ANNUAL REPORT 2013

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OUR VISION

Moving people in a safe, reliable and affordable way.

OUR MISSION

To achieve excellence for our customers, employees, shareholders and community. To this end, we are committed to delivering safe and reliable services at affordable prices, being an employer of choice, creating significant shareholder value and becoming a socially responsible corporate role model.

CORE BELIEFS

To achieve our Vision and Mission, we are guided by the following beliefs:

We will:

- Be driven by our customers' needs
- Strive for excellence in everything we do
- Act with integrity at all times
- Treat people with fairness and respect
- Maintain safety as a top priority
- Collaborate with our partners for a win- win outcome
- Give our shareholders a reasonable return

CHAIRMAN'S STATEMENT

INTRODUCTION

2013 was a truly momentous year for SBS Transit. We not only celebrated our 40th Anniversary, marking four decades of serving Singapore's commuting public, but also launched our second underground rail network – the Downtown Line (DTL) – at the end of the year.

The opening of the new Line was a fitting end to a milestone year which saw record numbers of commuters on our buses and trains. Indeed, new initiatives under the 2013 Land Transport Master Plan have been targetted at growing the public transport network to meet the needs of the growing population. The Government-funded Bus Service Enhancement Programme (BSEP) has, for example, resulted in more buses and more bus services being rolled out. New train lines are also being built so much so that the rail network will double to 360 km by 2030 from the present 178 km.

DOWNTOWN LINE OPENING

With 34 stations spread over 42 km, the DTL will be Singapore's longest fully underground rail network when it is completed in 2017. In preparation for the start-up of the first stage of the Line (DTL 1), more than 400 staff were recruited and trained to fill wide-ranging positions from maintenance to operations, passenger service to support. Experienced staff from our North East Line (NEL) were also transferred to head some departments in DTL 1.

Trial runs of the system began in October 2013 and together with the Land Transport Authority (LTA), we worked together to resolve outstanding issues, including water seepage and signalling problems. Joint exercises with the Singapore Civil Defence Force, the LTA, Transcom and SMRT Corporation were also conducted to test our incident management plans. A community engagement exercise, not unlike what we did for our NEL when it was opened in 2003, was conducted. It involved school students and grassroots leaders who participated in a train evacuation drill in the tunnel.

Since the DTL 1 began revenue operations on 22 December 2013, ridership growth has been encouraging with an average daily ridership of about 52,000 just one month after launch.

LAND TRANSPORT MASTER PLAN 2013

The Land Transport Master Plan released in 2008 to encourage greater public transport usage underwent a review with new initiatives identified for implementation over the next 20 years. Announced in October 2013 by the Minister of Transport, it sought to enhance

REVENUES AT A GLANCE

$ 644.9m

Bus

$ 148.1m

Rail

$ 54.3m

Outdoor Advertising & Rental

commuters' travel experience with more connections and better services.

One of the key elements of the refreshed Plan is the acceleration of the BSEP which was introduced in 2012. Under the new timeline, the $1.1 billion Government-funded programme will be completed two years ahead of schedule in 2014. In all, 800 new buses will be put on the roads – 250 of which will be funded by operators while the remaining 550 will be funded by the Government.

As more buses are being added, more bus priority measures will also be implemented. Another 30 km of bus lanes will be added and the mandatory "Give way to buses" scheme expanded to about 150 more bus stops islandwide, up from the current 218 locations. Bus hubs, which are bigger and longer bus stops, will be expanded to some 20 new locations, almost doubling the current number. These measures, which will take about two years to roll out, will certainly go a long way to help improve our bus speeds and service reliability for the benefit of our commuters.

The Operating Performance Standards for rail operation will also be tightened. This will result in higher train frequencies with trains arriving at no more than five minutes apart during off-peak periods. Frequencies will also improve during the shoulder peak periods, which are the 30 minutes just before and after the morning and evening peak hours. As a result of the tightened standards, we have added another 400 weekly trips to the NEL schedule in January 2014.

FARE REVIEW

The Fare Review Mechanism Committee announced a new fare formula and its recommendations in November 2013. Central to its recommendations was the principle that fares should be kept affordable while safeguarding the commercial viability and sustainability of the public transport operators. The new formula takes into account a new Energy Index component which we had proposed in our submission given the fluctuating costs of diesel and electricity. It also makes use of the core Consumer Price Index (CPI) which excludes the costs of private transport and accommodation. However, the productivity extraction in the old formula has been retained. The new formula also provides additional flexibility for the fare adjustment to be rolled over to the next fare review exercise and for the fare allocation to be adjusted for structural shifts in the public transport network between bus and rail.

The Government accepted the Committee's recommendations and the Public Transport Council thereafter implemented a fare adjustment of 3.2%. The last fare revision was conducted in 2011 and fare adjustments had been suspended since pending the review of the fare formula. This fare revision will help to offset some of the cost increases that we have been experiencing over the past few years.

As part of the fare review exercise, SBS Transit will contribute 20% or about $7.2 million of the increased fare revenue to the Public Transport Fund to help needy commuters cope with the fare adjustment. This is in line with the new fare formula which mandates that 20% to

CHAIRMAN'S STATEMENT

50% of the expected increase in fare revenue for one year are channelled to the Fund. We are cognizant of the fact that any fare revision, however small, will have an impact on needy commuters and we will do our part to render assistance as a responsible transport operator.

SERVING OUR COMMUTERS

For the year, our buses ferried a total of 973.5 million passengers, 3.1% more than previously. This means that on average, our buses ferried close to 2.7 million passengers a day.

We took delivery of 281 new buses as part of our fleet renewal and expansion programme and another 122 buses under BSEP. Since 2006, we have committed $1.1 billion in 2,680 new buses. The average age of our buses is now about 6.8 years.

2013 also marked the last of our non-air-conditioned buses. All 3,326 buses in our fleet are fully air-conditioned, with four in 10 being double decks. As we upgrade our fleet, we have also rolled out more wheelchair-accessible bus (WAB) services. During the year, 24 such services were introduced, bringing the total number of WAB services to 163.

Demand for our rail services continued to remain strong with more than 204.8 million passenger trips made in 2013. This is an increase of 6.9% over the previous year.

In tandem with demand, about 2,500 additional trips per week were added to the schedules of our Light Rail Transit (LRT) systems. Slightly more than 1,000 trips a week were added to the Punggol East LRT and close to 1,500 more weekly trips to the Sengkang LRT to cut waiting time and provide greater capacity.

We also supported the Authorities in its one-year trial scheme to encourage rail commuters to change their travel patterns by travelling during pre-peak morning hours. This was to ease the peak hour congestion. Commuters who end their journeys at any of the 18 designated MRT stations in the city area before 7.45am travel for free while those who exit between 7.45am and 8.00am receive a discount of up to 50 cents off their fares. Our NEL stations in Chinatown, Clarke Quay, Dhoby Ghaut and Outram Park as well as all six stations on the DTL 1 are involved in the Government-funded trial which will end in June 2014.

Our commitment to service has not gone unnoticed by our commuters who have either written or called in to share their pleasant experiences with our staff. For the year, we received about 25,000 compliments and commendations. Separately, 1,205 of our staff received the national Excellent Service Awards and another 120 received the Transport Gold Award.

FINANCIAL PERFORMANCE

Revenue for the year increased by 6.9% from $792.3 million to $847.3 million.

Revenue from bus operations grew by 7.3% or $43.9 million to $644.9 million, fuelled by ridership growth of 3.1% in spite of lower average fares charged. Revenue from rail operations increased by 6.9% to $148.1 million which is attributable to ridership growth of 5.8% on the NEL and 11.2% on the Sengkang/Punggol LRT systems as well as the commencement of passenger service on the DTL.

Revenue from the advertisement business fell by 5.3% from $36.7 million to $34.8 million due to a drop in bus advertising sales. On the other hand, revenue from the rental business saw an increase of 22.1% or $3.5 million to $19.5 million.

The increase in revenue of $55.0 million at the Group level was however more than offset by an increase in operating expenses of $64.9 million due mainly to higher staff costs, higher repairs and maintenance costs, higher depreciation and higher premises costs.

As a result, operating profit fell by 38.9% or $9.9 million to $15.5 million.

The core bus business continued to be in the red with a $14.3 million loss. Finance costs due to increased borrowings to fund the purchase of new buses also increased by 51.5% or $1.5 million to $4.3 million.

For the first time since 2007, the rail business incurred an operating loss of $5.8 million due mainly to higher staff costs largely from the preparation for the start-up of the DTL 1 and higher repairs and maintenance costs, offset by higher rail fare revenue and lower electricity cost. If not for the DTL 1 start-up costs, the operating profit for the rail business would have increased by 22.4% or $2.5 million to $13.6 million.

As a result, at the Group level, net profit attributable to shareholders fell by 39.8% from $18.6 million to $11.2 million.

Earnings per share was 3.62 cents, 39.8% lower than the 6.01 cents previously, while net asset value per share increased by 0.9% to 112 cents. As at 31 December 2013, total equity for the Group increased by 0.7% to $344.3 million due to profits generated mainly from non-bus-train operations, which were partially offset by the payment of dividends.

In accordance with our dividend policy guideline, your Directors have proposed a tax-exempt one-tier final dividend of 0.9 cents per share. Together with the tax-exempt one-tier interim dividend of 0.9 cents per share paid earlier, the total tax-exempt one-tier dividend to be paid out for 2013 will be 1.8 cents per share, 40% lower than the previous year, in light of the lower profit.

CORPORATE SOCIAL RESPONSIBILITY

We continued to reach out to the community by sponsoring several charitable projects and offering free travel on the NEL to the elderly residents of the Kwong Wai Shiu Hospital. Cash donations were also contributed to various community outreach programmes. Similarly, free use of space at our bus interchanges and rail stations as well as advertising space on our buses and trains were offered to support charity and community efforts. On an individual level, staff actively participated in the Community Chest's SHARE programme where a fixed amount is deducted from their salaries and contributed to the charity every month.

We also took the opportunity to produce an educational publication entitled "Wheels of Change" to mark SBS Transit's 40th Anniversary. It encapsulates our development over the years and the changes we constantly adopt to achieve operational efficiency. This book is being distributed to all schools and community centres in Singapore as part of our community outreach programme.

In environmental protection, we continued to replace older buses with environmentally friendly ones. In 2013, we took delivery of 403 buses that are Euro 5-compliant. This brings the total number of environmentally friendly buses in our fleet to 2,269 which include Euro 4, Euro 5/Euro 5EEV and Compressed Natural Gas (CNG) models.

AWARDS

SBS Transit won recognition for good corporate governance for the second consecutive year at the Securities Investors Association of Singapore's Investors' Choice Awards. It was the Runner-Up in the "Singapore Corporate Governance Award" in the Mid-Cap category. In the Business Times' Governance and Transparency Index 2013, we were ranked 57th in a field of more than 660 companies. Our Annual Report clinched the bronze award at the Singapore Corporate Awards 2013.

Our continual efforts in fostering good management-labour relations earned us the National Trades Union Congress' prestigious Plaque of Commendation (Star) Award.

We also received the Workforce Skills Qualifications (WSQ) Recognition Award from the Workforce Development Agency for adopting WSQ-certified service excellence programmes in our staff training. We are one of the 20 organisations from among 7,600 to be selected for this honour.

In operational excellence, we worked hard to develop a business resilience plan to enable us to continue to operate our bus and train services in a crisis. Our Business Continuity Management System was successfully certified under Societal Security ISO 22301:2012 standards. Meanwhile, our business processes continued to be re-certified under the ISO 9001:2008 standards.

THE YEAR AHEAD

The operating environment will be even more challenging going forward as regulatory standards are further tightened.

The Bus Service Reliability Framework to regularise bus waiting times started in February 2014 on a two-year trial. By June 2014, 12 of our bus services will progressively be involved. Under this Framework, public transport operators have to enhance their enroute operational management to earn monetary incentives and avoid financial penalties. This means that our bus Operations Control Centres (OCC) will become busier as they work actively to reduce the incidence of bus bunching and long wait times between buses. Our Controllers have to carry out appropriate interventions such as guiding Bus Captains (BCs) to slow down or even hold back buses at bus stops for one to two minutes to regulate the headway. To ensure we meet the standards, we will have to continue to beef up our bus OCCs with more staff and equipment.

More BCs will also be needed to meet the shortened timeline of BSEP. We expect that we will have to recruit about 320 BCs to meet the rollout of the 177 new BSEP buses that will be delivered in 2014. The recruitment of BCs will continue to be a challenge given the nature of the profession and competing job opportunities for drivers. The high Foreign Worker Levy will also lead to higher wage cost while the increase in CPF contributions announced during the 2014 Budget will come into effect next year.

Financial penalties for service lapses have also increased. In 2013, the Public Transport Council announced a significant increase in the financial penalties for bus operations if the Quality of Service Standards are not met. In fact, the fines have increased by between 10 and 20 times the original sum. For instance, breaching the loading standard will result in a penalty of $2,000 per service per day, up from $100 originally.

A Bill was also passed in Parliament in February of 2014 to impose heftier financial penalties on train operators for delays and disruptions on their Lines. The cap of $1 million per incident will now give way to a maximum 10% penalty of the operator's annual fare revenue.

We will be adding more new buses to our fleet in 2014. Borrowings will increase to fund these purchases and consequently, gearing which is already high, will increase further.

The Government is working hard to promote public transport usage by improving connectivity. Ten new City Direct services are being introduced to connect the heartlands to the city area during peak hours. The LTA has also announced tenders for private bus operators to run 15 short feeder services during peak hours to supplement the efforts of the public transport operators.

APPRECIATION

I wish to thank Management and Staff led by our Chief Executive Officer (CEO), Mr Gan Juay Kiat, for their hard work and commitment. I would also like to record my appreciation to our Deputy Chairman, Mr Kua Hong Pak, who is also the Managing Director and Group CEO of our parent company, ComfortDelGro, for his astute leadership in providing guidance to the CEO and his Team in the day-to-day matters of running the Company.

To my fellow Directors, thank you for your invaluable advice, continued guidance and unstinting support. I would like to also extend the Board's appreciation to Mr Tan Kong Eng who retires after the next Annual General Meeting which will be held on 24 April 2014. Mr Tan has been with the SBS Transit Group for 40 years, of which 22 years were as a Non-Executive Director.

I would also like to thank the National Transport Workers' Union, Authorities, Constituency Advisors and Grassroots Leaders for their cooperation, assistance, understanding and support.

To our Customers, thank you for your support and patronage. We remain committed to improving our services and service delivery standards in serving your travel needs safely and promptly.

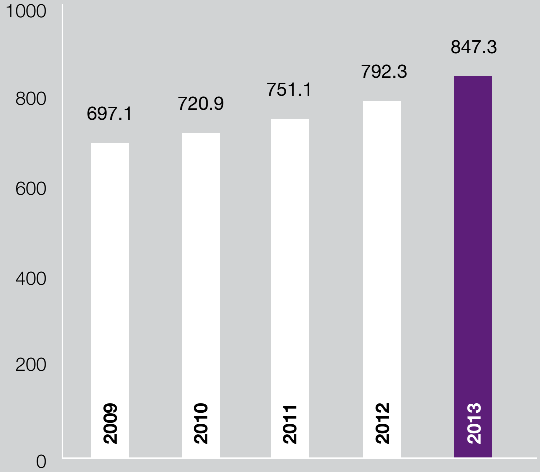
Finally, my appreciation also goes to our loyal Shareholders. We will continue to work hard to deliver what we have committed.

LIM JIT POH

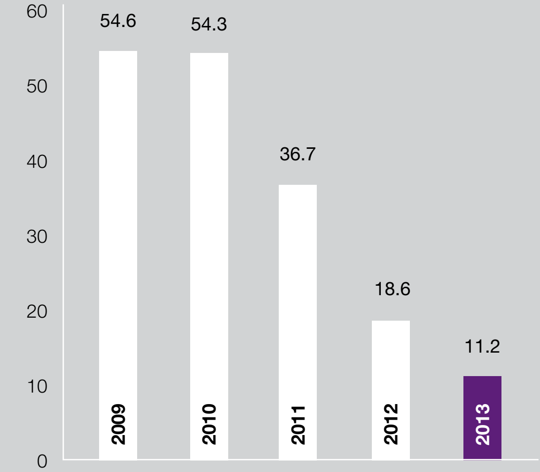
Chairman
February 2014

GROUP FINANCIAL HIGHLIGHTS

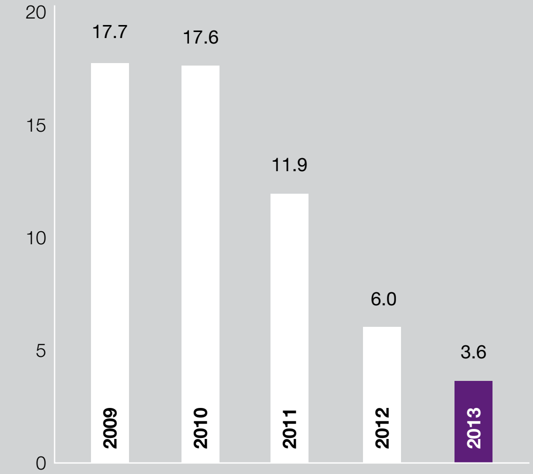
REVENUE
($'mil)



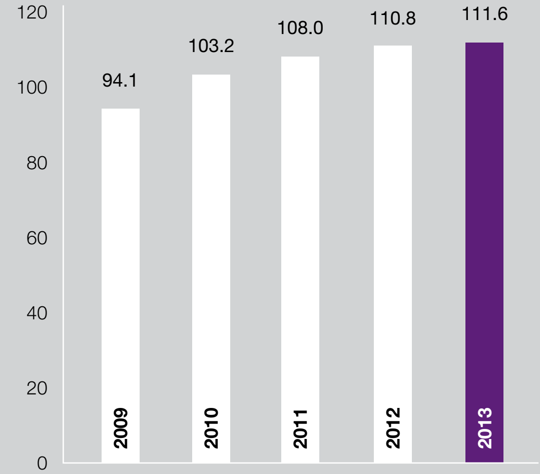
PROFIT ATTRIBUTABLE TO SHAREHOLDERS
($'mil)



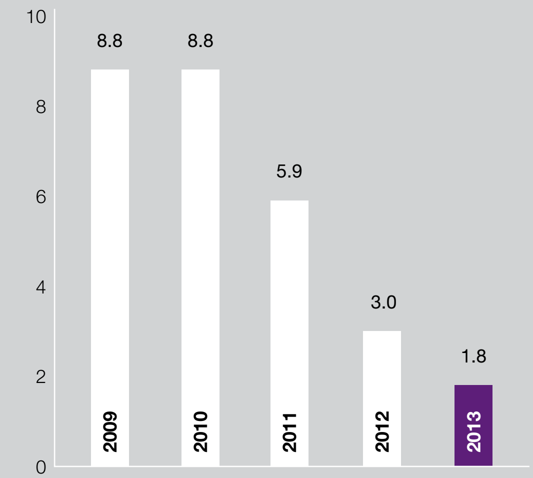
EARNINGS PER ORDINARY SHARE
(cents)



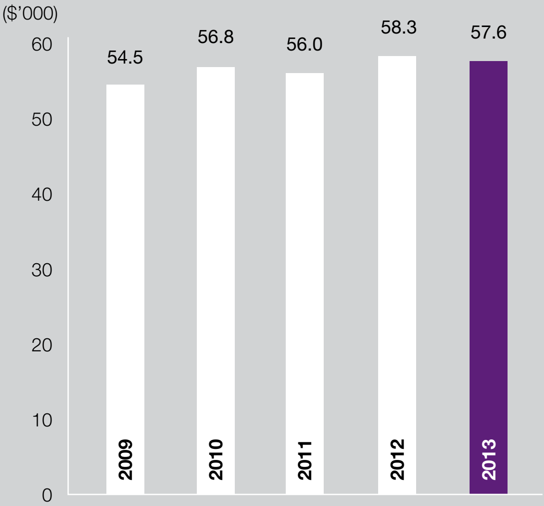
NET ASSET VALUE PER ORDINARY SHARE
(cents)



TOTAL DIVIDEND PER ORDINARY SHARE
(cents)



VALUE-ADDED PER EMPLOYEE
($'000)



GROUP FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

	2009	2010	2011	2012	2013
Revenue ($'mil)	697.1	720.9	751.1	792.3	847.3
Operating profit ($'mil)	62.2	64.7	45.7	25.4	15.5
Operating expenses ($'mil)	634.9	656.2	705.4	766.9	831.8
Profit attributable to shareholders ($'mil)	54.6	54.3	36.7	18.6	11.2
EBITDA ($'mil)	102.7	112.1	93.4	82.4	77.4
Issued capital ($'mil)	92.3	93.0	93.9	93.9	93.9
Capital and reserves ($'mil)	289.6	317.9	333.4	342.1	344.3
Capital disbursement ($'mil)	167.3	106.6	153.8	202.7	166.1
Internal funds generated ($'mil)	101.2	117.6	91.2	78.0	44.8
Earnings per ordinary share (cents)	17.7	17.6	11.9	6.0	3.6
Net asset value per ordinary share (cents)	94.1	103.2	108.0	110.8	111.6
Return on shareholders' equity (%)	20.4	17.9	11.3	5.5	3.3
Total dividend per ordinary share (cents)	8.8	8.8	5.9	3.0	1.8
Dividend cover (number of times)	2.0	2.0	2.0	2.0	2.0

VALUE-ADDED FOR THE GROUP

	2009		2010		2011		2012		2013	
	$'000	%	$'000	%	$'000	%	$'000	%	$'000	%
Suppliers of capital - dividends and term loan interest	27,079	6.7	27,488	6.5	24,535	5.9	15,649	3.6	12,174	2.5
Taxation to the government	22,355	5.5	25,126	6.0	23,073	5.6	21,416	4.9	16,618	3.5
Retained earnings	67,528	16.6	74,054	17.7	61,520	14.8	62,672	14.2	65,370	13.6
Employees – salaries and other staff costs	289,113	71.2	292,780	69.8	305,525	73.7	340,343	77.3	386,766	80.4
Total value-added	**406,075**	**100.0**	**419,448**	**100.0**	**414,653**	**100.0**	**440,080**	**100.0**	**480,928**	**100.0**
Value-added per employee ($'000)	54.5		56.8		56.0		58.3		57.6	

CORPORATE INFORMATION

BOARD OF DIRECTORS

LIM JIT POH
Chairman

KUA HONG PAK
Deputy Chairman

GAN JUAY KIAT
Chief Executive Officer

CHEONG YIP SENG

CHIN HARN TONG

JOHN DE PAYVA
Lead Independent Director

LIM SEH CHUN

TAN KONG ENG

WEE SIEW KIM

WONG CHIN HUAT, DAVID

AUDIT AND RISK COMMITTEE

WEE SIEW KIM
Chairman

CHIN HARN TONG

LIM SEH CHUN

TAN KONG ENG

REMUNERATION COMMITTEE

CHIN HARN TONG
Chairman

JOHN DE PAYVA

LIM JIT POH

NOMINATING COMMITTEE

JOHN DE PAYVA
Chairman

CHEONG YIP SENG

WONG CHIN HUAT, DAVID

SERVICE QUALITY COMMITTEE

WONG CHIN HUAT, DAVID
Chairman

CHEONG YIP SENG

LIM SEH CHUN

WEE SIEW KIM

CORPORATE DIRECTORY

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Company Registration Number: 199206653M

Company Secretary
CHAN WAN TAK, WENDY

Share Registrar
B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Auditors
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way, OUE Downtown 2
#32-00
Singapore 068809

Partner-in-Charge:
TOH YEW KUAN , JEREMY

Date of Appointment:
1 November 2011

BOARD OF DIRECTORS

LIM JIT POH
Chairman
(Non-Executive & Non-Independent)

Mr Lim Jit Poh was appointed non-executive Chairman and Director of SBS Transit Ltd in 2003. He is a member of the Remuneration Committee. Mr Lim is also the Chairman of ComfortDelGro Corporation Limited, VICOM Ltd and Ascott Residence Trust Management Limited. These are listed companies with business interest in land transport, inspection and testing services and hospitality trust. Mr Lim is also the Chairman of several non-listed companies owned by the Singapore Labour Foundation and the National Trades Union Congress (NTUC).

