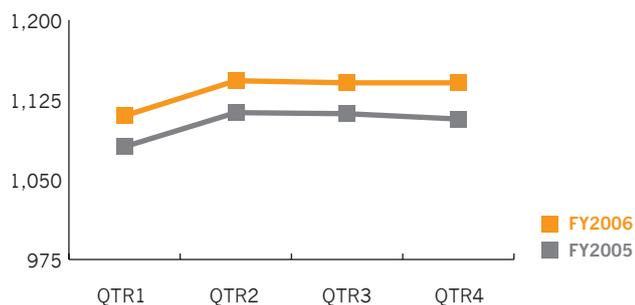
MRT OPERATIONS

For FY2006, revenue from MRT operations increased 4.0 per cent to S\$381.0 million on the back of growth in average daily ridership of 2.8 per cent and increase in average fare of 1.2 per cent.

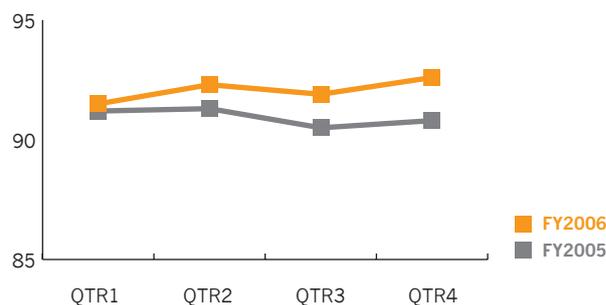
	QTR 1	QTR 2	QTR 3	QTR 4	Total
MRT ridership ('000)					
FY2006	100,971	105,142	104,981	102,675	413,770
FY2005	98,336	102,356	102,309	99,588	402,589
% Change	2.7	2.7	2.6	3.1	2.8
MRT average daily ridership ('000)					
FY2006	1,110	1,143	1,141	1,141	1,134
FY2005	1,081	1,113	1,112	1,107	1,103
% Change	2.7	2.7	2.6	3.1	2.8
MRT average fare (cents)					
FY2006	91.5	92.3	91.9	92.6	92.1
FY2005	91.2	91.3	90.5	90.8	90.9
% Change	0.4	1.1	1.5	2.0	1.2

OPERATING AND FINANCIAL REVIEW

MRT AVERAGE DAILY RIDERSHIP ('000)



MRT AVERAGE FARE (cents)



LRT OPERATIONS

In FY2006, LRT revenue showed a slight increase of 3.5 per cent over FY2005 with increased average daily ridership of 2.1 per cent.

	QTR 1	QTR 2	QTR 3	QTR 4	Total
LRT ridership ('000)					
FY2006	3,485	3,618	3,395	3,577	14,075
FY2005	3,380	3,539	3,293	3,568	13,780
% Change	3.1	2.2	3.1	0.3	2.1
LRT average daily ridership ('000)					
FY2006	38.3	39.3	36.9	39.7	38.6
FY2005	37.1	38.5	35.8	39.6	37.8
% Change	3.1	2.2	3.1	0.3	2.1
LRT average fare (cents)					
FY2006	55.3	55.4	56.3	55.8	55.7
FY2005	54.6	54.3	55.2	55.6	54.9
% Change	1.2	2.0	2.0	0.4	1.4

BUS OPERATIONS

Revenue from bus operations in FY2006 was comparable to FY2005 at S\$184.8 million.

	QTR 1	QTR 2	QTR 3	QTR 4	Total
Bus ridership ('000)					
FY2006	65,816	67,948	65,057	66,488	265,309
FY2005	66,694	69,548	65,692	66,797	268,731
% Change	(1.3)	(2.3)	(1.0)	(0.5)	(1.3)
Bus average daily ridership ('000)					
FY2006	723.3	738.6	707.1	738.8	726.9
FY2005	732.9	756.0	714.0	742.2	736.2
% Change	(1.3)	(2.3)	(1.0)	(0.5)	(1.3)
Bus average fare (cents)					
FY2006	66.6	67.3	68.7	67.5	67.5
FY2005	65.2	65.4	66.7	66.5	66.2
% Change	2.1	2.9	3.0	1.5	2.0

OPERATING AND FINANCIAL REVIEW

TAXI OPERATIONS

Taxi revenue in FY2006 was 13.0 per cent higher at S\$79.3 million on account of a larger average hired-out fleet in the year.

	QTR 1	QTR 2	QTR 3	QTR 4	Total
Holding fleet (as of period end)					
FY2006	3,038	3,005	2,859	2,659	2,659
FY2005	2,064	2,359	2,447	3,003	3,003
% Change	47.2	27.4	16.8	(11.5)	(11.5)
Average number of taxis hired-out					
FY2006	2,722	2,476	2,348	2,209	2,439
FY2005	1,920	2,112	2,252	2,360	2,168
% Change	41.8	17.2	4.3	(6.4)	12.5

RENTAL

Rental revenue in FY2006 contributed a total of S\$25.9 million, a strong increase of 31.4 per cent.

The full-year contributions from commercial spaces at five MRT stations redeveloped in FY2005 – Sembawang, Yew Tee, Marsiling, Bukit Batok and Raffles Place – and Bishan Station completed in FY2006, led to the increase.

The total lettable space at the MRT stations stood at 20,401 square metres as of 31 March 2006 compared to 23,831 square metres at end FY2005. The shortfall was due to the loss of shop space to the Circle Line construction works, lifts upgrade at stations and renovation works, but partially mitigated by the increased shop space at the six redeveloped MRT stations.

	QTR 1	QTR 2	QTR 3	QTR 4	Total
Total lettable space (sqm)*					
FY2006	21,473	20,294	20,408	20,401	20,401
FY2005	21,607	21,389	20,981	23,831	23,831
% Change	(0.6)	(5.1)	(2.7)	(14.4)	(14.4)
Average occupancy rate (%)*					
FY2006	93.0	98.0	98.0	98.0	98.0
FY2005	97.0	97.0	94.0	95.0	95.0
% Change	(4.1)	1.0	4.3	3.2	3.2

* Figures relate to lettable space and occupancy rates at MRT stations.

ADVERTISING

Advertising revenue grew 21.6 per cent to S\$13.0 million in FY2006 due to enhanced marketing efforts and increased creative use of space on trains and stations for advertising.

ENGINEERING AND OTHER SERVICES

Engineering and Other Services showed an increase in revenue of 39.6 per cent to S\$20.0 million due mainly to higher diesel sales to taxi hirers.

Other Operating Income

Other operating income comprises mainly fares from unutilised and expired tickets, maintenance income, gains on disposal of assets, grant released upon the disposal and write-off of assets, and recovery of operating expenses from other transport operators.

Other operating income in FY2006 was lower compared to FY2005 due to absence of income from unutilised magnetic farecards. FY2005 also recorded gains from the disposal of property, plant and equipment.

Operating Expenditure

Total operating expenditure in FY2006 was lower by 1.5 per cent at S\$597.7 million as the previous year was affected by the impairment loss on goodwill amounting to S\$21.4 million.

Excluding the impairment loss on goodwill in FY2005 for comparison purposes, total operating expenditure in FY2006 would have been higher by 2.1 per cent or S\$12.1 million.

OPERATING AND FINANCIAL REVIEW

	FY2006 S\$million	FY2005 S\$million	Increase/(decrease)	
			S\$million	%
Staff and related costs	253.5	247.7	5.8	2.3
Depreciation and impairment losses of property, plant and equipment	131.5	141.3	(9.8)	(6.9)
Amortisation of asset-related grant	(23.1)	(25.5)	2.4	9.3
Repairs and maintenance costs	57.7	56.9	0.8	1.4
Electricity and diesel costs	66.4	57.4	9.0	15.6
Impairment losses on goodwill	–	21.4	(21.4)	(100.0)
Other operating expenses	111.7	107.8	3.9	3.6
	597.7	607.1	(9.4)	(1.5)

Staff and Related Costs

Staff and related costs consist of staff salaries, allowances, welfare and training. These formed the largest component of the Group's total operating expenses and accounted for 42.4 per cent of total operating expenses in FY2006.

In FY2006, staff and related costs increased 2.3 per cent or S\$5.8 million to S\$253.5 million due mainly to salary adjustments. The increase, as compared to FY2005, would have been smaller if not for the write-back of provisions amounting to S\$2.1 million in FY2005.

Depreciation and Impairment Losses of Property, Plant and Equipment

Amortisation of Asset-related Grant

Since the purchase of MRT System's operating assets from LTA in April 1998, the Group owns a substantial amount of fixed assets, the value of which depreciates over the estimated useful lives of these assets, on a straight line basis, in the financial statements.

The amortisation of the asset-related grant in a quarter or financial year generally moves in tandem with depreciation charges since the bulk of the latter charges largely relates to depreciation of MRT's operating assets.

In FY2006, depreciation charge dropped by 6.9 per cent or S\$9.8 million to S\$131.5 million. The change in estimated useful life for selected bus models from 12 to 17 years effective 1 April 2005 and the continued usage of fully depreciated operating assets, contributed to the decrease in depreciation charge. Amortisation of asset-related grant fell 9.3 per cent to S\$23.1 million due to the continued usage of fully depreciated operating assets.

Repairs and Maintenance Costs

FY2006 repairs and maintenance costs increased to S\$57.7 million due mainly to higher scheduled repairs and maintenance in the fourth quarter.

The maintenance operations that typically contribute to such expenses are described in the following paragraphs.

MRT

SMRT Trains constantly benchmarks itself against top metro operators in the world in terms of safety, reliability and service excellence. To uphold high standards in these areas, it has in place a comprehensive and regular preventive maintenance and repair programme for its train network covering infrastructure, tracks, rolling stock, electrical and mechanical systems, and signalling and communications equipment.

A planned minor overhaul of the rolling stock is conducted after not more than 600,000 kilometres or approximately every four years and a planned heavy overhaul takes place after not more than nine years. A team of specialised in-house staff executes the regular maintenance work. Contract services are also engaged to support labour intensive works such as building maintenance, housekeeping and cleaning.

Under the LOA, SMRT Trains is required to maintain the MRT infrastructure, including tunnels, tracks, viaducts and stations, and to engage registered professional engineers to carry out regular structural integrity checks.

SMRT Trains also periodically upgrades those operating assets that have reached obsolescence and are no longer supported by equipment manufacturers. The upgrading and improvement works carried out by SMRT Trains in FY2006 are described in the section "Year in Review" on pages 35 to 36.

The level of maintenance in a given year depends largely on the overall maintenance programme for the MRT system.

OPERATING AND FINANCIAL REVIEW

Stringent cost management measures are in place to manage repair and maintenance costs, while ensuring quality service standards and continued operational efficiencies of the train and station operations.

LRT

Since June 2003, the maintenance operations of the LRT System have been integrated with that of SMRT Trains to facilitate pooling of resources and sharing of expertise.

BUSES

SMRT Automotive maintains a fleet of 838 buses at three workshops within the three bus depots located at Ang Mo Kio, Woodlands and Kranji. A comprehensive range of maintenance parts is stored for contingencies and to minimise disruptions to bus operations.

All buses go through regular preventive maintenance once every six to seven weeks to ensure reliability of operations. Corrective maintenance is required in the event of breakdown or accident. Overhauls of engines, transmission systems and other parts are carried out on a regular basis to maintain the operating performance of the buses. For instance, the overhaul of transmission systems is carried out approximately every three years or after 750,000 kilometres and the overhaul of engines takes place about once every seven years.

TAXIS

The taxi fleet is maintained by SMRT Automotive. The monthly preventive maintenance on taxis is compulsory to ensure the safety of taxi drivers and passengers. Various taxi components, such as in-vehicle equipment, engine, transmission, and interior body, are periodically maintained and upgraded to ensure safety and reliability of the vehicles.

Electricity and Diesel Costs

The deregulation of the electricity market for large consumers provided opportunities for the Group to source for prices that may be lower than electricity tariffs and enter into contracts with the electricity retailers. In September 2004, SMRT Trains entered into a contract with Senoko Energy Supply Pte Ltd for a two-year supply of electricity at a fixed rate. This contract will end in September 2006 and a tender will be called in due course to source for another competitive contract for future electricity supply.

In FY2006, a tender was called for the supply and delivery of diesel for three years. The tender was awarded to the supplier with the lowest bid via a reverse auction process, where participants bid against each other on an interactive basis. This helped the Group achieve significant savings as compared to FY2005.

Compared to FY2005, total electricity and diesel costs in FY2006 increased 15.6 per cent to S\$66.4 million as a result of higher diesel prices.

	FY2006 S\$million	FY2005 S\$million	Increase/(Decrease)	
			S\$million	%
Electricity costs	31.5	33.2	(1.7)	(5.1)
Diesel costs	34.9	24.2	10.7	44.2
	66.4	57.4	9.0	15.6

FUEL EQUALISATION ACCOUNT

The purpose of the Fuel Equalisation Account ("FEA") is described on page 113.

The actual electricity tariff in FY2006 was below its reference rate, which was raised during the year. As a result, about S\$0.4 million was contributed to the FEA and a corresponding charge was included in the electricity costs under the profit and loss account.

Actual diesel price in FY2006 was above the reference diesel price. However, there was no release of the FEA to the profit and loss account as the outstanding balance in the FEA was below the cap of one year's diesel consumption based on the current year's consumption level.

As at 31 March 2006, the electricity and diesel amounts standing in the credit of the FEA were approximately S\$10.7 million and S\$8.4 million respectively.

OPERATING AND FINANCIAL REVIEW

Amortisation and Impairment Losses on Goodwill

The new Financial Reporting Standard (FRS) 103 on accounting treatment for business combinations is effective for annual periods beginning on or after 1 July 2004. Consequently, the Group adopted the revised FRS 36 on impairment of assets.

FRS 103 prohibits amortisation of goodwill and requires instead that goodwill be tested for impairment annually. As a result of the early adoption of FRS 103, an impairment loss of S\$21.4 million relating to goodwill was recorded last financial year in accordance to the revised FRS 36. In FY2006, there was no impairment on goodwill.

Other Operating Expenses

Other operating expenses consist of property and road taxes, ERP charges, LTA licence fees, insurance costs, provision for doubtful receivables, operating fees paid to ez-link for the use of the ez-link card system, write-offs of fixed assets, legal and professional fees, and costs of utilities, office rental and office equipment maintenance.

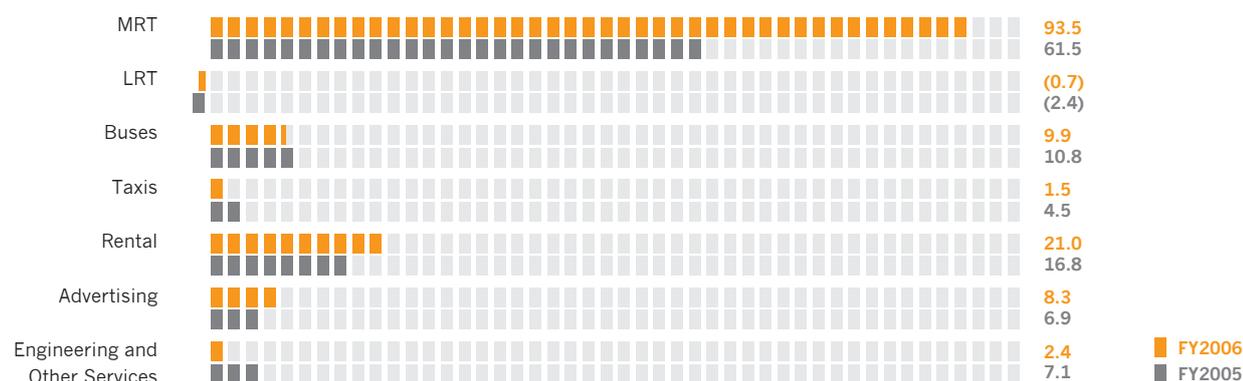
FY2006 saw an increase of 3.6 per cent to S\$111.7 million mainly because of provision for doubtful receivables, costs associated with a larger taxi fleet, and diesel subsidies to taxi hirers. The contribution of S\$1.15 million to the Public Transport Fund also added to the increase in other operating expenses.

Earnings Before Interest and Tax ("EBIT")

EBIT in FY2006 improved by 49.6 per cent to S\$138.8 million as the previous year's profit was affected by the impairment loss on goodwill.

The breakdown of EBIT (excluding goodwill impairment) by business segment is as follows:

EARNINGS BEFORE INTEREST AND TAX EXCLUDING GOODWILL IMPAIRMENT (S\$million)



Operating profits from MRT grew to S\$93.5 million due to revenue contributions from increased ridership, improved cost controls and productivity.

Losses from LRT were significantly reduced by 69.7 per cent or S\$1.6 million to S\$0.7 million with cost efficiencies in place.

EBIT contribution from Buses declined 8.0 per cent to S\$9.9 million due to a rise in diesel costs which was largely offset by lower depreciation expenses.

Taxis' operating profits for the year declined to S\$1.5 million due to provision for doubtful receivables from drivers and diesel subsidies to alleviate hirers' burden of high fuel costs.

EBIT contribution from Rental grew 24.8 per cent to S\$21.0 million due to the incremental rental revenue from refurbished commercial spaces at six MRT stations.

Operating profits from Advertising also rose 21.2 per cent compared to the last financial year.

EBIT from Engineering and Other Services declined in FY2006 as a completed project in FY2005 brought in profits.

