



SIDE by SIDE

SMRT CORPORATION LTD ANNUAL REPORT 2009

CONTENTS

| | |
|------------|---|
| 01 | Introduction |
| 08 | Group Financial Highlights |
| 10 | At a Glance |
| 12 | Chairman's Message |
| 16 | Board of Directors |
| 20 | Senior Management |
| 24 | Organisation Structure |
| 25 | Group Structure |
| 26 | Corporate Information |
| 27 | Corporate Governance |
| 50 | Investor Relations |
| 54 | Corporate Social Responsibility |
| 66 | Significant Events |
| 68 | Operating and Financial Review |
| 69 | Breaking New Grounds |
| 71 | Company Overview and Background |
| 72 | Background – Regulatory Framework |
| 75 | Group Performance Overview, Segmental Performance |
| 77 | Discussion and Analysis on Income Statements |
| 78 | Quarterly Results |
| 79 | Discussion and Analysis on Balance Sheet, Capital Structure and Funding |
| 80 | Capital Expenditure, Cashflow |
| 81 | Value Added Statement |
| 82 | Economic Value Added Statement, Productivity Analysis |
| 84 | Key Dynamics and Risk Management |
| 86 | Sensitivity Analysis |
| 87 | Outlook for FY2010 |
| 88 | SMRT Trains & SMRT Light Rail |
| 96 | SMRT Buses |
| 101 | SMRT Automotive Services |
| 104 | SMRT Taxis |
| 107 | SMRT Investments (Properties & Media) |
| 110 | SMRT Engineering & SMRT International |
| 113 | Financial Report |
| 190 | Group Properties and Interested Person Transactions |
| 191 | Shareholding Statistics |
| 192 | Notice of Annual General Meeting |
| 199 | Proxy Form |
| | Directory of Subsidiaries and Associated Companies |

VISION

MOVING PEOPLE,
ENHANCING LIVES

MISSION

TO BE THE CUSTOMER'S
CHOICE BY PROVIDING
A SAFE, RELIABLE
AND FRIENDLY TRAVEL
EXPERIENCE THAT IS
ENHANCED THROUGH
CONVENIENT AND
INNOVATIVE SERVICES

CORE VALUES

EXCELLENCE

RESPECT,
RESPONSIBILITY AND
RECOGNITION

COMMITMENT TO THE
PUBLIC, SHAREHOLDERS
AND EMPLOYEES

A LEADER IN PUBLIC TRANSPORT

SMRT Corporation Ltd (SMRT) is a leading multi-modal public transport operator and transport engineering and service solutions provider. Established in 1987 and headquartered in Singapore, SMRT has been listed on the Singapore Exchange since 2000. Our market capitalisation is over \$2 billion while total assets is \$1.5 billion. We have an annual turnover of \$879 million and a net profit after tax of \$163 million.

In Singapore, SMRT is a leading player in the transport sector. We continue to shape the transport landscape with our comprehensive suite of rail, bus and taxi services. These are complemented by value-added solutions including the leasing of commercial and advertising spaces within our network, operations and maintenance services, project management and engineering consultancy.

We have established a firm reputation as a reliable and progressive transport service provider, characterised by our sound corporate governance policies, commitment towards sustainable development and strong corporate social responsibility. These and our excellent track record have enabled us to expand into the region, growing our customer base to countries such as the Middle East, India, China and Australia.



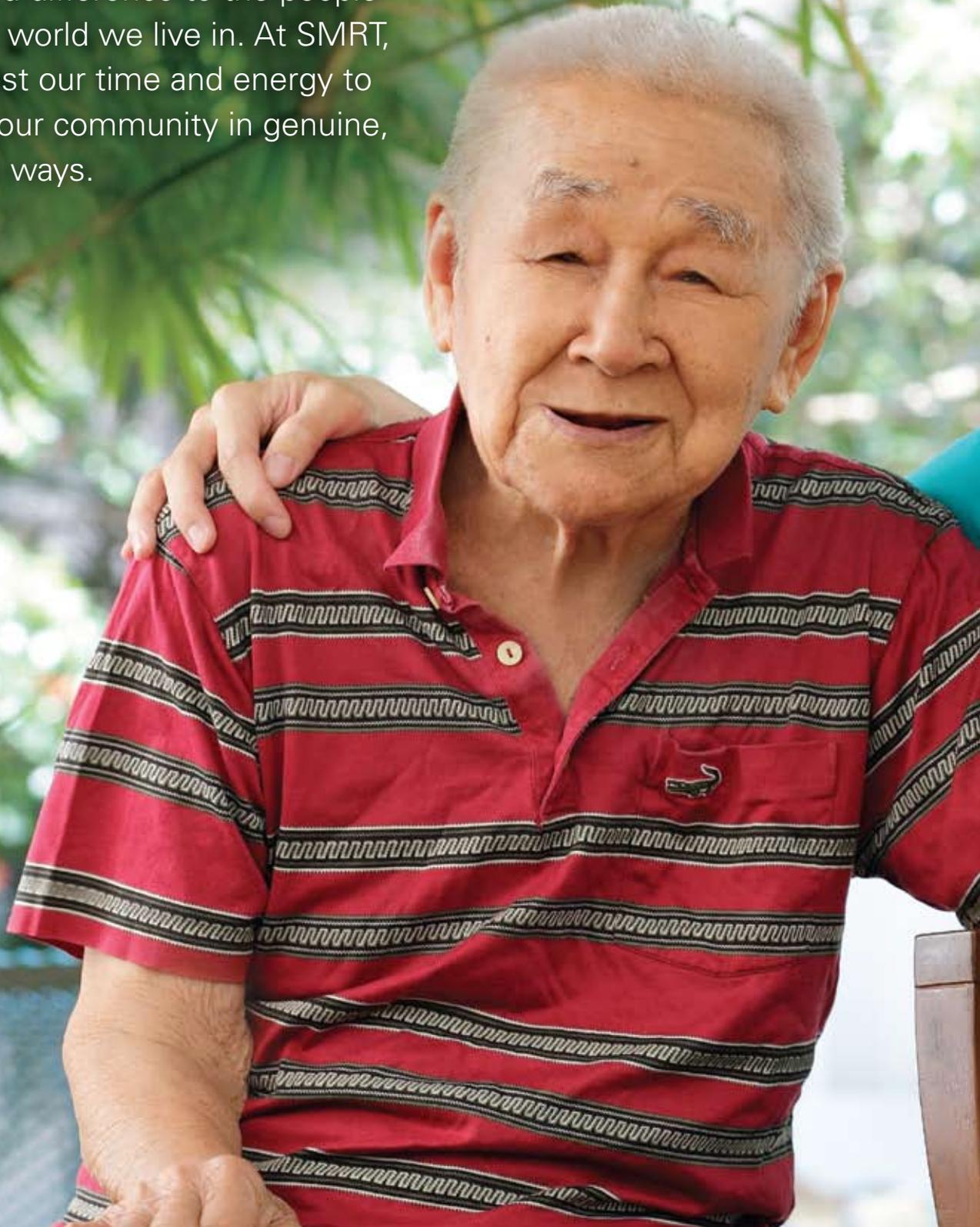


EYE EYE

What our customers value, we strive to deliver everyday. Where we identify needs, we offer choices. Our customers count on us to meet their needs, hence we keep them at the centre of all that we do at SMRT.

HEART HEART

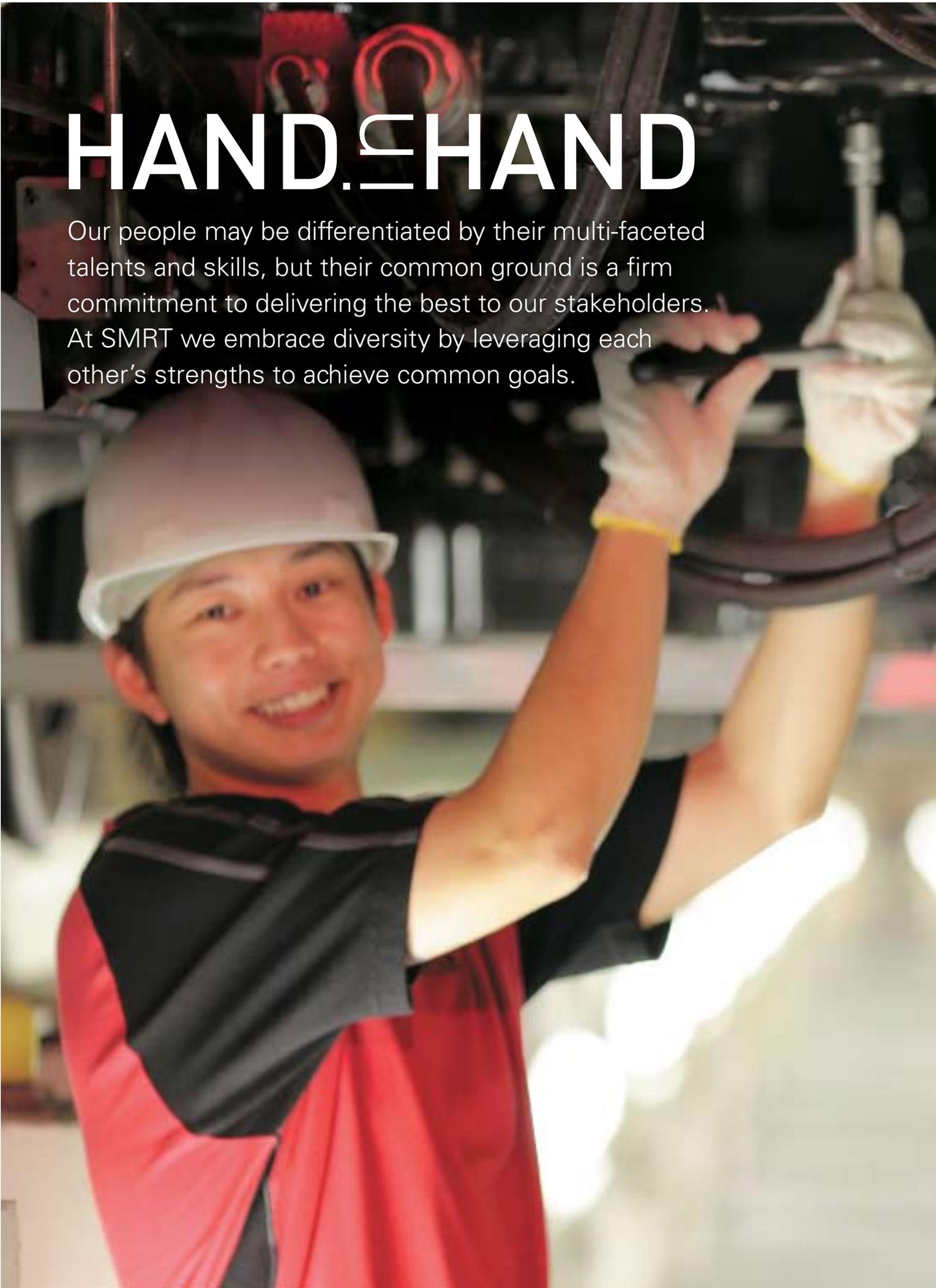
No man is an island. Community living requires us to do our part in making a difference to the people and the world we live in. At SMRT, we invest our time and energy to impact our community in genuine, positive ways.





HAND. SHAND

Our people may be differentiated by their multi-faceted talents and skills, but their common ground is a firm commitment to delivering the best to our stakeholders. At SMRT we embrace diversity by leveraging each other's strengths to achieve common goals.





GROUP FINANCIAL HIGHLIGHTS

FY2009 FINANCIAL PERFORMANCE

REVENUE
+9.6% OVER FY08

\$879.0M

\$162.7M

PATMI
+8.5% OVER FY08

GROSS DIVIDEND
PER SHARE

7.75 cents

\$111.1M

EVA
+7.6% OVER FY08

CASH AND CASH
EQUIVALENTS
+5.6% OVER FY08

\$245.6M

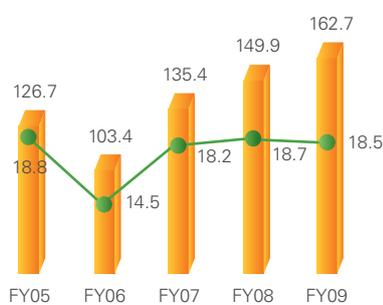
23.3%

RETURN ON EQUITY
+0.5% PTS OVER FY08

Revenue (\$m)



PATMI



Gross Dividend Per Share



Cash and Cash
Equivalents (\$m)



EVA (\$m)



Return on Equity



FOR THE YEAR

| \$m | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|----------------------------|--------|--------|--------|--------|--------------|
| Revenue | 673.5 | 711.7 | 743.1 | 802.1 | 879.0 |
| Profit | | | | | |
| EBITDA ¹ | 230.0 | 247.2 | 255.0 | 284.1 | 299.0 |
| Operating profit | 92.8 | 138.8 | 145.3 | 178.0 | 188.7 |
| Before tax | 83.9 | 124.1 | 142.3 | 176.2 | 185.8 |
| After tax | 126.6 | 103.6 | 135.8 | 149.9 | 162.7 |
| PATMI ² | 126.7 | 103.4 | 135.4 | 149.9 | 162.7 |
| Capital expenditure | 138.6 | 89.9 | 107.9 | 118.3 | 190.4 |
| Cash from operations | 223.8 | 247.5 | 296.7 | 286.9 | 324.3 |
| Free cash flow | 1.5 | 60.0 | 110.3 | 51.5 | 24.8 |
| Economic value added (EVA) | 47.6 | 61.9 | 77.5 | 103.3 | 111.1 |
| Financial ratios | | | | | |
| EBIT margin (%) | 13.8 | 19.5 | 19.5 | 22.2 | 21.5 |
| Net profit margin (%) | 18.8 | 14.6 | 18.3 | 18.7 | 18.5 |
| Interest cover (times) | 16.5 | 25.6 | 25.7 | 35.4 | 40.5 |

AT YEAR-END

| \$m | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|-------------------------------------|--------|--------|--------|--------|--------------|
| Cash and cash equivalents | 72.0 | 131.7 | 169.6 | 232.5 | 245.6 |
| Short-term and long-term borrowings | 300.0 | 300.0 | 250.0 | 250.0 | 250.0 |
| Shareholders' funds | 553.1 | 586.0 | 640.2 | 677.1 | 722.1 |
| Net gearing (times) ³ | 0.41 | 0.29 | 0.13 | 0.03 | 0.01 |

PER SHARE

| Cents | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---------------------------------|--------|--------|--------|--------|-------------|
| Basic earnings per share (EPS) | 8.4 | 6.9 | 9.0 | 9.9 | 10.7 |
| Net asset value ⁴ | 36.8 | 38.8 | 42.3 | 44.7 | 47.6 |
| Net tangible asset ⁵ | 34.0 | 36.1 | 39.6 | 41.9 | 44.9 |

SHAREHOLDERS' RETURN

| | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|--------|--------|--------|--------|---------------|
| Gross dividend (cents) | 6.5 | 7.0 | 7.25 | 7.75 | 7.75 |
| Net dividend (cents) | 5.2 | 5.6 | 7.0 | 7.75 | 7.75 |
| Share price at end of year (\$) | 0.93 | 1.12 | 1.49 | 1.82 | 1.53 |
| Total shareholder return (%) ⁶ | 63.6 | 26.9 | 39.1 | 26.6 | (11.5) |
| Return on total assets (%) ⁷ | 8.6 | 7.5 | 9.8 | 10.6 | 11.1 |
| Return on equity (%) ⁸ | 24.5 | 18.2 | 22.1 | 22.8 | 23.3 |

Notes:

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

AT A GLANCE

 Revenue (\$)
 Operating profit (\$)

MRT



Facts

- Operates and maintains Singapore's first Mass Rapid Transit (MRT) system since 1987
- Network comprises North South line and East West line with a total route length of 93.2 km
- 106 six-car trains run on double tracks along 53 stations

Highlights in FY2009

- Full-year FY2009 ridership grew 8.7% to 510.2 million from 469.3 million in FY2008
- Boon Lay Extension revenue service commenced on 28 February 2009
- Received "Best Metro", "Best Metro (Asia Pacific)" and "Most Energy Efficient Metro" awards at the international MetroRail 2009

Strategic Direction and Outlook for FY2010

- Revenue from MRT operations will be impacted by the fare reduction effective from 1 April 2009
- Circle Line service from Bartley to Marymount will commence revenue service in May 2009
- Continue to promote ridership

LRT



Facts

- Singapore's first fully-automated Light Rapid Transit (LRT) system commenced operations in 1999
- Network comprises 7.8 km of elevated guideways linking 14 stations in Bukit Panjang

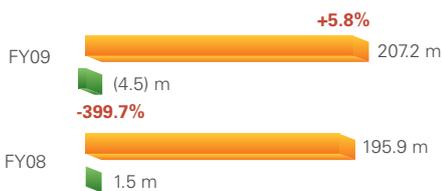
Highlights in FY2009

- Full-year FY2009 ridership increased 5.4% to 16.0 million from 15.1 million in FY2008
- Operational performance improved on all counts, including service availability and equipment downtime

Strategic Direction and Outlook for FY2010

- Revenue from LRT operations will be impacted by the fare reduction
- Continue to improve cost efficiency and grow ridership

BUSES



Facts

- Comprises a fleet of more than 890 buses operating from six interchanges
- Provides 91 bus services connecting the Western and North-Western areas to the rest of Singapore

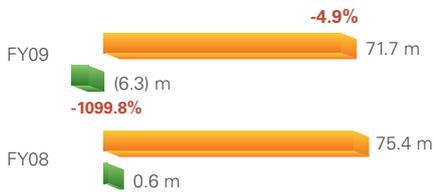
Highlights in FY2009

- Full-year FY2009 ridership increased 3.9% to 288.0 million from 277.3 million in FY2008
- Launched 67 new Euro V buses
- 280 buses have undergone mid-life upgrade

Strategic Direction and Outlook for FY2010

- Revenue from bus operations will be impacted by the fare reduction
- Introduce more bus services to meet diverse needs of customers

TAXIS



Facts

- Second largest taxi operator in Singapore with more than 17 years of experience
- Manages and leases a fleet of about 2,600 taxis, including MPVs, sedans, CNG and limousine cabs

Highlights in FY2009

- Introduced environmentally friendly Azera CNG and Chrysler limousine taxis to the fleet
- Equipped all taxis with cashless CEPAS compliant terminals and ez-link payment readers

Strategic Direction and Outlook for FY2010

- Operating performance is expected to be better
- Introduce new vehicles to replace ageing standard taxis and grow fleet size
- Roll out new taxi booking system

RENTAL



Facts

- Leases approximately 27,348 sqm of commercial space at 51 MRT and 13 LRT stations

Highlights in FY2009

- Achieved incremental rental revenue of more than \$10 million with increased lettable space and yields
- Average occupancy rate in FY2009 was 99.2% (FY2008: 98.1%)

Strategic Direction and Outlook for FY2010

- Continue to grow rental revenue with increased rental space at MRT stations

ADVERTISING



Facts

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

Highlights in FY2009

- Part of consortium to clinch Dubai Metro's 10-year media contract
- Launched several major advertising campaigns

Strategic Direction and Outlook for FY2010

- Introduce new advertising panels and creative channels for advertisers

ENGINEERING AND OTHER SERVICES



Facts

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

Highlights in FY2009

- Awarded six-year contract to operate and maintain the Palm Jumeirah Monorail system

Strategic Direction and Outlook for FY2010

- Continue to secure high-value engineering consultancy, project management, training, and operations and maintenance contracts in Asia Pacific and Middle East
- Grow the private car servicing business

CHAIRMAN'S MESSAGE



"In FY2009, SMRT Group recorded a 9.6% increase in group revenue to \$879 million. The increase in revenue can be attributed to increased train and bus ridership, and a rise in rental, advertising and consultancy income."

TURNING IN A CREDIBLE PERFORMANCE

SMRT registered positive results for FY2009 despite a challenging economic climate. We continued to grow our businesses while leveraging our expertise and technology to keep costs low.

In FY2009, SMRT Group recorded a 9.6% increase in group revenue to \$879 million. The increase in revenue can be attributed to increased train and bus ridership, and a rise in rental, advertising and consultancy income.

Our operating costs amounted to \$716.9 million in FY2009, an increase of 11.2% over FY2008. Staff and energy costs formed the bulk of total operating costs as we experienced a rise in headcount, salary adjustments, higher employer's central provident fund contribution and escalating energy costs. Other operating expenses also increased with higher diesel cost, higher loss on disposal of taxis and higher operating fees. However, the increase in staff and related cost was partially offset by job credits from the Singapore Budget 2009 measures.

The higher revenue, operating profits and Singapore Budget 2009 measures enabled us to grow our net profit after tax by 8.5% from the previous year to \$162.7 million.

The Group achieved an Economic Value Added of \$111.1 million in FY2009, 7.6% higher than the previous year. Cash and cash equivalents grew to \$245.6 million due mainly to higher cash generated from operations, partially offset by higher payment of income taxes and dividends, and higher net cash outflow from investing activities.

DELIVERING SUSTAINABLE RETURNS TO SHAREHOLDERS

The Board has proposed a final dividend of 6.0 cents per share, tax exempt one-tier, to be paid on 12 August 2009, subject to shareholders' approval at the Tenth Annual General Meeting to be held on 23 July 2009. This, together with the interim dividend of 1.75 cents per share, tax exempt one tier, paid on 25 November 2008, gives a total dividend of 7.75 cents per share in dividends for FY2009, equivalent to \$117.5 million. This dividend payout represents 72.2 per cent of financial year 2009 net profits, higher than the minimum 60 per cent payout as outlined in our dividend policy.

GROWING OUR BUSINESS

SMRT Trains

Our trains remain a primary mode of public transport for many, with ridership crossing half a billion in FY2009. During the year, we added to the convenience

and reach factors with the opening of Pioneer and Joo Koon stations, west of Boon Lay MRT Station. In May 2009, we will launch Circle Line with the opening of five stations from Bartley to Marymount.

For the year under review, we completed the mid-life upgrading of 66 of our first generation trains and also introduced numerous service initiatives including additional train trips, active route maps and service ambassadors to enhance commuters' travel experience.

SMRT Buses

As a further commitment to our efforts to be a greener organisation, we added 67 Euro V buses – Southeast Asia's first – to our existing fleet. The Euro V buses are environmentally friendly and emit significantly less pollutants compared with regular buses.

Expanding our services to capitalise on new opportunities, we launched nine premium bus services that offer commuters the option of faster, more direct and comfortable ride to their destination. This niche market segment is expected to grow and we will continue to tailor services to meet demand.

SMRT Taxis

SMRT Taxis too made a strong green statement with the introduction of Euro-IV compliant Chrysler 300C into its fleet of taxis. We also unveiled the SMRT All-in-one SPACE, Singapore's first wheelchair friendly taxi that is fitted with automatic hydraulic ramp to provide easy access to wheelchair users.

In the slowing economy, taxi hirers were hard hit and we offered a comprehensive bundle of schemes to help our taxi partners tide over the challenging times. These included passing on in full the government road tax rebate and introducing a fuel surcharge to help relieve escalating cost pressure on hirers. We also continued to extend existing benefits including cash bonuses, rent-free days, diesel rebates, comprehensive insurance coverage, and vehicle age and loyalty discounts. These benefits amount to more than \$10 million annually.

SMRT Investments

Our media and property leasing arm continued to contribute strongly to the organisation's non-fare revenue in FY2009. We achieved rental revenue of \$57.5 million, an increase of \$15.6 million over the previous year. Station expansions allowed us to increase our lettable and media areas, adding to our revenue streams. A total of 28 stations have been upgraded since we embarked in 2005 on the transformation of retail spaces within our network.

CHAIRMAN'S MESSAGE

Today, we have a total of 27,348 sqm of lettable space with an average occupancy rate of 99.2%.

SMRT Media marked the year with the winning of a 10-year media contract from the Dubai Roads & Transport Authority. Under the contract, SMRT Media and its consortium partners will plan the advertising space, and design, operate and market media services for Dubai Metro, which will be one of the world's most advanced urban rail system when it begins operations in September 2009.

SMRT Engineering

We extended our engineering presence in the region by sharing our experience and enlarging our revenue base. During the year, we completed our mobilisation contract with Palm Jumeirah Monorail and subsequently clinched a six-year contract for the Operations and Maintenance of this system which will commence revenue operations in May 2009.

Creating state-of-the-art proprietary solutions gives us a competitive edge and keeps us at the forefront of technological developments. In FY2009, we marketed the SMRT Active Route Map Information System and the Automatic Fare Gates at numerous transport and rail conventions around the world.

KEEPING FARES AFFORDABLE

Quality, efficient, safe and reliable service is what we are committed to deliver as a public transport service provider. We make every effort to ensure our services are available to all and that these services remain affordable. In October 2008, we increased public transport fare by a net 0.7%. This is far below the 3.0% cap allowed by the fare formula for 2008. Transfer rebates were increased by 10 cents while all adult ez-link fares and senior citizen concession ez-link fares were increased by 4.0 cents per ride. As a result, most bus and train commuters saw a change in their fares, ranging from 7.0 cents reduction for a journey with one transfer to 4.0 cents increase for a direct journey with no transfer.

With the Singapore economy shrinking as a result of the downward spiral of global financial markets, we committed to pass on savings from the Singapore Budget 2009 measures by giving fare rebates to commuters. In addition, we decided not to apply for a fare adjustment in 2009 but instead reduced fares by 4.6% from April 2009. This significant reduction in fares more than offsets the total fare increases of the past three years. Such efforts, in the form of fare reduction and rebates, over the next 15 months will amount to some \$37.3 million.

These initiatives will help lower the cost of transport for commuters who use our system and help them through the economic downturn.

GIVING BACK TO THE COMMUNITY

Our philanthropic and outreach activities enable us to make a difference to the community we operate in. In FY2009, we contributed more than \$5.2million to various causes through cash donations, public transport vouchers for the lower income group and sponsorship of media spaces and corporate gifts.

Of notable mention is the SMRT Silver Tribute Fund which raised over \$1 million for eight elderly and caregiver organisations and the SMRT Gift of Mobility Programme which aims to enhance the lives of the physically disabled or less mobile in Singapore. Apart from corporate giving, we also encourage our staff to volunteer their time and contribute towards charitable and worthy causes.

Our commitment to building sustainable business operations also sees us extending our environmental efforts. On 30 April 2008, we launched SMRT is Green as our promise to expand environmentally friendly practices organisation wide. In February 2009, SMRT received ISO14001 certification, an international standard that specifies the actual requirements and framework of control for an environmental management system.

VALUING OUR HUMAN CAPITAL

Human capital is the organisation's most valuable resource. Here at SMRT, we invest in people development so that we may have a pool of talent always ready to take up leadership positions and meet organisational needs. We train our leaders and staff using a systematic framework and core programmes, equipping them with the necessary knowledge and skills to manage their duties competently. Over the years, we have successfully promoted suitably qualified candidates from within the organisation to senior appointments. For the year under review, internal candidates made up over 68% of promotions and senior appointments.

We also maintain strong ties with the union that represents our employees, so that both parties are committed to a collaborative relationship based on trust and engagement. During the year, we launched our Partnership-Alignment-Capability Development-Engagement (PACE) labour-management framework with the National Trade Workers Union and SMRT Union Branches. The framework calls for and sets out guidelines for collaborative efforts in industrial

relations, capability development, and active engagement for conflict resolution and avoidance, among other efforts. This can only benefit employees and work to strengthen SMRT as an organisation.

COMMITTING TO THE HIGHEST STANDARDS IN CORPORATE GOVERNANCE

Accountability and transparency of an organisation are key attributes in gaining the trust of our stakeholders. At SMRT, we have established a rigorous system of practices and internal controls, such as having a Code of Business Ethics and Conduct which includes a comprehensive whistle-blowing policy, to ensure that all our decisions and operations are fair and above-board.

Our high levels of disclosure have drawn praise from the industry, and earned us the top position in the mainboard category at the Singapore Corporate Governance Award 2008. For instance, remuneration of our top executives and fees paid to Directors are disclosed in our annual report. We remain readily accountable to our stakeholders and this entails timely and full disclosure of important information. SMRT also clinched the "Best Managed Company (Singapore – Mid Cap)" award by Asiamoney, in recognition of our performance, management strategy, corporate governance and commitment to shareholder value.

IN GRATITUDE

In FY2009, we welcomed Dr Ho Kim Wai to the Board. Dr Ho brings with him extensive financial experience and his expertise will be invaluable to us. Our senior management too, saw changes. Mr Harry Tan, Vice President of SMRT Engineering retired from the organisation. On behalf of the Board, I wish to record our thanks for his many years of service and send him our very best wishes. Meanwhile, we welcome Ms Kang Huey Ling to the senior management team, following her promotion to Vice President of SMRT Buses and Bus-Plus Services.

LOOKING AHEAD

FY2010 may be a challenging year given the continuing concerns in markets worldwide but that will not detract us from our plans to grow our businesses, both locally and globally.

Service initiatives will pick up pace as we raise the bar on customer service delivery and gear up to meet growing ridership on our trains, buses and taxis. With the opening of Circle Line in May 2009, commuters can look forward to greater connectivity to more places and shorter travelling time to destinations served by the five Circle Line stations, as compared to

what they experience today. We will also add new taxis and buses to our existing fleets, expand our offerings of tailored services such as premium bus services, and make it more convenient for commuters to shop and dine with SMRT through the redevelopment of our MRT stations.

Capitalising on our established brand name and leveraging our experience as a transport service and solutions provider, we will continue to pursue transport opportunities in Asia and the Middle East.

Operationally, the Group's operating expenses are expected to be higher than the previous year. This is due mainly to more repair and maintenance, and higher staff and related cost. The higher staff and related cost is due to higher headcount with the commencement of Circle Line operations in May 2009, increased train runs on the North South Line and East West Line and recruitment of more bus service leaders.

The Group's positive performance in FY2009 is a reflection of the commitment of SMRT Management and staff to their work. The challenge before us is to maintain this momentum of growth in our revenue and profits whilst improving cost efficiency through enhanced productivity.

Over the last six years as SMRT Chairman, I had the privilege of working with a board with diverse yet complementary strengths and a strong management team committed to the SMRT vision. It has been six eventful and satisfying years for me. With this message, I mark the end of my term and hand over chairmanship to Mr Koh Yong Guan, an independent director of the SMRT Board since April 2007, and whose career achievements and experience will bring the SMRT Group further forward.

I wish to thank our shareholders for their continued support. To the Board, I extend my appreciation for their guidance, and to the management and staff of SMRT, my gratitude for their consistent hard work and dedication. It is their faith in the organisation that has propelled us to where we are today and it is this same belief that will drive us forward.



Choo Chiau Beng
Chairman
SMRT Corporation Ltd

BOARD OF DIRECTORS



1. CHOO CHIAU BENG

Chairman

Choo Chiau Beng, 61, is Chairman of SMRT Corporation Ltd. He is also Chief Executive Officer of Keppel Corporation Limited, Chairman of Keppel Offshore & Marine Ltd, and Chairman of Singapore Petroleum Company Limited and Singapore Refining Company Private Limited.

Mr Choo sits on the boards of Keppel Land Limited and k1 Ventures Limited. He is a member of the Board of Energy Studies Institute and Nanyang Business School Advisory Board. He is also Chairman of Det Norske Veritas South East Asia Committee, Board and 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.

2. SAW PHAIK HWA

President & Chief Executive Officer

Saw Phaik Hwa, 54, 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) Limited, in charge of businesses in Singapore, Indonesia and Malaysia. Her 19-year career with the DFS group of companies saw her rising through management ranks,



including assuming operational responsibilities in Hong Kong, Macau and Vietnam, to her final position.

She is a director of The Esplanade Co Ltd and a board member of the National Environment Agency. She also sits on the Board of Trustees of the Singapore Management University, the Tan Tock Seng Hospital Community Charity Fund and Youth Business Singapore. She is a member of the Sports Sub-Committee of Singapore Totalisator Board and a Resource Panel Member on the Government Parliamentary Committee (Transport).

Ms Saw is an ardent practitioner of taiji and sits on the Council as Vice President for both Singapore Jian Chuan Tai Chi Chuan Physical Culture Association and the Executive Committee of the International Wu Style Tai Chi Chuan Federation. She is also appointed as Governor for Singapore & Malaysia for the international body of Wu's Tai Chi Chuan Academy as well as 3rd Vice Chairman of Singapore Wushu Dragon & Lion Dance Federation.

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

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



3. DILHAN PILLAY SANDRASEGARA

Dilhan Pillay Sandrasegara, 46, is the Managing Partner of WongPartnership LLP. He has 20 years of experience in the legal industry. His main areas of practice are in the fields of mergers and acquisitions and corporate governance. Mr Dilhan Pillay holds a Bachelor of Laws Honours degree from the National University of Singapore and a Master of Law degree from the University of Cambridge. He was admitted to the Singapore Bar in 1989.

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

4. HALIMAH YACOB

Halimah Jacob, 54, is a Member of Parliament of the Jurong Group Representation Constituency, Chairman of the Government Parliamentary Committee on Health and Chairman of the Jurong Town Council. She is also the Deputy Secretary General of the National Trades Union Congress (NTUC) and the Executive Secretary of the United Workers of Electrical and Electronics Industries.

Since 1999, Mdm Halimah has been a Member of the International Labour Organisation Governing Body in Geneva, Switzerland, representing the Workers' Group.

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

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

5. HO KIM WAI

Dr Ho Kim Wai, 54, is an Associate Professor of Banking and Finance at the Nanyang Business School at Nanyang Technological University (NTU). At the Business School, he had served as the Associate Dean (Research), the founding Director of the MSc (Financial Engineering) Programme, and the Director of the MBA (Banking and Finance) programme. Dr Ho's teaching and research interests are in corporate finance, corporate governance,

BOARD OF DIRECTORS



mergers and acquisitions, financial modelling and business valuation.

Prior to joining NTU, Dr Ho was the Financial Controller and Company Secretary of Metal Box Singapore Limited. Before that, he had several years of audit experience in international accounting firms in London and Singapore.

Dr Ho has a First Class Honours in BSc (Mechanical Engineering) from Imperial College London, a Master of Finance from RMIT University, Australia, and a Doctor of Philosophy in Finance from NTU. He is a Fellow of both the Institute of Chartered Accountants in England and Wales, and the Institute of Certified Public Accountants of Singapore.

Dr Ho is Chairman of the Telok Blangah PCF Pre-School Education Centre and Student Care Centre Management Committee, and Vice-Chairman of the Dover Community Centre Management Committee. Dr Ho was conferred the Public Service Medal Award (PBM) in August 2005.

6. KOH YONG GUAN

Koh Yong Guan, 63, is currently Chairman of the Central Provident Fund Board, and is a member of the Board of the Monetary Authority of Singapore.



Mr Koh's career in the Singapore Civil Service included appointments at the Permanent Secretary level in the Ministries of Defence, Finance, Health and National Development as well as the Commissioner of Inland Revenue, and Managing Director of the Monetary Authority of Singapore.

Mr Koh did his undergraduate and postgraduate studies at the University of Toronto, and his Master of Business Administration at the Catholic University of Leuven, Belgium.

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

7. PAUL MA KAHWOH

Paul Ma, 61, is Chairman of Mapletree Logistics Trust Management Ltd and a director of Mapletree Investments Pte Ltd. He is also a director of Ascott Residence Trust Management Limited, CapitaLand China Development Fund Pte Ltd, CapitaLand China Development Fund II Ltd, Hwa Hong Corporation Limited, and Tenet Insurance Company Ltd. In addition, Mr Ma sits on the Board of Trustees of the National University of Singapore.

Mr Ma was a senior partner of KPMG Singapore where he was in charge of the Audit & Risk Advisory Practice



and the partner in charge of Risk Management of the firm until his retirement in September 2003.

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

8. ONGYE KUNG

Ong Ye Kung, 39, is the Assistant Secretary-General of the National Trades Union Congress (NTUC) and held the positions of Executive Secretary in the National Transport Workers Union and the Singapore Manual and Mercantile Workers' Union. Prior to joining NTUC, he was the Chief Executive of the Singapore Workforce Development Agency (WDA). He also held several other positions in the Singapore Government, including that of Principal Private Secretary to Prime Minister Lee Hsien Loong and Deputy Chief Negotiator for the US-Singapore Free Trade Agreement.

Mr Ong is currently the Chairman of the Employment and Employability Institute Pte Ltd (e2i). He sits on the Board of SPRING Singapore and also serves on the Board of Governors of Northlight School. He is a member of the Ngee Ann Polytechnic Council,



a Trustee of the Singapore LSE Trust, and Vice Chairman of the Skills Training Committee of the Chinese Development Assistance Council.

Mr Ong has a First Class Honours in B.Sc (Economics) from the University of London, London School of Economics and Political Science (UK), and a Master of Business Administration from the Institute of Management Development, Lausanne, Switzerland.

9. BOBTAN BENG HAI

Bob Tan, 57, is Chairman of Jurong Engineering Limited. He is also Chairman of the Institute of Technical Education, Vice President of the Singapore National Employers Federation, Co-Chairman of the Tripartite Alliance for Fair Employment Practices, and a director of SNP Corporation Pte Ltd. He serves as a board member in the Ong Teng Cheong Institute of Labour Studies. He is also a member of the National Wages Council, NTUC Club Management Council, Charity Council, and Honorary Treasurer of the Singapore Business Federation.

Mr Tan is a Fellow of the Institute of Chartered Accountants in England and Wales.

SENIOR MANAGEMENT



1. SAW PHAIK HWA

President & Chief Executive Officer

(Ms Saw's profile is on page 16)

2. YEO MENG HIN

Deputy President & Chief Operating Officer SMRT Corporation Ltd

Yeo Meng Hin, 45, joined SMRT Corporation Ltd as Executive Vice President of Human Resource and Corporate Services in August 2003. Prior to SMRT, Mr Yeo was part of the top management team for DFS Asia Pacific Operations and had strategic oversight of the business. Mr Yeo has worked in a wide array of other industries including hospitality, fast food, professional services, property and financial services. Besides human resource, he has also extensive experience in logistics and consultancy.

Mr Yeo is currently Chairman of TransitLink Pte Ltd. He is also a member of the SAFRA staff establishment committee, a member of iCare Health Alliance which seeks to promote good health practices among companies in Singapore, and sits on the HR Accreditation Board of the Singapore Human Resources Institute. In addition, he co-chairs the work group for Human Resource Manpower Skills and Training Council HRD.

A graduate from the National University of Singapore with a Bachelor of Arts (Economics), Mr Yeo also holds a Master of Business Administration from the University of Phoenix and a Graduate

Diploma in Personnel Management. He is a Certified Compensation Professional and a Global Remuneration Professional.

3. LIM CHENG CHENG

Executive Vice President & Chief Financial Officer SMRT Corporation Ltd

Lim Cheng Cheng, 38, joined SMRT Corporation Ltd in July 2006. She is the Executive Vice President and Chief Financial Officer, responsible for the Group's financial strategy and management, corporate planning, tax, treasury management, central supplies, investor relations and enterprise risk management. Ms Lim is also a Director in SMRT Engineering (Middle East) FZE and TransitLink Pte Ltd.

Prior to joining SMRT, Ms Lim worked at Price Waterhouse (currently known as PricewaterhouseCoopers), Singapore Power International Pte Ltd and Singapore Power Ltd. In her last appointment as Vice President and Head, Financial Planning & Analysis in Singapore Power Ltd, Ms Lim was responsible for corporate planning, corporate finance, management reporting and budgeting as well as investor relations.

An accountancy graduate from the Nanyang Technological University, she is a Non-Practising Certified Public Accountant. She obtained her Masters of Business Administration from the University of Chicago Graduate School of Business (currently known as the University of Chicago Booth School of Business).

4. TOMMY NG YEW CHYE

Senior Vice President, Corporate Services SMRT Corporation Ltd

Tommy Ng Yew Chye, 49, joined SMRT Corporation Ltd as Senior Vice President, Corporate Services in August 2007. He comes with more than 20 years of experience in human resource and human capital management. In addition to his human resource and information technology responsibilities, Mr Ng also now oversees SMRT Institute. In his HR career, Mr Ng has worked for leading hospitality owners/operators, global financial institutions and in the manufacturing industry. Mr Ng is a strong advocate of good industrial relations practices. He cultivates harmonious bipartite relations and nurtures good union management relationships. For his significant contributions to workers' welfare and development, Mr Ng was conferred the Medal of Commendation by the National Trades Union Congress in the May Day Award 2007.

Mr Ng has previously served as a member of the Industrial Arbitration Court's employers panel and chaired sectoral workgroups for the Tripartite Committee on Employability of Older Workers and Wage Restructuring. He is a current member of the Enabling Employers Network appointed by the Ministry of Community Development, Youth & Sports.

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

5. KHOO HEAN SIANG

Senior Vice President, Engineering And Projects SMRT Trains Ltd

Khoo Hean Siang, 61, is Senior Vice President, Engineering and Projects. Mr Khoo joined SMRT in 1986 as a design engineer and was responsible for the design and construction of the telecommunication network and later, the signalling network. He was appointed Director, Engineering overseeing the engineering division before his appointment as Director, Marina Line Project when the Marina / Circle Line division was formed in 2001. Until recently, he was Vice President of Circle Line, SMRT Trains Ltd and was instrumental in laying the foundation for Circle

Line and ensuring a smooth ramp up of operations to support and run this new line. Mr Khoo was previously a senior engineer at Singapore Telecoms and was part of the pioneer team that helped introduce the first fibre optic network in Singapore.

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

6. VINCENT TAN PENG HOCK

Vice President, Rail Operations SMRT Trains Ltd

Vincent Tan, 54, is Vice President of Rail Operations at SMRT Trains Ltd. He joined the Mass Rapid Transit Corporation (MRTC) in 1985, followed by SMRT in 1987, where he assumed positions in rail operations management. Prior to his career with SMRT, he was a principal mechanical engineer with the Port of Singapore Authority, and had served on the Standards Committee in SPRING Singapore (previously known as Singapore Productivity and Standards Board) for three years.

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

7. LEE SENG KEE

Vice President, SMRT Automotive Services Pte Ltd

Lee Seng Kee, 57, is Vice President of SMRT Automotive Services Pte Ltd and heads the security & emergency planning department. Mr Lee joined MRTC in 1984 and garnered experience in contracts and MRT construction 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

SENIOR MANAGEMENT



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.

8. KANG HUEY LING

Vice President

SMRT Buses Ltd

Bus-Plus Services Pte Ltd

Kang Huey Ling, 38, is Vice President, SMRT Buses Ltd and Bus-Plus Services Pte Ltd. Ms Kang's professional career began in 1994 at Trans-Island Bus Services where she was a Traffic Officer (Planning) in the bus planning and development team. She assisted Senior Management in the planning and coordination function during the North East Line tender in 1999 and led the Marketing Team for the Circle Line tender in 2001. In 2004, Ms Kang was appointed Deputy Director, Station Operations, responsible for the smooth operation of all 64 MRT and LRT stations operated by SMRT. She was subsequently promoted to Director, Station Operations in 2006.

Ms Kang attended the National University of Singapore and graduated in 1994 with a Bachelor Degree (Hon) in Economics. In 2004, she received

her MBA from the National University of Singapore Business School.

9. GOH CHEE KONG

Vice President,

**Corporate Marketing And Communications
SMRT Corporation Ltd**

Goh Chee Kong, 53, is Vice President, Corporate Marketing and Communications of SMRT Corporation Ltd. Prior to this, he served in the Singapore Armed Forces (SAF) of the Ministry of Defence (MINDEF). His appointments in the SAF included Head, Defence Relations Department, Commander, 8th Singapore Armoured Brigade, Commander, Officer Cadet School, and Director, Public Affairs and spokesman for MINDEF. He was awarded the Public Administration Medal (Bronze) in 1998.

Mr Goh is currently President of Beyond Social Services, and a board member of Students Care Service, St. Andrew's School and Singapore Red Cross. He is also a member of the Programmes Advisory Committee for English Television and Radio Programming.

Mr Goh has a Bachelor of Science in Electrical and Electronic Engineering from the Royal Military College of Science, United Kingdom, and a Master of Defence Studies from the University of New South Wales, Australia.

He is also an Accredited Member of the Institute of Public Relations of Singapore.

10. LAWRENCE LAU KAI KUM

Chief Internal Auditor

Vice President, Audit Division

SMRT Corporation Ltd

Lawrence Lau, 57, is Chief Internal Auditor and Vice President of the Audit Division and Whistleblowing Investigation Officer of SMRT Corporation Ltd. He joined MRTC as Manager (Internal Audit) in 1984. Prior to that, he was the Group Internal Audit Manager for the Union Carbide Singapore Group of Companies. He has also worked in large public accounting firms, both overseas and locally. Mr Lau was awarded the Public Administration Medal (Bronze) in 1993.