Mr Lim was a former top civil servant and a Fulbright Scholar. He was awarded the Public Administration Medal by the Government of Singapore in 1972, as well as three awards by NTUC, namely the Friend of Labour Award in 1986, the Meritorious Service Award in 1990 and the Distinguished Service Award in 2000. In 2006, he was also one of the recipients of the Distinguished Science Alumni Award from the National University of Singapore. Mr Lim is a Trustee of the Singapore National Employers' Federation.

In his previous employment as Executive Director of two public-listed companies, Mr Lim had been directly involved in negotiations with business partners and relevant authorities on various joint venture projects in the ASEAN region, as well as in China, Hong Kong, United Kingdom, Australia and Mauritius. He was also involved in the management of these operations. Mr Lim was a Council Member of the Singapore Chinese Chamber of Commerce and Industry and the National University of Singapore, and a Member of the Singapore British Business Council. He was also very active in community work being Chairman of a community centre management committee. Presently, he is a Member of the Board of Management of Pei Chun Public School.

Mr Lim holds a Bachelor of Science (Hons) in Physics from the University of Singapore and a Master of Education from the University of Oregon, USA.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Lim will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 24 April 2014. He is a non-independent Director of the Company.

KUA HONG PAK

Deputy Chairman
(Non-Executive & Non-Independent)

Mr Kua Hong Pak was appointed Executive Director of SBS Transit Ltd in 2002. In 2003, he was appointed Deputy Chairman of the Company. Mr Kua is presently the Managing Director/Group Chief Executive Officer of ComfortDelGro Corporation Limited and Deputy Chairman of VICOM Ltd. Prior to this, he was the President/Chief Executive Officer of Times Publishing Limited, where he managed its Singapore and overseas operations in the United States, United Kingdom, China, Japan, Hong Kong and Australia.

Mr Kua also serves on the boards of Temasek Holdings (Private) Limited, PSA International Pte Ltd, PSA Corporation Limited and StarHub Ltd. He is also an Honorary Citizen of Shenyang City, China. In recognition of his contributions to community service, he was awarded the Public Service Medal in 1991 and the Public Service Star in 1996 by the President of the Republic of Singapore and re-appointed a Justice of the Peace in 2010. He was awarded the Medal of Commendation in 2005 and the Medal of Commendation (Gold) in 2010 by the National Trades Union Congress.

Mr Kua holds a Bachelor of Accountancy from the University of Singapore and is a Fellow of the United Nations Asian Institute. He also attended the Advanced Management Programme at the Harvard Business School.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Kua will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 24 April 2014. He is a non-independent Director of the Company.

GAN JUAY KIAT

Chief Executive Officer & Director

Mr Gan Juay Kiat was appointed Chief Executive Officer of SBS Transit Ltd on 1 March 2010. Mr Gan first joined ComfortDelGro Corporation Limited as Group Corporate Planning Officer in February 2006. Subsequently, he was also appointed the Chief Executive Officer and Director of ComfortDelGro Bus Pte Ltd. In April 2007, he assumed the role of Chief Operating Officer of SBS Transit Ltd, and was appointed Executive Director on 1 March 2009.

Prior to joining the ComfortDelGro Group, Mr Gan was the Chief Corporate Officer at the Ascott Group and Senior Vice President (Corporate Planning) at CapitaLand Limited.

Mr Gan started his career in the Singapore Armed Forces where he held several senior command and staff appointments. He moved on to join General Electric Company as a Divisional Director, and later to Times Publishing Limited as Senior Vice President (Retail & Distribution).

Mr Gan was a President's Scholar and SAF (UK) Scholar in 1976. He holds a Bachelor of Arts (Engineering Tripos) from the University of Cambridge, United Kingdom.

Mr Gan was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 26 April 2012. He is a non-independent Director of the Company.

BOARD OF DIRECTORS

CHEONG YIP SENG
Director
(Non-Executive & Independent)

Mr Cheong Yip Seng has been a non-executive Director of SBS Transit Ltd since 1997. He is an independent Director of the Company. Mr Cheong is a member of both the Nominating Committee and Service Quality Committee. Mr Cheong was the Editor-in-Chief of the English/Malay Newspapers Division of Singapore Press Holdings Limited (SPH) from 1987 to 2006. In 2007, he became an Editorial Advisor to SPH until June 2008.

He was Chairman of the Advisory Committee on the Impact of New Media on Society from April 2007 to April 2009. He had served on the Board of Trustees, National University of Singapore, and the Board of the Building and Construction Authority.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Cheong will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 24 April 2014.

CHIN HARN TONG
Director
(Non-Executive & Independent)

Mr Chin Harn Tong has been a non-executive Director of SBS Transit Ltd since 1993. He is an independent Director of the Company. Mr Chin is the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee. He is also a Director of CityCab Pte Ltd. He had previously been the Secretary, Executive Director and Advisor of NTUC Comfort (1971–1986).

Mr Chin is the Advisor to the North-East Community Development Council and the Singapore Stevedores' Union. He was a Member of Parliament for Aljunied from 1972 to 1996. He was also the Political Secretary, Parliamentary Secretary and Senior Parliamentary Secretary between 1976 and 1988.

Mr Chin was awarded the Public Administration Medal by the Government of Singapore in 1971, the Friend of Labour Award in 1971 and the Meritorious Service Award by the National Trades Union Congress (NTUC) in 2000. He was also appointed a Justice of the Peace in 1998.

Mr Chin holds a Bachelor of Arts from the Nanyang University (1963). In 1970, he was awarded the Colombo Plan Fellowship in Industrial Relations, Australia and was subsequently seconded to the NTUC and was promoted to the Government's Administrative Service.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Chin will be due for re-appointment as a Director at the forthcoming Annual General Meeting to be held on 24 April 2014.

JOHN DE PAYVA

Director
(Non-Executive & Lead Independent)

Mr John De Payva has been a non-executive Director of SBS Transit Ltd since 1999. He is an independent Director of the Company and was appointed Lead Independent Director of the Company since 1 January 2013. Mr De Payva is the Chairman of the Nominating Committee and a member of the Remuneration Committee.

Mr De Payva is the President Emeritus of the National Trades Union Congress (NTUC). He is also the Executive Director and Secretary-General Emeritus of the Singapore Manual and Mercantile Workers' Union, a Director of NTUC Fairprice Cooperative Ltd and a Member of the Board of Governors of OTC-ILS.

Mr De Payva holds a Diploma in Industrial Relations from the Singapore Institute of Labour Studies.

Mr De Payva was awarded the Public Service Medal in 1998, the Public Service Star in 2004 and the Meritorious Service Medal in 2011 by the President of the Republic of Singapore and the Distinguished Service (Star) in 2012 by NTUC.

Pursuant to Article 97 of the Company's Articles of Association, Mr DePayva will be due for re-election at the forthcoming Annual General Meeting to be held on 24 April 2014.

LIM SEH CHUN

Director
(Non-Executive & Independent)

Professor Lim Seh Chun was appointed a non-executive Director of SBS Transit Ltd on 1 October 2012. He is an independent Director of the Company. Professor Lim is a member of both the Audit and Risk Committee and the Service Quality Committee.

Professor Lim is the Deputy Dean of the Faculty of Engineering and a Professor in the Department of Mechanical Engineering, at the National University of Singapore (NUS), where he started his academic career as a Lecturer in 1986. Prior to his current appointment, he held several management positions including Special Assistant (Policy) to Vice-Chancellor, Chief of Staff, Acting Director for Institutional Resources, Associate President, Head of Department of Mechanical Engineering and Director of NUS-CREATE. His main research effort is to understand the friction and wear behaviour of engineering materials.

Professor Lim was a Public Service Commission (PSC) Overseas Merit Scholar. He holds a Bachelor of Arts (Hons) in Engineering Science from Oxford University, Master of Arts from Oxford University, Master of Engineering from National University of Singapore and Doctor of Philosophy from Cambridge University. He is a Fellow of the Institution of Engineers, Singapore, the Institution of Mechanical Engineers, UK and the Institute of Materials, Minerals and Mining, UK. He is a registered Professional Engineer in Singapore and a Chartered Engineer in the UK. He was awarded the Public Administration Medal (Silver) in 2005.

Professor Lim is a Member of the Singapore National Youth Orchestra Advisory Board and a Director of the Singapore Symphonia Company Limited.

Professor Lim was last re-elected a Director of the Company pursuant to Article 103 of the Company's Articles of Association at the Annual General Meeting held on 25 April 2013.

BOARD OF DIRECTORS

TAN KONG ENG
Director
(Non-Executive & Independent)

Mr Tan Kong Eng has been a non-executive Director of SBS Transit Ltd since 1992. He is an independent Director of the Company. Mr Tan is a member of the Audit and Risk Committee.

Mr Tan was the Managing Director of DelGro Corporation Limited between 1973 and 1994 and retired in 1994. He is currently a Director of Glory & Company Private Limited and Changi Bus Company (Private) Limited.

Mr Tan will retire pursuant to Section 153(6) of the Companies Act, Cap. 50 and he will not be seeking re-appointment at the forthcoming Annual General Meeting to be held on 24 April 2014.

WEE SIEW KIM
Director
(Non-Executive & Independent)

Mr Wee Siew Kim has been a non-executive Director of SBS Transit Ltd since 2003. He is an independent Director of the Company. Mr Wee is the Chairman of the Audit and Risk Committee and a member of the Service Quality Committee.

Mr Wee is currently Group Chief Executive Officer (CEO), NIPSEA Group of Companies. He is also the Chairman of ES Group (Holdings) Limited and a Director of Mapletree Logistics Trust Management Ltd.

Mr Wee was previously the Deputy CEO of Singapore Technologies Engineering Ltd. Prior to this, Mr Wee held several positions within Singapore Technologies Engineering including being the President of Singapore Technologies Aerospace Ltd.

Mr Wee holds a Bachelor of Science (Aeronautical Engineering) (Hons) from the Imperial College of Science and Technology and a Master in Business Administration from the Graduate School of Business, Stanford University.

Mr Wee was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 25 April 2013.

WONG CHIN HUAT, DAVID

Director
(Non-Executive & Non-Independent)

Mr Wong Chin Huat, David has been a non-executive Director of SBS Transit Ltd since 1997. He is the Chairman of the Service Quality Committee and a member of the Nominating Committee.

Mr Wong is the Senior Partner of Ramdas and Wong, a position he has held since June 1974.

Mr Wong is also a Director of ComfortDelGro Corporation Limited. He also serves as a Member of the Public Service Commission. He is presently the Chairman of the NTUC-U Care Fund Board of Trustees. He was a Director of the Singapore Labour Foundation (SLF) from 30 November 2001 till 24 September 2010.

Mr Wong was awarded the Friend of Labour Award in 1989, the Meritorious Service Award in 1995, the Distinguished Service Award in 2001 and the Distinguished Service (Star) Award in 2010 by NTUC.

Mr Wong also received a Certificate of Appreciation from SLF for services rendered as a Director of Pasir Ris Resort Services Pte Ltd in 1989. In 1991, he was awarded the Public Service Star and in 2005, the Public Service Star (Bar) by the President of the Republic of Singapore for community and social services rendered.

Mr Wong holds a LL.B (Hons) from the University of Singapore and a LL.M from the University of London.

Pursuant to Article 97 of the Company's Articles of Association, Mr Wong will be due for re-election at the forthcoming Annual General Meeting to be held on 24 April 2014. He is a non-independent Director of the Company.

KEY MANAGEMENT

WOON CHIO CHONG

Executive Vice President, Bus Development

Mr Woon Chio Chong joined SBS Transit Ltd as a Planning Officer in 1976 and rose through the ranks with stints in Planning and Operations. He was promoted to the position of Senior Vice President of Service Development in 1995, and subsequently appointed Executive Vice President (Bus Operations) in 2000. In November 2008, he was re-designated as Executive Vice President (Bus Development), where he is responsible for the development of bus routes, operations support, bus training and service quality for the bus division. He also oversees the security department in the Company. Mr Woon holds a Bachelor of Science (Hons) in Information Science from the Victoria University of Wellington, New Zealand.

WONG WAI KEONG

Executive Vice President, Rail

Mr Wong Wai Keong joined SBS Transit as Deputy Director, Engineering (Rail) in 2000. In January 2012, Mr Wong was appointed Executive Vice President for the Rail Business Area. He concurrently holds the position of Chief Executive Officer of SBS Transit Downtown Line (DTL). Mr Wong has extensive experience working in the rail industry. Prior to joining SBS Transit, he was with the Mass Rapid Transit Corporation and the Land Transport Authority for some 16 years until March 2000. Mr Wong was awarded the Public Administration Medal (Bronze) in 1996 by the Singapore Government for his outstanding contributions to the development of the local rail network. Mr Wong holds a Bachelor of Engineering (Hons) in Electrical and Electronic Engineering from the University of Birmingham, United Kingdom. He is a Professional Engineer accredited with the Singapore Professional Engineers Board. A Chartered Engineer, he is also a Member of the United Kingdom's Institution of Engineering and Technology.

ENG SOK YONG

Senior Vice President, Corporate Development

Ms Eng Sok Yong was appointed Senior Vice President of Corporate Development in SBS Transit in February 2007. Prior to this, she was the Group Director of Policy and Planning at the Land Transport Authority, where she was in charge of its corporate communications, policy development, infrastructure and strategic planning departments. She had previously served as Assistant Director in the Ministry of Trade and Industry, where she was responsible for Singapore's multi-lateral negotiations in the World Trade Organisation. Ms Eng, who was a Public Service Commission (PSC) Scholar, holds a Master of Science from the London School of Economics.

NG YEW LIN, LINDA

Senior Vice President, Finance

Ms Ng Yew Lin, Linda was appointed Senior Vice President of Finance in SBS Transit on 1 January 2008. She had joined Waterbank Properties, a subsidiary of ComfortDelGro Corporation Limited, as a Manager in Finance and Administration in 1996. On 1 October 2001, she was appointed Director of Finance for SBS Transit. Prior to joining the Company, she had held appointments in Keppel Land Ltd, Tandem Computers International Inc., Singapore Computer Systems Ltd and Ernst & Young. Ms Ng holds a Bachelor of Accountancy from the National University of Singapore, and is a Chartered Accountant of the Institute of Singapore Chartered Accountants.

TAN I-LIN, TAMMY

Senior Vice President, Corporate Communications

Ms Tan I-Lin, Tammy is Senior Vice President, Corporate Communications of SBS Transit. She is also the Group Corporate Communications Officer and Spokesperson for ComfortDelGro Corporation Limited, SBS Transit's parent company. She is responsible for all corporate communications functions, including promoting the Group's image, overseeing its various publications, coordinating requests for sponsorships and donations, and liaising with the media community. Ms Tan started her career with Singapore Press Holdings in 1995 and held several positions in The Straits Times, including Deputy Money Editor and Deputy News Editor. She holds a Bachelor of Social Sciences (Hons) from the National University of Singapore.

LEONG YIM SING

Senior Vice President, Rail Engineering

Mr Leong Yim Sing joined SBS Transit in 2003 as Director, Rolling Stock. In 2005, he was appointed as Vice President, Rail Engineering, to oversee all engineering activities to support the North East Line and Sengkang-Punggol LRT operations. In 2011, he was promoted to Senior Vice President, Rail Engineering. He concurrently holds the position of Senior Vice President, Rail Engineering of SBS Transit Downtown Line (DTL). Mr Leong has 28 years of experience in the operations and maintenance of Singapore's rail systems. A pioneer in the rail industry, he was actively involved in the setting up of Singapore's first MRT system including the North-South and East-West Lines in 1985. In 1995, he oversaw the setup and operations of the first driverless LRT system in Singapore. Mr Leong graduated with First Class Honours in Mechanical Engineering from the Imperial College, London. He is a certified Professional Engineer in Singapore, and an Associate of the City & Guilds Institute, London.

KEY MANAGEMENT

TAN ENG KOK, IVAN

Senior Vice President, West District, Bus Operations

Mr Tan Eng Kok, Ivan joined SBS Transit in 1996 as Vice President (Corporate Development) and later assumed the position of Vice President (Operations). He was subsequently appointed Vice President in charge of bus operations for West District in 1998. He was promoted to Senior Vice President on 1 January 2012. Prior to joining the Company, Mr Tan had worked as an Engineer with Hewlett Packard. He also has corporate planning and market research experience from his stint with SISIR. Mr Tan holds a Bachelor of Engineering (Hons) in Mechanical Engineering from the National University of Singapore. He also obtained a Master of Business Administration from the same university.

ANG WEI NENG

Senior Vice President, East District, Bus Operations

Mr Ang Wei Neng joined SBS Transit in 2004. Prior to his current appointment as Senior Vice President for bus operations in the East District, he held key positions in service development, operations development and security. Before joining the Company, he had held various managerial positions in operations and business development in diverse industries, covering countries in Southeast Asia, Hong Kong and China. Mr Ang, a Public Service Commission (PSC) Scholar, served in the Singapore Police Force before joining the private sector. He holds a Bachelor of Social Sciences (Hons) from the National University of Singapore and a Master of Business Administration (MBA) from the Nanyang Technological University. Mr Ang is also a Member of Parliament for Jurong GRC.

GOEI BENG GUAN, ALEX

Senior Vice President, Rail Operations

Mr Goei Beng Guan, Alex is responsible for the operations of the North East Line (NEL) and the Sengkang Punggol Light Rapid Transit system (SPLRT). He first joined the Company in 1985, starting with bus service planning and project management. From September 1998, Mr Goei was extensively involved in the launch of the North East Line (NEL), which is Singapore's first underground, driverless rail system. Heading traffic, passenger service and operations, he played an integral role in ensuring the successful opening of the NEL in 2003. He was subsequently promoted to Senior Vice President, Rail Operations in January 2013. He concurrently holds the position of Senior Vice President, Rail Operations of SBS Transit Downtown Line (DTL). Mr Goei graduated from the National University of Singapore with a Bachelor of Arts in Economics and History. He also obtained post-graduate diplomas in Road Passenger Transport and Training and Development Management from the Chartered Institute of Logistics & Transport and UK Institute of Training and Development respectively. He is also an Associate of the Institute of Railway Signal Engineers.

POH EE HUAT

Vice President (Special Grade), Engineering and Supplies

Mr Poh Ee Huat joined SBS Transit as Senior Maintenance Engineer in September 1989. He assumed the position of Director, Engineering (Bus) in September 1998, where he was in charge of the engineering and supplies operations of the Bus Business. He was also a key member of the North East Line (NEL) project team in charge of securing the NEL, Punggol and Sengkang LRT business, and the initial set up of the Rail Business area. He was appointed General Manager, Fleet Management One in July 2002. Subsequently, he was appointed General Manager of Engineering and Supplies in June 2006. Prior to joining SBS Transit, Mr Poh was a Project Engineer with the Republic of Singapore Air Force. He holds a Bachelor of Engineering (Hons) in Mechanical Engineering, and a Master of Science (Industrial Engineering) from the National University of Singapore.

CHAN WAN TAK, WENDY

Company Secretary

Ms Chan Wan Tak, Wendy is the Company Secretary of SBS Transit. She also holds a similar appointment in ComfortDelGro Corporation Limited, which is SBS Transit's parent company. She joined the Group in September 2007 as Vice President of Group Finance. Prior to this, Ms Chan was Vice President of Finance and Operations at k1 Ventures Limited. She had also been with Deloitte & Touche LLP as Senior Audit Manager. Ms Chan holds a Bachelor of Accounting & Finance (Hons) from the University of Glamorgan, United Kingdom. She is a Chartered Accountant of the Institute of Singapore Chartered Accountants and a Fellow of the Chartered Association of Certified Accountants.

OPERATIONS REVIEW
BUS

Basic Services • Fast Forward Services • Chinatown Direct Services • Parks Service Express Services • Premium Services • Nite Owl Services

Revenue ($'mil)	Average Daily Ridership ('000)	Total Bus Fleet	Total Number of Employees
644.9	2,667	3,326	7,224

SBS Transit is Singapore's largest scheduled bus service operator with a 75% share of the market. With a fleet of 3,326 buses, we operate 255 bus services which comprise 201 basic services, 31 premium services and 23 niche bus services – all catering to different commuter needs. For the year, our fleet of buses operated about 31,000 trips on a daily average and ferried a total of 973.5 million passengers 3.1% more than previously.

We continued to roll out another 24 wheelchair-accessible bus services during the year. This brings the total number of wheelchair-accessible services to 163, which means that eight out of every 10 basic bus services in our operation cater to passengers-in-wheelchairs.

For the year, we took delivery of 281 new buses – 101 single deck and 180 double deck - as part of our fleet renewal and expansion programme which commenced in 2006. With the phase out of non-air-conditioned buses complete, our fleet became fully air-conditioned in September 2013. In all, we have committed $1.1 billion for a total of 2,680 buses.

Apart from new buses for fleet renewal and expansion, we also took delivery of another 122 new buses under the Government's Bus Service Enhancement Programme (BSEP) which was announced in 2012. With these, we now have 3,326 buses in our fleet. The average age of our bus fleet is about 6.8 years.

The BSEP buses rolled out this year have been put into service on five new routes – Services 4, 20, 49, 120 and 141 – as well as to beef up capacity and enhance frequencies on 39 heavily-utilised services. We also made improvements to 45 services by putting in more buses as well as deploying double deck buses in place of single deck ones. We added 112 more weekday peak hour trips to some of these services. Short working trips were introduced on six services – 29A, 55B, 72B, 78A, 159B and 269A - to operate only during peak periods where demand is heaviest and along a section of the regular route. In all, 80 bus services were improved.

To cater to commuter demand, we have also extended the operating hours of selected bus services during major events and celebrations. This include festive occasions such as the Lunar New Year and Christmas, as well as on the eve of public holidays. For the F1 Grand Prix night races, we put four special late night routes into service to complement the extended train hours.

With an expanded fleet, the Land Transport Authority (LTA) offered us a temporary bus park in Changi which can house some 260 buses. Buses that serve the Tampines Bus Interchange are parked at this facility.