OPERATING AND FINANCIAL REVIEW

Finance Costs

The outstanding borrowings of the Group were significantly reduced with the redemption of S\$250.0 million bonds in December 2004. As a result, interest costs in FY2006 were lower.

Interest and Investment Income

Interest and investment income fell in the absence of gains from the disposal of an investment as reported in the previous financial year.

Share of Results of an Associate

Share of losses in an associated company, Transys, amounted to S\$6.3 million in FY2006. However, the Group divested its stake in Transys on 31 March 2006, in line with its focus on providing operations and maintenance services, engineering consultancy and project management expertise in railway systems.

Income Tax

The tax charge for FY2006 included a write-back of deferred tax provision of S\$2.1 million with respect to prior years, whereas the write-back of current and deferred tax provisions amounted to S\$58.3 million in FY2005.

Profit After Tax

Net profit for FY2006 declined 18.1 per cent to S\$103.6 million. Excluding non-recurring tax write-backs in the past two financial years and the impairment loss on goodwill for FY2005, after-tax profit increased S\$11.9 million or 13.3 per cent to S\$101.5 million.

Review of Half-yearly Results

Revenue reported for the first and second half year of FY2006 rose due to increase in lettable space, better rental yields, improved advertising revenue, higher ridership and larger taxi hired-out fleet.

Operating profit after tax before deducting minority interests (PATMI) for first half of FY2006 was lower than the previous corresponding period as the latter included tax write-backs amounting to S\$54.1 million, offset by an impairment loss on goodwill of S\$21.4 million.

Excluding the tax write-backs and the impairment loss of goodwill, PATMI for the first half of FY2006 would have improved by S\$5.0 million (10.2 per cent) mainly on account of higher revenue.

PATMI was S\$4.8 million (10.5 per cent) higher in second half of FY2006 due mainly to higher revenue and lower operating expenses in spite of an increase in losses of an associate.

First Half Against Second Half Revenue and Net Profit	FY2006	FY2005	Increase/(Decrease)	
	S\$million	S\$million	S\$million	%
Revenue reported in first half	358.2	338.0	20.2	6.0
Profit after tax before minority interests reported in first half	53.6	81.3	(27.7)	(34.1)
Revenue reported in second half	353.6	335.5	18.1	5.4
Profit after tax before minority interests reported in second half	50.0	45.3	4.8	10.5

Liquidity and Capital Resources

Revenue from rail, bus and rental generated most of the cash which covered operating expenses such as staff and related expenses, electricity and diesel, and repairs and maintenance costs. The Group's capital expenditure and working capital requirements are currently financed by cash generated from operations and borrowings.

As of 31 March 2006, the Group's consolidated cash and cash equivalents stood at S\$131.7 million compared to S\$72.0 million as of end FY2005.

OPERATING AND FINANCIAL REVIEW

The following table sets forth a condensed summary of the Group's consolidated statement of cash flows for the financial years ended 31 March 2006 and 2005:

	FY2006 (S\$million)	FY2005 (S\$million)
Cash flow from/(used in)		
Operating activities	159.5	154.6
Investing activities	(104.4)	(147.5)
Financing activities	4.6	(198.1)
Net increase/(decrease) in cash and cash equivalents	59.8	(191.0)
Cash and cash equivalents at 31 March	131.7	72.0

The detailed consolidated statement of cash flows can be found on pages 103 to 104.

Net Cash from Operating Activities

Cash flow from operating activities in FY2006 was higher than FY2005 as a result of higher operating profit, partially offset by higher dividends paid.

Net Cash used in Investing Activities

Cash outflow in investing activities was lower than FY2005 at S\$104.4 million, mainly as a result of a reduction in the purchase of new taxis.

Net Cash used in Financing Activities

Higher cash outflow from financing activities was recorded in FY2005 due to the redemption of the S\$250.0 million bonds.

Free Cash Flow

Free cash flow, which is cash flow from operating activities less capital expenditure outflow, grew to S\$58.0 million compared to S\$3.5 million in FY2005.

In FY2006, the net cash inflow was S\$59.8 million as against an outflow of S\$191.0 million in FY2005.

Capital Expenditure

Total capital expenditure for FY2006 declined to S\$89.9 million, of which the main items were the purchase of taxis, renovation works for redevelopment of commercial space, maintenance capital expenditure for the MRT System and operating equipment for bus operations.

Contractual Commitments

Contractual commitments relate to the mid-life upgrade of trains, redevelopment of commercial spaces at the stations, purchase of taxis and other significant items of capital expenditure, which have been contracted for, but not yet delivered. As of 31 March 2006, capital expenditure contracted but not provided for in the financial statements was S\$194.3 million.

Risk Management

The responsibility of managing the Group's risks lies with the Risk Management Committee ("RMC"). The RMC leads the development and implementation of Enterprise Risk Management (ERM) throughout the Group and spearheads risk management initiatives. The objectives, structure and process of risk management are described in the section "Corporate Governance" on pages 63 to 65.

In FY2006, the Group enhanced its risk management programme by developing and implementing a Risk Management Policy. The Group's Risk Management Methodology was refreshed and expanded to cover the management of project risks. A description on project risks is found in the "Corporate Governance" section on page 65.

To inculcate a sense of risk awareness and discipline across the Group, segments on risk management were introduced in the staff orientation programme and corporate newsletter. ERM practitioners were also invited to share with staff insights into different aspects of risk management such as business continuity management and fraud awareness. In addition, risk management training was conducted for key business units and corporate functions.

Managing Operational Risks

SMRT Trains and SMRT Light Rail are required under their respective LOAs to meet a number of operating performance standards, which are the mandatory minimum operating standards relating to various aspects of service quality, safety and key equipment performances.

OPERATING AND FINANCIAL REVIEW

Managing Operational Risks (cont'd)

To ensure that these minimum MRT and LRT operating performance standards are met, SMRT Trains and SMRT Light Rail carry out a rigorous operating asset maintenance, upgrading and service improvement programme every year based on economic considerations, user requirements and expected benefits to commuters. The details of the year's programme are described on page 35 to 36.

They also monitor the performance of their operating equipment to ensure that they are reliable, efficient and robust for a smooth functioning of the MRT and LRT systems.

SMRT Buses also operates in a regulated environment in which its bus services have to meet service standards specified by PTC. There are also stringent regulatory requirements imposed on bus specifications and features as well as on vehicle maintenance, roadworthiness and service provision. SMRT Buses mitigates non-compliance risks by carrying out a stringent maintenance and service improvement regime each year.

SMRT Taxis mitigates non-compliance risks by promoting service availability, safety and customer satisfaction through investment in new technologies, safety incentive schemes to reduce accident rates, and service excellence programmes. A description of these activities is found on pages 45 to 46. SMRT Taxis continuously reviews its business strategy and introduces new initiatives to meet the needs of both the hirers as well as customers.

The Group mitigates operational risks relating to safety and security of its transport system, by promoting safe travelling behaviour amongst commuters and awareness of safety features within the system and, installing additional measures to augment the security system. In FY2006, the Group participated actively in national security exercises such as Exercise NorthStar V, a large-scale civil emergency exercise conducted by the Singapore Civil Defence Force. The Exercise tested the operational readiness of participants including SMRT in responding to multiple terrorist attacks. The Group's safety programme is audited by the American Public Transport Association to benchmark the programme against global standards. The Group continuously reviews its safety measures to bring them in line with global standards.

The Group recognises that risk management is a collective effort by both management and staff to ensure that the risk and control processes are effective in managing the strategic and operational risks faced by the Group. For operational risks, the Group has initiated a "Control Self-Assessment" programme in FY2006 to foster a higher level of risk and control awareness amongst all staff.

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

Managing Cost Risks

The Group is exposed to cost risks that are outside its control, such as fluctuations in oil prices, which affect its energy costs. The Group mitigates rising electricity cost by entering into electricity contracts for at least one year or longer at a fixed rate. Diesel is purchased in foreign currencies and forward exchange contracts are used to hedge foreign currency risk exposure.

Managing Investment Risks

The Group's investment risk relates largely to those of capital investments made for the maintenance, upgrading and replacement of operating assets. The capital investments are subject to financial procedures for expenditure control. The selection of suppliers and contractors for these capital investment projects are also subject to financial procedures for cost control and guided by an internal selection criteria. The proposed major capital investments are evaluated by Senior Management and approved by the Board of Directors.

Managing Financial Risks

Management of credit, liquidity, interest rate and currency rate risks are discussed in the Notes to the Financial Statements on pages 145 to 146.

Managing Property and Liability Risks

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

Sensitivity Analysis

MRT Ridership

Every one percentage point change in annual MRT ridership will result in a S\$3.8 million change in gross operating profit. This assumes that MRT fare structure and operating costs remain at FY2006 levels.

OPERATING AND FINANCIAL REVIEW

Sensitivity Analysis (cont'd)

Bus Ridership

Every one percentage point change in annual bus ridership will lead to a S\$1.8 million change in gross operating profit. This assumes that bus fare structure and operating costs maintain at FY2006 levels.

Electricity and Diesel Costs

Every one percentage point change in the rates of electricity and diesel, using FY2006 rates as a basis, will lead to a S\$0.7 million change in gross operating profit per annum. This assumes that the electricity and diesel usage are maintained at FY2006 levels.

Cost of Borrowing

Every 100 basis points change in interest rate of the S\$50.0 million Floating Rate Notes outstanding at the end of FY2006 will result in a change in interest expense by S\$0.5 million per annum.

Prospects for FY2007

The Group expects ridership from train and bus operations to remain stable. The fare revision exercise for trains and buses has been delayed by the Public Transport Council and any fare increase will be deferred to take effect from 1 October 2006.

Depreciation expenses will increase with the completion of the mid-life upgrade of 29 trains during the year and the full year impact from the implementation of the Integrated Bus Operating System.

Continued high oil prices will impact the Group's energy costs. To mitigate these cost pressures, the Group will continue to improve its efficiency and productivity.

SMRT Taxis will offer competitive packages to retain and attract taxi hirers as well as introduce innovative marketing drives to increase the earnings of its hirers. These actions and tightened credit control procedures are expected to improve the taxi business.

SMRT Investments will continue to develop commercial space in stations to increase its rental and advertising revenues.

On the back of strong rental revenue growth in FY2006, the growth momentum in the development of commercial space will continue in FY2007. Another 18 stations, comprising 5,500 square metres, will be completed progressively, generating additional rental income of around S\$8 million to S\$9 million. The total lettable space is expected to be approximately 27,000 square metres at the end of FY2007. Dhoby Xchange at Dhoby Ghaut Station is one of the new lifestyle hubs which will commence operations in the first quarter of FY2007.

Advertising revenue is expected to increase further in FY2007 with an increase in avenues for advertising in the 18 stations. More creative and varied advertising mediums will be rolled out.

With the Group's strong operations and maintenance capabilities in the train business, it is well positioned to penetrate overseas for existing and new MRT lines.

The performance for FY2007 is expected to be comparable to that of FY2006.

Future Capital Expenditure

With the Group's continued focus on increasing rental revenue, capital expenditure in FY2007 is expected to include the refurbishment of commercial spaces at the 18 MRT stations.

In addition, the three-year mid-life upgrade of its 66 C151 (KHI) trains for approximately S\$142.7 million will continue with an investment of S\$54.0 million in FY2007. Twenty-nine trains are expected to be completed in FY2007 with the rest targeted to be completed by April 2008.

Maintenance and replacement capital expenditure is also expected to continue into FY2007 as the Group carries on with its replacement and upgrading of station, train and bus operating assets as well as taxis, to maintain and improve its service levels. The extent of such capital expenditure may fluctuate from year to year depending on the conditions of the assets and their maintenance and replacement schedule.

In any given year, if cash generated from operations is not sufficient to meet all the capital expenditure required for that year, the Group may rely on cash resources accumulated from prior years' operations or tap the capital markets for funds via the MTN Programme.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 March 2006.

Directors

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

Choo Chiau Beng	<i>Chairman</i>
Saw Phaik Hwa	
Daniel Ee Hock Huat	
Edmund Koh Kian Chew	<i>(Appointed on 15 August 2005)</i>
Koh Kheng Siong	
Paul Ma Kah Woh	<i>(Appointed on 15 July 2005)</i>
Niam Chiang Meng	
Nithiah Nandan s/o Arumugam	
Engelin Teh Guek Ngor	

Directors' Interests

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

Name of Director and Corporation in which interests are held	Holdings in the name of the Director, Spouse or Infant Children	
	At Beginning of the Year/ Date of Appointment	At End of the Year
Choo Chiau Beng		
SMRT Corporation Ltd		
– ordinary shares	100,000	100,000
Neptune Orient Lines Ltd		
– ordinary shares	150,000	100,000
SIA Engineering Company Limited		
– ordinary shares	100,000	100,000
Singapore Food Industries Limited		
– ordinary shares	20,000	20,000
Singapore Telecommunications Limited		
– ordinary shares	1,746	1,746
Saw Phaik Hwa		
SMRT Corporation Ltd		
– ordinary shares	80,000	186,000
– options to subscribe for ordinary shares at:		
– \$0.623 between 22/7/2004 to 21/7/2013	160,000	54,000

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

Directors' Interests (cont'd)

Name of Director and Corporation in which interests are held	Holdings in the name of the Director, Spouse or Infant Children	
	At Beginning of the Year/ Date of Appointment	At End of the Year
Daniel Ee Hock Huat		
SMRT Corporation Ltd		
– ordinary shares	55,000	55,000
CapitaMall Trust Management Limited		
– units in CapitaMall Trust	24,000	*
SembCorp Industries Ltd		
– ordinary shares	3,709	3,486
Singapore Food Industries Limited		
– ordinary shares	61,000	61,000
Singapore Technologies Engineering Ltd		
– ordinary shares	10,000	10,000
Singapore Telecommunications Limited		
– ordinary shares	3,500	3,500
Edmund Koh Kian Chew		
SNP Corporation Ltd		
– ordinary shares	–	10,000
– options to subscribe for ordinary shares at:		
– \$0.50 between 23/4/2002 to 22/4/2006	10,000	–
– \$0.69 between 17/4/2003 to 16/4/2007	25,000	25,000
– \$0.59 between 15/4/2004 to 14/4/2008	25,000	25,000
– \$1.19 between 21/4/2005 to 20/4/2009	25,000	25,000
– \$0.90 between 19/4/2006 to 18/4/2010	27,500	27,500
Koh Kheng Siong		
CapitaCommercial Trust Management Limited		
– units in CapitaCommercial Trust	5,000	*
CapitaLand Limited		
– ordinary shares	25,000	*
SembCorp Industries Ltd		
– ordinary shares	20,000	18,800
SembCorp Logistics Ltd		
– ordinary shares	24,000	–
SIA Engineering Company Limited		
– ordinary shares	2,000	–
Singapore Airlines Limited		
– ordinary shares	15,000	15,000
Singapore Technologies Engineering Ltd		
– ordinary shares	34,361	34,361
Singapore Telecommunications Limited		
– ordinary shares	14,090	14,090

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

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
Paul Ma Kah Woh		
Singapore Telecommunications Limited		
– ordinary shares	380	380
StarHub Ltd		
– ordinary shares	100,000	100,000
Niam Chiang Meng		
CapitaMall Trust Management Limited		
– units in CapitaMall Trust	150,000	*
CapitaLand Limited		
– ordinary shares	10,000	*
SembCorp Logistics Ltd		
– ordinary shares	30,000	–
Singapore Telecommunications Limited		
– ordinary shares	12,080	12,080
SembCorp Marine Ltd		
– ordinary shares	–	10,000
Nithiah Nandan s/o Arumugam		
Singapore Telecommunications Limited		
– ordinary shares	1,430	1,430
SP AusNet		
– stapled securities	**	3,000
Engelin Teh Guek Ngor		
SMRT Corporation Ltd		
– ordinary shares	150,000	150,000
SembCorp Logistics Ltd		
– ordinary shares	25,000	50,000
Singapore Airlines Limited		
– ordinary shares	5,000	–
Singapore Telecommunications Limited		
– ordinary shares	31,430	100,000
SP AusNet		
– stapled securities	**	31,000

* CapitaCommercial Trust Management Limited, CapitaLand Limited, CapitaMall Trust Management Limited, Raffles Holdings Limited and The Ascott Group Limited ceased to be related corporations of SMRT Corporation Ltd during the financial year.

** SP AusNet became a related corporation of SMRT Corporation Ltd with effect from 8 December 2005.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

Directors' Interests (cont'd)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures 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.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2006.

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.

Since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share Options and Share Plans

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

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

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

The SMRT ESOP, SMRT RSP and SMRT PSP are administered by the Remuneration Committee (the "Committee"), comprising Mr Choo Chiau Beng, Chairman of the Committee, Mr Daniel Ee Hock Huat, Mr Edmund Koh Kian Chew, Mr Koh Kheng Siong and Mr Nithiah Nandan s/o Arumugam.

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 per cent 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

Share Options and Share Plans (cont'd)

SMRT ESOP (cont'd)

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 1/4/2005	Options Granted	Options Exercised	Options Cancelled	Options Outstanding at 31/3/2006	Number of Option Holders at 31/3/2006	Exercise Period
16/7/2001	\$0.816	5,916,000	–	2,350,000	105,000	3,461,000	1,430	16/7/2002 to 15/7/2011
22/7/2002	\$0.676	4,407,200	–	1,903,100	123,500	2,380,600	1,849	22/7/2003 to 21/7/2012
22/7/2003	\$0.623	5,681,500	–	2,289,506	129,500	3,262,494	2,012	22/7/2004 to 21/7/2013
		16,004,700	–	6,542,606	358,000	9,104,094		

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.