Mr Lau was on the Board of Governors of the Institute of Internal Auditors (Singapore) from 1980 to 1982. He is a Fellow Chartered Accountant, Fellow Member of the Institute of Internal Auditors (Singapore), Certified Fraud Examiner (US) and Accredited Quality Assurance Assessor (IIA). He is the chair of TransitLink Pte Ltd Audit Advisory Committee.

11. S. PREMA

Vice President, Corporate Secretariat & Legal

SMRT Corporation Ltd

S. Prema, 43, is Vice President, Corporate Secretariat and Legal of SMRT Corporation Ltd. She is also the Company Secretary and the Secretary of the Audit, Nominating and Remuneration Committees for SMRT Corporation Ltd. She heads the legal and corporate secretariat department providing legal counsel and advice to the SMRT Group. Prior to this appointment, she was in private practice for three years and with Singapore Technologies Kinetics Ltd for eight years.

Having graduated from the National University of Singapore with an Honours degree in Law and called to the Singapore Bar in 1991, Ms Prema has accumulated more than 16 years of experience in her legal career. She is a Member of the Singapore Academy of Law.

12. CATHERINE KUAN-LEE YEE FONG

Senior Vice President, Finance

SMRT Corporation Ltd

Catherine Kuan, 57, is Senior Vice President of Finance at SMRT Corporation Ltd. She joined MRTC in 1986

and SMRT in 1994. Prior to her career in the transport sector, she was with Intraco Ltd for 10 years and her last held position was Financial Controller/Company Secretary. She was awarded the Public Administration Medal (Bronze) in 1994.

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

13. LO CHEE WEN

Vice President

SMRT Taxis Pte Ltd

Lo Chee Wen, 52, was appointed Vice President of SMRT Taxis Pte Ltd on 16 January 2006. He joined the internal audit department of MRTC in 1984. Prior to that, Mr Lo worked in audit firms and the Port of Singapore Authority. In 1989, he joined SMRT and was involved in the development and operation of the fare ticketing system, management of the corporate insurance programme, and thereafter, the operation of stations within the SMRT network. In 2004, Mr Lo was appointed Director, Organisation Development Unit.

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

14. TEO CHEW HOON

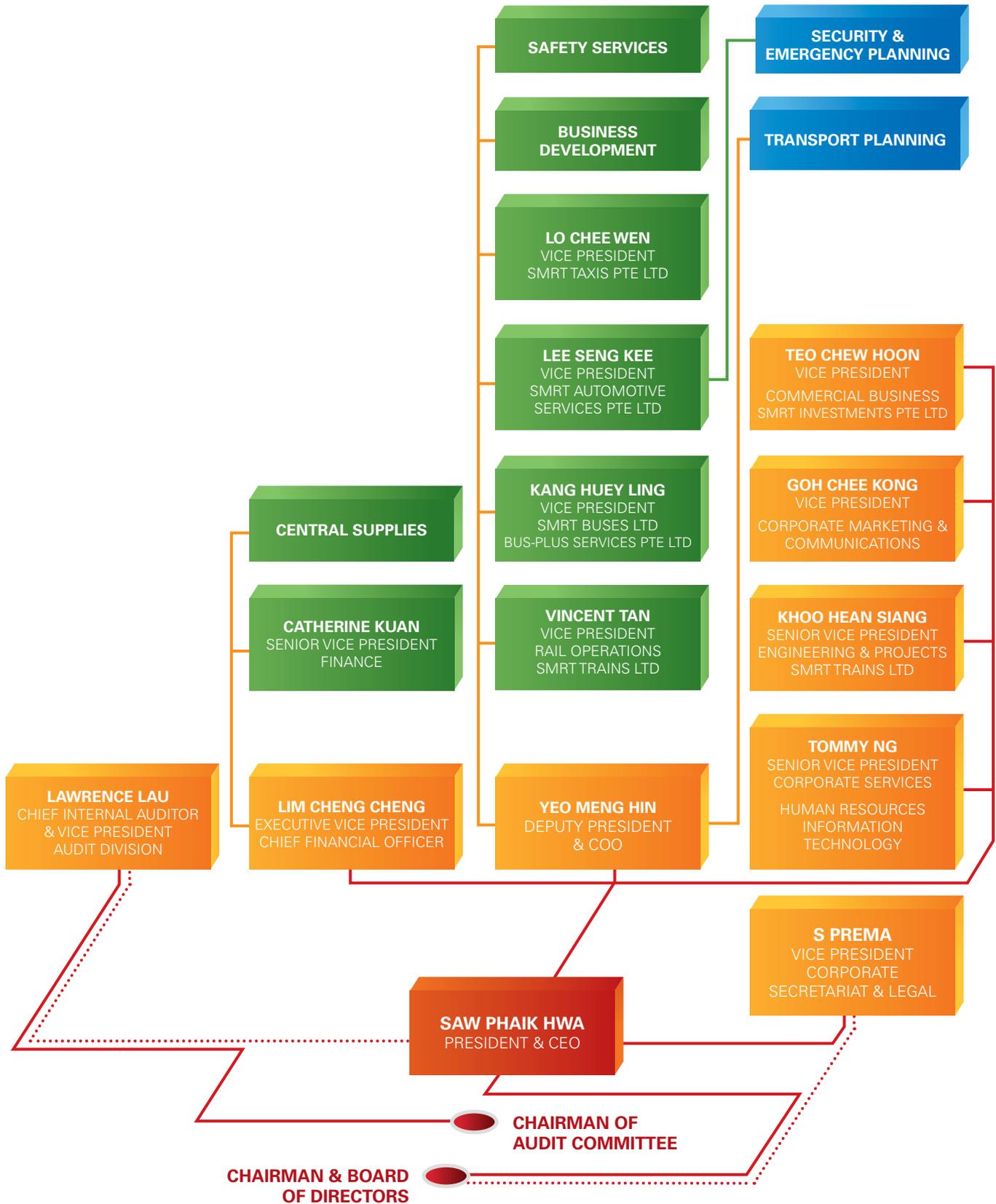
Vice President, Commercial Business

SMRT Investments Pte Ltd

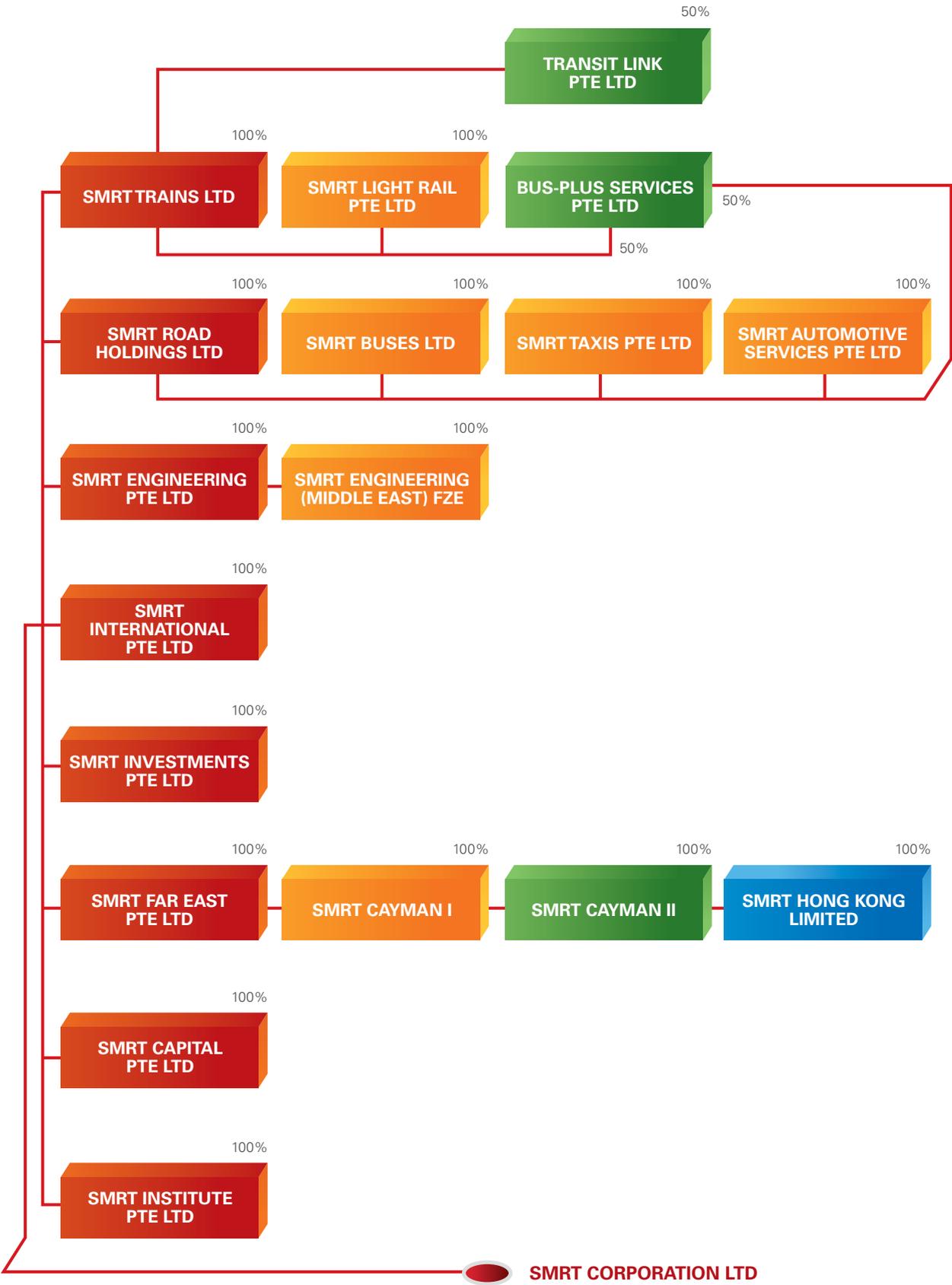
Teo Chew Hoon, 45, is Vice President of Commercial Business at SMRT Investments Pte Ltd. She joined SMRT in 2003. Before this, Ms Teo held positions as Group Sales Manager and subsequently General Manager of Airport Operations at DFS Venture Singapore (Pte) Ltd from 1999. The businesses under her charge included duty free liquor, wines, tobacco, beauty, fashion goods, watches, souvenirs and packaged food.

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

ORGANISATION STRUCTURE



GROUP STRUCTURE



CORPORATE INFORMATION

REGISTERED OFFICE

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

PLACE OF INCORPORATION

Singapore

COMPANY REGISTRATION NUMBER

200001855H

DATE OF INCORPORATION

6 March 2000

BOARD OF DIRECTORS

Choo Chiau Beng, Chairman
Saw Phaik Hwa, President & CEO
Dilhan Pillay Sandrasegara
Halimah Yacob
Ho Kim Wai (*Appointed on 23 July 2008*)
Koh Yong Guan
Paul Ma Kah Woh
Ong Ye Kung
Bob Tan Beng Hai

COMPANY SECRETARY

S. Prema

AUDIT COMMITTEE

Paul Ma Kah Woh, Chairman
Dilhan Pillay Sandrasegara
Ho Kim Wai (*Appointed on 6 August 2008*)
Bob Tan Beng Hai

REMUNERATION COMMITTEE

Choo Chiau Beng, Chairman
Halimah Yacob (*Appointed on 25 August 2008*)
Koh Yong Guan
Bob Tan Beng Hai

NOMINATING COMMITTEE

Ong Ye Kung, Chairman
(*Appointed as Chairman on 11 July 2008*)
Choo Chiau Beng
Paul Ma Kah Woh
Koh Yong Guan (*Appointed on 6 August 2008*)

AUDITORS

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

Audit Partner-in-charge:

Lee Sze Yeng (*Appointed in FY2009*)

PRINCIPAL BANKERS

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

SHARE REGISTRAR

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

INVESTOR RELATIONS

Elizabeth Loo Suet Quan
Telephone : (65) 6331 1219
Facsimile : (65) 6334 1407
Email : Investors_R@smrt.com.sg

CORPORATE GOVERNANCE

At SMRT, we are committed to ensuring high standards of corporate governance. We continually review our corporate governance principles and practices not only to improve our corporate governance framework but also to ensure that it remains relevant.

In FY2009, we won the Singapore Corporate Governance Award, the Diversity of Board Award and was Runner-up for the Most Transparent Company Award in the Transport/Storage/Communication Category from the Securities Investors Association of Singapore (SIAS). We were also awarded the Best Managed Company of the Year in Singapore for Medium Cap category companies by Asiamoney. At the Singapore Corporate Awards 2009, the Board of SMRT was awarded Gold for the Best Managed Board. SMRT was also ranked second place in the inaugural Governance and Transparency Index (GTI) launched by The Business Times and the NUS Corporate Governance and Financial Reporting Centre.

We have adhered to the principles and guidelines of the Code of Corporate Governance 2005 ("Code") and our corporate governance policies and practices vis-à-vis the Code are set out in the following pages.

THE BOARD'S CONDUCT OF ITS AFFAIRS (PRINCIPLE 1)

The Board oversees the overall strategy and business direction of the Group. In addition to its statutory duties, the Board:

- provides entrepreneurial leadership within a framework of prudent and effective controls which enable risks to be adequately assessed and managed;
- provides oversight in the proper conduct of the Group's business;

- oversees the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- sets, challenges and contributes to the Group's strategic objectives and ensures that the necessary financial and human resources are in place for the Group to meet its objectives;
- reviews the performance of members of Senior Management and determines the appropriate levels of remuneration for Executive Directors and Senior Management and oversees succession planning; and
- sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Financial matters that require the Board's approval are set out in the Group's Financial Procedures Manual ("FPM"). All policies and procedures on financial matters including approval limits and authorities are clearly defined in the FPM. To enhance risk management and ensure that the Group's funds continue to be managed prudently, the Board had in FY2009 reviewed and updated the internal financial dealing mandate that it delegates to Management.

Board meetings are scheduled quarterly for the purpose of, inter alia, approving the release of the Group's financial results. A Board meeting is also scheduled at the end of the financial year for Directors to consider the Group's annual budget for the following year. A "Board Strategy Retreat" which is an off-site Board meeting for Directors to discuss the Group's strategies and plans together with Management is held at the end of the year. Ad hoc Board meetings are also held whenever the Board's guidance or approval is required, outside of the scheduled Board meetings. The number of Board and Board Committee meetings as well as Board members' attendance thereat is set out on the following page:

CORPORATE GOVERNANCE

Board and Board Committee Meetings and Attendance From 1 April 2008 to 31 March 2009

| Board Of Directors | Board | | Board Committees | | | | | |
|------------------------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|
| | Meetings Held While A Member | Meetings Attended | Audit | | Remuneration | | Nominating | |
| | | | Meetings Held While A Member | Meetings Attended | Meetings Held While A Member | Meetings Attended | Meetings Held While A Member | Meetings Attended |
| Choo Chiau Beng (Chairman) | 5 | 5 | | | 4 | 4 | 2 | 2 |
| Saw Phaik Hwa (President & CEO) | 5 | 5 | | | | | | |
| Dilhan Pillay Sandrasegara | 5 | 5 | 5 | 4 | | | | |
| Halimah Yacob | 5 | 4 | | | 2 | 2 | | |
| Ho Kim Wai | 4 | 4 | 3 | 3 | | | | |
| Koh Yong Guan | 5 | 4 | | | 4 | 4 | 2 | 2 |
| Paul Ma Kah Woh | 5 | 5 | 5 | 5 | | | 2 | 2 |
| Ong Ye Kung | 5 | 4 | | | | | 2 | 2 |
| Bob Tan Beng Hai | 5 | 5 | 5 | 5 | 4 | 4 | | |

Dates of Board, Board Committee and Annual General meetings are scheduled one year in advance in consultation with Directors to assist Directors in planning their attendance. A Director who is unable to attend a Board meeting can still participate in the meeting via telephone conference, video conference or other means of similar communication as the Company's Articles of Association allow Board meetings to be conducted via such means. Decisions of the Board and Board Committees may also be obtained via circular resolutions.

Upon appointment as a Director, the Board Chairman will send the Director a formal letter of appointment which explains his role, duties and responsibilities as a member of the Board. When a Director is appointed onto a Board Committee he will be provided with a copy of the charter of that Board Committee.

Directors are expected to make decisions objectively and in the best interest of the Group. When the Board

Chairman evaluates the performance of each Director, one of the assessment criteria is a Director's ability to be decisive and his preparedness to take a firm stand on difficult issues. Also, when a Director evaluates himself and his peers, he has to consider whether he and his peers have the ability to be supportive team players without sacrificing an independent position.

As part of the Company's continuing education for Directors, the Company Secretary will circulate to the Board articles, reports and press releases relevant to the Group's business to keep Directors updated on current industry trends and issues. Any news release issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and Accounting and Corporate Regulatory Authority ("ACRA") relevant to the Directors will be circulated to the Board. The Company Secretary will also inform Directors of upcoming conferences and seminars relevant to their roles as Directors. Some of the seminars that the Directors attended during the year include talks on Singapore's

regulatory environment and best practices for Directors. Expert speakers will also be invited to share with the Board on relevant new laws and continuing listing obligations and regulations.

Management will conduct a comprehensive one-day orientation program for newly appointed Directors. This program includes briefings on the Group's business activities, the financial performance of the Group and its subsidiaries, and the Group's governance policies and practices, and meetings with the Group's Senior Management team. Site visits to the Group's bus depots, MRT stations and MRT tunnels are also conducted. First-time Directors will also be provided training on roles, duties and obligations of Directors.

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. Minutes of Board Committee meetings are circulated to all Board members. Every year, each Board Committee will review its Charter to ensure that the terms of reference remains relevant and is in line with best practices.

Audit Committee

The Audit Committee ("AC") is chaired by Paul Ma Kah Woh. The other members of the AC are Dilhan Pillay Sandrasegara, Ho Kim Wai and Bob Tan Beng Hai. All members of the AC are non-executive and independent Directors. The activities of the AC are described under Principle 11 in the subsequent paragraphs.

Nominating Committee

The Nominating Committee ("NC") comprises four members: Ong Ye Kung (Chairman), Choo Chiau Beng, Koh Yong Guan and Paul Ma Kah Woh. All members of the NC are independent and non-executive Directors. The NC Chairman is not directly associated with the Company's substantial shareholder, Temasek Holdings (Private) Limited.

The primary function of the NC is to ensure a formal and transparent process for the appointment of new Directors. The NC also ensures that there is a formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the Board. The functions of the NC are clearly spelt out in its Charter, and it assists the Board in fulfilling its duties under the Code.

The activities of the NC are explained in detail in the sections under Principles 2, 3, 4 and 5 in the subsequent paragraphs. The NC held two meetings during the year and conducted several ad hoc meetings to identify and interview suitable candidates for appointment to the Board.

Remuneration Committee

The members of the Remuneration Committee ("RC") are Choo Chiau Beng (Chairman), Halimah Yacob, Koh Yong Guan and Bob Tan Beng Hai. All members of the RC are independent and non-executive Directors. As stipulated in its Charter, the primary function of the RC is to assist the Board in fulfilling its duties in developing formal and transparent policies on remuneration matters in the Company, and to formulate and review the Group's succession plans with the aim of building talent and renewing strong and sound leadership.

The functions of the RC are explained in detail in the sections under Principles 7, 8 and 9 in the following paragraphs. The RC held four meetings during the year, one of which includes an interview session with a potential candidate for a Senior Management position.

Management Committee

The Management Committee ("MC") is not a Board Committee. Chaired by the President & CEO, the MC comprises members of Senior Management and meets fortnightly to facilitate the communication of the Board's decisions to the respective departments in the organisation. The MC reviews and deliberates on the Group's strategic objectives, key policies and operational issues, such as the status of current projects.

CORPORATE GOVERNANCE

Risk Management Committee

The Risk Management Committee (“RMC”), which is not a Board Committee, leads the Group’s efforts in developing and strengthening its risk management processes and framework. Reporting to the AC, the RMC is chaired by the President & CEO and comprises the heads of all the Group’s business and corporate functions. The RMC’s activities and the risk management structure are set out in the Risk Management section of this Corporate Governance Report.

BOARD COMPOSITION AND GUIDANCE (PRINCIPLE 2)

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

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

To avoid any potential conflict of interest, Mr Ong Ye Kung had disclosed to the Board his appointment as Acting Executive Secretary in the National Transport Workers Union (“NTWU”) and he had abstained from

Composition of Board & 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 | | | |
| Dilhan Pillay Sandrasegara | Non-Executive/Independent | Member | | |
| Halimah Jacob | Non-Executive/Independent | | | Member |
| Ho Kim Wai | Non-Executive/Independent | Member | | |
| Koh Yong Guan | Non-Executive/Independent | | Member | Member |
| Paul Ma Kah Woh | Non-Executive/Independent | Chairman | Member | |
| Ong Ye Kung | Non-Executive/Independent | | Chairman | |
| Bob Tan Beng Hai | Non-Executive/Independent | Member | | Member |

The Board consists of Directors with core competencies in areas such as business, accounting, audit, finance, human resource, management and law. In addition, the vast work experience of the Directors spans the areas of risk management, strategic planning and business development. The Directors’ academic and professional qualifications are shown on pages 43 to 49. The Board believes that the present Board size and composition is appropriate for the requirements of the Group’s business.

participating in any decision making process on any matter between NTWU and the Group. Hence for FY2009, with the exception of the President & CEO, who is an executive Director, the NC has determined that, all the other eight Directors, who are non-executive, are independent.

The NC is also responsible for examining the size and composition of the Board, the core competencies of its members and the skills that are useful to the

Board and the Board Committees. In this regard, the NC takes into account factors such as the scope and nature of the Group's operations, the balance of skills and experience of Directors, and the balance of executive and non-executive Directors. Annually, the NC will review the Directors who are due to retire in accordance with the Company's Articles of Association and, taking into consideration factors such as a Director's contribution, his performance as well as his length of service on the Board, will recommend their re-election.

Directors discuss and debate issues openly at Board meetings, which are held in a candid and constructive environment, and make decisions using their collective wisdom whilst at all times acting in the best interest of the Group. Non-Executive Directors also regularly meet without Management's presence to discuss matters such as the Board's effectiveness and Management's performance. For FY2009, the Non-Executive Directors held three meetings without Management's presence. Directors were given the opportunity to review and deliberate together with Management on the Group's business plans, long-term strategies, leadership development and succession planning at the annual Board Strategy Retreat.

Directors receive monthly operational and financial reports on the performance of each business unit and key corporate departments. These reports provide the Board with status updates on significant projects and key performance indicators, which include financial and productivity indicators, and debtors' ageing and turnover analyses. Business units are required to keep the Board apprised on any significant developments to ensure that there are no surprises.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (PRINCIPLE 3)

The roles of the Chairman, Choo Chiau Beng, and the President & CEO, Saw Phaik Hwa, have always been kept distinct through a clear division of responsibilities

in order to maintain effective oversight. Since FY2007, the Board has provided the Chairman and the CEO each with a Role Statement for greater transparency.

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

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

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

The primary role of the CEO, who is the highest-ranking executive officer of the Group, is to effectively manage and supervise the day-to-day business operations of the Group in accordance with the strategies, policies, budget and business plans approved by the Board. The Role Statement for the CEO sets out the CEO's principal responsibilities as follows:

- running of the Group's business and developing the Group's vision, mission, core values, strategies and business objectives;
- providing quality leadership and guidance to employees of the Group;
- reporting to the Board on all aspects of the Group's operations and performance (including overall

CORPORATE GOVERNANCE

financial performance, internal controls and risk management);

- managing and cultivating good relationship and effective communication with regulators, shareholders, the media and the public; and
- ensuring effective and robust succession planning for all key positions within the Group.

The Chairman, who is independent and non-executive, does not have any relationship with the executive management of the Group that could materially affect or interfere with his independent judgement and decision-making.

BOARD MEMBERSHIP (PRINCIPLE 4)

BOARD PERFORMANCE (PRINCIPLE 5)

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

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

Although the Company does not have a fixed term of office for its Directors, the total tenure for a Director is usually about six years. The NC regularly reviews the Board's composition to ensure that the Board comprises Directors who can make valuable contributions to the business needs and success of the Group.

Process for Selection, Appointment and Re-appointment of Directors

Every year, the NC will review the size and composition of the Board to take stock of the expertise within the Board, and identify the Board's current and

future needs, taking into consideration the evolving business requirements of the Group. The NC will consider, inter alia, the range of skills, knowledge, experience and attributes of the existing Directors, the retirement and re-election of Directors, each Director's contribution, performance and commitment (such as attendance, preparedness, participation and candour) and whether new competencies are required to improve the Board's effectiveness. When the need for a new Director arises, either to replace a retiring Director or to enhance the Board's bench strength, the NC will, after shortlisting potential candidates, meet each of these candidates, before recommending the most suitable candidate to the Board for appointment as Director. As regards the annual retirement and re-election of Directors, the NC will review each of the retiring Director's contribution to the Board and make the relevant recommendations to the Board for shareholders' approval at the AGM.

Key information regarding Directors such as academic and professional qualifications and directorships are set out on pages 43 to 49.

Evaluation of Board Performance

The NC has set objective performance criteria for evaluating the Board's performance annually. These performance criteria are reviewed regularly to ensure that they remain relevant. In FY2009, the Board Evaluation Questionnaire was updated to focus on having a long term view of the Group's development, defining the Group's strategy, financial objectives and goals, and developing the Group's management talent and succession planning.

(a) Evaluation of the Board as a Whole

Directors are required to assess the Board's effectiveness as a whole by completing a Board Evaluation Questionnaire. The Board Evaluation Questionnaire takes into consideration factors such as the Board's composition, the Board's proceedings and the Board's relationship with Management. It also focuses on the Group's

future development by having questions relating to the Group's long term business plans, financial objectives and goals, and succession planning. The NC Chairman will collate and present the feedback from the completed Questionnaires to the Chairman of the Board. The Board Chairman will then review and discuss the feedback with Board members.

(b) Director's Self-assessment

Each Director is also required to assess himself by completing a Director's Self-assessment Questionnaire. The Questionnaire not only invites ratings on a Director's attributes relating to his duties, skills and knowledge but also asks for a Director's comments on his personal contribution to the Board. The completed Questionnaires will be returned directly to an external consultant who will prepare and present to the Board a report with its own analysis on the responses provided. The Chairman of the Board may take these results into account when the NC is determining the re-election of Directors or the appointment of Directors onto Board Committees.

(c) Directors' Peer Evaluation

Each Director will also rate his peers by completing the Directors' Peer Evaluation Questionnaire. Questions are categorised into 3 main areas: Directors' Duties, Directors' Skills Set and Directors' Knowledge. An external consultant will collate the results of the Questionnaire and send a report of its analysis to the Chairman of the Board who will then inform each Director of his score. The external consultant will also present to the Board a report of the overall evaluation results. The Chairman of the Board may take these results into account when the NC is determining the re-election of Directors or the appointment of Directors onto Board Committees.

(d) Evaluation of Directors by the Board Chairman

At the end of each financial year, the Board Chairman will evaluate the performance of each Director. The criteria taken into consideration in the

Board Chairman's evaluation of Directors include the degree of preparedness, the value of contribution to the development of strategy and risk management and the Director's knowledge and experience.

The Group has engaged an independent consultant to analyse the Directors' Self and Peer Evaluation Questionnaires. The aggregated results are presented to the Board in the absence of Management (save for the Executive Director). This provides an opportunity for the Board to evaluate its own effectiveness, and identify areas for improvement. This format encourages more candid discussions, and provides an objective and transparent assessment of the evaluation process.

In addition to the abovementioned, the NC also sets objective performance criteria for the Board to evaluate the President & CEO. Every year, the Directors will evaluate the President & CEO and provide feedback on her performance. Clear key performance indicators are set out at the beginning of each year which are measured and assessed during her performance evaluation. The Chairman will then compile the results of the evaluation and conduct an open assessment with the President & CEO.

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

The NC also reviews whether each Director has given sufficient time and attention to the affairs of the Group. Internal guidelines have been drawn up to address the issue of competing time commitments that are faced when Directors serve on multiple boards. As the number of directorships a Director holds is only one measure of his time commitment to the Company, the NC will also consider a Director's level of participation in the Company, such as his attendance and level of participation at meetings or company events, his level of engagement when discussing issues at meetings or over e-mails, and whether he has given sufficient time and attention in addressing matters or issues raised to the Board.

CORPORATE GOVERNANCE

For FY2009, the NC is of the view that although some Directors hold several directorships in other companies, all Directors have contributed sufficient time to meet the expectations of their role as Directors, as can be seen from their attendance record as set out on page 28. Attendance rates at Board and Board Committee meetings have been commendable as set out below:

Attendance Rates at Board and Board Committee Meetings

| Board | Audit Committee | Remuneration Committee | Nominating Committee |
|-------|-----------------|------------------------|----------------------|
| 93% | 95% | 100% | 100% |

The NC has also determined that the Directors have allocated adequate time to fulfil their duties as Board and Board Committee members.

ACCESS TO INFORMATION (PRINCIPLE 6)

Management provides the Board with timely operational and financial reports of the Group's performance and prospects on a monthly basis. To give Directors sufficient time to prepare for Board and Board Committee meetings, the Agenda and papers for these meetings will be sent to Directors several days in advance. Directors have unrestricted access to the President & CEO, the Company's Senior Management, the Company Secretary and the Internal and External Auditors via telephone, e-mail and face-to-face meetings. When major incidents occur, Directors will be immediately informed via SMS.

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

The Company Secretary assists the Chairman and the Chairman of each Board Committee in scheduling Board meetings and Board Committee meetings

respectively. The Company Secretary also prepares the agenda for Board and Board Committee meetings in consultation with the Chairman of these meetings and the President & CEO. Every month, the Company Secretary will circulate the Group's financial and operational progress reports to all Directors, thus keeping the Board updated on the Group's affairs on a timely and on-going basis. Directors will also be informed of any significant developments or events relating to the Group. Any Director may in the furtherance of his duties take independent professional advice at the Company's expense.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (PRINCIPLE 7)

The RC's primary function is to assist the Board in fulfilling its duties in developing formal and transparent policies on remuneration matters in the Company. The RC also identifies and reviews all nominations, appointments and promotions of Senior Management. In addition, the RC is responsible for overseeing the development of leadership and talent management with the aim of building talent and renewing strong and sound leadership to ensure the success of the Company.

LEVEL AND MIX OF REMUNERATION (PRINCIPLE 8) DISCLOSURE ON REMUNERATION (PRINCIPLE 9)

Non-Executive Directors are paid Directors' fees which comprise a basic fee and additional fees for appointments on other Board Committees. As an Executive Director, the President & CEO does not receive Directors' fees but is remunerated as a member of Management. The RC has access to professional advice from appropriate consultants to determine the level and mix of remuneration for Directors as well as Management. Directors of the Company receiving remuneration from the Group for the financial year ended 31 March 2009 is proposed as follows:

Remuneration of Directors

| Remuneration Band & Name of Director | Directors' Fee | Basic Salary (Including Employer's CPF) | Variable or | Benefits in Kind | SMRT ESOP, SMRT RSP & SMRT PSP ⁸ | Total | EVA Bonus |
|---|----------------|--|--|------------------|--|-----------|------------------------------------|
| | | | Performance Related Income/ Bonuses (Including Employer's CPF) | | | | Deferred & at Risk ⁷ |
| | \$ | \$ | Paid ⁷ | \$ | \$ | \$ | \$ |
| \$500,000 AND ABOVE | | | | | | | |
| Saw Phaik Hwa | - | 648,456 | 602,188 | 60,280 | 249,420 | 1,560,344 | 845,726 |
| BELOW \$250,000 | | | | | | | |
| Choo Chiau Beng | 98,000 | - | - | - | - | 98,000 | |
| Dilhan Pillay Sandrasegara ¹ | 57,699 | - | - | - | - | 57,699 | |
| Halimah Jacob ² | 44,800 | - | - | - | - | 44,800 | |
| Ho Kim Wai ³ | 40,658 | - | - | - | - | 40,658 | |
| Edmund Koh Kian Chew ⁴ | 13,414 | - | - | - | - | 13,414 | |
| Koh Yong Guan ⁵ | 53,216 | - | - | - | - | 53,216 | |
| Paul Ma Kah Woh | 78,000 | - | - | - | - | 78,000 | |
| Ong Ye Kung ⁶ | 53,063 | - | - | - | - | 53,063 | |
| Bob Tan Beng Hai | 68,000 | - | - | - | - | 68,000 | |
| Engelin Teh Guek Ngor ⁴ | 20,959 | - | - | - | - | 20,959 | |

Notes:

The above fees have been pro-rated accordingly for services rendered in the financial year ended 31 March 2009.

¹ Appointed as Board Member and AC Member on 15 April 2008

² Appointed as RC Member on 25 August 2008

³ Appointed as Board Member on 23 July 2008 and as AC Member on 6 August 2008

⁴ Retired on 11 July 2008

⁵ Appointed as NC Member on 6 August 2008

⁶ Appointed as NC Chairman on 11 July 2008

⁷ A portion of the annual performance-related bonus is tied to the Company's EVA performance. Only one-third of the current year's EVA bonus (plus any accrued preceding year EVA Bank balance) is paid with the balance two-third being deferred and credited to the executive's EVA Bank for future payments, subject to the Company's continual performance. For the FY2009 EVA bonus, the amount paid is for the executive's performance for FY2008 and the amount deferred is the EVA Bank balance as at 31 March 2008. EVA bonus paid and EVA Bank balance for FY2009 performance will only be determined and finalised in FY2010 when the Company's FY2009 EVA performance and the executive's FY2009 performance rating are final.

EVA Bank: The EVA Bank concept is used to defer the executive's incentive to future years so as to encourage the executive to adopt strategies that will encourage long term growth of the Company and sustained profitability. For Vice Presidents and above, the EVA Bank account is apportioned individually based on a pre-set percentage depending on the executive's contributions to the EVA performance of the Company. Each year, a portion of the executive's annual performance-related bonus is tied to the Company's EVA performance and only one-third of the current year's EVA bonus is paid with the balance two-third being deferred and credited to the executive's EVA Bank for future payments. In addition, the executive receives one-third payout from the accrued EVA Bank balance of preceding years, provided the EVA balance is positive. Monies credited in the EVA Bank remained at risk since the balance can decrease if the Company's EVA performance is adversely affected in the future years.

⁸ Based on the fair values of outstanding PSP and RSP shares granted on 1 March 2006, 19 March 2007, 12 November 2007 and 9 February 2009, using Monte Carlo simulation model. There are no ESOP shares outstanding as at 31 March 2009.

CORPORATE GOVERNANCE

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

| Remuneration Bands | 2008 | 2009 |
|------------------------|-----------|-----------|
| \$500,000 and above | 1 | 1 |
| \$250,000 to \$499,999 | - | - |
| Below \$250,000 | 10 | 10 |
| Total | 11 | 11 |

The total remuneration paid to the five top-earning key executives are shown below:

Remuneration of Key Executives

| Remuneration & Name of Five Top-Earning Key Executives (In alphabetical order) | Basic Salary (Including Employer's CPF) | Variable or Performance Related Income/ Bonuses (Including Employer's CPF) | Benefits | SMRT ESOP, SMRT RSP & SMRT PSP ² | Others | Total | EVA Bonus Bank Balance |
|--|---|--|----------|---|--------|---------|---------------------------------|
| | | Paid ¹ | | | | | Deferred & at Risk ¹ |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Khoo Hean Siang | 195,898 | 144,429 | 22,827 | 35,347 | - | 398,501 | 178,926 |
| Lim Cheng Cheng | 310,236 | 221,931 | 36,462 | 67,469 | - | 636,098 | 267,936 |
| Tommy Ng Yew Chye | 255,216 | 106,469 | 30,327 | 24,020 | - | 416,032 | 95,961 |
| Teo Chew Hoon | 199,356 | 166,593 | 12,327 | 39,857 | - | 418,133 | 202,751 |
| Yeo Meng Hin | 385,836 | 298,460 | 48,280 | 124,080 | - | 856,656 | 379,765 |

Notes:

¹ A portion of the annual performance-related bonus is tied to the Company's EVA performance. Only one-third of the current year's EVA bonus (plus any accrued preceding year EVA Bank balance) is paid with the balance two-third being deferred and credited to the executive's EVA Bank for future payments, subject to the Company's continual performance. For the FY2009 EVA bonus, the amount paid is for the executive's performance for FY2008 and the amount deferred is the EVA Bank balance as at 31 March 2008. EVA bonus paid and EVA Bank balance for FY2009 performance will only be determined and finalised in FY2010 when the Company's FY2009 EVA performance and the executive's FY2009 performance rating are final.

EVA Bank: The EVA Bank concept is used to defer the executive's incentive to future years so as to encourage the executive to adopt strategies that will encourage long term growth of the Company and sustained profitability. For Vice Presidents and above, the EVA Bank account is apportioned individually based on a pre-set percentage depending on the executive's contributions to the EVA performance of the Company. Each year, a portion of the executive's annual performance-related bonus is tied to the Company's EVA performance and only one-third of the current year's EVA bonus is paid with the balance two-third being deferred and credited to the executive's EVA Bank for future payments. In addition, the executive receives one-third payout from the accrued EVA Bank balance of preceding years, provided the EVA balance is positive. Monies credited in the EVA Bank remained at risk since the balance can decrease if the Company's EVA performance is adversely affected in the future years.

² Based on the fair values of outstanding PSP and RSP shares granted on 1 March 2006, 19 March 2007, 12 November 2007 and 9 February 2009, using Monte Carlo simulation model. There are no ESOP shares outstanding as at 31 March 2009.

No key executive is an immediate family member of any Director or the President & CEO.

In light of the current economic challenges and increased industry competition, the Group continues to require talented and highly engaged employees to propel its business strategies forward and to build a progressive and high performance organisation that constantly creates value for its shareholders. In its efforts to attract and retain key talent, the RC emphasises that the Group's compensation strategies are market competitive. To align with market conditions, the compensation strategies adopted must also be flexible and adaptable.

The Company has ceased granting options under the SMRT Employee Share Option Plan (SMRT ESOP) since FY2005. In substitution of SMRT ESOP, long term incentives like SMRT Restricted Share Plan (SMRT RSP) and SMRT Performance Share Plan (SMRT PSP) now constitute a portion of the total compensation structure for Senior Management. SMRT RSP and SMRT PSP focus on performance that creates value for the shareholders. Details of SMRT ESOP, SMRT RSP and SMRT PSP are set out on pages 117 to 121.

The RC ensures that the Group's compensation policy has a strong linkage between the business units' achievements, individual performance and payouts which in turn fosters teamwork and inculcates individual accountability.

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. As recommended in the Guidebook for Audit Committees in Singapore, the Board will also review and approve any media release of its financial results. Since the SGX-ST's introduction of the requirement for Directors to issue a Negative Assurance Statement to accompany its quarterly financial results

announcement, a process has been introduced to support Management's representations to the Board on the integrity of the Group's financial statements and internal control systems before the Negative Assurance Statement is given by the Board.

AUDIT COMMITTEE (PRINCIPLE 11)

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

The AC met five times during the year under review. The President & CEO, Deputy President & COO, Executive Vice President & CFO, Chief Internal Auditor & Vice President (Audit Division), Company Secretary and the external auditors are usually invited to these meetings. During the financial year, the AC had one meeting with the external auditors and three meetings with the internal auditors, without the presence of Management. These meetings enable the auditors to raise issues encountered in the course of their work directly to the AC.

The AC Charter provides guidance for the effective operation of the AC by setting out, amongst other things, the AC's terms of reference, authority, composition, conduct of meetings and responsibilities. Annually, the AC will review its Charter to ensure that it remains relevant and is in line with best practices.

During the year under review, the AC:

- reviewed and recommended to the Board the release of the quarterly and full year financial statements;
- considered and approved the Audit Plan prepared by the external auditors and the Internal Audit Plan prepared by the Internal Audit Division;
- reviewed the scope and results of both internal and external audits, the adequacy of the internal audit functions and the risk management processes within the Group;

CORPORATE GOVERNANCE

- reviewed the independence and objectivity of the external auditors, and the nature and extent of non-audit services provided by them; and
- reviewed the Group's audit, financial and risk management practices vis-a-vis the Guidebook for Audit Committees in Singapore and the news releases issued by the SGX-ST and the ACRA, with the aim of strengthening the Group's corporate governance framework.

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

The AC oversees the Group's Whistleblowing Programme. The Whistleblowing Programme is described in greater detail under Internal Controls.

INTERNAL CONTROLS (PRINCIPLE 12)

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

On an annual basis, the Internal Audit Division prepares a risk-based audit plan to review the adequacy and effectiveness of the Group's system of internal controls. Upon completion of each review, a formal

report detailing the audit findings and the appropriate recommendations will be issued to the Chairman of the Board, the AC, the President & CEO, the Deputy President & COO, the Executive Vice President & CFO and the external auditors for their information. A copy of the report is also issued to the heads of business units for their follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

In addition to the planned audits, the Internal Audit Division is also involved in conducting system or process reviews that may be requested by Management on specific areas of concern during the course of the year. By allowing such flexibility in the audit work plan, the Internal Audit Division is able to help Management understand risks and internal control issues associated with the changes taking place in their businesses by providing them with timely input on new or emerging issues during the year.

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

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

- review of and discussions on risks identified by Management;
- review of internal and external audit plans;
- review of significant issues arising from internal and external audits; and
- review of implementation status of action plans developed by Management to address control gaps/weaknesses.

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

Operating Structure

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

Policies, Procedures and Practices

Controls are detailed in formal procedures, instructions and manuals and compliance is reviewed by the Company's internal auditors and ISO Internal Quality Management System auditors.

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

Whistleblowing

To reinforce a culture of good business ethics and governance, a Whistleblowing Programme is in place to encourage the reporting in good faith of any suspected improper conduct whilst protecting the whistleblowers from reprisal within the limits of the law.

The policy is communicated via the website and through a number of other channels. The secured and protected disclosure channels include an independent e-mail address and a direct phone hotline which are manned by the Chief Internal Auditor & Vice President (Audit Division). This allows whistleblowers to disclose their concerns in strict confidence. A whistleblower is also able to disclose directly to the AC Chairman via a dedicated and secured e-mail channel if he is of the view that his case has not been handled satisfactorily or if there is an apparent conflict of interest.

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

Financial Reporting

The Board is regularly updated on the Group's financial performance via monthly reports. These reports provide explanations for significant variances of financial performance and revised full year forecast, in comparison with budgets and financial performance of corresponding periods in the preceding year. These financial reports are also regularly reviewed and supplemented with additional information to highlight key operational and financial performance indicators. In addition, business units also provide the Board with monthly updates on key operational activities.

Declaration checklists by heads of business units confirming that financial processes and controls are in place, and a financial watch list reporting status of significant financial issues of the Group, are presented to the Board quarterly. Compliance checklists which are required for submission to the SGX-ST are reviewed and confirmed jointly by the Executive Vice President & CFO and the Company Secretary.

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

CORPORATE GOVERNANCE

Financial Management

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

Having a centralised treasury function helps to achieve greater efficiency and synergy in the management of the Group's financial resources. Furthermore, tax compliance has been strengthened across the Group with the centralisation of the tax compliance function at the Finance Department.

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 Audit Committee and the Chairman of the Board.

Our external auditors from KPMG LLP provide an independent perspective on certain aspects of the internal financial control system arising from their work and annually report their findings to the AC.

Risk Management

The AC oversees the Group's risk management process through reviewing the adequacy and effectiveness of the risk management policy, methodology, tools, practices and strategies. It also has oversight of key risk exposures and will in turn report to the Board of Directors on all risk matters.

The RMC works closely with the AC on the oversight of risk management. It adopts and puts in place an Enterprise Risk Management (ERM) framework in the organisation with the following objectives:

- To spearhead initiatives to strengthen the risk management processes and framework;
- To monitor the implementation of ERM;

- To review the Group risk profile and action plans; and
- To promote a risk awareness culture.

RMC meetings are conducted at least twice a year to review the strategic risks and the ERM framework. Supporting the RMC, the ERM function is responsible for building an effective ERM framework and facilitating the risk management process throughout the Group. It also updates RMC on the risk exposure from all the business units and corporate functions, and in addition, provides feedback to the RMC on the progress of the risk management action plans. The Audit Division plays an independent role in evaluating the effectiveness of the Group's ERM framework.

Risk Management Structure

The risk management structure of the Group is illustrated below:



Details on our risk management methodology and the key risks impacting the Group are described in the Risk Management section of the Operating and Financial Review.