The Yio Chu Kang terminal was converted to a full-fledged Interchange during the year to cater to the significant increase in passenger volume. This means that it now has a passenger service counter and full-time frontline staff to assist commuters when needed. The surge in passenger volume resulted largely from the opening of the Institute of Technical Education's campus in Ang Mo Kio in 2013. To cater to the expected increase in student commuters, the fleet of Service 72 was expanded by more than 40%.

As part of our continuing efforts to make public transport more convenient for commuters, we broadened the use of our Intelligent Route Information System, popularly known as *iris*, to include new platforms. Our *iris* app for iPhone and Android phone users was extended to Blackberry users, which was done in partnership with Blackberry.

The *iris* information was also made available on 11 other smartphone apps which were developed by private individuals and organisations in accordance with our licensing terms which stipulate that such services must be offered free to commuters. We continue to receive, evaluate and accede to new requests for the use of *iris* information from private app developers. During the year, our *iris* app as well as the apps created by private developers received an average of five million queries a day for next bus arrival timings – an increase of two million daily queries compared to 2012.

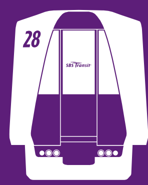
The installation of new equipment for fares collection on board our buses was completed in 2013. Designed with a new generation fare card reader, the new device comes with a larger screen for the visual convenience of commuters, especially senior citizens. It shows the bus stop distance travelled, the time, the fare deducted and the card's balance. Designed in partnership with the LTA, the new equipment is also easier to navigate, making it easier for our Bus Captains. With a seven-inch touch screen in the driver's console, it includes a cash fare calculator which enables Bus Captains to compute and advise cash-paying commuters of the correct fares.

To ensure operational readiness in an incident, a service disruption exercise was conducted in October at the Clementi Interchange. The scenario required bus services to be re-routed. Goodwill Ambassadors, Traffic Inspectors as well as staff from the other interchanges were mobilised in this exercise which validated our preparedness and responsiveness in incident management.

In the area of service delivery, we continued to work hard to meet commuters' expectations. This was reflected in the 25,000 compliments and commendations received during the year. Our efforts were also reflected in our performance in the Public Transport Council's (PTC) Quality of Service Standards (QoS). For the period of assessment till 31 May 2013, we achieved all the QoS standards.

During the year, the PTC announced a significant increase in the financial penalties that it would henceforth impose on operators for failing to comply with Standards. Effective from April 2013, the amount has increased by between 10 and 20 times the original sum. For instance, breaching the loading standard was raised to $2,000 per service per day, up from $100 originally. For non-compliance with the monthly bus breakdown standard, the fine is now $100,000 – ten times the previous sum.

Even as we worked at improving our operations and processes, we conducted numerous training and exchange programmes with representatives from foreign government agencies and transport firms including China, Indonesia and South Africa. We also visited our sister company, Metroline, in London to learn more about how it operates under the Quality Incentive contract so that we are better able to prepare ourselves when the Bus Service Reliability Framework trial commences in Singapore in February 2014. Through these sessions, we were able to share best practices and learn from each other.



North East Line • Downtown Line • Sengkang Light Rail Transit • Punggol Light Rail Transit

Revenue ($'mil)	Average Daily Ridership ('000) (North East Line)	Average Daily Ridership ('000) (Downtown Line)	Average Daily Ridership ('000) (Punggol LRT/Sengkang LRT)	Total Number of Employees
148.1	481	52*	79	1,270

* for January 2014

Demand for our rail services continued to remain strong in 2013 with more than 204.8 million passenger trips made. This represented an increase of 6.9% over the previous year.

Average daily ridership on the North East Line (NEL) grew by 6.1% to 481,000 while that of the two Light Rail Transit (LRT) systems in Punggol and Sengkang increased by 11.5% to a daily average of 79,000. The first phase of Downtown Line (DTL 1), which opened for passenger service on 22 December 2013, recorded a ridership of about 670,000 in its first 10 days of service.

In tandem with the increase in passenger demand, about 2,500 additional weekly trips were added to the schedules of our LRT systems. In January 2014, we also added 400 more train trips to the NEL. Train operating hours were also extended during major events and public holidays. For instance, on the eve of the Lunar New Year, train services were available until 2am instead of terminating at midnight. For the Standard Chartered Singapore Marathon, we started our operations about two-and-a-half hours earlier at 3am to enable participants to get to their race venues on time.

With increased ridership on the train network, the Land Transport Authority (LTA) introduced a trial to offer free travel during pre-peak weekday mornings to spread out commuter traffic. The one-year trial, which started in June 2013, offers free travel to commuters who end their journeys at any of the 18 designated MRT stations in the city area before 7.45am. Those who exit between 7.45am and 8.00am receive a discount of up to 50 cents off their fares. Four NEL stations – Chinatown, Clarke Quay, Dhoby Ghaut and Outram Park – and all six stations on the DTL 1 are involved in the trial.

In our continuing efforts to provide good service to commuters, we installed new platform information display screens at the Sengkang LRT Town Centre station, where trains from both east and west loops call. Using coloured electronic text to indicate the different directions of approaching trains, it provides commuters with better directional assistance - red indicates that the train is headed for the east loop while green the west loop.

To encourage passengers to move towards the centre of train carriages instead of crowding around the doors, we worked with the LTA to install two rows of circular handrails along the aisles and removed poles near the doors. These changes have been implemented on all our NEL trains.

The 18 new trains ordered for the NEL by the LTA in 2012 to meet projected demand for rail services in the long run are being built in Shanghai, China, by Alstom, which also manufactured the Line's existing fleet of 25 trains. The first new train is expected to be delivered in 2014, while delivery for the remaining trains is scheduled over the next two years. The new trains will have a more customer-centric interior and a better detrainment door design.

In preparation for the arrival of the new trains, the NEL depot at Sengkang has upgraded its various systems including signalling and communications. Expansion of tracks to house these additional trains was completed earlier.

Upgrading works on the communication equipment used on board our NEL trains and the power supply system at the stations began in 2013, with completion expected by 2015.

Concurrently, the Sengkang and Punggol LRT systems are being upgraded to prepare for a two-car operation that is scheduled for implementation in 2016. Sixteen existing cars will be modified by August 2015, with another 16 new cars ordered. In all, the LRT fleet will increase to 57. We expect to take delivery of the first car in March 2016. We are also working with the LTA to enhance the signaling and the platform stopping control systems to accommodate the two-car operation. Works are expected to be completed by August 2016.

For the year in review, the Joint Team set up by the LTA in October 2012 to improve NEL train service reliability continued with its study on the replacement material to be used for both the stainless steel Balance Weight Anchor (BWA) wires and the stainless steel U-bolts - components of the Overhead Catenary System (OCS) which provides power to run the trains. The breakage of these two stainless steel components had led to two major disruptions on the NEL in 2012. Laboratory tests indicate that the components broke due to stress corrosion cracking, indicating that the material used was unsuitable for deployment in the NEL tunnel environment.

Unfortunately, while the study to select a replacement material for the stainless steel components was still being conducted, three U-bolts, which were inspected earlier to be in good working condition, snapped on 10 January 2013. This brought service between Harbourfront and Dhoby Ghaut stations to a halt for six-and-a-half hours. This fault, which is similar to the one that had occurred in August 2012, also happened in the same section of the tunnel.

The Joint Team has since decided to replace all stainless steel components in the OCS with galvanised steel. Replacement works on the BWA wires and the U-bolts began in November 2013 and are expected to be completed by end of 2015.

We continue to work to enhance our incident management capabilities by conducting two major exercises during the year. "Exercise Harmony", which was carried out on 17 August 2013 after passenger service hours, was designed to test and fine-tune the different aspects of our Incident Management Plan. This included rail operations and maintenance, station management, communications and public announcements, shuttle buses and Goodwill Ambassadors' deployment plans. A second exercise, codenamed "Exercise Greyhound", took place a week later with the LTA to validate the workability of our contingency plans for bus bridging, free passing bus services and the deployment of Goodwill Ambassadors in support of a prolonged train disruption.

The Rail Emergency Preparedness training programme, which rolled out in 2012, continued to be conducted for staff, including those from our bus operations. Specialised modules developed for specific groups of staff to enable them to operate better in a crisis, including special training courses for Goodwill Ambassadors and those managing the shuttle bus services have also been updated and enhanced.

DOWNTOWN LINE

The Downtown Line is Singapore's fifth MRT line with 34 stations covering 42 kms. A fully automated, underground rail system, its construction is divided into three phases. Phase 1 (DTL 1) has six stations from Bugis to Chinatown and serves the Marina Bay Financial Centre. On 21 December, Prime Minister Lee Hsien Loong officially declared DTL 1 open for passenger service.

In preparation for the start-up of the Line, more than 400 staff were recruited and trained to fill wide-ranging positions from maintenance to operations, passenger service to support. Experienced staff from NEL have also been transferred to head some departments in DTL 1.

Trial runs started in October 2013 after the LTA handed over the Line to us for operation. The LTA is the designer builder of the system and owner of the infrastructure. In the trial runs, issues that were system design and/or software-related were highlighted to the LTA for resolution. In particular, signalling issues and water seepage in the train tunnel were key concerns.

Exercises were conducted jointly with the Singapore Civil Defence Force, the LTA and Transcom to test our responsiveness in an incident and validate our incident management plans. The other train operator, SMRT, was also involved as the Bayfront and Promenade MRT Stations are shared infrastructure.

A community engagement exercise where school students and grassroots leaders participated in an evacuation exercise in the tunnel was also conducted.

Members of the public were also invited to a sneak preview of the DTL 1 in December. Visitors zipped up and down the stations on the new trains as they explored the stations' architectural details as well as the Art-in-Transit artwork unique to each station.

By the end of January 2014, one month after the launch of DTL 1, a daily average of 52,000 commuter rides was registered.

OPERATIONS REVIEW
OUTDOOR ADVERTISING / RENTAL

Bus Advertising • Interchange Advertising • Train Station Advertising
In-Train Advertising • Shop Space • Road Show Space

Revenue ($'mil)
54.3

Total Number of Employees
75

With the core bus and rail operations facing ever-rising cost pressures, the innovative use of advertising and rental space has become increasingly more important as a form of supplemental income.

With a combined total revenue of $54.3 million, advertising and rental revenue accounted for 6.4% of total Group revenue in 2013. Of greater significance is that combined operating profit of advertising and rental at $35.7 million, more than made up for the combined loss of $20.2 million incurred by the bus and rail operations.

Advertising, which is undertaken by our sister company, Moove Media Pte Ltd, faced a challenging year in 2013 as advertisers scaled back on their budgets due to the slowing economy.

For the year ended 31 December 2013, advertising revenue fell by 5.3% to $34.8 million.

In a bid to generate greater interest amongst advertisers, Moove Media came up with innovative campaigns including Tiger Beer's "Game Time", which made use of a multi-sensory advertising concept involving light, sounds and visual at the Dhoby Ghaut NEL station. Infrared motion sensors detected commuters as they approached a video wall where their images were projected onto a wall with pre-selected speech bubbles indicating when the next football match would be shown. This campaign was such a hit it was named finalist in the Singapore Media Awards in the "Best Use of Outdoor" category.

On buses, a campaign by ABB, a power and automation company, made use of Light Emitting Diodes known as LED to create a 'glowing' advertisement to inform the public about its products in providing ideas to drive Singapore's future.

Moove Media also took time to launch a "Happy Cows, Happy Hearts" campaign in partnership with the National Parks Board to not only celebrate Singapore as a Garden City but also to promote graciousness and kindness in our community. A total of 600 colourful Moove cows grazed 50 fields and parks all around the island. Together with 1,000 "red hearts" made of fiberglass, this campaign also included a charity element where cows were sold and proceeds went towards the ComfortDelGro/Lions Befrienders' Home Improvement Fund.

In the rental business, revenue increased by 22.1% to

$19.5 million due to greater demand for retail spaces in the NEL stations and at bus interchanges.

During the year, tender exercises were conducted to invite prospective tenants to take up retail spaces in the six stations of the Downtown Line 1 (DTL 1). An additional 500 sq m of space was converted for retail use at the Bugis Station, bringing the total commercial space available for rental on the DTL 1 to 940 sq m. Tenants include convenience stores, Cheers!, and Food and Beverage chains such as Munch and Fun Toast.

For the new interchanges that are being developed in Bedok and Joo Koon, discussions to improve the design and layout of the commercial spaces were initiated with the Land Transport Authority. Both interchanges are scheduled for completion in 2014.

SUSTAINABILITY REPORT

As Singapore's leading public transport operator with a fleet of 3,326 buses and 215 rail cars, a workforce of over 8,500 and a passenger ridership of over 1.2 billion every year, we at SBS Transit Ltd, are fully cognizant of our duty and responsibility not just to our many stakeholders, but the environment as well. Firmly entrenched in our psyche is the need to better serve the communities we operate in.

HUMAN SUSTAINABILITY

Helping the Community

We continued to reach out to the community in 2013 by sponsoring several charitable projects and offering free travel on the North East Line (NEL) to the elderly residents of the Kwong Wai Shiu Hospital. We also made numerous contributions to various community outreach programmes during the year.

We also offered free use of space at our bus interchanges and rail stations in support of fund-raising and community efforts. The Singapore Police Force, for example, conducted roadshows at several of our bus interchanges and train stations to promote crime prevention. We also sponsored advertising space on our buses, trains, bus interchanges and train stations to promote public campaign messages such as graciousness on public transport and the launch of a new series of currency coins.

In serving the less fortunate in our community, our staff were involved in ComfortDelGro's outreach programmes that were conducted in partnership with the Lions Befrienders Service Association, a voluntary welfare organisation which focuses on improving the quality of life of the needy elderly. Besides this, our staff actively participated in the Community Chest's SHARE programme where a fixed amount is deducted from their salaries and contributed to the charity every month.

Promoting Safety, Security and Graciousness

Safety and security are key elements that underpin our bus and train operations. The importance we place on them is strongly reflected in our policies, procedures, training and community engagement programmes.

During the year, we continued with our Driving Skills Enhancement Programme (DSEP) to focus on our Bus Captains' safe driving skills. Into its third run since 2008, the programme uses motion sensors, cameras and a mapping software to analyse driving habits and give Bus Captains (BCs) an objective report of their driving performance. During the year, the programme was reviewed and customised for two distinct groups of BCs – one with less than six months of service, and the other for those with more than six months of bus driving experience. For the first group, DSEP was rolled out to provide refresher training on core safety skills with common driving faults highlighted. For the more experienced group, the programme was focused more on defensive driving. In 2013, 900 BCs attended the new run of DSEP.

A new key topic known as "Service Blackspot Awareness" was introduced to raise awareness of areas which have been identified as having a high frequency of accidents. BCs learning new service routes are briefed on these junctions and reminded to exercise greater care when driving along these roads.

To complement our training in safe driving, we put up safety messages on electronic displays at the exits of our bus parks and interchanges to remind BCs of the need to be safe as they head out on their routes. We also hold safety dialogues with our BCs on a regular basis. Safety checks conducted by our Safety Officers have also been stepped up at junctions and pedestrian crossings to ensure our BCs put into practice the skills learnt in training.

In the area of security, we worked on enhancing the perimeter closed-circuit television cameras at all our bus depots by replacing the old analogue cameras with digital ones. Besides this, we installed additional cameras to beef up security around our premises. Enhancement works were completed at the Ang Mo Kio bus depot during the year and will continue progressively at the other seven depots. Covert security exercises were also conducted at our depots to ensure our security officers' vigilance.

We organised security briefings to staff to heighten their awareness of security threats in the environment. These sessions were conducted by our security staff as well as officers from the Singapore Police Force's Public Transport Security Command (Transcom).

To ensure commuter safety and security as well as for operational readiness in an incident, we conducted a series of service disruption exercises. These involved both our bus and train operations. For the bus emergency exercise, this was held on 3 October at the Clementi Interchange. The scenario required bus services to be re-routed. Goodwill Ambassadors, Traffic Inspectors as well as staff from the other interchanges were mobilised in this exercise which validated our preparedness and responsiveness in incident management.

The first of our rail emergency exercise was held on 17 August. Codenamed "Exercise Harmony", it was held after passenger service hours with a simulated scenario of a train developing a fault when it approached the Little India Station. A second exercise, "Exercise Greyhound", was conducted jointly with the LTA, Singapore Civil Defence Force and Transcom a week later. In both exercises, our Goodwill Ambassadors and shuttle buses were activated to simulate actual ground deployment during an incident.

In preparation for the Downtown Line (DTL 1) opening in December, two other rail emergency exercises were similarly conducted. In addition, about 570 staff comprising Goodwill Ambassadors and those involved in supervising the shuttle bus runs attended familiarisation briefings on the layout of the stations, the shuttle bus routes and the designated bus stops for boarding of bus services.

We also continued with our rail emergency preparedness training programme for all staff, including those from our bus operations. This programme, which started in 2012, is aimed at equipping our people with the necessary skills to ensure that inconvenience caused to commuters during a rail incident is minimised. For the year, 531 staff attended the three sessions which were conducted by Senior Management staff.

The Public Transport Security Committee also produced a video during the year to educate commuters on train-to-track evacuation. The video is now being played at all our train stations so that in emergencies, commuters know and have the assurance that their safety is not put at risk.

In community outreach, we continued with our train safety and evacuation programme for residents staying along the north-east corridor. We held four exercises this year in collaboration with the local constituency offices. Residents were briefed on security measures and practices that are in place at the stations and on board trains. They also participated in a train evacuation drill. A total of some 4,600 residents have participated in the programme since it started in 2008.

A community engagement exercise was also conducted on the DTL 1 in preparation for its opening. It involved school students and grassroots leaders who participated in a train evacuation drill in the tunnel.

We engaged more than 42,000 primary and secondary school students through 90 school talks and visits to our operations during the year. Focusing on topics like safety and graciousness when travelling on our buses and trains, we also took the opportunity to share the challenges of running a bus operation such as traffic conditions, bus bunching and the recruitment of BCs.

We also partnered the Land Transport Authority (LTA) to promote graciousness on public transport. Posters to spread the message of graciousness to commuters by encouraging them to give up their seats to others who need them more as well as to move to the rear to allow others to board have been put up on our buses and trains and at bus interchanges and train stations.

TALENT SUSTAINABILITY

Recruitment and Retention

The recruitment of BCs continued to pose a challenge. With the BSEP in progress, the need to hire more BCs intensified.

Recruitment drives were held three times a week at our bus interchanges and depots. We also went across the Causeway to attract prospective applicants to join us. A staff referral scheme with incentives offered were among the hiring initiatives implemented. For the year, these efforts yielded a total of 1,092 new BCs, bringing the total BC strength to more than 5,800, representing an increase of 5% over the previous year.

At the same time, we recruited more staff in preparation for the opening of the DTL 1. More than 400 staff were recruited by the time the Line opened in December 2013.

To ensure a pool of qualified technicians and engineers are available for the expanding rail network in the near future, we collaborated with several local tertiary institutions by providing inputs for their new engineering course curriculum. These institutions include the Singapore Institute of Technology and the Institute of Technical Education.

In support of older workers who are on permanent employment, the retirement age of staff was further extended to 67 from 65 years old. There is no change to the employment terms and conditions for staff who continue to work in the same capacity. Today, the average age of our local BCs is 55 years old compared to the foreign ones at 38. 32% are Singaporeans, 20% SPR, 38% Malaysians and the rest are from China.

Structured on the Progressive Wage Model that we had adopted since 2012, the salaries of BCs were also adjusted during the year. As a result, local BCs can now earn an average gross salary of up to $2,600 a month in their first year of service with us.

Training and Development

In 2013, we continued to invest in the training and development for our people. We provided 36,143 training places – 23% more than the previous year.

During the year in review, 1,165 BCs received operations training in driving the Mercedes Benz' Citaro single deck buses. With this, all existing BCs are now trained in operating this bus model, which is the latest in our fleet.

To ensure new BCs are able to operate all three types of bus models in our fleet, our Bus Captain Development Centre reviewed the bus models to be used in practical training. From April 2013, Scania buses are used during basic Bus Operations and Service Proficiency (BOSP) practical training while Volvo and Citaro buses are used at the Advanced BOSP level.

Besides technical skills, BCs also attended a one-day Continual Operations Training to refresh their knowledge and skills in handling on board customer issues and incidents such as disputes, breakdowns, and fire safety. During the year, more than 1,692 BCs attended this course.

A total of 1,072 new BCs were successfully certified under the Workforce Skills Qualifications (WSQ) programme in bus operations while another 1,359 existing BCs were certified under the "Recognition of Prior Learning Scheme". This means that all existing BCs have achieved this certification which is designed to professionalise and raise competency standards of public transport workers. Concurrently, 525 staff received certification in the WSQ Rapid Transit System courses.

The Workforce Development Agency (WDA) certified 71 of our trainers and assessors as having met the standards to conduct WSQ courses in rail and bus operations.

In customer service training, our CARES programme continued to run on two parallel tracks. CARES 1, which is anchored in eight service standards to deliver quality service to commuters, was attended by 1,058 new staff during the year. CARES 2, which focuses on customers with special needs and service enhancement techniques, was attended by 1,533 staff. We also produced a CARES booklet showcasing acts of good service. Distributed to all staff, it is to inspire them to provide CARES service as part of our service culture.

As a member of the ComfortDelGro Corporation, we share a common belief that the sustained performance and future success of the Company depends on a strong talent management system, where employees are groomed to become high performing leaders with a strong value system.

As a result, our upstream processes of recruitment, placement, talent development programmes and subsequent promotions to assume senior positions have been made more stringent and robust to ensure that we have a pipeline of high quality management staff. Besides the functional competencies, our talents are considered for their general management attributes and leadership abilities to contribute at the more senior level.

Management staff who are identified talents are also given the opportunity to attend the Group's executive development and mentoring programmes to hone their leadership abilities.

Commitment to Excellence

Our commitment to excellence has been recognised in the awards received by our staff. For the year, a total of 1,205 staff received the national Excellent Service Awards (EXSA) while another 120 staff received the Transport Gold Award for exemplary delivery of service. Five of our BCs were also spotted demonstrating courtesy on the road by the Traffic Police and awarded the "Courteous Motorist Award 2013". Another 369 staff received internal recognition at our Annual CARES Award Ceremony for consistently delighting our commuters. Of special mention are BC Lee Choy Yoong and BC Valaiyapathi s/o Doraimahalingam who made us proud with their honesty and integrity when they separately found and returned more than $20,000 in cash that commuters had accidentally left on board on two separate occasions.

On a corporate level, our continual efforts in fostering good management-labour relations earned us the National Trades Union Congress' prestigious Plaque of Commendation (Star) Award.

We received the Workforce Skills Qualifications (WSQ) Recognition Award from the Workforce Development Agency for adopting WSQ-certified service excellence programmes in our staff training. We are one of the 20 organisations from among 7,600 to be selected for this recognition.

We also won recognition for good corporate governance for the second consecutive year at the Securities Investors Association of Singapore's Investors' Choice Awards. For the year, we were the Runner-up in the "Singapore Corporate Governance Award" in the Mid-Cap category. In the Business Times' Governance and Transparency Index 2013, we were ranked 57th in a field of more than 660 companies. Our Annual Report clinched the bronze award at the Singapore Corporate Awards 2013.