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

Name of Director	Options Granted for Financial Year Ended 31 March 2006	Aggregate Options Granted Since Commencement of Scheme to 31 March 2006	Aggregate Options Exercised Since Commencement of Scheme to 31 March 2006	Aggregate Options Outstanding as at 31 March 2006
Saw Phaik Hwa	–	160,000	106,000	54,000

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

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

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

During the financial year, no options have been granted.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

Share Options and Share Plans (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 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 medium-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 per cent 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

Share Options and Share Plans (cont'd)

SMRT RSP and SMRT PSP (cont'd)

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

	SMRT PSP	SMRT RSP
Plan Description	Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives.	Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a two-year performance period based on medium-term corporate and business unit objectives with some degree of stretch.
Date of Grant	1 March 2006	1 March 2006
Performance Period	1 April 2005 to 31 March 2008	1 April 2005 to 31 March 2007
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 fulfillment 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.

The details of shares awarded under the Plans during the year since commencement of the SMRT PSP and SMRT RSP were as follows:

SMRT PSP

	Balance as at 1 April 2005	Shares Granted During Financial Year	Shares Cancelled During Financial Year	Shares Released During Financial Year	Balance as at 31 March 2006
Grant date					
1 March 2006					
– For senior management	–	40,000	–	–	40,000
– For executive director (Saw Phaik Hwa)	–	100,000	–	–	100,000
	–	140,000	–	–	140,000

SMRT RSP

	Balance as at 1 April 2005	Shares Granted During Financial Year	Shares Cancelled During Financial Year	Shares Released During Financial Year	Balance as at 31 March 2006
Grant date					
1 March 2006					
– For senior management	–	495,500	–	–	495,500
– For executive director (Saw Phaik Hwa)	–	100,000	–	–	100,000
	–	595,500	–	–	595,500

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

Share Options and Share Plans (cont'd)

SMRT RSP and SMRT PSP (cont'd)

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 2006, were 140,000 and 595,500 for SMRT PSP and SMRT RSP respectively. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 175,000 fully-paid SMRT shares and 716,920 fully-paid SMRT shares for SMRT PSP and SMRT RSP respectively.

Audit Committee

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

Daniel Ee Hock Huat *Chairman*
Koh Kheng Siong
Paul Ma Kah Woh
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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006

Audit Committee (cont'd)

The Committee met six times during the year.

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

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

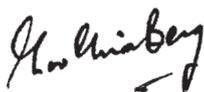
In addition, the Committee has, in accordance with Chapter 9 of the Listing Manual, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Group to identify and report and where necessary, seek approval for interested person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

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

Auditors

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

On behalf of the Board of Directors



CHOO CHIAU BENG

Director



SAW PHAIK HWA

Director

Singapore
28 April 2006

STATEMENT BY DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2006

In our opinion:

- a) the financial statements set out on pages 99 to 149 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 2006 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date; and
- b) 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

Singapore
28 April 2006

AUDITORS' REPORT

Report of the Auditors to the Members of SMRT Corporation Ltd

We have audited the accompanying financial statements of SMRT Corporation Ltd for the year ended 31 March 2006 as set out on pages 99 to 149. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (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 2006 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



KPMG

Certified Public Accountants

Singapore
28 April 2006

BALANCE SHEETS

AS AT 31 MARCH 2006

	Note	The Group		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Non-current assets					
Property, plant and equipment	4	1,082,144	1,156,865	4,851	4,259
Intangible asset	5	41,932	41,932	–	–
Investments in subsidiaries	6	–	–	333,191	333,191
Interests in an associate	7	–	485	–	–
Available-for-sale financial assets	8	6,873	3,753	–	–
		1,130,949	1,203,035	338,042	337,450
Current assets					
Inventories	9	36,388	41,061	–	–
Trade and other receivables	10	74,879	38,789	302,946	325,523
Tax recoverable	11	10,184	8,977	7,422	6,183
Fixed deposits with banks and financial institutions		91,263	36,022	–	–
Cash at banks and in hand		40,471	35,948	1,008	2,133
		253,185	160,797	311,376	333,839
Total assets		1,384,134	1,363,832	649,418	671,289
Current liabilities					
Trade and other payables	12	134,358	146,848	85,938	81,528
Interest-bearing borrowings	13	250,000	–	250,000	–
Provisions	14	17,308	15,999	196	247
Current tax payable		915	815	–	–
		402,581	163,662	336,134	81,775
Non-current liabilities					
Interest-bearing borrowings	13	50,000	300,000	50,000	300,000
Provisions	14	2,869	3,222	167	634
Deferred tax liabilities	15	150,619	129,225	993	744
Fuel equalisation account	16	19,112	18,711	–	–
Deferred grant	17	170,560	193,774	–	–
		393,160	644,932	51,160	301,378
Total liabilities		795,741	808,594	387,294	383,153
Equity attributable to equity holders of SMRT					
Share capital	18	156,493	150,256	156,493	150,256
Share premium		–	1,606	–	1,606
Reserves	19	3,638	419	518	419
Accumulated profits		425,898	400,779	105,113	135,855
		586,029	553,060	262,124	288,136
Minority interests		2,364	2,178	–	–
Total equity		588,393	555,238	262,124	288,136
Total equity and liabilities		1,384,134	1,363,832	649,418	671,289

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 \$'000	2005 \$'000
Revenue	20	711,742	673,466
Other operating income	21(a)	24,736	26,376
Staff and related costs	21(b)	(253,530)	(247,714)
Depreciation and impairment losses of property, plant and equipment	4	(131,525)	(141,274)
Amortisation of asset-related grant	17	23,106	25,463
Repairs and maintenance costs		(57,683)	(56,878)
Electricity and diesel costs		(66,385)	(57,427)
Impairment losses on goodwill	5	–	(21,441)
Other operating expenses	21(c)	(111,695)	(107,808)
Finance costs	21(d)	(9,658)	(13,974)
Interest and investment income	21(e)	1,302	5,350
Share of results of an associate		(6,339)	(256)
Profit from ordinary activities before taxation	21	124,071	83,883
Income tax (expense)/credit	22	(20,447)	42,669
Net profit for the year		103,624	126,552
Attributable to:			
Equity holders of SMRT		103,436	126,655
Minority interests		188	(103)
Net profit for the year		103,624	126,552
Earnings per share (in cents)			
Basic	23	6.9	8.4
Diluted	23	6.8	8.4

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2006

The Group

	Share Capital \$'000	Share Premium \$'000	Fair Value Reserve \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total Attributable to Equity Holders of SMRT \$'000	Minority Interest \$'000	Total Equity \$'000
At 31 March 2004 as previously stated	150,000	-	-	-	330,709	480,709	2,281	482,990
Effects of adopting FRS 102	-	-	-	183	(183)	-	-	-
At 1 April 2004, restated	150,000	-	-	183	330,526	480,709	2,281	482,990
Net profit for the year	-	-	-	-	126,655	126,655	(103)	126,552
Total recognised income and expense for the year	-	-	-	-	126,655	126,655	(103)	126,552
Issue of shares under SMRT ESOP	256	1,606	-	-	-	1,862	-	1,862
Value of employee services received for share-based payment	-	-	-	236	-	236	-	236
Final dividend paid of 3.20 cents per share less tax at 20% in respect of year 2004	-	-	-	-	(38,401)	(38,401)	-	(38,401)
Interim dividend paid of 1.50 cents per share less tax at 20% in respect of year 2005	-	-	-	-	(18,001)	(18,001)	-	(18,001)
At 31 March 2005	150,256	1,606	-	419	400,779	553,060	2,178	555,238
At 31 March 2005 as previously stated	150,256	1,606	-	-	401,198	553,060	2,178	555,238
Effects of adopting FRS 102	-	-	-	419	(419)	-	-	-
At 31 March 2005, restated	150,256	1,606	-	419	400,779	553,060	2,178	555,238
Effects of adopting FRS 39	-	-	1,345	-	7	1,352	-	1,352
At 1 April 2005, restated	150,256	1,606	1,345	419	400,786	554,412	2,178	556,590
Disposal of subsidiary	-	-	-	-	-	-	(2)	(2)
Net fair value changes on available- for-sale financial assets	-	-	1,775	-	-	1,775	-	1,775
Net gain recognised directly in equity	-	-	1,775	-	-	1,775	(2)	1,773
Net profit for the year	-	-	-	-	103,436	103,436	188	103,624
Total recognised income and expense for the year	-	-	1,775	-	103,436	105,211	186	105,397
Issue of shares under SMRT ESOP	654	3,977	-	-	-	4,631	-	4,631
Value of employee services received for share-based payment	-	-	-	99	-	99	-	99
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	5,583	(5,583)	-	-	-	-	-	-
Final dividend paid of 5.00 cents per share less tax at 20% in respect of year 2005	-	-	-	-	(60,144)	(60,144)	-	(60,144)
Interim dividend paid of 1.50 cents per share less tax at 20% in respect of year 2006	-	-	-	-	(18,180)	(18,180)	-	(18,180)
At 31 March 2006	156,493	-	3,120	518	425,898	586,029	2,364	588,393

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2006

The Company

	Share Capital \$'000	Share Premium \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total Equity \$'000
At 31 March 2004 as previously stated	150,000	–	–	202,090	352,090
Effects of adopting FRS 102	–	–	183	(183)	–
At 1 April 2004, restated	150,000	–	183	201,907	352,090
Net loss for the year	–	–	–	(9,650)	(9,650)
Total recognised income and expense for the year	–	–	–	(9,650)	(9,650)
Issue of shares under SMRT ESOP	256	1,606	–	–	1,862
Value of employee services received for share-based payment	–	–	236	–	236
Final dividend paid of 3.20 cents per share less tax at 20% in respect of year 2004	–	–	–	(38,401)	(38,401)
Interim dividend paid of 1.50 cents per share less tax at 20% in respect of year 2005	–	–	–	(18,001)	(18,001)
At 31 March 2005	150,256	1,606	419	135,855	288,136
At 31 March 2005 as previously stated	150,256	1,606	–	136,274	288,136
Effects of adopting FRS 102	–	–	419	(419)	–
At 1 April 2005, restated	150,256	1,606	419	135,855	288,136
Net profit for the year	–	–	–	47,582	47,582
Total recognised income and expense for the year	–	–	–	47,582	47,582
Issue of shares under SMRT ESOP	654	3,977	–	–	4,631
Value of employee services received for share-based payment	–	–	99	–	99
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	5,583	(5,583)	–	–	–
Final dividend paid of 5.00 cents per share less tax at 20% in respect of year 2005	–	–	–	(60,144)	(60,144)
Interim dividend paid of 1.50 cents per share less tax at 20% in respect of year 2006	–	–	–	(18,180)	(18,180)
At 31 March 2006	156,493	–	518	105,113	262,124

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 \$'000	2005 \$'000
Operating activities			
Profit from operating activities before taxation		124,071	83,883
Adjustments for items not involving outlay of funds:			
Amortisation of asset-related grant		(23,106)	(25,463)
Impairment losses on goodwill		–	21,441
Depreciation and impairment losses of property, plant and equipment		131,525	141,274
Dividend income		(249)	(189)
Grant released upon disposal/write-off of property, plant and equipment		(108)	(352)
Interest expense		9,658	13,974
Interest income		(1,628)	(1,543)
Loss/(Gain) on disposals of:			
– investments		(81)	(3,618)
– property, plant and equipment		516	(1,029)
– investment in subsidiaries		10	–
– investment in an associate		646	–
Property, plant and equipment written off		533	1,213
Provisions made during the year		12,386	8,632
Share-based payment expenses		99	236
Share of results of an associate		6,339	256
Operating profit before working capital changes		260,611	238,715
Changes in working capital:			
Inventories		4,673	461
Trade and other receivables		(14,636)	(1,947)
Amounts due from an associate		290	654
Trade and other payables and provisions		(3,423)	(14,055)
Cash flows from operations		247,515	223,828
Income taxes (paid)/refunded		(160)	3,007
Dividends paid		(78,324)	(56,402)
Interest paid		(9,504)	(15,818)
Cash flows from operating activities		159,527	154,615
Balance carried forward		159,527	154,615

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 \$'000	2005 \$'000
Balance brought forward		159,527	154,615
Investing activities			
Dividends received		249	189
Interest received		1,412	1,793
Investment in an associate		(6,500)	–
Purchase of property, plant and equipment		(101,565)	(158,150)
Purchase of investments		–	(80,000)
Proceeds from disposals of:			
– investments		–	83,618
– property, plant and equipment		2,005	5,053
– subsidiary	25	5	–
Cash flows from investing activities		(104,394)	(147,497)
Financing activities			
Redemption of unsecured quoted bonds		–	(250,000)
Repayment of bank loans		–	(60,000)
Proceeds from bank loans		–	60,000
Proceeds from issue of unsecured quoted floating rate notes		–	50,000
Issue of shares under share option plan		4,631	1,862
Cash flows from financing activities		4,631	(198,138)
Net increase/(decrease) in cash and cash equivalents		59,764	(191,020)
Cash and cash equivalents at beginning of year		71,970	262,990
Cash and cash equivalents at end of year		131,734	71,970
Cash and cash equivalents at end of the year comprise:			
		2006 \$'000	2005 \$'000
Fixed deposits with banks and financial institutions		91,263	36,022
Cash at banks and in hand		40,471	35,948
		131,734	71,970

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Directors on 28 April 2006.

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 investments in associates.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

2 Licence and Operating Agreements

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 renewed every ten years. MRT may request LTA to extend the licence or subsequent licence for a period of 30 years subject to any other terms and conditions as LTA may impose.
- ii) MRT may apply for a grant from LTA for the replacement of eligible operating assets to be computed on the basis as set out in the MRT LOA. The main categories of eligible operating assets are trains, permanent way vehicles, power supply equipment and cabling, supervisory control system, escalators and lifts, platforms screen doors, environmental control system, electrical service and fire protection system, signalling system, communication system, automatic fare collection system and depot workshop equipment.
- iii) Upon the expiration or cancellation of the licence, MRT is required to surrender all parts of the MRT system owned by LTA in a condition substantially similar to their state as at the date of the MRT LOA subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the MRT LOA terms by MRT, MRT is required upon cancellation, to refund to LTA the total amount of the replacement grants received or such portion thereof as LTA may determine.

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

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

- i) The licence is for the period from 6 November 1999 to 31 March 2028 at an annual licence fee calculated at 0.5% of the annual passenger revenue of the preceding financial year net of goods and services tax and rebates, and such percentage would 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.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

2 Licence and Operating Agreements (cont'd)

b) SMRT Light Rail Pte Ltd ("LRT") (cont'd)

- 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.

3 Summary of Significant Accounting Policies

3.1 Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS) including related Interpretations promulgated by the Council on Corporate Disclosure and Governance.

In the financial year ended 31 March 2006, the Group adopted the following new/revised FRSs which are relevant to its operations:

FRS 1 (revised)	Presentation of Financial Statements
FRS 2 (revised)	Inventories
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	Events After the Balance Sheet Date
FRS 16 (revised)	Property, Plant and Equipment
FRS 17 (revised)	Leases
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 28 (revised)	Investments in Associates
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	Earnings Per Share
FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payments

The financial statements are presented in Singapore dollars and rounded to the nearest thousand, unless otherwise stated. They are prepared on the historical cost basis except for certain financial assets and financial liabilities.

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The 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, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

Judgements made by the management in the application of FRSs that have a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the following year are discussed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

3 Summary of Significant Accounting Policies (cont'd)

3.2 Consolidation

Subsidiaries

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

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. 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 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 profit and loss account in the period of the acquisition.

Associates

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

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

Transactions Eliminated on Consolidation

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

Accounting Policies of Subsidiaries and Associates

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

3.3 Foreign Currencies

Foreign Currency Transactions

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at the exchange rates approximate to those ruling at the balance sheet date. Transactions in foreign currencies are translated at rates ruling on transaction dates. Translation differences are included in the profit and loss account.

Foreign Operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition of foreign operations, are translated to Singapore dollars for consolidation at the rates of exchange ruling at the balance sheet date. Revenues and expenses of foreign operations are translated at exchange rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in equity. On disposal, accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

3 Summary of Significant Accounting Policies (cont'd)

3.4 Property, Plant and Equipment

Owned Assets

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

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

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

Subsequent Expenditure

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

Disposals

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

Depreciation

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

Leasehold land and properties	–	lease period ranging from 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 operation equipment	–	15 to 30 years

No depreciation is provided on unregistered buses and taxis.

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

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

The useful lives and residual values, if not insignificant, are reassessed annually.

During the financial year, the estimated useful life for selected bus models was changed from 12 years to 17 years with effect 1 April 2005. With a robust regular maintenance programme and a planned midlife upgrade, the reliability of these buses will extend beyond the current 12 years to the statutory life of 17 years. Arising from this change in the estimated useful life for selected bus models, the reduction in depreciation of the buses amounted to \$8.7 million for 2006.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

3 Summary of Significant Accounting Policies (cont'd)

3.5 Intangible Assets

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less impairment losses. Goodwill on the acquisition of subsidiaries is presented as intangible assets. Goodwill on the acquisition of associates is presented together with investments in associates.