Control Self-assessment Programme (CSA Programme)

The CSA Programme was launched with the following objectives:

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

A process of annual self-assessment provides for a documented and auditable trail of accountability from the line management and staff to Senior Management and the Board. Under the CSA Programme, the line management and staff conduct self-assessments on the effectiveness of their control processes. Thereafter, the Internal Audit Division will perform independent and random reviews to validate the results of these self assessments. The results of the self assessment will be reported to the President & CEO, the Audit Committee and the Chairman of the Board.

INTERNAL AUDIT (PRINCIPLE 13)

The Internal Audit Division is an independent function that reports directly to the Chairman of the AC, and administratively to the President & CEO. Internal Audit Division's mission statement and charter empower it to provide independent and objective assessments and consulting services which are designed to evaluate the adequacy and effectiveness of the Group's system of internal controls. A risk-based approach is used to develop the annual audit plan to ensure that all high risk areas are monitored for proper coverage and audit frequency. The audit plans are reviewed and approved by the AC. In addition, during the year, a number of ad

hoc projects were initiated by Management requiring Internal Audit's involvement to provide assurance in specific areas of concern. The Audit Committee meets with the Chief Internal Auditor & Vice President (Audit Division) at least once a year without the presence of Management.

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

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

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

CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS (PRINCIPLE 14 AND PRINCIPLE 15)

The Group believes in regular and effective communication with members of the investment community and investing public and has put in place a comprehensive investor relations (IR) programme to provide clear, timely and fair disclosure of information about the Group's business developments and financial performance.

All material information is disclosed regularly and on a timely basis via SGXNET and the Company's website. In addition, analyst and media briefings/conference calls are held to announce the quarterly results and as and when necessary.

The IR team regularly communicates with investors through face-to-face meetings, e-mail communication and teleconferences to update them on the latest corporate developments and at the same time, addresses their queries. Depending on the nature of the query, it can be forwarded to the Executive Vice President & CFO, or the Company Secretary for corporate governance matters, and even brought to the attention of the President & CEO, if necessary. Management and the Board are also kept informed on comments and views received via monthly reports.

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

For details on the Group's IR activities, please refer to the Investor Relations section of the Annual Report.

Encourage Greater Shareholder Participation at General Meetings

The Group fully supports active shareholder participation at AGMs and Extraordinary General Meetings and views such General Meetings as principal dialogue sessions with shareholders. At least 21 days before the AGM, the Summary Report and

the Notice of AGM will be dispatched to shareholders. The Notice of AGM will include explanatory notes or a circular on items of special business. The full Annual Report is also available to all shareholders on the corporate website or upon request. Notice of General Meetings will also be published in the Business Times.

To encourage greater shareholder participation at AGMs, the Company holds its AGMs at centrally located venues that are easily accessible by public transport. The Chairman, President & CEO, Chairman of each Board Committee, Board Members, Deputy President & COO, Executive Vice President & CFO, the Company Secretary and members of Senior Management are in attendance at AGMs to take questions and feedback from shareholders. Shareholders present are given the opportunity to clarify or pose questions on issues pertaining to the proposed resolutions, before the resolutions are voted on. The external auditors, KPMG LLP, are also invited to attend AGMs and will assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditors' report.

Under the Company's Articles of Association, a registered shareholder may appoint one or two proxies to attend General Meetings, to speak and vote in place of the shareholder. Voting in absentia by mail, facsimile or e-mail has yet to be introduced because such voting methods will need to be carefully reviewed for feasibility to ensure there is no compromise to either the integrity of the information or the proper authentication of the identity of the shareholders.

The Group takes note that there should be separate resolutions at General Meetings on each substantially separate issue and supports the Code's principle with regards to the "bundling" of resolutions. The Group treats shareholders' issues, particularly those that require shareholders' approval, such as re-election of Directors and approval of Directors' fees, as distinct subjects and submits them to the General Meetings as separate resolutions.

The minutes of General Meetings prepared by the Company Secretary include substantial comments or queries from shareholders and responses from the Chairman, Board Members and Management. These minutes are available to shareholders upon their request.

DEALINGS IN SECURITIES

Since 2003, the Group has in place an internal code of conduct for Directors and employees on securities transactions when they are in possession of unpublished price-sensitive information on the Company's securities.

The Group's "black-out" policy is more stringent than that prescribed by the SGX-ST's Listing Rule 1207(18) in that Directors and employees are advised not to deal in the Company's securities during the period commencing one month before the announcement of each of the Group's financial results (i.e. the quarterly and full year results) and ending on the date of the announcement of the relevant results.

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

PARTICULARS OF DIRECTORS

| | |
|---|---|
| NAME OF DIRECTOR | Choo Chiau Beng |
| AGE | 61 yrs |
| ACADEMIC & PROFESSIONAL QUALIFICATIONS | Bachelor of Science (Naval Architecture) 1st Class Hons, University of Newcastle Upon Tyne, United Kingdom (Colombo Plan Scholar) Master of Science (Naval Architecture), University of Newcastle Upon Tyne, United Kingdom Completed Programme for Management Development, Harvard Business School Member of Wharton Society of Fellows |
| DIRECTORSHIP | Date first appointed : 01.05.2003 Date last re-elected : 20.07.2006 |
| PRESENT DIRECTORSHIPS (As at 31 March 2009) | SMRT Group SMRT Corporation Ltd (<i>Chairman</i>) SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd SMRT Light Rail Pte Ltd Others Asian Lift Pte Ltd Keppel Corporation Limited (<i>CEO</i>) Keppel Energy Pte Ltd Keppel FELS Limited (<i>Chairman</i>) Keppel Land Limited Keppel Offshore & Marine Ltd (<i>Chairman</i>) Keppel Offshore & Marine Technology Centre Pte Ltd Keppel Shipyard Limited (<i>Chairman</i>) k1 Ventures Limited Singapore Petroleum Company Limited (<i>Chairman</i>) Singapore Refining Company Private Limited (<i>Chairman</i>) |

CORPORATE GOVERNANCE

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS
 (From 31 March 2006 to 31 March 2009)

EDB Investments Pte Ltd
 Keppel Norway AS (*formerly known as Offshore & Marine AS*)
 Maritime and Port Authority of Singapore (*Board Member*)
 Singapore Maritime Foundation (*formerly known as Singapore Maritime Foundation Limited*)

NAME OF DIRECTOR Saw Phaik Hwa
AGE 54 yrs

ACADEMIC & PROFESSIONAL QUALIFICATIONS
 Bachelor of Science (Biochemistry) Hons, University of Singapore

DIRECTORSHIP
Date first appointed : 20.03.2003
Date last re-elected : 12.07.2007

PRESENT DIRECTORSHIPS
 (As at 31 March 2009)

SMRT Group
 SMRT Corporation Ltd (*President & CEO*)
 SMRT Trains Ltd
 SMRT Road Holdings Ltd
 SMRT Buses Ltd
 SMRT Automotive Services Pte Ltd
 SMRT Capital Pte Ltd
 SMRT Engineering Pte Ltd
 SMRT Far East Pte Ltd
 SMRT Hong Kong Limited
 SMRT International Pte Ltd
 SMRT Investments Pte Ltd
 SMRT Light Rail Pte Ltd
 SMRT Taxis Pte Ltd

Others

The Esplanade Co Ltd
 Government Parliamentary Committee on Transport (*Member of Resource Panel*)
 International Wu Style Tai Chi Chuan Federation (*Vice President of Executive Committee*)
 National Environment Agency (*Board Member*)
 Singapore Jian Chuan Tai Chi Chuan Physical Culture Association (*Vice President*)
 Singapore Wushu Dragon & Lion Dance Federation (*Third Vice-Chairman*)
 Singapore Management University (*Board of Trustees*)
 Singapore Totalisator Board (*Member of Sports Sub-Committee*)
 Tan Tock Seng Hospital Community Charity Fund (*Board of Trustees*)
 Wu's Tai Chi Chuan Academy (*Governor – Singapore & Malaysia*)
 Youth Business Singapore (*Board of Trustees*)

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS
(From 31 March 2006 to 31 March 2009)

RFP Investments Pte Ltd (*Struck off*)
Singapore Shuttle Bus (Pte) Ltd (*Liquidated*)
Singapore Tourism Board
Transit Link Pte Ltd
10TouchPoints DesignSingapore Council, Ministry of Information, Communication and Arts (*Member of Steering Committee*)

| | |
|-------------------------|-----------------------------------|
| NAME OF DIRECTOR | Dilhan Pillay Sandrasegara |
| AGE | 46 yrs |

| | |
|---|---|
| ACADEMIC & PROFESSIONAL QUALIFICATIONS | Bachelor of Laws (2nd Class Upper Hons), National University of Singapore Master of Law, University of Cambridge |
|---|---|

| | |
|---------------------|--|
| DIRECTORSHIP | Date first appointed : 15.04.2008 Date last re-elected : 11.07.2008 |
|---------------------|--|

| | |
|---|--|
| PRESENT DIRECTORSHIPS (As at 31 March 2009) | SMRT Group SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd |
|---|--|

Others
Accounting and Corporate Regulatory Authority (ACRA) (*Board Member*)
Alexandra Health Pte Ltd
Babcock & Brown Global Investments Limited (*formerly known as Babcock & Brown Structured Finance Fund Limited*)
Banyan Tree Holdings Limited
CapitaRetail China Trust Management Limited
Changi Airports International Pte Ltd
Clifford Chance Wong Pte Ltd
Dynasty Trust (*Board of Trustees*)
Hup Soon Global Corporation Limited
MOH Holdings Pte Ltd
Sentosa Development Corporation (SDC) (*Board Member*)
Singapore Management University (*Board of Trustees & Member of Advisory Board of School of Law*)
SPI (Australia) Assets Pty Ltd
WongPartnership LLP (*Managing Partner*)
WOPA Services Pte Ltd

| | |
|---|---|
| PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS (From 31 March 2006 to 31 March 2009) | The Ascott Group Limited CapitaLand Retail (BJ) Investments Pte Ltd CapitaLand Retail (BJ1) Holdings Pte Ltd Hiap Seng Engineering Ltd PowerSeraya Limited SP Services Limited |
|---|---|

CORPORATE GOVERNANCE

| | |
|---|--|
| NAME OF DIRECTOR | Halimah Yacob |
| AGE | 54 yrs |
| ACADEMIC & PROFESSIONAL QUALIFICATIONS | LLB (Hons), University of Singapore Master of Laws, National University of Singapore |
| DIRECTORSHIP | Date first appointed : 08.10.2007 Date last re-elected : 11.07.2008 |
| PRESENT DIRECTORSHIPS (As at 31 March 2009) | SMRT Group SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd Others Economic Development Board (<i>Board Member</i>) Housing & Development Board (<i>Board Member</i>) National University of Singapore (<i>Board of Trustees</i>) MENDAKI Holdings Pte Ltd |
| PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS (From 31 March 2006 to 31 March 2009) | Jurong Town Corporation (<i>Board Member</i>) National Environment Agency (<i>Board Member</i>) |
| NAME OF DIRECTOR | Ho Kim Wai |
| AGE | 54 yrs |
| ACADEMIC & PROFESSIONAL QUALIFICATIONS | Bachelor of Science (Mechanical Engineering) 1st Class Hons, Imperial College London Master of Finance, RMIT University, Australia Doctor of Philosophy in Finance, Nanyang Technological University, Singapore Fellow of the Institute of Chartered Accountants in England and Wales Fellow of the Institute of Certified Public Accountants of Singapore |
| DIRECTORSHIP | Date first appointed : 23.07.2008 |
| PRESENT DIRECTORSHIPS (As at 31 March 2009) | SMRT Group SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd |

**PAST
DIRECTORSHIPS
OVERTHE
PRECEDINGTHREE
YEARS**
(From 31 March 2006
to 31 March 2009)

Nil

| | |
|--|--|
| NAME OF DIRECTOR AGE | Koh Yong Guan 63 yrs |
| ACADEMIC & PROFESSIONAL QUALIFICATIONS | Bachelor of Applied Science Mechanical Engineering (1st Class Hons), University of Toronto, Canada Master of Applied Science Mechanical & Biomedical Engineering, University of Toronto, Canada Master of Business Administration, Catholic University of Leuven, Belgium |
| DIRECTORSHIP | Date first appointed : 02.04.2007 Date last re-elected : 12.07.2007 |
| PRESENT DIRECTORSHIPS (As at 31 March 2009) | SMRT Group SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd Others Central Provident Fund Board (<i>Chairman</i>) Governing Board of the Cancer Science Institute of Singapore (<i>Chairman</i>) Monetary Authority of Singapore (<i>Board Member</i>) |
| PAST DIRECTORSHIPS OVERTHE PRECEDINGTHREE YEARS (From 31 March 2006 to 31 March 2009) | MND Holdings (Private) Limited Singapore Pools (Private) Limited Singapore Totalisator Board (<i>Deputy Chairman</i>) Singapore Turf Club (<i>Chairman</i>) |
| NAME OF DIRECTOR AGE | Paul Ma Kah Woh 61 yrs |
| ACADEMIC & PROFESSIONAL QUALIFICATIONS | Fellow of the Institute of Chartered Accountants in England and Wales Member of the Institute of Certified Public Accountants of Singapore |
| DIRECTORSHIP | Date first appointed : 15.07.2005 Date last re-elected : 11.07.2008 |

CORPORATE GOVERNANCE

| | |
|---|---|
| <p>PRESENT DIRECTORSHIPS (As at 31 March 2009)</p> | <p>SMRT Group SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd</p> |
| <p>PRESENT DIRECTORSHIPS (As at 31 March 2009)</p> | <p>Others Ascott Residence Trust Management Limited CapitaLand China Development Fund Pte Ltd CapitaLand China Development Fund II Limited Hwa Hong Corporation Limited Mapletree Investments Pte Ltd Mapletree Logistics Trust Management Ltd National University of Singapore (<i>Board of Trustees</i>) Tenet Insurance Company Ltd</p> |
| <p>PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS (From 31 March 2006 to 31 March 2009)</p> | <p>Asia General Holdings Limited Bata Emerging Markets Limited Golden Harvest Entertainment (Holdings) Limited The Asia Insurance Company Limited The Asia Life Assurance Society Limited</p> |
| <p>NAME OF DIRECTOR AGE</p> | <p>Ong Ye Kung 39 yrs</p> |
| <p>ACADEMIC & PROFESSIONAL QUALIFICATIONS</p> | <p>Bachelor of Science (Economics) 1st Class Hons, University of London, London School of Economics and Political Science Master of Business Administration, Institute of Management Development, Lausanne, Switzerland</p> |
| <p>DIRECTORSHIP</p> | <p>Date first appointed : 01.08.2006 Date last re-elected : 12.07.2007</p> |
| <p>PRESENT DIRECTORSHIPS (As at 31 March 2009)</p> | <p>SMRT Group SMRT Corporation Ltd</p> <p>Others Chinese Development Assistance Council (CDAC) (<i>Vice Chairman of Skills Training Committee</i>) Employment and Employability Institute Pte Ltd (e2i) (<i>Chairman</i>) Institute of Systems Science (<i>Board Member</i>) Ngee Ann Polytechnic Council (<i>Member</i>) Northlight School (<i>Member of Board of Governors</i>) Singapore LSE Trust (<i>Trustee</i>) SPRING Singapore</p> |

PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS
 (From 31 March 2006 to 31 March 2009)

Ascendas Pte Ltd
 Civil Service College
 Institute of Management Consultants Singapore (*Member of Panel of Advisors*)
 Quality Service Advisory Council (*Member*)
 Singapore Workforce Development Agency (*Board Member/Chief Executive*)
 UniSIM (*Board of Trustees*)

| | |
|-------------------------|-------------------------|
| NAME OF DIRECTOR | Bob Tan Beng Hai |
| AGE | 57 yrs |

| | |
|---|---|
| ACADEMIC & PROFESSIONAL QUALIFICATIONS | Fellow of the Institute of Chartered Accountants in England and Wales |
|---|---|

| | |
|---------------------|--|
| DIRECTORSHIP | Date first appointed : 01.08.2006 Date last re-elected : 12.07.2007 |
|---------------------|--|

| | |
|---|---|
| PRESENT DIRECTORSHIPS (As at 31 March 2009) | <p>SMRT Group SMRT Corporation Ltd SMRT Trains Ltd SMRT Road Holdings Ltd SMRT Buses Ltd</p> <p>Others Charity Council (<i>Board Member</i>) ITE Holding Pte Ltd (<i>Chairman</i>) Institute of Technical Education (<i>Chairman</i>) Jurong Engineering Limited (<i>Chairman</i>) NTUC Club Management Council (<i>Council Member</i>) Ong Teng Cheong Institute of Labour Studies (<i>Board Member</i>) SBF Holdings Pte Ltd Sentosa Golf Club (<i>Management Committee - Member and Captain</i>) Singapore Business Federation (<i>Honorary Treasurer</i>) Singapore Golf Association (<i>Honorary Secretary</i>) Singapore National Employment Federation (<i>Vice President</i>) SNP Corporation Pte Ltd (formerly known as SNP Corporation Ltd)</p> |
|---|---|

| | |
|---|--|
| PAST DIRECTORSHIPS OVER THE PRECEDING THREE YEARS (From 31 March 2006 to 31 March 2009) | NTUC Club Investments Pte Ltd Quebec Leisure International Pte Ltd PowerSeraya Limited UMS Holdings Limited |
|---|--|

INVESTOR RELATIONS

SMRT AND OUR SHAREHOLDERS

In FY2009, SMRT continued to grow shareholder value, focusing on improving profitability and returns to our shareholders. In communicating with our shareholders, we adopt a proactive approach by providing clear, regular and timely communication. At the same time, we are committed to fostering long-term relationships with the investment community while upholding high corporate transparency standards.

DIVERSE SHAREHOLDER BASE

As set forth in the "Shareholding Statistics" section in this annual report, there are 47,320 registered shareholders in SMRT's shareholding as at 3 June 2009. The actual number of investors is likely to be greater due to shares being held through nominees, investment funds and other share schemes.

To better understand our shareholders' profile, SMRT commissioned an analysis of our share register in FY2009 and the report identified more than 110 institutions and investors from major global financial markets.

Out of the Group's free float of 45%, about 26% of our shareholding was held by institutional investors. The

top three geographic regions where our investors are based are: Singapore, Asia (including Hong Kong and Japan) and UK. This diversification in our shareholdings improves liquidity and helps ensure our shares are valued fairly.

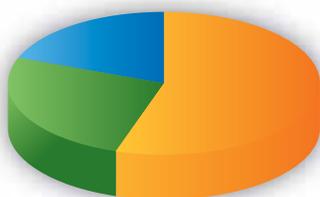
COMMITMENT TO ENHANCING SHAREHOLDER VALUE

Share Price Performance

SMRT continued to create and enhance shareholder value throughout the year. SMRT was listed as a constituent of the Straits Times Index (STI) with effect from 23 March 2009, representing about 1% by weighting of the index. The STI represents the performance of the top 30 SGX Mainboard listed companies by market capitalisation.

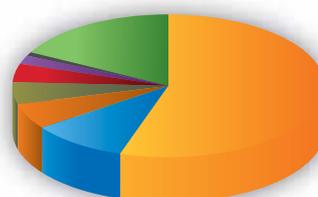
As at 31 March 2009, the market capitalisation of SMRT was about \$2.3 billion, based on a closing share price of \$1.53. The highest closing price in the year was \$2.00 on 12 September 2008, the average closing price was \$1.73 while the lowest closing price in the year of \$1.47 was recorded on 29 October 2008.

Shareholders' Profile¹



| | |
|---------------------------|-----|
| ● Temasek Holdings | 55% |
| ● Institutional Investors | 26% |
| ● Private Stakeholders | 19% |

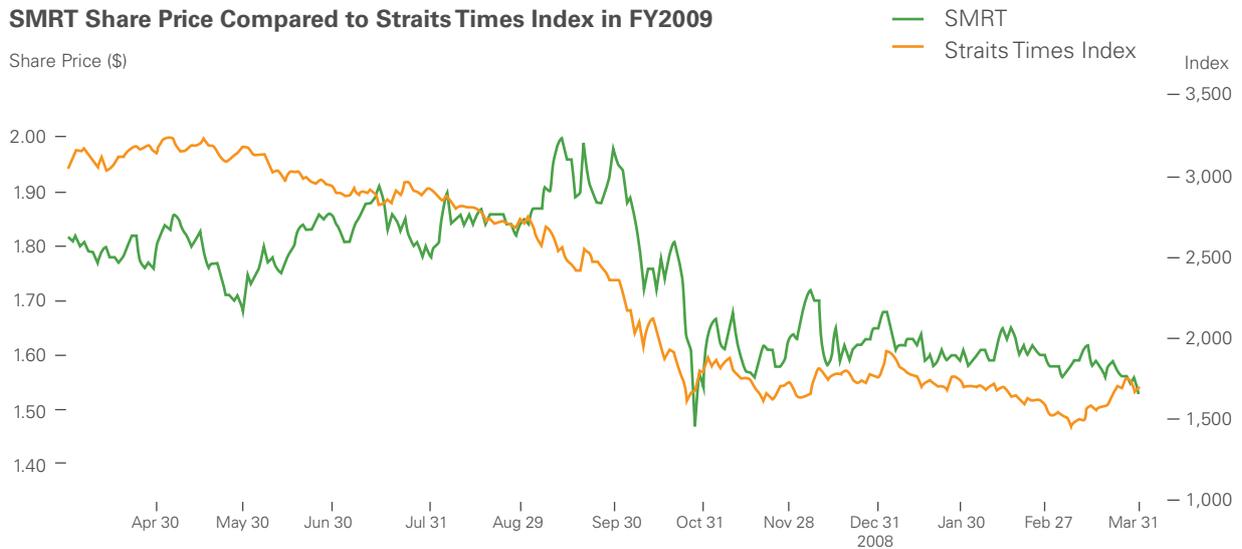
Shareholders by Region¹



| | |
|-------------------------------|-----|
| ● Temasek Holdings | 55% |
| ● Singapore excluding Temasek | 10% |
| ● Asia | 6% |
| ● UK | 5% |
| ● North America | 4% |
| ● Europe excluding UK | 2% |
| ● Others | 1% |
| ● Unanalysed | 17% |

¹ Approximate figures based on share register analysis as at 21 Oct 2008

SMRT Share Price Compared to Straits Times Index in FY2009



The graph above shows SMRT's closing price over the year as compared to the STI. When compared to the market index, SMRT shares (stock code: SMRT) outperformed the STI by 28.3 percentage points in FY2009. The share performance in the year reflects the defensive nature of SMRT's shares during the market downturn.

Consistent and Increasing Dividend Payouts

SMRT's dividend policy sets out to maintain or provide consistent increases in dividends, subject to our earnings performance and other conditions. In line with our dividend policy, in the year under review, we continued to reward our shareholders with good dividends. In FY2009, the Group proposed a final

dividend of 6.00 cents per share, tax exempt one-tier. If approved at the Tenth Annual General Meeting (AGM) on 23 July 2009, this will bring the total dividend for FY2009 to 7.75 cents per share, equal to a dividend payout of 72.2% of PATMI. Since FY2005, SMRT's dividend payouts have been at least 60% of total PATMI. The two charts below explain how steady increases in earnings led to corresponding increases in dividends.

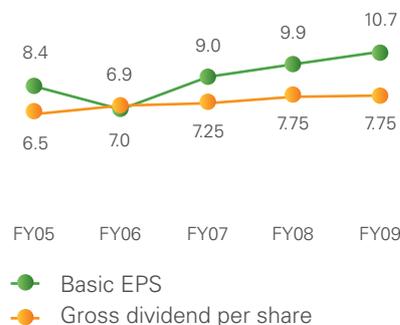
Achieving Total Returns

For FY2009, the total shareholder return declined to a negative 11.5% from a positive 26.6% last year. Though 4.5% of dividend yield was achieved, capital gains declined 15.9% mainly as a result of the

PATMI and Dividends (\$m)



Earnings and Dividends Per Share (cents)



INVESTOR RELATIONS

SMRT's Dividend Policy

We will endeavour to maintain or increase dividend payout each year in terms of cents per share, targeting a minimum payout ratio of 60% of PATMI per year for the interim and final ordinary dividend. In any particular year, we may also propose a special dividend to provide investors with greater returns and yield.

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

market downturn. Over a five-year period, SMRT's compounded annual return was 27.0% versus negative 1.37% for STI.

PROACTIVE COMMUNICATION WITH SHAREHOLDERS

The Group's Investor Relations (IR) team, led by the Executive Vice President & Chief Financial Officer with active involvement from the President & CEO,

continued to proactively engage the investment community. The team met up with investors on a regular basis to give them a clearer insight to our business units, the growth drivers, and our strategies in leveraging opportunities and overcoming challenges. During the year, we continued to communicate with shareholders and provide comprehensive information disclosure.

Communication with Shareholders

- Held about 120 meetings with investors
- Well covered by 17 sell-side analysts
- Participated in investor conference in Singapore and non-deal roadshow in Hong Kong
- Engaged investors and analysts through meetings, regular emails and conference calls
- Held AGM (well attended by more than 400 shareholders since FY2005)
- Sponsored the Securities Investors Association (Singapore) (SIAS) investor outreach programmes
- Extended one-year SIAS associate membership to SMRT shareholders
- Disseminated feedback forms on the Annual Report

Provide Comprehensive Information Disclosure

- Provided full disclosure in Annual Reports and quarterly statements
- Updated IR website regularly (www.smrt.com.sg) and disclosed information on a timely basis via SGXNET
- Reported quarterly results announcements within one month of the quarter close and audited full-year results within one month of year-end
- Conducted live webcasts of second quarter and full-year results briefings and teleconferences for first and third quarters
- Broadcasted relevant information to investors on the Group's mailing lists
- Published monthly ridership data for MRT and bus operations

ACHIEVEMENTS AND ACCOLADES

In FY2009, SMRT continued to be recognised for our good corporate governance and disclosure practices. We were ranked number two in the revamped Governance and Transparency Index, co-published by the Business Times and NUS Corporate Governance and Financial Reporting Centre. This index focuses not only on the transparency of financial information but also on governance, ethics and rigour in financial reporting.

At the Investors' Choice Award presentation organised by SIAS in 2008, SMRT was presented with the Gold award for the Singapore Corporate Governance Award and the runner-up award for the Most Transparent Company Award in the Transport/Storage/Communication category.

INVESTOR RELATIONS AND FINANCIAL CALENDAR FOR FY2010

April 2009

24 Webcast of Briefing on FY2009 results

May

7 Analysts' visit to Circle Line Depot
21 CLSA Investor Forum (Singapore)

June

29 Release of Annual Report FY2009

July

23 Tenth AGM
30-31 Books closure for FY2009 final dividend
31 Teleconference on 1QFY2010 results

August

12 Payment of FY2009 final dividend

October

30 Webcast on 2QFY2010 results

November

Books closure for FY2010 interim dividend
Payment of FY2010 interim dividend

January 2010

Teleconference on 3QFY2010 results
Annual New Year Lunch with Analysts

The dates for key announcements and events are as set out above. Changes to these dates will be published on our IR website at <http://www.smrt.com.sg/investors/investors.asp>.

CORPORATE SOCIAL RESPONSIBILITY

GIVING BACK TO THE COMMUNITY

SMRT operates in the heart of the community and through our activities, we aim to make a positive impact on the economic, social and environmental well-being of those we serve. Over the years, we have expended both time and money to support charitable causes and public awareness programmes. Our efforts in this direction are anchored on four pillars of giving – corporate philanthropy, corporate volunteerism, community outreach and community partnership.

Corporate giving is part of SMRT’s organisational culture. In FY2009, we contributed over \$5.2 million to various causes, charity and community projects through cash donations, public transport vouchers for lower income groups, and sponsorship of media space, premise space and corporate gifts.

In FY2009, we initiated the SMRT Gift of Mobility Programme, a key community initiative that focuses on enhancing the lives of the physically disabled or less mobile in Singapore. The programme was launched in September 2008 by Minister for Health, Khaw Boon Wan. Under the programme, four hospitals (Alexandra Hospital, Changi General Hospital, KK Women’s & Children’s Hospital and Tan Tock Seng Hospital) and two Voluntary Welfare Organisations (VWOs) (Bizlink Centre Singapore Ltd and Society for the Physically Disabled) received a cash donation of \$180,000 which would be disbursed to the financially needy requiring point-to-point taxi transfers.

To better facilitate the wheelchair bound, SMRT All-in-one SPACE taxi – Singapore’s first large-capacity taxi was retrofitted with a hydraulic ramp for easier access. Sixty SMRT taxi partners were also trained to be SMRT Taxis Medical Chaperons. Certified by the Singapore Taxi Academy, these personnel are equipped with skills to assist and transport less mobile passengers. They are also knowledgeable about medical service providers in Singapore.

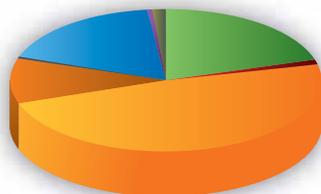
Continuing our support of needy elderly and caregivers, in FY2009 we embarked on another fundraising effort for the SMRT Silver Tribute Fund. Through five fundraisers held over six months, we raised over \$1 million. SMRT fully absorbed the costs of running the fundraisers and all the funds raised were distributed to the beneficiary organisations.

We also helped raise awareness of worthy causes through the provision of media space within our network. Beneficiaries we supported in FY2009 included Bizlink Centre Singapore Ltd, the Singapore Heart Foundation, the Community Chest and President’s Challenge.

In addition, SMRT also gave generously to:

- Environment and wildlife conservation – SMRT is a founding and platinum donor of the National Environment Agency’s (NEA) Corporate Environmental Outreach Run, which supports environmental NGOs in Singapore. We also

Corporate Giving FY2009



| | |
|-------------------|-------|
| ● Social Services | 48.3% |
| ● Corporate | 20.3% |
| ● Arts | 18.0% |
| ● National Events | 10.2% |
| ● Education | 1.3% |
| ● Environment | 1.1% |
| ● Grassroots | 0.4% |
| ● Sports | 0.2% |

supported the annual Clean & Green Singapore campaign organised by the NEA and Community Development Councils to educate residents on environmental conservation. Our support of wildlife conservation and education efforts by the Singapore Zoological Gardens and Jurong Bird Park, now into its 16th year, is through the adoption of the Cotton-Top Tamarin and Great Pied Hornbill exhibits, respectively.

- Arts – SMRT supports both established and aspiring arts groups such as Life Art Society, Singapore Management University's (SMU) Symphonia and Samba Masala groups. To bring arts to commuters, we partnered the National Arts Council to promote Arts on the Move at our MRT stations. On 16 January 2009, we invited commuters to welcome the Lunar New Year with us at Raffles Xchange. As with previous years, we partnered artists from Life Art Society who demonstrated their Chinese calligraphy and painting skills, and conducted on-the-spot art lessons. About 10,000 art pieces were distributed to commuters and shoppers. In FY2009, we also supported SingaporeCreates through the provision of media space within our network. This project by the Ministry of Information, Communication and the Arts and Ministry of Education (MOE) showcases designs by school children that depict the Singapore spirit.
- Education – SMRT contributed course medals to outstanding graduating students from the Institute of Education, Singapore Polytechnic and Temasek Polytechnic.

Volunteering Where It Matters

Apart from giving as an organisation, SMRT believes in fostering the spirit of volunteerism among staff. The SMRT Corporate Volunteer Programme provides a formal platform for staff to invest their time in serving the community and new staff are introduced to the programme when they join the company.



During the year under review, we saw a 21% increase in the number of staff who volunteered their time and expertise for various activities organised by the three SMRT Volunteer Committees for our adopted charities – Singapore Red Cross Blood Donor Recruitment Programme, Ang Mo Kio Family Service Centres (AMKFSC) and Geylang East Home for the Aged (GEHA).

The SMRT Bloodmobile Drive Committee collected 888 units of blood for the National Blood Bank in FY2009. A total of four bloodmobile drives were conducted at Raffles Place MRT station and 155 staff helped with the logistics and organising the drives. The highlight of the year was the thematic Christmas Bloodmobile Drive on 17 December 2008 where volunteers donned red Santa hats and SMU Symphonia entertained blood donors with Christmas songs and popular tunes.

In FY2009, the SMRT-AMKFSC Volunteer Committee went beyond the usual family and youth programmes to reach out to needy elderly living in the Ang Mo Kio and Teck Ghee areas via the centre's Com-Net Programme. Some 55 volunteers organised a year-end party on 19 December 2008 at SMRT Bishan Clubhouse for 78 elderly staying in one-room flats in the Teck Ghee area.

To help alleviate the impact of the economic crisis on low-income families, SMRT-AMKFSC Volunteer Committee adopted 11 families who would receive financial aid from us. To strengthen family ties, our

CORPORATE SOCIAL RESPONSIBILITY



volunteers organised two family bonding days – one for 28 low-income families and another for families under the AMKFSC Youth Infinity programme which reaches out to youths and their families.

We support the social and learning needs of AMKFSC children by organising and inviting the children to participate in our outreach activities such as SMRT Learning Journeys (LJ) and Tales on SMRT Trains. To enable the children to go to school despite their families' financial circumstances, we set up the SMRT Children's School Transport Fund with AMKFSC. A total of 42 children benefited from this fund in FY2009. To enhance the children's computer skills, we donated nine computers and helped set up computer labs in AMKFSC's three centres so that the centre can run courses for the children.

In FY2009, the SMRT-GEHA Volunteer Committee and more than 200 staff volunteered their time and skills to organise some 23 events for the residents. The committee also introduced two new activities that would allow staff to regularly engage the residents – the monthly Sunday Dinner Programme and quarterly outings. In April 2008, 18 staff brought 20 elderly on a cruise to nowhere and it was truly a treat for the elderly as they had never been on-board a cruise ship. Other outings during the year included a trip to the National Orchid Garden, Singapore Flyer, and a visit to the Marina Barrage followed by a seafood dinner.

During the year, the committee and volunteers also assisted GEHA with the design and construction of a canopy at the day activity centre and refurbishment of the centre's toilets.

Enriching Lives

At SMRT, we engage the community in different ways, adding colour to a typical day through the activities within our network and partnerships that see us tailoring programmes that enrich experiences.

Since 2001, SMRT has been a supporter of the MOE LJ Programme. The SMRT LJ Programme aims to cultivate courteous and safe behavior in students when using public transport. In FY2009, about 1,000 primary, secondary, ITE and polytechnic students participated in the programme.

Bringing home the message of courtesy and safety to commuters of all ages is the SMRT Courtesy and Safety Programme. In FY2009, we organised a series of roadshows that culminated in one anchor event, the SMRT Challenge, which welcomed some 1,800 participants to learn about safe and courteous behaviour through friendly competition. As with previous years, other fun activities included Captain SMRT skits and games, Children's Collage Competition and a Street Art Competition. We expanded the 2008 Programme with the introduction of "Eduplay", a collaboration with a performing arts group to bring home the message of courtesy and safety in the public transport system to 42 primary and secondary schools in Singapore. Also new was the "Passport to a Great Ride", where the message was promoted to the public through a month-long contest that attracted close to 50,000 public submissions.

For the fourth year running, SMRT organised Tales on SMRT Trains. From Ang Mo Kio MRT station to Tiong Bahru MRT Station, more than 600 children and parents were kept enthralled by professional storytellers who told stories with a green theme to complement SMRT's green efforts.

Continuing the Tradition of Giving

Through creating opportunities for our staff to apply their talents, skills and experience in our volunteerism, philanthropy and outreach efforts, we hope they will gain a sense of personal achievement that extends beyond professional growth. In FY2010, we will continue to invest in our volunteers, sending them for relevant courses, conferences and training. We hope to inspire them to be innovative in shaping and enlarging our corporate philanthropic, outreach and volunteerism efforts.

BUILDING A SAFE AND SECURE SYSTEM

Safety and security are of paramount importance to SMRT as public transportation networks continue to attract acts of terrorism. While there have been no such attacks in Singapore, other incidents around the world underscore the vulnerability of public transportation systems and the importance of vigilance.

Ensuring Emergency Preparedness

At SMRT, we work closely with the authorities to ensure we are prepared for emergencies within the network. Our business continuity plans cater for contingencies and we partner agencies such as the Ministry of Home Affairs (MHA), the Singapore Police Force, the Singapore Civil Defence Force (SCDF) and the Land Transport Authority (LTA) to formulate detailed response plans. Exercises are held to test disaster management procedures, and regular security audits are conducted on emergency systems.

The SMRT Community Emergency Preparedness (SCEP) Programme empowers the public to play a more active role in enhancing safety and security in the public transport system. It is a Private-Public-People partnership in close collaboration with MHA and LTA, with participation from SMU students and the People's Association. We also conducted a tunnel detainment exercise for 400 participants of Heartware Network's Community Safety and Security Programme at City Hall MRT Station. The exercise, organised to promote the importance of emergency preparedness among secondary school students, was graced by then Senior

Minister of State for Education, RADM (NS) Lui Tuck Yew. Since its launch in December 2006, SCEP has trained a total of 7,800 participants.

In October 2008, we partnered Zhenghua Community Centre to conduct an emergency exercise at Segar station that was attended by Prime Minister Lee Hsien Loong. We also carried out an SCEP exercise for 800 participants from Southwest Community Development Council prior to the opening of Pioneer and Joo Koon MRT stations.

Given our experience in this area, we were invited to share our knowledge at the Transport Security Forum held in Singapore and to brief the Head of Transport Strategies, Office of Transport Security of Australia.

For the year in review, we continued with our Red Teaming exercise which is held to audit, identify and address gaps within our security environment.

Maintaining Impeccable Safety Standards

At SMRT, we pledge to be amongst the world's safest metro systems. In FY2009, we again demonstrated our commitment to this pledge by achieving a passenger injury rate of 0.002 per million passenger trips, lower than LTA's mandated rate of 0.4 per million passenger trips.

To foster a safety culture among our staff, we launched SMRT SHIELD. Through this programme, we aim to make safety compliance a lifestyle of every staff,



CORPORATE SOCIAL RESPONSIBILITY

whereby everyone will take responsibility for safety to himself, his co-workers and the public. In FY2009, staff injury rate dropped to 1.12 per million man hours. This is lower than LTA's mandated rate of 3.3 per million man hours and an improvement over the previous year's rate of 1.96 per million man hours.

In the development of new MRT lines, we adhere to a stringent set of safety guidelines based on international standards. We are involved from the onset, starting with the review of construction plans and risk assessments to the implementation of the safety management system.

SMRT adopted the System Safety Programme Plan (SSPP) from the American Public Transport Association as our safety management system and have put in place a robust safety management framework that involves leadership from the top and employee participation from below. Although our SSPP has served us well, we see the need to benchmark ourselves against other leading metros in the world. This has motivated us to align our SSPP with other internationally recognised standards. As the first step of such alignment, we are working on integrating the Occupation Health and Safety Assessment Series 18001 requirements with our SSPP. This will also set the stage for future integration of our safety management system with our ISO certified quality and environmental management systems to achieve an integrated quality environment, health and safety system. To prepare ourselves for such alignment, we are embarking on a series of purpose-driven programmes to build our capability and competency in managing such an integrated system. Coupled with the organisational structure that is in place to manage such changes, we are confident of meeting future challenges.

We are also currently working with LTA to install half-height platform screen doors for all 36 elevated stations. By September 2009, Pasir Ris, Yishun and Jurong East stations will be fitted with screen doors with the rest coming on stream by 2012.

Looking Ahead

As train and bus ridership is expected to increase, safety and security in public transportation becomes even more crucial. Working with our business partners, we are aiming for Business Continuity Management Certification SS540. Training and engagement will remain pivotal in ensuring emergency preparedness, while the rigorous maintenance of our systems will add to passengers' peace of mind.

ACTING FOR THE ENVIRONMENT

SMRT is inherently green. Since the company was started in 1987, we have adopted green practices as part of our organisation-wide commitment to sustainable development.

SMRT is Green is the company's unprecedented formal pledge towards making environmentally friendly practices in the areas of energy management, air management, waste management, water management and green resources an integral part of our business, operations and infrastructure. This holistic approach to environmental conservation was launched with the SMRT Environmental Policy and code of conduct on 30 April 2008 and is anchored on six key eco strategies that promote green practices among business partners, customers and staff.

The strategies include:

1. Cultivate: Cultivating values, creating environmental awareness and driving positive actions amongst staff and stakeholders
2. Enhance: Enhancing and refining business models to marry ecological and economic agendas
3. Improve: Implementing and improving the environmental management system
4. Adopt: Adopting and responding to environmental challenges through the adoption of eco-friendly resources, alternative energy and support of environmental research and development
5. Benchmark: Benchmarking, measuring and reporting environmental performance
6. Comply: Complying with environmental legislation

A committee was formed to deliberate, plan and monitor all environmental activities company-wide.

Eco-Friendly Practices in Day-to-Day Operations

Following a review of the environmental impact of SMRT's operations, we identified two priorities, namely hazardous waste disposal and waste water discharge.

Measures were taken to segregate waste at source, and handle, store and dispose it appropriately. All hazardous waste is disposed in red bins and collected by a licensed contractor, with secondary containment to prevent spillage and contamination. Control measures were also instituted to eliminate or reduce waste and wastewater discharge. Discussions with material or technology suppliers and contractors to explore material substitution and conservation options are also underway.

Staff are taught to differentiate between industrial waste to be disposed and waste that can be recycled. Training sessions were conducted to ascertain full understanding of the standard operating procedures, as well as educate them on being responsible for their own safety. To ensure compliance, internal audits were carried out.

Operationally, SMRT practises optimal energy management across a wide spectrum of activities, ranging from train scheduling to using auto-sensing energy controllers in escalators.

One of the largest energy consumers is the central air conditioning chiller in MRT stations. Since June 2005, we have embarked on a series of energy audits on the central air conditioning chillers in our stations. The accumulated savings till December 2008 is 2,788 MWh or about \$478,000. In January 2006, chillers in Bishan Administrative Building were replaced and reconfigured with more efficient chillers and control system. This resulted in accumulated savings of 745 MWh or about \$122,000.



Water usage too, is managed for minimal wastage. Water recycling in the washing of trains and buses results in savings of 85,000 litres of water daily. Our train washing plants include treatment systems to treat water from the wash plants before discharging the water into the public drainage system.

In February 2009, SMRT received the ISO14001 certification for the good environmental management system we have in place.

An Eco-Friendly Fleet

In May 2008, SMRT became the first public transport provider in Southeast Asia to purchase 67 Euro V compliant buses. The Euro emission standards were implemented by the European Union to set thresholds for pollutant emissions of particulate matter finer than 2.5 microns in size or PM2.5 emissions. All of SMRT's 67 Euro V compliant buses are equipped with the BlueTec Selective Catalytic Reduction (SCR) Engine Technology which optimises engine combustion to reduce PM2.5 emissions. Through the SCR catalytic converter, harmful nitrous oxide emissions are converted into mostly nitrogen and water vapour. These Euro V buses emit 42% less nitrous oxide pollutants compared to Euro IV buses.

Also in May 2008, SMRT Taxis purchased its first fleet of 200 compressed natural gas taxis. With virtually no PM2.5 emissions, sulphur dioxide, carbon monoxide, hydrocarbons and oxides of nitrogen, these taxis are a cleaner alternative to diesel-powered vehicles.

CORPORATE SOCIAL RESPONSIBILITY

Another 100 Euro IV compliant taxis were also added to the fleet.

Green Policies

Green policies have been adopted in SMRT to inculcate an environmentally-responsible corporate culture among staff. Recycling is one of the major initiatives in SMRT offices and depots. We partnered SembCorp Tay Paper Recycling to implement a company-wide recycling policy for paper and toners. Staff are also encouraged to practise energy saving habits, such as setting their computers to sleep mode when not in use and using remanufactured toners to minimise waste. Moving forward, SMRT's procurement arm will work with green suppliers where possible. In tendering or sourcing for rolling stock, upgrades or replacement of assets, business units are to consider environmentally friendly options. Selected office stationery items have also been replaced with green alternatives.

Cultivating Green Values Among Employees

The success of our green movement depends largely on the whole-hearted participation of our staff and stakeholders. As such, we have initiated several programmes to raise eco-awareness among our employees.

Launched in May 2008, the SMRT Eco Hero programme, anchored on the theme of "Reduce, Reuse and Recycle," aims to drive home the green message in a fun manner. Special movie screenings of Al Gore's "An Inconvenient Truth" were organised to help staff better understand today's environmental issues. Eco-visits were also organised to Senoko Incineration Plant and Sungei Buloh Wetlands Nature Reserve.