In operational excellence, we worked hard to develop a business resilience plan to enable us to continue to operate our bus and train services in a crisis. Our Business Continuity Management System was successfully certified under Societal Security ISO 22301:2012 standards. Meanwhile, our business processes continued to be re-certified under the ISO 9001:2008 standards.

ENVIRONMENTAL SUSTAINABILITY

Climate change is one of the most pressing challenges of our generation. As a responsible transport operator, we are keenly aware of the important role we play in the preservation of our environment.

We continued to replace older buses with environmentally friendly ones. In 2013, we took delivery of 403 buses that are Euro5-compliant. This brings the total number of environmentally friendly buses in our fleet to 2,269 which include Euro 4, Euro 5/Euro 5EEV and Compressed Natural Gas (CNG) models

We will continue in our efforts to reduce, reuse and recycle our resources across our bus and rail operations.

CORPORATE GOVERNANCE

As a land transport provider with a vision of moving people in a safe, reliable and affordable way, we at SBS Transit Ltd realise that a fundamental measure of our success is the shareholder value we create over the long-term.

From the very beginning, our emphasis has been on the long-term and as a result, we make decisions and weigh trade-offs differently from some other companies. Accordingly, it is important for you, our Shareholder, to understand our fundamental management and decision making approach, so that you may ensure that it is consistent with your own investment philosophy. We will continue to:

- Focus relentlessly on our customers;
- Make sound investment decisions based on long-term value creation, rather than short-term profitability considerations;
- Spend wisely and maintain our lean culture as we understand the importance of continually reinforcing cost-consciousness;
- Hire and retain versatile and talented employees; and
- Look for sustainable ways to protect the environment.

CORPORATE GOVERNANCE STATEMENT

SBS Transit strongly believes that good corporate governance makes good business. To this end, the Group has taken steps to maintain the highest standards of corporate governance, professionalism and integrity, as we build an organisation that our Shareholders, Employees, Business Partners, the Authorities and other Stakeholders can trust and be proud of.

Our commitment to upholding the highest standards of corporate governance is evidenced in our approach in ensuring our adherence to the revised Code of Corporate Governance issued by the Monetary Authority of Singapore on 2 May 2012 (Code). We spare no effort in ensuring that these are upheld by each and every one in the Group. We have also adopted a Code of Business Conduct, which sets out the principles and policies upon which our businesses are to be conducted, and implemented a Whistleblowing Policy which serves to prevent the occurrence of unethical or illegal conduct or behaviour, whilst protecting the whistleblowers from reprisal within the limits of the law.

This report sets out the Corporate Governance practices that were in place during the year with specific references to the Code. For the Financial Year 2013, we are pleased to report that the Group complied substantially with the key principles and supporting guidelines set out in the Code except where specifically identified and disclosed in this report.

I. BOARD MATTERS

In choosing directors, the Group seeks individuals who have high integrity, expertise, business acumen, shareholder orientation, and a genuine interest in the Group.

The Board's Conduct of Its Affairs

At the helm in the decision making process of the Group is the Board of Directors. The Board is headed by the non-executive Chairman, Mr Lim Jit Poh, and is responsible for:

(i) Guiding the strategic directions and goals of the Group;

(ii) Ensuring that appropriate and adequate systems of internal control, risk management processes and financial authority limits are in place;

(iii) Assessing and approving key business strategies, funding and investment initiatives and other corporate actions, including approval of the Group's Annual Budget and Capital Expenditure, and the release of the Group's quarterly and full-year Financial Results; and

(iv) Monitoring Management performance.

The Board has delegated the day-to-day management of the Group to the Management headed by the Chief Executive Officer (CEO), Mr Gan Juay Kiat, while reserving certain strategic issues and policies for its approval.

To assist the Board in the detailed consideration of the various issues at hand and to facilitate decision making, four committees are formed namely, the Audit and Risk Committee (ARC), the Nominating Committee (NC), the Remuneration Committee (RC) and the Service Quality Committee (SQC). Each Committee is governed and regulated by its own terms of reference, which set out the scope of its duties and responsibilities, regulations and procedures governing the manner in which the Committee is to operate and how decisions are to be taken. Ad hoc committees are also formed to look at specific issues from time to time.

At least four scheduled Board Meetings are held every year for the purpose of approving the release of the Group's Financial Results every quarter and the Group's Annual Budget. The quarterly and full-year Board Meetings are held within 45 days after the end of each quarter and the financial year respectively. The Group's Annual Budget is approved at the Board Meeting convened for the third quarter's results. Ad hoc Board and Committee Meetings are also held from time to time as and when the need arises. Directors, who are unable to attend the Meetings in person, can still participate in the discussions through teleconferencing. Decisions of the Board and Board Committees may also be obtained via circular resolutions. Directors are free to seek clarifications and explanations from Management on the Board papers.

Regular presentations are made by Management to the Board to enable Directors to better familiarise themselves with the Group's businesses. Site visits for the Board are also organised to enable Directors to learn more about the Group's operations. During such visits, Directors spend time with Management to discuss key strategies and policies. Such meetings help Directors become better equipped to make informed decisions relating to the future direction of the Group.

Directors are also furnished regularly with investor relations reports which summarise the analysts' views and provide updates on investors relations activities, updates on corporate governance practices, and articles relating to changes in laws relevant to the Group's businesses and operating environments.

Directors are free to request for sponsorship from the Company to attend courses to update their knowledge and better equip themselves to discharge their duties as Directors.

The Board periodically reviews the adequacy of internal controls and financial authority limits to ensure that while there is delegation of authority, there are sufficient checks and balances in place to monitor such delegation.

Attendance of Directors at Board and Committee Meetings in 2013

	Board		**Audit and Risk Committee**		**Nominating Committee**		**Remuneration Committee**		**Service Quality Committee**	
Name	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Lim Jit Poh	4	4	-	-	1	1*	2	2	-	-
Kua Hong Pak	4	4	-	-	1	1*	2	2*	-	-
Gan Juay Kiat	4	4	4	4*	-	-	2	2*	2	2*
Cheong Yip Seng	4	3	-	-	1	1	-	-	2	2
Chin Harn Tong	4	4	4	4	-	-	2	2	-	-
John De Payva	4	4	-	-	1	1	2	2	-	-
Lim Seh Chun	4	4	4	4	-	-	-	-	2	2
Tan Kong Eng	4	4	4	4	-	-	-	-	-	-
Wee Siew Kim	4	4	4	4	-	-	-	-	2	2
Wong Chin Huat, David	4	4	-	-	1	1	-	-	2	2

* Attended Meetings by invitation of the Committee

Board Composition and Balance

There is a strong element of independence in the Board. The Board presently comprises the CEO and nine non-executive Directors. Of the nine non-executive Directors, six of them are considered by the NC to be independent which exceeds the Code's requirement of at least half of the Board of Directors to comprise independent Directors where the Chairman is not an independent Director.

The Directors are individuals with a broad diversity of expertise and experience, both domestically and internationally. For details on the Board, please refer to the profiles of the Directors at the start of this Annual Report.

The NC is responsible for assessing the independence of the Directors on an annual basis. Each Director is required to complete a Confirmation of Independence checklist, which is drawn up in accordance with the guidelines provided by the Code, and requires each Director to assess his own independence. The Director is required to declare any circumstances in which he may be considered non-independent. The NC will then review the Confirmation of Independence to determine whether a Director is independent. The NC deems a Director who is directly associated with a 10% Shareholder (as defined in the Code) as non-independent. Mr Lim Jit Poh, Mr Kua Hong Pak and Mr Wong Chin Huat, David are deemed as non-independent as they are also Directors of ComfortDelGro Corporation Limited (ComfortDelGro), a 10% Shareholder. Consistent with the Code, as the Chairman, Mr Lim Jit Poh, is deemed non-independent, the Board has unanimously appointed Mr John De Payva as the Lead Independent Director with effect from 1 January 2013.

As at 31 December 2013, five out of six independent Directors have served on the Board for more than nine years. They are Mr Cheong Yip Seng, Mr Chin Harn Tong, Mr John De Payva, Mr Tan Kong Eng and Mr Wee Siew Kim. The NC takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis of the length of time. A Director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging Management in the best interests of the Group as he performs his duties in good faith, are more critical measures in ascertaining his independence than the number of years served on the Board. Hence, the Board does not impose a limit on the length of service of the independent Directors. However, the Board and the NC will exercise due and careful review, taking into consideration other factors, in assessing the independence of a Director. These factors include, inter alia, if the Director has any interest, business, relationship and/or any other material contractual relationship with the Group which could reasonably be perceived to compromise his independence and interfere with the exercise of his independent business judgement with a view to the best interests of the Group. After due and careful rigorous review, the Board is of the view that all independent Directors remain independent in their exercise of judgement and objectivity in Board matters.

The Board and its committees provide a diversity of skills and experiences including financial, legal, regulatory and business management. Each Director provides a valuable network of industry contacts which are considered essential to the Group.

Chairman and CEO

The roles of the Chairman and the CEO have been kept separate and distinct. This is a deliberate policy and one that is strictly adhered to. This ensures Management accountability and Board independence. The Chairman is responsible for the effective functioning of the Board, while the CEO is responsible for the operations and management of the Group. The CEO reports to the Deputy Chairman. The Chairman, Deputy Chairman and the CEO are not related.

The Chairman leads the Board and facilitates effective and comprehensive Board discussions and decision making on strategic issues. The Chairman oversees the translation of the Board's decision into executive action. With the assistance of the Company Secretary, the Chairman ensures the accuracy and timeliness of information flow between the Board and Management, effective shareholder communication and high standards of corporate transparency.

The CEO is given full executive responsibility for the management of the Group's businesses and the implementation of the Group's strategies and policies.

Board Membership and Board Performance

Board renewal is an ongoing process to ensure good governance and to maintain relevance in the changing business environment. The NC is responsible for regularly reviewing the composition of the Board, identifying and proposing suitable candidates for appointment to the Board.

The NC comprises three non-executive Directors, of whom two, including the Chairman are independent. Consistent with the Code, the Lead Independent Director is also the Chairman of the NC who is not associated with a 10% Shareholder. The Company Secretary is the Secretary to the NC. Appointments and re-appointments of Directors to the Board of the Company are subject to the approvals of the Land Transport Authority and the Public Transport Council.

The Articles of Association of the Company provide that one-third of the Board of Directors, including the CEO, are subject to retirement and re-election by rotation at every Annual General Meeting (AGM). All Directors are required to retire from office at least once every three years. Re-election is, however not automatic, and all Directors are assessed by the NC on their past performance and contributions before being recommended for re-election. Newly appointed Directors are also subject to retirement and re-election at the AGM immediately following their appointments. For the forthcoming AGM, Mr John De Payva and Mr Wong Chin Huat, David are due for re-election pursuant to Article 97, and Mr Chin Harn Tong, Mr Lim Jit Poh, Mr Cheong Yip Seng and Mr Kua Hong Pak are due for re-appointment pursuant to Section 153(6) of the Companies Act, Cap. 50. Mr Tan Kong Eng will retire pursuant to Section 153(6) of the Companies Act, Cap. 50 and he will not be seeking re-appointment.

From time to time, new Directors may be identified for appointment to the Board after the NC evaluates and assesses their suitability based on their qualifications, working experiences and expertise. Upon appointment as a Director, the Board Chairman will send an official letter of appointment to the Director, which clearly explains his role, duties and responsibilities. Management will then conduct a comprehensive orientation programme for the Director, where key aspects of the businesses, including financial and corporate governance policies are discussed. Site visits will also be arranged for new Directors so that they can better familiarise themselves with the Group's operations. When a Director is appointed to a Board Committee, he is provided with its charter.

The NC subscribes to the view that it is important for Directors to devote sufficient time and attention to the affairs of the Group. Consistent with the guidelines in the Code, the NC and the Board adopt the following as a proactive step in ensuring that Directors devote sufficient time and attention to the affairs of the Group:

- A Director who is in full-time employment should not serve as a director on the board of more than three listed companies; and
- A Director who is not in full-time employment should not serve as a director on the board of more than six listed companies.

The NC prescribes that Directors who are affected by the guidelines on multiple board representations shall be given up to three years to comply. As the number of board representations should not be the only measure of a Director's commitment and ability to contribute effectively, the NC takes the view that if a Director wishes to hold board representations in more than the maximum stated per the guidelines, the request must be made to the Chairman of the Board for approval. As a policy, the Chairman himself should not hold more than six directorships in listed companies.

In assessing a Director's contribution, the NC takes a holistic approach. Focussing solely on Directors' attendance at Board Meetings per se may not be an adequate evaluation of the contribution of Directors. Instead, their abilities to provide valuable insights and strategic networking to enhance the businesses of the Group, availability for guidance and advice outside the scope of formal Board Meetings and contributions in specialised areas are also factors relevant in assessing the contributions of the Directors.

As a policy, the CEO, being an executive of the Company, besides adhering to the guidelines set on the maximum number of board representations on listed companies, will also have to seek the approval of the Chairman before accepting any directorships of companies not within the ComfortDelGro Group. In considering whether or not to grant the approval, the Chairman will consider the time commitment of the CEO, and whether the new external directorships will provide strategic fit and networking to the businesses of the Group. The Chairman will also ensure that the CEO will not accept appointments to the boards of competitors.

The effectiveness of the Board is monitored by the NC annually in terms of overall performance and growth of the Group, thus achieving an adequate return for Shareholders, preventing conflicts of interest and balancing the competing demands of the Group. In evaluating the contributions and performance of each individual Director, factors taken into consideration include attendance at Board Meetings and activities, contributions in specialist areas and maintenance of independence.

In the last quarter of the year, each Director fills in a Board Performance Evaluation Form, which includes questions on the Board's composition, the Board's contributions, contributions from Committees and conduct of proceedings and whether these enable Directors to discharge their duties effectively. The answers are collated and the findings then presented by the Chairman to the Board during its Meeting.

Consistent with the Code, the Board does not have any alternate Director.

Access to Information

Prior to each Board Meeting, and where needed, Management provides Directors with timely, pertinent and complete information. The Board also receives monthly management accounts and regular investor relations reports covering investor relations activities and updates of analysts' views and comments. This enables the Board to make informed and sound decisions and be kept abreast of key challenges and opportunities, as well as developments for the Group.

The Board has full access to the Senior Management team. The Company Secretary assists in scheduling Board and Committee Meetings and prepares the agenda in consultation with the Chairman and CEO. The Company Secretary attends the Board and Committee Meetings of the Group and prepares Minutes of Board and Committee proceedings. She keeps the Directors informed of any significant developments or events relating to the Group and ensures compliance with all relevant rules and regulations. She assists in professional development and training by regularly disseminating details of suitable training courses and arranging for the Directors to attend such courses when requested.

Should there be a need to obtain independent professional advice on matters relating to the businesses of the Group or issues affecting the duties of the Directors, the Group will arrange for the appointment of the relevant professional advisers at its own cost.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure of Remuneration

SBS Transit recognises the importance of having a committed and talented workforce to manage and grow the businesses in an increasingly competitive environment. The Group therefore places great emphasis on motivating staff through engagement, recognition and a proper alignment of reward to performance.

The RC plays a key role in the Group's remuneration policies. Besides providing the Board with an independent assessment and review of Directors' remuneration, it also reviews the remuneration framework and strategy for executive compensation from time to time, with the purpose of developing talent and building leadership, to ensure the Group's success.

In accordance with the Code, the RC comprises three non-executive Directors, of whom two including the Chairman, are independent. Members of the RC are also independent of Management and free from any business or other relationships, which may materially interfere with the exercise of independent judgment. The Company Secretary is the Secretary to the RC.

The terms of reference of the RC are to:

(i) Review and recommend to the Board the remuneration framework for compensation to each Director, and ensure that the level of remuneration offered is appropriate to the level of contribution; and

(ii) Review and approve the remuneration of senior management staff to ensure that the overall remuneration package is attractive to retain and motivate key executives.

The remuneration packages of the CEO and executives of the Group comprise fixed and variable components. The variable component in the form of year-end performance bonuses forms a significant proportion of the remuneration packages and is dependent on the profitability of the Group and individual performance. Subject to market conditions and the operating environment, the Group targets a total compensation package with fixed to variable component ratios of 70:30 for rank and file employees, 60:40 for middle management staff and 50:50 for senior management staff. The Group believes that a higher proportion of performance related component would ensure greater alignment of interests of the executives with those of Shareholders.

The structure for the payment of Directors' fees for non-executive Directors is based on a framework comprising basic fees and additional fees for serving on Board Committees, and also for undertaking additional services for the Group. The fees are subject to the approval of Shareholders at the AGM. The CEO does not receive Director's fees for his Board Directorship with the Company.

The non-executive Directors of the Company are appointed pursuant to, and hold office in accordance with, the Articles of Association. They had been granted options under the SBS Transit Share Option Scheme before the said scheme expired on 8 June 2010. Information on the SBS Transit Share Option Scheme can be found on pages 48 to 50 of this Annual Report.

The remuneration of the Directors and the key executives of the Group (who are not Directors) for the Financial Year 2013 can be found on pages 84 and 85 of this Annual Report.

During the Financial Year 2013, no key executive was an immediate family member of any Director of the Company.

Procedures Adopted by RC

In 2013, the RC held two meetings. All decisions by the RC are made by a majority of votes of the RC members who are present and voting. The RC's decisions also exclude the vote, approval or recommendation of any members with a conflict of interest in relation to the subject matter under consideration. The CEO is not present at any RC discussions relating to his own compensation, terms and conditions of service and the review of his performance. He is, however, in attendance when the compensation and incentive policies of senior management staff are discussed.

3. ACCOUNTABILITY AND AUDIT

Accountability

The Board has overall accountability to the Shareholders of the Company and ensures that the Group is well-managed and guided by strategic objectives. The Group's Operating Performance and Financial Results are reported each quarter via SGXNET with an accompanying negative assurance by the Board to confirm that nothing has come to its attention that may render the results false or misleading. The Company believes that prompt and full compliance with statutory reporting requirements is fundamental to maintaining shareholder confidence and trust.

SBS Transit has adopted an internal code based on the SGX's guidelines to provide guidance to the Directors and executives of the Group in relation to dealings in the securities of the Company, ComfortDelGro and VICOM Ltd (VICOM). Directors and executives of the Company are prohibited from dealing in the securities of the Company, ComfortDelGro and VICOM during the period commencing two weeks before the announcement of the Company's, ComfortDelGro's and VICOM's first, second and third quarter results, and one month before the announcement of the full-year results, and ending on the date of the announcement of the relevant results. All Directors and executives are notified by e-mails of the trading blackout periods before the start of the financial year.

All Directors and executives of the Company are also told that they must not deal in (i) the securities of the Company, ComfortDelGro and VICOM on short-term consideration and/or while in possession of unpublished material price-sensitive information relating to the relevant securities; and (ii) the securities of other listed companies while in possession of unpublished material price-sensitive information relating to those securities.

Audit and Risk Committee

The Company's ARC comprises four non-executive independent Directors. The Board has reviewed and is satisfied that the members of the ARC are appropriately qualified to discharge their responsibilities.

The roles of the ARC include the following:

(i) Risk identification and reviewing the adequacy and effectiveness of financial, operational, compliance and information technology controls and risk management systems to ensure effectiveness in the management of risks and compliance with internal policies and external regulations;

(ii) Review the effectiveness of the Group's internal audit function, internal controls, including financial, operational, compliance and risk management;

(iii) Review the quarterly and annual financial statements, and also significant accounting and reporting issues and their impact on financial statements so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance, and recommend to the Board the acceptance of such financial statements;

(iv) Review the scope and results of the audits undertaken by the Internal and External Auditors, including non-audit services performed by External Auditors to ensure that there is a balance between maintenance of objectivity and cost effectiveness;

(v) Review Interested Person transactions;

(vi) Recommend the appointment, re-appointment or removal of the External Auditors at the AGM and review the fees due to them;

(vii) Review the audit plans of the Internal and External Auditors; and

(viii) Review the effectiveness of the Group's Whistleblowing Policy, which has been put in place for staff to raise concerns in confidence about possible improprieties in matters of financial reporting or other matters, and ensure that an independent investigation and appropriate follow-up actions are taken. The Whistleblowing Policy is described in more detail on page 43 of this Annual Report.

In the performance of its duties, the ARC has explicit authority to investigate the affairs falling within its terms of reference, with full access to and cooperation from Management, discretion to invite any Director to attend its meetings, and reasonable resources to enable it to discharge its duties properly. The Company Secretary is the Secretary of the ARC.

The ARC also meets with the Internal and External Auditors in the absence of Management. During these meetings, the Auditors may raise issues encountered in the course of their work directly to the ARC. Prior to the re-appointment of the External Auditors, the ARC assesses their independence based on the guidelines set by the Accounting and Corporate Regulatory Authority. Having satisfied itself that the independence of the External Auditors, Deloitte & Touche LLP, is not impaired by their provision of non-audit services to the Group and that Rule 712 and 715 of the SGX-ST Listing Manual has been complied with, the ARC has recommended to the Board that Deloitte & Touche LLP be nominated for re-appointment as the Group's External Auditors at the next AGM. As a further safeguard of Deloitte & Touche LLP's independence, the Deloitte & Touche LLP's partner-in-charge of auditing the Group is changed every five years.

Internal Audit

The internal audit function of the Group is performed by the ComfortDelGro Group Internal Audit Department comprising suitably qualified and experienced staff and is headed by the Group Internal Audit Officer (GIAO). She reports functionally to the Chairman of the ARC.

The ComfortDelGro Group Internal Audit Department adopts a risk-based approach in its continuous audit work. Based on the audit plan, it provides an independent and objective evaluation of the internal control systems and corporate governance processes of the Group. The audit plan is developed by the ComfortDelGro Group Internal Auditors in consultation with, but independent of the Management, and is subject to the ARC's approval before the start of each financial year. Quarterly internal audit summary reports are also prepared and submitted to the ARC on the status of audits carried out. Any material non-compliance or lapses in internal controls are reported to the ARC and the CEO for improvements to be made.

The independence of the ComfortDelGro Group Internal Auditors' function is ensured as the ARC meets with the GIAO at least once a year without the presence of Management.

The activities and organisational structure of the ComfortDelGro Group Internal Audit Department are monitored and reviewed by the ARC periodically to ensure that it has the necessary resources to adequately perform its functions, and that there are no unjustified restrictions and limitations placed on the performance of its duties.

The ComfortDelGro Group Internal Audit Department has adopted the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

Internal Controls and Risk Management

Risk management is an important and integral part of SBS Transit's strategic planning and decision making process. Key risks are identified and presented to the Board annually. Ownership of the risk management process is clearly defined and cascaded to the executive and functional level, with stewardship retained at Senior Management. Plans that are necessary to manage and mitigate the risks are in place and closely monitored. The adequacy of the internal controls in place is also assessed as part of the process. A detailed description of the Group's approach to internal controls and risk management is set out on pages 41 to 43 of this Annual Report.