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

3.6 Available-for-sale Financial Assets

Equity 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 profit and loss account. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the profit and loss account. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the profit and loss account.

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

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

3.7 Derivatives Financial Instruments

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

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

3.8 Inventories

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

3 Summary of Significant Accounting Policies (cont'd)

3.9 Trade and Other Receivables

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

3.10 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

3.11 Impairment

The carrying amounts of the Group's assets 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 whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the profit and loss account.

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 profit and loss account even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the profit and loss account is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account.

Calculation of Recoverable Amount

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

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

Reversals of Impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount 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 is not reversed through the profit and loss account. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

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.

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 profit and loss account over the period of the borrowings on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

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".

Employee Benefits

A) *DEFINED CONTRIBUTION PLANS*

Obligations for contributions to defined contribution plans are recognised as an expense in the profit and loss account 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 profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

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

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 company 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 Company 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

31 MARCH 2006

3 Summary of Significant Accounting Policies (cont'd)

3.14 Income Tax

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

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

Deferred Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

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

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

3.16 Grants

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

3 Summary of Significant Accounting Policies (cont'd)

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 profit and loss account on a straight-line basis over the terms of the leases.

Advertising Revenue

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

Engineering and Other Services

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

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

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.

3.19 Operating Leases

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

3 Summary of Significant Accounting Policies (cont'd)

3.20 Finance Costs

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

3.21 Interest and Investment Income

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

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

Gain or loss on disposal of investment is accounted for in the profit and loss account as they arise.

3.22 Segment Reporting

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

4 Property, Plant and Equipment

The Group	Leasehold Land and Properties \$'000	Furniture and Fittings, Office Equipment and Computers \$'000	Motor Vehicles \$'000	Rolling Stock \$'000	Power Supply Equipment \$'000
Cost					
At 1 April 2004	47,689	53,413	4,167	823,121	137,569
Additions	1,792	3,634	427	135	825
Disposals/write offs	(2,024)	(12,505)	(740)	(996)	(105)
Transfers/reclassifications	14,947	(2,187)	–	(1,343)	–
* Cost adjustments	(313)	–	–	(4)	–
At 31 March 2005	62,091	42,355	3,854	820,913	138,289
At 1 April 2005	62,091	42,355	3,854	820,913	138,289
Additions	395	3,353	251	66	393
Disposals/write offs	(3)	(1,622)	(456)	(78)	(838)
Transfers/reclassifications	9,213	11,765	–	53	9
At 31 March 2006	71,696	55,851	3,649	820,954	137,853
Accumulated depreciation and impairment losses					
At 1 April 2004	8,289	30,579	3,265	346,144	49,323
Depreciation charge for the year	2,177	6,235	434	45,540	8,257
Disposals/write offs	(1,826)	(9,929)	(626)	(335)	(54)
Transfers/reclassifications	–	174	–	(1,343)	–
At 31 March 2005	8,640	27,059	3,073	390,006	57,526
At 1 April 2005	8,640	27,059	3,073	390,006	57,526
Depreciation charge for the year	2,689	5,653	312	44,129	8,226
Disposals/write offs	(3)	(1,592)	(451)	(14)	(609)
At 31 March 2006	11,326	31,120	2,934	434,121	65,143
Carrying amount					
1 April 2004	39,400	22,834	902	476,977	88,246
31 March 2005	53,451	15,296	781	430,907	80,763
1 April 2005	53,451	15,296	781	430,907	80,763
31 March 2006	60,370	24,731	715	386,833	72,710

* Cost adjustments relate to price revisions on leasehold buildings improvements, rolling stocks and communication systems during 2005. The associated reduction in depreciation amounting to \$1,314,000 has been accounted for in 2005.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

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
271,148	182,697	127,281	23,553	281,304	24,561	1,976,503
252	256	53,400	24	2,026	75,820	138,591
(1,164)	(877)	(13,847)	(963)	(1,013)	–	(34,234)
(1,677)	(77)	19,004	(279)	7,606	(50,429)	(14,435)
(5,889)	–	–	–	–	(3,263)	(9,469)
262,670	181,999	185,838	22,335	289,923	46,689	2,056,956
262,670	181,999	185,838	22,335	289,923	46,689	2,056,956
924	9	29,636	93	1,268	53,551	89,939
(3,181)	(115)	(69,949)	(125)	(391)	–	(76,758)
2,278	–	45,345	243	6,013	(74,919)	–
262,691	181,893	190,870	22,546	296,813	25,321	2,070,137
106,056	46,041	42,323	18,330	151,899	–	802,249
20,208	19,365	20,307	1,212	17,539	–	141,274
(978)	(484)	(12,946)	(948)	(871)	–	(28,997)
(13,092)	–	–	(174)	–	–	(14,435)
112,194	64,922	49,684	18,420	168,567	–	900,091
112,194	64,922	49,684	18,420	168,567	–	900,091
20,449	9,934	23,499	1,088	15,546	–	131,525
(3,042)	(105)	(37,366)	(125)	(316)	–	(43,623)
129,601	74,751	35,817	19,383	183,797	–	987,993
165,092	136,656	84,958	5,223	129,405	24,561	1,174,254
150,476	117,077	136,154	3,915	121,356	46,689	1,156,865
150,476	117,077	136,154	3,915	121,356	46,689	1,156,865
133,090	107,142	155,053	3,163	113,016	25,321	1,082,144

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

4 Property, Plant and Equipment (cont'd)

The Company	Furniture and 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 2004	341	–	–	–	–	116	457
Additions	3,049	959	48	1,244	–	968	6,268
Disposals/write offs	(64)	–	–	(1,237)	–	–	(1,301)
At 31 March 2005	3,326	959	48	7	–	1,084	5,424
At 1 April 2005	3,326	959	48	7	–	1,084	5,424
Additions	543	175	–	–	28	1,183	1,929
Disposals/write offs	(15)	–	–	–	–	–	(15)
Transfers/reclassifications	1,605	–	–	–	–	(1,605)	–
At 31 March 2006	5,459	1,134	48	7	28	662	7,338
Accumulated depreciation and impairment losses							
At 1 April 2004	220	–	–	–	–	–	220
Depreciation charge for the year	701	266	10	395	–	–	1,372
Disposals/write offs	(33)	–	–	(394)	–	–	(427)
At 31 March 2005	888	266	10	1	–	–	1,165
At 1 April 2005	888	266	10	1	–	–	1,165
Depreciation charge for the year	1,023	298	12	1	3	–	1,337
Disposals/write offs	(15)	–	–	–	–	–	(15)
At 31 March 2006	1,896	564	22	2	3	–	2,487
Carrying amount							
1 April 2004	121	–	–	–	–	116	237
31 March 2005	2,438	693	38	6	–	1,084	4,259
1 April 2005	2,438	693	38	6	–	1,084	4,259
31 March 2006	3,563	570	26	5	25	662	4,851

5 Intangible Asset – The Group

	Goodwill \$'000
Cost	
At 1 April 2005 and 31 March 2006	63,373
Impairment losses	
At 1 April 2005 and 31 March 2006	21,441
Carrying amount	
1 April 2005 and 31 March 2006	41,932

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

5 Intangible Asset – The Group (cont'd)

Impairment tests for business units containing goodwill

Goodwill is allocated to the Group's business units:

	2006 \$'000	2005 \$'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:

- The sizes of taxi and bus fleets are those existing at the time of acquisition.
- There are no significant changes expected in bus ridership, bus fare and taxi rental rates as compared to current levels.
- Fare adjustments based on new fare formula advised by the Public Transport Council.
- The discount rate used is based on the pre-tax WACC of the Group.

The impairment loss of \$21,441,000 recorded in 2005 for the Company's investment in SMRT Road Holdings Ltd arose due to:

- an impairment charge in the bus operations segment as a result of slower ridership growth and lower average fare per passenger as compared to the forecast passenger fare at the time of acquisition and higher diesel costs in view of the current oil prices.
- an impairment charge in the taxi operations segment as a result of lower rental rate arising from competition in the taxi industry as compared to the forecast rental rate at the time of the acquisition.

6 Investments in Subsidiaries – The Company

	2006 \$'000	2005 \$'000
Unquoted equity shares, at cost	362,808	362,808
Less:		
Impairment losses	29,617	29,617
	333,191	333,191
Impairment losses		
At 1 April	29,617	11,476
Impairment loss for the year	–	21,441
Reversed during the year	–	(3,300)
At 31 March	29,617	29,617

NOTES TO THE FINANCIAL STATEMENTS

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6 Investments in Subsidiaries – The Company (cont'd)

Details of the subsidiaries are as follows:

Name of Subsidiary	Place of Incorporation	Effective Equity Interest Held by the Group	
		2006 %	2005 %
1 SMRT Trains Ltd. and its subsidiary:	Singapore	100	100
1 SMRT Light Rail Pte. Ltd.	Singapore	100	100
1 SMRT Engineering Pte Ltd	Singapore	100	100
1 SMRT International Pte Ltd	Singapore	100	100
1 SMRT Investments Pte Ltd	Singapore	100	100
1 RFP Investments Pte Ltd	Singapore	100	100
1 SMRT Road Holdings Ltd. and its subsidiaries:	Singapore	100	100
1 SMRT Buses Ltd.	Singapore	100	100
3 Singapore Shuttle Bus (Pte) Ltd	Singapore	100	100
1 SMRT Taxis Pte. Ltd.	Singapore	100	100
1 SMRT Automotive Services Pte. Ltd.	Singapore	100	100
1 Bus-Plus Services Pte Ltd	Singapore	100	100
4 Transit Link Pte Ltd	Singapore	66.67	66.67
2 EZCard Pte Ltd	Singapore	–	55

1 Audited by KPMG, Singapore.

2 Struck off from the Register of the Accounting and Corporate Regulatory Authority during the year.

3 Not audited as the company is under members' voluntary liquidation.

4 Audited by PricewaterhouseCoopers, Singapore.

7 Interests in an Associate – The Group

	2006 \$'000	2005 \$'000
Unquoted equity shares, at cost	1,500	1,500
Increase in investment	6,500	–
Share of post-acquisition results	(7,354)	(1,015)
Disposal of investment	(646)	–
	–	485

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

7 Interests in an Associate – The Group (cont'd)

Details of the associate is as follows:

Name of Associate	Place of Incorporation	Effective Equity Interest Held by the Group	
		2006 %	2005 %
Held by SMRT Engineering Pte Ltd			
TranSys Pte Ltd	Singapore	–	50.0

During the year, the Group disposed of the above-mentioned associate, TranSys Pte Ltd to a related corporation. This resulted in a loss on disposal of the associate, amounting to \$646,000 [See Note 21(e)] to the Group.

8 Available-for-sale Financial Assets – The Group

	2006 \$'000	2005 \$'000
Quoted equity securities	6,106	2,986
Unquoted equity securities	574	574
Other investments	193	193
	6,873	3,753

With the adoption of FRS 39, the Group states available-for-sale quoted equity securities at fair value. The differences between the fair values and the carrying amounts of these financial assets at 1 April 2005 are taken up to the opening balance of the fair value reserve at that date.

9 Inventories – The Group

	2006 \$'000	2005 \$'000
Spare parts, diesel, tyres and consumable stores	42,696	46,143
Less:		
Allowance for obsolete inventories	6,308	5,082
	36,388	41,061

10 Trade and Other Receivables

	Note	The Group		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade receivables	10(a)	14,298	15,409	–	–
Other receivables, deposits and prepayments	10(b)	60,581	23,380	661	461
Amounts due from subsidiaries	10(c)	–	–	302,285	325,062
		74,879	38,789	302,946	325,523

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

10 Trade and Other Receivables (cont'd)

10 (a) Trade Receivables – The Group

	2006 \$'000	2005 \$'000
Trade receivables	19,977	16,482
Less:		
Allowance for doubtful receivables	5,679	1,073
	14,298	15,409

Trade receivables of the Group include amounts of \$42,000 (2005: \$166,000) due from related corporations.

10 (b) Other Receivables, Deposits and Prepayments

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deposits	434	355	–	1
Prepayments	6,514	6,946	356	50
Recoverable expenses	4,946	298	7	–
Staff loans and advances	997	975	263	361
Interest receivable	221	5	–	–
Rebates	26,061	185	–	–
Recoverable in respect of accident claims	7,943	5,047	–	–
Accrued income (trade)	3,392	3,368	–	–
Advance to suppliers	3,744	5,108	–	–
Other receivables	6,329	1,093	35	49
	60,581	23,380	661	461

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

10 (c) Amounts due from Subsidiaries – The Company

	2006 \$'000	2005 \$'000
Current account	553	4,564
Non-interest bearing loans	64,177	174,106
Interest bearing loans	237,555	146,517
	302,285	325,187
Less:		
Allowance for doubtful receivables from subsidiaries	–	125
	302,285	325,062

The interest-bearing loans to subsidiaries are unsecured, bear interest at rates ranging from 1.81% to 3.41% (2005: 0.62% to 3.41%) per annum and are repayable on demand.

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

11 Tax Recoverable

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

12 Trade and Other Payables

	Note	The Group		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Trade payables and accrued operating expenses	12(a)	81,163	76,910	6,979	9,201
Other payables and refundable deposits	12(b)	53,195	69,938	4,059	2,595
Amounts due to subsidiaries	12(c)	–	–	74,900	69,732
		134,358	146,848	85,938	81,528

12 (a) Trade Payables and Accrued Operating Expenses – The Group

Trade payables and accrued operating expenses of the Group include amounts of \$8,224,000 (2005: \$5,355,000) due to related corporations.

Transactions with related parties are unsecured and priced on an arm's length basis.

12 (b) Other Payables and Refundable Deposits

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Customers deposits	4,144	4,087	41	30
Unearned revenue received	550	484	–	–
Unused portion of farecards	12,097	9,799	–	–
Farecard refundable deposits	10,066	10,071	–	–
Rental deposits	7,478	5,445	–	–
Interest payable	2,687	2,533	2,687	2,533
Purchase of property, plant and equipment	8,675	29,964	702	–
Retention monies	4,956	5,620	–	–
Other payables	2,542	1,935	629	32
	53,195	69,938	4,059	2,595

12 (c) Amounts due to Subsidiaries – The Company

	2006 \$'000	2005 \$'000
Current account	8,702	4,660
Interest-bearing loans	66,198	65,072
	74,900	69,732

The interest-bearing loans from subsidiaries are unsecured, bear interest at rates ranging from 1.95% to 3.31% (2005: 0.62% to 1.77%) per annum and are repayable on demand.

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

13 Interest-Bearing Borrowings – The Group and The Company

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

	2006 \$'000	2005 \$'000
Current liabilities		
Unsecured quoted bonds	250,000	–
Non-current liabilities		
Unsecured quoted bonds	–	250,000
Unsecured quoted floating rate notes	50,000	50,000
	50,000	300,000
	Total	Repayable
	\$'000	Within
		1 Year
		After 1 Year
		but within
		5 Years
		\$'000
2006		
Unsecured quoted bonds:		
– S\$ fixed at 3.41% per annum due 2006	250,000	250,000
Unsecured quoted floating rate notes		
– S\$ variable interest due 2010	50,000	–
	300,000	50,000
2005		
Unsecured quoted bonds:		
– S\$ fixed at 3.41% per annum due 2006	250,000	–
Unsecured quoted floating rate notes		
– S\$ variable interest due 2010	50,000	–
	300,000	300,000

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. Pursuant to this, the Company issued S\$50 million unsecured floating rate notes 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").

The S\$250 million bonds due 2006 were issued in bearer form with interest coupons attached and in denominations of \$250,000 each. Interest is payable semi-annually in arrears. The bonds are listed on the SGX-ST.

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

Unless previously redeemed or purchased and cancelled, the bonds due 2006 shall be redeemed in whole at par on 21 December 2006.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

14 Provisions

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Liability for defined benefit plan	2,908	3,245	167	634
Liability for short-term accumulating compensated absences	1,607	1,287	196	247
Accident claims	15,662	14,689	–	–
	20,177	19,221	363	881
Current	17,308	15,999	196	247
Non-current	2,869	3,222	167	634
	20,177	19,221	363	881

a) Liability for Defined Benefit Plan

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

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

Movements in the Net Liability Recognised in the Balance Sheet

	Note	The Group		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
At 1 April		3,245	5,247	634	543
Expenses recognised/(reversed) during the year	21(b)	245	(1,461)	103	91
Payments made		(582)	(541)	(570)	–
At 31 March		2,908	3,245	167	634

Recognised in the Profit and Loss Account

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current service costs	284	317	17	44
Interest on obligations	71	72	5	5
Overprovision in respect of prior years	–	(1,482)	–	–
Actuarial (gain)/loss	(110)	(368)	81	42
	245	(1,461)	103	91

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

14 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.

c) **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 Daniel Ee Hock Huat, Mr Edmund Koh Kian Chew, Mr Koh Kheng Siong and Mr Nithiah Nandan s/o Arumugam.

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

31 MARCH 2006

14 PROVISIONS (CONT'D)

c) *Equity Compensation Benefits (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 per cent 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 three year period (that is 33% in the first year, 66% in the second year and 100% in the third year) and may be exercised during the period commencing after the vesting date but before the tenth anniversary of the Grant Date.