Organisation-wide, SMRT staff focused their efforts on conserving resources by reducing their consumption of electricity, water and paper. They were also encouraged to come up with creative ideas to reduce, reuse and recycle resources. About 200 posters and 10,000 eco-stickers were placed in offices and depots to remind staff to act for the environment. Monthly internal communications in the form of electronic direct mail and intranet updates, recognised efforts to

reduce, reuse and recycle, and share interesting green initiatives by staff.

We set up a SMRT is Green intranet site with information on eco-issues, past activities, and the SMRT Green Code of Conduct to create greater awareness of green issues among staff. An SMRT Green Guide – an e-book containing practical green tips for home and at the workplace – was developed for staff.

Going Green with the Community

SMRT is playing our part in extending the green culture to our customers, business partners and the wider community.

A nation-wide "Go Green with SMRT" public transport campaign ran from May to September 2008. We promoted the environmental benefits of public transport through print advertisements, outdoor media advertising in SMRT MRT stations, bus interchanges, and in trains and buses.

The key message of the campaign was "Better By Bus / Better By Train – Let's Clear the Air. Public Transport is Better". The campaign complemented the Ministry of Transport and LTA's push for public transport.

Reaching out to the community, we held 11 roadshows at town councils, community clubs, green clubs, libraries and schools. We also collaborated with green partners such as the Singapore Environment Council and the National Library Board to spread the green message to its members. About 54 organisations came forward to support the campaign.

Attractive prizes of free travel on SMRT trains, LRT and buses were given out to reward commuters who chose public transport.

An independent post-campaign survey was conducted to assess the effectiveness of the campaign. A total of 2,546 responses were received and the campaign was well endorsed by the community. The survey revealed:

- 76% of the respondents had heard about the “Go Green with SMRT” campaign
- 100% of all who knew about it remembered that it was a campaign designed to encourage the use of public transport because it is environmentally friendly
- 52% of those who knew switched from private cars to public transport because they wanted to do their bit for the environment

We received 50,000 pledges from the public as personal commitments to “act for the environment, take public transport.” Over 30,000 people visited the campaign website (GoGreenwithSMRT.com) and about 300 people became “green heroes” by posting their photos on the green hall of fame.

Benchmarking and Green Achievements

We recognise going green is a long term commitment and involves staff dedication and sustained changes in attitudes and behaviour. It is also important to develop efficiency indicators to measure and track how well SMRT is doing in its green efforts.

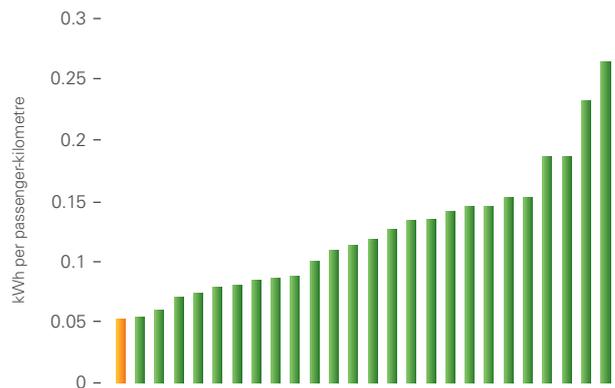
Our holistic approach to environmental conservation – from cultivating values in staff, engaging the community, to improving our operations – has borne fruit. In the latest railway benchmarking exercise conducted by Nova and Community of Metros (CoMET), which is made up of leading metros from around the world, SMRT was rated as the most efficient metro in terms of traction energy usage per capacity-kilometre and total energy usage per passenger-kilometre. We also received the “Most Energy Efficient Metro” award at The Metro Awards 2009, held in London. The Metro Awards is an award ceremony to recognise and celebrate the leaders in the mass transit industry.

Our carbon footprint and other parameters are also regularly computed and benchmarked so that we are able to measure and track the performance of our environmental efforts. These efficiency indicators cover energy management, diesel consumption for buses, water management, etc.

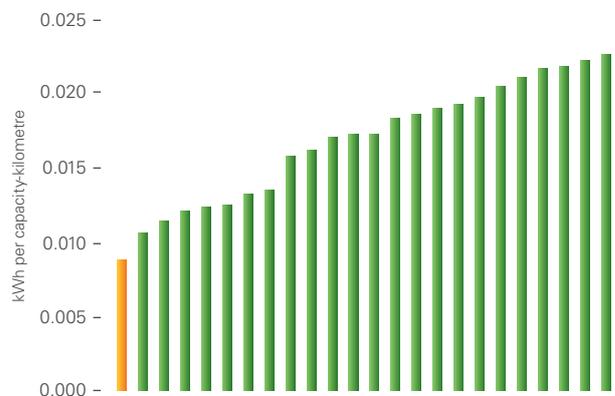
International Benchmark: Energy Efficiency SMRT Trains benchmarked against Nova and CoMET operators

Best Performance =  SMRT

Total Energy Usage Per Passenger-kilometre

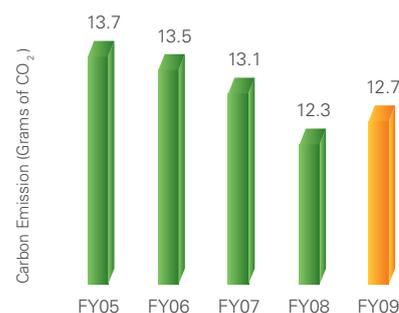


Traction Energy Per Capacity-kilometre



SMRT's trains Carbon Footprint

Carbon Footprint (grams of CO₂/passenger-kilometre)



CORPORATE SOCIAL RESPONSIBILITY

In the area of carbon footprint in grams of carbon dioxide per passenger-kilometre, SMRT has successfully reduced our carbon emission by 7% in the last four years from 13.7g to the current 12.7g of CO₂ per passenger-kilometre.

Looking Ahead

At SMRT, we believe public transport operators are well placed to drive long-term sustainable environmental benefits, and we lead by example. In the coming year, we will continue to invest in hardware to improve long-term energy efficiency. This includes a new fare gate system developed by SMRT, which is expected to save up to 10% in energy consumption due to in-built eco-friendly features such as low energy LEDs, energy-saving LCD displays and low energy servo-motors.

In future train upgrading programmes, SMRT will incorporate eco-friendly features to attain energy savings. SMRT is also looking to adopt alternative sources of energy.

INVESTING IN OUR PEOPLE

At SMRT, we put our staff first. Through comprehensive retention and development programmes, we bring out the best in them so that they can in turn give of their best to the company.

To help our staff stay connected and for the organisation to move as one, we actively engage our staff, hear them out and empower them to contribute towards a healthy, balanced work environment.

Nurturing Leaders

We believe in the value of investing in human capital for honing a constant talent core ensures a steady stream of leaders are ready to take the helm.

Our Talent Management Framework, anchored on three programmes – Devel@p, Nurture and ACE (DNA) – has been progressively implemented for various echelon of talents within SMRT. In June 2008, we welcomed our inaugural intake of 23 management trainees under Devel@p. Following a

one-week customised induction to the corporation, the management trainees were placed on a one-year intensive programme to equip them with the foundational understanding of SMRT's core business and prepare them to assume key executive management positions in SMRT.

In FY2009, we continued to develop our talent pool in their strategic thinking capabilities and business acumen. Young leaders were sent for courses that would prepare them for their roles as managers, and from within our Executive Development Pool, one member was posted to Dubai to head the Palm Jumeirah project.

The 360 Degree Feedback process which is geared towards helping staff better understand their leadership style was completed in FY2009. As a follow-up to the process, members of senior management and heads of departments attend executive mentoring workshops and impact coaching clinics to help them hone their ability to motivate and inspire their team members. Currently, our senior management team mentors management trainees, passing down invaluable experience and knowledge. In FY2010, we will extend impact coaching clinics to all middle management.

Strengthening Relationships

Attracting people with the right fit and right attitude is an integral factor of success for any organisation. In FY2009, we organised and participated in career fairs at Singapore's tertiary institutions in an effort to inject new blood and introduce greater diversity in our workforce. We also partnered various government agencies including Community Development Councils and the Ministry of Defence to offer prospective careers to suitable candidates.

SMRT encourages our employees to stay relevant by embracing a philosophy of lifelong learning. Our Education Assistance Policy supports staff wishing to apply for part-time certificate, Diploma, Undergraduate and Graduate courses at approved institutions.

Building on our healthy relations with the union that represent our staff, in April 2008 we signed a Shared Labour Management Relations Vision and Practice with the National Transport Workers' Union (NTWU). This formal pledge commits both parties to a proactive and collaborative partnership to build a culture of openness, trust and engagement for the well-being of every employee and the success of SMRT.

In the same month, we launched our Partnership-Alignment-Capability Development-Engagement (PACE) labour-management framework with NTWU and SMRT Union Branches. This framework calls for and sets out guidelines for collaborative efforts in industrial relations, capability development, and active engagement for conflict resolution and avoidance, among other efforts. Under PACE, meetings, dialogues and workshops will be organised for union officials and management representatives to further strengthen ties and collaborative efforts on labour-management projects.

Engaging Our People

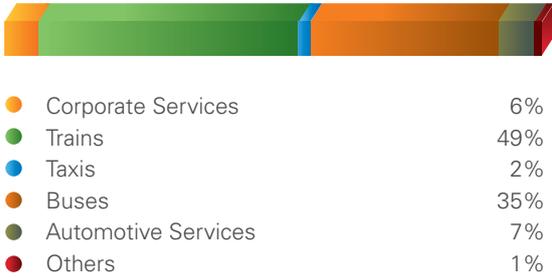
In FY2009, we continued to engage our people through specially organised events and activities, including the Lunar New Year Walkabout, SMRT A.C.T.I.V.E Day, Long Service Award and Dinner & Dance. Recognising the current economic climate may be challenging for families, SMRT also distributed supermarket vouchers to employees.

On 22 December 2008, we partnered Hewitt Associates to launch an Employee Opinion Survey to poll all SMRT staff on their satisfaction levels. Following the release of poll results in March, we identified and prioritised the areas we can work on to improve employee engagement throughout the organisation.

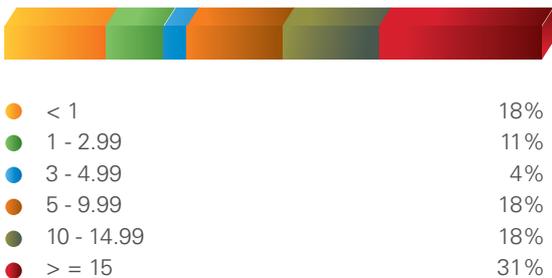
Rewarding Excellence

Recognising contribution is a tangible way for SMRT to show our appreciation to staff. On 25 August 2008, some 785 employees were honoured at the SMRT Long Service Awards 2008. Nationally, at the Excellent Service Awards (EXSA) 2008 ceremony, a total of

Headcount by Business Unit



Staff Profile by Completed Years of service



Staff Profile by Age Group



Staff Profile by Qualification



CORPORATE SOCIAL RESPONSIBILITY

471 SMRT employees were commended for service excellence with 19 clinching the Star Awards and one outstanding individual receiving the prestigious Superstar Award (Land Transport Category) – the highest honor under EXSA.

Another national event that recognises staff for their courteous service to commuters is Transport Gold. In 2008, some 75 SMRT staff from SMRT Buses, Trains, LRT, Taxis and Corporate Services were acknowledged at this award ceremony.

Our human resource management and processes were also acknowledged at the HRM Awards 2009, with SMRT emerging winner in three major HR categories – Best Leadership Development, Best HR Team and Best HR Manager.

With our growing rail network and opportunities to expand our bus services as well as bring our engineering expertise overseas, we will continue to hire, develop and retain professionals with the aptitude and abilities to meet present and future organisational needs.

HARNESSING TECHNOLOGY

At SMRT, we pursue technology for the sole purpose of enhancing efficiency and effectiveness. By leveraging technology, we are better able to streamline our processes, improve our level of service to customers and enhance IT technology risk management and administration.

Streamlining Processes

In FY2009, we rolled out an e-Procurement system, eliminating the manual processing of quotations, purchase orders and faxes. The system not only drastically reduces the usage of paper, it also speeds up turnaround of the evaluation and approval processes, eases labour-intensive tasks and minimises human error.

In FY2009, SMRT received a grant of about \$150,000 from A*STAR for the implementation of a radio

frequency identification warehouse management system. With this system, we will be able to automate the function of issuance and management of spare parts.

Another project that resulted in improved productivity was the new train load estimation system introduced in October 2008. This is a joint effort between Singapore Polytechnic and SMRT. The scalable system is able to handle complex train load calculations, both routine and ad-hoc, which were previously done manually.

Raising Service Standards

As a service provider, our customers' views are of primary importance. Through commuter feedback, we are better able to craft our services to their needs. With this objective in mind, we invested in an improved and integrated feedback system that would enable us to systematically garner and study feedback from users.

The integrated platform consolidates feedback for several business units via a web-based application, increasing convenience in access, enhancing response and tracking, and reducing manual processes.

In December 2008, we introduced a new media advertising system (MAS), replacing its predecessor of nine years. The new system features improvements that significantly enhances productivity and customer service. It allows users to perform client contract management, inventory tracking, preparation of management reports, calculation of sales commission, and scheduling of train, station, bus and taxi-related advertisement installations electronically.

Improving IT Technology Risk Management and Administration

In a modern corporate environment where technology is extensively used, putting in place an effective disaster recovery plan is critical to ensuring minimal downtime should a disaster occur. In November 2008, we conducted an SAP disaster recovery exercise for the SAP core system. A complete set of processes

was executed according to the Disaster Recovery Plan to ensure the recovery was compliant with user expectations and guidelines, and that mission-critical resources would be available as soon as possible for business continuity.

During the year, SMRT launched BlackBerry Push-mail allowing staff to access email and the Internet on the go. This move enhances responsiveness, translating

into improved efficiency. The last phase of equipment consolidation for our MS-SQL database servers was completed in FY2009. The exercise lowers the overall cost of database operation maintenance.

With the implementation of the various systems and equipment consolidation, we will enjoy manpower, resource and maintenance savings, and productivity gains amounting to more than \$780,000 annually.

AWARDS & ACCOLADES

| 2009 | 2008 |
|--|---|
| Best Metro The Metro Awards, MetroRail 2009 | Special Events Platinum Award Community Chest, National Council of Social Services |
| Best Metro (Asia-Pacific) The Metro Awards, MetroRail 2009 | Board Diversity Award 2008 (Co-Winner) 9th Investors' Choice Awards, Securities Investors Association (Singapore) |
| Most Energy Efficient Metro The Metro Awards, MetroRail 2009 | Singapore Corporate Governance Award 2008 Mainboard Category (1st) 9th Investors' Choice Awards, Securities Investors Association (Singapore) |
| Aviva Award for Best HR Team HRM Awards 2009, HRM Singapore | Most Transparent Company Award in the Transport / Storage / Communications Category (Runner Up) 9th Investors' Choice Awards, Securities Investors Association (Singapore) |
| Personnel Decisions International Award for Best Leadership Development Award HRM Awards 2009 | Friend of the Arts Award 2008 Patron of the Arts Awards, National Arts Council |
| ISO 14001:2004 Certification TÜV SÜD PSB Pte Ltd | |
| Best Managed Company (Singapore) Mid-Cap Category Asiamoney Awards 2009 | |
| Innovation in Noise Control Solutions Workplace Safety & Health Best Practices Award Workplace Safety and Health Awards 2008 | |

SIGNIFICANT EVENTS

2008

Apr

SMRT clinched “Best Passenger Experience” award at the inaugural The Metro Awards at MetroRail 2008, Denmark.

SMRT Buses introduced premium bus service from Geylang Bahru to Shenton Way during morning peak hours.

SMRT launched Southeast Asia’s first Euro V bus and greener taxi fleet comprising the Hyundai Azera and Chrysler 300C.

May



SMRT educates commuters on the benefits of taking public transport with “Go Green with SMRT” campaign.



Passengers enjoy shorter waiting time and travel in less crowded trains with the introduction of 700 extra train trips a week.

Jun

SMRT received the Gold Award at the World Blood Donor Day Award Ceremony organised by the Singapore Red Cross and the Centre for Transfusion Medicine of the Health Sciences Authority.

SMRT Buses introduced two premium bus services providing residents of Woodlands, Sin Ming and Bishan with faster and direct travel alternatives to the city.

Jul



SMRT launched SMRT Courtesy and Safety Programme 2008 with the unveiling of a new priority seat sign and a preview of SMRT Eduplay on Courtesy and Safety.

Aug

SMRT launched “Early Travel Perks” to encourage commuters to travel before the morning peak hour and be rewarded with breakfast discounts.

Sep



SMRT Taxis rolled out new Prestige limousine taxis, the Chrysler 300C.

SMRT Buses introduced six premium bus services offering a more comfortable and direct morning travel for commuters working in Jurong East, Orchard Road, Shenton Way and Robinson Road.

SMRT donated \$180,000 worth of taxi services through the SMRT Gift of Mobility Programme to four hospitals and two voluntary welfare organisations.



SMRT Taxis launched SMRT All-in-one SPACE, Singapore’s first taxi equipped with an automatic hydraulic ramp, offering wheelchair users safe and comfortable point-to-point travel.



SMRT received three awards at the Securities Investors Association of Singapore Investors’ Choice Awards 2008

- Board Diversity Award 2008 (Co-winner)
- Singapore Corporate Governance Award 2008 Mainboard Category (1st)
- Most Transparent Company Award in the Transport / Storage / Communications Category (Runner Up)

Oct

SMRT Automotive Services received the Workplace Safety & Health Best Practices Award for Innovation in Noise Control Solutions at the Workplace Safety & Health Awards Ceremony presented by the

Workplace Safety and Health Council and the Ministry of Manpower.

SMRT was presented with the Special Events Platinum Award at the 24th Community Chest awards presentation ceremony.

Seventy-five SMRT staff who provided courteous service to commuters were recognised at the National Courtesy Award – Transport Gold 2008.

SMRT added another 112 train trips per week to its services just before morning peak hours, during evening peak hours and in the evenings on weekdays.



SMRT launched its fifth customer rewards campaign, "Escape with SMRT".

Nov

SMRT introduced the SMRT Active Route Map Information System.

Dec

SMRT Taxis is the first taxi operator in Singapore to adopt the ez-link cashless payment option.

SMRT Media and consortium partners win a 10-year contract to manage transit advertising for Dubai Metro.

2009

Jan

SMRT announced it will not apply for fare increase in 2009 and will pass on Singapore Budget 2009 savings to commuters and taxi hirers.

Feb

SMRT was awarded ISO 14001: 2004 certification by TÜV SÜD PSB Pte Ltd for the implementation of an effective Environmental Management System.



SMRT Engineering (Middle East) FZE signed a six-year contract with Nakheel for the operations and maintenance of the Palm Monorail system in Dubai.

SMRT rolled-out another 64 train trips on Saturdays and Sundays to provide commuters with faster travel during the weekends.

SMRT clinched the "Best Leadership Development", "Best HR Manager" and "Best HR Team" awards at the HRM Awards 2009.

SMRT won "Best Managed Company (Singapore) – Mid-Cap Category" at the Asiamoney Awards 2009.

SMRT commenced train service to Pioneer and Joo Koon MRT stations.

Mar

SMRT launched "SMRT Lunchtime Xpress Travel Perks." Customers enjoy savings when they patronise participating SMRT shops along the lunchtime train route.



SMRT clinched the "Best Metro", "Best Metro (Asia Pacific)" and "Most Energy Efficient Metro" awards at The Metro Awards, MetroRail 2009, London.



SMRT Silver Tribute Fund 2009 raised over \$1 million to support programmes for over 5,000 beneficiaries from eight elderly and caregiver voluntary welfare organisations.



OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW

BREAKING NEW GROUNDS

Managing costs prudently and growing the company's profitability by exploring non-fare business opportunities have contributed to our strong growth over the last six years. As we continue on this path and with a clear focus on delivering efficient, reliable, safe, secure and quality service, we are geared for tomorrow's opportunities, today.

Saw Phaik Hwa
President & CEO
SMRT Corporation Ltd



SERVICE FIRST

FY2009 was a rewarding year for SMRT. Service remained a key priority and we once again raised our standards with a series of initiatives aimed at enhancing the travel experience of commuters.

Ridership on the MRT has grown steadily and to ease the load and increase comfort and convenience for passengers, we added some 1,000 train trips per week from May 2008. We also introduced the SMRT Lunchtime Xpress service during lunchtime on weekdays, reducing waiting time for trains in the central business district by half.

Bus commuters too enjoyed better service. One such initiative was the Bus Services Map – a user-friendly reference with detailed information on bus and train connections in six major heartland towns. The maps were installed on large panels at bus stops, bus interchanges and MRT/LRT stations in the six towns, enabling commuters to make more informed transport decisions.

For our taxi passengers, a wider variety of choices was made available, with the introduction of the new Chrysler 300C taxi. With a more spacious and luxurious interior, wider leg room and the driver trained as a service ambassador, the Chrysler taxi offers passengers a premium cab experience.

VALUING PEOPLE

One of the hallmarks of SMRT as an organisation is our belief that people make the difference. Even amidst the backdrop of a challenging economic climate, we have taken a conscious stand not to retrench staff but to continue to build leaders and strengthen our capabilities across the organisation. It is this philosophy that makes us a choice employer and more importantly, has earned our people's dedication to the organisation.

We welcomed the first intake of management trainees in June 2008. These trainees are undergoing a one-year accelerated programme to prepare them for leadership positions in SMRT. Putting in place an ongoing feed of talent ensures the organisation will always be in capable hands.

OPERATING AND FINANCIAL REVIEW

BREAKING NEW GROUNDS

The management team underwent executive mentoring workshops and impact coaching clinics to equip them with the skills to motivate and mentor their younger colleagues. A 360 Degree Feedback process was also launched, to help staff assess their own leadership style.

Even in the economic downturn, we continued to open up job opportunities to those with the aptitude and ability to meet our organisational needs. In March 2009, we joined hands with fellow transport operators, the National Transport Workers' Union and the Employment and Employability Institute to organise a fair to offer vacancies to job seekers hoping to enter the public transport industry.

A FITTING TRIBUTE

Accolades are not the reason behind why we perform our duties, but they are a welcome tribute to the men and women who work tirelessly behind the scenes to ensure the smooth operation of our fleet and systems.

This year, we have won a string of international awards, which attest to the commitment of our people. SMRT edged out other global metro companies to win the "Best Metro", "Best Metro (Asia Pacific)" and "Most Energy Efficient Metro" awards at The Metro Awards 2009 in London.

The work of our human resources team was also acknowledged at the recent HRM Awards 2009, where SMRT emerged as the leading company, picking up three major awards, namely "Best Leadership Development", "Best HR Team" and "Best HR Manager".

A NEW PHASE OF OPERATIONS

The highlight of the coming year will undoubtedly be the unveiling of the Circle Line. Our staff are working tirelessly to ensure the line operates seamlessly.

Competition will go up a notch once bus routes are open for bidding. We are approaching this challenge like we do all others – with determination and gusto. The same tenets that have been rooted in our success will form the foundation of our strategy for the coming year – effective cost management, increasing operational productivity, capitalising on expansion opportunities and redefining service delivery.

As a leading public transport service provider, we remain ever ready to serve. Our mission to be the customer's choice grounds us and keeps us focused on the journey ahead.

OPERATING AND FINANCIAL REVIEW

COMPANY OVERVIEW AND BACKGROUND

This section outlines a strategic, financial and operational overview of SMRT's businesses and describes how our activities address the challenges in our operating environment and fulfil our strategies to grow the businesses.

COMPANY OVERVIEW AND STRUCTURE

SMRT Group is in the public transport business of providing MRT, LRT and bus services as well as rental of taxis. In addition, it leases commercial spaces and provides advertising buying service within our network. Beyond our network, SMRT also engages in operations and maintenance services, project management and engineering consultancy in Singapore and overseas.

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

Incorporated on 6 March 2000, SMRT Corporation Ltd ("the Company") was listed on the mainboard of the Singapore Exchange Securities Trading Limited on 26 July 2000. As a holding company, it wholly owns SMRT Trains Ltd (formerly known as Singapore MRT Ltd) and SMRT Light Rail Pte Ltd (formerly known as Singapore LRT Pte Ltd).

In December 2001, the Company acquired SMRT Road Holdings Ltd (formerly known as TIBS Holdings Ltd) for \$198.6m and became Singapore's first multi-modal land transport operator, providing bus and taxi services in addition to its MRT and LRT services.

Another wholly-owned subsidiary, SMRT Investments Pte Ltd, which comprises SMRT Properties and SMRT Media, develops, markets and rents out commercial and advertising spaces within its transport network.

Engineering and other services are undertaken through wholly-owned subsidiaries SMRT Automotive Services Pte Ltd ("SMRT Automotive") and SMRT Engineering Pte Ltd ("SMRTE"). SMRT Automotive provides fleet maintenance services and diesel sales. SMRTE provides engineering consultancy, project management, operations and maintenance services and fibre-optic cable leasing. SMRT Engineering (Middle East) FZE is a wholly-owned subsidiary under SMRTE to provide operations and maintenance services to the Palm Jumeirah Monorail system in Dubai, United Arab Emirates.

The Group Structure, which lists all the subsidiaries, is shown in the "Group Structure" section of this Annual Report.

BUSINESS OBJECTIVES AND STRATEGIES

Business Objectives

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

Strategies in Action in FY2009

- Continued to refurbish more stations to provide lifestyle convenience to commuters and residents
- Clinched the "Best Metro", "Best Metro (Asia Pacific)" and "Most Energy Efficient Metro" awards at the international MetroRail 2009
- Continued to prepare for the commencement of Circle Line Stage 3 in May 2009

OPERATING AND FINANCIAL REVIEW

COMPANY OVERVIEW AND BACKGROUND

Business Objectives

To be a global brand that epitomises excellence in service standards, environmental practices and social responsibilities

To be a premium organisation which delivers value and ensures a sustainable environment through optimal and responsible use of resources

To be a key player and valued partner in the international transportation scene, recognised for our cutting-edge expertise and experience as a best-in-class organisation

To be an employer-of-choice recognised by our inclusive culture of excellence and maximising each individual's potential

Strategies in Action in FY2009

- Met and exceeded stipulated operational performance criteria
- Launched about 1000 more train runs per week, thus improving the travelling experience of commuters
- Contributed over \$5.2m to various causes, charity and community projects.

- Achieved 8.5% increase in Group PATMI to \$162.7m
- EVA increased 7.6% from \$103.3m to \$111.1m
- Proposed full-year dividend of 7.75 cents per share, tax exempt one-tier
- Launched "SMRT is Green" event to signify SMRT's commitment to be an environmentally-friendly organisation

- Awarded six-year operations and maintenance contract for Palm Jumeirah Monorail system
- Won 10-year contract to manage, as part of a consortium, transit advertising for Dubai Metro

- Won Corporate Governance Award presented by Securities Investors Association (Singapore)
- Awarded "Best Managed Board" (Gold) at Singapore Corporate Awards 2009
- Won "Best Managed Company" (Singapore) Award by Asiamoney in 2009 for the Mid-cap category
- Won Aviva Award for Best HR Team at HRM Awards 2009, HRM Singapore

BACKGROUND – REGULATORY FRAMEWORK

Licence and Operating Agreements

SMRT Trains

SMRT Trains' first licence to operate the MRT System was granted by Singapore's Land Transport Authority (LTA) in August 1987 for a period of 10 years and was later extended to 31 March 1998. The current licence to operate the MRT System for a further period of 30 years came into force on 1 April 1998. The licence fee payable is currently 1.0% of the gross annual fare revenue. The quantum of the licence fee is subject to reviews at specified times of the licence period. 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 under the "Licence and Operating Agreement" section in the "Notes to the Financial Statements"

As part of the LOA, SMRT Trains complies with a set of performance standards. The "SMRT Trains & SMRT Light Rail" section of the Operating and Financial Review (OFR) carries a description of how it surpassed some of these standards in FY2009.

SMRT Trains purchased the MRT System's operating assets from LTA on 1 April 1998 for approximately \$1.2 billion. These assets include trains, permanent way vehicles, power supply equipment and cabling, supervisory control system, escalators and lifts, platform screen doors, environmental control system, electrical services and fire protection system, signalling system, communication system, automatic fare collection system and depot workshop equipment. To assist SMRT Trains in its purchase of these assets, LTA provided an asset related grant of \$480.0m which

SMRT Trains amortises by recognising it as deferred income over the life of the assets. SMRT Trains had fully paid for the operating assets in five equal annual instalments by April 2002.

While SMRT Trains now owns and maintains the operating assets, the infrastructure of the MRT System, which includes tunnels, tracks, viaducts and station structures, remains the property of LTA and is leased to SMRT Trains at a nominal annual fee. SMRT Trains is required to repair and maintain the infrastructure as stipulated in the Lease and Maintenance Agreement. The upgrading and improvement works for the operating assets and infrastructure carried out by SMRT Trains in FY2009 are described in the "SMRT Trains & SMRT Light Rail" section of the OFR.

The Licence to operate the Circle Line for 10 years with effect from 4 May 2009 was issued to SMRT Trains by LTA on 23 April 2009. The Licence will be renewed for a further period of 30 years subject to SMRT meeting certain terms and conditions as specified in the Licence. The Licence fee payable for the first 10 years is 0.5% of the gross annual fare revenue and 0.5% of gross annual non-fare revenue relating to the Circle Line. SMRT Trains is required to purchase the operating assets from LTA upon the successful renewal of the Licence at the end of the first 10 years of operations. These assets include trains, permanent way vehicles, power supply equipment and cabling, supervisory control system, escalators and lifts, platform screen doors, environmental control system, signalling system, communication system, automatic fare collection system and depot equipment.

The infrastructure of the Circle Line MRT system, which includes tunnels, tracks and station structures, remains the property of LTA and is leased to SMRT Trains at a nominal annual fee. SMRT Trains is required to repair and maintain the infrastructure as stipulated in the Lease and Maintenance Agreement. The stretch of the Circle Line from Bartley to Marymount will commence revenue operations on 28 May 2009, while the rest of the line will open progressively from 2010.

Further updates on the operations of Circle Line are described in the "SMRT Trains & SMRT Light Rail" section.

SMRT Light Rail

SMRT Light Rail has been granted a similar LOA by LTA to operate the LRT System commencing 6 November 1999 till 31 March 2028. LTA currently owns all the operating assets and infrastructure required to operate the LRT System. The salient terms and conditions of the LOA for the LRT System are found in the "Licence and Operating Agreement" section in the "Notes to the Financial Statements".

SMRT Buses

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

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

Operating under the Bus Service Operator's Licence, SMRT Buses is required to comply with the Quality of Service (QoS) standards which, among other areas, focus on reliability, safety and availability. For SMRT Buses to be equipped with an operationally ready bus fleet, SMRT Automotive performs regular preventive maintenance on the buses in its three bus depots. The "SMRT Buses" section of the OFR carries a description of how SMRT Buses fulfilled the QoS standards and the "SMRT Automotive Services" section describes how the repair and maintenance activities for buses are carried out.

SMRT Taxis

The Taxi Operator Licence (TOL) from LTA under which SMRT Taxis is licensed to operate a taxi business

OPERATING AND FINANCIAL REVIEW

COMPANY OVERVIEW AND BACKGROUND

in Singapore came into effect on 1 June 2003. The licence fee payable is 0.1% of the gross revenue payable on a yearly basis. The TOL is a term licence valid for a period of 10 years and may be extended for an additional 10 years at the discretion of LTA. The licence will, amongst other things, include conditions to comply with a set of QoS standards, codes of practices and audit directions. The QoS standards specify the level of performance an operator has to meet in three areas, namely, the availability of taxis through radiophone bookings, safety and customer satisfaction.

With the deregulation of the taxi industry from 1 June 2003, taxi operators are free to decide on the size of their fleet to meet market demand and to decide on the taxi fare structure. The activities of the taxi business are described in the "SMRT Taxis" section.

The taxi fleet is maintained by SMRT Automotive. The "SMRT Automotive Services" section of the OFR contains a description of the maintenance activities conducted on the taxis.

Fare Adjustment Formula

Fares charged by SMRT Trains, SMRT Light Rail and SMRT Buses are subject to approval by PTC. The fare formula that was updated in July 2008 and will be fixed for five years from 2008 to 2012 is as follows:

$$\text{Maximum Fare Adjustment} = 0.5\text{CPI} + 0.5\text{WI} - 1.5\%$$

CPI refers to the change in Consumer Price Index over the preceding year and WI refers to the change in Average Monthly Earnings (Annual National Average) over the preceding year, adjusted to account for any change in the employer's Central Provident Fund contribution rate. The productivity extraction of 1.5% is half of the public transport operators' average productivity gains achieved for the period from 2003 to 2007, which was 3.0% per annum.

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 adverse economic conditions or significant deterioration in the overall affordability of public transport fares. To further ensure that passengers' interests are protected, the Return-On-Total-Assets (ROTA) values of the public transport operators will be compared against that of other similar risk industries to serve as a reality check on the fare levels hitherto approved by the PTC. If the formula yields a negative value, PTC may consider a downward adjustment, which could be in a form of a fare rebate or reduction.

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

Fare Structure

The fare structure for SMRT Trains, SMRT Light Rail and SMRT Buses are based on the distance travelled by passengers. Concessionary fares are available to students, children, senior citizens and full-time national servicemen.

Passengers can travel using standard single trip tickets or ez-link cards (contactless stored value tickets). When travelling with ez-link cards, they may enjoy transfer rebates for the first, second and third valid transfer on a single journey between bus, LRT and MRT services regardless of operator. Since April 2009, the rebates have been increased to 50 cents from 40 cents for adults and senior citizens, and are maintained at 10 cents for children and students. The rebates, provided by the operators, reduce the boarding charges, thus lowering the fares which would otherwise be payable by passengers making such subsequent legs of their journeys.

OPERATING AND FINANCIAL REVIEW

GROUP PERFORMANCE

OVERVIEW

Revenue for FY2009 rose to \$879.0m, up 9.6% from FY2008. The increase was due mainly to higher train and bus ridership, growth in rental and advertising businesses, increased consultancy revenue and higher project management fees from local and overseas projects.

Total operating expenses was \$716.9m, 11.2% higher as compared to FY2008. On the back of higher revenue and other operating income partially offset by higher operating cost, EBIT increased 6.0% to \$188.7m. Compared to FY2008, Group PATMI in FY2009 improved by 8.5% to \$162.7m due mainly to higher operating profits and Singapore Budget 2009 measures. Over a five year period from FY2005 to FY2009, PATMI grew at a compounded annual growth rate of 6.5%.

Earnings per share of 10.7 cents in FY2009 was 8.5% above FY2008. Return on equity reached 23.3% as compared to 22.8% in FY2008. Economic Value Added was \$111.1m, 7.6% above FY2008.

Cash and cash equivalents at end of FY2009 increased from \$232.5m to \$245.6m mainly as a result of higher cash inflow from operating activities, partially offset by higher investing cash outflow.

As a result of good performance in the year, the Board of Directors is proposing a final dividend of 6.00 cents per share, tax exempt one-tier. Including the interim dividend, this will bring the total gross dividend for FY2009 to 7.75 cents per share or \$117.5m, about 72.2% of PATMI in FY2009.

SEGMENTAL PERFORMANCE

For FY2009, revenue from **MRT operations** increased 8.6% or \$37.4m to \$474.3m on the strength of a 9.0% growth in average daily ridership in the year. EBIT contribution from MRT grew 3.5% to \$133.8m as a result of strong ridership growth, partially offset by higher staff and electricity costs.

Revenue from **LRT operations** was 7.1% higher at \$9.2m on the back of increased average daily ridership of 5.7% above FY2008. As a result, operating loss was 44.4% lower at \$0.2m.

Bus operations contributed \$207.2m to the Group's revenue, 5.8% above FY2008 on the back of a 4.1% increase in average daily ridership. On account of higher diesel costs in the year, bus operations posted an operating loss of \$4.5m as compared to an operating profit of \$1.5m in FY2008.

Revenue from **fare business** (comprising revenue from MRT, LRT and bus operations) contributed 78.6% of FY2009 total revenue (FY2008: 80.0%) and 68.4% of FY2009 EBIT (FY2008: 73.2%).

On the back of a lower average hired out fleet in FY2009 as compared to FY2008, **taxi operations** in FY2009 achieved revenue of \$71.7m, 4.9% or \$3.7m lower over FY2008. An operating loss of \$6.3m was incurred as compared to an operating gain of \$0.6m in FY2008 due mainly to a higher loss on the disposal of taxis.

In FY2009, we achieved our **rental** revenue target of \$10.0m more over FY2008. On account of an increase in lettable space combined with better rental yield, revenue rose 37.0% to \$57.5m in FY2009. EBIT from rental was up 39.2% to \$43.1m as compared to FY2008.

With increased advertising within our network, **advertising** revenue grew 13.8% to \$22.5m while advertising EBIT grew 10.0% to \$14.4m.

The twin growth engines, rental and advertising, together contributed 30.5% of total EBIT in FY2009 (FY2008: 24.7%).

Revenue from **engineering and other services** was 54.9% higher at \$36.5m in FY2009 due to higher sale of diesel, and increased consultancy revenue and project management fees from the Palm Jumeirah

OPERATING AND FINANCIAL REVIEW

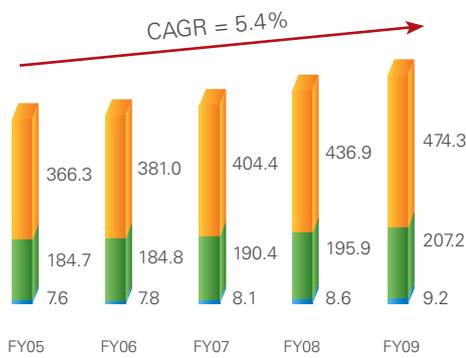
GROUP PERFORMANCE

Project in Dubai. As a result, EBIT from this segment in FY2009 increased five-fold to \$6.5m, from \$1.3m a year ago.

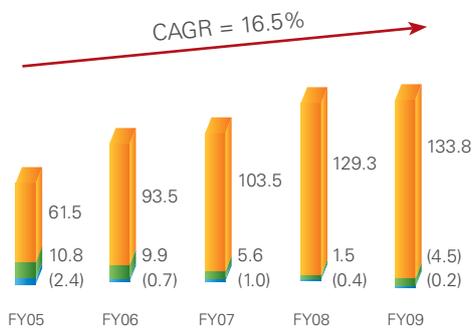
As seen from the five-year revenue and EBIT graphs below, fare revenue has grown from \$558.6m in

FY2005 to \$690.7m in FY2009 while EBIT from fare business has increased from \$70.0m to \$129.1m in FY2009. For non-fare business, revenue grew from \$114.9m to \$188.3m while EBIT rose from \$35.3m to \$57.6m over the five-year period.

Fare Revenue (\$m)

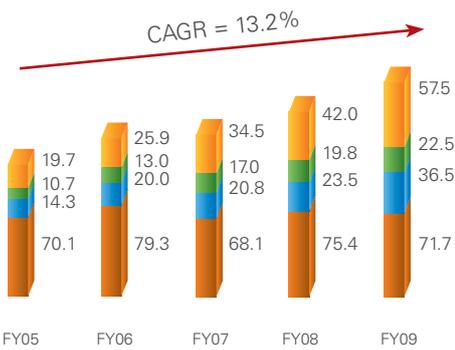


EBIT from Fare Operations (\$m)

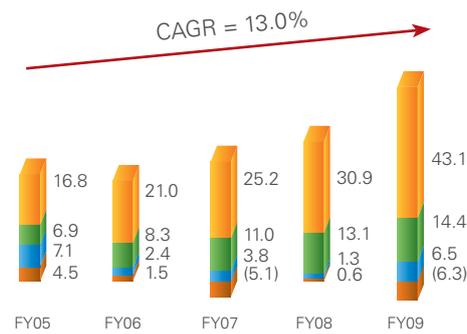


- MRT
- Bus
- LRT

Non-fare Revenue (\$m)



EBIT from Non-fare Operations (\$m)



- Rental
- Advertising
- Engineering and other services
- Taxi

DISCUSSION AND ANALYSIS ON INCOME STATEMENTS

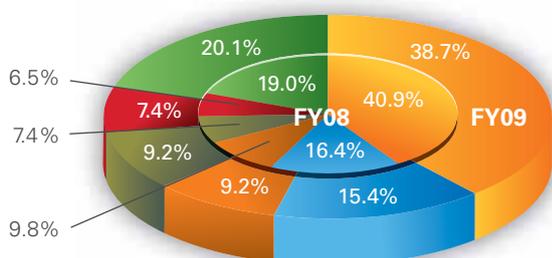
Other Operating Income

Other operating income was higher at \$26.7m in FY2009 as compared to \$20.9m in FY2008 due mainly to income from projects undertaken in Singapore in the year.

Operating Expenses

Total operating expenditure in FY2009 increased by 11.2% or \$72.0m to \$716.9m, impacted mainly by increases in staff and related costs, which were partially offset by jobs credit from the Singapore Budget 2009 measures, energy costs and other operating expenses. The graph and table below provide a breakdown of the operating expenditure in FY2009 as compared to FY2008.

Operating Expenses Breakdown in FY2009 as Compared to FY2008



| \$m | FY2009 | FY2008 | % chg |
|---------------------------|--------|--------|-------|
| Staff and related costs | 277.4 | 263.5 | 5.3 |
| Depreciation ¹ | 110.4 | 106.1 | 4.0 |
| R&M ² | 66.3 | 63.2 | 5.0 |
| Electricity | 65.9 | 47.5 | 38.8 |
| Diesel | 52.9 | 42.2 | 25.3 |
| Other operating costs | 144.1 | 122.5 | 17.6 |
| Total | 716.9 | 645.0 | 11.2 |

¹ Depreciation of property, plant and equipment net of amortisation of asset-related grant

² Repairs and maintenance costs

As at end FY2009, SMRT's staff strength was 6,228, as compared to 5,555 as at 31 March 2008. The 5.3% increase in **staff and related costs** to \$277.4m in FY2009 was due mainly to increased headcount, salary adjustments and higher employer's CPF contribution, partially offset by jobs credit from the Singapore Budget 2009 measures. The increase in headcount was attributed to preparations for Circle Line Stage 3, increased train runs and increase in the number of bus service leaders.

Depreciation of property, plant and equipment net of amortisation of asset-related grant was 4.0% or \$4.3m higher due mainly to increased capitalisation following the mid-life upgrade of trains and the redevelopment of commercial spaces.

Repair and maintenance costs increased by \$3.1m or 5.0% due mainly to more repair and maintenance for train and bus operations.

Energy costs increased by \$29.1m or 32.4% to \$118.8m due mainly to higher energy prices and increased consumption.

Electricity costs was up \$18.4m or 38.8% to \$65.9m due mainly to higher electricity prices and higher consumption. To mitigate the rising cost of electricity, SMRT Trains had negotiated two six-month contracts during FY2009 to source for electricity supply at fixed rates.

The purpose of the **Fuel Equalisation Account (FEA)** is described in the "Notes to the Financial Statements" section. Actual electricity tariff and diesel price in FY2009 were above the reference rates determined by the PTC. However, there was no release of the FEA to the income statement as the outstanding balance in the FEA was below the cap of FY2009's electricity and diesel consumption.

OPERATING AND FINANCIAL REVIEW

GROUP PERFORMANCE

As at 31 March 2009, the electricity and diesel amounts standing in the credit of the FEA were approximately \$10.7m and \$8.4m respectively.

In FY2009, a new tender for the supply and delivery of diesel was awarded and the contract is for two years. With the contract, diesel rates are at a contracted discount off market prices. **Diesel costs** in FY2009 increased 25.3% from \$42.2m to \$52.9m following the increase in cost of diesel.

Other operating expenses included, among a list of items, the cost of diesel sold to taxi hirers and taxes and licence fees incurred due to the various operations. Other operating expenses, at \$144.1m, was 17.6% more due to higher diesel cost, higher loss on disposal of taxis and increased operating fees.

Other Income Statements Items

Finance costs were lower at \$7.4m due to lower interest costs on borrowings.

The lower interest and investment income was due mainly to lower interest rates for fixed deposits.

The income tax expense was lower at \$23.0m in FY2009 as compared to \$26.2m last year due mainly to lower current and deferred tax expenses as a result of the 1% reduction in corporate tax rate.