The Internal and External Auditors conduct reviews in accordance with their audit plans to assess the adequacy of the internal controls that are in place. Any material non-compliance and recommendations for improvements are reported to the ARC. The ARC also reviews the effectiveness of the actions taken by Management on the recommendations made by the Internal and

External Auditors. The recommendations are followed up as part of the Group's continuous review of the system of internal controls.

For the Financial Year 2013, the Board has received assurance from the CEO and the Senior Vice President (Finance) that the financial records have been properly maintained and the financial statements are prepared in compliance with the Singapore Financial Reporting Standards and are correct in all material aspects.

Based on these reviews, the Board is of the view, with the concurrence of the ARC, that there are adequate internal controls in place within the Group to address its financial, operational and compliance and information technology risks and to provide reasonable assurance against material financial misstatements or loss.

4. COMMUNICATIONS WITH SHAREHOLDERS

Regular, Effective and Fair Communications with Shareholders

SBS Transit is committed to actively engaging its Shareholders and have put in place an investor relations programme to promote regular, effective and fair communications with Shareholders and the investment community. The ComfortDelGro Group Investor Relations (IR) team works with Senior Management to proactively carry out this engagement programme.

The Company notifies the Shareholders in advance of the date of release of its Financial Results through the Company's regularly updated website at www.sbstransit.com.sg, as well as an SGXNET announcement. Communication with Stakeholders is conducted through announcements to the SGX and press releases, media and analyst briefings after the announcement of the full-year results, as well as the posting of announcements and releases on the Company's website. Investors may send in their requests or queries through the feedback channel provided on the website. The ComfortDelGro Group's IR team is accessible throughout the year to address Shareholders' queries. The contact details of ComfortDelGro Group Investor Relations & Special Projects Officer (GIRSPO) can be found on the website.

The Company does not participate in selective disclosure in the communication of material information. Communication with the SGX is handled by the Company Secretary, while communication with Shareholders, analysts and fund managers is handled by the ComfortDelGro GIRSPO. Specific guidelines have been laid down for compliance in respect of all public communication. In addition, the Company has also put in place operational procedures to respond promptly to queries from the SGX on any unusual trading activities in its securities.

Greater Shareholders' Participation at AGM

The Company views the AGM as a good opportunity for investors to meet the Board and senior management staff. Shareholders are informed of Shareholders' Meetings through notices published in the newspapers and reports or circulars sent to all Shareholders. All registered Shareholders are invited to attend and participate actively in the AGM and are given the opportunity to seek clarification or question the Group's strategic direction, business, operations, performance and proposed resolutions.

The Chairman of the various Board Committees, as well as the External Auditors are present to address any question or feedback raised by the Shareholders at the AGM, including those pertaining to the proposed resolutions before the resolutions are voted on.

The Board had, since 2008, voluntarily lowered its general authority to issue shares pursuant to Section 161 of the Companies Act, Cap. 50 by reducing the limit for non-pro rata shares issues from 20% to 10% of the issued shares in the capital of the Company. As this general authority to issue shares was a routine resolution which had been sought by the Company since its incorporation and no issue of shares had as yet been exercised, the Board had, in 2009, decided to remove and stop seeking the general authority to issue shares to address concerns from the Shareholders that if this general authority to share issue were mandated, the Company could subsequently issue shares pursuant to this mandate, which would dilute their shareholding percentages and affect their voting rights.

The Articles of Association of the Company provide for voting in person and by proxy at the AGM of the Company. Each Shareholder is allowed to appoint up to two proxies to vote on his behalf at the Shareholders' Meetings through proxy forms sent in advance. Investors, who hold shares through nominees such as the Central Provident Fund and custodian banks, are allowed to attend the AGM as observers subject to availability of seats. Each issue or matter requiring Shareholders' approval is tabled as a separate and distinct resolution.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Beyond complying with the requirements of the Code, the SGX-ST Listing Manual and the Companies Act, the Company has also taken various additional measures to enhance corporate governance and improve transparency, including:

(i) The Company has taken steps to advertise the Notice of AGM at least 28 days before the AGM is held; and

(ii) The Company sends electronic annual reports (by way of a CD-ROM) to all Shareholders (including foreign Shareholders) at least 21 days before the AGM to ensure that all Shareholders have adequate time to review the annual reports before the AGM. The move to electronic documentation demonstrates the Group's commitment towards Green and sustainable efforts. Upon request, hardcopies are also provided to Shareholders.

Voting by Poll

The Company has adopted electronic poll voting for general meetings since 2013 to ensure greater transparency and efficiency in the voting process and results. Shareholders are invited to vote on each of the resolutions by poll, using an electronic voting system. The voting results of all votes cast for or against each resolution are screened at the meeting and announced via the SGXNET after the meeting. Voting by poll is the most accurate means of tabulating Shareholders' votes according to the number of shares owned. We believe that this initiative will encourage greater Shareholders' participation at the Company's general meetings and demonstrates the Company's commitment to high standards of corporate governance and transparency.

5. ADDITIONAL MEASURES TO ENHANCE CORPORATE GOVERNANCE

The Company has also undertaken various additional measures to enhance corporate governance as follows:

Corporate Gifts/Entertainment Policy

Whilst business gifts and entertainment are courtesies that build goodwill and sound working relationships among business partners, the Group does not tolerate the improper use of gifts or entertainment to gain any special advantage in a business relationship.

The Group discourages the receipt of gifts or acceptance of entertainment, loans or other favours as these may compromise an employee's ability to make objective, independent and fair business decisions. Offering excessive gifts in whatever form or entertainment to others can also be open to misinterpretation. Employees are therefore not permitted to offer or accept any gifts or entertainment without first seeking their supervisor's authorisation. Where business entertainment is deemed appropriate, they will be moderately scaled to facilitate the achievement of business goals and objectives.

Employees, who receive gifts directly or indirectly in relation to their course of employment with the Group, are expected to notify their supervisors and declare such gifts to the Group Human Resource Department. All gifts declared are processed through structured corporate procedures to ensure proper accountability.

Business gifts and entertainment presented on the Group's behalf are consistent with generally accepted business practices and ethical standards, and do not violate any applicable laws, regulations or policies of any country or company in which we have dealings with.

Block Leave Policy

As a further risk mitigation measure and to enhance governance, the Group has a Block Leave Policy in place which applies to employees holding key functions. This arrangement allows covering officers to fully step into the duties of the employees on leave, as an additional check and balance against any breaches.

Information Protection Policy

The Group has also implemented an information protection policy to ensure that all documents and data information of the Group are properly safeguarded. Information is classified into secret, confidential, restricted and unrestricted use based on its nature, contents and implications. Processes and systems used to store, process or communicate the information provide protection from unauthorised disclosure and use.

INTERESTED PERSON TRANSACTIONS

Listing Manual – Rule 907

Name of Interested Person	Aggregate value of all Interested Person transactions during the financial year under review (excluding transactions less than $100,000 and transaction conducted under Shareholders' mandate pursuant to Rule 920)
ComfortDelGro and associates	$5,630,000

The aggregate value of the above transactions does not include the aggregate value of $2.9 million from the renewal of the Licence Agreement disclosed in the Introductory Document of the Company dated 3 December 1997. These transactions relate to leasing charges paid to ComfortDelGro for the use of the premises.

There is no Shareholders' mandate for Interested Person transactions pursuant to Rule 920 of the Listing Manual.

RISK MANAGEMENT

Risk management is an important and integral part of the Group's strategic planning and decision making process. The Group's Risk Management Framework continues to provide an effective management process for the business units to identify and review risks and prioritise resources to manage the risks that arise.

The Group's approach to risk management is underpinned by several key principles:

- The risk management process is a continuous, iterative and developing one, as the Group's businesses and their operating environments are dynamic. Risk identification and assessment and risk management practices are updated regularly to manage risks proactively.
- We promote and inculcate risk awareness among all our employees by embedding risk management processes into day-to-day business operations. Regular exercises, continuous education and training, as well as communications through various forums on risk management are carried out to sustain a risk-informed and risk-aware culture in the Group.
- Ownership of the risk management process is clearly defined and assigned to the business units, departments and individuals. Managers at each level have intimate knowledge of their businesses and assume ownership of risk management, with stewardship retained at Senior Management.

The Group's business has significant everyday interactions with many passengers, customers and members of the public. The different business units have different risk profiles and they have different programmes to manage the risks. These programmes are tested and stressed periodically to ensure that they remain relevant and meet changing business requirements. Some of the key risks faced by the Group, the relevant mitigating factors and how they are managed are set out below.

FINANCIAL RISKS

The Group has established internal control systems to safeguard its assets and regularly reviews the effectiveness of these controls to improve and fortify financial discipline. All policies and procedures on financial matters, including approval limits and authority, are clearly defined in the Group's Financial Procedures Manual.

Financial Authority Limits

Comprehensive and specific financial authority limits are put in place for capital expenditure, operating expenses, treasury matters, direct investments, revenue tender participation and disposal and write-off of assets. These authority limits are delegated based on the organisational hierarchy from the Board down to the Chief Executive Officer (CEO) and the Heads of Business Units/Departments, with the Board retaining the ultimate authority. Any expenditure exceeding the highest authority limit is referred to the Board for approval. To ensure that the Group's funds continue to be managed prudently, the Board periodically reviews the mandate that it delegates to Management.

Budgetary Control

A robust and challenging Annual Budget is prepared and approved by the Board prior to the commencement of each new financial year. Material variations between actual and budgeted performance are reviewed on a monthly basis and explanations provided. Specific approvals are required for unbudgeted expenditures exceeding a relevant threshold. The capital expenditure budget is approved in principle by the Board as part of the Annual Budget. Each capital expenditure is subjected to rigorous justification and review before it is incurred in accordance with the Group's financial authority limits. Tight control on manpower is exercised through headcount budgets.

Financial Risk Management

The Group recognises that prudent management of financial risks is an important aspect in the creation of shareholder value. The main areas of financial risks faced by the Group are foreign exchange rate risk, interest rate risk, credit/counter-party risk, liquidity risk and fuel and electricity price risk. It is the Group's policy not to participate in financial derivative instruments, except for use as hedging instruments, where appropriate. Sensitivity analysis and reviews of the Group's exposure to financial risks under changing market conditions are carried out regularly.

RISK MANAGEMENT

A detailed description of the financial risks and how the Group manages them are set out in the Notes to the Financial Statements on pages 45 to 99.

Economic cycle

Macro economic conditions may impact the business in terms of customer demand and the cost of providing the services. We manage these risks by continuously scanning and monitoring political and economic issues. We monitor demand trends and operating margins closely. Expenses are managed in the light of revenue patterns and changing market conditions. Where possible, revenue risks are mitigated by diversifying revenue streams to non-fare sources.

OPERATIONAL RISKS

Operational risks may arise from failures in internal controls, operational processes or the supporting systems. The Group has put in place operating manuals, standard operating procedures, authority guidelines and a regular reporting framework to manage these risks.

Safety

Managing the safety and security of our customers, our staff and the public is the cornerstone of the Group's safety and security plan. We run safety awareness programmes to instil a safety and security conscious culture in employees at all levels. Safety audits are conducted regularly as part of the management and review process to ensure that safety standards are maintained. The Group works closely with the relevant authorities to ensure that the security of our bus and train services and facilities are not compromised. We regularly carry out drills and exercises internally, as well as with external agencies. Fences and other security features are enhanced at operating facilities and security guards deployed to patrol the facilities. Members of the public are encouraged to look out for suspicious objects or persons.

Environmental

Accidents and natural events can cause pollution or other environmental risks. To limit these risks, we engage in active environmental risk management, ensuring that we target the problems that could arise and implement preventive measures. For example, systems and processes are put in place to ensure that fuel leakage is minimised and the use of dangerous and harmful chemicals is carefully audited. Other ways in which the Group works to protect the environment can be found in the Sustainability Report section of this Annual Report.

Human Resource

The Group's ability to continue to develop and grow the business depends on the quality of its employees. We have in place various programmes and processes that focus on several key areas, including building management bench strength, talent management, succession planning, performance management, compensation and benefits, training and development, employee conduct and supervision, as well as occupational health and safety. We ensure that employees are selected based on merit, they understand their responsibilities and are given access to necessary training. At all times, a positive, constructive and productive working climate based on strong tripartite relations is fostered. All terms and conditions of employment, along with policies and procedures, comply with the relevant regulations.

Property and Liability

The Group's exposure to property damage, business interruption and other liability risks is constantly monitored and reviewed. Together with external risk management consultants, we ensure sufficiency of insurance coverage and maintain an optimal balance between risks that are retained internally and risks that are placed out with underwriters.

Business Continuity

We have put in place Business Continuity Plans (BCPs) to mitigate the risks of disruption and catastrophic loss to our operations, people, information database and other assets. The BCPs include identification and planning of alternate recovery centres, operational procedures to maintain communication, measures to ensure continuity of critical business functions and recovery of information database. We update and test the BCPs regularly. Drills and emergency response exercises are conducted to familiarise employees with the various incident management plans. The BCPs enhance the Group's operational readiness and resilience to potential business disruptions.

INFORMATION TECHNOLOGY RISKS

Information technology system failures are key risks for the Group since almost all the businesses rely heavily on information technology. This can take the form of a major system failure which can result in disruption of the business, loss of data or a security breach of our information technology systems. Information security means protecting information and information systems from unauthorised access, use, disclosure, disruption, modification or destruction. The Group's information technology security management framework complies with current industry standards. We have put in place various controls and data recovery measures to mitigate the risks, including the use of intrusion prevention systems, multi-level firewalls, server protection, software code hardening and data loss prevention controls to manage Internet security and Cyber threats. Penetration tests are carried out regularly to test the systems and allow us to improve the security hardening of our websites.

COMPLIANCE RISKS

The Group operates in a regulated environment. These regulations include pricing, service standards, licences to operate and transport policies, which are stipulated by the relevant regulatory authorities. We work closely with the regulatory authorities as part of our risk management process to keep abreast of developments and policies that may affect our businesses and the competitive landscape. We manage our operations well and effectively to ensure that standards are met, thereby reducing significantly the risk of licences being withdrawn. The Group keeps abreast and complies with all laws and regulations governing the conduct of business. For example, the business units have implemented data protection policies and practices to ensure compliance with the obligations under the Personal Data Protection Act and Do Not Call provisions that came into force in 2014.

STRATEGIC RISKS

We evaluate each new investment proposal to ensure that it is in line with the Group's strategy and investment objective and it can meet the relevant hurdle rates of return. This assessment includes macro and project specific risks analysis covering feasibility study, due diligence, financial modelling and sensitivity analysis of key investment assumptions and variables. To ensure that the rate of return on any new investment or business opportunity commensurate with the risk exposure taken, the new investment opportunity is evaluated in terms of (a) profitability; (b) return on investment; (c) pay back period; (d) cash flow generation; (e) potential for internal and external growth; and (f) investment climate and political stability of the country. The investment proposal has to be approved according to the financial authority limits approved by the Board.

AUDIT PROCESS

The Internal and External Auditors conduct reviews in accordance with their audit plans to assess the adequacy of the internal controls that are in place. Non-compliance and recommendations for improvements are reported to the Audit and Risk Committee, which reviews the effectiveness of the actions taken to mitigate the risks. In the course of their audits, the Internal and External Auditors highlight to the Audit and Risk Committee and Management areas where there are material deficiencies and weaknesses or the occurrence or potential occurrence of significant risk events and propose mitigating measures and treatment plans. The recommendations are followed up as part of the Group's continuous review of the system of internal controls.

CODE OF BUSINESS CONDUCT AND WHISTLEBLOWING POLICY

The Group has adopted a Code of Business Conduct, which sets out the principles and policies upon which our businesses are conducted, as well as implemented a Whistleblowing Policy to provide a mechanism for employees to raise concerns, through well-defined and accessible confidential disclosure channels about possible improprieties in financial reporting or other improper business conduct. Employees are given a Company handbook detailing how they can go about raising their concerns. Incidents can also be reported through a direct link to the CEO, the ComfortDelGro Group Human Resource Officer or the ComfortDelGro Group Internal Audit Officer on the Company's Intranet.

All cases are investigated and dealt with promptly and thoroughly. An officer appointed by the CEO will oversee all investigations. In cases where the laws have been infringed, the relevant regulatory authorities will be informed. The Audit and Risk Committee will also be informed. Where appropriate, internal control measures are improved or additional measures put in place to prevent recurrence of the incidents.

OPINION OF THE BOARD

Risk management is an important and integral part of SBS Transit's strategic planning and decision-making process. Key risks are identified and presented to the Board annually. Ownership of the risk management process is clearly defined and cascaded to the executive and functional level, with stewardship retained at Senior Management. Action plans that are necessary to manage the risks are in place and closely monitored. The adequacy of the internal controls in place is also assessed as part of the process. Based on these reviews, the Board is of the view, with the concurrence of the Audit and Risk Committee, that there are adequate internal controls in place within the Group to address its financial, operational, compliance and information technology risks.

FINANCIAL CALENDAR

2013

Announcement of 2012 Full Year Results	7 February 2013
Annual General Meeting	25 April 2013
Announcement of 1st Quarter 2013 Results	13 May 2013
Payment of 2012 final dividend (1.65 cents/share)	14 May 2013
Announcement of 2nd Quarter 2013 Results	13 August 2013
Payment of 2013 interim dividend (0.90 cents/share)	29 August 2013
Announcement of 3rd Quarter 2013 Results	12 November 2013

2014

Announcement of 2013 Full Year Results	12 February 2014
Annual General Meeting	24 April 2014
Announcement of 1st Quarter 2014 Results	9 May 2014
Payment of 2013 final dividend (0.90 cents/share) *(Subject to Shareholders' approval at the forthcoming Annual General Meeting)*	12 May 2014
Announcement of 2nd Quarter 2014 Results	12 August 2014*
Announcement of 3rd Quarter 2014 Results	12 November 2014*

** Provisional – Updates will be posted on www.sbstransit.com.sg*

FINANCIAL STATEMENTS

CONTENTS

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the Financial Year ended 31 December 2013.

1 DIRECTORS

The Directors of the Company in office at the date of this report are:

Lim Jit Poh	(Chairman)
Kua Hong Pak	(Deputy Chairman)
Gan Juay Kiat	(Chief Executive Officer)
Cheong Yip Seng	
Chin Harn Tong	
John De Payva	
Lim Seh Chun	
Tan Kong Eng	
Wee Siew Kim	
Wong Chin Huat, David	

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and its related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50, except as follows:

	Shareholdings registered in the names of Directors			**Shareholdings in which Directors are deemed to have interest**		
Names of Directors and Companies in which interests are held	**At 1 January 2013**	**At 31 December 2013**	**At 21 January 2014**	**At 1 January 2013**	**At 31 December 2013**	**At 21 January 2014**
Interest in the Company						
(a) Ordinary shares						
Lim Jit Poh	200,000	200,000	200,000	-	-	-
Cheong Yip Seng	185,000	185,000	185,000	-	-	-
Chin Harn Tong	210,000	210,000	210,000	-	-	-
Tan Kong Eng	214,800	214,800	214,800	691,548	691,548	691,548
Wong Chin Huat, David	215,000	215,000	215,000	-	-	-

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

	Shareholdings registered in the names of Directors			Shareholdings in which Directors are deemed to have interest		
Names of Directors and Companies in which interests are held	**At 1 January 2013**	**At 31 December 2013**	**At 21 January 2014**	**At 1 January 2013**	**At 31 December 2013**	**At 21 January 2014**
Interest in the Company (cont'd)						
(b) Options to subscribe for ordinary shares						
Lim Jit Poh	200,000	100,000	100,000	-	-	-
Kua Hong Pak	180,000	90,000	90,000	-	-	-
Gan Juay Kiat	240,000	240,000	240,000	-	-	-
Cheong Yip Seng	100,000	50,000	50,000	-	-	-
Chin Harn Tong	130,000	65,000	65,000	-	-	-
John De Payva	130,000	65,000	65,000	-	-	-
Tan Kong Eng	100,000	50,000	50,000	-	-	-
Wee Siew Kim	130,000	65,000	65,000	-	-	-
Wong Chin Huat, David	65,000	-	-	-	-	-
Interest in ultimate holding company, ComfortDelGro Corporation Limited						
(a) Ordinary shares						
Lim Jit Poh	1,044,425	284,425	284,425	-	-	-
Kua Hong Pak	2,824,530	324,530	324,530	-	-	-
Tan Kong Eng	64,162	64,162	64,162	9,244,095	9,244,095	9,244,095
Wong Chin Huat, David	100,000	220,000	220,000	-	-	-
(b) Options to subscribe for ordinary shares						
Lim Jit Poh	1,200,000	960,000	960,000	-	-	-
Kua Hong Pak	7,200,000	7,200,000	7,200,000	-	-	-
Gan Juay Kiat	1,470,000	1,470,000	1,470,000	-	-	-
Wong Chin Huat, David	600,000	480,000	480,000	-	-	-
Interest in related company, VICOM Ltd						
(a) Ordinary shares						
Lim Jit Poh	190,000	190,000	190,000	-	-	-
Kua Hong Pak	54,000	54,000	54,000	-	-	-
Cheong Yip Seng	10,000	10,000	10,000	-	-	-

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Cap. 50, 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 except as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as Directors and/or executives of those related corporations.

5 SHARE OPTIONS

SBS Transit Share Option Scheme ("SSOS")

a) The SSOS was approved by the shareholders of the Company on 9 June 2000. The SSOS is administered by the Remuneration Committee comprising Messrs Chin Harn Tong, John De Payva and Lim Jit Poh.

b) The SSOS provides the Company with a means whereby (i) employees of the Group of the rank of Executive and above, and (ii) certain categories of persons who are not employees but who work closely with the Group, are given an opportunity to participate in the equity of the Company. A person who is a controlling shareholder of the Company or an associate (as defined in the Singapore Exchange Securities Trading Listing Manual) of a controlling shareholder of the Company is not eligible to participate in the SSOS.

c) Under the SSOS, an option entitles the option holder to subscribe for a specific number of new ordinary shares at a subscription price determined with reference to the market price of the shares at the time of the grant of the option. The subscription price and/or number of shares comprised in an option may be adjusted in certain events under the rules of the SSOS. The consideration for the grant of an option is $1.00. The option may be exercised at any time after the first anniversary of the date of grant but before the tenth anniversary (fifth anniversary for options granted to non-executive Directors) of the date of grant of that option or such shorter period as determined by the Remuneration Committee. The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted will lapse when the option holder ceases to be a full-time employee or Director of the Company, subject to certain exceptions at the discretion of the Remuneration Committee.

d) Participants of the SSOS are not restricted from participating in other share option schemes, whether implemented by the Company or otherwise.