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

14 PROVISIONS (CONT'D)

c) Equity Compensation Benefits (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 \$0.10 each of the Company are as follows:

Date of Grant of Options	Exercise Price Per Share	Options Outstanding at 1/4/2005	Options Granted	Options Exercised
16/7/2001	\$0.816	5,916,000	–	2,350,000
22/7/2002	\$0.676	4,407,200	–	1,903,100
22/7/2003	\$0.623	5,681,500	–	2,289,506
		16,004,700	–	6,542,606

During the financial year, no options have been granted.

Options Cancelled	Options Outstanding at 31/3/2006	Options Exercisable at 1/4/2005	Options Exercisable at 31/3/2006	Proceeds On Exercise Of Options During The Year Credited To Share Capital \$'000	Weighted Average Share Price at Exercise Date of Option	Exercise Period
105,000	3,461,000	5,916,000	3,461,000	1,918	\$1.11	16/7/2002 to 15/7/2011
123,500	2,380,600	4,101,600	2,380,600	1,286	\$1.10	22/7/2003 to 21/7/2012
129,500	3,262,494	386,500	2,852,194	1,427	\$1.11	22/7/2004 to 21/7/2013
358,000	9,104,094	10,404,100	8,693,794	4,631		

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

14 Provisions (cont'd)

c) Equity Compensation Benefits (cont'd)

SMRT ESOP (cont'd)

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.

Date of grant of options	22/7/2003
Fair value at measurement date	
– Management scheme – Second 1/3 of tranche	\$0.092
– Third 1/3 of tranche	\$0.101
– Employee scheme	\$0.093
Share price	\$0.623
Exercise price	\$0.623
Expected volatility	20.70%
Expected option life	10 years
Dividend yield	Management's forecast
Risk-free interest rate	2.76%

The expected volatility is based on the historic volatility, calculated based on monthly share prices over three years prior to date of grant of options.

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

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

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

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

l) ELIGIBLE PARTICIPANTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

14 Provisions (cont'd)

c) Equity Compensation Benefits (cont'd)

SMRT RSP and SMRT PSP (cont'd)

II) AWARDS

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

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

Awards granted under the SMRT PSP are performance-based and the targets set under the plan are intended to be based on medium-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 per cent of the issued share capital of the Company on the day preceding the relevant date of award.

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

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

IV) EVENTS PRIOR TO VESTING

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

14 Provisions (cont'd)

c) Equity Compensation Benefits (cont'd)

SMRT RSP and SMRT PSP (cont'd)

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

	SMRT PSP	SMRT RSP
Plan Description	Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives.	Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a two-year performance period based on medium-term corporate and business unit objectives with some degree of stretch.
Date of Grant	1 March 2006	1 March 2006
Performance Period	1 April 2005 to 31 March 2008	1 April 2005 to 31 March 2007
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 fulfillment 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 was used involving projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns. The simulation model was based on the following key assumptions:

	SMRT PSP	SMRT RSP
Historical volatility		
SMRT	20.64%	20.64%
Straits Times Index (STI)	9.24%	9.24%
Risk-free interest rates		
Yield of Singapore Government Securities on Date of Grant	3.21%	2.93% to 3.22%
Term	3 Year	2 to 4 Year
Expected dividend yield		
SMRT	———— Management's forecast ————	

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.

The details of shares awarded under the Plans during the year since commencement of the SMRT PSP and SMRT RSP were as follows:

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

14 Provisions (cont'd)

c) Equity Compensation Benefits (cont'd)

SMRT RSP and SMRT PSP (cont'd)

SMRT PSP

	Balance as at 1 April 2005	Shares Granted During Financial Year	Shares Cancelled During Financial Year	Shares Released During Financial Year	Balance as at 31 March 2006
Grant date					
1 March 2006					
- For senior management	-	40,000	-	-	40,000
- For executive director (Saw Phaik Hwa)	-	100,000	-	-	100,000
	-	140,000	-	-	140,000

The estimated fair value at date of grant for each share granted under the SMRT PSP is \$0.682 (including \$0.151 for non-market based performance conditions).

SMRT RSP

	Balance as at 1 April 2005	Shares Granted During Financial Year	Shares Cancelled During Financial Year	Shares Released During Financial Year	Balance as at 31 March 2006
Grant date					
1 March 2006					
- For senior management	-	495,500	-	-	495,500
- For executive director (Saw Phaik Hwa)	-	100,000	-	-	100,000
	-	595,500	-	-	595,500

The estimated fair values at date of grant for each share granted under the RSP ranges from \$0.857 to \$0.943.

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 2006, were 140,000 and 595,500 for SMRT PSP and SMRT RSP respectively. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 175,000 fully-paid SMRT shares and 716,920 fully-paid SMRT shares for SMRT PSP and SMRT RSP respectively.

In accordance with the accounting policy of the Group, during the current financial year, the Company has recognised \$30,000 (2005: Nil) in respect of the SMRT PSP and SMRT RSP based on the fair values determined on grant date and contingent shares awarded.

NOTES TO THE FINANCIAL STATEMENTS

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14 Provisions (cont'd)

c) Equity Compensation Benefits (cont'd)

SMRT RSP and SMRT PSP (cont'd)

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

	The Group and The Company	
	2006	2005
	\$'000	\$'000
Expense		
i) Share options under SMRT ESOP	69	236
ii) Performance shares under SMRT PSP	4	–
iii) Performance-based restricted shares under SMRT RSP	26	–
	99	236

d) Accident Claims

Provisions relate to provisions for accidents claims 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

		The Group	
	Note	2006	2005
		\$'000	\$'000
At 1 April		14,689	12,687
Provisions made during the year	21(c)	12,702	12,203
Provisions used during the year		(11,467)	(9,354)
Provisions reversed during the year	21(c)	(262)	(847)
At 31 March		15,662	14,689

15 Deferred Taxation

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

	The Group		
	Liability/ (Asset) at 1/4/2005 \$'000	Recognised in profit and loss account (note 22) \$'000	Liability/ (Asset) at 31/3/2006 \$'000
Excess of net book value over tax written down value of property, plant and equipment	142,773	39,320	182,093
Unutilised wear and tear allowances	(5,661)	(12,461)	(18,122)
Other temporary differences	(7,887)	(5,465)	(13,352)
	129,225	21,394	150,619

	The Company		
	Liability/ (Asset) at 1/4/2005 \$'000	Recognised in profit and loss account (note 22) \$'000	Liability/ (Asset) at 31/3/2006 \$'000
Excess of net book value over tax written down value of property, plant and equipment	812	105	917
Other temporary differences	(68)	144	76
	744	249	993

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16 Fuel Equalisation Account ("FEA") – The Group

	2006 \$'000	2005 \$'000
At 1 April	18,711	17,961
Provisions made during the year	401	1,575
Reversed during the year	–	(825)
At 31 March	19,112	18,711

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

During the year, a provision was made as the actual electricity tariff was below the reference electricity tariff. The corresponding charge to the profit and loss account has been included in electricity costs.

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

17 Deferred Grant – The Group

	Note	2006 \$'000	2005 \$'000
Grant received		480,000	480,000
Accumulated amortisation			
At 1 April		(286,226)	(260,411)
Amortisation during the year		(23,106)	(25,463)
Released on assets disposed/written-off	21(a)	(108)	(352)
At 31 March		(309,440)	(286,226)
		170,560	193,774

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.

18 Share Capital – The Company

	2006 No. of Shares (‘000)	2006 \$'000	2005 No. of Shares (‘000)	2005 \$'000
Issued and fully paid				
Ordinary shares:				
At 1 April	1,502,561	150,256	1,500,000	150,000
Issue of shares under SMRT ESOP	6,543	654	2,561	256
Transfer from share premium account upon implementation of the Companies (Amendment) Act 2005	–	5,583	–	–
At 31 March	1,509,104	156,493	1,502,561	150,256

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 2,350,000, 1,903,100 and 2,289,506 new fully-paid ordinary shares were issued for cash at a premium of \$0.716, \$0.576 and \$0.523 per share respectively by the Company during the year.

Since the date of commencement of the Companies (Amendment) Act 2005 on 30 January 2006:

- The concept of authorised share capital is abolished;
- The concept of par value is abolished; and
- The amount standing to the credit of the Company's share premium account becomes part of the Company's share capital.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

19 Reserves

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

Share-based payment reserve represents the equity-settled share options and performance shares granted to employees.

The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options and performance shares. The expense for services received will be recognised over the vesting period.

20 Revenue – The Group

	2006 \$'000	2005 \$'000
Passenger revenue	573,573	558,608
Taxis rental	79,263	70,133
Rental revenue	25,946	19,743
Advertising revenue	13,008	10,693
Engineering and other services	8,482	6,253
Sales of goods	11,060	7,660
Others	410	376
	711,742	673,466

21 Profit from Ordinary Activities before Taxation – The Group

Profit from ordinary activities before taxation includes the following:

	Note	2006 \$'000	2005 \$'000
a) Other operating income			
Commission and distribution fee		270	690
Gain on disposal of property, plant and equipment		–	1,029
Unutilised tickets		7,633	9,290
Maintenance income		1,890	1,418
Miscellaneous rental income		658	599
Grant released upon disposal/write-off of property, plant and equipment	17	108	352
Operating expense recharged to other transport operators		9,427	9,847
Others		4,750	3,151
		24,736	26,376
b) Staff and related costs			
Wages and salaries		219,826	216,687
Contributions to defined contribution plans		24,526	24,427
Increase/(Decrease) in liability for defined benefit plan	14(a)	245	(1,461)
Increase/(Decrease) in liability for short-term accumulating compensated absences		320	(682)
Value of employee services received for share-based payment		99	236
Other staff-related expenses and benefits-in-kind		8,514	8,507
		253,530	247,714

Included in staff and related costs are compensation to key management personnel of the Group as follows:

Directors of the Company		
– fees	428	398
– remuneration	1,008	862
Senior management personnel of the Group		
– short-term employee benefits	3,924	4,051
– post-employment benefits	127	141
– share-based payments	18	17
	5,505	5,469

NOTES TO THE FINANCIAL STATEMENTS

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21 Profit from Ordinary Activities before Taxation – The Group (cont'd)

	Note	2006 \$'000	2005 \$'000
c) Other operating expenses			
Audit fees paid to			
– auditors of the Company		221	221
– other auditors		54	57
Non-audit fees paid to auditors of the Company			
– current year		176	158
Licence fees paid to LTA		4,005	3,844
Foreign exchange loss		662	91
Loss on disposal of property, plant and equipment		516	–
Operating lease expenses		3,634	4,323
Property, plant and equipment written off		533	1,213
Cost of inventories sold		11,171	6,788
Provisions made during the year, net of reimbursement of \$1,020,000 (2005: \$1,331,000)	14(d)	11,682	10,872
Provisions reversed	14(d)	(262)	(847)
d) Finance costs			
Interest paid and payable on:			
– unsecured quoted bonds		8,462	13,723
– unsecured quoted floating rate notes		1,112	176
– bank loans		–	75
– others		84	–
		9,658	13,974
e) Interest and investment income			
Dividends received from:			
– quoted equity investments		249	89
– unquoted equity investments		–	100
Interest income from:			
– bank deposits and balances		1,391	1,255
– others		237	288
(Loss)/Gain on disposal of:			
– unquoted equity investments		–	3,500
– other unquoted investments		81	118
– investment in an associate	7	(646)	–
– investment in subsidiaries		(10)	–
		1,302	5,350

22 Income Taxes – The Group

	2006 \$'000	2005 \$'000
Current tax credit		
Current year	(943)	(3,296)
Overprovision in respect of prior years	(4)	(14,569)
	(947)	(17,865)
Balance carried forward	(947)	(17,865)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

22 Income Taxes – The Group (cont'd)

	2006 \$'000	2005 \$'000
Balance brought forward	(947)	(17,865)
Deferred tax expense/(credit)		
Movement in temporary differences	23,482	18,976
Overprovision in respect of prior years	(2,088)	(43,780)
	21,394	(24,804)
	20,447	(42,669)

Reconciliation of effective tax rate

	2006		2005	
	%	\$'000	%	\$'000
Profit before tax		124,071		83,883
Income tax using the Singapore tax rate	20.0	24,814	20.0	16,777
Expenses not deductible for tax purposes	2.2	2,681	6.1	5,145
Income not subject to tax	(3.8)	(4,680)	(7.0)	(5,890)
Current year deferred tax assets not recognised	–	18	–	49
Utilisation of previously unrecognised deferred tax assets	–	(31)	–	–
Utilisation of tax losses previously not recognised	(0.2)	(264)	(0.6)	(467)
Tax losses not allowed to be setoff against future taxable profits	–	1	0.1	66
Overprovision in respect of prior years	(1.7)	(2,092)	(69.5)	(58,349)
	16.5	20,447	(50.9)	(42,669)

In the previous financial year, the write-back of tax provision arose mainly from taking into account the capital allowances relating to operating assets funded by the LTA grant (See Note 17) upon finalisation of the income tax for year of assessment 2000 of a subsidiary during that year.

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

	2006 \$'000	2005 \$'000
Excess of tax written down value over net book value of property, plant and equipment	2,997	2,817
Unutilised tax losses	1,892	4,948
Unabsorbed wear and tear allowances	3,904	2,417
Deductible temporary differences	176	173
	8,969	10,355

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 – The Group

Basic earnings per share is based on:

	2006	2005	2005 As Previously Reported
	No. of Shares '000	No. of Shares '000	No. of Shares '000
Net profit attributable to ordinary shareholders	103,436	126,655	126,891
Weighted average number of shares outstanding during the year	1,502,562	1,500,000	1,500,000
Weighted average number of shares issued under share option scheme	4,457	315	315
Weighted average number of ordinary shares	1,507,019	1,500,315	1,500,315

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

23 Earnings Per Share – The Group (cont'd)

Diluted earnings per share is based on:

	2006	2005	2005 As Previously Reported
	'000	'000	'000
Net profit attributable to ordinary shareholders	103,431	126,581	126,891

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

	2006	2005	2005 As Previously Reported
	No. of Shares '000	No. of Shares '000	No. of Shares '000
Weighted average number of:			
Ordinary shares used in the calculation of basic earnings per share	1,507,019	1,500,315	1,500,315
Unissued shares under option	9,104	10,089	10,089
Number of shares that would have been issued at fair value	(6,011)	(8,600)	(8,600)
Weighted average number of ordinary issued and potential shares assuming full conversion	1,510,112	1,501,804	1,501,804

For the purpose of calculating the diluted earnings per share:

- 1) net profit attributable to ordinary shareholders is adjusted to take into account the share-based payment expenses arising from the dilutive share options and contingently issuable shares; and
- 2) 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 weight for the period outstanding.

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 comprises the following main business segments:

Rail operations:	Provision of MRT and LRT services.
Bus operations:	Provision of bus services and charter hire services.
Taxi operations:	Rental of taxis and provision of taxi services.
Rental:	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 investments in associates.

NOTES TO THE FINANCIAL STATEMENTS

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24 Segment Reporting (cont'd)

	MRT Operations \$'000	Rail LRT Operations \$'000	Bus Operations \$'000
a) Revenue and expenses			
2006			
Revenue			
– External customers	380,969	7,840	184,764
– Inter-segment	–	–	223
Operating expenses	(223,040)	(8,458)	(158,612)
Depreciation, impairment and amortisation	(64,412)	(95)	(16,446)
Operating profit/(loss)	93,517	(713)	9,929
Finance costs			
Interest and investment income			
Share of results of an associate			
Income tax expense			
Net profit for the year			
Attributable to:			
Equity holders of SMRT			
Minority interests			
2005			
Revenue			
– External customers	366,316	7,572	184,720
– Inter-segment	–	–	417
Operating expenses	(239,570)	(9,820)	(147,959)
Depreciation, impairment and amortisation	(65,199)	(106)	(26,391)
Operating profit/(loss)	61,547	(2,354)	10,787
Impairment losses of goodwill			
Finance costs			
Interest and investment income			
Share of results of an associate			
Income tax credit			
Net profit for the year			
Attributable to:			
Equity holders of SMRT			
Minority interests			

Taxi Operations \$'000	Rental \$'000	Advertising \$'000	Engineering and Other Services \$'000	Investment Holding \$'000	Elimination \$'000	Total \$'000
79,263	25,946	13,008	19,891	61	–	711,742
49	286	–	40,088	108,729	(149,375)	–
(54,110)	(4,494)	(4,307)	(56,321)	(28,395)	73,180	(464,557)
(23,741)	(767)	(396)	(1,224)	(1,338)	–	(108,419)
1,461	20,971	8,305	2,434	79,057	(76,195)	138,766
						(9,658)
						1,302
						(6,339)
						(20,447)
						103,624
						103,436
						188
						103,624
70,133	19,743	10,693	14,230	59	–	673,466
150	731	–	42,971	44,966	(89,235)	–
(45,054)	(3,379)	(3,508)	(48,642)	(48,297)	102,778	(443,451)
(20,686)	(295)	(331)	(1,430)	(1,373)	–	(115,811)
4,543	16,800	6,854	7,129	(4,645)	13,543	114,204
						(21,441)
						(13,974)
						5,350
						(256)
						42,669
						126,552
						126,655
						(103)
						126,552

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

24 Segment Reporting (cont'd)

	MRT Operations \$'000	Rail LRT Operations \$'000	Bus Operations \$'000
b) Assets and liabilities			
As at 31 March 2006			
Operating assets	765,621	5,939	159,526
Assets under construction	9,173	–	119
	774,794	5,939	159,645
Intangible asset			
Investments and cash equivalents			
Tax recoverable			
Unallocated assets			
Total assets			
Segment liabilities	338,506	18,263	102,348
Current tax payable			
Interest-bearing borrowings			
Deferred tax liabilities			
Total liabilities			
As at 31 March 2005			
Operating assets	840,439	6,239	164,159
Assets under construction	10,230	91	7,689
	850,669	6,330	171,848
Intangible asset			
Interests in an associate			
Investments and cash equivalents			
Tax recoverable			
Unallocated assets			
Total assets			
Segment liabilities	416,821	18,585	120,593
Current tax payable			
Interest-bearing borrowings			
Deferred tax liabilities			
Total liabilities			
c) Other segment information			
For the year ended 31 March 2006			
Capital expenditure	10,615	28	4,575
Non-cash expenses other than depreciation, impairment losses and amortisation	1,698	67	3,641
For the year ended 31 March 2005			
Capital expenditure	15,274	93	4,914
Non-cash expenses other than depreciation, impairment losses and amortisation	2,034	(17)	910

Taxi Operations \$'000	Rental \$'000	Advertising \$'000	Engineering and Other Services \$'000	Investment Holding \$'000	Elimination \$'000	Total \$'000
202,988	27,303	5,558	48,531	718,919	(766,516)	1,167,869
3,920	11,446	–	1	662	–	25,321
206,908	38,749	5,558	48,532	719,581	(766,516)	1,193,190
						41,932
						138,607
						10,184
						221
						1,384,134
168,314	7,478	4,234	53,277	87,135	(435,348)	344,207
						915
						300,000
						150,619
						795,741
149,345	18,496	4,318	52,469	729,022	(774,466)	1,190,021
27,073	389	105	29	1,083	–	46,689
176,418	18,885	4,423	52,498	730,105	(774,466)	1,236,710
						41,932
						485
						75,723
						8,977
						5
						1,363,832
134,175	5,615	4,102	40,966	82,462	(444,765)	378,554
						815
						300,000
						129,225
						808,594
51,996	20,018	161	615	1,930	–	89,938
14,031	(9)	39	704	52	–	20,223
99,468	13,194	571	1,641	3,436	–	138,591
8,620	20	19	279	(1,371)	–	10,494

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

25 Disposal of Subsidiary

On 10 May 2005, the Group liquidated a subsidiary, EZCard Pte Ltd. The subsidiary was incorporated with the intention to provide services related to the public transport industry. The subsidiary was dormant since its incorporation and did not contribute to the consolidated net profit for the year.