QUARTERLY RESULTS

All the quarters in FY2009 reported higher revenue as compared to their corresponding quarters in FY2008 driven by higher train ridership, and increased rental and advertising businesses. Except for the fourth quarter, higher operating profits were recorded in all quarters in FY2009 as compared to their corresponding quarters in FY2008. For the fourth quarter in FY2009,

Quarterly Results

| | Quarter 1 | | Quarter 2 | | Quarter 3 | | Quarter 4 | | Total (Year) |
|-----------------------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|--------------|
| | \$m | % of FY2009 | \$m |
| Revenue | | | | | | | | | |
| 2009 | 215.9 | 24.6 | 227.0 | 25.8 | 219.0 | 24.9 | 216.9 | 24.7 | 879.0 |
| 2008 | 194.2 | 24.2 | 197.3 | 24.6 | 202.1 | 25.2 | 208.5 | 26.0 | 802.1 |
| Operating profit | | | | | | | | | |
| 2009 | 48.2 | 25.6 | 52.6 | 27.9 | 50.5 | 26.7 | 37.4 | 19.8 | 188.7 |
| 2008 | 44.6 | 25.1 | 48.0 | 27.0 | 46.7 | 26.2 | 38.8 | 21.8 | 178.0 |
| Net profit after tax | | | | | | | | | |
| 2009 | 40.3 | 24.8 | 42.6 | 26.2 | 41.2 | 25.3 | 38.7 | 23.8 | 162.7 |
| 2008 | 37.9 | 25.3 | 39.5 | 26.4 | 38.3 | 25.5 | 34.2 | 22.8 | 149.9 |

operating profits decreased by \$1.4m due mainly to higher loss on disposal of taxis and increased energy costs partially offset by higher revenue.

For net profit after tax, all the quarters in FY2009 registered higher net profit after tax as compared to the corresponding quarters in FY2008. Better operating profits led to higher net profits for the first three quarters. For the fourth quarter in FY2009, the 1% reduction in income tax rate resulted in higher net profit after tax.

DISCUSSION AND ANALYSIS ON BALANCE SHEET

Total assets of the Group amounted to \$1.5b as at 31 March 2009, 4.4% or \$63.9m higher than a year ago due mainly to higher property, plant and equipment of \$28.8m, other investments of \$16.1m, trade and other receivables of \$10.8m and cash and cash equivalents of \$13.1m.

The increase in property, plant and equipment was due mainly to the mid-life upgrade of trains and redevelopment of commercial spaces at the stations.

Other investments classified as current as at 31 March 2009 relate to promissory notes of \$23.2m and fixed rate bonds of \$10.1m. The \$15.0m variable rate notes as at 31 March 2008 were redeemed by the issuer during the second quarter of FY2009.

Total liabilities increased by \$18.9m or 2.5% to \$779.4m due mainly to higher trade and other payables of \$51.2m as a result of higher payables for the mid-life upgrade of trains, partially offset by lower deferred grant of \$18.6m and current tax payable of \$18.1m.

CAPITAL STRUCTURE AND FUNDING

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

The Group's capital expenditure and working capital requirements are currently financed by cash generated

from operations and borrowings. The cash and cash equivalents are centrally managed by the Treasury function and the majority of the funds were invested in liquid assets such as fixed deposits and debt securities. The cash and cash equivalents as at year end were adequate to fund the committed and planned capital expenditure as well as to service interest on the Group's borrowings.

In any given year, if internal cash generated is insufficient to meet all the capital expenditure required for that year, the Group may tap on the capital markets for funds through its \$500m Multi-Currency Medium Term Note (MTN) Programme.

Borrowings

As at 31st March 2009, the Group's total borrowings, which remained unchanged throughout FY2009 under its \$500m MTN Programme, stood at \$250m. Every year, a credit analysis is done by Standard & Pooors. The notes were rated "AAA" by Standard & Pooors.

Out of the \$250m, \$100m would be repayable in December 2009 at a fixed interest rate of 3.30% per annum. The remaining \$50m floating-rate tranche would be due in January 2010 while another \$100m fixed-rate tranche at an interest rate of 3.27% would be due in December 2011. The Group will evaluate all viable options on repaying the loans.

Net Gearing

Equity or capital employed as at end of FY2009 was \$722.1m, higher than \$677.1m as at end of FY2008. Net debt (total borrowings less cash and cash equivalents) was \$4.4m at end of FY2009, as compared to \$17.5m as at end of FY2008 due mainly to higher cash and cash equivalents as at end FY2009. As a result, net gearing was reduced from 0.03 to 0.01 as at 31 March 2009.

Interest coverage improved from 35.4 times in FY2008 to 40.5 times in FY2009 due to increased EBITDA and lower interest costs./

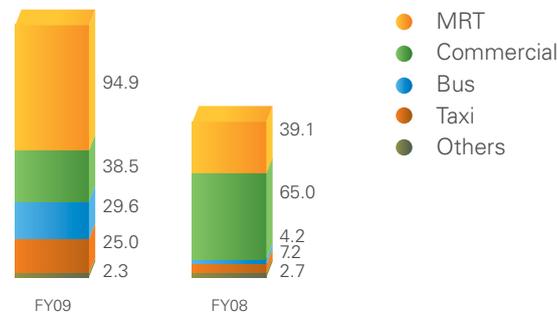
OPERATING AND FINANCIAL REVIEW

GROUP PERFORMANCE

Borrowings and Gearing



Capex Breakdown (\$m)



Capex (\$m)



Cashflow (\$m)



CAPITAL EXPENDITURE (CAPEX)

CAPEX of \$190.4m, an increase of 61.0% or \$72.2m over FY2008, was incurred in FY2009. The graph shows the breakdown in CAPEX for FY2009 as compared to FY2008. The main CAPEX items in the year were the mid-life upgrade for trains, renovation works for redevelopment of commercial spaces and the purchase of buses and taxis.

Contractual Commitments

Contractual commitments relate to the mid-life upgrade of trains, redevelopment of commercial spaces at the stations, purchase of taxis and other significant items of capital expenditure, which have been contracted for, but not yet delivered. As at 31 March 2009, capital expenditure contracted but not provided for in the financial statements was \$65.2m.

CASHFLOW

Net cash inflow from operating activities of \$163.4m was higher in FY2009 as compared to \$148.0m in FY2008 due mainly to higher cash flow from operations, partially offset by higher payments of income taxes and dividend.

Net cash outflow from investing activities in FY2009 was higher at \$150.8m due mainly to higher payments for property, plant and equipment, the purchase of \$20.5m promissory notes and fixed rate bonds of \$10.2m. These were partially offset by the receipt of proceeds from the redemption of \$15.0m variable rate notes.

As a result of higher investing cash outflows and higher payments of income taxes and dividend, the net increase in cash and cash equivalents was lower at \$12.9m in FY2009 compared to \$63.0m a year ago. Free cash flow also declined from \$51.5m last year to \$24.8m in FY2009. Cash and cash equivalents stood at \$245.6m as at 31 March 2009 compared to \$232.5m in FY2008.

OPERATING AND FINANCIAL REVIEW

VALUE ADDED AND ECONOMIC VALUE ADDED ANALYSIS

VALUE ADDED STATEMENT

| | FY2009 \$'000 | FY2008 \$'000 |
|---|------------------|------------------|
| Revenue | 878,951 | 802,124 |
| Less: | | |
| Cost of bought-in goods and services | (284,932) | (240,657) |
| Gross value added | 594,019 | 561,467 |
| Share of results of an associate | 331 | 342 |
| Investment income | 1,250 | 1,511 |
| Interest income | 2,894 | 4,294 |
| Loss on disposal of property, plant and equipment | (6,089) | (478) |
| | <u>592,405</u> | <u>567,136</u> |
| <i>Applied as follows:</i> | | |
| To Employees - staff and related costs | 276,146 | 262,571 |
| To Government - income and other taxes | 35,792 | 40,521 |
| To Providers of capital: | | |
| Interest on borrowings | 7,376 | 8,028 |
| Dividends to shareholders | 117,450 | 113,606 |
| Balance reinvested in business: | | |
| Depreciation of property, plant and equipment | 128,957 | 127,366 |
| Profit retained by the Group | 45,281 | 36,333 |
| Others | (18,597) | (21,289) |
| | <u>592,405</u> | <u>567,136</u> |

OPERATING AND FINANCIAL REVIEW

VALUE ADDED AND ECONOMIC VALUE ADDED ANALYSIS

ECONOMIC VALUE ADDED STATEMENT

| | FY2009 \$'000 | FY2008 \$'000 |
|--|------------------|------------------|
| Profit from ordinary activities before taxation | 185,779 | 176,162 |
| Adjustment for: | | |
| Interest expense | 7,376 | 8,028 |
| Adjusted profit before interest and taxation | 193,155 | 184,190 |
| Economic tax | (29,847) | (30,887) |
| Net Operating Profit After Tax (NOPAT) | 163,308 | 153,303 |
| Average capital employed ^(Note 1) | 866,296 | 829,110 |
| Weighted average cost of capital ^(Note 2) | 6.022% | 6.030% |
| Capital Charge (CC) | 52,168 | 49,995 |
| Economic Value Added (EVA = NOPAT - CC) | 111,140 | 103,308 |

Note 1: Average shareholders' equity plus interest-bearing liabilities and timing provisions.

| Major capital components | 2009 \$'000 |
|--------------------------|----------------|
| Long-term debt | 250,000 |
| Equity | 616,296 |
| | <u>866,296</u> |

Note 2: The Weighted Average Cost of Capital is calculated as follows:

- (i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0%;
- (ii) Pre-tax Risk-free rate of 2.7% (FY2008: 3.3%);
- (iii) Ungeared beta at 0.61 based on peer analysis; and
- (iv) Pre-tax Cost of Debt at 3.2% (FY2008: 3.6%) based on Pre-tax Risk-free rate plus credit spread.

PRODUCTIVITY ANALYSIS

| | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|--------|--------|--------|---------|--------|
| Employment costs per \$ of turnover (\$) | 0.37 | 0.36 | 0.35 | 0.33 | 0.32 |
| Economic value added (\$m) | 47.6 | 61.9 | 77.5 | 103.3 | 111.1 |
| Economic value added per employee (\$) | 8,245 | 10,829 | 14,205 | 18,597 | 17,845 |
| Value added (\$m) | 496.9 | 509.7 | 538.8 | 567.1 | 592.4 |
| Value added per employee (\$) | 86,051 | 89,181 | 98,738 | 102,095 | 95,120 |
| Value added per \$ of employment costs (\$) | 2.01 | 2.01 | 2.05 | 2.15 | 2.14 |
| Value added per \$ of gross fixed assets (\$) | 0.24 | 0.25 | 0.25 | 0.26 | 0.25 |
| Value added per \$ of turnover (\$) | 0.74 | 0.72 | 0.73 | 0.71 | 0.67 |

Total value added (VA) by the Group in FY2009 was \$592.4m. The amount applied to the employees (staff and related costs) was \$276.1m, income and other taxes to the Government was \$35.8m, and interest and dividends to the providers of capital was \$124.8m leaving a balance of \$155.6m reinvested in the Group.

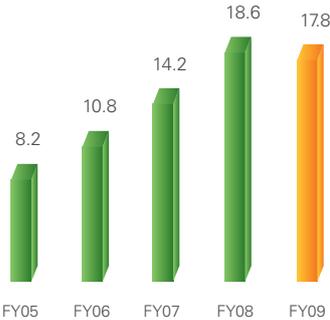
We achieved EVA of \$111.1m in FY2009, \$7.8m or 7.6% over FY2008. This improvement in EVA was driven largely by better operating profit. Over five years as shown in the graph below, EVA has grown

at a compounded annual growth rate of 23.6%. The remaining graphs also illustrated the change in EVA per employee, VA per dollar employment cost and VA per employee over the five years. Though the EVA and VA achieved in FY2009 were higher over FY2008, EVA per employee, VA per dollar employment cost and VA per employee were lower in FY2009 due to the increased headcount as at end FY2009. SMRT's staff strength was 6,228 at end of FY2009, as compared to 5,555 as at 31 March 2008.

EVA (\$m)



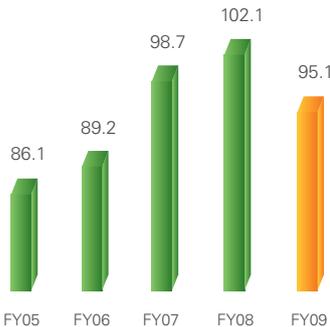
Economic Value Added Per Employee (\$'000)



Value Added Per Dollar Employment Cost (\$)



Value Added Per Employee (\$'000)



OPERATING AND FINANCIAL REVIEW

KEY DYNAMICS AND RISK MANAGEMENT

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

RISK MANAGEMENT PROCESS

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

The risk management process adopts a standard framework throughout the Group. Annual risk assessment exercises and half-year risk reviews are carried out at the Risk Management Committee (RMC), business unit and corporate function levels. The RMC focuses on Group level strategic risks that have significant impact on the long term financial health or survival of the Group whereas the business units and corporate functions are concerned with risks relating to their respective businesses and functions.

During the annual and half-year risk assessments, strategic, operational, financial and regulatory risks are identified and evaluated based on criteria pre-defined by the Group. Action plans are developed and closely monitored on a monthly basis to manage the identified risks.

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

Risk Management for Projects

Investment projects are subject to formal authorisation procedures with designated level of authority as set out in the Group Financial Procedures Manual. Major projects are subject to the Board's review and approval. Project teams of such projects will go through the risk management process to identify the projects' objectives and risks, and develop action plans to mitigate and monitor the risks. Risk assessments are conducted at various stages of the projects and the results are reported to the RMC.

Strengthening Risk Awareness Culture

The Enterprise Risk Management (ERM) function carried out the following initiatives in the year under review across the Group to further strengthen the risk management culture:

- Improved the annual and half-year risk assessment processes through an electronic voting system to facilitate a more fair and accurate process
- Conducted risk management training for new staff
- Featured risk management initiatives of staff in corporate newsletters

MANAGING OUR RISKS

During the annual and half-year risk assessments in the year, several risks were identified as key risks to the Group and the following sections detail how these risks are managed.

Energy Cost Risks

The Group is exposed to energy cost risks that are outside its control, such as fluctuations in oil and diesel prices, which affect its energy costs. The Group mitigates rising electricity costs by entering into electricity contracts for at least half a year or longer at fixed rates. To mitigate currency risk coming from purchase of diesel in foreign currency, forward exchange contracts are used. To secure more competitive prices for diesel, the Group has locked in a two-year contract for the supply and delivery of diesel at fixed discounts off market rates. The Group may, where deemed suitable, engage in short-term diesel hedging contracts to mitigate the rising diesel costs. Such hedging practices adhere to the Group's Dealing Mandate, approved by the Board. In addition, the Group also engages in conservation and fuel-efficient efforts to manage our usage of electricity and diesel throughout the whole organisation.

Security and Epidemic Risks

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

To counter terrorism threats, SMRT Community Emergency Preparedness Programme (SCEP) was developed. The programme was endorsed by Management in July 2006 and officially launched on 22 December 2006. SCEP was developed with the aim of involving community participation in its efforts to combat terrorism and to minimise the potential damage which terrorist attacks may cause. To date, over 7,800 participants (including community members and students) have been trained under the SCEP.

Regular drills such as bomb threat mitigation exercises were conducted at selected rail stations and bus interchanges to allow staff to be familiar with the Group's emergency evacuation procedures. New CCTV systems for bus, bus interchanges and MRT stations are also being installed. On top of this, we have also initiated the installation of Access Control Management System (ACMS) for our Headquarters and depots to prevent unauthorised access. In FY2010, we plan to extend the system to the restricted areas in all train stations. In addition, the Group conducts hostile surveillance plans, security audits and other security initiatives to heighten the level of security awareness and to highlight gaps and weaknesses in our system against terrorist operations.

The Group is also mindful of the importance of Business Continuity Management (BCM) in view of the ever-increasing threat of a possible flu pandemic outbreak. Business continuity plans for business units and corporate functions have been put in place and we will continue to review these plans. We also keep abreast of additional measures and guidelines recommended by relevant authorities. In FY2010, we will work towards attaining Business Continuity Management Certification so as to ensure that SMRT Corporation and our strategic partners are also well-prepared for any possible crisis.

Regulatory and Operational Risks

SMRT Trains, SMRT Light Rail and SMRT Buses operate in a regulated environment in which their operations and services have to meet operating performance and service standards specified by their

respective licence agreements with the Government. These standards relate to various aspects of service quality, safety and key equipment performances. These business units mitigate non-compliance risks by carrying out stringent maintenance and service improvements every year. In addition, the fares charged by SMRT Trains, SMRT Light Rail and SMRT Buses are subject to approval by the PTC. Details on the fare structure and the licence and operating agreements are shown in the "Background – Regulatory Framework" section of the OFR.

SMRT Taxis is also subjected to regulatory operating standards relating to various aspects of service quality and safety performances. It manages its operational risks by promoting service availability, safety and customer satisfaction through investment in new technologies, safety incentive schemes to reduce accident rates, and service excellence programmes.

In view of the changes based on the Land Transport Review, that was announced in January 2008 by the Minister of Transport, we believe that we are competitively positioned for both trains and buses. We will continue to engage the government agencies and industry partners including Ministry of Transport, LTA and PTC.

Safety Risks

To ensure the smooth running of operations, the Group continuously reviews its safety measures to bring them in line with global standards and current developments. As a member of the Community of Metros (CoMET), we benchmark our safety programmes with the best in practice in the rail industry.

Within our safety management framework, we have in place a System Safety Program Plan which serves as the base document for our safety procedures implemented across the different business units.

Safety committees have also been established in our critical areas of operation (rail and road) to look into the safety issues in our system. Risk assessments

OPERATING AND FINANCIAL REVIEW

KEY DYNAMICS AND RISK MANAGEMENT

are conducted before commencement of all major technical activities, while regular safety inspection and audits are performed for routine work to ensure safety procedures are complied with. Moreover, refresher drills on fire safety, emergency evacuation and first aid response are periodically conducted to mitigate the consequences of risks in the workplace.

We likewise relaunched SMRT SHIELD, a corporate safety promotion programme, to reinforce the Group's commitment to develop a safety culture among all staff.

Reputation Risks

Our stakeholders include PTC, LTA, commuters, shareholders, analysts as well as the media. Recognising the importance of providing timely, accurate and key information to our stakeholders, the Group puts in place an integrated communication programme to ensure effective communication and continuously maintains close relations with our stakeholders at all times. In addition, the Group constantly upholds high standards of service quality in all of our business areas and ensures that service standards are met at all times. We strive to improve and exceed our own performance standards and benchmark ourselves against the world's top transport operators.

Investment Risks

The Group's investment risks relate largely to those of capital investment made for the maintenance, upgrading and replacement of operating assets and also acquisitions or investments in business entities. The capital investment projects, including the selection of suppliers and contractors, are subject to financial procedures and internal selection criteria for the purpose of expenditure control. The proposed major capital investment are then presented to Senior Management and, where necessary, Board of Directors for their approval according to the authority limits as set out in the Group Financial Procedures Manual.

Investment activities, relating to acquisitions or investments in business entities, are supported by experienced internal staff and where necessary,

external professionals for specialised services are engaged. The business proposals for such activities are also guided by operational and financial procedures and presented to Senior Management and Board of Directors for approval.

Financial Risks

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

The main financial risks arising from the Group's operations and the use of financial instruments are credit, foreign currency, interest rate, liquidity and market risks. Management of these risks are discussed in the "Financial Risk Management" section of the "Notes to the Financial Statements".

Property and Liability Risks

The Group's property, plant and equipment include rolling stock, signalling, communication and fare collection systems, buses, taxis and properties. The Group has in place various insurance programmes to insure its exposure to property, business interruption and general liabilities risks. The Group also adopts a proactive approach, with advice and recommendations from insurance brokers. The risk exposure is annually reviewed to ensure that our insurance programmes continue to be adequate for the risk exposures which are identified.

SENSITIVITY ANALYSIS

MRT Ridership

Every one percentage point change in annual MRT ridership will result in a \$4.7m change in revenue. This is assuming MRT fare structure remains at FY2009 levels.

Bus Ridership

Every one percentage point change in annual bus ridership will lead to a \$2.0m change in revenue. This is assuming the bus fare structure remains at FY2009 levels.

Electricity Costs

Every one percentage point change in the rate of electricity, using FY2009 rates as a basis, will lead to a \$0.7m change in gross operating profit per year. This is assuming the electricity usage is maintained at FY2009 levels.

Diesel Costs

Every one percentage point change in the rate of diesel, using FY2009 rates as a basis, will lead to a \$0.5m change in gross operating profit per year. This is assuming the diesel usage is maintained at FY2009 levels.

Cost of Borrowing

Every 100 basis points change in interest rate of the \$50.0m Floating Rate Notes outstanding at the end of FY2009 will result in a change in interest expense by \$0.5m per annum.

ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the financial statements for FY2009 as compared with that of FY2008.

OUTLOOK FOR FY2010

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

Revenue

Revenue from fare operations will be impacted by the fare reduction which was announced in March 2009. The fare reduction package comprises fare reduction effective from 1 April 2009 for the next 15 months and increased transfer rebates. Nevertheless, the Group, on top of the Government's efforts to encourage

public transport travel, will continue to explore ways to increase ridership on our public transport network.

The operating performance for taxi operations is expected to be better. We will continue with innovative initiatives to attract and retain taxi hirers, put in place plans to replace and grow our fleet and focus on providing more conveniences to our passengers.

Amidst the current uncertain economic outlook, we will continue to explore opportunities to grow our rental and advertising businesses. More stations will be refurbished in the year. We will also continue to introduce new advertising panels and creative channels for advertisers.

In the year ahead, revenue from engineering and other services is expected to increase with increasing contributions from the six-year operations and maintenance contract of the Palm Jumeirah Monorail system. Capitalising on our strong brand name overseas, we will continue to pursue overseas opportunities in public transport within regions such as the Asia Pacific and the Middle East.

Operating Expenses

Group operating expenses are expected to be higher due mainly to more repair and maintenance and higher staff and related costs. With the commencement of Circle Line Stage 3 in May 2009, headcount for Circle Line will grow according to the progressive opening of the rest of the line from 2010. In addition, MRT operations will continue to recruit more staff with increased train runs in order to provide a more comfortable travelling experience for commuters. With plans for more bus services and to meet the more stringent Quality of Service standards, additional bus service leaders are expected to be recruited to enhance our service delivery to our commuters.

Electricity costs are expected to be lower in the first half of the year due to lower rates. The rates under the six-month contract will be about 25% lower than the previous half-year contract which ended in 31 March 2009.

A young boy with dark hair, wearing a blue polo shirt with a yellow and green striped collar, is smiling and looking towards the camera. He is standing on a train platform, leaning against a silver metal handrail. An adult's arm in a light blue shirt is visible on the left, and a woman's hand in a light pink top is on the right, resting on the boy's shoulder. The background is slightly blurred, showing other people and the interior of the train.

**SMRT TRAINS
& SMRT LIGHT RAIL**

OPERATING AND FINANCIAL REVIEW

From increasing train services to enhancing journeys with expanded lifestyle choices within our network, we constantly challenge ourselves to raise the bar in every aspect of our rail operations to provide the best possible service to our customers.

Vincent Tan Peng Hock
Vice President, Rail Operations
SMRTTrains Ltd



In Singapore, the Mass Rapid Transit (MRT) and Light Rail Transit (LRT) together form the single most popular means of public transport. Fast, convenient and comfortable, our 106 trains transport passengers to and from 53 MRT stations island-wide while our 19 driverless trains connect 14 LRT stations serving residents in the Bukit Panjang area. In FY2009, some 1.5 million trips were made on our network daily.

EXTENDING OUR NETWORK

In February 2009, we welcomed the opening of Boon Lay Extension which extends our network by two stations westward of Boon Lay, allowing us to better serve residents in Joo Koon and Pioneer as well as workers in industrial estates in the area.

The highlight of 2009 will be the partial opening of the 33.3 kilometre (km) Circle Line (CCL) at the end of May 2009. The 5.7km stretch between Bartley Road and Marymount Road will be served by five underground stations. Preparations are in full swing to ensure it will be all systems go when service begins. Trial runs to test the robustness of our operating procedures and processes began in early 2009. In March 2009, we put to test our emergency procedures in exercises conducted together with the Singapore Civil Defence Force and also carried out exercises and shelter open house for the community and residents living along

this stretch of the network to help familiarise them with the system's safety and security features.

Intensive training was also conducted to ensure staff readiness based on diverse operational scenarios. All CCL operations and maintenance staff undergo a traineeship scheme that comprises theoretical, practical and supervised field training. The traineeship scheme addresses the training needs of the various grades of staff for the respective sub-systems. During the training period, all staff are assessed on their knowledge and competencies before they are certified to carry out the necessary job functions.

Staff training is not limited to operational aspects. Service standards are also a priority, in line with SMRT's service commitment to the public. Our training is geared towards a frontline service concept which enables station operations staff to carry out first line maintenance works in addition to their day-to-day station operations duties.

GROWING OUR RIDERSHIP

In FY2009, the ridership on SMRT trains rose by 8.7%, consistent with the steady increase in ridership over the last five years. This can be attributed to the growing services and construction sectors, the Government's policy to encourage use of public transport, higher

OPERATING AND FINANCIAL REVIEW

SMRT TRAINS AND SMRT LIGHT RAIL

cost of using private vehicles and taxis, as well as our efforts at promoting travel by MRT.

To ease the load, especially during peak hours, about 1,000 additional trips per week were added from May 2008. This allowed us to maintain an average train load of not more than 1,200 passengers.

To encourage commuters to choose public transport over private, we introduced several initiatives. The SMRT Lunchtime Xpress is one such initiative. During lunchtime on weekdays, we halved train waiting time from seven minutes to 3.5 minutes for services between Ang Mo Kio and Marina Bay as well as between Outram Park and Aljunied. For workers in the central business district, a faster commute gives them reasons to travel during their lunch hour whether it is simply to take a breather and explore new places or meet up with family and friends over a meal.

Several initiatives were launched in FY2009 to promote train ridership. Key amongst them were the "Early Travel Perks" scheme, "Go Green with SMRT" and "Escape with SMRT". Aimed at encouraging commuters to travel earlier in the morning to avoid the peak hour rush, the "Early Travel Perks" scheme offers breakfast discounts at participating tenants within our network. To increase awareness of the environmental benefits of taking the MRT, we launched the "Go Green with SMRT" public transport campaign in May 2008 while "Escape with SMRT", our fifth promotion under the SMRT Ride and Win programme, not only promotes MRT travel but is also our way of thanking and rewarding our customers for their continued patronage.

FARE REDUCTION

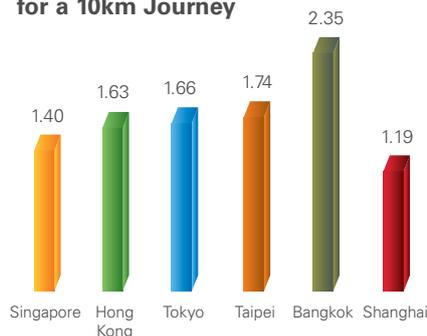
In line with the government's effort to help consumers tide through the economic downturn, SMRT decided not to apply for any fare adjustments but instead worked with the Public Transport Council to implement commuter relief measures. From 1 April 2009, commuters enjoyed an overall 4.6% reduction in bus and train fares. This more than offsets the fare increases we had in the last three years combined, not

including the fare adjustment for 2009 which we are entitled to under the fare adjustment formula.

The 4.6% reduction comprises fare rebate and increase in transfer fare rebate, from the current 40 cents to 50 cents. Direct journey passengers also see savings of up to two cents under the measures.

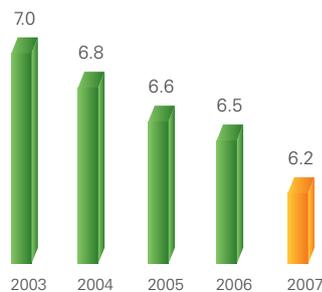
When compared against other metros on a cash fare basis, the fares on the SMRT network is still relatively low. Furthermore, the latest figures reflected in Singapore's public transport affordability index show a continuing improvement over the last five years. The index is a ratio of monthly expenditure on public transport over monthly household income. A lower index indicates more affordable fares.

**Published Cash Fare (S\$*)
for a 10km Journey**



* Adjusted using the 2007 Purchasing Power Parity (PPP) Conversion Factor published by the World Bank. The PPP is the rate of currency conversion at which a given amount of currency will purchase the same volume of goods and services in two countries.

**Singapore Public Transport
Affordability Index**



Source: Public Transport Council News Release, 12 September 2008

DELIVERING EXCEPTIONAL STANDARDS

At SMRT, we challenge ourselves to provide the best possible service to our customers and to constantly raise the bar in service standards. A comprehensive customer service framework guides our delivery of customer service by detailing three key customer touch points – people, processes and the physical environment. These efforts are anchored on four mainstays of excellence, teamwork, communication and investment in people. Through this framework, we have been able to provide our customers with the level of service they have come to expect of SMRT.

In terms of performance, SMRT has consistently surpassed the standards stipulated by the Land Transport Authority (LTA) on all parameters, such as train arrivals and departures, train service availability and customer injury rate. Apart from LTA's standards, we also benchmark ourselves against other metro operators belonging to the Nova and Community of Metros (CoMET) benchmarking groups. We have consistently fared well, even topping the manpower efficiency parameter for the past two years.

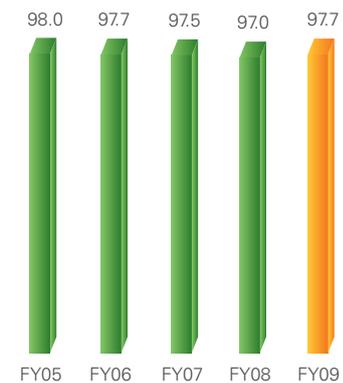
In recognition of SMRT's operational, environmental and customer service excellence, SMRT received the "Best Metro," "Best Metro (Asia Pacific)" and "Most Energy Efficient Metro" awards at The Metro Awards held in London in March 2009. We emerged winner from a pool of finalists that included leading metro operators Copenhagen Metro, Seoul Metro, MTA New York City Transit, London Underground and BVG (Berlin) to clinch the coveted "Best Metro" award.

Finalists for the "Best Metro" and "Best Metro (Asia Pacific)" awards were judged on network coverage, frequency and efficiency of service, customer service levels, value for money, amenities on stations and trains, ease of use, safety and security, high levels of reliability and high performance standards, technological innovation and environmental considerations and contributions. For the "Most Energy Efficient Metro" award, SMRT was lauded for being an industry leader in delivering unsurpassed results in energy efficiency.

SMRT PERFORMANCE AGAINST LTA STANDARDS

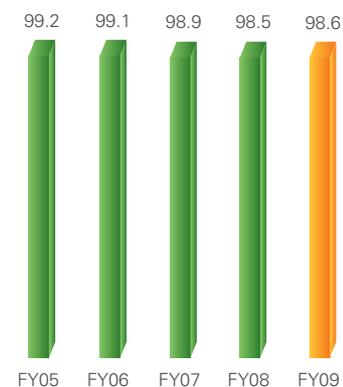
Train Arrivals

(at least 94% within 2 minutes of schedule)



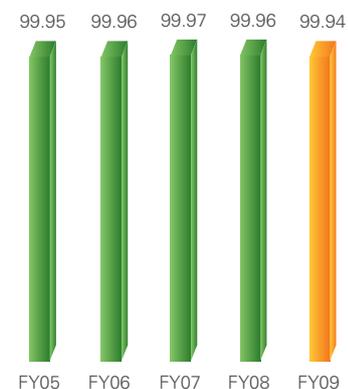
Train Departures

(at least 96% within 2 minutes of schedule)



Train Service Availability

(at least 98%)

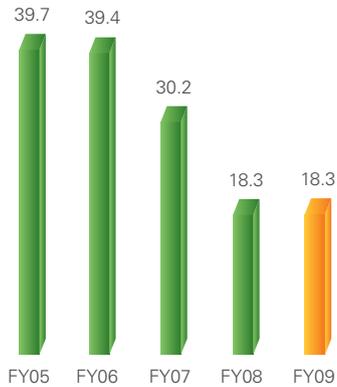


OPERATING AND FINANCIAL REVIEW SMRT TRAINS AND SMRT LIGHT RAIL

SMRT Performance Against LTA Standards

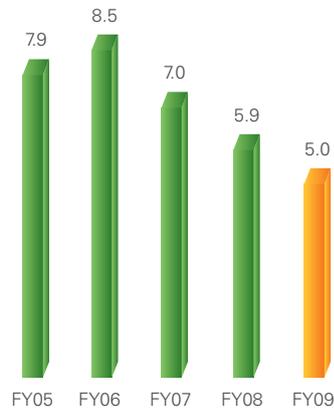
General Ticketing Machine

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



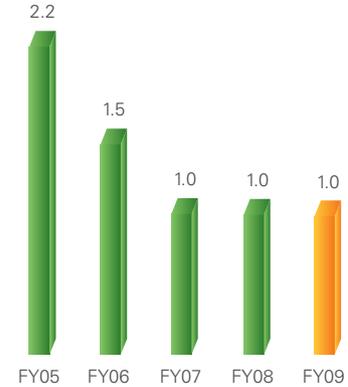
Fare Gate

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



Escalator

(downtime no more than 50 hours per 10,000 hours of operation)



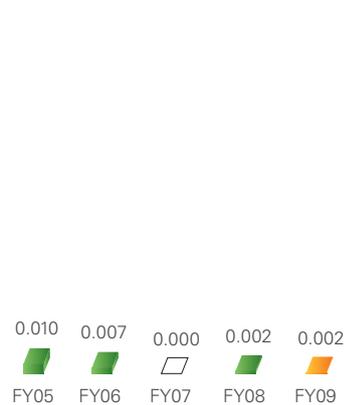
Lift*

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



Customer Injury Rate

(no more than 0.4 injuries per million customers)

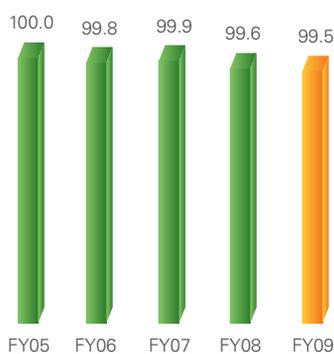


* The equipment under measurement were operational from 2006.

SMRT Performance Against Nova and CoMET Operators (Best Performance = 100%)

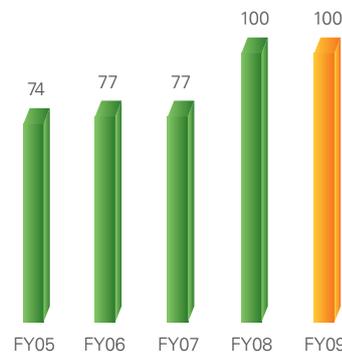
Punctuality

Timeliness of train arrivals (within 5 minutes)



Manpower Efficiency

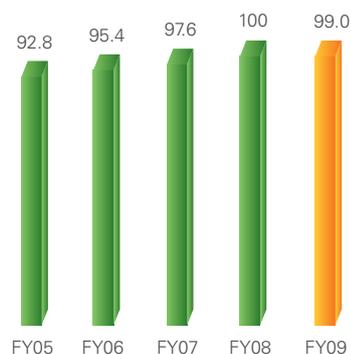
Passenger-km per total staff and contractor hours



SMRT Performance Against Nova and CoMET Operators (Best Performance = 100%)

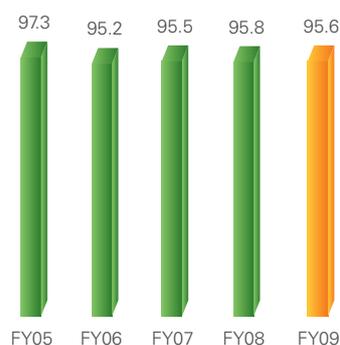
Cost Efficiency

Operating cost per standardised capacity-km



Safety

Fatalities due to accidents per billion passenger journeys (cumulative)



| | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|--|----------|----------|----------|----------|----------|
| Ridership (to nearest million) | 402.6 | 413.8 | 434.9 | 469.3 | 510.2 |
| Growth in passenger-trip numbers (%) | 2.8 | 2.8 | 5.1 | 7.9 | 8.7 |
| Car-kilometre operated (to nearest million) | 75.11 | 75.5 | 77.1 | 78 | 85.2 |
| Growth in car kilometres operated (%) | -3 | 0.6 | 2 | 1.2 | 9.2 |
| Average weekday trips (to nearest '000) | 1,171.90 | 1,212.20 | 1,278.50 | 1,380.70 | 1,502.31 |
| Growth in weekday passengers (%) | 3.6 | 3.5 | 5.5 | 8 | 8.8 |
| Total passenger-kilometre (to nearest million) | 4,928.30 | 5,058.30 | 5,288.30 | 5,714.50 | 6,223.36 |
| Growth in passenger-trip distance (%) | 1.4 | 2.6 | 4.6 | 8.1 | 8.9 |
| Average car-occupancy (persons) | 65.6 | 67 | 68.6 | 73.3 | 73.1 |
| Growth in operating car-occupancy (%) | 3.8 | 2.1 | 2.4 | 6.8 | -0.3 |

LIGHT RAIL TRAVEL

Our LRT system, the Bukit Panjang Light Rapid Transit (BPLRT), also enjoyed increased average daily ridership, growing by 5.7% from FY2008 to 43,726 passenger-trips in FY2009. Operationally, BPLRT improved on all counts, including service availability and downtime for essential station equipment. Service availability on the line was 99.97%, surpassing LTA's standard of 98%. Availability for essential station equipment such as lifts, general ticketing machines and fare gates was at 99.97%, 99.97% and 99.98% respectively.

As part of our ongoing efforts to engage and educate commuters on safety and security in the LRT network, a "Security and Safety on Public Transport" briefing was jointly held with the Bukit Panjang Constituency Office for 500 of its residents. In the coming year, BPLRT will participate in and support the Bukit Panjang Constituency Emergency Preparedness Day to raise awareness of what to do during an emergency.

CRONOS fare gates, an in-house product, have also been installed in all BPLRT stations. With the new gates, passengers on wheelchair can now enter and exit the stations with ease and without assistance.

OPERATING AND FINANCIAL REVIEW

SMRT TRAINS AND SMRT LIGHT RAIL

BPLRT also initiated several activities to encourage LRT ridership. These included supermarket discounts with Sheng Siong and discounted courses conducted by Zhenghua Community Club. A tie-up with Shaw Organisation led to the distribution of free Nim's Island environmentally friendly tote bag and Twilight mug with every purchase of a pair of movie tickets.

ENGINEERING A SAFER AND SMOOTHER RIDE

Through our engineering solutions, we continued to enhance our MRT and LRT systems by ensuring safety and efficiency and augmenting convenience and comfort. In addition to regular maintenance and upgrading of facilities such as escalators, lifts, rails, control and power systems, all 66 of our first generation trains have been upgraded. New features within include wider seats, trifurcated poles, improved public announcement and air conditioning systems, and handicap-friendly facilities.

In FY2009, we expanded our energy management programme to Somerset, Outram Park and Braddell stations. The air conditioning systems at these stations underwent an energy audit and measures were taken to improve the efficiency of the systems, resulting in less energy consumption. Our programme to replace 108 sets of battery chargers and battery banks, which ensure uninterrupted supply to our trains, stations and system, is on track for completion in 2011. During the year, we completed the overhaul of 34 escalators in our network, extending the lifespan of these escalators by another 15 years, and also continued with our programme to change out escalator steps and replace forward reversal brakes to prevent back sliding.

To boost commuters' convenience, we introduced the SMRT Train Active Routemap Information System (STARiS) in November 2008. This in-house developed system provides essential, real-time information to commuters, including train location, indication of the side of train door opening and visual transcripts of audio messages. As a standalone integrated system,



STARiS eliminates the need for disparate systems, thereby reducing cost and complexity of operation.

LOOKING FORWARD

In FY2010, we will also begin recruitment in preparation for the opening of 11 CCL stations from Dhoby Ghaut to Tai Seng. The Group is also gearing up for opportunities within Singapore's expanding rail network. Competition will be intense but it will only push us to further raise the bar on service delivery and strengthen our competitiveness in all aspects of rail operations and maintenance.

We are currently working on a newer version of STARiS with improved functionalities and the ability to drive moving graphics and visuals on standard displays. Given its innovative features, the STARiS system has high potential commercial value and we are looking to market it to other rail operators.

To beef up security, we are collaborating with Singapore's Internal Security Department and LTA to install video surveillance systems in trains. Images from in-train cameras will be downloaded at stations via wireless transmission and routed to the main centres for surveillance. Security will also be boosted at MRT stations, with an additional 4,100 surveillance cameras to be installed in the coming year.



**SMRT
BUSES**

OPERATING AND FINANCIAL REVIEW

Tailoring services and building a fleet that caters to diverse customer needs remain our focus as we work towards delivering exceptional service that makes SMRT buses a choice mode of travel.

Kang Huey Ling
Vice President
SMRT Buses Ltd
Bus-Plus Services Pte Ltd



SMRT Buses is committed to provide a safe, reliable and friendly travel experience for our commuters. Together with Bus-Plus Services (Bus-Plus), our bus chartering services arm, we provide a suite of bus services to meet the evolving travel needs of our customers.

Our fleet of over 890 12-metre and 18-metre buses serve more than 789,000 passenger-trips daily, ferrying customers from all walks of life through the 47 trunk, 14 feeder, 11 premium, seven night, six intra-town, three express and three special services we operate.

We have also expanded our private bus charter business. Today, as one of the major private transport service providers in Singapore, Bus-Plus offers a wide range of charter services to meet the needs of both public and corporate clients. In the past year, Bus-Plus also clinched several major contracts to provide transport services for national events including the 2008 Formula 1 Singtel Singapore Grand Prix, Marina Barrage Countdown, the Lexus Cup, the Ministry of Education's National Education Show and official events at the Istana.

Today, Bus-Plus operates a fleet of 66 buses, offering customers a choice of 13 12-metre buses and 53

mini-buses. In addition, we operate two premium bus services and the chartered subscription-based Hume Express service.

GROWING RIDERSHIP

In FY2009, ridership on our buses grew by 3.9% to 288 million. This is the strongest growth in the last five years, driven primarily by the Government's policy to encourage greater use of public transport and higher cost of using private vehicles and taxis. To support the growing ridership, we have increased our fleet size and added more trips to increase capacity provision as well as reduce overall waiting time. We will also continue to review and fine-tune our services to meet the evolving needs of our commuters.

To further promote ridership, we will be publishing service brochures catered to our customers' interests, for instance, places of interest, or Singaporeans' favourite food haunts that are along our bus routes, and we will continue our partnership with the Land Transport Authority (LTA) in the provision of real-time bus arrival information via electronic panels at bus-stops and short message service.

OPERATING AND FINANCIAL REVIEW

SMRT BUSES

DELIVERING SERVICE EXCELLENCE

With more commuters choosing public transport as the preferred mode of travel, ensuring high service standards is ever more important. In 2008, SMRT Buses continued to meet the Quality of Service (QoS) standards set by the Public Transport Council (PTC) in the areas covering reliability, loading and safety.

SMRT is committed to meet rising commuters' expectations and we will continue to enhance our service standards to meet the increasingly stringent QoS standards set by PTC. By August 2009, commuters can look forward to higher service frequency as 80% of our basic bus services and 90% of our feeder services will run at headways of not more than 10 minutes during weekday peak hours.

Quality of Service Performance (January to December 2008)

| Standard & Description | Result |
|--|-----------------|
| Bus Service Availability Each service shall operate at least 96% of its trips per month. | 100% passed |
| Bus Departure at Terminals Each service shall have at least 85% of its trips depart the bus interchanges and terminals not more than 5 minutes from its scheduled headway daily. | 99.4% passed |
| Bus Breakdown Rate Less than 1.5% per month. | 1.2% |
| Bus Loading Each service bus loading shall not exceed 95% during weekday peak hours daily. | 99.6% passed |
| Accident Rate Less than 0.75 per 100,000 bus-kilometre per month. | 0.68 |

At SMRT Buses, we believe in customer service excellence to enhance the travel experience of our commuters. We have developed a comprehensive customer service framework focusing on three main customer touch points – People, Processes and the Physical Environment. We are constantly exploring and implementing initiatives to further enhance the experience of our customers at these touch points.

In FY2009, 100% of our Service Leaders completed our in-house tailored customer service course, Service From Your Heart, which aims to raise our service level bar. In line with the national Customer Centric Initiative for transport industry, SMRT Buses worked closely with the Workforce Development Agency to develop a new customised customer service course, Provide Go-Extra-Mile Service, to further train our staff at an advanced level.

SMRT Buses also worked very closely with LTA, the Immigration & Checkpoints Authority and the Traffic Police to improve the traffic flow within Woodlands Centre region. This has improved the reliability of our buses operating in the area.