5 SHARE OPTIONS (CONT'D)

e) Particulars of unissued shares under options granted pursuant to the SSOS, options exercised and cancelled/lapsed during the financial year, and options outstanding as at 31 December 2013 are as follows:

	Number of options to subscribe for ordinary shares						
Date of grant	**Outstanding at 1 January 2013**	**Granted**	**Exercised**	**Cancelled/ Lapsed**	**Outstanding at 31 December 2013**	**Subscription price per share**	**Expiry date**
22 August 2003	50,000	-	-	(50,000)	-	$1.29	22 August 2013
19 July 2004	90,000	-	-	-	90,000	$1.60	19 July 2014
24 February 2005	251,250	-	-	-	251,250	$2.29	24 February 2015
28 July 2005	256,250	-	-	-	256,250	$2.23	28 July 2015
18 November 2005	258,750	-	-	(37,500)	221,250	$2.16	18 November 2015
13 July 2006	950,000	-	-	(115,000)	835,000	$2.15	13 July 2016
22 June 2007	1,460,000	-	-	(115,000)	1,345,000	$3.40	22 June 2017
25 June 2008	1,737,500	-	-	(115,000)	1,622,500	$2.18	25 June 2018
25 June 2008	550,000	-	-	(550,000)	-	$2.18	25 June 2013
25 June 2009	1,217,500	-	-	(150,000)	1,067,500	$1.58	25 June 2019
25 June 2009	485,000	-	-	-	485,000	$1.58	25 June 2014
	7,306,250	-	-	(1,132,500)	6,173,750		

f) There were no share options granted to Directors of the Company during the financial year. Details of the SSOS options granted to Directors of the Company since the commencement of the SSOS were as follows:

	Number of options to subscribe for ordinary shares			
Director	**Aggregate options granted since the commencement to 31 December 2013**	**Aggregate options exercised since the commencement to 31 December 2013**	**Aggregate options lapsed since the commencement to 31 December 2013**	**Aggregate options outstanding as at 31 December 2013**
Lim Jit Poh	780,000	380,000	300,000	100,000
Kua Hong Pak	690,000	150,000	450,000	90,000
Gan Juay Kiat	240,000	-	-	240,000
Cheong Yip Seng	455,000	255,000	150,000	50,000
Chin Harn Tong	470,000	210,000	195,000	65,000
John De Payva	495,000	135,000	295,000	65,000
Tan Kong Eng	410,000	210,000	150,000	50,000
Wee Siew Kim	515,000	255,000	195,000	65,000
Wong Chin Huat, David	475,000	295,000	180,000	-

The terms of the options granted to the Directors are disclosed in paragraph 5(c) above.

5 SHARE OPTIONS (CONT'D)

g) None of the options granted under the SSOS included a discount feature to the market price of the shares at the time of grant. No participants to the SSOS are controlling shareholders of the Company.

h) The SSOS expired on 8 June 2010 and hence no option has been granted since then. The existing options granted will continue to vest according to the terms and conditions of the SSOS and the respective grants.

6 AUDIT AND RISK COMMITTEE

At the date of this report, the Audit and Risk Committee comprises four non-executive and independent Directors:

Wee Siew Kim (Chairman)
Chin Harn Tong
Lim Seh Chun
Tan Kong Eng

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50 and the Code of Corporate Governance 2012.

In performing its functions, the Audit and Risk Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors four times during the year to discuss the scope and results of their respective audits, and at least once annually without the presence of Management. The Audit and Risk Committee has reviewed the independence of the external auditors, Messrs Deloitte & Touche LLP, including the scope of the non-audit services performed and confirmed that the auditors are independent.

In addition, the Audit and Risk Committee reviewed the financial statements of the Group before their submission to the Board of Directors of the Company and provided assurance to the Board on the adequacy of financial, operational, compliance and information technology controls.

The Audit and Risk Committee has recommended to the Board of Directors, the nomination of Deloitte & Touche LLP for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

LIM JIT POH
Chairman

GAN JUAY KIAT
Chief Executive Officer

Singapore
12 February 2014

STATEMENT OF DIRECTORS

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 54 to 99 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 December 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

LIM JIT POH
Chairman

GAN JUAY KIAT
Chief Executive Officer

Singapore
12 February 2014

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SBS TRANSIT LTD

Report on the Financial Statements

We have audited the accompanying financial statements of SBS Transit Ltd (the "Company") and its subsidiary (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2013, and the income statement, comprehensive 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 information, as set out on pages 54 to 99.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for 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.

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 about 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position 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 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

DELOITTE & TOUCHE LLP
Public Accountants and
Chartered Accountants

Singapore
12 February 2014

STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2013

	Note	The Group		The Company	
		2013	**2012**	**2013**	**2012**
		$'000	**$'000**	**$'000**	**$'000**
ASSETS					
Current assets					
Short-term deposits and bank balances	5	4,494	18,247	4,265	18,111
Available-for-sale investments	6	5,045	-	5,045	-
Trade receivables	7	9,388	7,817	9,274	7,817
Other receivables and prepayments	8	24,682	33,843	41,739	38,996
Inventories	9	42,833	33,402	42,524	33,402
Total current assets		86,442	93,309	102,847	98,326
Non-current assets					
Subsidiary	10	-	-	5,000	100
Available-for-sale investments	6	5,549	11,021	5,549	11,021
Prepayments	11	27,363	41,518	27,281	41,518
Vehicles, premises and equipment	12	902,871	784,252	894,085	784,001
Deferred tax assets	13	4,407	-	-	-
Total non-current assets		940,190	836,791	931,915	836,640
Total assets		1,026,632	930,100	1,034,762	934,966

STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2013

		The Group		The Company	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	14	31,485	1,253	31,485	1,253
Trade and other payables	15	155,600	131,499	142,661	130,246
Trade payables for buses		15,746	26,879	15,746	26,879
Deposits received	16	2,196	2,180	2,176	2,180
Insurance premiums payable and provision for accident claims	17	30,126	31,039	30,126	31,039
Fuel price equalisation account		19,992	19,992	19,992	19,992
Income tax payable		69	69	69	69
Total current liabilities		255,214	212,911	242,255	211,658
Non-current liabilities					
Borrowings	14	322,608	276,911	322,608	276,911
Deferred grants	18	7,077	5,495	7,077	5,495
Deposits received	16	5,227	3,701	4,525	3,701
Deferred tax liabilities	13	60,919	56,233	60,919	56,233
Provision for service benefits and long service awards	19	11,304	12,800	11,262	12,774
Fuel price equalisation account		19,992	19,992	19,992	19,992
Total non-current liabilities		427,127	375,132	426,383	375,106
Capital and reserves					
Share capital	20	93,875	93,875	93,875	93,875
Other reserves	21	5,225	6,522	5,225	6,522
Accumulated profits		245,191	241,660	267,024	247,805
Total equity		344,291	342,057	366,124	348,202
Total liabilities and equity		1,026,632	930,100	1,034,762	934,966

See accompanying notes to the financial statements.

GROUP INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2013

		The Group	
	Note	**2013**	**2012**
		$'000	**$'000**
Revenue	22	847,322	792,277
Staff costs	23	(386,766)	(340,343)
Repairs and maintenance		(106,828)	(97,301)
Fuel and electricity costs		(174,213)	(177,148)
Premises costs		(33,896)	(31,454)
Depreciation expense		(61,916)	(57,031)
Other operating expenses		(68,177)	(63,582)
Total operating expenses		(831,796)	(766,859)
Operating profit	24	15,526	25,418
Net income from investments	25	456	473
Finance costs	26	(4,304)	(2,841)
Profit before taxation		11,678	23,050
Taxation	27	(502)	(4,493)
Profit attributable to shareholders		11,176	18,557
Earnings per share (in cents):			
Basic	28	3.62	6.01
Diluted	28	3.62	6.01

See accompanying notes to the financial statements.

GROUP COMPREHENSIVE INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2013

	The Group	
	2013	**2012**
	$'000	**$'000**
Profit attributable to shareholders	11,176	18,557
Items that may be reclassified subsequently to profit or loss		
Fair value adjustment on cash flow hedges	(755)	2,944
Fair value adjustment on available-for-sale investments	(427)	(85)
Total comprehensive income for the year attributable to shareholders of the Company	9,994	21,416

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

	The Group			
	Attributable to shareholders of the Company			
	Share capital (Note 20) $'000	**Other reserves (Note 21) $'000**	**Accumulated profits $'000**	**Total equity $'000**
Balance at 1 January 2012	93,875	3,814	235,732	333,421
Total comprehensive income for the year				
Profit for the year	-	-	18,557	18,557
Other comprehensive income for the year	-	2,859	-	2,859
Total	-	2,859	18,557	21,416
Transactions recognised directly in equity				
Payment of dividends (Note 32)	-	-	(12,808)	(12,808)
Other reserves	-	(151)	179	28
Total	-	(151)	(12,629)	(12,780)
Balance at 31 December 2012	93,875	6,522	241,660	342,057
Total comprehensive income (expense) for the year				
Profit for the year	-	-	11,176	11,176
Other comprehensive expense for the year	-	(1,182)	-	(1,182)
Total	-	(1,182)	11,176	9,994
Transactions recognised directly in equity				
Payment of dividends (Note 32)	-	-	(7,870)	(7,870)
Other reserves	-	(115)	225	110
Total	-	(115)	(7,645)	(7,760)
Balance at 31 December 2013	93,875	5,225	245,191	344,291

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2013

	The Company			
	Share capital (Note 20) $'000	Other reserves (Note 21) $'000	Accumulated profits $'000	Total equity $'000
Balance at 1 January 2012	93,875	3,814	235,732	333,421
Total comprehensive income for the year				
Profit for the year	-	-	24,702	24,702
Other comprehensive income for the year	-	2,859	-	2,859
Total	-	2,859	24,702	27,561
Transactions recognised directly in equity				
Payment of dividends (Note 32)	-	-	(12,808)	(12,808)
Other reserves	-	(151)	179	28
Total	-	(151)	(12,629)	(12,780)
Balance at 31 December 2012	93,875	6,522	247,805	348,202
Total comprehensive income (expense) for the year				
Profit for the year	-	-	26,864	26,864
Other comprehensive expense for the year	-	(1,182)	-	(1,182)
Total	-	(1,182)	26,864	25,682
Transactions recognised directly in equity				
Payment of dividends (Note 32)	-	-	(7,870)	(7,870)
Other reserves	-	(115)	225	110
Total	-	(115)	(7,645)	(7,760)
Balance at 31 December 2013	93,875	5,225	267,024	366,124

See accompanying notes to the financial statements.

GROUP CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2013

	The Group	
	2013	2012
	$'000	$'000
Operating activities		
Profit before taxation	11,678	23,050
Adjustments for:		
Depreciation expense	61,916	57,031
Finance costs	4,304	2,841
Net gain on disposal of vehicles and equipment	(739)	(1,514)
Interest income	(456)	(473)
Grant income	(31,906)	(2,962)
Operating cash flows before movements in working capital	44,797	77,973
Trade receivables	(1,571)	2,568
Other receivables and prepayments	8,081	(17,434)
Inventories	(9,431)	(3,055)
Trade payables	24,199	9,809
Trade payables for buses	(11,133)	6,780
Deferred grants	1,582	1,249
Deposits received	1,542	611
Provision for service benefits and long service awards	(1,496)	178
Insurance premiums payable and provision for accident claims	(913)	(1,899)
Cash generated from operations	55,657	76,780
Income tax paid	(68)	(67)
Net cash from operating activities	55,589	76,713
Investing activities		
Interest received	457	471
Proceeds from disposal of vehicles and equipment	852	1,817
Purchase of vehicles, premises and equipment	(166,121)	(202,721)
Net cash used in investing activities	(164,812)	(200,433)
Financing activities		
New loans raised	192,735	178,432
Repayment of loans	(116,806)	(28,768)
Grants received	31,973	1,806
Interest paid	(4,672)	(2,263)
Dividends paid	(7,870)	(12,808)
Others	110	28
Net cash from financing activities	95,470	136,427
Net (decrease) increase in cash and cash equivalents	(13,753)	12,707
Cash and cash equivalents at beginning of year	18,247	5,540
Cash and cash equivalents at end of year (Note 5)	4,494	18,247

See accompanying notes to the financial statements.

1 GENERAL

The Company (Registration No. 199206653M) is incorporated in Singapore with its registered office and principal place of business at 205 Braddell Road, Singapore 579701. The Company is listed on the Official List of the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of the provision of public transport services, namely bus and rail services.

The principal activities of the subsidiary are described in Note 10 to the financial statements.

The financial statements are expressed in Singapore dollars and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

The consolidated financial statements of the Group for the financial year ended 31 December 2013 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2013 were authorised for issue by the Board of Directors on 12 February 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

ADOPTION OF NEW AND REVISED FINANCIAL STANDARDS – In the current financial year, the Group has adopted all the new and revised FRSs that are relevant to its operations and effective for annual periods beginning on 1 January 2013.

The adoption of these new and revised FRSs has no material effect on the amounts reported for the current or prior years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

NEW/REVISED STANDARDS AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED - The Group has not applied the following accounting standards that are relevant to the Group and have been issued as at the end of the reporting period but are not yet effective:

FRS 27 (Revised)	- Separate Financial Statements
FRS 110	- Consolidated Financial Statements
FRS 112	- Disclosure of Interest in Other Entities
FRS 110 and FRS 112	- Transition Guidance
Amendments to FRS 32	- Financial Instruments: Presentation
Amendments to FRS 36	- Impairment of Assets
Amendments to FRS 39	- Novation of Derivatives and Continuation of Hedge Accounting

These standards are not expected to have any material impact on the Group's financial statements when they are adopted.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and an entity controlled by the Company (its subsidiary). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Any changes in the Group's interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group.

The results of the subsidiary acquired or divested during the year are included in the Group comprehensive income statement from the effective date of acquisition or up to the effective date of divestment, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with those consistently used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the statement of financial position of the Company, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - The acquisition of subsidiary is accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group to the former owners of the acquiree in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date except for deferred tax assets or liabilities which are recognised and measured in accordance with FRS 12 Income Taxes. Acquisition-related costs are recognised in profit or loss as incurred.

The interest of the non-controlling shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short-term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments

Investments are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Investments are classified into the following specified categories: held-for-trading investments at fair value through profit or loss ("FVTPL") and available-for-sale investments. The classification depends on the nature and purpose of the investment and is determined at the time of initial recognition.

(a) Financial assets at fair value through profit or loss ("FVTPL")

Held-for-trading investments are classified as FVTPL where they have been acquired principally for the purpose of selling in the near future. Hedging instruments that are not designated for a hedge relationship and/or are ineffective in a hedge relationship are also classified as FVTPL. Financial assets that are classified as FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

(b) Available-for-sale investments

Certain investments held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in investment revaluation reserve is reclassified to profit or loss for the period.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "trade and other receivables". Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method less provision for impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Provision for impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of provision for impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The carrying amount of the financial asset is reduced by the provision for impairment directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of provision for impairment decreases and the decrease can be related objectively to an event occurring after the provision for impairment was recognised, the previously recognised provision for impairment is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the provision for impairment is reversed does not exceed what the amortised cost would have been had the provision for impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after a provision for impairment, is recognised in other comprehensive income.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the cost (net of transaction costs) and the settlement or redemption of borrowings is recognised in profit or loss over the term of the borrowings.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Hedging instruments and hedge accounting

The Group uses hedging instruments to manage its exposure to fuel price fluctuation, interest rate and foreign exchange rate risks. The Group uses hedging instruments such as forwards and options, to manage these risks. The use of hedging instruments is governed by the Group's policies which provide written principles on the use of financial instruments consistent with the Group's risk management strategy (see Note 31).

Hedging instruments are initially recognised at fair value on the contract date, and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the hedging instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates its hedging instruments as either fair value hedges or cash flow hedges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Hedging instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of hedging instrument is classified as a non-current asset or a non-current liability if the maturity of the hedge relationship exceeds 12 months and as a current asset or current liability if the maturity of the hedge relationship is within 12 months.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Group designates any interest rate swap for hedging of interest rate risk arising from borrowings as cash flow hedges. Hedges of foreign currency risk for future purchases of goods are designated as cash flow hedges. Hedges of fuel price risk for future purchases of goods are also designated as cash flow hedges.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Note 31(b) contains details of the fair values of the hedging instruments.

(a) Fair value hedge

Changes in the fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in fair value of hedging instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts recognised in other comprehensive income are taken to profit or loss when the hedged item is realised.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases (net of any incentive received from lessor) are charged to profit or loss on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchase and those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

VEHICLES, PREMISES AND EQUIPMENT - Vehicles, premises and equipment are stated at cost, less accumulated depreciation and any provision for impairment.

Capital projects in progress comprising development and construction costs incurred during the period of construction are carried at cost, less any recognised provision for impairment. Depreciation on these assets, on the same basis as other vehicles, premises and equipment, commences when the assets are available for use.

Depreciation is charged so as to write off the cost of the assets, other than capital projects in progress, over the estimated useful lives using the straight-line method, on the following bases:

	Number of years
Buses	17, 19 - 20
Bus grooming and other accessories (classified under buses)	2 to 8
Leasehold land and buildings	over terms of leases which are between 4 to 28 years
Computers and automated equipment	3 to 6
Workshop machinery, tools and equipment	3 to 5
Motor vehicles	5 to 10
Furniture, fittings and equipment	7

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of vehicles, premises and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Transfers of vehicles, premises and equipment within the ultimate holding company's group of companies are stated at cost less accumulated depreciation of the vehicles, premises and equipment transferred.

Fully depreciated vehicles, premises and equipment are retained in the financial statements until they are no longer in use.

IMPAIRMENT OF ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets, if any, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the provision for impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. A provision for impairment is recognised immediately in profit or loss.

Where provision for impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no provision for impairment been recognised for the asset (cash-generating unit) in prior years. A reversal of a provision for impairment is recognised immediately in profit or loss.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

FUEL PRICE EQUALISATION ACCOUNT - At the direction of the Public Transport Council ("PTC"), a fuel price equalisation account ("FPEA") has been set up to account for diesel price and electricity tariff adjustment charge for the purpose of mitigating the effects of any increase in fuel price and electricity tariff.

Annual contributions to the FPEA may be required as determined by the PTC, based on the reference electricity tariff and diesel price for the year.

Applications can be made to the PTC to seek approval for a draw down as may be catered for by the purpose of the FPEA mechanism, provided that the amount drawn does not exceed half of the available FPEA balance.

PROVISION FOR ACCIDENT CLAIMS - Claims for accident, public liability and others are provided in the financial statements based on the claims outstanding and the estimated amounts payable.

SERVICE BENEFITS - These comprise the following:

(a) **Retirement benefits** - Under the Collective Agreement entered into by the Group with the Union, a retirement benefit subject to a maximum of $3,000 is payable to a retiring employee on or after attaining the age of 67 years (2012 : 65 years) and on completion of at least five years of service. Provision is made in the financial statements based on the number of years of service rendered by qualifying employees.

(b) **Long service awards** - Staff serving more than 15 years are entitled to long service awards of $250 for 15 years of service, $350 for 20 years, $500 for 25 years and $700 for 30 years. Provision is made in the financial statements based on the number of years of service rendered by qualifying employees.

The provision for retirement benefits and long service awards is discounted using the market yield of Singapore Government Bonds at end of the reporting period.

(c) Apart from the retirement benefits described in (a) above, the Group participates in a defined contribution plan managed by the Singapore Government ("Singapore Central Provident Fund"). Payments made to the plan are charged as an expense as they fall due.

(d) **Employee leave entitlement** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Share-based payments - The Company issues share options to certain employees and Directors. Share options are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured using the Black-Scholes pricing 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.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants in relation to expenses incurred are recognised as other operating income in the period in which they become receivable.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from rendering of services that are of a short duration, is recognised as and when services are completed. Advertising production revenue is recognised when production is completed and advertising media revenue is recognised on a time proportionate basis over the term relevant contract. Rental income is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

BORROWING COSTS - Borrowing costs incurred to finance the purchase of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in profit or loss in the period which they are incurred.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination.

FOREIGN CURRENCY TRANSACTIONS – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in currencies other than each group entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (please see above for details of the Group's accounting policies in respect of such hedging instruments).

3 KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the application of the Group's accounting policies, which are described in Note 2, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Management is of the opinion that any instances of applications of judgements are not expected to have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

3 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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:

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation.

(a) Accident claims

Claims for property damage and personal injury are provided in the financial statements based on the claims outstanding as of the end of the financial year and estimated amounts payable. The past claims history and payment are used as a basis to estimate the amounts in which the Group will have to pay to third parties for such claims. As at 31 December 2013, the provision for claims is $15,629,000 (2012 : $13,966,000) (Note 17).

(b) Insurance premium

With effect from 2008, the Group has undertaken personal injury insurance with a fixed annual premium per vehicle. However, the Group had in the previous financial years incurred additional premiums payable as the insurance claims per vehicle had exceeded the minimum amount as stipulated in the insurance policy for those years. An estimate of the liability for the period from 2003 to 2008 of $14,497,000 (2012 : $17,073,000) had been made based on the history of incurred claims per vehicle for each of the policy year (Note 17).

(c) Retirement benefits

Retirement benefits subject to a maximum of $3,000 is payable to a retiring employee on or after attaining the age of 67 years (2012 : 65 years) and on completion of at least five years of service. Provision is made based on the number of years of service rendered by qualifying employees and discounted to present value using the market yield of Singapore Government Bonds at end of the reporting period of 0.29% to 2.79% (2012 : 0.26% to 1.71%) per annum and after taking into account an estimated attrition rate. The estimated attrition rate used is based on the best estimate of the Management's attrition rate, based on past experience. As at 31 December 2013, the provision for retirement benefits is $8,212,000 (2012 : $9,743,000) (Note 19).

(d) Long service awards

Staff with more than 15 years of service are entitled to long service awards of $250 for 15 years of services, $350 for 20 years, $500 for 25 years and $700 for 30 years. Provision is made based on the number of years of service rendered by qualifying employees and discounted to present value using the market yield of Singapore Government Bonds at end of the reporting period of 0.29% to 2.79% (2012 : 0.26% to 1.71%) per annum and after taking into account an estimated attrition rate. The estimated attrition rate used is based on the best estimate of the Management's attrition rate, based on past experience. As at 31 December 2013, the provision for long service awards is $3,092,000 (2012 : $3,057,000) (Note 19).

Useful lives of vehicles, premises and equipment

As described in Note 2, the Group reviews the estimated useful lives of vehicles, premises and equipment at the end of each annual reporting period. During the financial year, Management determined that the estimated useful lives of vehicles, premises and equipment are appropriate and no material revision is required.

4 HOLDING COMPANY, RELATED COMPANY AND RELATED PARTY TRANSACTIONS

The Company's immediate and ultimate holding company is ComfortDelGro Corporation Limited, incorporated in Singapore.

Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the Group's transactions and arrangements are with related parties and other members of the ultimate holding company's group of companies and the effects of these on the basis determined between the parties are reflected in these financial statements.

Related parties include associate or joint venture of a member of the ultimate holding company.

Significant intercompany and related party transactions during the financial year, other than those disclosed elsewhere in the notes to the financial statements are as follows:

	The Group	
	2013	**2012**
	$'000	**$'000**
Purchases of inventories from a related company	22,042	20,235
Rental expense from:		
Ultimate holding company	2,904	2,581
Related companies	600	600
Purchase of goods and services from:		
Ultimate holding company	2,627	2,629
Related companies	1,981	1,539
Associate of the ultimate holding company	166	71
Firm of which a director is a member	19	11
Option costs from ultimate holding company	134	268
Transfer of equipment to ultimate holding company	-	1
Sales of goods and services to:		
Ultimate holding company	(46)	(48)
Related companies	(2,163)	(2,097)
Rental income from related companies	(223)	(198)

The amounts outstanding are unsecured, interest-free and are repayable on demand, unless otherwise stated. No guarantees have been given or received.