The effect of the disposal of the subsidiary is set out below:

	2006 \$'000
Cash at bank	9
Trade and other payables	(5)
Minority interest	(2)
Net identifiable assets and liabilities	2
Gain on disposal	3
First and final distribution	5

26 Significant Related Party Transactions – The Group

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

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

Related Corporations	2006 \$'000	2005 \$'000
Rental income received/receivable	–	1,177
Maintenance income received/receivable	545	909
Charter hire income received/receivable	917	653
Commission and distribution fee received/receivable	824	822
Consultancy income received/receivable	66	–
Purchases of goods and services	45,842	42,691

27 Commitments

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

	Note	The Group		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
a) Forward foreign exchange contracts (Notional Principal)	28	–	1,311	–	–
b) Capital expenditure commitments					
i) Contracted but not provided for with respect to purchase of property, plant and equipment		194,250	178,749	856	856
ii) Approved but not contracted for with respect to purchase of property, plant and equipment		205,202	184,737	–	–
iii) The Group is required to purchase the operating assets of the LRT System from LTA at book values by 25 October 2015 or within such other period as may be agreed in writing between LTA and LRT (See Note 2(b)(ii)).					

NOTES TO THE FINANCIAL STATEMENTS

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27 Commitments (cont'd)

c) Non-cancellable operating leases payable:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
i) Within 1 year	3,153	3,135	1,230	1,230
ii) After 1 year but within 5 years	5,267	7,021	–	1,230
iii) After 5 years	2,937	4,814	–	–
	11,357	14,970	1,230	2,460

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

d) Non-cancellable operating leases receivable:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
i) Within 1 year	31,560	19,069	–	–
ii) After 1 year but within 5 years	43,032	24,432	–	–
iii) After 5 years	467	2,049	–	–
	75,059	45,550	–	–

28 Financial Instruments

i) Financial risk management objectives and policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

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

CREDIT RISK

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

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

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

LIQUIDITY RISK

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

28 Financial Instruments (cont'd)

i) Financial risk management objectives and policies (cont'd)

Foreign currency risk

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

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

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

INTEREST RATE RISK

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

ii) Effective interest rates and repricing analysis

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

	Note	Effective Interest Rate %	Total \$'000	Within 1 Year \$'000	1 to 5 Years \$'000
The Group					
2006					
<i>FINANCIAL ASSETS</i>					
Fixed deposits with banks and financial institutions		3.16	91,263	91,263	–
<i>FINANCIAL LIABILITIES</i>					
Unsecured quoted bonds due 2006	13	3.41	(250,000)	(250,000)	–
Unsecured quoted floating rate notes due 2010	13	3.38	(50,000)	–	(50,000)
			(300,000)	(250,000)	(50,000)
2005					
<i>FINANCIAL ASSETS</i>					
Fixed deposits with banks and financial institutions		1.75	36,022	36,022	–
<i>FINANCIAL LIABILITIES</i>					
Unsecured quoted bonds due 2006	13	3.41	(250,000)	–	(250,000)
Unsecured quoted floating rate notes due 2010	13	1.81	(50,000)	(50,000)	–
			(300,000)	(50,000)	(250,000)

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

28 Financial Instruments (cont'd)

ii) Effective interest rates and repricing analysis (cont'd)

	Note	Effective Interest Rate %	Total \$'000	Within 1 Year \$'000	1 to 5 Years \$'000
The Company					
2006					
<i>FINANCIAL ASSET</i>					
Amounts due from subsidiaries	10(c)	3.31	237,555	237,555	–
<i>FINANCIAL LIABILITIES</i>					
Amounts due to subsidiaries	12(c)	3.31	(66,198)	(66,198)	–
Unsecured quoted bonds due 2006	13	3.41	(250,000)	(250,000)	–
Unsecured quoted floating rate notes due 2010	13	3.38	(50,000)	–	(50,000)
			(366,198)	(316,198)	(50,000)
2005					
<i>FINANCIAL ASSET</i>					
Amounts due from subsidiaries	10(c)	2.33	146,517	146,517	–
<i>FINANCIAL LIABILITIES</i>					
Amounts due to subsidiaries	12(c)	1.77	(65,072)	(65,072)	–
Unsecured quoted bonds due 2006	13	3.41	(250,000)	–	(250,000)
Unsecured quoted floating rate notes due 2010	13	1.81	(50,000)	(50,000)	–
			(365,072)	(115,072)	(250,000)

iii) Fair values

Financial assets of the Group and the Company also comprise trade and other receivables, cash and cash equivalents and other interest bearing loans. Financial liabilities also include trade and other payables and other interest bearing loans and borrowings. The carrying values of these financial assets and liabilities are approximations of their fair values because they are either:

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

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

28 Financial Instruments (cont'd)

iii) Fair values (cont'd)

The fair values of financial assets and liabilities which are not carried at fair value in the balance sheet as at 31 March 2006 are represented in the following table:

	Note	2006 Carrying Amount \$'000	2006 Fair Value \$'000	2005 Carrying Amount \$'000	2005 Fair Value \$'000
The Group					
Financial liabilities					
Unsecured quoted bonds	13	(250,000)	(249,665)	(250,000)	(254,000)
Unrecognised (loss)/gain			(335)		4,000
The Company					
Financial liabilities					
Unsecured quoted bonds	13	(250,000)	(249,665)	(250,000)	(254,000)
Unrecognised (loss)/gain			(335)		4,000

29 Dividends

After the balance sheet date, the directors proposed a final dividend of 5.5 cents (2005: 5.0 cents) per share less tax at 20% (2005: 20%) amounting to a net dividend of \$66,400,576 (2005: \$60,143,544). The dividends have not been provided for.

30 Changes in Accounting Policies

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 March 2006.

The changes in accounting policies arising from the adoption of FRS 39 Financial Instruments: Recognition and Measurement and FRS 102 Share-based Payment are summarised below:

FRS 39 Financial Instruments: Recognition and Measurement

The adoption of FRS 39 has resulted in the Group measuring its forward foreign exchange contracts and available-for-sale financial assets at fair values. This change has been accounted for by increasing the opening balance at 1 April 2005 of the fair value reserve and accumulated profits by \$1,345,000 and \$7,000 respectively. The change in fair value during the year of \$1,775,000 was also dealt with in the fair value reserve. Comparatives have not been restated.

Previously, forward foreign exchange contracts were not recorded on the balance sheet and investments in debt and equity securities were stated at cost less diminution in value or lower of cost or market value.

Financial assets and financial liabilities are stated at amortised cost instead of cost.

FRS 102 Share-based Payment

In accordance with the transitional provisions, FRS 102 has been applied to all grants after 22 November 2002 that were not yet vested as at 1 April 2005. The adoption of FRS 102 has resulted in a change in the Group's accounting policy for share-based payments, whereby the Group charges the fair value of grants under SMRT ESOP, SMRT PSP and SMRT RSP to the profit and loss account over the vesting periods.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2006

30 Changes in Accounting Policies (cont'd)

FRS 102 Share-based Payment (cont'd)

The adoption of FRS 102 resulted in:

	The Group and The Company	
	2006	2005
	\$'000	\$'000
Increase in staff and related costs	99	236
Decrease in opening accumulated profits	419	183
Increase in opening share-based payment reserves	419	183

The adoption of FRS 102 has no material impact on the basic and diluted earnings per share of the Company.

31 FRS not yet adopted

Certain new accounting standards and interpretations have been issued and are mandatory for accounting periods beginning on or after 1 January 2006. The initial assessment of these standards and interpretations is not expected to have any material impact on the Group's financial statements.

32 Accounting Estimates and Judgement

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

Key sources of estimation uncertainty

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

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

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

IMPAIRMENT OF GOODWILL AND INVESTMENT IN SUBSIDIARY

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the business units to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the business units 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 2006 was \$41,932,000 (2005: \$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 2006 was \$1,082,144,000. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

SHARE-BASED PAYMENT

Judgement and key assumptions involved in determining share-based payment expenses are detailed in Note 14(c).

33 Comparative Information

Comparatives in the financial statements have been changed from the previous year due to the changes in accounting policies as described in Note 30 and to be consistent with current year presentation.

SUPPLEMENTARY INFORMATION

THE FOLLOWING PAGES DO NOT FORM PART OF THE STATUTORY AUDITED FINANCIAL STATEMENTS

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

A) Directors' Remuneration

Directors of the Company receiving remuneration from the Group for the year ended 31 March 2006:

Name Of Director	Directors' Fee \$	Basic Salary \$	Variable or Performance Related Income/ Bonuses \$	Benefits -in-kind \$	SMRT ESOP, SMRT RSP & SMRT PSP \$	Total \$
\$400,000 and Above						
Saw Phaik Hwa	–	567,765	371,075	60,000	8,910	1,007,750
Below \$250,000						
Choo Chiau Beng	78,000	–	–	–	–	78,000
1 Cheah Kean Huat	11,795	–	–	–	–	11,795
Daniel Ee Hock Huat	55,279	–	–	–	–	55,279
Koh Kheng Siong	53,000	–	–	–	–	53,000
2 Edmund Koh Kian Chew	22,238	–	–	–	–	22,238
3 Victor Loh Kwok Hoong	15,247	–	–	–	–	15,247
4 Margaret Lui-Chan Ann Soo	18,871	–	–	–	–	18,871
5 Paul Ma Kah Woh	32,921	–	–	–	–	32,921
Niam Chiang Meng	41,000	–	–	–	–	41,000
Nithiah Nandan s/o Arumugam	41,000	–	–	–	–	41,000
Engelin Teh Guek Ngor	59,000	–	–	–	–	59,000

1 Retired on 14 July 2005.

2 Joined on 15 August 2005.

3 Retired on 14 July 2005.

4 Stepped down on 15 September 2005.

5 Joined on 15 July 2005.

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

	2006	2005
Remuneration Bands		
\$400,000 and above	1	1
\$250,000 to \$399,999	–	–
Below \$250,000	11	10
Total	12	11

B) Remuneration of Top Five Paying Key Executives

Remuneration Bands & Names of Top Five Paying Key Executives	Basic Salary %	Variable or Performance Related Income/ Bonuses %	Benefits %	SMRT ESOP, SMRT RSP & SMRT PSP %	Others %
\$400,000 to \$550,000 (in alphabetical order)					
Patrick Lau Li Tah	70.3%	21.4%	8.3%	0.0%	0.0%
Yeo Meng Hin	56.0%	36.7%	6.7%	0.6%	0.0%
\$250,000 to \$399,999 (in alphabetical order)					
Catherine Kuan-Lee Yee Fong	60.2%	31.4%	8.0%	0.4%	0.0%
Oh Seong Tatt	65.9%	30.2%	3.7%	0.2%	0.0%
Tan Hup Foi (1 April 2005 – 31 October 2005)	68.0%	23.8%	7.7%	0.5%	0.0%

DISCLOSURE UNDER SGX-ST LISTING MANUAL REQUIREMENTS

C) Group Properties

Major properties held for investment are listed below.

Location	Description/Existing Use	Tenure of Lease	Remaining Term of Lease
3 Bishan St 14	2-storey recreation clubhouse with tennis courts and basket/volley ball court.	Leasehold	15.6 years
6 Ang Mo Kio St 62	A bus depot comprising a 4-storey administrative office block, a workshop building with a 2-storey office block and 7 single-storey bus parking bay-cum-workshop.	Leasehold	6.7 years
60 Woodlands Industrial Park E	A bus depot comprising garaging with 3-storey workshop facilities and 2-storey ancillary office.	Leasehold	21.3 years
209 Kranji Road	A single-storey bus depot with office-cum-canteen, workshop, washing shed and other ancillary facilities.	Leasehold	8.8 years

D) Interested Person Transactions

Pursuant to Chapter 9 of the SGX-ST Listing Manual, a general mandate was obtained for recurrent transactions of a revenue or trading nature or those necessary for the Group's day-to-day operations but not in respect of the purchase or sales of assets, undertakings or businesses.

Interested Person/Nature of Transactions	Aggregate value of all interested person transactions during the Financial Year under review (excluding transactions less than \$100,000 and transactions entered into under Shareholders' Mandate pursuant to Rule 920) \$'000	Aggregate value of all interested person transactions entered into under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$'000
Purchases of goods and services		
Singapore Technologies Kinetics Ltd	–	7,360
Sembwaste Pte Ltd	–	168
Singapore Computer Systems Ltd	–	100
Power Automation Pte Ltd	–	13,931
Sales of goods and services		
DBS Bank Ltd	–	288
Singapore Telecommunications Limited	–	209
MediaCorp Press Ltd	–	270

ECONOMIC VALUE ADDED STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

	2006 \$'000	2005 \$'000
Profit from ordinary activities before taxation	124,071	83,883
Adjustments for:		
Interest expense	9,658	13,974
Others	934	23,404
Adjusted profit before interest and taxation	134,663	121,261
Economic tax (Note 1)	(23,375)	(20,078)
Net operating profit after tax (NOPAT)	111,288	101,183
Average capital employed (Note 2)	823,361	892,809
Weighted average cost of capital (Note 3)	6%	6%
Capital charge (CC)	49,402	53,569
Economic value added (EVA) (NOPAT-CC)	61,886	47,614

Note 1: The reported current tax is adjusted for the statutory tax impact of interest expense.