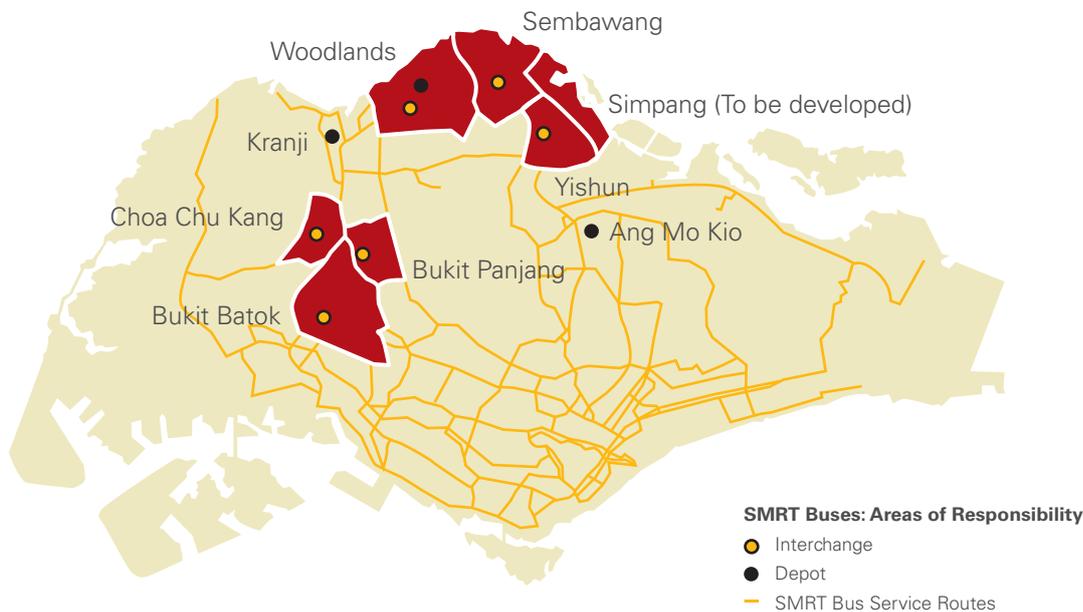
In addition to buying new buses to serve our commuters, we are also upgrading our existing bus fleet to ensure the safety and comfort of our passengers and that our buses continue to perform reliably and efficiently.

INTRODUCING A NEW GENERATION OF BUSES

SMRT Buses believes in environmental sustainability and this commitment was demonstrated by the launch of our new fleet of environmentally friendly Euro V buses on 30 April 2008 – the first in Southeast Asia.

The first Euro V bus was put into service on 29 June 2008 and by 31 December 2008, our entire fleet of 67 Euro V buses was plying the island.

The new buses are wheelchair friendly. Each bus is low-floored and equipped with a kneeling device that



can lower the front entrance of the bus or the whole bus, making it easier for wheelchair-bound passengers to board and alight from the bus. The area behind the driver's seat is designed to accommodate two passengers in wheelchairs.

For passenger safety and to encourage graciousness among commuters, pre-recorded safety and courtesy messages can be played using the on-board audio system. These include messages that remind commuters to hold on to the grab poles, to keep clear when the bus door is closing, and to move to the rear of the bus so that more passengers can board the bus especially during peak hours.

BROADENING OUR SPECTRUM OF SERVICES

The premium bus service market is a growing one, with rising demand for faster, more direct and comfortable rides. In FY2009, we launched a total of nine premium bus services that ferry residents from major residential areas to their workplace. The more direct and comfortable rides have been well-received by customers and we will continue to provide more of such services to meet the growing needs of this niche market segment.

REMAINING AFFORDABLE

At SMRT, we are always mindful of the need to keep fares affordable for commuters without compromising on competitiveness.

In October 2008, bus fares were increased by a net 0.7% to relieve cost pressures from inflation and high operating costs. The adjustment was significantly less than the 3.0% cap allowed by the fare formula for 2008. Following the slowdown in the economy, we made the decision to pass on the 2009 Singapore Budget savings to commuters via fare rebates. From April 2009, commuters saw an overall reduction of 4.6% in basic bus fares, which comprised a 10-cent increase in transfer rebates from 40 cents to 50 cents, and two cents reduction in ez-link fares. This more than offsets the fare increases of the past three years combined and will bring some relief to commuters. We also reduced the fares of non-basic bus services by six cents for Express Services and 20 cents for selected premium bus services.

OPERATING AND FINANCIAL REVIEW

SMRT BUSES

LOOKING FORWARD

In the year ahead, we are looking forward to the delivery of another 66 buses to meet the more stringent QoS standards which come into effect in August 2009 as well as the introduction of more services to meet the diverse needs of our customers.

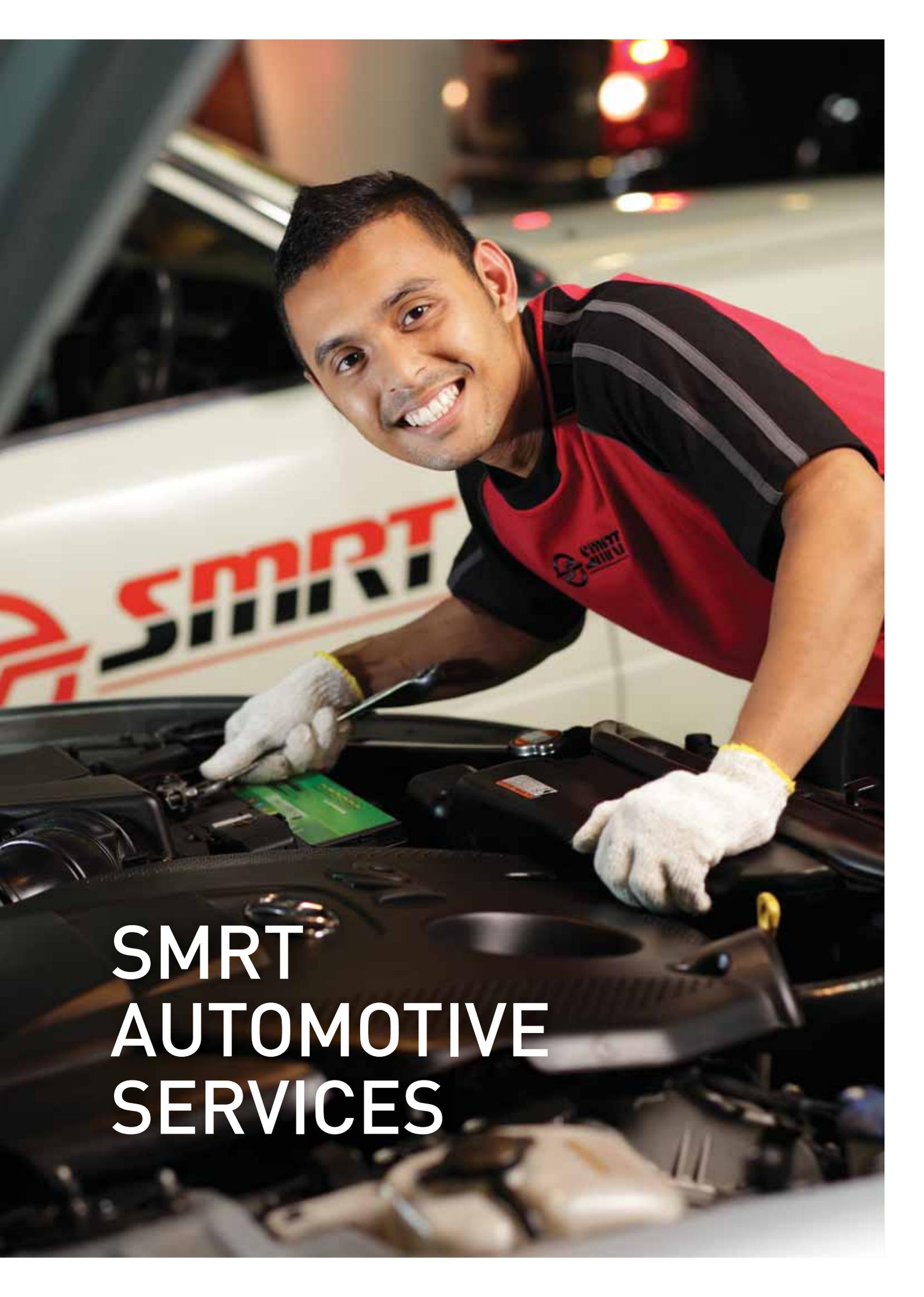
The land transport industry continues to evolve as initiatives from the Land Transport Masterplan are put into place. While this means opportunities to expand our operations to new areas across the island and increase our market share, it also brings competition that will impel us to remain focused on our customer commitment which is to deliver exceptional services that make us the preferred travel choice.



Five-year Operating Parameters

| | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|---|---------|---------|---------|---------|---------|
| Route length (kilometres) | 2,479.8 | 2,523.7 | 2,541.1 | 2,563.0 | 2,598.1 |
| Total ridership (millions) | 268.7 | 265.3 | 270.3 | 277.3 | 288.0 |
| Growth in ridership (%) | 1.5 | -1.3 | 1.9 | 2.6 | 3.9 |
| Bus-kilometres operated (millions) | 78.4 | 76.1 | 75.9 | 76.3 | 76.7 |
| Growth in bus-kilometres operated (%) | -1.2 | -2.9 | -0.2 | 0.5 | 0.6 |
| Aggregate passenger-trip distance travelled per year (million kilometres) | 1,613.0 | 1,612.7 | 1,643.3 | 1,674.4 | 1,745.2 |
| Growth in passenger-trip distance (%) | 1.4 | 0.0 | 1.9 | 1.9 | 4.2 |
| Load factor (%) ^(a) | 22.8 | 22.8 | 23.1 | 23.6 | 24.3 |

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



SMRT AUTOMOTIVE SERVICES

OPERATING AND FINANCIAL REVIEW

SMRT AUTOMOTIVE SERVICES

Our commitment to deliver a smooth and safe journey for all keeps us focused on the continuous refinement of our maintenance processes and engineering solutions to ensure our fleet of buses and taxis are in prime condition.

Lee Seng Kee
Vice President
SMRT Automotive Services Pte Ltd



SMRT Automotive Services Pte Ltd is the vehicle maintenance and engineering services arm of SMRT. Currently, we provide vehicle maintenance services for SMRT's fleet of over 950 12-metre, 18-metre and mini buses as well as about 2,600 taxis.

Our comprehensive suite of services includes vehicle maintenance, accident repairs, motor accident claims, diesel retailing to SMRT taxi hirers and vehicle engineering project management.

ENSURING OPTIMAL PERFORMANCE OF OUR FLEET

By keeping the bus and taxi fleets in prime condition, we facilitate their continued performance, which translates into cost savings and improved efficiency for SMRT.

To deliver on the needs of our business units, we work closely with SMRT Buses and SMRT Taxis to better understand their operational requirements. In FY2009, we embarked on several bus fleet improvement projects including the replacement of floorboards and structures, and condenser/evaporator coils, as well as a project to fine-tune engine and fuel management so as to reduce fuel expenses. A total savings of \$640,000 was achieved as a result of the latter project, with more savings expected in subsequent years.

To ensure maintenance costs are contained despite the ageing bus and taxi fleets, we continuously explore ways in which we can improve our maintenance

processes and extend the operational lifespan of our systems and equipment, for instance, the rotation of air bellows. The introduction of such initiatives have led to cost savings of about \$160,000 in FY2009.

As part of the Mid-life Upgrading Programme (MUP), 80% of the existing SMRT bus fleet will be upgraded over the course of the next eight years. The MUP maximises the asset life of the buses to the full statutory life of 17 years and improves the reliability of the buses. The door, pneumatic and brake systems, among others, were upgraded to enhance their functionality and reliability. To date, we have upgraded about 38% of the buses.

During the year in review, we provided on-site technical support for SMRT buses that were deployed for national events such as the Ministry of Education's National Education Show, the 2008 Formula 1 Singtel Singapore Grand Prix and IBM Mobile Road Show. For the convenience of our taxi hirers, we set up a 24-hour diesel refuelling service at our Geylang diesel kiosk.

PROVIDING VALUE-ADDED SERVICE

We hold regular dialogues with our customers as we believe staying in touch with our customers helps us keep abreast of their requirements and enables us to serve them better. For instance, our bus and taxi workshop operations have maintained 100% statutory inspection passing rate required by SMRT Buses and SMRT Taxis since year 2005 and 2007, respectively. In

2008, the bus workshop also met the Quality of Service target of no more than 1.5% of bus breakdowns whilst in service.

Given our track record, private car owners are also seeking our services. To cater to this group of customers, we established a private car servicing centre at Ang Mo Kio Depot. A one-stop accident repair centre in Woodlands Depot has also been set up to handle administration of accident claim cases and to provide accident repair services. Our accident repair centre at Woodlands is an authorised accident repair workshop for First Capital Insurance clients. In November 2008, First Capital Insurance appointed us as an agent for the sale and renewal of motor insurance.

EFFECTIVENESS FROM WITHIN

To continually improve the operational effectiveness of SMRT Automotive Services, our staff undergo training to equip them with the skills to fulfill their duties and perform to their fullest potential. Staff who do not have the necessary academic qualifications are sent for courses conducted by in-house trainers at our ITE-certified Approved Training Centre. In FY2009, one of our apprentices received the prestigious Lee Kuan Yew Model Trainee Award for his stellar performance. Currently, 15 of our staff are pursuing a two-year NITEC course in Automotive Technology (Heavy Vehicle).

We also strive to achieve Zero Accidents at the workplace. Our more recent achievement was the development of a noise enclosure for engine testing. For this, we were awarded the Ministry of Manpower (MOM) Workplace Safety and Health Innovation Award 2008.

To achieve greater cost savings, we are utilising original equipment manufacturers' and proven after-market parts, and introduced aggregation of material purchase and creative engineering solutions.

SAVING THE ENVIRONMENT

As a unit, we are committed to playing our part to save the environment. Green practices, adopted in FY2009 include the utilisation of low emission

spray paints and vehicle air-condition refrigerant recycling systems within our facilities, and periodic maintenance of oil interceptors to prevent the flow of waste oil into the public sewerage system. Besides recycling waste paper, scrap metals are also collected for recycling.

LOOKING AHEAD

In FY2010, we will embark on several exciting projects one of which is the setting up of a new diesel kiosk at Kim Chuan Depot. The kiosk will feature self-operated pump facilities for our taxi partners' convenience. We will also be upgrading existing pump equipment in all our diesel kiosks and introducing a new point-of-sale system for greater operational efficiency.

Once again, we will be partnering SMRT Buses for the delivery of another 66 new Euro V buses. All these buses are fitted with a selective catalytic reduction system that significantly reduces emissions of nitrous oxide and particulates. Compared to Euro IV buses, Euro V buses emit 42% less nitrous oxide pollutants. The buses are also equipped with brushless air-condition blowers which do not generate carbon dust and produce less noise.

A new MUP will commence in FY2010 for DAF and Scania buses, and a technical team will begin their review of MUP specifications and requirements for bendy buses. To enhance the travelling comfort of our commuters, we are also planning to replace the seats in about 200 SMRT buses.



SMRT
TAXIS



OPERATING AND FINANCIAL REVIEW

Bringing added convenience to our customers and supporting our taxi partners continue to be our focus forward as we secure opportunities to expand our service offerings and grow our business.

Lo Chee Wen
Vice President
SMRT Taxis Pte Ltd



Taxis are an easy and convenient way to get around. While the intense competition among taxi operators and record high fuel prices in FY2009 followed by the global economic downturn have affected both taxi hirers and passengers, SMRT Taxis has proactively worked around these challenges to help our taxi partners boost their income and mitigate costs.

ENABLING OUR PARTNERS

“We take better care of you!” continues to be SMRT Taxis’ service promise. Moving beyond just a taxi hiring relationship, SMRT Taxis supports our partners by making taxi driving a viable career option. We offer competitive packages with rental rates starting from a low \$65 per day. Other benefits include cash bonuses, rent-free days, diesel rebates, comprehensive insurance coverage, and vehicle age and loyalty discounts. These benefits amount to more than \$10 million each year.

An upward revision in taxi fares in December 2007 also contributed to our partners’ livelihood. However, rising fuel prices continued to erode their earnings, particularly during the first half of FY2009. Responding to the escalating cost pressure on our taxi partners, we introduced a 30-cent diesel surcharge on all passenger trips in July 2008 and extended it to our compressed natural gas (CNG) taxis in September 2008. The surcharge was removed in November 2008 after fuel prices began to fall.

When the government announced in January 2009 it would grant a 30% road tax rebate, we passed on the rebates in full through a one-time cash payment of \$306 each to our partners. The payments were made in March 2009, five months ahead of the Government’s payout.

STAYING COMPETITIVE

In a difficult economic climate, maintaining our competitive edge is key to staying ahead. To promote loyalty among taxi commuters and to attract and retain partners, we embarked on the following initiatives:

Increasing Taxi Ridership

For our partners and customers, the annual Book and Win campaign continued to draw positive response. The promotion which ran from 1 August to 30 September 2008, resulted in an increase of more than 20% in taxi bookings. Customers who booked our taxis during the period could win for themselves prizes worth a total of \$9,000 while hirers who supported the event were rewarded with \$100 diesel vouchers each.

Expansion of Income Opportunities

In January 2009, as part of a strategic business move to increase taxi partners’ revenue, SMRT Taxis secured the contract to manage the Limousine & Large Taxi Counters at all the terminals at Singapore Changi Airport. This is in addition to our current limousine counters at the sea ports – Tanah Merah Ferry Terminal and Singapore Cruise Centre.

OPERATING AND FINANCIAL REVIEW

SMRT TAXIS

Added Convenience to Commuters and Hirers

SMRT Taxis installed Contactless e-Purse Application compliant ez-link payment readers in our taxis, making us the first taxi operator in Singapore to offer customers an ez-link cashless payment option.

With this cashless mode of payment, we bring added convenience and ease to taxi commuters who also use ez-link to pay for fares on-board SMRT's trains and buses.

SOCIAL RESPONSIBILITY

Going Green

In July 2008, we added CNG taxis to our fleet, offering our partners an environmentally friendlier alternative to diesel-powered vehicles.

Another new fleet of environmentally friendly taxis, the Chrysler 300C, was introduced in September 2008. The Euro-IV compliant Chrysler 300C is part of SMRT's Prestige limousine taxis offering. Partners of our Chrysler taxis have to meet stringent selection criteria, and are trained in relationship management skills, offering commuters an enhanced travel experience.

Promoting an Inclusive Society

In September 2008, in conjunction with the SMRT Gift of Mobility Programme, we launched the new SMRT All-in-one SPACE – Singapore's first wheelchair

friendly taxi fitted with automatic hydraulic ramp to provide easy access to wheelchair users. At the launch, \$180,000 worth of SMRT taxi services were donated to four hospitals and two voluntary welfare organisations. The donation would benefit about 150 less mobile beneficiaries in the form of free dedicated point-to-point travel services for medical treatment, therapy sessions or to work.

LOOKING AHEAD

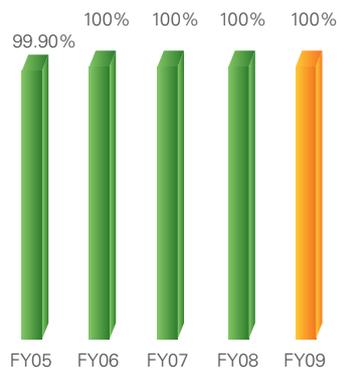
Work on the taxi fleet tracking and dispatching system (TFTDS) is progressing well and we are now in the final stages of testing. To be rolled out in stages and fully commissioned by the third quarter of 2009, TFTDS will enable SMRT Taxis to effectively handle up to 30,000 calls a day and for customers, calling a taxi will be a breeze with phone, short message service or internet booking options. We will also be installing new mobile data terminals (MDT) in all our taxis. These terminals are equipped with a global positioning system, easing navigation for hirers.

As we grow our business, we will continue to introduce new vehicles to replace ageing taxis as well as expand our fleet. We will remain focused on delivering excellent service, developing initiatives that would help our taxi partners increase their earnings, and leveraging technology to increase productivity.

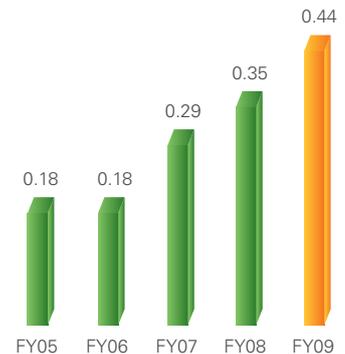
Taxi Fleet Size



Safety: First Inspection Passing Rate



Commendations Per 100,000km



SMRT INVESTMENTS

(PROPERTIES & MEDIA)



OPERATING AND FINANCIAL REVIEW

SMRT INVESTMENTS (PROPERTIES & MEDIA)

Through creative use of media spaces and choice retail mix, we will continue to generate excitement in our network, making each journey an experience in itself.

Teo Chew Hoon

Vice President, Commercial Business
SMRT Investments Pte Ltd



SMRT Investments, comprising SMRT Media and SMRT Properties, is a key contributor to the Group's non-fare revenue and profit. SMRT Properties is the leasing arm for commercial spaces within our network of train stations and bus interchanges while SMRT Media drives our media-related business which involves the marketing of advertising spaces at our stations, bus interchanges and on-board our trains, buses and taxis.

PROPERTIES

Station upgrading allows us to introduce more trades and services so that the shopping experience of commuters in the stations may be enhanced. In FY2009, we completed the upgrading works in six

stations, namely Aljunied, Boon Lay, Bukit Gombak, Dover, Tanjong Pagar, Kallang and Kembangan. The upgrading works in Bukit Batok and Tampines stations have been partially completed.

The upgraded works have contributed to an increase of approximately 4,000 sqm in total leasable area. Average occupancy rate in FY2009 was 99%, an improvement over FY2008's 98%.

Boon Lay Xchange experienced the most dramatic makeover, from two shops covering a modest 104 sqm before the upgrading, to 37 shops spanning 1,000 sqm after the upgrading. Tanjong Pagar also enjoyed a complete revamp, from four shops occupying 109 sqm to 56 shops covering 1,900 sqm. A new escalator was added to link the concourse and the retail floor, and a new lift to link the ground level to the retail level.

MEDIA

The highlight of our media business in FY2009 was the clinching of Dubai Metro's media contract under a consortium comprising SMRT Media, Dubai-based Kassab Media and Wellmark Communications.

This 10-year media contract covers the planning of advertising space, the design, operation and marketing





transformed into pseudo golf courses complete with snapshots of renowned female golfers in action. Grass patch stickers were pasted on train floors while window stickers publicised details of the event.

Another advertising campaign that captured attention was that of Visit Britain campaign. The eye-catching out-of-home visuals made full use of the media spaces at City Hall Station – the pillars, benches, floors and station walls – effectively promoting Britain as an attractive holiday and shopping destination. City Hall was chosen for its high commuter traffic and the advertisement was situated at one of the busiest cross-section within the station.

of media services for the upcoming Dubai Metro. With 47 stations, each featuring state-of-the-art digital media, Dubai Metro is slated to be one of the world's most advanced urban rail systems when it begins operations from September 2009. This project provides us with the ideal platform to add vibrancy to Dubai's media landscape and will boost SMRT Media's position as a leading media owner.

In an effort to cement our position as a leading media owner in Singapore and strengthen relations with the advertising industry, we sponsored several industry awards in FY2009, namely:

- Creative Director of the Year Award, Singapore Advertising Hall of Fame Awards
- Best Experiential Campaign, Singapore Media Awards
- Transit Advertising Category, Singapore Outdoor Advertising Awards
- Agency of the Year, Marketing magazine

We continued to push the boundaries, partnering advertisers in generating publicity and excitement in our network through creative use of our media platforms. For the second year running, HSBC promoted the HSBC Women's Golf Championship using our media space. Train interiors were

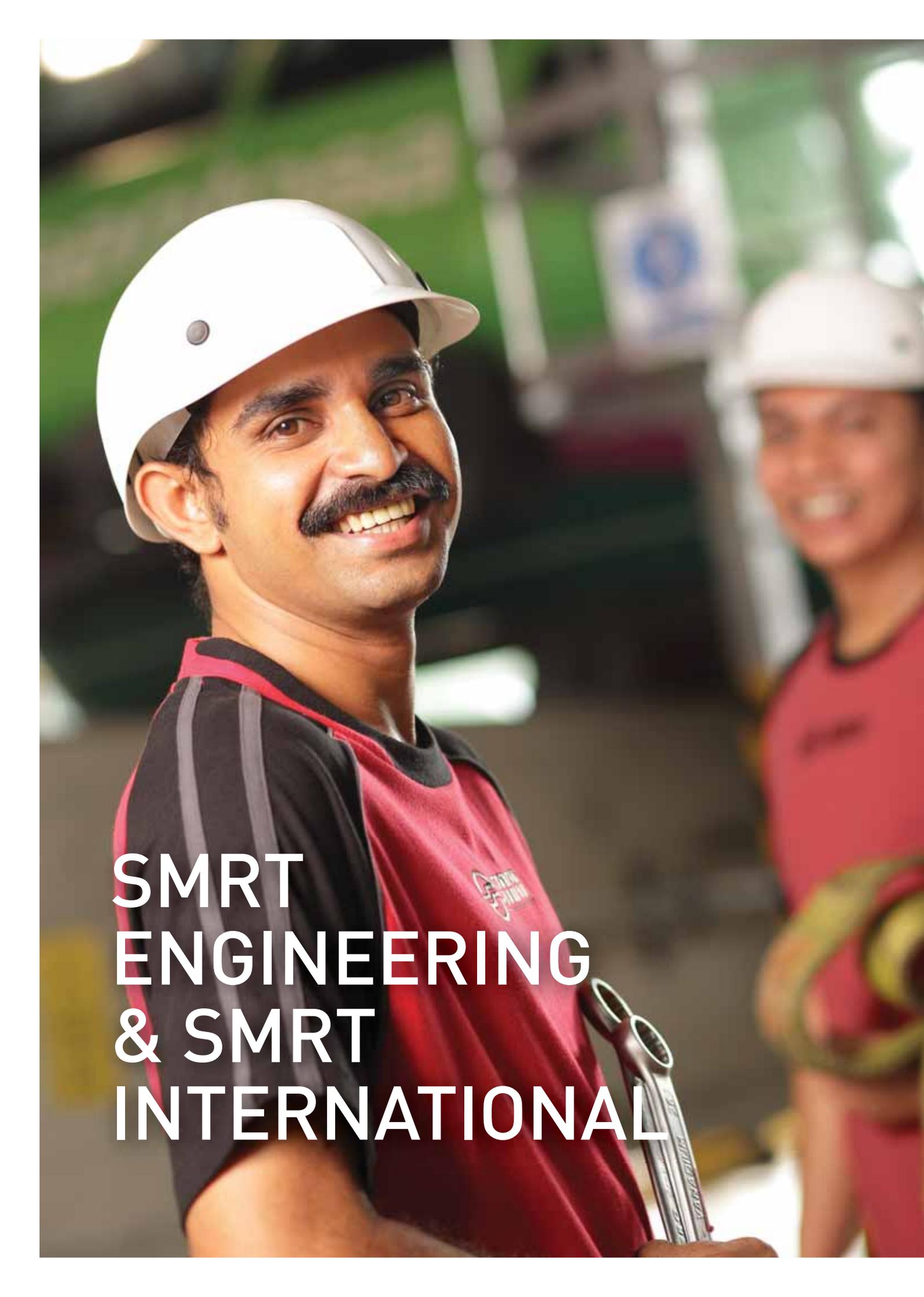
LOOKING AHEAD

More station upgrading works will take place in the coming year, specifically Orchard, Esplanade and Jurong East stations. The target completion date for these upgrades is FY2011.

During the year, we will also be rolling out initiatives which include the SMRT Lunchtime Xpress Travel Perks, 2009 Great Singapore Sale, Autumn Sale / Mooncake Bazaar, Christmas & Lunar New Year Promotions.

To strengthen our competitiveness and position ourselves as a leading outdoor media owner, we will be introducing untapped channels that allow advertisers to creatively engage their customers on the move. In addition to the introduction of new advertising panels, improvements will be made to the existing spaces, giving our media network a fresh look.

SMRT Media is also collaborating with the Media Development Authority to introduce Singapore's first cross-national subway drama series on Plasma TVs within our MRT stations. This partnership offers advertisers yet another engaging channel while for commuters, it will be entertainment on the move.



**SMRT
ENGINEERING
& SMRT
INTERNATIONAL**

OPERATING AND FINANCIAL REVIEW

With a number of key projects in the pipeline, we are confident of growth in the year ahead. We will continue to leverage our reputation for efficiency, reliability and safety to secure high value engineering consultancy, project management, and operations and maintenance contracts.

Yeo Meng Hin
Managing Director
SMRT Engineering &
SMRT International Pte Ltd



Bringing our business and expertise overseas enables sustainable growth of the company in a global market and SMRT Engineering (SMRTE) has been aggressively expanding to pave the way for new and growing needs of the business overseas.

GROWING OUR INTERNATIONAL PRESENCE

The Middle East, India and China markets offer vast opportunities in the area of rail and road transport, as these rapidly developing economies face burgeoning demand for effective public transportation systems. In FY2009, we established our presence in the Middle East with the conclusion of a six-year contract for the operations and maintenance of the Palm Jumeirah Monorail system signed on 10 February 2009 with Dubai real estate giant Nakheel. This was on the back of successful competitive bidding for and completion of the mobilisation contract for the Palm Jumeirah Rail Transit project.

The establishment of SMRTE (Middle East) FZE in 2007 has also enabled us to further reinforce our relationships with other entities in the Middle East such as Abu Dhabi and Saudi Arabia, as well as to explore new opportunities in this region.

In Asia, we successfully completed a training exercise for the managers and supervisors of Konkan Railway, India, where we shared SMRT's experience and expertise in operations and maintenance works. In China, we completed testing and commissioning services to Thales for the Automatic Fare Gate systems and equipment for Beijing Metro Lines 1 & 2, ahead of the Beijing 2008 Olympic Games.

The Oceania region, while established in terms of rail and road transport, remains a market of opportunities for us. Australia, for instance, beckons with opportunities to provide consultancy services and to participate in system upgrading projects. We are confident of penetrating this market and establishing the SMRT name as a partner of choice in the Oceania region.

STRENGTHENING OUR HOME BASE

Our commitment to the local market is not compromised by our overseas drive. Clients at home remain a priority.

We are working closely with the Land Transport Authority on several projects and are in discussions with them to provide project management services for various system and network enhancements such as

OPERATING AND FINANCIAL REVIEW

SMRT ENGINEERING & SMRT INTERNATIONAL

the installation of half height platform screen doors at 36 MRT stations, and video surveillance systems for existing and new trains.

Projects we completed in FY2009 include rail bonding works for Knorr-Bremse Rail Systems (UK) Ltd at Bishan MRT Station, track vehicle leasing to Balfour Beatty Gammon joint-venture for the construction of the Boon Lay Extension tracks, assisting in the supply, installation, testing and commissioning of our in-house creation, the CRONOS swing gates for the Bukit Panjang Light Rail Transit system, and the supply and installation of Singapore Technologies' automatic platform announcement system for Joo Koon and Pioneer MRT Stations.

We have also secured a three-year contract from Sentosa Development Corporation (SDC) for the maintenance of the Sentosa Express Monorail System. Leveraging our relationship with SDC, we are exploring ways to provide consultancy services that will lead to a mutually beneficial arrangement. We aim to develop this partnership and position ourselves as the choice operator for the provision of a multi-modal transport solution on Sentosa.

Tapping on our experience in the fibre optics arena, we successfully marketed our services locally. A case in point is the securing of a five-year contract (with the option to extend for a further five years) for the leasing of fibre optics cables and a contract for the upgrading of fibre optic bandwidth.

In terms of product development, we have created proprietary solutions such as the Automatic Fare Gates and the SMRT Active Route Map Information System. These solutions are being actively marketed and showcased at transport and rail conventions around the world.



LOOKING AHEAD

Despite the economic downturn, public transport remains key to the development of any city. With a number of key projects in the pipeline, we are confident of growth in the year ahead as we continue to leverage our reputation for efficiency, reliability and safety to expand our stable of contacts overseas, and to clinch key contracts.

We understand the importance of staying abreast of new developments in the international transport industry and will do so by actively participating in relevant conventions and exhibitions. This will allow us to effectively showcase SMRT's products and services while continuous feedback will enable us to remain competitive.

In FY2010, we will continue to grow our consultancy business through SMRTE and SMRT International (SMRTI), establishing a key presence in major regional cities by marketing our experience in rail and road transport. The focus will be on securing high value engineering consultancy, project management and operations and maintenance contracts. We will also leverage our extensive customer service experience to secure training contracts in various overseas markets.

FINANCIAL REPORT

| | |
|------------|---|
| 114 | Directors' Report |
| 124 | Statement by Directors |
| 125 | Independent Auditors' Report |
| 127 | Balance Sheets |
| 128 | Consolidated Income Statement |
| 129 | Consolidated Statement of Changes in Equity |
| 131 | Statement of Changes in Equity |
| 132 | Consolidated Cash Flow Statement |
| 134 | Notes to the Financial Statements |

DIRECTORS' REPORT

Year ended 31 March 2009

We are pleased to submit this report to the members of the Company together with the audited financial statements for the financial year ended 31 March 2009.

DIRECTORS

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

| | |
|----------------------------|-----------------------------|
| Choo Chiau Beng | Chairman |
| Saw Phaik Hwa | |
| Dilhan Pillay Sandrasegara | |
| Halimah Yacob | |
| Ho Kim Wai | (Appointed on 23 July 2008) |
| Koh Yong Guan | |
| Paul Ma Kah Woh | |
| Ong Ye Kung | |
| Bob Tan Beng Hai | |

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore 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 |
| Singapore Food Industries Limited - ordinary shares | 20,000 | - |
| Singapore Telecommunications Limited - ordinary shares | 1,670 | 1,670 |
| Saw Phaik Hwa | | |
| SMRT Corporation Ltd - ordinary shares | 274,700 | 463,400 |

DIRECTORS' INTERESTS *(continued)*

| 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 |
| Dilhan Pillay Sandrasegara | | |
| Singapore Airlines Limited - ordinary shares | 2,000 | 2,000 |
| Singapore Telecommunications Limited - ordinary shares | 936 | 936 |
| SP AusNet - stapled securities | 50,000 | 50,000 |
| Ho Kim Wai | | |
| SMRT Corporation Ltd - ordinary shares | 5,000 | 5,000 |
| Singapore Airlines Limited - ordinary shares | 1,000 | 1,000 |
| Singapore Telecommunications Limited - ordinary shares | 6,617 | 6,617 |
| Koh Yong Guan | | |
| SMRT Corporation Ltd - ordinary shares | 70,000 | 70,000 |
| Chartered Semiconductor Manufacturing Ltd - ordinary shares | 2,000 | 2,000 |
| Mapletree Logistics Trust Management Ltd - units in Mapletree Logistics Trust | 5,000 | 16,000 |
| Singapore Airlines Limited - ordinary shares | 4,800 | 4,800 |
| Singapore Computer Systems Limited - ordinary shares | 10,000 | – |
| Singapore Food Industries Limited - ordinary shares | 17,000 | – |

DIRECTORS' REPORT

Year ended 31 March 2009

DIRECTORS' INTERESTS (continued)

| Name of Director and Corporation in which interests are held | Holdings in the name of the Director, Spouse or Infant children | |
|---|--|-----------------------|
| | At beginning of the year/date of appointment | At end of the year |
| Koh Yong Guan (continued) | | |
| Singapore Telecommunications Limited - ordinary shares | 19,090 | 19,090 |
| Singapore Technologies Engineering Ltd - ordinary shares | 23,108 | 23,108 |
| SP AusNet - stapled securities | 96,000 | 96,000 |
| Paul Ma Kah Woh | | |
| Singapore Telecommunications Limited - ordinary shares | 380 | 380 |
| StarHub Ltd - ordinary shares | 78,580 | 78,580 |
| Ong Ye Kung | | |
| Singapore Telecommunications Limited - ordinary shares | 1,800 | 1,800 |

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

There were no changes in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 April 2009.

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

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

SHARE OPTIONS AND SHARE PLANS

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

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

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

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

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

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

SMRT ESOP

(i) **Eligible participants**

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

(ii) **Maximum allowable allotment**

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

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

(iii) **Subscription price**

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

(iv) **Option period**

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

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

DIRECTORS' REPORT

Year ended 31 March 2009

SHARE OPTIONS AND SHARE PLANS (continued)

SMRT ESOP (continued)

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

| Date of grant of options | Exercise price per share | Options outstanding at 1 April 2008 | Options exercised | Options forfeited/ expired | Options outstanding at 31 March 2009 | Number of option holders at 31 March 2009 | Exercise period |
|--------------------------|--------------------------|-------------------------------------|-------------------|----------------------------|--------------------------------------|---|------------------------|
| 16/7/2001 | \$0.816 | 1,382,000 | 162,000 | 27,000 | 1,193,000 | 538 | 16/7/2002 to 15/7/2011 |
| 22/7/2002 | \$0.676 | 749,600 | 114,600 | 20,300 | 614,700 | 561 | 22/7/2003 to 21/7/2012 |
| 22/7/2003 | \$0.623 | 839,450 | 159,700 | 19,000 | 660,750 | 545 | 22/7/2004 to 21/7/2013 |
| | | <u>2,971,050</u> | <u>436,300</u> | <u>66,300</u> | <u>2,468,450</u> | | |

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

No director has been granted options under the SMRT ESOP except for Saw Phaik Hwa. Saw Phaik Hwa was granted the option to subscribe for 160,000 ordinary shares of the Company and she had since exercised these options. As at 31 March 2009, there are no outstanding options granted to directors under the SMRT ESOP.

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

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

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

During the financial year, no options have been granted.

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

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

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

(i) Eligible participants

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

SHARE OPTIONS AND SHARE PLANS *(continued)*

SMRT RSP and SMRT PSP (collectively "the Plans") *(continued)*

(i) Eligible participants *(continued)*

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 long-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

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

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

(iii) Size and duration

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

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

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

(iv) Events prior to vesting

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

DIRECTORS' REPORT

Year ended 31 March 2009

SHARE OPTIONS AND SHARE PLANS *(continued)*

SMRT RSP and SMRT PSP (collectively "the Plans") *(continued)*

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

| | SMRT PSP | SMRT RSP |
|---------------------------|--|--|
| Plan description | Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives. | Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a two-year performance period based on medium-term corporate and business unit objectives with some degree of stretch. |
| Date of grant | 9 February 2009 | 9 February 2009 |
| Performance period | 1 April 2008 to 31 March 2011 | 1 April 2008 to 31 March 2010 |
| Vesting condition | Vesting based on meeting stated performance conditions over a three-year performance period. | Based on meeting stated performance conditions over a two-year performance period, 1/3 of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements. |
| Payout | 0% - 125% depending on the achievement of pre-set performance targets over the performance period. | 0% - 121% depending on the achievement of pre-set performance targets over the performance period. |

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

SMRT PSP

| Grant date | Balance as at 1 April 2008 | Shares granted during financial year | Shares cancelled during financial year | Shares released during financial year | Adjustment due to performance modifier effect | Balance as at 31 March 2009 |
|--|----------------------------|--------------------------------------|--|---------------------------------------|---|-----------------------------|
| 1 March 2006 | | | | | | |
| - For senior management | 40,000 | - | - | (45,600) | 5,600 | - |
| - For executive director (Saw Phaik Hwa) | 100,000 | - | - | (114,000) | 14,000 | - |
| 19 March 2007 | | | | | | |
| - For senior management | 63,500 | - | - | - | - | 63,500 |
| - For executive director (Saw Phaik Hwa) | 100,000 | - | - | - | - | 100,000 |
| 12 November 2007 | | | | | | |
| - For senior management | 98,000 | - | - | - | - | 98,000 |
| - For executive director (Saw Phaik Hwa) | 85,000 | - | - | - | - | 85,000 |
| 9 February 2009 | | | | | | |
| - For senior management | - | 135,500 | - | - | - | 135,500 |
| - For executive director (Saw Phaik Hwa) | - | 85,000 | - | - | - | 85,000 |
| Total | 486,500 | 220,500 | - | (159,600) | 19,600 | 567,000 |

SHARE OPTIONS AND SHARE PLANS *(continued)*
SMRT RSP and SMRT PSP (collectively "the Plans") *(continued)*

SMRT RSP

| Grant date | Balance as at 1 April 2008 | Shares granted during financial year | Shares cancelled during financial year | Shares released during financial year | Adjustment due to performance modifier effect | Balance as at 31 March 2009 |
|---|-------------------------------------|--|--|---|---|--------------------------------------|
| 1 March 2006 | | | | | | |
| - For senior management | 312,300 | – | (17,700) | (156,300) | – | 138,300 |
| - For executive director (Saw Phaik Hwa) | 69,300 | – | – | (34,700) | – | 34,600 |
| 19 March 2007 | | | | | | |
| - For senior management | 542,700 | – | (45,900) | (210,400) | 87,700 | 374,100 |
| - For executive director (Saw Phaik Hwa) | 100,000 | – | – | (40,000) | 20,000 | 80,000 |
| 12 November 2007 | | | | | | |
| - For senior management | 664,900 | – | (64,100) | – | – | 600,800 |
| - For executive director (Saw Phaik Hwa) | 85,000 | – | – | – | – | 85,000 |
| 9 February 2009 | | | | | | |
| - For senior management | – | 700,900 | – | – | – | 700,900 |
| - For executive director (Saw Phaik Hwa) | – | 85,000 | – | – | – | 85,000 |
| Total | 1,774,200 | 785,900 | (127,700) | (441,400) | 107,700 | 2,098,700 |

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 2009 were 567,000 and 2,098,700 (2008: 486,500 and 1,774,200) for SMRT PSP and SMRT RSP respectively. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 708,800 and 2,407,700 (2008: 608,200 and 2,117,600) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

DIRECTORS' REPORT

Year ended 31 March 2009

AUDIT COMMITTEE

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

| | |
|----------------------------|------------------------------|
| Paul Ma Kah Woh | Chairman |
| Dilhan Pillay Sandrasegara | |
| Ho Kim Wai | (Appointed on 6 August 2008) |
| Bob Tan Beng Hai | |

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 and external auditors' evaluation of the system of internal controls and ensuring that management responds to recommendations made by the internal and external auditors. The Committee also recommends the appointment of the external auditors.

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

The Committee met five times during the year.

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

The Committee has reviewed the fees for non-audit services rendered by the external auditors and their affiliates and is satisfied that the provision of such services did not affect the independence and objectivity of the external auditors for the audit of the financial statements of the Group for the year ended 31 March 2009.

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 external auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

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

On behalf of the Board of Directors



Choo Chiau Beng
Director



Saw Phaik Hwa
Director

24 April 2009

STATEMENT BY DIRECTORS

Year ended 31 March 2009

In our opinion:

- (a) the financial statements set out on pages 127 to 188 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 2009 and of the results, changes in equity and cash flows of the Group and of the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors



Choo Chiau Beng
Director



Saw Phaik Hwa
Director

24 April 2009

INDEPENDENT AUDITORS' REPORT

Year ended 31 March 2009

Members of the Company
SMRT Corporation Ltd

We have audited the accompanying financial statements of SMRT Corporation Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 March 2009, the income statement, statement of changes in equity and cash flow statement of the Group, and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 127 to 188.