No expense has been recognised in the financial year for bad and doubtful debts in respect of the amounts owed by related companies.

5 SHORT-TERM DEPOSITS AND BANK BALANCES

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash and bank balances	4,494	4,747	4,265	4,611
Time deposits	-	13,500	-	13,500
Total	4,494	18,247	4,265	18,111

6 AVAILABLE-FOR-SALE INVESTMENTS

	The Group and The Company	
	2013	2012
	$'000	$'000
Quoted investments, at fair value:		
Bonds in corporations		
- Current	5,045	-
- Non-current	5,549	11,021
	10,594	11,021

Quoted investments' fair values are based on closing market prices on the last market day of the financial year.

7 TRADE RECEIVABLES

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Related companies (Note 4)	6	5	6	5
Outside parties	9,382	7,812	9,268	7,812
	9,388	7,817	9,274	7,817

The amounts outstanding are interest-free and the average credit period is 7 to 30 days (2012 : 7 to 30 days).

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, no allowance for doubtful trade receivables is deemed necessary by the Group as at the balance sheet date.

8 OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Receivables from:				
Ultimate holding company (Note 4)	2	3	2	3
Related companies (Note 4)	408	422	408	422
Subsidiary (Note 10)	-	-	17,529	5,177
	410	425	17,939	5,602
Prepayments	6,383	5,670	6,088	5,660
Interest receivable	97	98	97	98
Staff advances	328	289	297	283
Security deposits:				
Ultimate holding company (Note 4)	732	732	732	732
Outside parties	897	910	897	910
Accrued income	3,492	12,118	3,468	12,118
Grant receivables	6,727	3,911	6,727	3,911
Others	5,616	9,690	5,494	9,682
Total	24,682	33,843	41,739	38,996

9 INVENTORIES

Inventories comprised mainly of parts, accessories and consumable stores required for the operation and maintenance of vehicles and equipment.

10 SUBSIDIARY

In 2012, the Company had investments in unquoted equity shares representing 100% equity interest in SBS Transit DTL Pte. Ltd. incorporated in Singapore. The cost of investment in the subsidiary was $100,000. The subsidiary is audited by Deloitte & Touche LLP, Singapore.

On 22 January 2013, the Company subscribed for an additional 4,900,000 ordinary shares of the subsidiary for a cash consideration of $4,900,000.

The principal activities of the subsidiary are those of the operation and maintenance of Downtown Line. The subsidiary had commenced operations on 22 December 2013.

The Group is in compliance with Listing Rules 712 and 715 of The Singapore Exchange Securities Trading Limited as suitable auditing firms have been appointed to meet the Group's audit obligations.

11 PREPAYMENTS

Prepayments pertain to downpayments for the purchase of vehicles, premises and equipment.

12 VEHICLES, PREMISES AND EQUIPMENT

	Buses $'000	Leasehold land $'000
The Group		
Cost:		
At 1 January 2012	1,030,084	16,642
Additions	1,210	-
Disposals	(84,806)	-
Reclassifications	164,915	-
Transfer to ultimate holding company	-	-
At 31 December 2012	1,111,403	16,642
Additions	375	-
Disposals	(45,679)	-
Reclassifications	176,102	-
At 31 December 2013	1,242,201	16,642
Accumulated depreciation:		
At 1 January 2012	460,497	5,748
Additions	42,408	594
Disposals	(84,529)	-
Transfer to ultimate holding company	-	-
At 31 December 2012	418,376	6,342
Additions	52,033	595
Disposals	(45,672)	-
Reclassifications	(14)	-
At 31 December 2013	424,723	6,937
Carrying amount:		
At 31 December 2013	817,478	9,705
At 31 December 2012	693,027	10,300

Leasehold buildings $'000	Computers and automated equipment $'000	Workshop machinery, tools and equipment $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Capital projects in progress $'000	Total $'000
63,171	97,765	21,920	4,474	10,826	35,243	1,280,125
57	1,162	2,027	846	319	173,742	179,363
(891)	(602)	(447)	(861)	(245)	-	(87,852)
406	-	437	-	1,524	(167,282)	-
-	-	-	-	(76)	-	(76)
62,743	98,325	23,937	4,459	12,348	41,703	1,371,560
149	541	3,706	1,300	331	174,246	180,648
-	(39,628)	(847)	(192)	(195)	-	(86,541)
1,628	1,085	1,636	-	738	(181,189)	-
64,520	60,323	28,432	5,567	13,222	34,760	1,465,667
37,850	85,366	16,345	3,484	8,612	-	617,902
3,094	8,204	1,805	349	577	-	57,031
(891)	(601)	(443)	(857)	(229)	-	(87,550)
-	-	-	-	(75)	-	(75)
40,053	92,969	17,707	2,976	8,885	-	587,308
1,864	3,966	2,196	438	824	-	61,916
-	(39,627)	(765)	(169)	(195)	-	(86,428)
13	12	2	-	(13)	-	-
41,930	57,320	19,140	3,245	9,501	-	562,796
22,590	3,003	9,292	2,322	3,721	34,760	902,871
22,690	5,356	6,230	1,483	3,463	41,703	784,252

12 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

	Buses $'000	Leasehold land $'000
The Company		
Cost:		
At 1 January 2012	1,030,084	16,642
Additions	1,210	-
Disposals	(84,806)	-
Reclassifications	164,915	-
Transfer to ultimate holding company	-	-
Transfer to subsidiary	-	-
At 31 December 2012	1,111,403	16,642
Additions	375	-
Disposals	(45,679)	-
Reclassifications	176,102	-
Transfer to subsidiary	-	-
At 31 December 2013	1,242,201	16,642
Accumulated depreciation:		
At 1 January 2012	460,497	5,748
Additions	42,408	594
Disposals	(84,529)	-
Transfer to ultimate holding company	-	-
Transfer to subsidiary	-	-
At 31 December 2012	418,376	6,342
Additions	52,033	595
Disposals	(45,672)	-
Reclassifications	(14)	-
Transfer to subsidiary	-	-
At 31 December 2013	424,723	6,937
Carrying amount:		
At 31 December 2013	817,478	9,705
At 31 December 2012	693,027	10,300

Leasehold buildings $'000	Computers and automated equipment $'000	Workshop machinery, tools and equipment $'000	Motor vehicles $'000	Furniture, fittings and equipment $'000	Capital projects in progress $'000	Total $'000
63,171	97,765	21,920	4,474	10,826	35,243	1,280,125
57	1,071	2,027	846	239	173,639	179,089
(891)	(602)	(447)	(861)	(245)	-	(87,852)
406	-	437	-	1,421	(167,179)	-
-	-	-	-	(76)	-	(76)
-	(3)	-	-	-	-	(3)
62,743	98,231	23,937	4,459	12,165	41,703	1,371,283
35	457	3,399	646	247	166,841	172,000
-	(39,628)	(847)	(192)	(195)	-	(86,541)
1,628	1,085	1,636	-	738	(181,189)	-
-	-	-	-	(6)	-	(6)
64,406	60,145	28,125	4,913	12,949	27,355	1,456,736
37,850	85,366	16,345	3,484	8,612	-	617,902
3,094	8,184	1,805	349	573	-	57,007
(891)	(601)	(443)	(857)	(229)	-	(87,550)
-	-	-	-	(75)	-	(75)
-	(2)	-	-	-	-	(2)
40,053	92,947	17,707	2,976	8,881	-	587,282
1,862	3,920	2,180	419	794	-	61,803
-	(39,627)	(765)	(169)	(195)	-	(86,428)
13	12	2	-	(13)	-	-
-	-	-	-	(6)	-	(6)
41,928	57,252	19,124	3,226	9,461	-	562,651
22,478	2,893	9,001	1,687	3,488	27,355	894,085
22,690	5,284	6,230	1,483	3,284	41,703	784,001

12 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

Note: Details of leasehold land and buildings of the Group and the Company are as follows:

Location	Approximate land area	Tenure	Usage
No. 28 Soon Lee Road Singapore	26,670 sq m	30 years from 1 April 2000	Bus depot
No. 550 Bukit Batok Street 23 Singapore	52,187 sq m	43 years from 1 January 1983	Bus depot
No. 4 Defu Ave 1 Singapore	74,236 sq m	33 years from 1 January 1983	Bus depot
No. 1470 Bedok North Ave 4 Singapore	62,220 sq m	Under Temporary Occupation Licence	Bus depot
No. 2A Ayer Rajah Crescent Singapore	17,939 sq m	Under Temporary Occupation Licence	Bus park
No. 15 Ang Mo Kio Street 63 Singapore	63,953 sq m	26 years from 1 March 1994	Bus depot

13 DEFERRED TAX ASSETS/LIABILITIES

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred tax assets	4,407	-	-	-
Deferred tax liabilities	(60,919)	(56,233)	(60,919)	(56,233)
Net	(56,512)	(56,233)	(60,919)	(56,233)

13 DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	(56,233)	(49,811)	(56,233)	(49,811)
Charge to profit or loss (Note 27)	(434)	(5,819)	(4,841)	(5,819)
Arising from movement in other comprehensive income statement	155	(603)	155	(603)
At end of year	(56,512)	(56,233)	(60,919)	(56,233)

The balance comprises the tax effects of:

Deferred tax assets

Unutilised tax losses	4,407	-	-	-

Deferred tax liabilities

Excess of carrying amount over tax written down value	(73,635)	(66,797)	(73,635)	(66,797)
Other items	12,716	10,564	12,716	10,564
	(60,919)	(56,233)	(60,919)	(56,233)
Net deferred tax liabilities	(56,512)	(56,233)	(60,919)	(56,233)

14 BORROWINGS

	The Group and The Company	
	2013	**2012**
	$'000	**$'000**
Borrowings comprise the following:		
(a) Short Term Bank Loans	26,500	-
(b) Long Term Loan from External Party	77,593	28,164
(c) Medium Term Notes	250,000	250,000
Total	354,093	278,164
Analysed as:		
Current	31,485	1,253
Non-current	322,608	276,911
Total	354,093	278,164

14 BORROWINGS (CONT'D)

(a) Short Term Bank Loans

In 2013, short term bank loans were for a tenure of 4 to 7 weeks, unsecured and bore interest at rates ranging from 0.40% to 0.44% per annum.

(b) Long Term Loan from External Party

The long term loan from external party is a loan extended to the Company for the purchase of buses and related accessories under the Bus Service Enhancement Programme ("BSEP"). This loan bears an interest rate of 6% per annum for the first 5 years and is payable to the extent of the Financing Subsidy made available to the Company.

The loan from external party is secured over the BSEP buses and related accessories of the Company. As at the end of the reporting period, the carrying amount of vehicles pledged amounted to $70,055,000 (2012 : $17,125,000).

	The Group and The Company	
	2013	**2012**
	$'000	**$'000**
Long Term Loan from External Party - Current	4,985	1,253
Long Term Loan from External Party - Non-current	72,608	26,911
Total	77,593	28,164

(c) Medium Term Notes

On 24 May 2010, the Group established a $250m Multicurrency Medium Term Note Programme (the "MTN Programme"). In 2012, the Group issued $150m 5-year fixed rate unsecured Series 002 notes due on 12 September 2017 from the MTN Programme. The notes bear an interest rate of 1.80% per annum payable on a semi-annual basis. The Group issued $100m 5-year fixed rate unsecured Series 001 notes due on 26 October 2015 in 2010. The notes bear an interest rate of 1.95% per annum payable on a semi-annual basis.

As at the end of the reporting period, the fair value of the notes approximates their carrying amount.

15 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Payables to:				
Ultimate holding company (Note 4)	1,034	699	1,011	699
Related companies (Note 4)	3,339	3,377	3,338	3,377
Outside parties	43,252	37,369	42,663	37,239
Accruals	103,269	85,182	91,060	84,059
Deferred income	4,706	4,872	4,589	4,872
Total	155,600	131,499	142,661	130,246

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The amounts outstanding are interest-free and the average credit period is 30 days (2012 : 30 days).

16 DEPOSITS RECEIVED

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deposits received	7,423	5,881	6,701	5,881
Less: Due within 12 months	(2,196)	(2,180)	(2,176)	(2,180)
Due after 12 months	5,227	3,701	4,525	3,701

Deposits received from tenants in respect of leases of stalls and shoplots, are repayable upon termination of the lease agreements. Deposits that are not expected to be repaid within the next twelve months after the end of the reporting period are presented as a non-current liability. The carrying amount of the deposits approximates their fair value.

17 INSURANCE PREMIUMS PAYABLE AND PROVISION FOR ACCIDENT CLAIMS

	The Group and The Company	
	2013	2012
	$'000	$'000
At beginning of year	31,039	32,938
Charge to profit or loss	3,499	1,488
Payments	(4,412)	(3,387)
At end of year	30,126	31,039

The balance comprises provision for:

Insurance premiums	14,497	17,073
Accident claims	15,629	13,966
	30,126	31,039

18 DEFERRED GRANTS

During the financial year, government grants amounting to $2,016,000 (2012 : $1,953,000) have been received from the government authorities to purchase certain assets. The grants received/receivable have been recognised as deferred income in accordance with the Group's accounting policy.

19 PROVISION FOR SERVICE BENEFITS AND LONG SERVICE AWARDS

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At beginning of year	12,800	12,622	12,774	12,622
(Credit) Charge to profit or loss	(1,184)	747	(1,200)	721
Payments	(312)	(569)	(312)	(569)
At end of year	11,304	12,800	11,262	12,774

The balance comprises provision for:

Retirement benefits	8,212	9,743	8,204	9,740
Long service awards	3,092	3,057	3,058	3,034
	11,304	12,800	11,262	12,774

20 SHARE CAPITAL

	The Group and The Company			
	2013	2012	2013	2012
	Number ('000) of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning and end of year	308,630	308,630	93,875	93,875

Details of the outstanding share options of the Company as at the end of the financial year are set out in Note 23(b).

The Company has one class of ordinary shares which carry no right to fixed income.

21 OTHER RESERVES

	The Group and The Company	
	2013	**2012**
	$'000	**$'000**
Share option reserve:		
At beginning of year	768	919
Transfer to accumulated profits	(115)	(151)
At end of year	653	768
Revaluation reserve:		
At beginning of year	1,020	1,105
Loss on available-for-sale investments	(427)	(85)
At end of year	593	1,020
Hedging reserve:		
At beginning of year	4,734	1,790
(Loss) Gain on cash flow hedges	(755)	2,944
At end of year	3,979	4,734
Total	5,225	6,522

22 REVENUE

Revenue comprises the following amounts:

	The Group	
	2013	**2012**
	$'000	**$'000**
Transport services:		
Bus	644,857	600,936
Includes fare revenue from:		
- Contactless Smart Card	552,790	540,447
- Cash	29,583	31,791
Rail	148,138	138,607
Advertisements	34,814	36,754
Rental	19,513	15,980
Total	847,322	792,277

Included under Bus is a grant of $31,906,000 (2012 : $2,962,000) received from the Land Transport Authority ("LTA") to defray the cost of purchasing and operating additional buses under the BSEP.

23 STAFF COSTS

(a) Included in staff costs are:

(i) Directors' remuneration

The Group

Remuneration band	**Salary** %	**Bonus** %	**Others** %	**Total compensation** %
2013				
($500,000 - $749,999) Gan Juay Kiat	46	48	6	100
2012				
($500,000 - $749,999) Gan Juay Kiat	46	48	6	100

The remuneration of all the other non-executive Directors is below $250,000 and comprised entirely of Directors' fees (Note 24).

23 STAFF COSTS (CONT'D)

(a) Included in staff costs are: (cont'd)

(ii) Key executives' remuneration

The Group

Remuneration band	Salary	Bonus	Others	Total compensation
	%	%	%	%
2013				
($250,000 - $499,999) No. of executives : 4	63	31	6	100
(below $250,000) No. of executives : 3	62	33	5	100
2012				
($250,000 - $499,999) No. of executives : 3	62	32	6	100
(below $250,000) No. of executives : 2	66	31	3	100

The Code of Corporate Governance recommends the disclosure of the remuneration of the Company's Directors and top five key executives. The Board had considered this matter carefully and has decided against such disclosure. Given the wage disparities in the industry and the likely competitive pressures resulting from such disclosures, it is felt that the disadvantages of disclosure will outweigh the benefits.

(iii) The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and the Group. The total remuneration for the Directors and key executives comprising of short term benefits amounted to $3,062,000 (2012 : $2,507,000).

	The Group	
	2013	**2012**
	$'000	**$'000**
(iv) Cost of contribution to Central Provident Fund	29,354	26,898

23 STAFF COSTS (CONT'D)

(b) Share-based payments

Share option scheme

The Company has a share option scheme for employees of the Group of the rank of Executive and above, and certain categories of persons who are not employees but who work closely with the Group. The scheme is administered by the Remuneration Committee. Information on the share option plan is disclosed in paragraph 5 to the Report of the Directors. Options are exercisable at a subscription price determined with reference to the market price of the shares at the time of grant of the options. The vesting period is one year. If the options remain unexercised after a period of 10 years (five years for non-executive Directors) from the date of the grant, the options expire. Options granted will lapse when the option holder ceases to be a full-time employee or Director of the Group, subject to certain exceptions at the discretion of the Remuneration Committee.

Details of the share options outstanding during the year are as follows:

	The Company			
	2013		2012	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at the beginning of the year	7,306,250	2.27	8,723,750	2.34
Cancelled/Lapsed during the year	(1,132,500)	2.18	(1,417,500)	2.70
Outstanding at the end of the year	6,173,750	2.29	7,306,250	2.27
Exercisable at the end of the year	6,173,750	2.29	7,306,250	2.27

No options were exercised in 2013 and 2012. The options outstanding at the end of the year have a weighted average remaining contractual life of 3.5 years (2012 : 4.2 years). For further details on the exercise prices of the options outstanding at the end of the year, please refer to the Report of the Directors.

The SSOS expired on 8 June 2010 and hence no option has been granted since then.

The Group recognised total expenses of $134,000 (2012 : $268,000) related to share-based payment transactions (included in staff costs) during the year.

24 OPERATING PROFIT

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, this item includes the following charges (credits):

	The Group	
	2013	**2012**
	$'000	**$'000**
Directors' fees	403	362
Cost of inventories recognised in repairs and maintenance expense	78,366	70,169
Net gain on disposal of vehicles and equipment	(739)	(1,514)
Insurance premiums payable and provision for accident claims	3,499	1,488
(Write-back) Provision for service benefits and long service awards	(1,184)	747
Audit fees:		
Paid to auditors of the Company	120	120
Non-audit fees:		
Paid to auditors of the Company	26	26

25 NET INCOME FROM INVESTMENTS

	The Group	
	2013	**2012**
	$'000	**$'000**
Interest income:		
Bonds	441	442
Time deposits	15	31
Total	456	473

26 FINANCE COSTS

	The Group	
	2013	**2012**
	$'000	**$'000**
Interest expense on Loans and Medium Term Notes	4,304	2,841

27 TAXATION

	The Group	
	2013	**2012**
	$'000	**$'000**
Current taxation	68	69
Deferred tax (Note 13)	1,183	5,819
Overprovision of current tax in prior years	-	(1,395)
Overprovision of deferred tax in prior years (Note 13)	(749)	-
	502	4,493

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2012 : 17%) to profit before taxation as a result of the following differences:

	The Group	
	2013	**2012**
	$'000	**$'000**
Profit before taxation	11,678	23,050
Taxation charge at statutory rate	1,985	3,919
Non-allowable items	343	631
Tax-exempt income	(26)	(26)
Overprovision in prior years	(749)	-
Previously unrecognised and unused tax losses now recognised as deferred tax assets	(1,020)	-
Other items	(31)	(31)
	502	4,493

28 EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders of the Company for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

	2013	**2012**
Profit attributable to shareholders of the Company ($'000)	11,176	18,557
Weighted average number of ordinary shares in issue ('000)	308,630	308,630
Basic earnings per share (in cents)	3.62	6.01

28 EARNINGS PER SHARE (CONT'D)

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares which are the share options granted to employees and Directors. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average share price of the Company's shares for the financial year) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the 'unpurchased' shares to be added to the ordinary shares outstanding for the purpose of computing the dilution.

	2013	2012
Profit attributable to shareholders of the Company ($'000)	11,176	18,557
Weighted average number of ordinary shares in issue ('000)	308,630	308,630
Adjustments for share options ('000)	-	9
Weighted average number of ordinary shares for the purpose of diluted earnings per share ('000)	308,630	308,639
Diluted earnings per share (in cents)	3.62	6.01

29 BUSINESS SEGMENT INFORMATION

The Group operates principally in Singapore.

Information reported to the Group's chief operating decision maker for purposes of resource allocation and assessment of segment performance are based on the following:

(a) Bus : Income is generated substantially through bus fare collections.

(b) Rail : Income is generated substantially through rail fare collections.

(c) Advertisements : Income is generated through advertisements on the buses, trains and at Mass Rapid Transit ("MRT") and Light Rail Transit ("LRT") stations.

(d) Rental : Income is generated through rental collections from commercial and shop space at bus interchanges and rail stations.

29 BUSINESS SEGMENT INFORMATION (CONT'D)

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's profit and loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and vehicles, premises and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire vehicles, premises and equipment directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accruals.

	Bus $'000	Rail $'000	Advertisements $'000	Rental $'000	Total $'000
2013					
REVENUE	644,857	148,138	34,814	19,513	847,322
RESULTS					
Segment results	(14,376)	(5,774)	20,302	15,374	15,526
Net income from investments					456
Finance costs					(4,304)
Profit before taxation					11,678
Taxation					(502)
Profit after taxation					11,176
OTHER INFORMATION					
Additions of vehicles, premises and equipment	168,218	4,380	498	7,552	180,648
Depreciation expense	59,732	1,166	537	481	61,916
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	944,413	44,615	9,356	10,674	1,009,058
Unallocated corporate assets					17,574
Consolidated total assets					1,026,632
LIABILITIES					
Segment liabilities	287,819	30,644	5,914	15,668	340,045
Unallocated corporate liabilities					342,296
Consolidated total liabilities					682,341

29 BUSINESS SEGMENT INFORMATION (CONT'D)

	Bus $'000	Rail $'000	Advertisements $'000	Rental $'000	Total $'000
2012					
REVENUE	600,936	138,607	36,754	15,980	792,277
RESULTS					
Segment results	(14,738)	4,926	23,467	11,763	25,418
Net income from investments					473
Finance costs					(2,841)
Profit before taxation					23,050
Taxation					(4,493)
Profit after taxation					18,557
OTHER INFORMATION					
Additions of vehicles, premises and equipment	176,189	1,884	974	316	179,363
Depreciation expense	54,921	793	273	1,044	57,031
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	857,982	33,133	8,859	3,598	903,572
Unallocated corporate assets					26,528
Consolidated total assets					930,100
LIABILITIES					
Segment liabilities	236,421	24,281	5,531	10,086	276,319
Unallocated corporate liabilities					311,724
Consolidated total liabilities					588,043

30 COMMITMENTS

As at 31 December 2013, the Group and the Company have the following commitments:

(a) Capital commitments contracted for but not provided for in the financial statements:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Purchase of vehicles, premises and equipment	226,116	370,732	225,069	370,732

(b) Operating lease commitments:

The Group as lessee

	The Group	
	2013	2012
	$'000	$'000
Minimum lease payment under operating leases included in the profit or loss	8,399	8,064

At end of the reporting period, commitments in respect of the non-cancellable operating leases which fall due are as follows:

	The Group	
	2013	2012
	$'000	$'000
Within one year	8,351	5,504
In the second to fifth year inclusive	18,654	11,814
After five years	12,454	11,249
Total	39,459	28,567

Operating lease payments represent rentals payable by the Group for office premises and bus depots. Leases are negotiated for periods up to 43 years and increase in rental is fixed ranging from 1 year to 12 years.