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

Major capital components	2006 \$'000
Long-term debt	300,000
Equity	523,361
	823,361

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

- i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0 per cent
- ii) Pre-tax Risk-free rate of 3.2 per cent (2005: 3.2 per cent) based on average yield of Singapore Government 7-year Bond
- iii) Ungeared beta at 0.54 based on peer analysis
- iv) Pre-tax Cost of Debt at 3.8 per cent (2005: 3.8 per cent) based on Pre-tax Risk-free rate plus credit spread

VALUE ADDED STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

	2006 \$'000	2005 \$'000
Revenue	711,742	673,466
Less:		
Cost of bought-in goods and services	196,517	182,643
Gross value added	515,225	490,823
Share of results of an associate	(6,339)	(256)
(Loss)/Gain on disposal of investments	(326)	3,807
Interest income	1,628	1,543
(Loss)/Gain on disposal of property, plant and equipment	(516)	1,029
	509,672	496,946
Applied as follows:		
To Employees – staff and related costs	253,431	247,478
To Government – income and other taxes	34,540	(28,546)
To Providers of capital:		
Interest on borrowings	9,658	13,974
Dividends to shareholders	78,324	56,402
Balance reinvested in business:		
Depreciation of property, plant and equipment	131,525	141,274
Minority interests	188	(103)
Profit retained by the Group	25,112	70,489
Others	(23,106)	(4,022)
	509,672	496,946

SHAREHOLDERS' INFORMATION

Statistics of Shareholders

as at 25 May 2006

Number of shares issued:	1,509,581,636
Issued and fully paid capital:	S\$156,826,204.938
Class of shares:	ordinary shares
Voting rights:	one vote per share

Distribution of Shareholders

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 999	41	0.09	17,457	0.00
1,000 – 10,000	42,540	92.56	105,906,661	7.01
10,001 – 1,000,000	3,352	7.29	159,347,627	10.56
1,000,001 and above	26	0.06	1,244,309,891	82.43
Total	45,959	100.00	1,509,581,636	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Temasek Holdings (Private) Limited	824,400,030	54.61
2	DBSN Services Pte Ltd	92,240,147	6.11
3	DBS Nominees Pte Ltd	77,727,796	5.15
4	HSBC (Singapore) Nominees Pte Ltd	61,249,745	4.06
5	Citibank Nominees Singapore Pte Ltd	57,353,285	3.80
6	Raffles Nominees Pte Ltd	49,467,151	3.28
7	United Overseas Bank Nominees Pte Ltd	22,110,338	1.46
8	DB Nominees (S) Pte Ltd	21,518,995	1.43
9	Lee Pineapple Company Pte Ltd	5,000,000	0.33
10	OCBC Nominees Singapore Pte Ltd	4,528,000	0.30
11	Phillip Securities Pte Ltd	3,863,430	0.26
12	Chong Kah Yung	3,500,000	0.23
13	Quah Wee Lai	3,000,000	0.20
14	Royal Bank Of Canada (Asia) Ltd	2,669,000	0.18
15	Merrill Lynch (Singapore) Pte Ltd	1,879,225	0.12
16	DBS Vickers Securities (S) Pte Ltd	1,566,000	0.10
17	OCBC Securities Private Ltd	1,555,500	0.10
18	Hong Leong Finance Nominees Pte Ltd	1,387,000	0.09
19	Societe Generale Singapore Branch	1,346,776	0.09
20	NTUC Thrift & Loan Co-Operative Limited	1,250,000	0.08
	Total	1,237,612,418	81.98

Substantial Shareholder

Name of Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Temasek Holdings (Private) Limited	824,400,030	54.61	10,890,000	0.72

Note: Temasek Holdings (Private) Limited is deemed to be interested in the 10,890,000 shares held by DBS Group Holdings Limited group of companies.

Shareholding Held In Hands Of Public

Based on information available to the Company as at 25 May 2006, approximately 44.58 per cent of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

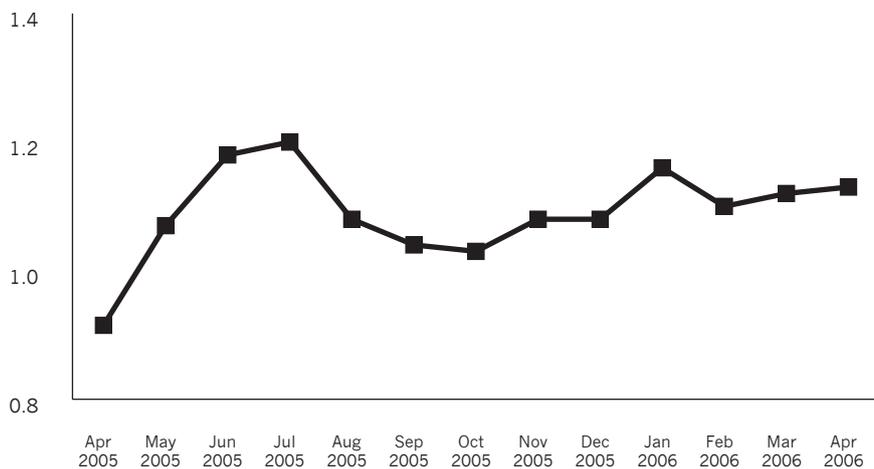
SHAREHOLDERS' INFORMATION

SMRT Corporation Share Prices and Traded Volumes

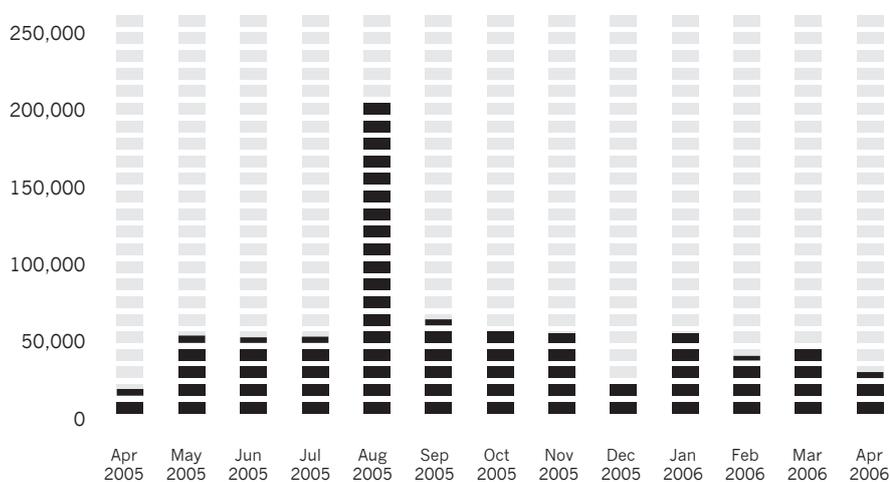
Date	Closing Price (\$\$)	Traded Volume ('000)
April 2005	0.915	14,790
May 2005	1.070	50,148
June 2005	1.180	48,295
July 2005	1.200	47,742
August 2005	1.080	201,300
September 2005	1.040	59,376
October 2005	1.030	51,489
November 2005	1.080	50,863
December 2005	1.080	20,866
January 2006	1.160	50,005
February 2006	1.100	36,205
March 2006	1.120	39,599
April 2006	1.130	25,622

Source: Bloomberg

MONTHLY SHARE PRICE PERFORMANCE (\$\$)



MONTHLY TRADED VOLUME ('000)



NOTICE OF ANNUAL GENERAL MEETING

SMRT CORPORATION LTD
(Incorporated in the Republic of Singapore)
(Registration No.: 200001855H)

To: All Shareholders

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at Raffles City Convention Centre, Collyer Room, Level 4, 2 Stamford Road, Singapore 178882, on Thursday, 20 July 2006 at 2.30 p.m. to transact the following business:

As Ordinary Business:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 March 2006 together with the Auditors' Report thereon.
2. To declare a Final Dividend of 5.5 cents per share, less income tax at 20 per cent, for the financial year ended 31 March 2006.
3. To approve the sum of \$428,351 as Directors' Fees for the financial year ended 31 March 2006 (FY2005: \$398,800).
4. a) To re-elect Mr Choo Chiau Beng who is retiring in accordance with Article 94 of the Company's Articles of Association.
b) To note the retirement of Mr Niam Chiang Meng and Mr Nithiah Nandan s/o Arumugam who are retiring in accordance with Article 94 of the Company's Articles of Association.
5. To re-elect the following Directors who are retiring in accordance with Article 100 of the Company's Articles of Association:
 - a) Mr Edmund Koh Kian Chew
 - b) Mr Paul Ma Kah Woh
6. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business:

7. To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

7.1 That authority be and is hereby given to the Directors to:

- a) i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- 1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

As Special Business (cont'd):

- 2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - ii) any subsequent consolidation or subdivision of shares;
- 3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- 4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7.2 That authority be and is hereby given to the Directors to:

- a) grant awards in accordance with the provisions of the SMRT Corporation Restricted Share Plan ("SMRT RSP") and/or the SMRT Corporation Performance Share Plan ("SMRT PSP") (the SMRT RSP and SMRT PSP, together the "Share Plans"); and
- b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the SMRT Corporation Employee Share Option Plan ("SMRT ESOP") and/or such number of fully paid ordinary shares as may be required to be issued pursuant to the vesting of awards under the SMRT RSP and/or SMRT PSP,

provided always that the aggregate number of ordinary shares to be issued pursuant to the Share Plans and the SMRT ESOP shall not exceed 15 per cent of the issued shares in the capital of the Company from time to time.

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

"That for the purpose of Chapter 9 of the Listing Manual of the SGX-ST ("Chapter 9"):

- a) approval be and is hereby given for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions, particulars of which are set out in Appendix B of the Letter to Shareholders dated 23 June 2006, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- b) the approval given in paragraph (a) above (the "General Mandate") shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the General Mandate and/or this Resolution."

Any Other Business:

9. To transact any other business that may be transacted at an Annual General Meeting.

By Order of the Board
S. PREMA (Ms)
Company Secretary

Singapore
23 June 2006

NOTICE OF ANNUAL GENERAL MEETING

Notice of Closure of Books

Notice is hereby given that the Transfer Books and the Register of Members of the Company will be closed from 27 July 2006 to 28 July 2006 (both dates inclusive) for the preparation of dividend warrants. The final dividend, if approved at the Seventh Annual General Meeting, will be paid on 8 August 2006 to members on the Register as at 26 July 2006. In respect of shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the said final dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

Duly completed transfers received by the Share Registrar, Lim Associates (Pte) Ltd, at 10 Collyer Quay #19-08 Ocean Building Singapore 049315 up to 5.00 p.m. on 26 July 2006 will be registered to determine shareholders' entitlements to the final dividend.

Explanatory notes on Ordinary Business to be transacted:

- Resolution 3 Directors will be paid a basic fee and will get additional allowances for their services on other Board Committees.
- To promote a market competitive fee structure, the Directors have recommended a revision in the basic fee and the additional allowances of the Board Committees. The proposed scale of Directors' fees (per annum) is set out below:
- | Board of Directors | |
|---------------------------|----------|
| Chairman's Allowance | \$25,000 |
| Basic Fee | \$35,000 |
- | Audit Committee | |
|------------------------|----------|
| Chairman's Allowance | \$20,000 |
| Member's Allowance | \$12,000 |
- | Remuneration Committee/Nominating Committee | |
|----------------------------------------------------|----------|
| Chairman's Allowance | \$12,000 |
| Member's Allowance | \$6,000 |
- Resolution 4(a) Mr Choo Chiau Beng will, upon re-election as a Director of the Company, continue to serve as the Chairman of the Board, the Chairman of the Remuneration Committee and a Member of the Nominating Committee. Mr Choo Chiau Beng is an independent director.
- Resolution 5(a) Mr Edmund Koh Kian Chew will, upon re-election as a Director of the Company, continue to serve as a Member of the Remuneration Committee. Mr Edmund Koh is an independent director.
- Resolution 5(b) Mr Paul Ma Kah Woh will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee. Mr Paul Ma is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory notes on Special Business to be transacted:

- Resolution 7.1 Is to empower the Directors to issue shares in the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total fifty per cent (50%) of the issued shares in the capital of the Company with a sub-limit of twenty per cent (20%) for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the issued shares in the capital of the Company at the time that Resolution 7.1 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 7.1 is passed, and any subsequent consolidation or subdivision of shares.
- Resolution 7.2 Is to authorise the Directors to:
- a) grant awards in accordance with the SMRT Corporation Restricted Share Plan (“SMRT RSP”) and/or the SMRT Corporation Performance Share Plan (“SMRT PSP”) both of which were approved at the Extraordinary General Meeting on 15 July 2004; and
 - b) to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the SMRT Corporation Employee Share Option Plan and/or such number of shares to be issued pursuant to the vesting of awards under the SMRT RSP and/or the SMRT PSP.
- Resolution 8 Is to renew the General Mandate to enable the Company, its subsidiaries and associated companies or any of them to enter into any of the mandated transactions with parties who are considered “Interested Person” (as defined in Chapter 9).

Notes

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

Board of Directors:

Choo Chiau Beng (*Chairman*)
Saw Phaik Hwa (*President and Chief Executive Officer*)
Daniel Ee Hock Huat
Edmund Koh Kian Chew
Koh Kheng Siong
Paul Ma Kah Woh
Niam Chiang Meng
Nithiah Nandan s/o Arumugam
Engelin Teh Guek Ngor

Registered Office:

251 North Bridge Road
Singapore 179102

23 June 2006

To: The Shareholders of SMRT Corporation Ltd ("Shareholders")

Dear Sir/Madam

RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

We refer to item 8 of the Notice of the 7th Annual General Meeting of SMRT Corporation Ltd (the "Company") (the "7th AGM") which is an Ordinary Resolution ("Resolution 8") to be proposed at the 7th AGM for the renewal of the Company's general mandate for interested person transactions. The purpose of this letter is to provide Shareholders with information relating to Resolution 8.

1 Background

At an Extraordinary General Meeting of the Company held on 17 July 2003 (the "EGM"), Shareholders approved a general mandate (the "General Mandate") for interested person transactions pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual") which enabled the Company, its subsidiaries and associated companies that are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual, to enter in the ordinary course of business into any of the mandated transactions with specified classes of the Company's interested persons, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such transactions.

General information on the listing rules relating to interested person transactions, including the meanings of terms such as "associate", "entity at risk", "interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual is set out in Appendix A to this letter.

2 Renewal of the General Mandate

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The General Mandate was renewed at the 6th Annual General Meeting of the Company (the "6th AGM") held on 14 July 2005 and will continue to be in force until the conclusion of the 7th AGM. Accordingly, it is proposed that the General Mandate be renewed at the 7th AGM, to take effect until the conclusion of the 8th Annual General Meeting of the Company.

The nature of the interested person transactions and the classes of interested persons in respect of which the General Mandate is sought to be renewed remain unchanged. Particulars of the General Mandate, including the rationale for, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of interested persons, are set out in Appendix B to this letter.

3 Audit Committee's statement

The Audit Committee of the Company confirms that:

- a) the methods or procedures for determining the transaction prices under the General Mandate have not changed since the 6th AGM; and
- b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

LETTER TO SHAREHOLDERS

4 Directors' and substantial shareholders' interests

The interests of the Directors of the Company in the issued shares in the capital of the Company as at 31 March 2006 can be found on pages 88 to 91.

The interests of the substantial Shareholder of the Company in the issued shares in the capital of the Company as at 25 May 2006 can be found on page 155.

Saw Phaik Hwa will abstain from voting with her shareholdings in the Company, if any, on Resolution 8 relating to the renewal of the General Mandate at the forthcoming 7th AGM. Saw Phaik Hwa shall also decline to accept appointment as proxy for any Shareholder to vote on Resolution 8, unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 8.

Temasek Holdings (Private) Limited ("Temasek") and its associates, being interested persons in relation to the proposed renewal of the General Mandate, will abstain from voting with their respective shareholdings (if any) in the Company on Resolution 8 relating to the renewal of the General Mandate at the forthcoming 7th AGM. Temasek and its associates shall also decline to accept appointment as proxies for any Shareholder to vote on Resolution 8, unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 8.

5 Recommendation

The Directors of the Company who are considered independent for the purposes of the proposed renewal of the General Mandate are Messrs Choo Chiau Beng, Daniel Ee Hock Huat, Edmund Koh Kian Chew, Koh Kheng Siong, Paul Ma Kah Woh, Niam Chiang Meng, Nithiah Nandan s/o Arumugam and Engelin Teh Guek Ngor. Having considered, inter alia, the terms, the rationale and the benefits of the General Mandate, they are of the opinion that the entry into the Interested Person Transactions (as described in paragraph 5 of Appendix B) between the SMRT Group (as described in paragraph 1 of Appendix B) and the Interested Persons (as described in paragraph 4 of Appendix B) in the ordinary course of its business will be in the best interests of the Company. For the reasons set out in paragraphs 1 and 3 of Appendix B, they recommend that Shareholders vote in favour of Resolution 8 relating to the renewal of the General Mandate at the forthcoming 7th AGM.

6 Responsibility statement

The Directors collectively and individually accept responsibility for the accuracy of the information given in this letter and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this letter are fair and accurate and that there are no material facts the omission of which would make any statement in this letter misleading.

7 Singapore Exchange Securities Trading Limited

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made or the opinions expressed in this letter.

8 Advice to Shareholders

Shareholders who are in any doubt as to the action they should take, should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Yours faithfully

For and on behalf of the Board of Directors of

SMRT CORPORATION LTD



CHOO CHIAU BENG

Chairman

APPENDIX A

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1 Introduction

Chapter 9 of the Listing Manual governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or in aggregate with all other transactions conducted with the same interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or make an immediate announcement and seek its shareholders' approval for that transaction.

2 Under the Listing Manual

"Entity at Risk"

The term "entity at risk" means (a) the listed company, (b) a subsidiary of the listed company that is not listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") or an approved exchange, or (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

"Interested Person"

The term "interested person" means a director, chief executive officer or controlling shareholder of the listed company, or an associate of any such director, chief executive officer or controlling shareholder.

"Interested Person Transaction"

The term "interested person transaction" means a transaction between an entity at risk and an interested person.

"Associate"

In relation to any director, chief executive officer, substantial or controlling shareholder (being an individual), an "associate" means (a) an immediate family member (that is, spouse, child, adopted child, step-child, sibling and parent); (b) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (c) any company in which the individual and his immediate family together (directly or indirectly) have an interest of 30% or more.

In relation to a substantial shareholder or controlling shareholder (being a company), an "associate" means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

"Associated Company"

A listed company's "associated company" is a company in which at least 20% but not more than 50% of its shares are held by the listed company or group.

"Controlling Shareholder"

A "controlling shareholder" of a listed company is a person who holds directly or indirectly 15% or more of the voting shares in the listed company, or a person who in fact exercises control over the listed company.

"Approved Exchange"

An "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9.

"Chief Executive Officer"

"Chief executive officer" means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.