Management's responsibility for the financial statements

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

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

Auditors' responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

Year ended 31 March 2009

Opinion

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2009 and the results, changes in equity and cash flows of the Group and 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 LLP

KPMG LLP

Public Accountants and

Certified Public Accountants

Singapore

24 April 2009

BALANCE SHEETS

As at 31 March 2009

| | Note | Group | | Company | |
|--|------|------------------|------------------|----------------|----------------|
| | | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 1,061,540 | 1,032,789 | 6,118 | 6,473 |
| Intangible asset | 5 | 41,932 | 41,932 | – | – |
| Investments in subsidiaries | 6 | – | – | 329,891 | 329,891 |
| Interest in an associate | 7 | 1,437 | 1,106 | – | – |
| Other investments | 8 | 4,231 | 6,388 | – | – |
| | | <u>1,109,140</u> | <u>1,082,215</u> | <u>336,009</u> | <u>336,364</u> |
| Current assets | | | | | |
| Inventories | 9 | 30,917 | 31,872 | – | – |
| Trade and other receivables | 10 | 71,548 | 60,717 | 362,446 | 261,003 |
| Other investments | 8 | 33,276 | 15,000 | 23,192 | 15,000 |
| Tax recoverable | 11 | 10,977 | 15,253 | 10,578 | 11,049 |
| Fixed deposits with banks and financial institutions | | 224,419 | 216,051 | 9,000 | 20,000 |
| Cash at banks and in hand | | 21,180 | 16,493 | 3,608 | 4,038 |
| | | <u>392,317</u> | <u>355,386</u> | <u>408,824</u> | <u>311,090</u> |
| Total assets | | <u>1,501,457</u> | <u>1,437,601</u> | <u>744,833</u> | <u>647,454</u> |
| Equity attributable to equity holders of SMRT | | | | | |
| Share capital | 12 | 161,774 | 160,812 | 161,774 | 160,812 |
| Reserves | 13 | 2,764 | 4,070 | 2,149 | 1,564 |
| Accumulated profits | | 557,540 | 512,259 | 215,418 | 131,592 |
| Total equity | | <u>722,078</u> | <u>677,141</u> | <u>379,341</u> | <u>293,968</u> |
| Non-current liabilities | | | | | |
| Interest-bearing borrowings | 14 | 100,000 | 250,000 | 100,000 | 250,000 |
| Provisions | 15 | 3,557 | 3,215 | 35 | 35 |
| Deferred tax liabilities | 16 | 132,304 | 131,470 | 873 | 889 |
| Fuel equalisation account | 17 | 19,112 | 19,112 | – | – |
| Deferred grant | 18 | 108,141 | 126,760 | – | – |
| | | <u>363,114</u> | <u>530,557</u> | <u>100,908</u> | <u>250,924</u> |
| Current liabilities | | | | | |
| Interest-bearing borrowings | 14 | 150,000 | – | 150,000 | – |
| Trade and other payables | 19 | 222,548 | 171,371 | 114,379 | 102,390 |
| Provisions | 15 | 21,488 | 18,167 | 205 | 172 |
| Current tax payable | | 22,229 | 40,365 | – | – |
| | | <u>416,265</u> | <u>229,903</u> | <u>264,584</u> | <u>102,562</u> |
| Total liabilities | | <u>779,379</u> | <u>760,460</u> | <u>365,492</u> | <u>353,486</u> |
| Total equity and liabilities | | <u>1,501,457</u> | <u>1,437,601</u> | <u>744,833</u> | <u>647,454</u> |

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

| | Note | 2009 \$'000 | 2008 \$'000 |
|---|-------|----------------|----------------|
| Revenue | 20 | 878,951 | 802,124 |
| Other operating income | 21(a) | 26,668 | 20,869 |
| Staff and related costs | 21(b) | (277,384) | (263,461) |
| Depreciation of property, plant and equipment | 4 | (128,957) | (127,366) |
| Amortisation of asset-related grant | 18 | 18,597 | 21,289 |
| Repairs and maintenance costs | | (66,291) | (63,161) |
| Electricity and diesel costs | 21(c) | (118,783) | (89,704) |
| Other operating expenses | 21(d) | (144,121) | (122,547) |
| Finance costs | 21(e) | (7,376) | (8,028) |
| Interest and investment income | 21(f) | 4,144 | 5,805 |
| Share of results of an associate (net of tax) | | 331 | 342 |
| Profit before income tax | 21 | 185,779 | 176,162 |
| Income tax expense | 22 | (23,048) | (26,223) |
| Profit for the year attributable to equity holders of SMRT | | 162,731 | 149,939 |
| Earnings per share (in cents) | | | |
| Basic | 23 | 10.7 | 9.9 |
| Diluted | 23 | 10.7 | 9.9 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2009

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2009

| Group <i>(continued)</i> | Share capital \$'000 | Foreign currency translation reserve \$'000 | Fair value reserve \$'000 | Hedge reserve \$'000 | Share-based payment reserve \$'000 | Accumulated profits \$'000 | Total attributable to equity holders of SMRT \$'000 |
|---|-------------------------|--|------------------------------|-------------------------|---------------------------------------|-------------------------------|--|
| At 1 April 2008 | 160,812 | (46) | 2,552 | – | 1,564 | 512,259 | 677,141 |
| Net fair value changes on available-for-sale financial assets | – | – | (2,087) | – | – | – | (2,087) |
| Effective portion of changes in fair value of cash flow hedge, net of tax | – | – | – | (5,993) | – | – | (5,993) |
| Net change in fair value of cash flow hedge transferred to the income statement, net of tax | – | – | – | 5,993 | – | – | 5,993 |
| Translation differences relating to financial statement of foreign subsidiary | – | 196 | – | – | – | – | 196 |
| Net gain/(loss) recognised directly in equity | – | 196 | (2,087) | – | – | – | (1,891) |
| Profit for the year | – | – | – | – | – | 162,731 | 162,731 |
| Total recognised income and expense for the year | – | 196 | (2,087) | – | – | 162,731 | 160,840 |
| Issue of shares under SMRT ESOP | 309 | – | – | – | – | – | 309 |
| Issue of performance shares | 653 | – | – | – | (653) | – | – |
| Value of employee services received for share-based payment | – | – | – | – | 1,238 | – | 1,238 |
| Final dividend paid of 6.00 cents per share in respect of year 2008 | – | – | – | – | – | (90,928) | (90,928) |
| Interim dividend paid of 1.75 cents per share in respect of year 2009 | – | – | – | – | – | (26,522) | (26,522) |
| At 31 March 2009 | 161,774 | 150 | 465 | – | 2,149 | 557,540 | 722,078 |

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2009

| Company | Share capital \$'000 | Share-based payment reserve \$'000 | Accumulated profits \$'000 | Total equity \$'000 |
|---|-------------------------|---|----------------------------------|---------------------------|
| At 1 April 2007 | 158,824 | 879 | 129,739 | 289,442 |
| Profit for the year | – | – | 115,459 | 115,459 |
| Total recognised income and expense for the year | – | – | 115,459 | 115,459 |
| Issue of shares under SMRT ESOP | 1,783 | – | – | 1,783 |
| Issue of performance shares | 205 | (205) | – | – |
| Value of employee services received for share-based payment | – | 890 | – | 890 |
| Final dividend paid of 5.75 cents per share in respect of year 2007 | – | – | (87,094) | (87,094) |
| Interim dividend paid of 1.75 cents per share in respect of year 2008 | – | – | (26,512) | (26,512) |
| At 31 March 2008 | 160,812 | 1,564 | 131,592 | 293,968 |
| At 1 April 2008 | 160,812 | 1,564 | 131,592 | 293,968 |
| Profit for the year | – | – | 201,276 | 201,276 |
| Total recognised income and expense for the year | – | – | 201,276 | 201,276 |
| Issue of shares under SMRT ESOP | 309 | – | – | 309 |
| Issue of performance shares | 653 | (653) | – | – |
| Value of employee services received for share-based payment | – | 1,238 | – | 1,238 |
| Final dividend paid of 6.00 cents per share in respect of year 2008 | – | – | (90,928) | (90,928) |
| Interim dividend paid of 1.75 cents per share in respect of year 2009 | – | – | (26,522) | (26,522) |
| At 31 March 2009 | 161,774 | 2,149 | 215,418 | 379,341 |

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2009

| | 2009 \$'000 | 2008 \$'000 |
|---|----------------|----------------|
| Operating activities | | |
| Profit before income tax | 185,779 | 176,162 |
| Adjustments for items not involving outlay of funds: | | |
| Amortisation of asset-related grant | (18,597) | (21,289) |
| Changes in fair value of financial derivative | 3,140 | – |
| Unrealised exchange gain | (2,715) | – |
| Depreciation of property, plant and equipment | 128,957 | 127,366 |
| Dividend income | (362) | (1,498) |
| Grant released upon disposal/write-off of property, plant and equipment | (22) | (87) |
| Impairment loss of other investments | 70 | – |
| Interest expense | 7,376 | 8,028 |
| Interest income | (2,894) | (4,294) |
| (Gain)/loss on disposal of: | | |
| - property, plant and equipment | 6,089 | 478 |
| - other investments | (888) | (13) |
| Property, plant and equipment written off | 208 | 1,380 |
| Provisions made during the year | 12,288 | 11,692 |
| Share-based payment expenses | 1,238 | 890 |
| Share of results of an associate | (331) | (342) |
| | <u>319,336</u> | <u>298,473</u> |
| Changes in working capital: | | |
| Inventories | 955 | 2,768 |
| Trade and other receivables | 16,358 | (10,765) |
| Amounts due to/from an associate | (2,055) | (3,875) |
| Trade, other payables and provisions | (10,268) | 337 |
| Cash generated from operations | <u>324,326</u> | <u>286,938</u> |
| Income taxes paid (net) | (36,074) | (17,175) |
| Dividends paid | (117,450) | (113,606) |
| Interest paid | (7,441) | (8,137) |
| Cash flows from operating activities | <u>163,361</u> | <u>148,020</u> |

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

| | 2009 \$'000 | 2008 \$'000 |
|--|------------------------------|------------------------------|
| Investing activities | | |
| Dividends received | 362 | 1,498 |
| Interest received | 2,240 | 4,889 |
| Purchase of property, plant and equipment | (139,458) | (97,070) |
| Purchase of other investments | (30,751) | (11,724) |
| Proceeds from disposal of: | | |
| - property, plant and equipment | 898 | 552 |
| - other investments | 15,888 | 15,013 |
| Cash flows from investing activities | (150,821) | (86,842) |
| Financing activities | | |
| Proceeds from issue of shares under share option plan | 309 | 1,783 |
| Cash flows from financing activities | 309 | 1,783 |
| Net increase in cash and cash equivalents | 12,849 | 62,961 |
| Cash and cash equivalents at beginning of the year | 232,544 | 169,629 |
| Effect of exchange rate fluctuations on cash held | 206 | (46) |
| Cash and cash equivalents at end of the year | 245,599 | 232,544 |
| | | |
| Cash and cash equivalents at end of the year comprise: | | |
| | | |
| Fixed deposits with banks and financial institutions | 224,419 | 216,051 |
| Cash at banks and in hand | 21,180 | 16,493 |
| | 245,599 | 232,544 |

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 24 April 2009.

1 DOMICILE AND ACTIVITIES

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

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

(i) Rail operations

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

(ii) Bus operations

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

(iii) Taxi operations

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

(iv) Rental

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

(v) Advertising

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

(vi) Engineering and other services

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

(vii) Investment holding

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

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

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

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

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

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

- (i) The licence is for the period from 6 November 1999 to 31 March 2028 at an annual licence fee calculated at 0.5% of the annual passenger revenue of the preceding financial year net of goods and services tax and rebates from 6 November 2004 to 5 November 2010, and thereafter the percentage will be reviewed every 5 years by LTA. LRT may request LTA to extend the licence for a period of 30 years and LTA may renew the licence for a period of 30 years or such other period and upon such other terms and conditions as LTA may impose.
- (ii) LRT is required to purchase the operating assets of the LRT System from LTA at book values by 25 October 2015 or within such other period as may be agreed in writing between LTA and LRT. However, LTA may require LRT to do so earlier if it is of the view that it is reasonable to do so by giving 12 months notice. If LRT can satisfy LTA that it is not economically viable to do so, LRT may defer such purchase.
- (iii) Prior to LRT's purchase of the operating assets, LRT is required to set aside annually the sum of \$3 million or 75% of the post tax surplus (whichever is lower) in a reserve fund account for capital expenditure which includes the cost of any major overhaul of equipment, machinery or any part of the LRT System comprising all assets and infrastructure required to operate the LRT System.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

2 LICENCE AND OPERATING AGREEMENTS *(continued)*

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

- (iv) Upon the purchase of the operating assets by LRT, there is no requirement to maintain the reserve fund account. However, LRT is required to set aside an amount equivalent to 20% of the annual depreciation charge of trains, maintenance service vehicles, power supply equipment and cabling, escalators and lifts, platforms screen doors, environmental control system, electrical services and fire protection system, signalling system, communication equipment, automatic fare collection system, depot workshop equipment and ATC Central console and equipment in specified investments. LRT may use such amount from these investments to meet up to half of the purchase costs of replaced operating assets. LRT may apply for a grant from LTA for certain replaced operating assets to be computed on the basis as set out in the LRT LOA.
- (v) If the licence is cancelled prior to LRT purchasing the operating assets of the LRT System, LRT is required to surrender to the LTA the operating assets and the infrastructure of the LRT system owned by LTA. The operating assets are to be surrendered in a condition similar to their state as at the date of their handing over by LTA to LRT without any deduction for wear and tear, whilst the infrastructure is to be surrendered subject to reasonable wear and tear. LRT is required to compensate LTA for any shortfall in the value of the operating assets at the date of surrender compared with the value at the date of handing over to LRT.
- (vi) If the licence is cancelled after LRT purchased the operating assets, LRT is required to surrender the infrastructure owned by LTA in a condition substantially similar to their state as at the date of their handing over by LTA to LRT subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the LRT LOA terms by LRT, LRT is required to refund to LTA the total amount or such portion thereof as LTA may determine of the replacement grants received by LRT upon cancellation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Basis of preparation *(continued)*

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

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

3.2 Consolidation

Subsidiaries

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

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

Business combination

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

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

Associates

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

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

Transactions eliminated on consolidation

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

Accounting policies of subsidiaries and associates

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

3.3 Foreign currencies

Foreign currency transactions

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Foreign currencies *(continued)*

Foreign currency transactions *(continued)*

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

Foreign operations

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

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

Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

3.4 Property, plant and equipment

Owned assets

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

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

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

Subsequent expenditure

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

Disposals

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.4 Property, plant and equipment *(continued)*

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

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

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

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

3.5 Intangible assets

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

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

3.6 Non-derivative financial instruments

Available-for-sale financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.6 Non-derivative financial instruments *(continued)*

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

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

3.7 Derivative financial instruments and hedging activities

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

Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in the income statement when incurred. 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.

For derivatives that do not qualify for hedge accounting, the gain or loss on remeasurement to fair value is recognised immediately in the income statement.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract are not closely related, and the combined instrument is not measured at fair value through profit or loss.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to the income statement in the same period that the hedged item affects profit and loss.

Separable embedded derivatives

Changes in the fair value of the separable embedded derivatives are recognised immediately in the income statement.

3.8 Inventories

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Inventories *(continued)*

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

3.9 Trade and other receivables

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

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

3.11 Impairment

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

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Liabilities and interest-bearing borrowings

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

3.13 Provisions

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

Accident claims

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

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

3.14 Income tax

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Fuel Equalisation Account ("FEA")

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

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

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

3.16 Grants

Asset-related grants

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

Other grants

Grants that compensate the Group for expenses incurred are recognised in the income statement in the same periods in which the expenses are recognised. The grants are presented in the income statement as a deduction against the related expenses.

3.17 Dividends

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

3.18 Revenue recognition

Passenger revenue

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

Taxi rental and rental revenue

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

Advertising revenue

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

Sales of goods

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.18 Revenue recognition *(continued)*

Engineering and other services

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

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

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

3.19 Operating leases

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

3.20 Finance costs

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

3.21 Interest and investment income

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

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

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

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

3.22 Segment reporting

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

3.23 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.23 Employee benefits *(continued)*

(b) Defined benefit plans *(continued)*

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

(c) Short-term accumulating compensated absences

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

(d) Equity and equity related compensated benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

4 PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold land and properties \$'000 | Furniture, fittings, office equipment and computers \$'000 | Motor vehicles \$'000 | Rolling stock \$'000 | Power supply equipment \$'000 |
|---|---|---|-----------------------------|----------------------------|--|
| Cost | | | | | |
| At 1 April 2007 | 91,087 | 39,998 | 3,454 | 827,600 | 137,866 |
| Additions | 58 | 863 | 252 | 112 | 761 |
| Disposals/Write offs | (845) | (2,570) | (235) | (6,599) | (853) |
| Transfers/Reclassifications | 50,628 | 2,217 | – | 48,117 | 658 |
| At 31 March 2008 | 140,928 | 40,508 | 3,471 | 869,230 | 138,432 |
| Additions | 106 | 1,181 | 689 | 50 | 37 |
| Disposals/Write offs | – | (566) | (449) | (32,156) | (135) |
| Transfers/Reclassifications | 13,439 | 5,588 | – | 81,912 | 717 |
| At 31 March 2009 | 154,473 | 46,711 | 3,711 | 919,036 | 139,051 |
| Accumulated depreciation and impairment losses | | | | | |
| At 1 April 2007 | 13,677 | 18,856 | 2,954 | 474,568 | 72,904 |
| Depreciation charge for the year | 5,502 | 6,263 | 256 | 43,522 | 8,171 |
| Disposals/Write offs | (184) | (2,465) | (235) | (6,436) | (728) |
| Transfers/Reclassifications | – | 3 | – | – | – |
| At 31 March 2008 | 18,995 | 22,657 | 2,975 | 511,654 | 80,347 |
| Depreciation charge for the year | 6,938 | 6,180 | 271 | 44,644 | 8,175 |
| Disposals/Write offs | – | (553) | (449) | (18,957) | (100) |
| At 31 March 2009 | 25,933 | 28,284 | 2,797 | 537,341 | 88,422 |
| Carrying amount | | | | | |
| At 1 April 2007 | 77,410 | 21,142 | 500 | 353,032 | 64,962 |
| At 31 March 2008 | 121,933 | 17,851 | 496 | 357,576 | 58,085 |
| At 31 March 2009 | 128,540 | 18,427 | 914 | 381,695 | 50,629 |

| 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 |
|---|-----------------|---|----------------------------------|---|---|-----------------|
| 256,851 | 182,184 | 202,079 | 22,913 | 301,182 | 53,059 | 2,118,273 |
| 430 | 525 | 2,076 | 523 | 590 | 112,101 | 118,291 |
| (30) | (1,181) | (4,423) | (13) | (1,148) | (270) | (18,167) |
| 1,410 | 3,361 | 4,462 | (9) | 1,800 | (112,644) | – |
| 258,661 | 184,889 | 204,194 | 23,414 | 302,424 | 52,246 | 2,218,397 |
| 434 | 2,263 | 4,739 | 322 | 667 | 179,960 | 190,448 |
| (565) | (1,935) | (39,631) | (442) | (1,302) | – | (77,181) |
| 2,869 | 26,613 | 11,286 | 134 | 6,731 | (149,289) | – |
| 261,399 | 211,830 | 180,588 | 23,428 | 308,520 | 82,917 | 2,331,664 |
| 140,547 | 84,416 | 45,164 | 20,702 | 198,268 | – | 1,072,056 |
| 15,238 | 10,519 | 22,563 | 1,197 | 14,135 | – | 127,366 |
| (29) | (1,181) | (1,576) | (11) | (969) | – | (13,814) |
| – | 6 | (17) | 8 | – | – | – |
| 155,756 | 93,760 | 66,134 | 21,896 | 211,434 | – | 1,185,608 |
| 14,013 | 11,616 | 23,393 | 981 | 12,746 | – | 128,957 |
| (546) | (1,477) | (20,742) | (442) | (1,175) | – | (44,441) |
| 169,223 | 103,899 | 68,785 | 22,435 | 223,005 | – | 1,270,124 |
| 116,304 | 97,768 | 156,915 | 2,211 | 102,914 | 53,059 | 1,046,217 |
| 102,905 | 91,129 | 138,060 | 1,518 | 90,990 | 52,246 | 1,032,789 |
| 92,176 | 107,931 | 111,803 | 993 | 85,515 | 82,917 | 1,061,540 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

4 PROPERTY, PLANT AND EQUIPMENT (continued)

| Company | Furniture, fittings, office equipment and computers \$'000 | Communication systems \$'000 | Motor Vehicles \$'000 | Other operating equipment \$'000 | Plant and machinery \$'000 | Assets under construction \$'000 | Total \$'000 |
|---|---|---------------------------------|--------------------------|-------------------------------------|-------------------------------|-------------------------------------|-----------------|
| Cost | | | | | | | |
| At 1 April 2007 | 6,771 | 1,134 | 96 | 7 | 28 | 1,340 | 9,376 |
| Additions | 371 | 4 | – | 9 | – | 1,962 | 2,346 |
| Disposals/Write offs | (670) | – | (6) | – | – | – | (676) |
| Transfers/Reclassifications | 544 | – | – | – | – | (544) | – |
| At 31 March 2008 | 7,016 | 1,138 | 90 | 16 | 28 | 2,758 | 11,046 |
| Additions | 393 | 118 | – | – | 73 | 728 | 1,312 |
| Disposals/Write offs | (47) | – | – | – | – | – | (47) |
| Transfers/Reclassifications | 2,635 | – | – | – | – | (2,635) | – |
| At 31 March 2009 | 9,997 | 1,256 | 90 | 16 | 101 | 851 | 12,311 |
| Accumulated depreciation and impairment losses | | | | | | | |
| At 1 April 2007 | 3,065 | 653 | 38 | 4 | 6 | – | 3,766 |
| Depreciation charge for the year | 1,387 | 70 | 21 | 2 | 2 | – | 1,482 |
| Disposals/Write offs | (670) | – | (5) | – | – | – | (675) |
| At 31 March 2008 | 3,782 | 723 | 54 | 6 | 8 | – | 4,573 |
| Depreciation charge for the year | 1,560 | 88 | 11 | 3 | 4 | – | 1,666 |
| Disposals/Write offs | (46) | – | – | – | – | – | (46) |
| At 31 March 2009 | 5,296 | 811 | 65 | 9 | 12 | – | 6,193 |
| Carrying amount | | | | | | | |
| At 1 April 2007 | 3,706 | 481 | 58 | 3 | 22 | 1,340 | 5,610 |
| At 31 March 2008 | 3,234 | 415 | 36 | 10 | 20 | 2,758 | 6,473 |
| At 31 March 2009 | 4,701 | 445 | 25 | 7 | 89 | 851 | 6,118 |

5 INTANGIBLE ASSET

| Group | Goodwill \$'000 |
|-----------------------------------|----------------------------|
| Cost | |
| At 1 April 2008 and 31 March 2009 | <u>63,373</u> |
| Impairment losses | |
| At 1 April 2008 and 31 March 2009 | <u>21,441</u> |
| Carrying amount | |
| At 1 April 2008 and 31 March 2009 | <u>41,932</u> |

Impairment tests for business units containing goodwill

Goodwill is allocated to the Group's business units:

| | 2009 \$'000 | 2008 \$'000 |
|-----------------|------------------------|------------------------|
| Bus operations | 28,318 | 28,318 |
| Taxi operations | 13,614 | 13,614 |
| | <u>41,932</u> | <u>41,932</u> |

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

6 INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---------------------------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Unquoted equity shares, at cost | 351,332 | 351,332 |
| Impairment losses | (21,441) | (21,441) |
| | <u>329,891</u> | <u>329,891</u> |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Place of incorporation and business | Effective equity interest held by the Group | |
|---|-------------------------------------|---|-----------|
| | | 2009 % | 2008 % |
| ¹ SMRT Trains Ltd. and its subsidiary: | Singapore | 100 | 100 |
| ¹ SMRT Light Rail Pte. Ltd. | Singapore | 100 | 100 |
| ¹ SMRT Engineering Pte Ltd, and its subsidiary: | Singapore | 100 | 100 |
| ² SMRT Engineering (Middle East) FZE | United Arab Emirates | 100 | 100 |
| ¹ SMRT International Pte Ltd | Singapore | 100 | 100 |
| ¹ SMRT Investments Pte Ltd | Singapore | 100 | 100 |
| ¹ SMRT Road Holdings Ltd. and its subsidiaries: | Singapore | 100 | 100 |
| ¹ SMRT Buses Ltd. | Singapore | 100 | 100 |
| ¹ SMRT Taxis Pte. Ltd. | Singapore | 100 | 100 |
| ¹ SMRT Automotive Services Pte. Ltd. | Singapore | 100 | 100 |
| ¹ Bus-Plus Services Pte Ltd | Singapore | 100 | 100 |
| ¹ SMRT Capital Pte. Ltd. | Singapore | 100 | – |
| ¹ SMRT Far East Pte. Ltd. and its subsidiaries : | Singapore | 100 | – |
| ³ SMRT Cayman I | Cayman Islands | 100 | – |
| ³ SMRT Cayman II | Cayman Islands | 100 | – |
| ² SMRT Hong Kong Limited | Hong Kong | 100 | – |
| ¹ Audited by KPMG LLP, Singapore | | | |
| ² Audited by member firms of KPMG International | | | |
| ³ Not required to be audited in its country of incorporation | | | |

7 INTEREST IN AN ASSOCIATE

Details of the associate are as follows:

| Name of associate | Place of incorporation and business | Effective equity interest held by the Group | |
|---------------------------------|-------------------------------------|---|--------|
| | | 2009 % | 2008 % |
| Held by SMRT Trains Ltd. | | | |
| Transit Link Pte Ltd | Singapore | 50 | 50 |

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

| | 2009 \$'000 | 2008 \$'000 |
|-------------------------------|----------------|----------------|
| Assets and liabilities | | |
| Total assets | 33,439 | 44,106 |
| Total liabilities | 30,565 | 41,893 |
| Results | | |
| Revenue | 6,394 | 5,154 |
| Profit after taxation | 662 | 685 |

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

8 OTHER INVESTMENTS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Non-current | | | | |
| Available-for-sale quoted equity security | 4,175 | 6,262 | – | – |
| Available-for-sale unquoted equity security | 56 | 126 | – | – |
| | 4,231 | 6,388 | – | – |
| Current | | | | |
| Available-for-sale debt securities | – | 15,000 | – | 15,000 |
| Held-to-maturity debt securities | 33,276 | – | 23,192 | – |
| | 33,276 | 15,000 | 23,192 | 15,000 |
| Total | 37,507 | 21,388 | 23,192 | 15,000 |

An impairment loss of \$70,000 (2008 : Nil) in respect of available-for-sale unquoted equity security is recognised during the year to reflect the loss arising from expected final distribution of assets upon liquidation of the investee company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

8 OTHER INVESTMENTS *(continued)*

Held-to-maturity debt securities bear interest at rates ranging from 1.90% to 3.90% (2008 : Nil) per annum and will mature within the next 12 months.

The maximum exposure to credit risk of the debt securities at the reporting date is the carrying amount. Debt securities are neither past due nor impaired.

9 INVENTORIES

| | Group | |
|--|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Spare parts, diesel, tyres and consumable stores | 42,718 | 41,420 |
| Allowance for obsolete inventories | (11,801) | (9,548) |
| | 30,917 | 31,872 |

10 TRADE AND OTHER RECEIVABLES

| | | Group | | Company | |
|---|-----|----------------|----------------|----------------|----------------|
| Note | | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Trade receivables | 10a | 12,312 | 13,019 | – | – |
| Other receivables, deposits and prepayments | 10b | 53,328 | 42,142 | 2,582 | 1,782 |
| Amounts due from subsidiaries | 10c | – | – | 359,864 | 259,221 |
| Amounts due from an associate (trade) | | 5,908 | 5,556 | – | – |
| | | 71,548 | 60,717 | 362,446 | 261,003 |

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

10a TRADE RECEIVABLES

| | Group | |
|------------------------------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Trade receivables | 17,626 | 18,529 |
| Allowance for doubtful receivables | (5,314) | (5,510) |
| | 12,312 | 13,019 |

Trade receivables of the Group include \$997,000 (2008: \$723,000) due from related corporations and there is no allowance for doubtful debts arising from the outstanding balances.

10b OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Deposits | 616 | 270 | – | – |
| Prepayments | 6,376 | 6,587 | 136 | 58 |
| Recoverable expenses | 293 | 1,770 | – | – |
| Staff loans and advances | 464 | 664 | 153 | 218 |
| Interest receivable | 856 | 70 | 619 | 69 |
| Rebates* | 7,517 | 1,650 | – | – |
| Recoverable in respect of accident claims | 10,688 | 10,291 | – | – |
| Advances to suppliers | 6,656 | 7,997 | 147 | 1 |
| Other receivables | 19,862 | 12,843 | 1,527 | 1,436 |
| | <u>53,328</u> | <u>42,142</u> | <u>2,582</u> | <u>1,782</u> |

* Rebates arise from de-registration of used vehicles.

10c AMOUNTS DUE FROM SUBSIDIARIES

| | Company | |
|-----------------------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Current account (non-trade) | 8,114 | 519 |
| Interest bearing loans | 351,750 | 258,702 |
| | <u>359,864</u> | <u>259,221</u> |

The interest-bearing loans to subsidiaries are unsecured, bear interest at rates ranging from 0.43% to 3.30% (2008: 1.50% to 3.30%) per annum and are repayable on demand.

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

11 TAX RECOVERABLE

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

12 SHARE CAPITAL

| | Company | | | |
|--|-------------------------|---------|-------------------------|---------|
| | 2009 | | 2008 | |
| | No. of shares (‘000) | \$’000 | No. of shares (‘000) | \$’000 |
| Fully-paid ordinary shares, with no par value | | | | |
| At 1 April | 1,515,158 | 160,812 | 1,512,450 | 158,824 |
| Issue of shares under SMRT ESOP | 436 | 309 | 2,512 | 1,783 |
| Issue of performance shares under SMRT RSP & SMRT PSP | 601 | 653 | 196 | 205 |
| At 31 March | 1,516,195 | 161,774 | 1,515,158 | 160,812 |

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, 162,000, 114,600 and 159,700 (2008: 931,500, 717,700 and 863,300) new fully-paid ordinary shares were issued during the year for cash at \$0.816, \$0.676 and \$0.623 per share respectively by the Company.

Capital management

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

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

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

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital management.

13 RESERVES

| | Group | | Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2009 \$’000 | 2008 \$’000 | 2009 \$’000 | 2008 \$’000 |
| Fair value reserve | 465 | 2,552 | – | – |
| Share-based payment reserve | 2,149 | 1,564 | 2,149 | 1,564 |
| Foreign currency translation reserve | 150 | (46) | – | – |
| | 2,764 | 4,070 | 2,149 | 1,564 |

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

13 RESERVES (continued)

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

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

Equity compensation benefits

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

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

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

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

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

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

SMRT ESOP

(i) Eligible participants

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

(ii) Maximum allowable allotment

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

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

(iii) Subscription price

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

13 RESERVES (continued) SMRT ESOP (continued)

(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 and exercisable at 1 April 2008 | Options exercised | Options cancelled | Options outstanding and exercisable at 31 March 2009 | Proceeds on exercise of options during the year credited to share capital \$'000 | Weighted average share price at exercise date of option | Exercise period |
|--------------------------|--------------------------|---|-------------------|-------------------|--|--|---|------------------------|
| 16/7/2001 | \$0.816 | 1,382,000 | 162,000 | 27,000 | 1,193,000 | 132 | \$1.82 | 16/7/2002 to 15/7/2011 |
| 22/7/2002 | \$0.676 | 749,600 | 114,600 | 20,300 | 614,700 | 77 | \$1.82 | 22/7/2003 to 21/7/2012 |
| 22/7/2003 | \$0.623 | 839,450 | 159,700 | 19,000 | 660,750 | 100 | \$1.81 | 22/7/2004 to 21/7/2013 |
| | | <u>2,971,050</u> | <u>436,300</u> | <u>66,300</u> | <u>2,468,450</u> | <u>309</u> | | |

No option has been granted during the year.

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

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

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.

13 RESERVES *(continued)*

SMRT RSP and SMRT PSP (collectively "the Plans") *(continued)*

(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 long-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

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

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

(iii) Size and duration

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

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

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

(iv) Events prior to vesting

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

13 RESERVES (continued)

SMRT RSP and SMRT PSP (collectively "the Plans") (continued)

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

| | SMRT PSP | SMRT RSP |
|---------------------------|--|--|
| Plan description | Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives. | Award of fully-paid ordinary shares of SMRT, conditional on performance targets set at the start of a two-year performance period based on medium-term corporate and business unit objectives with some degree of stretch. |
| Date of grant | 9 February 2009 | 9 February 2009 |
| Performance period | 1 April 2008 to 31 March 2011 | 1 April 2008 to 31 March 2010 |
| Vesting condition | Vesting based on meeting stated performance conditions over a three-year performance period. | Based on meeting stated performance conditions over a two-year performance period, 1/3 of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements. |
| Payout | 0% - 125% depending on the achievement of pre-set performance targets over the performance period. | 0% - 121% depending on the achievement of pre-set performance targets over the performance period. |

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

| | SMRT PSP | SMRT RSP |
|---|-----------------------------------|------------------|
| Historical volatility | | |
| SMRT | 27.86% | 27.86% |
| Straits Times Index | 27.22% | 27.22% |
| Risk-free interest rates | | |
| Yield of Singapore Government Securities on Date of Grant | 0.81% | 0.53% to 1.15% |
| Term | 2.4 years | 1.4 to 3.4 years |
| SMRT expected dividend yield | ----- Management's forecast ----- | |
| Share price at grant date | \$1.61 | \$1.61 |

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

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

13 RESERVES *(continued)*

SMRT RSP and SMRT PSP (collectively "the Plans") *(continued)*

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

SMRT PSP

| Grant date | Balance as at 1 April 2008 | Shares granted during financial year | Shares cancelled during financial year | Shares released during financial year | Adjustment due to performance modifier effect | Balance as at 31 March 2009 |
|---|-------------------------------------|--|--|---|--|--------------------------------------|
| 1 March 2006 | | | | | | |
| - For senior management | 40,000 | - | - | (45,600) | 5,600 | - |
| - For executive director (Saw Phaik Hwa) | 100,000 | - | - | (114,000) | 14,000 | - |
| 19 March 2007 | | | | | | |
| - For senior management | 63,500 | - | - | - | - | 63,500 |
| - For executive director (Saw Phaik Hwa) | 100,000 | - | - | - | - | 100,000 |
| 12 November 2007 | | | | | | |
| - For senior management | 98,000 | - | - | - | - | 98,000 |
| - For executive director (Saw Phaik Hwa) | 85,000 | - | - | - | - | 85,000 |
| 9 February 2009 | | | | | | |
| - For senior management | - | 135,500 | - | - | - | 135,500 |
| - For executive director (Saw Phaik Hwa) | - | 85,000 | - | - | - | 85,000 |
| Total | 486,500 | 220,500 | - | (159,600) | 19,600 | 567,000 |

The estimated fair value at date of grant for each share granted on 9 February 2009 pursuant to SMRT PSP is \$1.26.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

13 RESERVES (continued) SMRT RSP and SMRT PSP (collectively "the Plans") (continued)

SMRT RSP

| Grant date | Balance as at 1 April 2008 | Shares granted during financial year | Shares cancelled during financial year | Shares released during financial year | Adjustment due to performance modifier effect | Balance as at 31 March 2009 |
|--|----------------------------|--------------------------------------|--|---------------------------------------|---|-----------------------------|
| 1 March 2006 | | | | | | |
| - For senior management | 312,300 | - | (17,700) | (156,300) | - | 138,300 |
| - For executive director (Saw Phaik Hwa) | 69,300 | - | - | (34,700) | - | 34,600 |
| 19 March 2007 | | | | | | |
| - For senior management | 542,700 | - | (45,900) | (210,400) | 87,700 | 374,100 |
| - For executive director (Saw Phaik Hwa) | 100,000 | - | - | (40,000) | 20,000 | 80,000 |
| 12 November 2007 | | | | | | |
| - For senior management | 664,900 | - | (64,100) | - | - | 600,800 |
| - For executive director (Saw Phaik Hwa) | 85,000 | - | - | - | - | 85,000 |
| 9 February 2009 | | | | | | |
| - For senior management | - | 700,900 | - | - | - | 700,900 |
| - For executive director (Saw Phaik Hwa) | - | 85,000 | - | - | - | 85,000 |
| Total | 1,774,200 | 785,900 | (127,700) | (441,400) | 107,700 | 2,098,700 |

The estimated fair values at grant date for each share granted on 9 February 2009 pursuant to SMRT RSP ranges from \$1.265 to \$1.371.

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 2009 were 567,000 and 2,098,700 (2008: 486,500 and 1,774,200) for SMRT PSP and SMRT RSP respectively. Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 708,800 and 2,407,700 (2008: 608,200 and 2,117,600) fully-paid SMRT shares, for SMRT PSP and SMRT RSP respectively.

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

| | Group and Company | |
|---|-------------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Expenses | | |
| (i) Performance share plan under SMRT PSP | 243 | 136 |
| (ii) Performance-based restricted shares under SMRT RSP | 995 | 754 |
| | 1,238 | 890 |

14 INTEREST-BEARING BORROWINGS

This note provides information about the contractual terms of interest-bearing borrowings. For more information about the Group's exposure to interest rate risk, refer to note 27.

| | Group and Company | |
|--------------------------------------|--------------------------|----------------|
| | 2009 | 2008 |
| | \$'000 | \$'000 |
| Non-current liabilities | | |
| Unsecured quoted floating rate notes | – | 50,000 |
| Unsecured quoted fixed rate notes | 100,000 | 200,000 |
| | <u>100,000</u> | <u>250,000</u> |
| Current liabilities | | |
| Unsecured quoted floating rate notes | 50,000 | – |
| Unsecured quoted fixed rate notes | 100,000 | – |
| | <u>150,000</u> | <u>–</u> |
| Total | <u>250,000</u> | <u>250,000</u> |

Terms and debt repayment schedule

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

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

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

- (i) S\$50 million 5-year unsecured floating rate notes on 20 January 2005 due 2010. Interest payable is based on the six months money market rate and payable semi-annually in arrears. The floating rate notes are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST");
- (ii) S\$100 million 3-year unsecured fixed rate notes on 14 December 2006 due 2009. Interest is payable semi-annually in arrears. The fixed rate notes are listed on the SGX-ST.
- (iii) S\$100 million 5-year unsecured fixed rate notes on 14 December 2006 due 2011. Interest is payable semi-annually in arrears. The fixed rate notes are listed on the SGX-ST.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

15 PROVISIONS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Liability for defined benefit plan | 3,571 | 3,291 | 35 | 35 |
| Liability for short-term accumulating compensated absences | 1,248 | 1,005 | 205 | 172 |
| Accident claims | 20,226 | 17,086 | – | – |
| | <u>25,045</u> | <u>21,382</u> | <u>240</u> | <u>207</u> |
| Current | 21,488 | 18,167 | 205 | 172 |
| Non-current | 3,557 | 3,215 | 35 | 35 |
| | <u>25,045</u> | <u>21,382</u> | <u>240</u> | <u>207</u> |

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

Movements in the net liability recognised in the balance sheet

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| At 1 April | | 3,291 | 3,229 | 35 | 37 |
| Expense recognised/(reversed) during the year | 21(b) | 337 | 174 | 2 | (2) |
| Payments made | | (57) | (112) | (2) | – |
| At 31 March | | <u>3,571</u> | <u>3,291</u> | <u>35</u> | <u>35</u> |

15 **PROVISIONS** (continued)

(a) **Liability for defined benefit plan** (continued)
Recognised in the income statement

| | Group | | Company | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Current service costs | 340 | 329 | 1 | 1 |
| Interest on obligations | 89 | 91 | 2 | 3 |
| Actuarial (gain)/loss | (92) | (246) | (1) | (6) |
| | <u>337</u> | <u>174</u> | <u>2</u> | <u>(2)</u> |

Principal actuarial assumptions

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

(b) **Short-term accumulating compensated absences**

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

Movements in the net liability recognised in the balance sheet

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| At 1 April | | 1,005 | 940 | 172 | 170 |
| Provisions made during the year | 21(b) | 243 | 66 | 33 | 2 |
| Translation difference on consolidation | | – | (1) | – | – |
| At 31 March | | <u>1,248</u> | <u>1,005</u> | <u>205</u> | <u>172</u> |

(c) **Accident claims**

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

Movements in the net liability recognised in the balance sheet

| | Note | Group | |
|-------------------------------------|-------|----------------|----------------|
| | | 2009 \$'000 | 2008 \$'000 |
| At 1 April | | 17,086 | 15,991 |
| Provisions made during the year | 21(d) | 15,623 | 14,632 |
| Provisions reversed during the year | 21(d) | (2,584) | (1,953) |
| Provisions used during the year | | (9,899) | (11,584) |
| At 31 March | | <u>20,226</u> | <u>17,086</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

16 DEFERRED TAX

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

| | Group | | | | |
|---|--------------------------|---|---------------------------|---|---------------------------|
| | At 1/4/2007 \$'000 | Recognised in income statement (note 22) \$'000 | At 31/3/2008 \$'000 | Recognised in income statement (note 22) \$'000 | At 31/3/2009 \$'000 |
| Excess of net book value over tax written down value of property, plant and equipment | 149,526 | (9,670) | 139,856 | 1,591 | 141,447 |
| Unutilised wear and tear allowances | (676) | 676 | – | – | – |
| Other temporary differences | (7,871) | (515) | (8,386) | (757) | (9,143) |
| Total | 140,979 | (9,509) | 131,470 | 834 | 132,304 |

| | Company | | | | |
|---|--------------------------|--|---------------------------|--|---------------------------|
| | At 1/4/2007 \$'000 | Recognised in income statement \$'000 | At 31/3/2008 \$'000 | Recognised in income statement \$'000 | At 31/3/2009 \$'000 |
| Excess of net book value over tax written down value of property, plant and equipment | 827 | 100 | 927 | (13) | 914 |
| Other temporary differences | (55) | 17 | (38) | (3) | (41) |
| Total | 772 | 117 | 889 | (16) | 873 |

17 FUEL EQUALISATION ACCOUNT ("FEA")

| | Group | |
|-------------------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| At 1 April and 31 March | 19,112 | 19,112 |

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

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

18 DEFERRED GRANT

| | Note | Group | |
|---|-------|----------------|----------------|
| | | 2009 \$'000 | 2008 \$'000 |
| Grant received | | 480,000 | 480,000 |
| Accumulated amortisation: | | | |
| At 1 April | | (353,240) | (331,864) |
| Amortisation during the year | | (18,597) | (21,289) |
| Released on assets disposed/written-off | 21(a) | (22) | (87) |
| At 31 March | | (371,859) | (353,240) |
| | | <u>108,141</u> | <u>126,760</u> |

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.

19 TRADE AND OTHER PAYABLES

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Trade payables and accrued operating expenses | 19a | 104,712 | 108,243 | 14,083 | 14,025 |
| Financial derivative | 28 | 3,140 | – | 3,140 | – |
| Other payables and refundable deposits | 19b | 112,210 | 58,939 | 4,596 | 6,032 |
| Amounts due to subsidiaries | 19c | – | – | 92,560 | 82,333 |
| Amounts due to an associate (trade) | | 2,486 | 4,189 | – | – |
| | | <u>222,548</u> | <u>171,371</u> | <u>114,379</u> | <u>102,390</u> |

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

19a TRADE PAYABLES AND ACCRUED OPERATING EXPENSES

Trade payables and accrued operating expenses of the Group include \$7,382,000 (2008: \$8,395,000) due to related corporations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

19b OTHER PAYABLES AND REFUNDABLE DEPOSITS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Unearned revenue received | 1,336 | 3,635 | – | – |
| Rental deposits | 17,014 | 14,397 | – | – |
| Other deposits | 4,875 | 5,162 | 67 | 55 |
| Interest payable | 2,108 | 2,173 | 2,108 | 2,173 |
| Purchase of property, plant and equipment | 78,002 | 28,034 | 951 | 1,920 |
| Retention monies | 5,072 | 2,756 | – | – |
| Other payables | 3,803 | 2,782 | 1,470 | 1,884 |
| | <u>112,210</u> | <u>58,939</u> | <u>4,596</u> | <u>6,032</u> |

19c AMOUNTS DUE TO SUBSIDIARIES

| | Company | |
|-----------------------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Current account (non-trade) | 262 | 2,423 |
| Interest-bearing loans | 92,298 | 79,910 |
| | <u>92,560</u> | <u>82,333</u> |

The interest-bearing loans from subsidiaries are unsecured, bear interest at 0.43% (2008: 1.50%) per annum and are repayable on demand.