30 COMMITMENTS (CONT'D)

The Group as lessor

The Group rents out part of their bus spaces and floor areas at bus depots and train stations under operating leases. Property rental and licence fee income earned under non-cancellable leases during the year was $14,607,000 (2012 : $11,665,000). The properties are managed and maintained by the Group.

At end of the reporting period, the Group and the Company contracted with tenants for the following future minimum lease payments:

	The Group		**The Company**	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Within one year	13,108	11,884	12,052	11,884
In the second to fifth year inclusive	12,272	11,755	10,188	11,755
Total	25,380	23,639	22,240	23,639

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Financial risk, management policies and objectives

The main areas of financial risk faced by the Group are foreign currency exchange rate risk, interest rate risk, credit risk, liquidity risk and fuel price risk. The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholders' value. It is the Group's policy not to participate in speculative financial instruments. The Group oversees financial risk management and regularly reviews its policy governing risk management practices.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

Foreign currency exchange rate risk management

The Group is exposed to currency risk as a result of its purchases of buses, spare parts, fuel and any other purchases where the currency denomination differs from its functional currency (Singapore Dollar). Its exposures include United States Dollar ("USD"), Swedish Kroner ("SEK"), Euro ("EUR"), Japanese Yen ("JPY"), Malaysian Ringgit ("MYR") and Sterling Pound ("GBP"). The Group manages its foreign currency exposure through active currency management using hedging instruments such as forwards or options where necessary.

Foreign currency sensitivity

Based on sensitivity analysis performed, the exposure to changes in foreign exchange rates is minimal and hence the resulting impact on profit or equity of the Group is insignificant.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

Interest rate risk management

The Group's primary interest rate risk relates to borrowings, investments in fixed income securities and deposits. The Group uses hedging instruments such as interest rate swaps and caps, where necessary, to achieve the desired interest rate profile in its effort to manage interest rate risk.

Summary quantitative data of the Group's interest-bearing financial instruments are disclosed in Section (d) of this note.

Interest rate sensitivity

Based on sensitivity analysis performed at end of the reporting period, the exposure to changes in interest rates is minimal and hence the resulting impact on the profit or other comprehensive income of the Group is insignificant.

Credit risk management

The Group has minimal credit risk arising from its public transport operations. Majority of its commuters use the contactless smart card where cash is collected upfront. Credit risk arises mainly from advertisement and rental revenue and is controlled via upfront deposits or strict credit terms and regular monitoring of advertisers' and tenants' financial standing. The Group enters into treasury transactions only with creditworthy institutions. Its investments in fixed income instruments are above investment grade as assigned by international credit-rating agencies. There is no significant concentration of credit risk. In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The carrying value of financial assets represents the maximum credit risk exposure of the Group.

Liquidity risk management

The Group regularly reviews its liquidity position comprising free cash flows from its operations and credit lines from banks and its MTN Programme to ensure its ability to access funding at any time at the best possible rates.

Fuel price risk management

Fuel, comprising diesel and electricity, is part of the operating cost of the Group. The Group seeks to hedge the price risk associated with its fuel needs and uses hedging instruments, where necessary, to achieve the desired hedge outcome.

Based on sensitivity analysis performed and taking into account the fuel hedges in place, as at end of the reporting period, every one percentage point change in the rates of diesel and electricity using the closing rates as at end of the reporting period as a basis will impact the Group's annual fuel and electricity costs by $1.1m (2012 : $0.6m). The sensitivity analysis assumes that consumption is held constant at the same level as in 2013.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, short term loans and other liabilities approximate the respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) quoted prices in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (Level 3).

The majority of the fair value of the Group's hedging instruments and available-for-sale investments are classified into Level 1. None of the fair value of the financial instrument is classified in Level 3. There are also no transfers between Levels 1 and 2 of the fair value hierarchy during the financial year.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(b) Hedging instruments

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
The Group and The Company				
At fair values:				
Foreign exchange hedges	984	-	-	30
Fuel hedges	3,807	-	5,734	-
	4,791	-	5,734	30

The Group utilises hedging instruments to hedge significant future transactions and cash flows.

The Group's hedging instruments are measured at fair value whereby future cash flows are estimated based on contracted rates and observable forward rates at the end of the reporting period, discounted at a rate that reflects the credit risk of the various counterparties.

At end of the reporting period, the total notional amount of outstanding hedging instruments to which the Group and the Company is committed are as follows:

	The Group and The Company	
	2013	2012
	$'000	$'000
Foreign exchange hedges	56,662	94,238
Fuel hedges	56,860	84,536

The Group and the Company use forward contracts and options to manage their exposure to foreign exchange risks. These arrangements are designed to address foreign exchange risk on future purchases of goods and are accounted for as cash flow hedges. As at 31 December 2013, the fair value of the Group's and the Company's foreign exchange hedging instruments comprising $984,000 of assets (2012 : $30,000 of liabilities) was matched by an equivalent fair value adjustment on cash flow hedges in other comprehensive income.

The Group and the Company use fuel hedges to hedge against fuel price risks. These arrangements are designed to address fuel price exposure. The fuel hedges are accounted for as cash flow hedges. As at 31 December 2013, the fair value of the Group's and the Company's fuel hedging instruments comprised $3,807,000 of assets (2012 : $5,734,000 of assets) on cash flow hedges in other comprehensive income.

These amounts are based on market prices for equivalent instruments at the end of the reporting period.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's capital management objectives are to safeguard its ability to continue as a going concern and to maximise shareholder value. Management monitors the gross and net gearing of the Group and its implication on weighted average cost of capital in deciding the optimal capital structure. These objectives determine the Group's decisions on the amount of dividends to be paid to shareholders and the sources of capital to be raised, be it equity or debt. The Group's debt capital refers to borrowings comprising loans under Notes 14(a) and 14(b), and Medium Term Notes under Note 14(c) while equity refers to total equity.

(d) The following are the expected contractual undiscounted cash outflows (including interest payments) of the Group's and the Company's financial liabilities:

	Carrying Amount $'000	Contractual cash flows Total $'000	Within 1 year $'000	Within 2 to 5 years $'000	Beyond 5 years $'000	Effective Interest Rate %
2013						
Financial liabilities						
Loans:						
In functional currency:						
Short Term Bank Loans						
- unsecured	26,500	26,511	26,511	-	-	0.40 – 0.44
Long Term Loan from External Party						
- secured	77,593	77,593	4,985	20,635	51,973	-
Medium Term Notes						
- unsecured	250,000	264,707	4,650	260,057	-	1.80 – 1.95
2012						
Financial liabilities						
Loans:						
In functional currency:						
Long Term Loan from External Party						
- unsecured	28,164	28,164	1,253	6,519	20,392	-
Medium Term Notes						
- unsecured	250,000	269,357	4,650	264,707	-	1.80 – 1.95

32 DIVIDENDS

(a) During the financial year, the Company paid dividends as follows:

	2013 $'000	2012 $'000
Tax-exempt one-tier final dividend in respect of the previous financial year:		
- 1.65 cents (2012 : 2.80 cents) per ordinary share	5,092	8,642
Tax-exempt one-tier interim dividend in respect of the current financial year:		
- 0.9 cents (2012 : 1.35 cents) per ordinary share	2,778	4,166
Total	7,870	12,808

(b) Subsequent to the end of the reporting period, the Directors of the Company recommend that a tax-exempt one-tier final dividend of 0.90 cents per ordinary share of the Company totalling $ 2,778,000 be paid for the financial year ended 31 December 2013.

The dividends are subject to approval by shareholders at the forthcoming Annual General Meeting of the Company and hence the proposed dividends have not been accrued as a liability for the current financial year.

33 LICENCE CONDITION FOR RAIL SERVICES

North-East MRT System, Punggol LRT System and Sengkang LRT System

A licence condition ("LC") dated 15 January 2003 was issued by LTA to the Company under which the Company is licensed to operate the North-East MRT System, Punggol LRT System and Sengkang LRT System (collectively referred to as the "Licensed Systems").

The LC sets out the conditions governing the operation of the Licensed Systems and includes, among others, the following:

(a) The licence is for an initial period of 30 years commencing 15 January 2003. The Company may apply to LTA to renew the licence for a further 30 years or any other period and upon terms and conditions as LTA may impose.

(b) The licence fee payable to LTA is prescribed under the subsidiary legislation of the Rapid Transit Systems ("RTS") Act during the Licence Term.

(c) The Company and LTA shall jointly review the viability on the fifth anniversary of the date of the LC or such other period as may be agreed in writing between the Company and LTA. In this review, LTA shall determine the dates and time of the Company's purchase of the operating assets of the Licensed Systems and the amount is based on the net book value as recorded in the latest audited accounts of LTA. As at the date of this report, the Company and LTA have not commenced the review.

(d) The Company may apply in writing to LTA for a grant to replace any eligible operating assets computed based on the difference between the purchase cost of the new assets and the purchase cost of the operating assets to be replaced.

The main categories of eligible operating assets are trains, maintenance vehicles, power supply equipment, supervisory control system, escalators and lifts, platform screen doors, environmental control system, tunnel ventilation system, electrical service and fire protection system, signalling system, communication system, automatic fare collection system, depot workshop equipment, access management system and maintenance management system.

33 LICENCE CONDITION FOR RAIL SERVICES (CONT'D)

Downtown Line MRT System

A LC dated 19 December 2013 was issued by LTA to the subsidiary of the Company under which the subsidiary of the Company is licensed to operate the Downtown Line MRT system.

The LC sets out the conditions governing the operation of the Downtown Line MRT system and includes, among others, the following:

(a) The licence is for a period of 19 years commencing from 20 December 2013. LTA may, if it deems fit, renew the licence for such further period with revised terms and conditions of the renewed licence.

(b) The licence fee payable to LTA is prescribed under the subsidiary legislation of the RTS Act during the Licence Term.

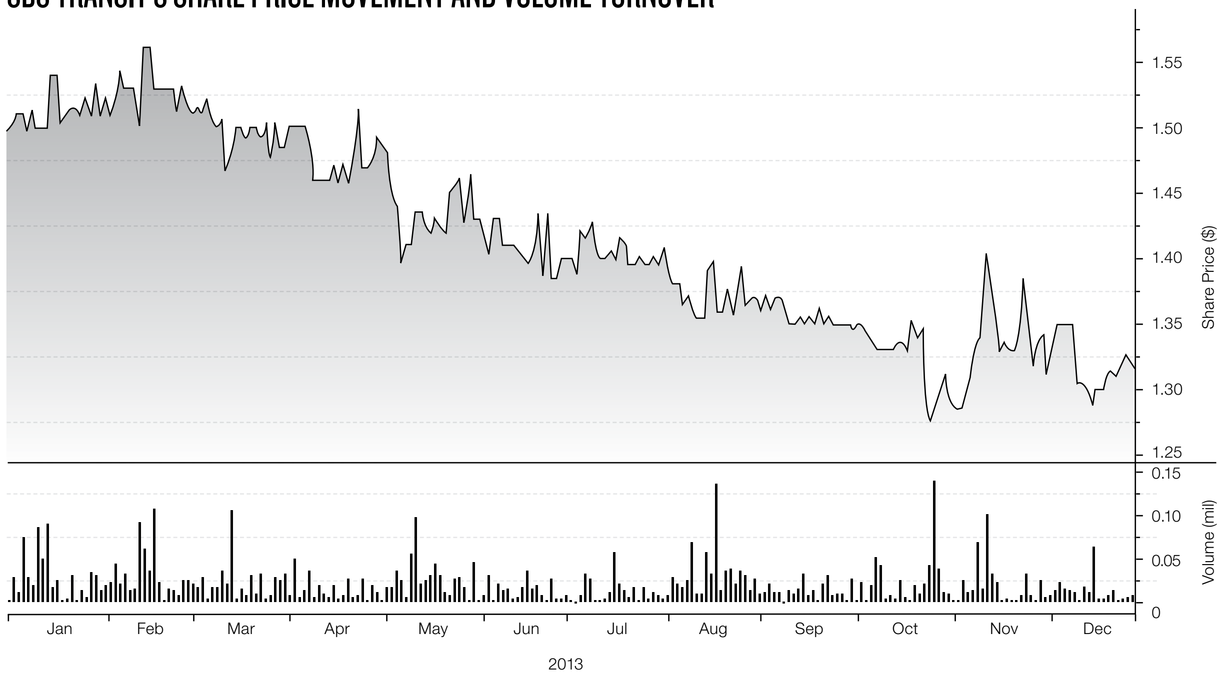
(c) The subsidiary of the Company shall pay LTA a licence charge which consists of Fixed Charge and Revenue Share Charge. A yearly Fixed Charge is payable from financial year 2019 to end of licence period. If the Operating Surplus minus the Fixed Charge for a financial year is more than the Threshold Profit, the subsidiary of the Company shall pay Revenue Share Charge.

(d) After the commencement of revenue service of the last stage, the subsidiary of the Company shall pay LTA a Cash-Bid Amount if the Net Operating Surplus for a financial year is more than the Threshold Profit.

(e) All Operating Assets shall remain the property of LTA except for Spares, Special Tools, Non-Proprietary Items and End Devices purchased by the subsidiary of the Company during the Licence Term.

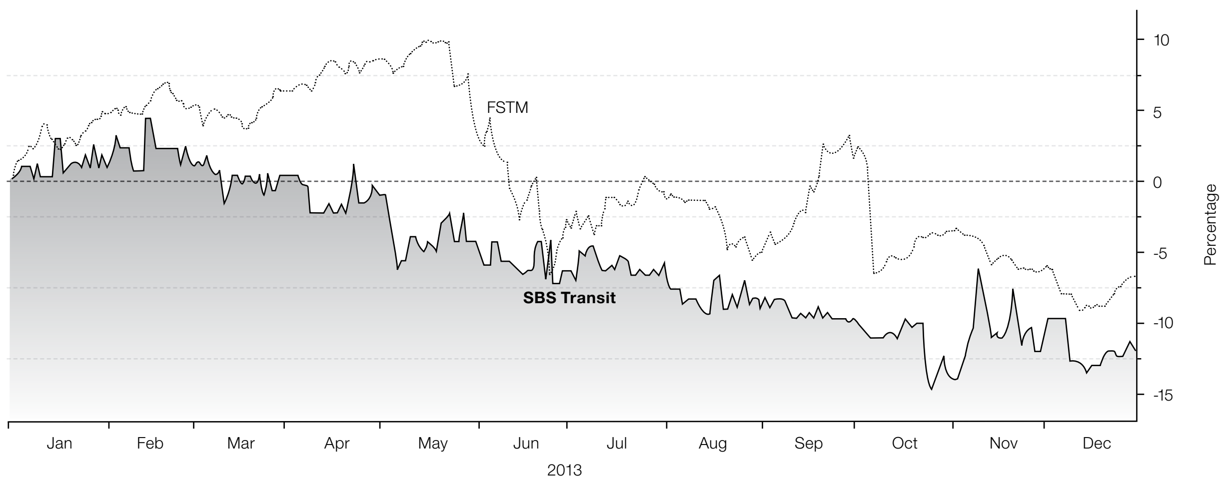
SHARE PRICE MOVEMENT CHART

SBS TRANSIT'S SHARE PRICE MOVEMENT AND VOLUME TURNOVER



Source: Bloomberg Finance L.P.

COMPARISON OF PERFORMANCE OF SBS TRANSIT'S SHARE PRICE AND THE FTSE STRAITS TIMES MID CAP INDEX (FSTM)



Source: Bloomberg Finance L.P.

SHAREHOLDING STATISTICS
AS AT 3 MARCH 2014

No. of shares issued	:	308,629,766
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	1,968	9.55	635,572	0.21
1,000 - 10,000	17,996	87.32	30,928,543	10.02
10,001 - 1,000,000	639	3.10	22,893,915	7.42
1,000,001 & Above	6	0.03	254,171,736	82.35
Total	20,609	100.00	308,629,766	100.00

Top Twenty Shareholders	No. of Shares	%
ComfortDelGro Corporation Limited	232,125,512	75.21
BNP Paribas Securities Services Singapore	10,961,500	3.55
DBS Nominees Pte Ltd	5,253,600	1.70
United Overseas Bank Nominees Pte Ltd	2,814,280	0.91
Citibank Nominees Singapore Pte Ltd	1,587,084	0.52
OCBC Nominees Singapore Pte Ltd	1,429,760	0.46
Changi Bus Company (Private) Limited	691,548	0.22
Chiam Wei Jun Irvine	415,000	0.14
Raffles Nominees (Pte) Ltd	397,300	0.13
Jusin Private Limited	300,000	0.10
Woon Chio Chong	275,000	0.09
Kuan Bon Heng	253,500	0.08
Ho Suck Yee @ Ho Seck Yee	250,000	0.08
Lim Jun Ying	250,000	0.08
Maybank Kim Eng Securities Pte Ltd	238,300	0.08
Loh Hon Seng Vincent	222,000	0.07
Tan Kay Yeong	217,500	0.07
Wong Chin Huat	215,000	0.07
Tan Kong Eng	214,800	0.07
Tang Wee Loke	211,000	0.07
Total	258,322,684	83.70

Substantial Shareholder (as shown in the Register of Substantial Shareholders)	No. of Shares	%
ComfortDelGro Corporation Limited	232,125,512	75.21

As at 3 March 2014, approximately 24.23% of the issued ordinary shares of SBS Transit Ltd is in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

SBS TRANSIT LTD

(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199206653M)

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of the Company will be held at the Auditorium, ComfortDelGro Headquarters, 205 Braddell Road, Singapore 579701 on Thursday, 24 April 2014 at 10.00 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the Financial Year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a tax-exempt one-tier final dividend of 0.90 cents per ordinary share in respect of the Financial Year ended 31 December 2013. **(Resolution 2)**

3. To approve the payment of Directors' fees of $402,599 for the Financial Year ended 31 December 2013. (FY2012: $362,250). **(Resolution 3)**

4. To re-elect Mr John De Payva, a Director retiring pursuant to Article 97 of the Company's Articles of Association. **(Resolution 4)**

5. To re-elect Mr Wong Chin Huat, David, a Director retiring pursuant to Article 97 of the Company's Articles of Association. **(Resolution 5)**

6. To re-appoint Mr Chin Harn Tong as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 6)**

7. To re-appoint Mr Lim Jit Poh as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 7)**

8. To re-appoint Mr Cheong Yip Seng as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 8)**

9. To re-appoint Mr Kua Hong Pak as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 9)**

10. To note that Mr Tan Kong Eng will be retiring pursuant to Section 153(6) of the Companies Act, Cap. 50 and he will not be seeking re-appointment at this Annual General Meeting.

11. To re-appoint Messrs Deloitte & Touche LLP as Auditors and authorise the Directors to fix their remuneration. **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 6 May 2014 for the purposes of determining Shareholders' entitlements to the proposed tax-exempt one-tier final dividend of 0.90 cents per ordinary share for the Financial Year ended 31 December 2013.

Duly completed and stamped transfers received by the Company's Share Registrars, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on 5 May 2014 will be registered to determine Shareholders' entitlements to the final dividend. Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 5 May 2014 will be entitled to the proposed final dividend.

The final dividend, if approved by the Shareholders at the Twenty-First Annual General Meeting of the Company, will be paid on 12 May 2014.

By Order of the Board

Chan Wan Tak, Wendy
Company Secretary
Singapore
26 March 2014

Notes:
1. A member entitled to attend and vote at the Annual General Meeting may appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be lodged at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 48 hours before the time appointed for the Annual General Meeting.

ADDITIONAL INFORMATION ON ORDINARY BUSINESS

Mr Chin Harn Tong is a Member of the Audit and Risk Committee and is considered an independent Director of the Company. If re-appointed, Mr Chin Harn Tong will continue as a Member of the Audit and Risk Committee.

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SBS Transit Ltd

(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199206653M)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT
1. For investors who have used their CPF monies to buy SBS Transit Ltd shares, this Annual 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.
3. CPF investors who intend to exercise the voting rights attached to their SBS Transit Ltd shares purchased using their CPF monies are requested to contact their respective CPF Approved Nominees.

I/We ____________________ (Name) ____________________ (NRIC/Passport Number)

of ____ (Address)

being a member/members of SBS Transit Ltd (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholding (%) (Note 2)

and/or (delete as appropriate)

or failing him/them, the Chairman of the Annual General Meeting ("AGM"), as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the AGM of the Company to be held on Thursday, 24 April 2014 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the AGM.

NOTE: The Chairman of the AGM will be exercising his right under Article 67(a) of the Articles of Association of the Company to demand a poll in respect of the Resolutions to be put on the vote of the members at the AGM and at any adjournment thereof. Accordingly, such Resolutions at the AGM will be voted on by way of poll.

No.	Resolutions	No. of Votes For*	No. of Votes Against*
1.	Adoption of Directors' Report and Audited Financial Statements		
2.	Declaration of Final Dividend		
3.	Approval of Directors' Fees		
4.	Re-election of Mr John De Payva, as Director		
5.	Re-election of Mr Wong Chin Huat, David, as Director		
6.	Re-appointment of Mr Chin Harn Tong as Director		
7.	Re-appointment of Mr Lim Jit Poh as Director		
8.	Re-appointment of Mr Cheong Yip Seng as Director		
9.	Re-appointment of Mr Kua Hong Pak as Director		
10.	Re-appointment of Auditors and authorising Directors to fix their remuneration		

* If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (√) within the box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant Resolution, please indicate the number of shares in the boxes provided.

Dated this __________ day of __________ 2014

Total Number of Shares Held (Note 4)

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Should a member wish to receive acknowledgement of receipt of the Proxy Form from the Company, please provide your email address and/or mobile phone number.

Email Address: ____________________ Mobile Phone No. ____________________

NOTES

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Annual General Meeting.

4. 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, Cap. 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 and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 48 hours before the time set for the Annual General Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject the 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 Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Fold along this line

Affix postage stamp

Glue all sides firmly. Stapling and spot sealing are disallowed.

THE COMPANY SECRETARY
SBS Transit Ltd
205 Braddell Road
Singapore 579701

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Company Registration No. 199206653M