3 Materiality Thresholds, Disclosure Requirements and Shareholders' Approval

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("NTA")) are reached or exceeded.

APPENDIX A

3 Materiality Thresholds, Disclosure Requirements and Shareholders' Approval (cont'd)

Immediate Announcement

An immediate announcement is required where the interested person transaction is of a value equal to, or more than, 3% of the listed group's latest audited consolidated NTA.

Where the aggregate value of all the transactions entered into with the same interested person during the same financial year amounts to 3% or more of the listed group's latest audited consolidated NTA, the listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.

Shareholders' Approval

Shareholders' approval is required where the interested person transaction is of a value equal to or more than:

- a) 5% of the listed group's latest audited consolidated NTA; or
- b) 5% of the listed group's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

Based on the latest audited consolidated accounts of SMRT Corporation Ltd ("SMRT" or the "Company") and its subsidiaries (the "Group") for the financial year ended 31 March 2006, the consolidated NTA of the Group was S\$544 million. In relation to the Company, for the purposes of Chapter 9, in the current financial year and until such time as the consolidated audited accounts of the Group for the financial year ending 31 March 2007 are published, 5% of the latest audited consolidated NTA of the Group would be S\$27.2 million.

However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below S\$100,000.

4 Exceptions

Rule 916 of the Listing Manual provides that the following transactions are not required to comply with Rule 906 of the Listing Manual (which requires a listed company to obtain shareholders' approval for certain interested person transactions):

- 1) The entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by independent valuation.
- 2) Investment in a joint venture with an interested person if:
 - a) the risks and rewards are in proportion to the equity of each joint venture partner;
 - b) the listed company confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the listed company and its minority shareholders; and
 - c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.

APPENDIX A

4 Exceptions (cont'd)

- 3) The provision of a loan to a joint venture with an interested person if:
 - a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;
 - b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and
 - c) the listed company confirms by an announcement that its audit committee is of the view that:
 - i) the provision of the loan is not prejudicial to the interests of the listed company and its minority shareholders; and
 - ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the listed company and its minority shareholders.
- 4) The award of a contract by way of public tender to an interested person if:
 - a) the awarder entity at risk announces the following information:
 - i) the prices of all bids submitted;
 - ii) an explanation of the basis for selection of the winning bid; and
 - b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.
- 5) The receipt of a contract which was awarded by way of public tender, by an interested person if:
 - a) the bidder entity at risk announces the prices of all bids submitted; and
 - b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

5 Shareholders' Mandate

Rule 920(1) of the Listing Manual permits a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

APPENDIX B

GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

1 Introduction and Rationale for the General Mandate

It is envisaged that the SMRT Corporation Ltd group of companies (“SMRT Group”) will, in the ordinary course of their businesses, continue to enter into the categories of transactions (the “Interested Person Transactions”) set out in paragraph 5 below with the specified classes of the Company’s interested persons (the “Interested Persons”) set out in paragraph 4 below. Such transactions are likely to occur with some degree of frequency and could arise at any time. For the purpose of Chapter 9 of the Listing Manual, the SMRT Group comprises (a) SMRT Corporation Ltd (“SMRT” or the “Company”), (b) subsidiaries of SMRT (other than a subsidiary that is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) or an approved exchange), and (c) associated companies of SMRT (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the SMRT Group, or the SMRT Group and interested person(s) of SMRT Group, has or have control.

Given that the Interested Person Transactions are expected to be recurrent transactions and may occur at any time, and to allow the SMRT Group to undertake such transactions in a more expeditious manner, the obtaining of a general mandate (the “General Mandate”) pursuant to Chapter 9 will enable the SMRT Group, or any of them, in the ordinary course of their businesses, to enter into the Interested Person Transactions with the Interested Persons, provided that such Interested Person Transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and the minority shareholders of the Company (the “Shareholders”).

2 Scope of the General Mandate

- 2.1 The General Mandate will cover a wide range of transactions arising in the normal course of business operations of the SMRT Group, in particular, those relating to its principal activities of operating the Mass Rapid Transit (“MRT”) and the Bukit Panjang Light Rapid Transit (“LRT”) systems and of providing public bus and taxi services, and its ancillary activities which include providing chartered bus and car rental services and specialist engineering consultancy services.
- 2.2 It is anticipated that the SMRT Group may, from time to time, in the normal course of its business, enter into or participate in joint ventures and similar forms of mutual collaboration or participation, such as joint investments, co-operation arrangements and shareholders’ agreements (collectively, “joint ventures”) and related transactions with the Interested Persons to undertake substantive commitments, or for business efficacy, diversification of risk and mutual benefit, particularly in areas of activities that are complementary to, or offer synergy for, the SMRT Group and its joint venture partners. The General Mandate will not cover any such joint venture with Interested Person(s). Such joint venture with Interested Person(s) which complies with the provisions of Rule 916(2) of the Listing Manual (the details of which are described in Appendix A) is exempted from requiring Shareholders’ approval. In the event that such transaction does not comply with the provisions of Rule 916(2) of the Listing Manual, the Company will separately seek Shareholders’ approval prior to the entry thereof.
- 2.3 The General Mandate will not cover any transaction arising from (a) the award of a contract by way of public tender by any company in the SMRT Group to an Interested Person, or (b) the receipt of a contract by any company in the SMRT Group which was awarded by way of public tender by an Interested Person, if it complies with the provisions of Rule 916(4) or Rule 916(5) of the Listing Manual (details of which are described in Appendix A), whichever is applicable. Such transaction which complies with the provisions of Rule 916(4) or Rule 916(5), whichever is applicable, of the Listing Manual is exempted from requiring Shareholders’ approval.
- 2.4 The General Mandate will not cover any transaction by a company in the SMRT Group with an Interested Person Transaction that is below S\$100,000 in value, as Chapter 9 provides that any such transaction is to be excluded from the relevant provisions of Chapter 9.
- 2.5 Transactions by the SMRT Group with the Interested Person that do not fall within the ambit of the General Mandate will be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

3 Benefit to Shareholders

The General Mandate is intended to facilitate the specified categories of transactions in the normal course of business of the SMRT Group which are transacted, from time to time, with the Interested Persons, provided that they are carried out on the SMRT Group’s normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

APPENDIX B

3 Benefit to Shareholders (cont'd)

Where the Interested Person Transactions relate to the purchase of products and receipt of services from the Interested Persons, the SMRT Group will benefit from having access, where applicable, to competitive quotes from the Interested Persons, and may also derive savings in terms of cost efficiencies and greater economies of scale. The sale of products and provision of services to the Interested Persons widen the customer base and provide an additional source of revenue for the SMRT Group, provided that such products and services are provided on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The General Mandate will eliminate the need for the Company to announce, or to convene separate general meetings, from time to time, to seek Shareholders' approval as and when the need to enter into a specified category of transaction with the Interested Person arises, thereby substantially reducing the administrative time, inconvenience and expense in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the SMRT Group, and enabling companies within the SMRT Group to expeditiously conclude time-sensitive business arrangements with the Interested Persons.

4 Classes of Interested Persons

The General Mandate will apply to the Interested Person Transactions (as described in paragraph 5 below) with the following classes of Interested Persons, namely:

- a) Temasek Holdings (Private) Limited ("Temasek"); and
- b) the associates of Temasek.

5 Categories of Interested Person Transactions

The Interested Person Transactions entered into by the SMRT Group with the Interested Persons (as described in paragraph 4 above) which will be covered by the General Mandate (which will not include transactions in respect of the purchase or sale of assets, undertaking or businesses) are as follows:

- a) the leasing or rental of premises within the MRT and LRT stations for commercial use;
- b) the provision of car rental, chartered bus and taxi services;
- c) the selling of advertisement space;
- d) the provision or procurement of engineering, repair, servicing and technical services;
- e) the obtaining, purchase, leasing or rental (as lessor and lessee) of electronic engineering equipment, parts, components, and computer maintenance, software and systems;
- f) the obtaining or procurement of communications and all other forms of utility services and products; and
- g) the procurement of insurance.

6 Review Procedures for Interested Person Transactions

- 6.1 In general, the SMRT Group has internal control procedures to ensure that the Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms consistent with the SMRT Group's usual practices and policies, which (in relation to services or products to be provided to an Interested Person) are no more favourable to the Interested Person than those extended to unrelated third parties, or (in relation to services or products to be obtained from an Interested Person) are no less favourable than those extended to the SMRT Group by unrelated third parties.

APPENDIX B

6 Review Procedures for Interested Person Transactions (cont'd)

In particular, the following review procedures will be undertaken:

a) **Provision of Services or Sale of Products**

For transactions with Interested Persons which are not subject to Rule 916(5) of the Listing Manual, the review procedures are as follows:

- i) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product provider within the SMRT Group, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to a class of customers or for bulk purchases or long-term contracts where the giving of such preferential rates/prices/discounts are commonly practiced within the applicable industry and may be extended to unrelated third parties), or otherwise in accordance with applicable industry norms; and
- ii) where the prevailing market rates or prices are not available due to the nature of the service to be provided or the product to be sold, the SMRT Group's pricing for such services to be provided or products to be sold to the Interested Persons is determined in accordance with the SMRT Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the SMRT Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such services or products, the senior management of the relevant company of the SMRT Group (who has no interest, direct or indirect, in the transaction) will take into account factors such as, but not limited to, specifications, quantity, volume consumption, customer requirements, duration of contract, and strategic purposes of the transaction.

b) **Obtaining of Services or Purchasing of Products**

In general, for the obtaining of services and purchasing of products, the SMRT Group has an internal policy of calling for tenders and awarding the contract to the lowest offer which meets tender specifications in full or very substantially.

For transactions with Interested Persons which are not subject to (i) Rule 916(4) of the Listing Manual and (ii) the SMRT Group's internal policy on tenders (for instance, when there are no unrelated third party vendors of similar products or services or if the product or service is proprietary), the senior management staff of the relevant company in the SMRT Group (who has no interest, direct or indirect, in the transaction) will determine whether the price and terms offered by the Interested Person are in accordance with industry norms, and are fair and reasonable. In determining whether the price and terms offered by the Interested Person are fair and reasonable, factors such as, but not limited to, specification compliance, track record, skill, experience, quality of service and sales support, delivery schedules, financial standing and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will be taken into account.

In addition to the review procedures, a threshold limit equivalent to 3% of the latest audited consolidated net tangible assets of the Company for transactions with Interested Persons ("IPT Limit") will be applied to supplement the internal procedures of the SMRT Group to ensure that transactions are undertaken with Interested Persons on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

Where the SMRT Group's individual transaction with an Interested Person exceeds the IPT Limit, such transaction must be approved by the Audit Committee prior to its entry. Where the SMRT Group's individual transaction is equal to or below the IPT Limit and in excess of or equal to S\$100,000, such transaction need not have the prior approval of the Audit Committee, but shall be reviewed on a quarterly basis by the Audit Committee.

- 6.2 A register will be maintained by the Company to record all Interested Person Transactions (and the basis on which they are entered into) which are entered into pursuant to the General Mandate.

The Company shall, on a quarterly basis, report to the Audit Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the preceding quarter. The Audit Committee shall review such Interested Person Transactions at its quarterly meeting except where such Interested Person Transactions are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.

APPENDIX B

6 Review Procedures for Interested Person Transactions (cont'd)

6.3 The Company's annual internal audit plan shall incorporate a review of all Interested Person Transactions, including the established review procedures for the monitoring of such Interested Person Transactions, entered into during the current financial year pursuant to the General Mandate.

The Audit Committee shall, in conjunction with its review of the Interested Person Transactions and the internal audit report, ascertain whether the established review procedures have been complied with. If, during its reviews, the Audit Committee is of the view that the review procedures as stated above are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the SMRT Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that the Interested Person Transaction will be on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to the Shareholders for a fresh mandate based on new review procedures for the Interested Person Transactions. In such a case, all Interested Person Transactions will be reviewed and approved by the Audit Committee prior to their entry while the fresh mandate is being sought from the Shareholders.

6.4 For purposes of the above review and approval process, any Director of the Company who is not considered independent for purposes of the General Mandate and/or any Interested Person Transaction will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit Committee's decision during its review procedures for the Interested Person Transactions or during its review or approval of any Interested Person Transaction.

7 Expiry and Renewal of the General Mandate

The General Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the conclusion of the next annual general meeting of the Company ("AGM") and will apply to Interested Person Transactions entered into from the date of receipt of Shareholders' approval. Approval from Shareholders will be sought for the renewal of the General Mandate at each subsequent AGM, subject to review by the Audit Committee of its continued application to the Interested Person Transactions.

If the Audit Committee is of the view that the review procedures under the General Mandate are not sufficient to ensure that the Interested Person Transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh General Mandate from the Shareholders based on new review procedures for Interested Person Transactions.

8 Disclosure

Pursuant to Chapter 9, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions entered into under the General Mandate during the financial year, and in the annual reports for the subsequent financial years during which the General Mandate is in force. In addition, the Company will announce the aggregate value of the Interested Person Transactions entered into pursuant to the General Mandate for the financial periods which it is required to report on within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

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PROXY FORM ANNUAL GENERAL MEETING

SMRT CORPORATION LTD
(Incorporated in the Republic of Singapore)
(Company Registration Number : 200001855H)

Important:

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

I/We _____ NRIC/Passport No. _____ of

being a member/members of SMRT Corporation Ltd ("the Company") hereby appoint

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (NUMBER OF SHARES)

and/or (delete as appropriate)

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (NUMBER OF SHARES)

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to vote for me/us and on my/our behalf at the Seventh Annual General Meeting of the Company, to be held at Raffles City Convention Centre, Collyer Room, Level 4, 2 Stamford Road, Singapore 178882, on Thursday, 20 July 2006 at 2.30 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting and at any adjournment thereof.

NO.	RESOLUTIONS	INDICATE YOUR VOTE FOR OR AGAINST WITH A TICK	
		FOR	AGAINST
1.	Adoption of Directors' Report, Audited Financial Statements and Auditors' Report		
2.	Declaration of Final Dividend		
3.	Approval of Directors' Fees		
4a)	Re-election of Mr Choo Chiau Beng as Director		
5a)	Re-election of Mr Edmund Koh Kian Chew as Director		
5b)	Re-election of Mr Paul Ma Kah Woh as Director		
6.	Re-appointment of KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
7.1	Authority for Directors to issue shares		
7.2	Authority for Directors to grant awards and issue and allot shares, pursuant to the SMRT Corporation Employee Share Option Plan, SMRT Corporation Restricted Share Plan and SMRT Corporation Performance Share Plan		
8.	Renewal of the General Mandate for Interested Person Transactions		
9.	ANY OTHER BUSINESS		

Dated this _____ day of _____ 2006

Total Number of Shares Held: _____

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

IMPORTANT: PLEASE READ NOTES ON THE REVERSE



3rd fold here & fold flap



PLEASE
AFFIX
POSTAGE
STAMP

THE COMPANY SECRETARY
SMRT CORPORATION LTD
251 NORTH BRIDGE ROAD
SINGAPORE 179102

2nd fold here

Notes to Proxy Form

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holding (expressed as the number of shares) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing or, where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
4. A corporation which is a member may authorise by a resolution of its directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote on its behalf.
5. The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company at 251 North Bridge Road, Singapore 179102, at least 48 hours before the time appointed for the Seventh Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member.
7. The Company shall be entitled to reject the instrument appointing proxy or proxies if it is incomplete, or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Seventh Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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DIRECTORY OF SUBSIDIARIES

SMRT Trains Ltd

SMRT Investments Pte Ltd

SMRT International Pte Ltd

RFP Investments Pte Ltd

251 North Bridge Road
Singapore 179102
Telephone: (65) 6331 1000
Facsimile: (65) 6334 0247
www.smrt.com.sg

SMRT Engineering Pte Ltd

300 Bishan Road
Singapore 579828
Telephone: (65) 6554 8531
Facsimile: (65) 6453 7645
www.smrt.com.sg

SMRT Light Rail Pte Ltd

1 Woodlands Road
#03-01 Ten Mile Junction
Singapore 677899
Telephone: (65) 6893 6456
Facsimile: (65) 6762 6732
www.smrt.com.sg

SMRT Road Holdings Ltd

SMRT Buses Ltd

6 Ang Mo Kio Street 62
Singapore 569140
Telephone: (65) 6482 3888
Facsimile: (65) 6482 3842
www.smrt.com.sg

Singapore Shuttle Bus (Pte) Ltd

(In Members' Voluntary Liquidation)
c/o RSM Chio Lim
18 Cross Street, #18-01
Marsh & McLennan Centre
Singapore 048423

SMRT Taxis Pte Ltd

60 Woodlands Industrial Park E4
Singapore 757705
Telephone: (65) 6369 0111
Facsimile: (65) 6369 3639
www.smrt.com.sg

SMRT Automotive Services Pte Ltd

60 Woodlands Industrial Park E4
Singapore 757705
Telephone: (65) 6866 2697
Facsimile: (65) 6368 7421
www.smrt.com.sg

Bus-Plus Services Pte Ltd

6 Ang Mo Kio Street 62
Singapore 569140
Telephone: (65) 6481 0166
Facsimile: (65) 6484 0129
www.smrt.com.sg

Transit Link Pte Ltd

9 Maxwell Road #03-02 Annexe A
MND Complex
Singapore 069112
Telephone: (65) 6236 6666
Facsimile: (65) 6222 0220
www.transitlink.com.sg



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Company Registration No: 200001855H