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

20 REVENUE

| | Group | |
|------------------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Passenger revenue | 690,677 | 641,369 |
| Taxis rental | 71,738 | 75,427 |
| Rental revenue | 57,534 | 41,984 |
| Advertising revenue | 22,541 | 19,807 |
| Sales of goods | 23,524 | 17,304 |
| Engineering and others | 12,937 | 6,233 |
| | <u>878,951</u> | <u>802,124</u> |

21 PROFIT BEFORE INCOME TAX

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

| | Group | |
|---|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| (a) Other operating income | | |
| Commission and distribution fee | 370 | 281 |
| Unutilised tickets and farecards | 9,299 | 8,536 |
| Maintenance income | 11,288 | 5,595 |
| Miscellaneous rental income | 83 | 114 |
| Grant released upon disposal/write-off of property, plant and equipment | 22 | 87 |
| Foreign exchange gain | 2,217 | 235 |
| Others | 3,389 | 6,021 |
| | <u>26,668</u> | <u>20,869</u> |
| (b) Staff and related costs | | |
| Wages and salaries | 241,813 | 227,321 |
| Contribution to defined contribution plans | 28,182 | 26,646 |
| Job credits granted by the Singapore government | (4,375) | – |
| Increase in liability for defined benefit plan | 337 | 174 |
| Increase in liability for short-term accumulating compensated absences | 243 | 66 |
| Value of employee services received for share-based payment | 1,238 | 890 |
| Other staff-related expenses and benefits-in-kind | 9,946 | 8,364 |
| | <u>277,384</u> | <u>263,461</u> |
| <p>Included in staff and related costs is compensation to key management personnel of the Group as follows:</p> | | |
| Directors of the Company: | | |
| - fees | 528 | 516 |
| - remuneration | 1,560 | 1,310 |
| Senior management personnel of the Group: | | |
| - short-term employee benefits | 4,866 | 4,070 |
| - post-employment benefits | 113 | 113 |
| - share-based payments | 532 | 389 |
| | <u>7,599</u> | <u>6,398</u> |

(c) Electricity and diesel costs

Included in electricity and diesel costs is net change in fair value of cash flow hedge (before tax) transferred to the income statement amounting to \$7,221,000 (2008: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

21 PROFIT BEFORE INCOME TAX *(continued)*

| | Note | Group | |
|--|-------|----------------|----------------|
| | | 2009 \$'000 | 2008 \$'000 |
| (d) Other operating expenses | | | |
| Audit fees paid to: | | | |
| - auditors of the Company | | 278 | 233 |
| - other auditors | | 16 | 22 |
| Non-audit fees paid to: | | | |
| - auditors of the Company | | 178 | 133 |
| - other auditors | | 425 | 314 |
| Cost of inventories sold | | 20,664 | 17,913 |
| Impairment loss on available-for-sale unquoted equity security | | 70 | - |
| Loss on disposal of property, plant and equipment | | 6,089 | 478 |
| Licence fees paid to LTA | | 5,072 | 4,567 |
| Net change in fair value of financial derivative at fair value through profit or loss | | 3,140 | - |
| Operating lease expenses | | 3,578 | 3,616 |
| Property, plant and equipment written off | | 208 | 1,380 |
| Provisions for accident claims made during the year, net of reimbursement of \$1,331,000 (2008: \$1,226,000) | 15(c) | 14,292 | 13,406 |
| Provisions for accident claims reversed | 15(c) | (2,584) | (1,953) |
| (e) Finance costs | | | |
| Interest paid and payable on: | | | |
| - quoted floating rate notes | | 806 | 1,440 |
| - quoted fixed rate notes | | 6,570 | 6,588 |
| | | <u>7,376</u> | <u>8,028</u> |
| (f) Interest and investment income | | | |
| Dividends received from available-for-sale equity security | | 362 | 1,498 |
| Interest income from: | | | |
| - bank deposits and balances | | 2,127 | 3,595 |
| - available-for-sale debt securities | | 98 | 697 |
| - held-to-maturity debt securities | | 663 | - |
| - others | | 6 | 2 |
| Gain on disposal of available-for-sale equity securities | | 888 | 13 |
| | | <u>4,144</u> | <u>5,805</u> |

22 INCOMETAX EXPENSE

| | Group | |
|--|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Current tax expense | | |
| Current year | 23,079 | 38,177 |
| Overprovision in respect of prior years | (865) | (2,445) |
| | 22,214 | 35,732 |
| Deferred tax expense | | |
| Effect of reduction in tax rate | (7,412) | – |
| Movements in temporary differences | 5,500 | (9,522) |
| Underprovision in respect of prior years | 2,746 | 13 |
| | 834 | (9,509) |
| Income tax expense | 23,048 | 26,223 |

Reconciliation of effective tax rate

| | 2009 \$'000 | 2008 \$'000 |
|--|----------------|----------------|
| Profit before income tax | 185,779 | 176,162 |
| Less: Share of result of an associate (net of tax) | (331) | (342) |
| | 185,448 | 175,820 |
| Tax calculated using Singapore tax rate of 17% (2008: 18%) | 31,526 | 31,648 |
| Expenses not deductible for tax purposes | 1,833 | 1,291 |
| Income not subject to tax | (4,723) | (4,068) |
| Under/(over)provision in respect of prior years | 1,881 | (2,432) |
| Utilisation of previously unrecognised deferred tax assets | (155) | – |
| Effect of reduction in tax rate | (7,412) | – |
| Others | 98 | (216) |
| | 23,048 | 26,223 |

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

| | 2009 \$'000 | 2008 \$'000 |
|---|----------------|----------------|
| (Shortfall)/Excess of tax written down value over net book value of property, plant and equipment | (69) | 23 |
| Deductible temporary differences | 1,019 | 461 |
| Unabsorbed wear and tear allowances | 665 | 1,580 |
| Unutilised tax losses | 3,713 | 3,713 |
| | 5,328 | 5,777 |

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

23 EARNINGS PER SHARE

Basic earnings per share is based on:

| | Group | |
|--|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Net profit attributable to ordinary shareholders | 162,731 | 149,939 |

| | Group | |
|---|-------------------------------|-------------------------------|
| | 2009 No. of shares '000 | 2008 No. of shares '000 |
| Weighted average number of shares based on: | | |
| - issued shares at the beginning of the year | 1,515,158 | 1,512,450 |
| - shares issued under share option scheme | 377 | 2,075 |
| - shares issued under share plan | 204 | 147 |
| Weighted average number of ordinary shares in issue | 1,515,739 | 1,514,672 |

Diluted earnings per share is based on:

| | Group | |
|--|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Net profit attributable to ordinary shareholders | 162,731 | 149,939 |

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

| | Group | |
|--|-------------------------------|-------------------------------|
| | 2009 No. of shares '000 | 2008 No. of shares '000 |
| Weighted average number of: | | |
| - shares used in the calculation of basic earnings per share | 1,515,739 | 1,514,672 |
| - unissued shares under SMRT ESOP | 2,468 | 2,971 |
| - contingently issuable shares under SMRT PSP and RSP | 1,800 | 1,687 |
| Number of shares that would have been issued at fair value | (1,037) | (1,223) |
| Weighted average number of ordinary issued and potential shares assuming full conversion | 1,518,970 | 1,518,107 |

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

24 SEGMENT REPORTING

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

24 SEGMENT REPORTING (continued)

| | Rail | | Bus operations \$'000 |
|--|---------------|---------------|-----------------------------|
| | MRT \$'000 | LRT \$'000 | |
| (a) Revenue and expenses | | | |
| 2009 | | | |
| Revenue | | | |
| - external customers | 474,250 | 9,198 | 207,229 |
| - inter-segment | - | - | 395 |
| Operating expenses | (277,844) | (9,395) | (196,270) |
| Depreciation and amortisation | (62,574) | (25) | (15,871) |
| Operating profit/(loss) | 133,832 | (222) | (4,517) |
| Finance costs | | | |
| Interest and investment income | | | |
| Share of results of an associate | | | |
| Income tax expense | | | |
| Profit for the year attributable to equity holders of SMRT | | | |
| 2008 | | | |
| Revenue | | | |
| - external customers | 436,856 | 8,590 | 195,923 |
| - inter-segment | - | - | 361 |
| Operating expenses | (246,261) | (8,930) | (178,581) |
| Depreciation and amortisation | (61,339) | (59) | (16,196) |
| Operating profit/(loss) | 129,256 | (399) | 1,507 |
| Finance costs | | | |
| Interest and investment income | | | |
| Share of results of an associate | | | |
| Income tax expense | | | |
| Profit for the year attributable to equity holders of SMRT | | | |

| Taxi operations \$'000 | Rental \$'000 | Advertising \$'000 | Engineering and other services \$'000 | Investment holding \$'000 | Elimination \$'000 | Total \$'000 |
|---------------------------|------------------|-----------------------|--|------------------------------|-----------------------|-----------------|
| 71,738 | 57,534 | 22,541 | 36,461 | – | – | 878,951 |
| 44 | 1 | – | 48,991 | 239,671 | (289,102) | – |
| (54,309) | (9,312) | (7,363) | (78,463) | (36,557) | 89,602 | (579,911) |
| (23,762) | (5,164) | (759) | (539) | (1,666) | – | (110,360) |
| (6,289) | 43,059 | 14,419 | 6,450 | 201,448 | (199,500) | 188,680 |
| | | | | | | (7,376) |
| | | | | | | 4,144 |
| | | | | | | 331 |
| | | | | | | (23,048) |
| | | | | | | <u>162,731</u> |
| 75,427 | 41,984 | 19,807 | 23,537 | – | – | 802,124 |
| 7 | – | 278 | 47,038 | 162,263 | (209,947) | – |
| (51,874) | (8,059) | (6,457) | (68,699) | (32,368) | 83,225 | (518,004) |
| (22,931) | (2,993) | (516) | (560) | (1,483) | – | (106,077) |
| 629 | 30,932 | 13,112 | 1,316 | 128,412 | (126,722) | 178,043 |
| | | | | | | (8,028) |
| | | | | | | 5,805 |
| | | | | | | 342 |
| | | | | | | (26,223) |
| | | | | | | <u>149,939</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

24 SEGMENT REPORTING (continued)

| | Rail | | Bus operations \$'000 |
|--|---------------|---------------|-----------------------------|
| | MRT \$'000 | LRT \$'000 | |
| (b) Assets and liabilities | | | |
| 2009 | | | |
| Operating assets | 805,187 | 5,071 | 145,895 |
| Assets under construction | 20,378 | 2 | 1,285 |
| | 825,565 | 5,073 | 147,180 |
| Intangible asset | | | |
| Interest in associate | | | |
| Investments and cash equivalents | | | |
| Tax recoverable | | | |
| Unallocated assets | | | |
| Total assets | | | |
| Segment liabilities | 507,087 | 18,996 | 88,724 |
| Current tax payable | | | |
| Interest-bearing borrowings | | | |
| Deferred tax liabilities | | | |
| Total liabilities | | | |
| 2008 | | | |
| Operating assets | 789,770 | 5,295 | 137,626 |
| Assets under construction | 16,752 | – | 346 |
| | 806,522 | 5,295 | 137,972 |
| Intangible asset | | | |
| Interest in associate | | | |
| Investments and cash equivalents | | | |
| Tax recoverable | | | |
| Unallocated assets | | | |
| Total assets | | | |
| Segment liabilities | 472,334 | 19,469 | 72,934 |
| Current tax payable | | | |
| Interest-bearing borrowings | | | |
| Deferred tax liabilities | | | |
| Total liabilities | | | |
| (c) Other segment information | | | |
| 2009 | | | |
| Capital expenditure | 94,925 | 2 | 29,298 |
| Non-cash expenses other than depreciation, impairment losses and amortisation | 2,052 | 521 | 3,376 |
| 2008 | | | |
| Capital expenditure | 38,739 | – | 4,244 |
| Non-cash expenses other than depreciation, impairment losses and amortisation | 2,537 | 174 | 3,259 |

| Taxi operations \$'000 | Rental \$'000 | Advertising \$'000 | Engineering and other services \$'000 | Investment holding \$'000 | Elimination \$'000 | Total \$'000 |
|---------------------------|------------------|-----------------------|--|------------------------------|-----------------------|-----------------|
| 137,260 | 112,260 | 18,961 | 22,025 | 783,039 | (948,822) | 1,080,876 |
| 13,377 | 46,227 | 68 | 728 | 852 | – | 82,917 |
| 150,637 | 158,487 | 19,029 | 22,753 | 783,891 | (948,822) | 1,163,793 |
| | | | | | | 41,932 |
| | | | | | | 1,437 |
| | | | | | | 283,106 |
| | | | | | | 10,977 |
| | | | | | | 212 |
| | | | | | | 1,501,457 |
| 132,769 | 18,148 | 3,762 | 17,505 | 214,740 | (626,885) | 374,846 |
| | | | | | | 22,229 |
| | | | | | | 250,000 |
| | | | | | | 132,304 |
| | | | | | | 779,379 |
| 156,584 | 98,814 | 12,486 | 19,712 | 674,248 | (821,404) | 1,073,131 |
| 4,425 | 27,422 | 460 | 83 | 2,758 | – | 52,246 |
| 161,009 | 126,236 | 12,946 | 19,795 | 677,006 | (821,404) | 1,125,377 |
| | | | | | | 41,932 |
| | | | | | | 1,106 |
| | | | | | | 253,932 |
| | | | | | | 15,253 |
| | | | | | | 1 |
| | | | | | | 1,437,601 |
| 133,242 | 15,714 | 3,680 | 18,307 | 102,609 | (499,664) | 338,625 |
| | | | | | | 40,365 |
| | | | | | | 250,000 |
| | | | | | | 131,470 |
| | | | | | | 760,460 |
| 25,044 | 36,962 | 1,866 | 1,038 | 1,313 | – | 190,448 |
| 15,009 | (45) | (4) | 18 | 495 | – | 21,422 |
| 7,211 | 62,805 | 2,592 | 354 | 2,346 | – | 118,291 |
| 9,967 | 4 | (46) | 344 | – | – | 16,239 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

| | Group | |
|---|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Related corporations | | |
| Maintenance income received/receivable | 898 | 621 |
| Charter hire income received/receivable | 615 | 367 |
| Service income received/receivable | 1,881 | 555 |
| Sales of other goods and services | 1,286 | 819 |
| Purchases of goods and services | 87,804 | 66,540 |
| Associate | | |
| Maintenance income received/receivable | 10,189 | 9,045 |
| Purchases of goods and services | 17,152 | 12,987 |

26 COMMITMENTS

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| (a) Capital expenditure commitments: | | | | |
| (i) Contracted but not provided for with respect to purchase of property, plant and equipment | 65,222 | 173,842 | - | - |
| (ii) Approved but not provided for with respect to purchase of property, plant and equipment | 75,031 | 78,016 | - | - |

26 COMMITMENTS *(continued)***(b) Non-cancellable operating leases payable:**

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

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Within 1 year | 3,409 | 2,993 | 1,888 | 1,829 |
| After 1 year but within 5 years | 4,343 | 5,950 | 99 | 1,825 |
| After 5 years | 74 | 852 | – | – |
| | <u>7,826</u> | <u>9,795</u> | <u>1,987</u> | <u>3,654</u> |

The Group leases depot spaces and office facilities under operating leases. The leases typically run for periods of 2 years to 30 years. None of the leases include contingent rentals.

(c) Non-cancellable operating lease rental receivable:

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Within 1 year | 49,601 | 49,629 | – | – |
| After 1 year but within 5 years | 46,678 | 62,364 | – | – |
| After 5 years | 672 | 864 | – | – |
| | <u>96,951</u> | <u>112,857</u> | <u>–</u> | <u>–</u> |

27 FINANCIAL RISK MANAGEMENT**Overview**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

27 FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk

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

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

Cash and fixed deposits are placed with banks that are regulated. The Group limits its credit risk exposure in respect of debt security investments by investing only in investment grade assets. Given these high credit ratings, management expects the investee companies to be able to meet its obligations when due. As at 31 March 2009, only 11.9% (2008: 5.9%) of the Group's total other investments, cash and cash equivalents are invested in debt securities.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

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

| | Group | |
|----------------------|---------------|---------------|
| | 2009 | 2008 |
| | \$'000 | \$'000 |
| Taxi operations | 1,192 | 888 |
| Advertising business | 3,921 | 4,322 |
| Rental of premises | 1,571 | 2,044 |
| Others | 5,628 | 5,765 |
| | <u>12,312</u> | <u>13,019</u> |

The Group has a diversified portfolio of businesses. There was no significant concentration of credit risk relating to trade receivables apart from an amount of \$5,908,000 (2008 : \$5,556,000) that is due from its associate.

27 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Impairment losses

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

| Group | Gross | Impairment | Gross | Impairment |
|-----------------------------|---------------|--------------|---------------|--------------|
| | 2009 | losses | 2008 | losses |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Not past due | 11,869 | – | 12,272 | – |
| Past due 1 – 30 days | 3,118 | 37 | 2,931 | 83 |
| Past due 31 – 120 days | 3,364 | 334 | 3,321 | 322 |
| Past due more than 120 days | 5,183 | 4,943 | 5,561 | 5,105 |
| | <u>23,534</u> | <u>5,314</u> | <u>24,085</u> | <u>5,510</u> |

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

| | Group | |
|--|--------------|--------------|
| | 2009 | 2008 |
| | \$'000 | \$'000 |
| At 1 April | 5,510 | 6,145 |
| (Reversal of impairment loss)/impairment loss recognised | 181 | (416) |
| Write-off against debtors | (377) | (219) |
| At 31 March | <u>5,314</u> | <u>5,510</u> |

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

27 FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

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

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

| Group | Carrying amount \$'000 | Cash flows | | |
|---|---------------------------|----------------------------------|-------------------------|-------------------------------|
| | | Contractual cash flows \$'000 | Within 1 year \$'000 | Within 1 to 5 years \$'000 |
| 2009 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured quoted fixed rate notes due 2009 | 100,000 | 103,300 | 103,300 | – |
| Unsecured quoted floating rate notes due 2010 | 50,000 | 50,692 | 50,692 | – |
| Unsecured quoted fixed rate notes due 2011 | 100,000 | 109,810 | 3,270 | 106,540 |
| Trade and other payables * | 112,827 | 112,827 | 112,827 | – |
| Derivative financial liabilities | | | | |
| Forward exchange contract | 3,140 | 3,162 | 3,162 | – |
| | <u>365,967</u> | <u>379,791</u> | <u>273,251</u> | <u>106,540</u> |
| 2008 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured quoted fixed rate notes due 2009 | 100,000 | 106,609 | 3,309 | 103,300 |
| Unsecured quoted floating rate notes due 2010 | 50,000 | 51,905 | 954 | 50,951 |
| Unsecured quoted fixed rate notes due 2011 | 100,000 | 113,089 | 3,279 | 109,810 |
| Trade and other payables * | 75,936 | 75,936 | 75,936 | – |
| | <u>325,936</u> | <u>347,539</u> | <u>83,478</u> | <u>264,061</u> |

* Excludes unearned revenue received, deposits, accrued operating expenses, interest payable and financial derivative

27 FINANCIAL RISK MANAGEMENT (continued)
Liquidity risk (continued)

| Company | Carrying amount \$'000 | Cash flows | | |
|---|------------------------------|-------------------------------------|----------------------------|----------------------------------|
| | | Contractual cash flows \$'000 | Within 1 year \$'000 | Within 1 to 5 years \$'000 |
| 2009 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured quoted fixed rate notes due 2009 | 100,000 | 103,300 | 103,300 | – |
| Unsecured quoted floating rate notes due 2010 | 50,000 | 50,692 | 50,692 | – |
| Unsecured quoted fixed rate notes due 2011 | 100,000 | 109,810 | 3,270 | 106,540 |
| Amounts due to subsidiaries | 92,560 | 92,951 | 92,951 | – |
| Trade and other payables * | 2,925 | 2,925 | 2,925 | – |
| Derivative financial liabilities | | | | |
| Forward exchange contract | 3,140 | 3,162 | 3,162 | – |
| | <u>348,625</u> | <u>362,840</u> | <u>256,300</u> | <u>106,540</u> |
| 2008 | | | | |
| Non-derivative financial liabilities | | | | |
| Unsecured quoted fixed rate notes due 2009 | 100,000 | 106,609 | 3,309 | 103,300 |
| Unsecured quoted floating rate notes due 2010 | 50,000 | 51,905 | 954 | 50,951 |
| Unsecured quoted fixed rate notes due 2011 | 100,000 | 113,089 | 3,279 | 109,810 |
| Amounts due to subsidiaries | 82,333 | 83,533 | 83,533 | – |
| Trade and other payables * | 6,336 | 6,336 | 6,336 | – |
| | <u>338,669</u> | <u>361,472</u> | <u>97,411</u> | <u>264,061</u> |

* Excludes deposits, accrued operating expenses, interest payable and financial derivative

Market risk

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

27 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

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

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. Outstanding forward exchange contracts are disclosed in note 28.

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

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

| Group | 2009 | | | | | 2008 | | | |
|------------------------------|------------------------|----------------|----------------------|-------------------------|---------------|------------------------|----------------|----------------------|-------------------------|
| | US dollar \$'000 | EURO \$'000 | Jap yen \$'000 | AUD dollar \$'000 | GBP \$'000 | US dollar \$'000 | EURO \$'000 | Jap yen \$'000 | AUD dollar \$'000 |
| Other investments | 23,192 | – | – | – | – | – | – | – | – |
| Trade and other receivables | 600 | – | – | – | – | – | – | – | – |
| Cash and cash equivalents | – | 49 | – | – | – | – | 51 | – | – |
| Trade and other payables | (3,163) | (783) | (163) | (80) | (148) | (5,409) | (549) | (133) | (101) |
| Gross exposure | 20,629 | (734) | (163) | (80) | (148) | (5,409) | (498) | (133) | (101) |
| Forward exchange contract | (23,792) | – | – | – | – | – | – | – | – |
| Net exposure | (3,163) | (734) | (163) | (80) | (148) | (5,409) | (498) | (133) | (101) |

| Company | 2009 US dollar \$'000 |
|-----------------------------|--------------------------------|
| Other investments | 23,192 |
| Trade and other receivables | 600 |
| Gross exposure | 23,792 |
| Forward exchange contract | (23,792) |
| Net exposure | – |

The Company did not have any significant foreign exchange exposure in the last financial year.

27 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk (continued)

Sensitivity analysis

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

| | Group | | Company | |
|---------------------|----------------|----------------|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| US Dollar | 316 | 541 | – | – |
| EURO | 73 | 50 | – | – |
| Japanese Yen | 16 | 13 | – | – |
| AUD Dollar | 8 | 10 | – | – |
| Great Britain Pound | 15 | – | – | – |
| Net Impact | 428 | 614 | – | – |

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

Interest rate risk

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

Interest rate profile

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

| Group | Effective interest rate | |
|--|-------------------------|-----------|
| | 2009 % | 2008 % |
| Financial assets | | |
| Fixed deposits with banks and financial institutions | 0.39 | 1.18 |
| Held-to-maturity debt securities | 3.29 | – |
| Available-for-sale debt securities | – | 1.72 |
| Financial liabilities | | |
| Unsecured quoted floating rate notes due 2010 | 1.38 | 1.90 |
| Unsecured quoted fixed rate notes due 2009 | 3.30 | 3.30 |
| Unsecured quoted fixed rate notes due 2011 | 3.27 | 3.27 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

27 FINANCIAL RISK MANAGEMENT (continued) Interest rate risk (continued)

| Company | Effective interest rate | |
|--|-------------------------|-----------|
| | 2009 % | 2008 % |
| Financial assets | | |
| Amounts due from subsidiaries | 2.19 | 2.96 |
| Fixed deposits with banks and financial institutions | 0.70 | 1.32 |
| Held-to-maturity debt securities | 3.90 | – |
| Available-for-sale debt securities | – | 1.72 |
| Financial liabilities | | |
| Amounts due to subsidiaries | 0.43 | 1.50 |
| Unsecured quoted floating rate notes due 2010 | 1.38 | 1.90 |
| Unsecured quoted fixed rate notes due 2009 | 3.30 | 3.30 |
| Unsecured quoted fixed rate notes due 2011 | 3.27 | 3.27 |

Sensitivity analysis

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

| | Group | |
|--|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Financial assets | | |
| Fixed deposits with banks and financial institutions | 224,419 | 216,051 |
| Available-for-sale floating rate debt securities | – | 15,000 |
| Financial liabilities | | |
| Unsecured quoted floating rate notes | (50,000) | (50,000) |
| | <u>174,419</u> | <u>181,051</u> |

| | Company | |
|--|----------------|----------------|
| | 2009 \$'000 | 2008 \$'000 |
| Financial assets | | |
| Amounts due from subsidiaries | 351,750 | 258,702 |
| Fixed deposits with banks and financial institutions | 9,000 | 20,000 |
| Available-for-sale floating rate debt securities | – | 15,000 |
| Financial liabilities | | |
| Amounts due to subsidiaries | (92,298) | (79,910) |
| Unsecured quoted floating rate notes | (50,000) | (50,000) |
| | <u>218,452</u> | <u>163,792</u> |

27 FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

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

| | Group \$'000 | Company \$'000 |
|--|-----------------|-------------------|
| 2009 | | |
| Variable rate instruments (net exposure) | 1,744 | 2,185 |
| 2008 | | |
| Variable rate instruments (net exposure) | 1,811 | 1,638 |

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

Equity price risk

Sensitivity analysis

The Group has available-for-sale investment in equity securities and is exposed to price risk. The Group's quoted equity securities are listed on the SGX-ST. On the basis that all other variables remain unchanged, a 10% increase/(decrease) in the underlying listed equity prices at the reporting date would increase/(decrease) fair value reserve by \$417,000 (2008: \$626,000).

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

Fair values

The fair values of financial assets and liabilities which are not carried at fair value in the balance sheet as at 31 March 2009 are represented in the following table.

| Group and Company | Note | 2009 | | 2008 | |
|-----------------------------------|------|------------------------------|-------------------------|------------------------------|-------------------------|
| | | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair Value \$'000 |
| Financial liabilities | | | | | |
| Unsecured quoted fixed rate notes | 14 | 200,000 | 204,690 | 200,000 | 207,245 |
| Unrecognised loss | | | (4,690) | | (7,245) |

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

28 DERIVATIVE FINANCIAL INSTRUMENTS

The notional principal amount and the fair value of the Group and the Company's derivative financial instrument is set out below. Positive and negative fair values represent the mark-to-market values of the derivative contracts.

| Group and Company | Notional amount Due in 3 to 12 months \$'000 | Negative fair value (Note 19) \$'000 |
|---------------------------|---|---|
| 2009 | | |
| Forward exchange contract | 24,109 | 3,140 |

The Group and the Company did not have any forward exchange contract as at 31 March 2008.

29 DIVIDENDS

After the balance sheet date, the directors proposed a one-tier tax exempt final dividend of 6.00 cents (2008: 6.00 cents) per share, amounting to a net dividend of \$90,971,721 (2008: \$90,909,483). The dividends have not been provided for.

30 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

- FRS 1 (revised 2008) *Presentation of Financial Statements*
- FRS 23 (revised 2007) *Borrowing Cost*
- Amendments to FRS 32 *Financial Instruments : Presentation* and FRS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 39 *Financial Instruments – Recognition and Measurement – Eligible Hedged Items*
- Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards* and FRS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 102 *Share-based Payment – Vesting Conditions and Cancellations*
- FRS 108 *Operating Segments*
- Improvements to FRSs 2008
- INT FRS 113 *Customer Loyalty Programmes*
- INT FRS 116 *Hedges of a Net Investment in a Foreign Operation*
- INT FRS 117 *Distribution of Non-Cash Assets to Owners*

30 **NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED** *(continued)*

FRS 23 (revised 2007) will become effective for financial statements for the year ending 31 March 2010. FRS 23 (revised 2007) removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. On adoption of the revised FRS 23, the Group will have to change its current accounting policy of expensing all its borrowing costs in the period in which they are incurred. In accordance with the transitional provisions, the Group will apply the revised FRS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's financial statements for the year ending 31 March 2010. The Group is currently reviewing the potential effect of FRS 23 (revised 2007).

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

Improvements to FRSs 2008 will become effective for the Group's financial statements for the year ending 31 March 2010 except for the amendment for FRS105 *Non-current Assets Held for Sale and Discontinued Operations* which will become effective for the year ending 31 March 2011. Improvements to FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Group is in the process of assessing the impact of these amendments.

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

31 **ACCOUNTING ESTIMATES AND JUDGEMENT**

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

Key sources of estimation uncertainty

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

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the business units to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the business unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 March 2009 was \$41,932,000 (2008: \$41,932,000). More details are provided in note 5.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

31 ACCOUNTING ESTIMATES AND JUDGEMENT *(continued)*

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 2009 was \$1,061,540,000 (2008: \$1,032,789,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Provision for accident claims

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

SUPPLEMENTARY INFORMATION

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

GROUP PROPERTIES AND INTERESTED PERSON TRANSACTIONS

GROUP PROPERTIES

Major properties held for investment are listed below.

| Location | Description/Existing use | Tenure of Lease | Remaining Term of Lease |
|--------------------------------|---|-----------------|-------------------------|
| 3 Bishan Street 14 | 2-storey recreation clubhouse with tennis courts and basket/volley ball court. | Leasehold | 12.6 years |
| 6 Ang Mo Kio Street 62 | A bus depot comprising a 4-storey administrative office block, a workshop building with a 2-storey office block and 7 single-storey bus parking bay-cum-workshop. | Leasehold | 3.7 years |
| 60 Woodlands Industrial Park E | A bus depot comprising garaging with 3-storey workshop facilities and 2-storey ancillary office. | Leasehold | 18.3 years |
| 209 Kranji Road | A single-storey bus depot with office-cum-canteen, workshop, washing shed and other ancillary facilities. | Leasehold | 5.8 years |

INTERESTED PERSON TRANSACTIONS

Pursuant to Chapter 9 of the SGX-ST Listing Manual, a general mandate was obtained for recurrent transactions of a revenue or trading nature or those necessary for the Group's day-to-day operations but not in respect of the purchases or sales of assets, undertakings or businesses.

| Interested Person/ Nature of Transactions | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$'000 | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) \$'000 |
|--|---|---|
| Sale of Goods and Services | | |
| National University Hospital (Singapore) Pte Ltd | 180 | - |
| Planet Telecoms (S) Pte Ltd ⁽¹⁾ | 824 | - |
| Singapore Telecommunications Limited ⁽²⁾ | 1,656 | - |
| Singapore Technologies Kinetics Pte Ltd ⁽³⁾ | - | 787 |
| Purchases of Goods and Services | | |
| Sembwaste Pte Ltd ⁽⁴⁾ | 582 | - |
| SembCorp Power Pte Ltd ⁽⁴⁾ | 72,093 | - |
| Singapore Computer Systems Ltd ⁽²⁾ | 1,741 | - |
| NCS Pte Ltd ⁽²⁾ | 411 | - |
| Singapore Technologies Kinetics Pte Ltd ⁽³⁾ | 6,139 | - |
| Singapore Technologies Electronics Ltd ⁽³⁾ | 308 | - |
| Nexwave Solutions Pte Ltd ⁽¹⁾ | 109 | - |
| Power Automation Pte Ltd | 254 | - |
| Certis CISCO Security Pte Ltd | - | 5,423 |
| ⁽¹⁾ | <i>Part of Singapore Technologies Telemedia Group</i> | |
| ⁽²⁾ | <i>Part of Singapore Telecommunications Group</i> | |
| ⁽³⁾ | <i>Part of Singapore Technologies Engineering Group</i> | |
| ⁽⁴⁾ | <i>Part of SembCorp Industries Group</i> | |

SHAREHOLDING STATISTICS

As at 3 June 2009

SHARE CAPITAL

Number of shares issued : 1,516,207,346
 Issued and fully paid capital : S\$161,783,134.368
 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 | 91 | 0.19 | 39,407 | 0.00 |
| 1,000 - 10,000 | 43,039 | 90.95 | 121,608,477 | 8.02 |
| 10,001 - 1,000,000 | 4,163 | 8.80 | 176,160,606 | 11.62 |
| 1,000,001 and above | 27 | 0.06 | 1,218,398,856 | 80.36 |
| Total | 47,320 | 100.00 | 1,516,207,346 | 100.00 |

TWENTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|-----|---------------------------------------|----------------------|--------------|
| 1 | Temasek Holdings (Private) Limited | 824,400,030 | 54.37 |
| 2 | DBS Nominees Pte Ltd | 109,079,649 | 7.19 |
| 3 | DBSN Services Pte Ltd | 102,966,895 | 6.79 |
| 4 | Citibank Nominees Singapore Pte Ltd | 45,543,464 | 3.00 |
| 5 | United Overseas Bank Nominees Pte Ltd | 42,800,796 | 2.82 |
| 6 | HSBC (Singapore) Nominees Pte Ltd | 42,115,167 | 2.78 |
| 7 | Raffles Nominees (Pte) Ltd | 8,498,734 | 0.56 |
| 8 | OCBC Nominees Singapore Pte Ltd | 5,104,899 | 0.34 |
| 9 | DB Nominees (S) Pte Ltd | 4,922,352 | 0.32 |
| 10 | Quah Wee Lai | 3,000,000 | 0.20 |
| 11 | Royal Bank of Canada (Asia) Ltd | 2,994,000 | 0.20 |
| 12 | Lee Shiu | 2,740,000 | 0.18 |
| 13 | OCBC Securities Private Ltd | 2,344,000 | 0.16 |
| 14 | Citibank Consumer Nominees Pte Ltd | 2,120,000 | 0.14 |
| 15 | Merrill Lynch (Singapore) Pte Ltd | 2,120,000 | 0.14 |
| 16 | TM Asia Life Singapore Ltd - PAR Fund | 2,000,000 | 0.13 |
| 17 | NTUC Fairprice Co-Operative Ltd | 1,995,000 | 0.13 |
| 18 | Phillip Securities Pte Ltd | 1,905,900 | 0.13 |
| 19 | CIMB-GK Securities Pte. Ltd. | 1,578,293 | 0.10 |
| 20 | Chong Kah Yung | 1,500,000 | 0.10 |
| | Total | 1,209,729,179 | 79.78 |

SUBSTANTIAL SHAREHOLDER

| Name of Shareholder | Direct Interest No. of Shares | % | Deemed Interest No. of Shares | % |
|------------------------------------|----------------------------------|-------|----------------------------------|------|
| Temasek Holdings (Private) Limited | 824,400,030 | 54.37 | 1,462,000 | 0.10 |

Note: Temasek Holdings (Private) Limited is deemed to be interested in the 1,462,000 shares in which its subsidiary, Fullerton Fund Management Company Ltd, and its associated company, DBS Group Holdings Limited, are deemed to have an interest.

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 3 June 2009, approximately 45.44 per cent of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

SMRT Corporation Ltd
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200001855H)

To: All Shareholders

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594, on Thursday, 23 July 2009 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 2009 together with the Auditors' Report thereon.
2. To declare a Final (tax exempt one-tier) Dividend of 6.00 cents per share for the financial year ended 31 March 2009.
3. To approve the sum of \$527,809 as Directors' Fees for the financial year ended 31 March 2009 (FY2008: \$515,530).
- 4(a). To re-elect the following Directors who are retiring in accordance with Article 94 of the Company's Articles of Association:-
 - (i) Ms Saw Phaik Hwa;
 - (ii) Mr Ong Ye Kung; and
 - (iii) Mr Bob Tan Beng Hai.
- 4(b). To note the retirement of Mr Choo Chiau Beng who is retiring in accordance with Article 94 of the Company's Articles of Association.
5. To re-elect Dr Ho Kim Wai who is retiring in accordance with Article 100 of the Company's Articles of Association.
6. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS:

7. To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:
 - 7.1 That authority be and is hereby given to the Directors to:
 - (a) (i) allot and issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
 - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

AS SPECIAL BUSINESS *(continued)*

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares, excluding treasury shares, (as calculated in accordance with sub-paragraph (2) below) but subject to sub-paragraph (3) below, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10 per cent of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (2) below);
- (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 and sub-paragraph (3) below, the percentage of issued shares shall be based on the Company's total number of issued shares, excluding treasury shares, at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) the 50 per cent limit in sub-paragraph (1) above may be increased to 100 per cent if the Company undertakes pro-rata renounceable rights issues;
- (4) 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
- (5) (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:-

- (i) the aggregate number of ordinary shares to be issued pursuant to the Share Plans and the SMRT ESOP shall not exceed 15 per cent of the total number of issued shares (excluding treasury shares) of the Company from time to time; and

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS *(continued)*

- (ii) the aggregate number of ordinary shares to be issued pursuant to the Share Plans and the SMRT ESOP during the period commencing from the date of the Tenth Annual General Meeting of the Company and ending on the date 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, shall not exceed 2 per cent of the total number of issued shares (excluding treasury shares) of the Company from time to time.

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

“That for the purpose of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Chapter 9”):

- (a) approval be and is hereby given for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions, particulars of which are set out in Appendix A to the Notice of the Tenth Annual General Meeting (“Appendix A”), provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the “General Mandate”) shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the General Mandate and/or this Resolution.”

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

“That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (“Companies Act”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“Shares”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) on-market purchases (each an “On-Market Purchase”) on the Singapore Exchange Securities Trading Limited (“SGX-ST”); and/or
 - (ii) off-market purchases (each an “Off-Market Purchase”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they may, in their absolute discretion, deem fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (“Share Purchase Mandate”);

AS SPECIAL BUSINESS *(continued)*

- (b) unless varied or revoked by the Company in General Meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:
- (i) the date on which the next Annual General Meeting of the Company is held; or
 - (ii) the date by which the next Annual General Meeting of the Company is required by law to be held;

- (c) in this Resolution:

“Prescribed Limit” means the number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date);

“Maximum Price” in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) not exceeding:

- (i) in the case of an On-Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares,

where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares on the SGX-ST were recorded immediately preceding the date of the On-Market Purchase by the Company or, as the case may be, the date of the making of the offer for an Off-Market Purchase, and in the case of an On-Market Purchase, deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate actions occurring after the relevant 5-day period; and

“date of the making of the offer” means the date on which the Company announces its intention to make an offer for the Off-Market Purchase of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.”

ANY OTHER BUSINESS:

10. To transact any other business that may be transacted at an Annual General Meeting.

By Order of the Board
S. Prema (Ms)
Company Secretary

Singapore
29 June 2009

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 30 July 2009 to 31 July 2009 (both dates inclusive) for the preparation of dividend warrants. The final dividend, if approved at the Tenth Annual General Meeting, will be paid on 12 August 2009 to members on the Register as at 29 July 2009. 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 final dividend entitlements to CDP account holders in accordance with its normal practice.

Duly completed transfers received by the Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street #08-01, Samsung Hub, Singapore 049483 up to 5.00 p.m. on 29 July 2009 will be registered to determine shareholders' entitlement to the final dividend.

Explanatory notes on Ordinary Business to be transacted:

Resolution 3 Directors will be paid a basic fee and will get additional allowances for their services in other Board Committees. The proposed scale of Directors' fees (per annum) set out below is the same as per last year:

Board of Directors

| | |
|----------------------|----------|
| Chairman's Allowance | \$35,000 |
| Basic Fee | \$40,000 |

Audit Committee

| | |
|----------------------|----------|
| Chairman's Allowance | \$30,000 |
| Member's Allowance | \$20,000 |

Remuneration Committee/ Nominating Committee

| | |
|----------------------|----------|
| Chairman's Allowance | \$15,000 |
| Member's Allowance | \$ 8,000 |

Resolution 4(a)(ii) Mr Ong Ye Kung will, upon re-election as a Director of the Company, continue to serve as Chairman and Member of the Nominating Committee. Mr Ong Ye Kung is an independent director.

Resolution 4(a)(iii) Mr Bob Tan Beng Hai will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee and the Remuneration Committee. Mr Bob Tan is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Resolution 5 Dr Ho Kim Wai will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee. Dr Ho Kim Wai is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

Explanatory notes on Special Business to be transacted:

Resolution 7.1 Is to empower the Directors to issue shares in the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company with a sub-limit of ten per cent (10%) for issues other than on a pro-rata basis to shareholders save that such number shall be up to one hundred per cent (100%) of the issued shares excluding treasury shares in the capital of the Company in relation to a pro-rata renounceable rights issue to existing shareholders. For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares excluding treasury shares will be calculated based on the Company's total number of issued shares excluding treasury shares at the time that Resolution 7.1 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time Resolution 7.1 is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

Explanatory notes on Special Business to be transacted *(continued)*

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) 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 modify and renew the General Mandate granted by the Shareholders during the Ninth Annual General Meeting of the Company ("9th AGM") to authorise the Company, its subsidiaries and associated companies or any of them to enter into any of the mandated transactions with parties who are considered "Interested Persons" (as defined in Chapter 9 of the Listing Manual).

The modifications relate to (i) the specific categorisation of an interested person transaction (previously treated as falling within an existing category of mandated interested person transaction) as a new category of mandated interested person transaction, namely, the grant of licences to install, operate and maintain kiosks, machines, standees and telecommunication equipment at MRT and LRT stations; (ii) the expansion of the scope of an existing category of mandated interested person transaction to include the provision or sale or procurement of engineering, repair, servicing, technical and other operational goods and services; and (iii) the addition of a new category of mandated interested person transaction, namely, the leasing of fibre optic cables. The classes of interested persons in respect of which the General Mandate is sought to be renewed remains unchanged.

Resolution 9 Is to renew for another year, the mandate for share purchases as described in Appendix B to this Notice of Annual General Meeting, which will, unless revoked or varied by the Company at a General Meeting, continue in force until the next Annual General Meeting of the Company. This ordinary resolution, if passed, will authorise the Directors of the Company to make purchases or otherwise acquire issued ordinary shares in the capital of the Company subject to and in accordance with the guidelines set out in Appendix B to this Notice of Annual General Meeting.

Notes

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 Tenth Annual General Meeting.*

This page is intentionally left blank.

PROXY FORM ANNUAL GENERAL MEETING

SMRT CORPORATION LTD
(Incorporated in the Republic of Singapore)
(Company Registration No: 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 Tenth Annual General Meeting of the Company, to be held at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594, on Thursday, 23 July 2009 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 |
| Ordinary Business | | | |
| 1 | Adoption of Directors' Report, Audited Financial Statements and Auditors' Report | | |
| 2 | Declaration of a Final (tax exempt one-tier) Dividend | | |
| 3 | Approval of Directors' Fees | | |
| 4(a)(i) | Re-election of Ms Saw Phaik Hwa as Director | | |
| 4(a)(ii) | Re-election of Mr Ong Ye Kung as Director | | |
| 4(a)(iii) | Re-election of Mr Bob Tan Beng Hai as Director | | |
| 5 | Re-election of Dr Ho Kim Wai as Director | | |
| 6 | Re-appointment of KPMG LLP 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 | Renewal of the Share Purchase Mandate | | |
| 10 | Any Other Business | | |

Dated this _____ day of _____ 2009

Total Number of Shares Held:

| |
|--|
| |
|--|

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

IMPORTANT: PLEASE READ NOTES ON THE REVERSE





PLEASE
AFFIX
POSTAGE
STAMP

The Company Secretary
SMRT CORPORATION LTD
251 North Bridge Road
Singapore 179102

NOTES TO PROXY FORM:

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

DIRECTORY OF SUBSIDIARIES AND ASSOCIATED COMPANIES

SUBSIDIARIES

SINGAPORE

SMRT Trains Ltd

SMRT Investments Pte Ltd

SMRT International Pte Ltd

SMRT Capital Pte Ltd

SMRT Far East 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 8535

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

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

6 Ang Mo Kio Street 62

Singapore 569140

Telephone : (65) 6556 3479

Facsimile : (65) 6481 9221

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

SMRT Institute Pte Ltd

300 Bishan Road

Singapore 579828

Telephone : (65) 6554 8810

Facsimile : (65) 6552 8974

www.smrtinstitute.com.sg

HONG KONG

SMRT Hong Kong Limited

C/o 251 North Bridge Road

Singapore 179102

Telephone : (65) 6331 1000

Facsimile : (65) 6334 0247

www.smrt.com.sg

MIDDLE EAST

SMRT Engineering

(Middle East) FZE

P. O. Box 126370

Dubai, United Arab Emirates

Telephone : (971) 4 375 9219

www.smrt.com.sg

ASSOCIATED COMPANY

Transit Link Pte Ltd

9 Maxwell Road #03-02 Annexe A

MND Complex

Singapore 069112

Telephone : (65) 6236 6666

Facsimile : (65) 6222 0220

www.transitlink.com.sg



SMRT takes corporate citizenship seriously and we endeavour to do our part to protect the environment.



Paper

This report is fully printed on 9 Lives Offset paper which is 100% recycled, uncoated and environmentally friendly certified. The paper is also carbon neutral manufactured with a totally chlorine free process (TCF) and has been granted the Singapore Environment Council Green Label certification.

Printing

This report does not have finishings such as lamination and UV coating, and is printed using soy-based ink as opposed to traditional petroleum-based ink as soy-based ink is more environmentally friendly.



SMRT CORPORATION LTD

251 North Bridge Road

Singapore 179102

Telephone : (65) 6331 1000

Facsimile : (65) 6334 0247

www.smrt.com.sg

Company Registration No.: 200001855H